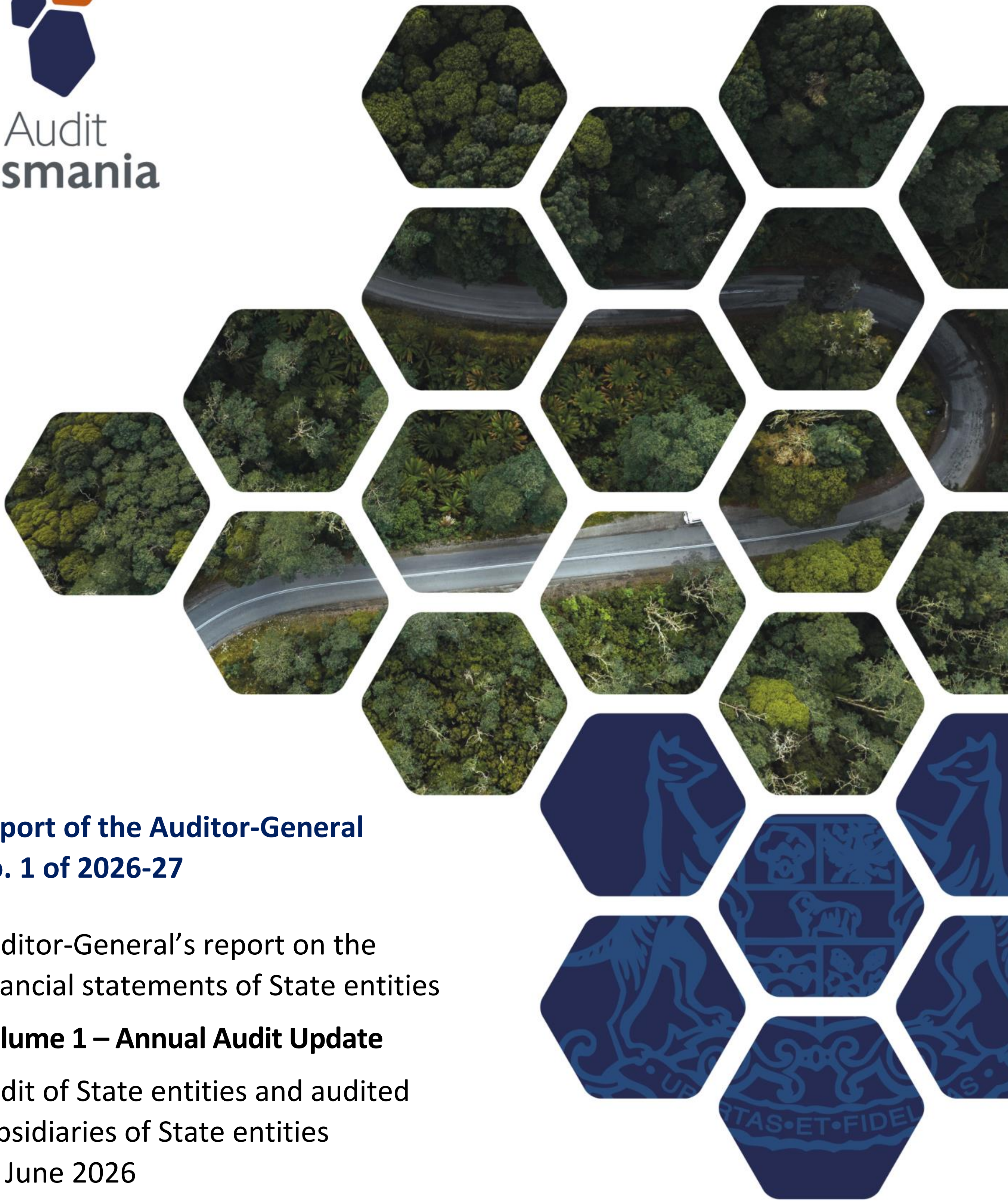
Audit Tasmania



Report of the Auditor-General
No. 1 of 2026-27

Auditor-General’s report on the financial statements of State entities

Volume 1 – Annual Audit Update

Audit of State entities and audited subsidiaries of State entities
30 June 2026

12 August 2026

25 November 2026
marks 200 years of auditing for a better Tasmania

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Foreword

This report focuses on the outcomes of all of Audit Tasmania's audit activity to assess the adequacy of the internal control structures of State entities. This activity occurs in both our financial and performance audits units. An effective internal control structure underpins the integrity and accuracy of financial data, it also assists in ensuring compliance and delivery of objectives in an efficient, effective and economical manner.

Our audits continue to identify recurring weaknesses in core control disciplines. These issues have been reported repeatedly over several years and should no longer be regarded as emerging challenges. They are known risks requiring sustained management attention. This includes matters on cyber and information technology, however due to the sensitive nature of these findings, details have purposefully been kept to a minimum in our report to avoid publicly identifying any security vulnerabilities.

During 2025-26, entities resolved 161 audit findings. While this reflects ongoing efforts to strengthen governance and control frameworks, it is the second lowest number of findings resolved since 2021. At the same time, we identified 227 new findings and 266 audit matters remained unresolved at 30 June 2026. These results indicate that, despite progress in some areas, many entities are slow to address control weaknesses and a significant number of audit findings have not been addressed.

We were particularly concerned by findings relating to procurement practices within the Department of Health. Our audit identified non-compliance with aspects of Treasurer's Instruction PF-3 Procurement Framework in relation to the engagement of ICT contractors. Compliance with established procurement requirements is not optional; it is fundamental to accountability, transparency and demonstrating value for money in the expenditure of public funds. While revised arrangements have now been agreed between the Department of Health and the Department of Treasury and Finance, we expect all entities to ensure procurement activities are undertaken in accordance with the requirements of the Treasurer's Instructions.

This report also provides an overview of the outcomes of our audits conducted for the year ended 31 December 2025. The most significant of these being the University of Tasmania. In the year ended 31 December 2025 the University improved its result from core activities by $19.80 million. This result recorded through a period of continued challenges in the external and internal environments represents a significant improvement. The improved performance enabled the University to consolidate its relatively strong financial position at the end of the 2025 financial year.

The recurring nature of many findings in this report demonstrates that there remains considerable work to be done. Accountable authorities, boards, audit committees and management must continue to focus on timely implementation of agreed actions, strengthening control environments and ensuring public resources are managed effectively. The public sector's ability to maintain community confidence depends upon it.

Martin Thompson
Auditor-General

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2026 (No. 39)

2026
PARLIAMENT OF TASMANIA

Auditor-General's report on the financial statements of State entities, Volume 1 – Annual Audit Update 30 June 2026

12 August 2026

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

Acknowledgement of Country

We acknowledge Tasmanian Aboriginal people as the traditional owners of this Land, and pay respects to Elders past and present. We respect Tasmanian Aboriginal people, their culture and their rights as the first peoples of this Land. We recognise and value Aboriginal histories, knowledge and lived experiences and commit to being culturally inclusive and respectful in our working relationships with all Aboriginal people.

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ISSN: 1327 2608

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Executive summary

This report is 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. This report provides details of new findings and updates on what State entities have achieved in relation to previously raised findings.

This report provides Parliament with an overview of the key outcomes from Audit Tasmania's financial and performance audit activity for the 2025-26 year. It focuses on the effectiveness of governance, risk management and internal control arrangements across State entities, the status of audit findings and recommendations, and progress made by entities in addressing previously identified weaknesses. It also includes outcomes from audits of entities with a 31 December 2025 reporting date, most notably the University of Tasmania.

Key messages

While many entities continue to strengthen their governance and control frameworks, the results of our audits indicate that significant control weaknesses remain across the Tasmanian public sector. Many findings identified in previous years remain unresolved, and several recurring themes continue to emerge across agencies and sectors. These include weaknesses in cyber and information technology controls, documentation of policies and procedures, asset management practices, payroll and related party controls, and review and approval processes.

During 2025-26, Audit Tasmania identified 227 new audit findings and entities resolved 161 findings. At 30 June 2026, 266 audit findings remained unresolved. While the number of unresolved matters has reduced from peak levels observed in recent years, these results indicate that entities are not resolving findings as quickly as new issues are being identified.

Internal control matters continue to dominate the audit findings landscape, accounting for approximately 71% of all unresolved and resolved findings. Financial reporting matters represented 20%, performance audit recommendations 8% and compliance findings 1%.

Audit findings and emerging themes

Cyber and information technology controls remain the most significant area of concern, with 68 new findings identified during the year. Due to the sensitive nature of these matters, detailed findings are not publicly reported. However, the volume of issues identified demonstrates that many entities continue to face challenges in managing information security and technology risks.

Other commonly identified issues included:

- inadequate or outdated policies and procedures
- poor quality asset management information and controls

- weaknesses in payroll, onboarding and offboarding processes
- deficiencies in review and approval controls
- incomplete risk assessments and control documentation.

Several entities also continue to have findings that have remained unresolved for more than three years, demonstrating the need for stronger accountability and timelier implementation of agreed actions.

Performance audit recommendations

Audit Tasmania continues to monitor progress in implementing recommendations arising from performance audits. While a number of recommendations were resolved during the year, several significant recommendations remain outstanding across a range of entities. These include recommendations relating to shared services arrangements, strategic procurement, community service organisation funding, oral health services, educational outcomes, and youth detention administration.

Procurement review

Following a referral from the Parliamentary Standing Committee of Public Accounts, Audit Tasmania undertook a review of the Department of Health's procurement of aeromedical retrieval services. The review concluded that the procurement process, including the award of a 12-year contract valued at approximately $354 million, was conducted in all material respects in accordance with the applicable Treasurer's Instructions. No material breaches or significant instances of non-compliance were identified.

Separate audit work identified procurement compliance concerns relating to the engagement of ICT contractors within the Department of Health. Audit findings identified instances of non-compliance with Treasurer's Instruction PF-3 Procurement Framework. Revised arrangements were approved during July 2026 and implementation will be monitored through future audits.

University of Tasmania

The University of Tasmania reported a statutory net loss of $22.93 million for the year ended 31 December 2025, largely due to the impairment of a franking credit receivable. Despite this result, the University's underlying position improved. The deficit from core activities improved by $19.80 million, reducing from $47.49 million in 2024 to $27.70 million in 2025. The University also maintained a strong balance sheet, reporting net assets of $1.35 billion and cash and liquid investments of $56.85 million.

Other outcomes

Audit Tasmania received 68 referrals during 2025-26, double the number received in the previous year. One referral resulted in a report to Parliament during the period.

The Auditor-General dispensed with the audits of three entities for the year ended 31 December 2025 where statutory criteria were met.

Responses received

There were 3 responses received relating to this Report and they can be found in Appendix 3. The auditees which provided a response were:

- Department for Education, Children and Young People
- Department of Premier and Cabinet
- Department of State Growth.

Conclusion

The results of our audits demonstrate that, while entities continue to make progress in addressing weaknesses identified through audit activity, the pace of improvement remains inconsistent. The persistence of longstanding findings and the volume of new audit matters identified indicate that many control weaknesses remain embedded across the public sector.

Accountable authorities, boards, audit committees and management should continue to focus on strengthening control environments, addressing unresolved findings in a timely manner and ensuring that public resources are managed effectively, efficiently and in accordance with legislative and policy requirements. Sustained attention to these matters will be critical to maintaining public confidence in the administration of the Tasmanian public sector.

Introduction

This report fulfils the Auditor-General's obligation to, on or before 31 December in each year, report to Parliament in writing on the audit of State entities and audited subsidiaries in respect of the preceding financial year.

This report is the first of 4 volumes reporting on our audits for the years ended 31 December 2025 and 30 June 2026. This volume reports on the audit findings related to the control frameworks of State entities and progress by management in relation to prior year findings from our financial audits as well as progress against implementation of our performance audit recommendations and other investigations. This volume also includes the results for entities whose financial year ended 31 December 2025.

Volume 2 will report on the status of financial statements audits and provides analysis and commentary on State entities and audited subsidiaries in the Public Financial and Public Non-Financial Corporations sector.

Volume 3 will report on the status of financial statements audits and provides analysis and commentary on State entities and audited subsidiaries in the General Government Sector and other uncategorised State entities and audited subsidiaries.

Volume 4 will report on the status of financial statements audits and provides analysis and commentary on State entities and audited subsidiaries in the Local Government Sector.

Controls matter

Controls can be many things, however all controls share one characteristic, when working effectively they will prevent things going wrong or, alternatively, detect that something has gone wrong in a timely manner. Controls ensure accuracy, integrity, and accountability in financial transactions. They help prevent errors, fraud, and unauthorised access, while safeguarding assets and supporting compliance. Strong internal controls enhance decision-making by providing reliable financial data. Ultimately, they create a transparent and well-managed financial environment that supports State entities in meeting their objectives.

Controls need to be tailored to address the risks specific to an agency’s operations while often there will be commonality of controls across State entities and activities, new or unique operations are likely to create new or unique risks that will need to be matched with appropriate controls.

Examples of common controls include:

- **Segregation of duties** – Different individuals handle initiation, approval, and recording of transactions to prevent fraud and errors.
- **Authorisation and approval processes** – Transactions require review and sign-off by designated personnel before being executed.
- **Access controls** – Limits who can view, modify, or input financial data using passwords, roles, and permissions.

- **Reconciliations** – Regular comparison of financial records with bank statements and other sources to identify discrepancies.
- **Document trails** – Maintains detailed logs of who performed each transaction and when, ensuring traceability.
- **Timely management reporting** – Regular reporting of performance against expectations (budgets), which is comprehensive and appropriately reviews will identify unexpected trends and outcomes in a timely manner to allow for investigation and remediation.
- **Review and monitoring** – Ongoing oversight by managers or internal audit teams to spot irregularities and ensure compliance.
- **System controls** – Automated rules in accounting software that flag anomalies, enforce data validation, and prevent duplication.

How do we arrive at our findings

Our financial statement audits progress through 3 critical stages: audit planning and risk identification, audit execution of procedures addressing risks, and reporting. Each plays a distinct role in ensuring the audit's effectiveness and integrity. As part of our continuing and timely communication, these phases result in reports to State entities and to the Parliament. To ensure our reporting is comprehensive and considers all matters raised through the breadth of our audit activities, we included matters raised in our performance audits within these reports as appropriate.

Audit phase	Activity and reporting
Planning	**Activity** This phase lays the foundation. We assess the State entities business environment, risks, internal controls, and financial reporting processes. By understanding key areas of concern and setting audit objectives, we can design tailored procedures to focus effort where material misstatements are most likely. Planning ensures the audit is efficient, risk-focused, and compliant with regulations.
	Reporting to those charged with governance[1] – Audit Strategy Document The Audit Strategy Document (ASD) communicates our risk assessment in relation to the audit of the financial report and our planned approach. The ASD is also used to communicate key milestones and performance expectations between Audit Tasmania and State entities.
	Reporting to the Parliament No direct report from the planning phase.

[1] Those charged with governance include Accountable Authorities, Chief Executive Officers, Board Members, Audit Committee Members and General Managers.

Audit phase	Activity and reporting
Execution	**Activity** Conducted before year-end, the interim audit involves testing internal controls and reviewing transactions up to a certain point. It helps identify weaknesses early, allowing our team to suggest improvements before final reporting. This stage also reduces the workload at year-end and flags issues that may require deeper investigation later.
	Reporting to those charged with governance – Annual Audit Outcomes Report The Annual Audit Outcomes Report (AAOR) communicates the results of the interim phase of our audit, typically identifying weaknesses in internal control and recommendations for improvement. The AAOR is also used to provide updates on actions taken in relation to previously raised matters, across both our performance and financial audit activity.
	Reporting to the Parliament AGR Vol 1, Annual Audit Update The AGR Vol 1, Annual Audit Update communicates to the Parliament insights into the outcomes of our financial and performance audit activity. The report identifies and discusses common issues and their impacts. The report also provides an update on the overall and agency by agency implementation of recommendations raised in all our previous reports.
Reporting	**Activity** At year-end, we verify account balances, disclosures, and adjustments. We perform substantive procedures and evaluate any remaining risks. This final stage culminates in an audit opinion – confirming whether the financial statements are free from material misstatement and fairly presented in accordance with accounting standards.
	Reporting to those charged with governance ***Audit Report (including opinion)*** The Audit Report provides our opinion on the financial report prepared by State entities. It concludes as to whether we have obtained reasonable assurance that the financial report is free of material misstatement. The Audit Report must be included with the Financial Report when it is published (online or in hard copy). ***Report to those charged with governance*** This report expands upon the Audit Report and provides conclusions against the matters detailed in the ASD. The report also communicates other matters noted during the audit that are relevant to those charged with governance. ***Final Audit Outcomes Report*** If additional matters are identified at the final audit phase, that lead to recommendations for change, these are communicated in a Final Audit Outcomes Report (FAOR). The recommendations, and managements agreed actions will be followed up in subsequent periods, with updates communicated through the AAOR.

Audit phase	Activity and reporting
	Reporting to the Parliament AGR Vols 2, 3 & 4, Results of Financial Statement Audits (PFC & PNFC, General Government Sector, and Local Government Sector) AGR Vols 2, 3 & 4 communicate to the Parliament the outcomes of our final audit phase. Like AGR 1, the report identifies and discusses common issues and their impacts, however these reports focus on matters related to the preparation of the financial reports, the financial performance and the financial position of State entities. To assist in timely reporting and alignment of like sectors, State entities are grouped within 3 sectors.

Artificial Intelligence (AI)

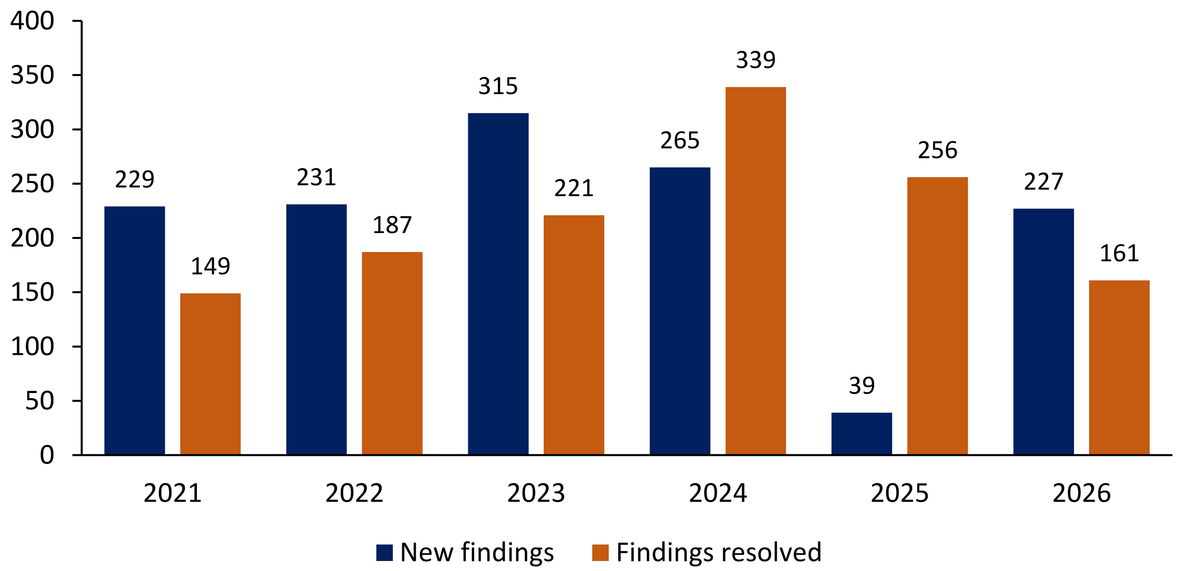
Certain audits, reviews, or assurance activities that contributed information to this report have utilised AI-enabled tools to support evidence gathering, data analysis, or administrative activities. Any such use occurred within the scope of the applicable audit methodology, governance framework, and quality control procedures. All findings presented in this report have been reviewed and accepted through the relevant audit and management oversight processes.

Audit Matters

New and resolved findings

A total of 227 new audit findings were identified in 2025-26. Historically, we have identified 220 to 315 new findings each financial year as depicted in Figure 1, only 39 findings in 2025 due to the change in timing of reporting our findings. In 2025-26, there were only 161 findings resolved, the second lowest since 2021 where there were just 149 findings marked as resolved.

Figure 1: New and resolved findings between 2021 and 2026

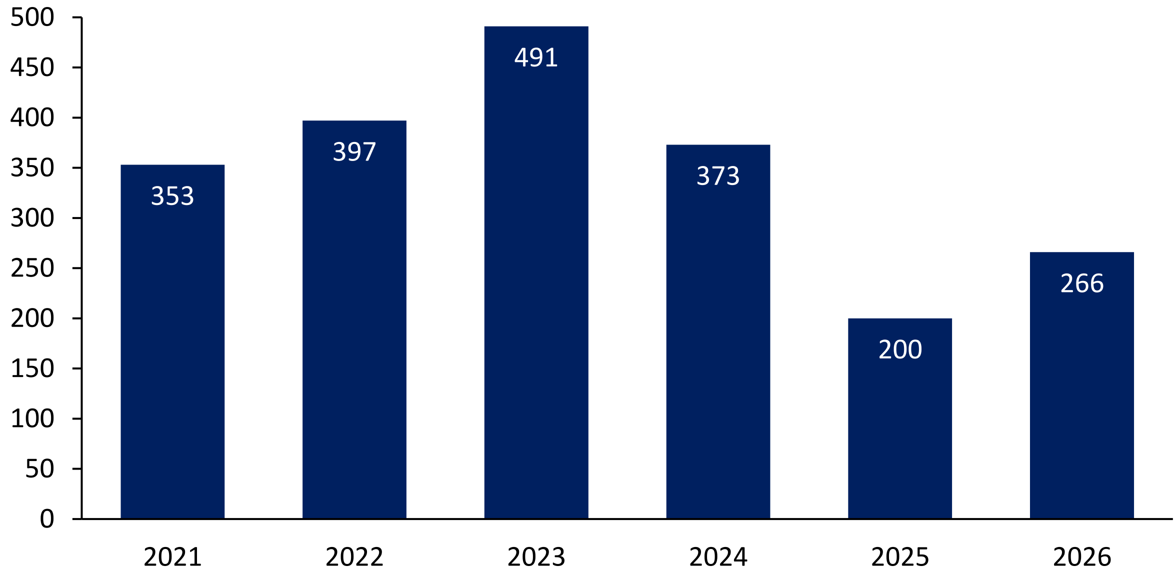


Unresolved findings

The previous Figure highlighted a trend of an increase in the number of findings identified from 2021 through to 2023. This is also reflected in Figure 2 below which shows the number of unresolved findings at the end of each financial year. The peak was in 2023 with a total of 491 findings that were unresolved. Pleasingly, Figure 2 highlights that management have continued to address a significant number of audit matters each year. Where a finding has multiple recommendations, the finding will remain open and be carried forward until all recommendations have been fully implemented. Consequently, a finding may be carried forward even where several associated recommendations have been completed.

Additionally, management may consider a finding (or aspects of a finding) as resolved, however some findings may be subject to audit verification and therefore classified as unresolved in this report.

Figure 2: Number of unresolved findings at the end of each financial year



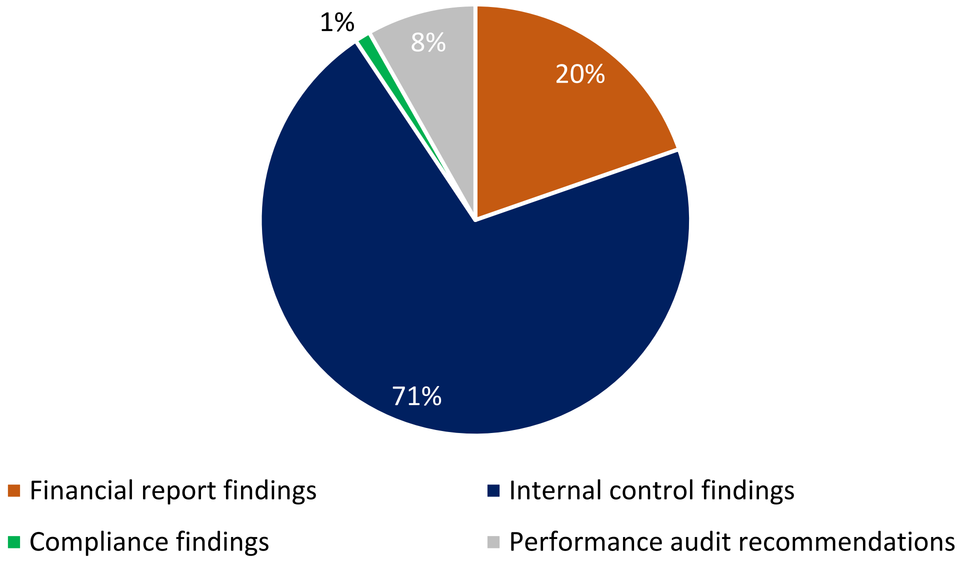
Audit findings by category

Audit Tasmania classifies audit matters into 1 of 4 categories, being:

- Internal control findings
- Financial report findings
- Compliance findings
- Performance audit matters.

The figure below highlights that of all the resolved and unresolved findings for 2025-26, 71% of them relate to internal control findings, with 20% relating to financial report findings, 8% relating to performance audit recommendations and 1% relating to compliance findings.

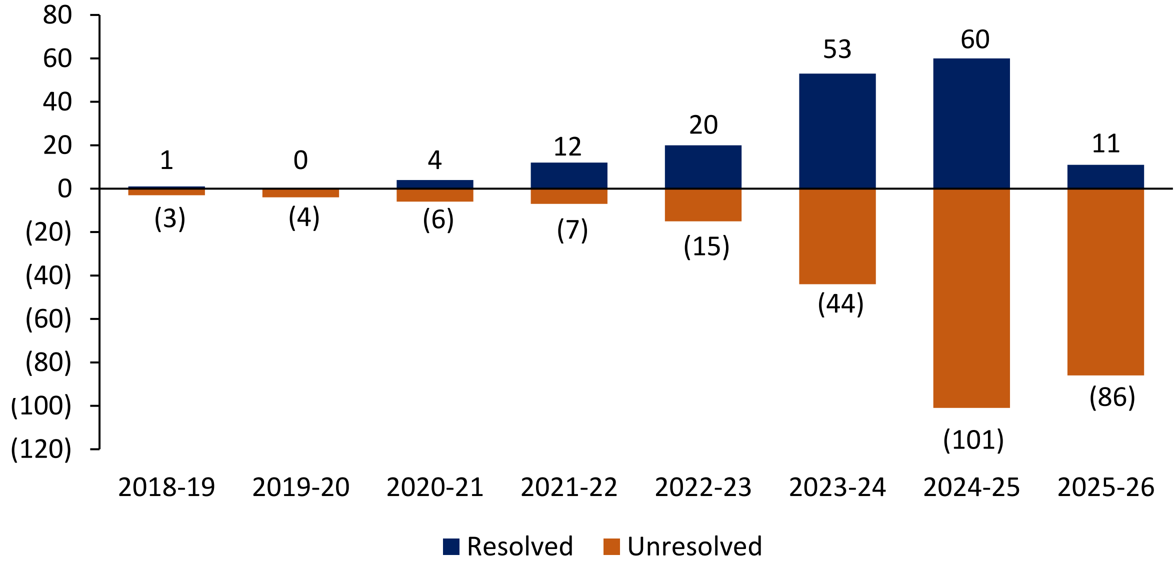
Figure 3: Percentage of audit findings by category at the completion of 2025–26 interim audits



Timeliness in resolving audit matters

During 2025-26, there were 161 audit matters resolved and 266 audit matters unresolved. Figure 4 highlights for both resolved and unresolved audit matters, the financial year that they were first identified. This Figure helps to highlight that there were audit matters dating back to 2018-19 which were only addressed in 2025-26. All 3 unresolved matters from 2018-19 relate to the Department of Justice. The Department of Justice also has 2 unresolved matters from 2019-20.

Figure 4: Number of resolved and unresolved audit matters by period first identified by Audit Tasmania



The internal control structure

A strong internal control structure is critical to ensuring the integrity of financial systems and the reliability of the reporting that is generated from them. The internal control structure is built on 5 interrelated components as outlined in the COSO framework: the control environment, risk assessment, control activities, information and communication, and monitoring activities.

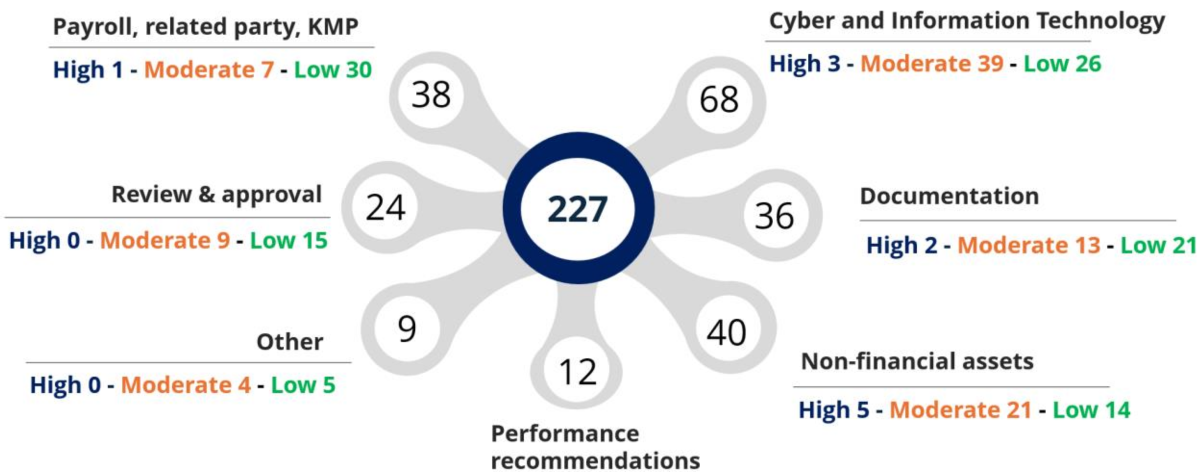
The control environment sets the tone at the top and influences the control consciousness of an entity. Risk assessment involves identifying and analysing risks that may affect the achievement of objectives, forming a basis for determining how those risks should be managed. Control activities are the policies and procedures that help ensure management directives are carried out. Information and communication systems support the identification, capture and exchange of information in a form and timeframe that enables people to carry out their responsibilities. Monitoring activities involves ongoing evaluations to assess the effectiveness of internal controls over time.

The extent to which we rely on each State entities' internal control structure is contingent on both our risk assessment processes and the results of our testing. When matters are identified through either our risk assessment or testing processes that identify weaknesses or deficiencies in the internal control structure, these are reported to the entity along with a recommendation for improvement. The following information provides an overview of current matters that entities are working to address.

Common themes

Figure 1 highlighted that as at 30 June 2026, there were 227 new audit matters identified in 2025-26. Figure 5 below categorises these 227 audit matters into 7 categories, and highlights the number of high, moderate and low rated findings within each category.

Figure 5: Categorisation of audit matters



Key themes within these categories have been delved into further below.

Cyber and Information Technology

Our audits continue to identify a significant number of uncontrolled or poorly controlled risks in this area. In the current year, 68 new findings relating to cyber and information technology were identified. To avoid exposure of potential security weaknesses, details of these matters are excluded from our Report. Each of these findings was communicated, in detail, to the responsible State entity and we will continue to monitor and assess the adequacy of actions to address these matters.

Documentation

Audit matters relating to documentation included:

- lacking or incomplete documentation of financial procedures and key control activities
- lacking or incomplete documentation identifying and assessing business risks relevant to financial reporting objectives
- outdated policies and/or procedures
- Service Level Agreement not in place or has lapsed.

Non-financial assets / property, plant and equipment

Audit matters relating to non-financial assets included:

- poor management and quality of underlying asset data
- absent or inconsistent asset capitalisation policy
- lack of formal review of valuer's assessment
- incorrect presentation of work-in-progress
- lack of periodic review of work-in-progress.

Payroll, related party and Key Management Personnel

Audit matters relating to payroll, related parties and Key Management Personnel included:

- not having required related party declarations
- absence of, lack of review or timely review of onboarding and offboarding checklists
- lack of or inappropriate segregation of duties.

Review and approval

Audit matters relating to review and approval included:

- lack of review or timely review of monthly reconciliations
- absence of review or evidence of review of manual journals
- approval outside of delegations.

Performance audits

Status of outstanding Performance Audit recommendations, excluding those Reports which were tabled in 2025-26.

State Entity	Report	Applicable recommendations	Status
Burnie City Council	No. 2 of 2021-22: Council general manager recruitment, appointment and performance assessment	1. Councillors with limited recruitment or performance assessment experience involved in such activities either undertake relevant training to improve their knowledge on contemporary HR practice or be supported by a person with the required expertise to help them fulfil their obligations under the Act.	Resolved
		3. Councils review and, where appropriate, improve the performance assessment process.	Resolved
	No. 3 of 2022-23: Strategic procurement in local government	1. Document how procurement-related activities support the achievement of strategic goals and objectives. 2. Ensure staff carrying out procurement are provided with regular procurement related training. 3. Develop processes to monitor and review the value derived from procurement activities, including the establishment of performance targets and measures.	Unresolved
Circular Head Council	No. 2 of 2021-22: Council general manager recruitment, appointment and performance assessment	1. Councillors with limited recruitment or performance assessment experience involved in such activities either undertake relevant training to improve their knowledge on contemporary HR practice or be supported by a person with the required expertise to help them fulfil their obligations under the Act.	Resolved
		3. Councils review and, where appropriate, improve the performance assessment process.	Resolved
Central Highlands Council	No. 2 of 2021-22: Council general manager recruitment, appointment and performance assessment	3. Councils review and, where appropriate, improve the performance assessment process.	Resolved

State Entity	Report	Applicable recommendations	Status
	No. 3 of 2023-24: Private works undertaken by councils	1. Councils that undertake or may undertake private works establish private works policies. 2. Councils implement appropriate controls to ensure compliance with private works policy requirements. 3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection. 4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly documenting their reasoning as to whether private works is a significant business activity.	Resolved
Derwent Valley Council	No. 3 of 2023-24: Private works undertaken by councils	1. Councils that undertake or may undertake private works establish private works policies. 2. Councils implement appropriate controls to ensure compliance with private works policy requirements. 3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection. 4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly documenting their reasoning as to whether private works is a significant business activity.	Resolved
Department for Education, Children and Young People (DECYP)	No. 1 of 2024-25: Alignment of the duration of custodial stays at Ashley Youth Detention Centre with related sentencing orders	We recommend that DECYP: 1. as matter of priority, updates policies, procedures and guidance that relate to the admission and release of young people 2. establish transparent and accessible controls for recording each actual release date of a young person from detention 3. removes or minimises the need for manual data entry and establishes appropriate access controls and audit logs in the system that replaces the current system 4. stores all sentencing orders electronically in an appropriate records management system 5. regularly monitors and reports publicly on the alignment of youth detention custodial stays with sentencing orders.	Resolved Items 2, 3 and 4 have been completed Unresolved Item 1 (due 2028 in line with relevant Commission of Inquiry implementation work) Item 5 ongoing

State Entity	Report	Applicable recommendations	Status
	No. 10 of 2024-25: Effectiveness of shared services arrangements in the General Government Sector	4. Conduct initial capacity assessments to ensure providers can meet service demands, and reassess capacity regularly, especially after significant operational or strategic changes. 5. Improve performance review and feedback processes by agreeing structured performance measurement mechanisms, including Key Performance Indicators (KPIs) aligned with strategic objectives; conducting regular performance reviews; and establishing formal feedback mechanisms. 6. Implement thorough financial monitoring to evaluate both direct and indirect costs of services. Ensure that service costs reflect actual value over time and adjust pricing models as needed. 7. Improve risk management by identifying risks unique to shared services arrangements and establishing accountability for managing these risks; developing processes for identifying risks when changes impact shared services arrangements; developing processes for monitoring changes in risk and the effectiveness of risk management strategies.	Unresolved However, note that TasTAFE are exiting arrangements during 2026-27 and remaining agreements are being reviewed annually
	No. 1 of 2022-23: Improving outcomes for Tasmanian senior secondary students	1. Ensure project initiation planning is undertaken as a first step in the implementation of reforms. 2. Undertake communication planning to define key terminology, develop key messages and support a shared understanding of the project and its intended outputs and outcomes. 3. Support the resourcing of project teams, including people with project management experience and/or expertise. 4. Ensure its project management approach includes clear responsibilities and accountabilities down to the project task level. 5. Regularly report implementation progress towards benefits to be realised from projects to the appropriate oversight body against performance measures established from project commencement.	Resolved Items 1-4 have been completed Unresolved Item 5 implemented but still in process of being embedded

<table>
<tr><th>State Entity</th><th>Report</th><th>Applicable recommendations</th><th>Status</th></tr>
<tr><td rowspan="2">Environment Protection Authority</td><td rowspan="2">No. 10 of 2024-25: Effectiveness of shared services arrangements in the General Government Sector</td><td>We recommend management should work collaboratively with NRE Tas to:
Strengthen performance monitoring by setting KPIs, conducting reviews, and gathering structured feedback.
Monitor both direct and indirect service costs and adjust pricing models as needed.
Identify and manage risks specific to shared services, with clear responsibilities and review processes.</td><td>Unresolved</td></tr>
<tr><td>5. Improve performance review and feedback processes by agreeing structured performance measurement mechanisms, including KPIs aligned with strategic objectives; conducting regular performance reviews; and establishing formal feedback mechanisms.
6. Implement thorough financial monitoring to evaluate both direct and indirect costs of services. Ensure that service costs reflect actual value over time and adjust pricing models as needed.
7. Improve risk management by identifying risks unique to shared services arrangements and establishing accountability for managing these risks; developing processes for identifying risks when changes impact shared services arrangements; developing processes for monitoring changes in risk and the effectiveness of risk management strategies.</td><td>Unresolved</td></tr>
<tr><td>Hobart City Council</td><td>No. 3 of 2023-24: Private works undertaken by councils</td><td>1. Councils that undertake or may undertake private works establish private works policies.
2. Councils implement appropriate controls to ensure compliance with private works policy requirements.
3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection.
4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly documenting their reasoning as to whether private works is a significant business activity.</td><td>Resolved</td></tr>
</table>

State Entity	Report	Applicable recommendations	Status
	No. 3 of 2022-23: Strategic procurement in local government	1. Document how procurement-related activities support the achievement of strategic goals and objectives. 2. Ensure staff carrying out procurement are provided with regular procurement related training. 3. Develop processes to monitor and review the value derived from procurement activities, including the establishment of performance targets and measures.	Unresolved
Department of Health (Health)	No. 9 of 2024-25: Department of Health's funding of community service organisations	We recommend that 1. the executive of Health identifies and addresses cultural and structural issues that have prevented it from responding to previous internal and external recommendations to improve its management of funding arrangements. 2. Health develops and implements a strategic approach and framework for commissioning community service organisations, and associated controls to support its implementation.	Unresolved
	No. 5 of 2023-24: Access to oral health services	We recommend Oral Health Services Tasmania: 1. Investigate ways to increase funding for early intervention and preventative activity to help reduce demand for treatment. 2. Develop and implement a targeted engagement strategy that outlines how it will work with partners on oral health early intervention and preventative programs. 3. Periodically review the value and effectiveness of programs that are delivered by other dental care providers and funded by the Tasmanian Government. 4. Work with Hospitals and Primary Care division within Health to improve the management and sharing of categorisation data for clients requiring treatment under general anaesthetic.	Unresolved
Kingborough Council	No. 3 of 2023-24: Private works undertaken by councils	1. Councils that undertake or may undertake private works establish private works policies. 2. Councils implement appropriate controls to ensure compliance with private works policy	Resolved

State Entity	Report	Applicable recommendations	Status
		requirements. 3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection. 4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly documenting their reasoning as to whether private works is a significant business activity.	
Launceston City Council	No. 2 of 2021-22: Council general manager recruitment, appointment and performance assessment	This audit made recommendations to councils directly involved in the audit in relation to the following matters: 1. Councillors with limited recruitment or performance assessment experience involved in such activities either undertake relevant training to improve their knowledge on contemporary HR practice or be supported by a person with the required expertise to help them fulfil their obligations under the Act. 2. Councils review and, where appropriate, improve the recruitment and appointment process. 3. Councils review and, where appropriate, improve the performance assessment process. 4. Council review and improve the recruitment and appointment process by developing guidance and implementing a process whereby those involved in a recruitment process declare conflicts of interest, or lack thereof, once applicants are known, and implement management strategies that are commensurate with the nature and extent of the conflict of interest.	Resolved
	No. 3 of 2023-24: Private works undertaken by councils	1. Councils that undertake or may undertake private works establish private works policies. 2. Councils implement appropriate controls to ensure compliance with private works policy requirements. 3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection. 4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly	Unresolved

State Entity	Report	Applicable recommendations	Status
		documenting their reasoning as to whether private works is a significant business activity.	
	No. 3 of 2022-23: Strategic procurement in local government	1. Document how procurement-related activities support the achievement of strategic goals and objectives. 2. Ensure staff carrying out procurement are provided with regular procurement related training. 3. Develop processes to monitor and review the value derived from procurement activities, including the establishment of performance targets and measures.	Unresolved
Department of Natural Resources and Environment Tasmania (NRE Tas)	No. 10 of 2024-25: Effectiveness of shared services arrangements in the General Government Sector	4. Conduct initial capacity assessments to ensure providers can meet service demands, and reassess capacity regularly, especially after significant operational or strategic changes. 5. Improve performance review and feedback processes by agreeing structured performance measurement mechanisms, including KPIs aligned with strategic objectives; conducting regular performance reviews; and establishing formal feedback mechanisms. 6. Implement thorough financial monitoring to evaluate both direct and indirect costs of services. Ensure that service costs reflect actual value over time and adjust pricing models as needed. 7. Improve risk management by identifying risks unique to shared services arrangements and establishing accountability for managing these risks; developing processes for identifying risks when changes impact shared services arrangements; developing processes for monitoring changes in risk and the effectiveness of risk management strategies.	Unresolved
Department of Premier and Cabinet (DPAC)	No. 10 of 2024-25: Effectiveness of shared services arrangements in the General Government Sector	1. DPAC develop a strategy to achieve standardised, high volume administrative services that are more effective, efficient and economic. The strategy should include a definition of shared services to ensure arrangements are consistent. 2. DPAC create comprehensive whole-of-government guidelines for both providers and recipients on the establishment and	Unresolved

State Entity	Report	Applicable recommendations	Status
		management of shared service arrangements, which define roles, responsibilities, risk management, reporting protocols and performance measures. 3. DPAC require regular reports on the effectiveness, efficiency, and economy of arrangements from service providers to ensure the whole-of government strategy and guidelines are fit-for purpose.	
	No. 11 of 2025-26 Management of gifts, benefits and hospitality in the General Government Sector	4. This report noted that the DPAC released a revised whole of government Policy in November 2025. The release of the policy fell outside period that our audit reviewed. However initial work completed in relation to the follow up of this audit identified that at the end of June 2026, all 8 Departments had yet to comply with the revised disclosure requirements of the new policy. As part of our ongoing follow up we will assess the adequacy of activities to ensure compliance by State Entities.	Unresolved
TasTAFE	No. 10 of 2024-25: Effectiveness of shared services arrangements in the General Government Sector	5. Improve performance review and feedback processes by agreeing structured performance measurement mechanisms, including KPIs aligned with strategic objectives; conducting regular performance reviews; and establishing formal feedback mechanisms. 6. Implement thorough financial monitoring to evaluate both direct and indirect costs of services. Ensure that service costs reflect actual value over time and adjust pricing models as needed. 7. Improve risk management by identifying risks unique to shared services arrangements and establishing accountability for managing these risks; developing processes for identifying risks when changes impact shared services arrangements; developing processes for monitoring changes in risk and the effectiveness of risk management strategies.	Unresolved

State Entity	Report	Applicable recommendations	Status
Department of Treasury and Finance (Treasury)	No. 6 of 2023-24: Management of major office accommodation	1. Treasury adopt a strategic whole-of-government approach for managing major office accommodation. 2. Treasury use and analyse utilisation data to inform strategic planning to facilitate efficient management and use of major office accommodation.	Resolved
West Coast Council	No. 3 of 2023-24: Private works undertaken by councils	1. Councils that undertake or may undertake private works establish private works policies. 2. Councils implement appropriate controls to ensure compliance with private works policy requirements. 3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection. 4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly documenting their reasoning as to whether private works is a significant business activity.	Unresolved
West Tamar Council	No. 3 of 2023-24: Private works undertaken by councils	1. Councils that undertake or may undertake private works establish private works policies. 2. Councils implement appropriate controls to ensure compliance with private works policy requirements. 3. Councils that undertake or may undertake private works establish a list of fees and charges and make these available for public inspection. 4. Councils apply the Competitive Neutrality Policy and associated guidance to their private works activities. This includes regularly documenting their reasoning as to whether private works is a significant business activity.	Resolved
Waratah-Wynyard Council	No. 3 of 2022-23: Strategic procurement in local government	1. Document how procurement-related activities support the achievement of strategic goals and objectives. 2. Ensure staff carrying out procurement are provided with regular procurement related training. 3. Develop processes to monitor and review the value derived from procurement activities, including the establishment of performance targets and measures.	Unresolved

Referrals

From time to time, Members of Parliament, accountable authorities of State Entities, elected officials, or members of the Tasmanian community refer matters to us for consideration or further investigation.

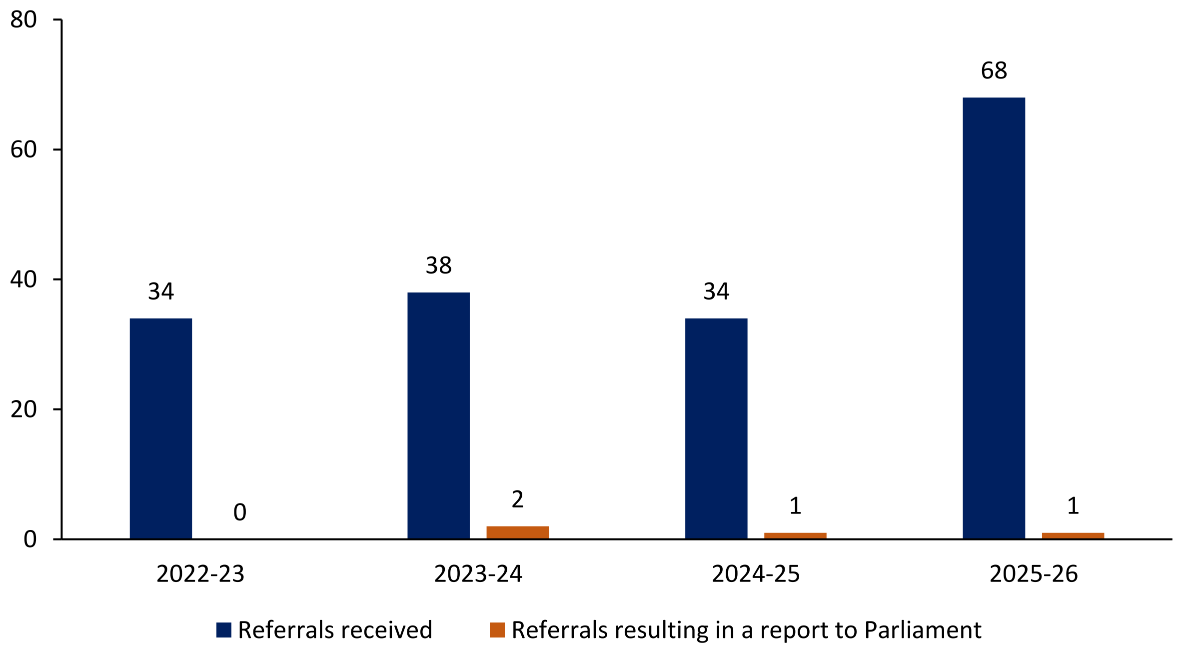
We comprehensively assess all referrals received to enable us to choose which issues to investigate. If the Auditor-General does decide to undertake an investigation, we are obliged to report to Parliament rather than the person who has made the referral.

We received a total of 68 referrals in 2025-26, an increase from 34 received in 2024-25. Of these, 1 resulted in an investigation, the Aeromedical retrieval procurement review, which is included in this report.

Previous referrals which resulted in an investigation include:

- 2 referrals received in 2023-24 led to reports tabled in Parliament:
  - Report of the Auditor-General No. 1 of 2024-25: Alignment of the duration of custodial stays at Ashley Youth Detention Centre with related sentencing orders
  - Report of the Auditor-General No. 2 of 2024-25: Tasmanian Community Fund referendum support and assessment of grant funding to Australians for Indigenous Constitutional Recognition Ltd
- 1 referral received in 2024-25 led to a report tabled in Parliament being:
  - Report of the Auditor-General No. 3 of 2025-26: Proposed sale of Wilkinsons Point land.

Figure 6: Referrals



Special review – Aeromedical retrieval procurement

Introduction

Aeromedical retrieval procurement review

On 12 January 2026, the Department of Health (Health) awarded a 12-year contract worth $354.24 million to the successful tenderer for the provision of aeromedical and other services. This agreement replaced the previous contract with the previous service provider, which had delivered these services for approximately 25 years.

Health commenced the procurement process for this service on 3 February 2024, when the Request for Tender was released to the public. The tender attracted interest from multiple operators across Australia, with the successful tenderer ultimately assessed by Health as the preferred and suitable provider.

Audit Tasmania undertook a review of the procurement process following a referral from the Parliamentary Standing Committee of Public Accounts (PAC), which requested a review of the process be undertaken. The scope of this review was defined as assessing whether Health, as the initiating agency, complied with relevant Treasurer's Instructions relating to the Procurement Framework as well as the Procurement process. Compliance with these Instructions is governed by the requirements set out in the *Financial Management Act 2016*.

Report overview

What we expected

We expected Health to conduct the procurement process for the aeromedical retrieval services and associated contract preparation in accordance with the Treasurer's Instructions applicable at the time. This constituted the full scope of the compliance audit. This included, whether Health:

- undertook relevant processes
- adequately documented those processes
- appropriately authorised and documented key decisions to demonstrate compliance with the Treasurer's instructions.

What we did

The review covered the period from 3 February 2024 to 10 September 2025. We obtained and reviewed the following key documents:

- Request for tender documentation and all associated addendums to the original request.

- Evaluation report.
- Final executed contract.

We initially assessed these documents against the Treasurer’s Instructions for purchasing goods and services issued by the Department of Treasury and Finance (Treasury), as applicable during the tendering and contracting period, to confirm they broadly complied with those requirements.

To verify the accuracy of these documents, including the statements and attestations (particularly within the evaluation report), we obtained additional supporting documentation and assessed them against the Treasurer’s Instructions.

We reconciled key details in these documents with the published information for the procurement on the Tasmanian government tenders website.

Given the complexity, technical nature and scale of the procurement, we also assessed the composition of the evaluation panel to confirm that appropriate operational, technical, probity and legal expertise was included, either directly on the panel or engaged as required.

What we concluded

The procurement process undertaken by Health, from the initial public release of the tender documentation through to the execution of the final contractual agreement with the successful tenderer, has been conducted, in all material respects, in accordance with the requirements of the Treasurer’s Instructions.

Based on the evidence obtained, we did not identify any material breaches of the Treasurer’s Instructions, nor any instances of significant non-compliance in relation to the procurement process.

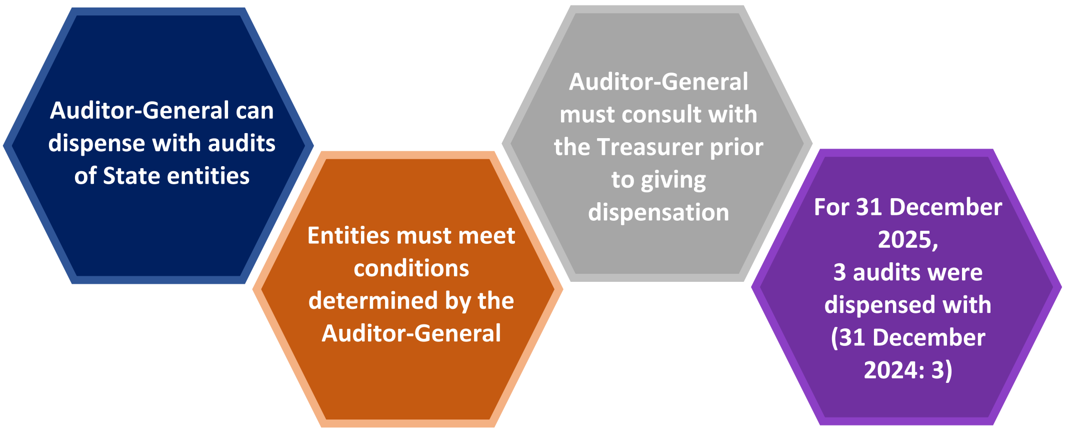
Audits dispensed with

The Auditor-General has discretion under section 18 of the Audit Act to dispense with all or any part of the audit of a particular State entity, if considered appropriate in the circumstances. The Auditor-General has determined dispensation from audit may be provided where 1 of the following conditions are met:

- The entity is controlled by another State entity and is included in the group audit of the controlling entity.
- The entity has not operated, and the accountable authority has provided evidence to support this assertion.
- Subject to any other condition that the Auditor-General may determine under section 18(2) of the Audit Act.

The audit dispensation process is illustrated in Figure 7.

Figure 7: Dispensation of audits process



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

Entities where the Auditor-General has dispensed with the audit are listed in Appendix 2.

Audit fees

Summary of audit fees for 2026 financial statement audits

A summary of audit fees for 2026 financial statement audits are summarised in Table 1. These fees exclude those charged for audits by arrangement.

Table 1: Fees for 2026 financial statement audits

Sector	$’000
General Government Sector entities	2,304
Public Financial Corporations and Public Non-Financial Corporations	2,345
Local Government entities	1,993
Other State entities	675
Total	**7,317**

Note: Negotiations with some State entities for additional audit fees had not been finalised as at 30 June 2026.

Basis for setting audit fees

The Audit Act requires our financial audits to be delivered on a cost recovery basis. To enable this, Audit Tasmania has developed a cost recovery model. The model identifies all direct and indirect costs incurred in the delivery of the audit services. This enables the development of an hourly charge rate for team members at different levels.

Individual audits are costed based on the level and extent of resources required to complete the audit. Matters which impact the level and extent of resources required include:

- size of operations
- complexity
- industry type
- past performance
- level of change.

Benchmarking our audit fees

Benchmarking our audit fees is an important aspect in demonstrating our efficiency. We perform a range of benchmarking exercises to give us the evidence we need.

External benchmarking

External benchmarking involves comparing our costs against our peers. We participate in annual macro benchmarking surveys with other public sector audit offices throughout Australia and disclose the results in our annual report.

We compare our costs against our peers on a range of measures including:

- total audit costs (excluding payroll tax) per $'000 of public sector transactions
- total audit costs (excluding payroll tax) per $'000 of public sector assets
- cost per financial audit opinion.

Internal benchmarking

Internal benchmarking involves the analysis of audit fees and total audit hours for comparable audits. This analysis looks at trends in audit fees and identifies audit fees that appear outside a reasonable range. In addition to the macro analysis, a representative sample of audits is selected for quality review each year. Among other things, the review considers whether the audits were conducted efficiently.

Resolving audit fee disputes

If an entity disputes an audit fee determined by the Auditor-General, we encourage the entity to resolve the dispute through direct engagement with Audit Tasmania. If the dispute cannot be resolved, it will be referred to arbitration under the *Commercial Arbitration Act 2011*.

Auditing the auditor

Audit Tasmania is subject to annual audits of our financial and performance statements by our external auditors, Newton & Henry. The process of appointing an auditor of Audit Tasmania is conducted by the Department of Treasury and Finance.

There have been no findings identified as part of the 30 June 2025 audit, nor any findings identified to date as part of the 30 June 2026 audit.

Audit Tasmania has an active internal audit program, internal audits are delivered by HLB Mann Judd. The annual internal audit program is developed in consultation with our Risk and Audit Committee, which has a majority of independent members. During 2025-26, internal audits covered:

- Compliance with the Treasurers Instructions, and
- Effectiveness and utilisation of CaseWare (audit software tool).

Matters arising from internal audits are addressed in accordance with agreed action plans, with progress reported to quarterly meetings of the Risk and Audit Committee.

Audit Tasmania is also subject to a periodic review of the efficiency, effectiveness and economy of our operations at least once in every period of 5 years (section 44 of the *Audit Act 2008*). The last section 44 review was conducted by Moore Stephens Audit (Vic) in March 2024 and covers the period 2019-2023. As at 30 June 2026, 24 of the 25 recommendations had been actioned.

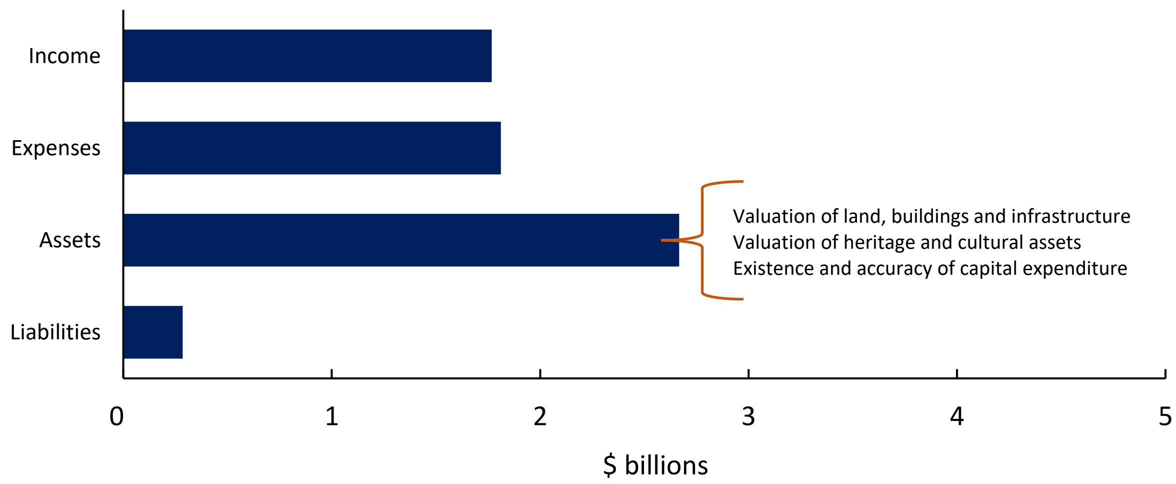
Individual entity updates

General Government Sector – Departments

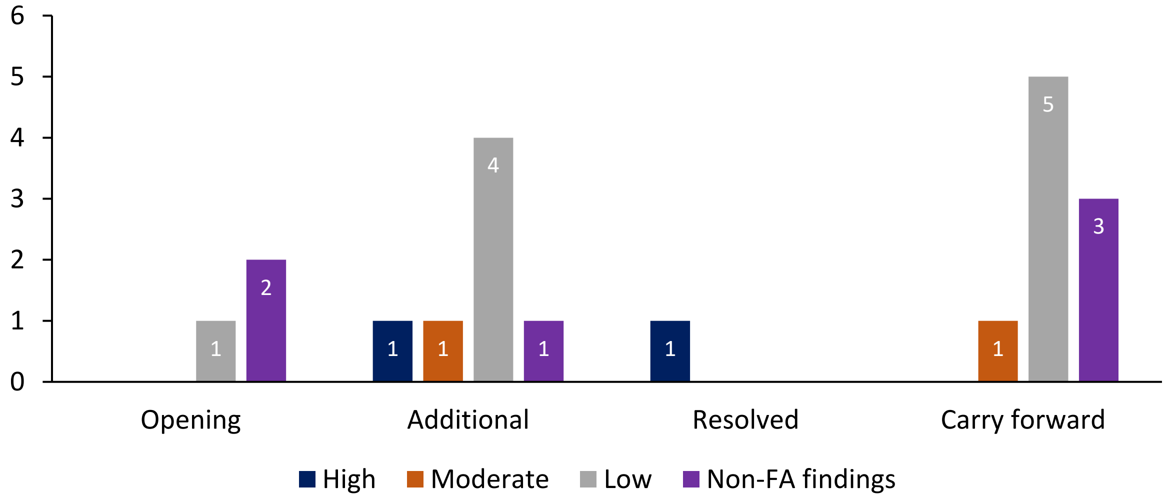
Department for Education, Children and Young People

The Department for Education, Children and Young People (DECYP) is responsible for delivering public early years and school education, library and archive services throughout Tasmania, as well as Youth Justice Services, Child Safety Services, Out of Home Care and Adoptions and Permanency Services.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During 2025-26, management resolved 1 high risk finding. With a further 6 findings raised, this leaves 9 findings to be carried forward.

Performance audit matters

DECYP had 3 unresolved performance audit matters relating to the following:

- Student outcomes – Improving outcomes for Tasmanian senior secondary students, tabled in September 2022.
- Custodial stays – Alignment of the duration of custodial stays at Ashley Youth Detention Centre with related sentencing orders, tabled in August 2024.
- Effectiveness of shared services arrangements in the General Government Sector, tabled in May 2025.

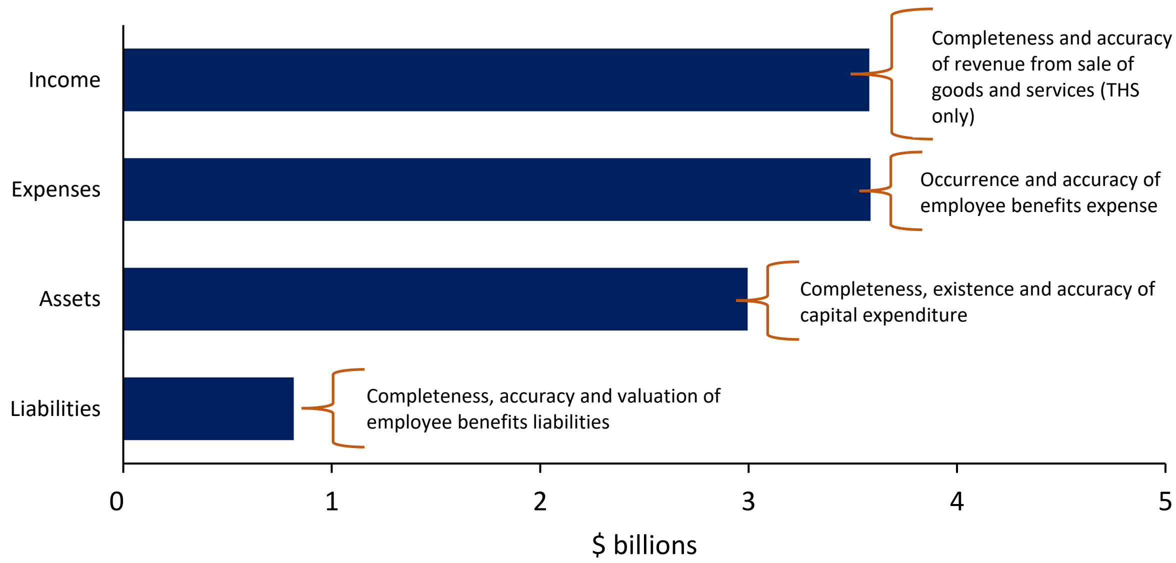
High risk items

The high risk item raised and resolved during the period relates to the valuation of land, buildings and infrastructure having been delayed for an extended period.

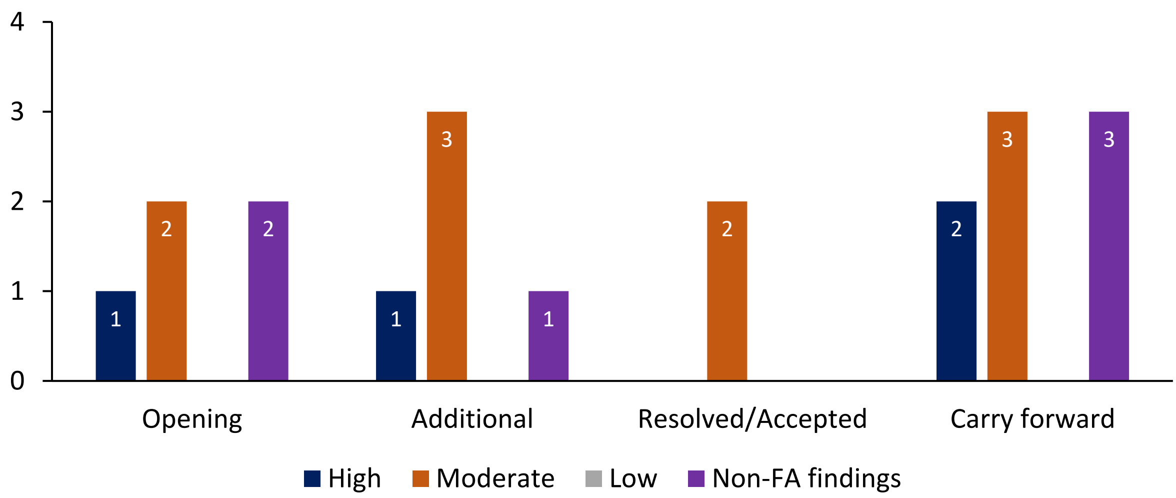
Department of Health, Tasmanian Health Service, Ambulance Tasmania

The Department of Health (Health) is committed to delivering the best possible healthcare for Tasmanians across all regions of the state. With a focus on providing a caring and supportive work environment, Health strives to maintain and improve the health and wellbeing of Tasmanians through innovative patient focussed initiatives.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During the period, 1 high risk finding has been raised, leaving 2 high risk findings to be carried forward. In 2025-26, management have addressed 1 moderate rated findings from last year, and accepted the risk associated with a new moderate risk finding raised, with a further 2 moderate findings raised. With regards to Performance recommendations, there were 2 open findings, with another Report tabled during the year, leaving 3 findings to carry forward to the next Report.

Performance audit matters

Health had 3 unresolved performance audit matters relating to the following:

- Access to Oral Health Services, tabled in June 2024
- Funding of Community Service Organisations, tabled in May 2025
- Planning and early implementation of the Humar Resource Information System, tabled in May 2026.

High risk items

The high risk items raised relate to fraud framework (raised in October 2025), and compliance with Treasurers Instruction PF-3 Procurement Framework (raised in June 2026).

As part of planning for the Health audit, observations have been made identifying non-compliance with the Treasurer's Instruction PF-3 – Procurement Framework. The identification of non-compliance in the current year resulted in additional testing. This testing identified that from 1 July 2023 to 30 April 2026, Health awarded 508 contracts to the value of $42.76 million where the contract had a value of more than $50,000 and less than $100,000. This equates to an average of 169 contracts, valued between $50,000 and $100,000, to a combined average of $14.25 million per year.

Where a contract has a value of less than $100,000 the requirements under the Treasurers Instructions are significantly less, which excludes the requirement for a competitive procurement process, weighting of Tasmanian content and the use of a procurement review committee.

Identified non-compliance with the Treasurers Instructions have been outlined below.

Non-compliance with PF-3 para 3.1 which requires the Accountable Authority to ensure external contractors, including consultants, are only engaged when options for sourcing from within the Agency, or another Agency have been fully considered. In response to this question management provided the audit team with Health's ICT Resource Management Approvals Processes. The process starts with business units having to submit a 'Request for Resource Form'. Whilst management have asserted that this is considered as part of the 'Request for Resource Form', when provided with the template, management sent through a 'Request for Contractor Resource Form', this highlighted that there is no direction to or evidence of consideration of sourcing from within the Agency or from another Agency.

Health's ICT Resource Management Approvals Processes also outlines the process for 'Contract Renewal'. The 'Contract Renewal' process is a simplified version of the 'Request for Contractor Resource' and fails to meet the requirements of PF-3. Additionally, the Resource Management Approval Framework & Workflow is designed with the expectation that contracts will be renewed. Renewals are also subject to a lower level of interrogation than initial contracts, with two less control steps. The Resource Management Approvals

Workflow also highlights that there is no consideration of the revised duration or value for the new contract.

With reference to contracts awarded from 1 July 2023 to 30 April 2026, the majority relate to either the Digital Health Readiness Program or the Bluegum Health Transformation. Whilst management has indicated that there is no whole of government dedicated ICT labour panel, this absence does not support repeated and ongoing breaches of the Treasurer’s Instructions.

The 508 contracts awarded during this period were awarded to 111 different parties, with:

- 42 parties awarded 1 contract
- 32 parties awarded between 2 and 10 contracts
- 16 parties awarded more than 10 contracts.

Management has asserted that calculations of the initial value of a contract are based on the full duration of the engagement/project, however, with reference to the above, only 6 of the 508 contracts awarded had a value of extension. Our evidence supports the conclusion that Health frequently reduces the duration of contract terms to ensure contract values are less than $100,000 and therefore bypass the probity, competitive and value for money requirements of the Treasurers’ Instruction that apply to contracts with a value greater than $100,000.

Per Treasurers Instruction PF-3 3.2, the Accountable Authority’s approval for the engagement of each external consultant is required prior to their appointment. Management asserted that approvals are obtained prior to commitment, however of the 508 contracts awarded, the start date of the contract was prior to the Award date on 80 separate occasions. Management’s initial response was that this only occurred on a small number of contracts and was due to administrative and operational factors. Evidence shows 80 separate occasions where Health was in breach of the Treasurers Instruction. A summary below of contracts with an award date after the start date:

- 17 contracts with an award date 1 day after the start date
- 33 contracts with an award date between 2 and 10 days after the start date
- 30 contracts with an award date more than 10 days after the start date.

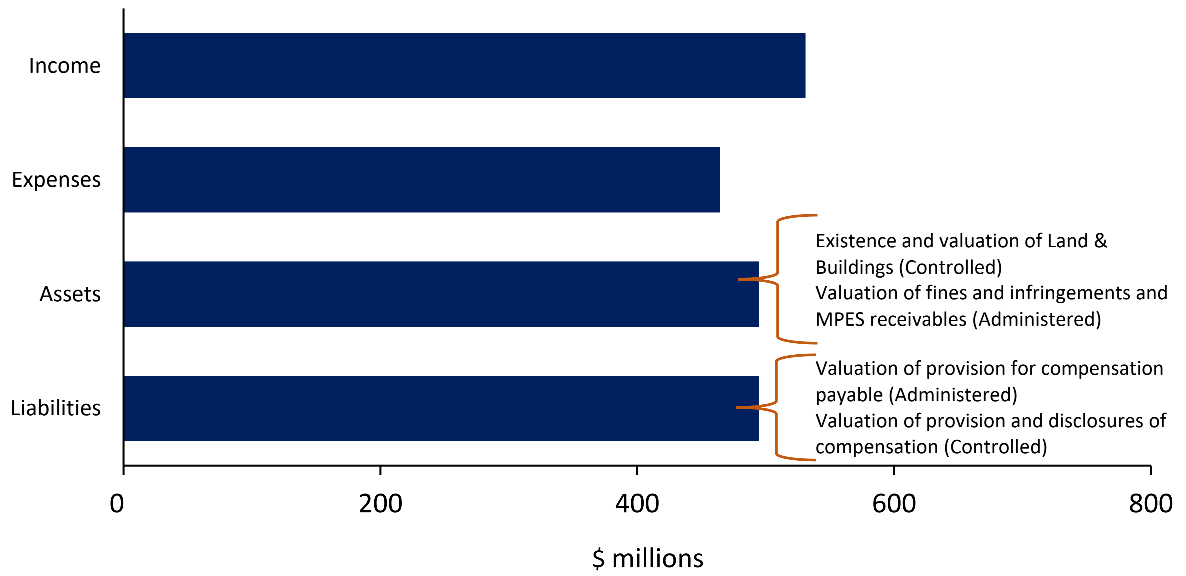
In addition to the above, the contract for the longest award date after the start date was to JAM Web Services Pty Ltd where the start date of the contract was 1 November 2025 however was not awarded the contract until 122 days later on 3 March 2026.

The above items were highlighted to Health and Treasury during the period May 2026 to June 2026. Since then, the two Departments have worked together on the changes required in order for Health to comply with Treasurers Instruction PF-3. On 10 July 2026, the Secretary of Health approved new arrangements for the procurement of ICT labour hire.

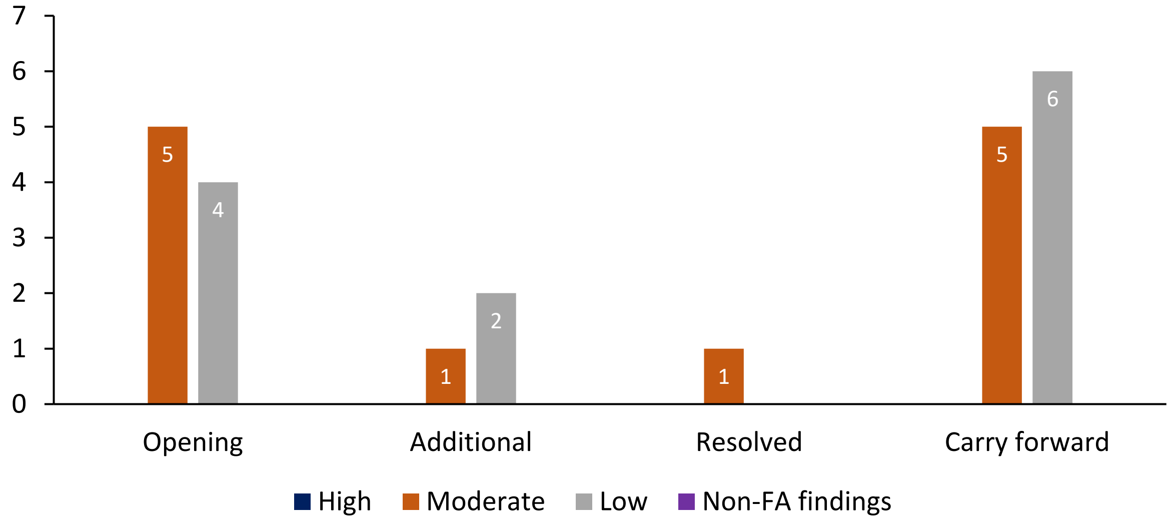
Department of Justice

The Department of Justice provides services that contribute to achieving a fair, just and safe Tasmania by providing an accessible system of justice, protecting and respecting rights, improving laws, influencing positive behaviour and enforcing legal and regulatory responsibilities.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

The Department of Justice resolved 1 of the 9 open findings, with 3 new findings raised, leaving 11 findings to be carried forward.

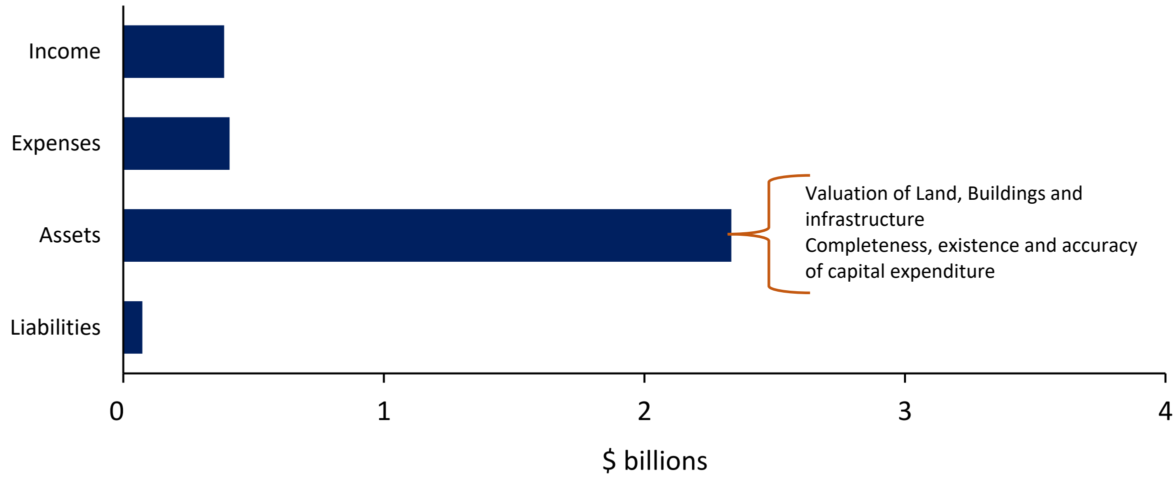
Ageing of findings raised

Of the 11 carried forward findings, 6 of these relate to findings initially raised 3 years ago or longer. Of these older findings, 3 are moderate risk findings relating to accounting manual (raised December 2018), Timeflier system and approval of overtime and related party transactions (both raised January 2023). There are also 3 low risk findings raised over 3 years ago, relating to user management – user access reviews and bank reconciliations – unmatched statement and ledger book transactions (both raised December 2019), and identifying and assessing business risks relevant to financial reporting objectives (raised in December 2021).

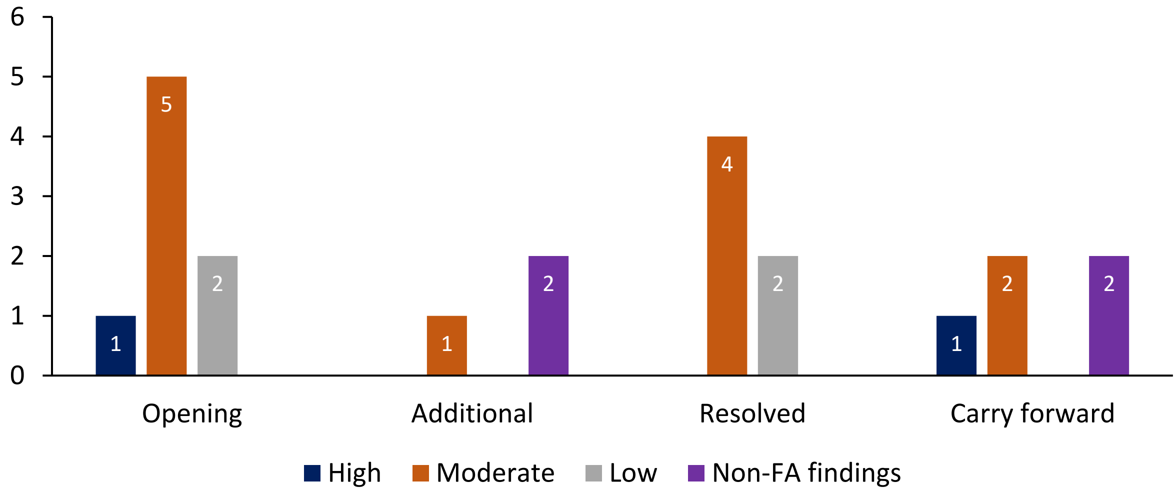
Department of Natural Resources and Environment Tasmania

The Department of Natural Resources and Environment Tasmania (NRE Tas) provides services focussed towards delivering a sustainable Tasmania. This is achieved through actions to protect and enhance Tasmania's cultural and natural values and places, facilitating productive and sustainable industries, and through promoting the sustainable use, presentation, and enjoyment of cultural and natural values.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During 2025-26, management resolved 6 of the 8 open findings, with a further 3 findings raised during the period, leaving 5 to be carried forward.

Performance audit matters

The 2 unresolved performance audit findings relate to Effectiveness of shared services arrangements in the General Government Sector (tabled in May 2025), and Management of landfills in Tasmania (tabled in September 2025).

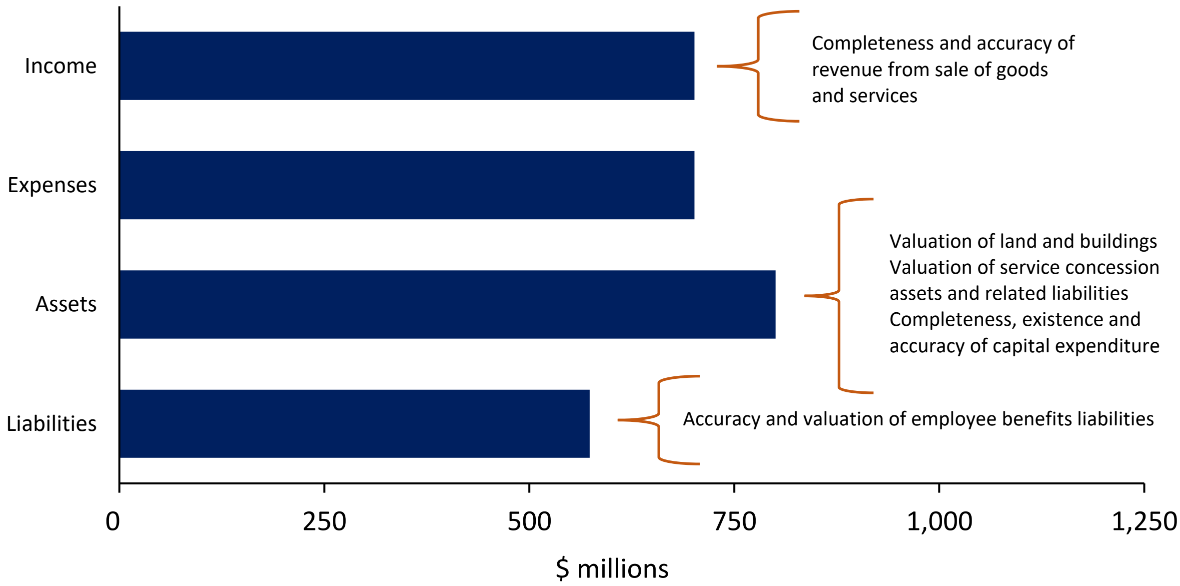
High risk items

The high risk item relates to reconciling differences between NRE Tas's 2 asset management systems. Longstanding misalignments between the systems have caused material adjustments and prior period errors in financial statements. This finding was initially raised in December 2024, with management reviewed implementation date for action being June 2027.

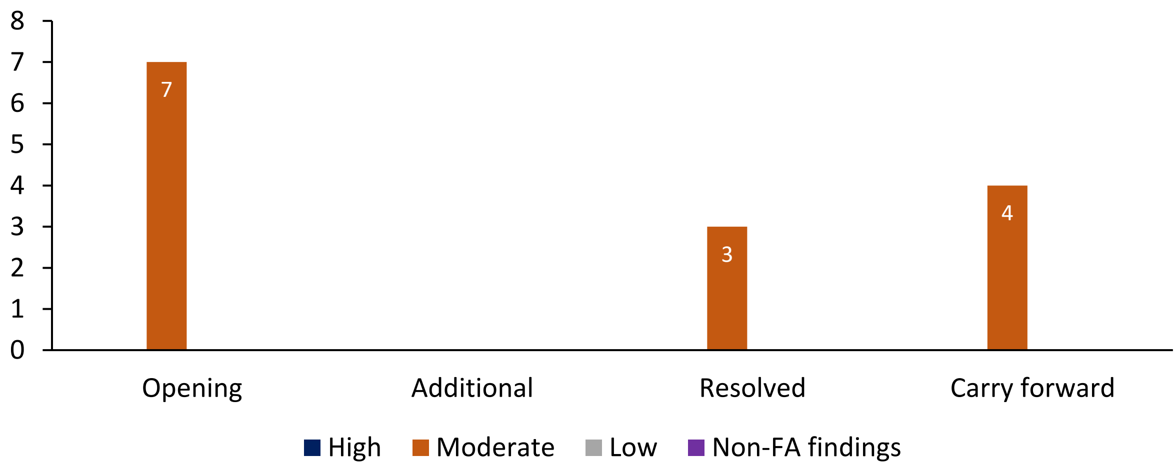
Department of Police, Fire and Emergency Management

The Department of Police, Fire and Emergency Management (DPFEM) is responsible for the delivery of quality policing, fire, and emergency management services in Tasmania. DPFEM is committed to providing a safe, secure and resilient Tasmania and building individual and organisational capability in order to provide high quality services to the Tasmanian community.

Key areas of financial statement risk



Summary of recommendations



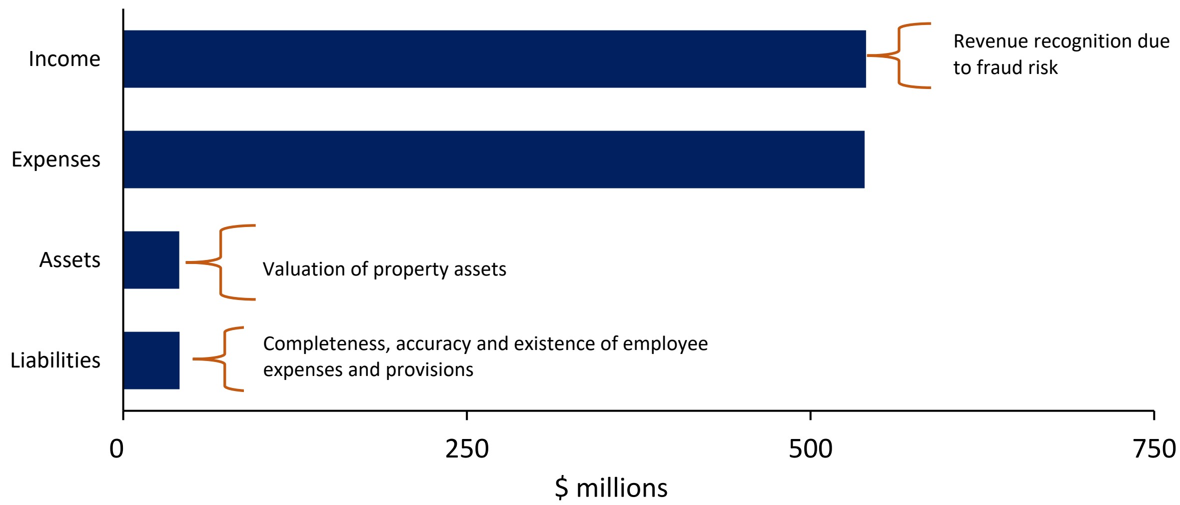
Recommendation updates

Management have resolved 3 of the 7 findings from last year, resulting in 4 carried forward findings.

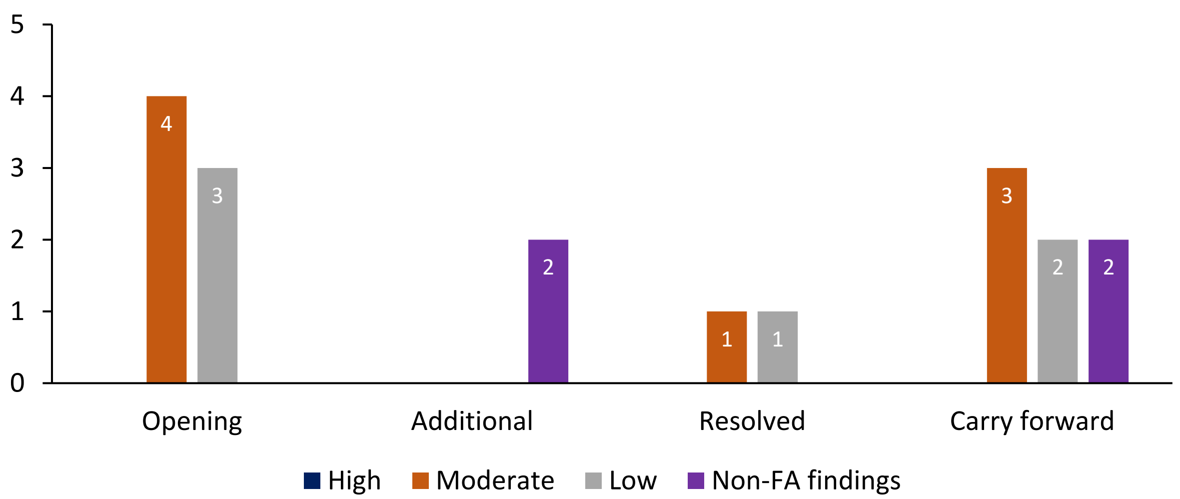
Department of Premier and Cabinet

The Department of Premier and Cabinet (DPAC) assists Government by providing impartial and high-quality advice to the Premier and Cabinet on matters of State and national significance. DPAC collaborates with all agencies across Government and Local Government to provide considered, balanced and timely strategic advice.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During the year, management resolved 2 of the opening findings, with a further 2 raised during the year, with 7 findings to be carried forward.

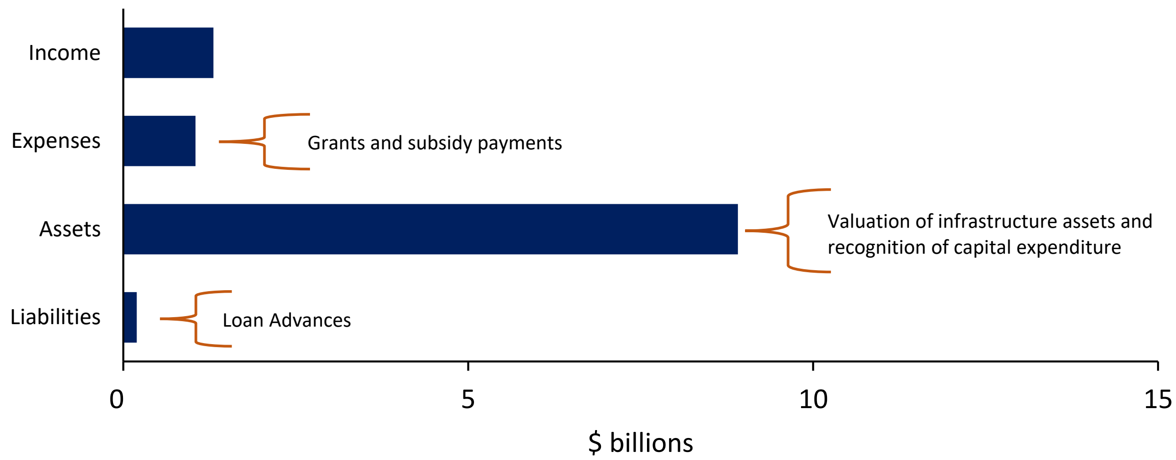
Performance audit matters

The 2 unresolved performance audit findings relate to [Effectiveness of shared services arrangements in the General Government Sector] (tabled in May 2025), and the [Proposed sale of Wilkinson's Point land] (tabled in September 2025).

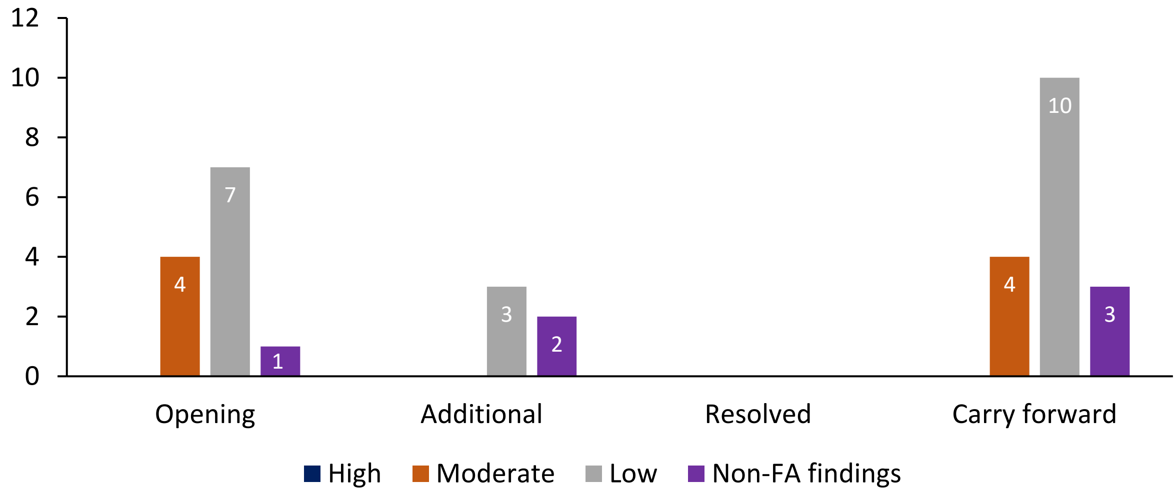
Department of State Growth

The Department of State Growth facilitates economic growth and the creation of jobs and provides a range of services, infrastructure, programs and regulatory functions to support local industries, sectors, communities and individuals while promoting the state as the best place to live, work, visit, study, invest, and thrive.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During 2025-26, 5 additional findings were raised, including 2 performance audit items. This results in a total of 17 findings to be carried forward into 2026-27.

Performance audit matters

The Department of State Growth had 3 unresolved performance audit matters relating to the following:

- Effectiveness of Internal Audit, tabled in August 2020

- Proposed sale of Wilkinson's Point land, tabled in September 2025
- Investment facilitation through the Office of the Coordinator-General, tabled in December 2025

Ageing of findings raised

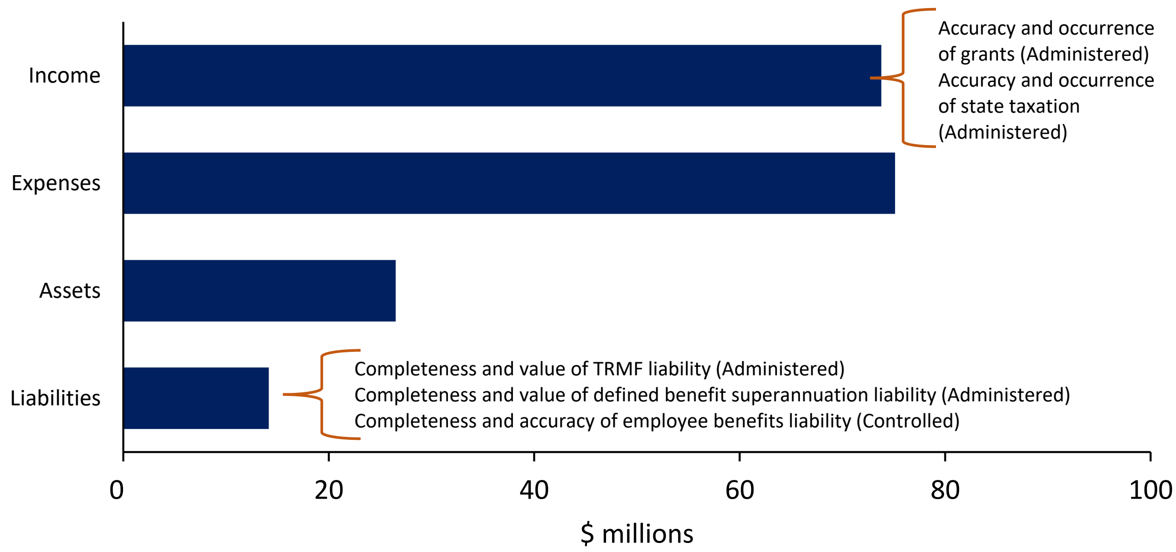
Of the 17 carried forward findings, 2 of these relate to findings initially raised 3 years ago or longer. Of these older findings, 1 is moderate risk relating to draft or out of date IT policies, procedures or documents (raised 2023). There is also 1 low risk finding raised 4 years ago, relating to documentation of financial procedures and control activities (raised 2022).

Department of Treasury and Finance

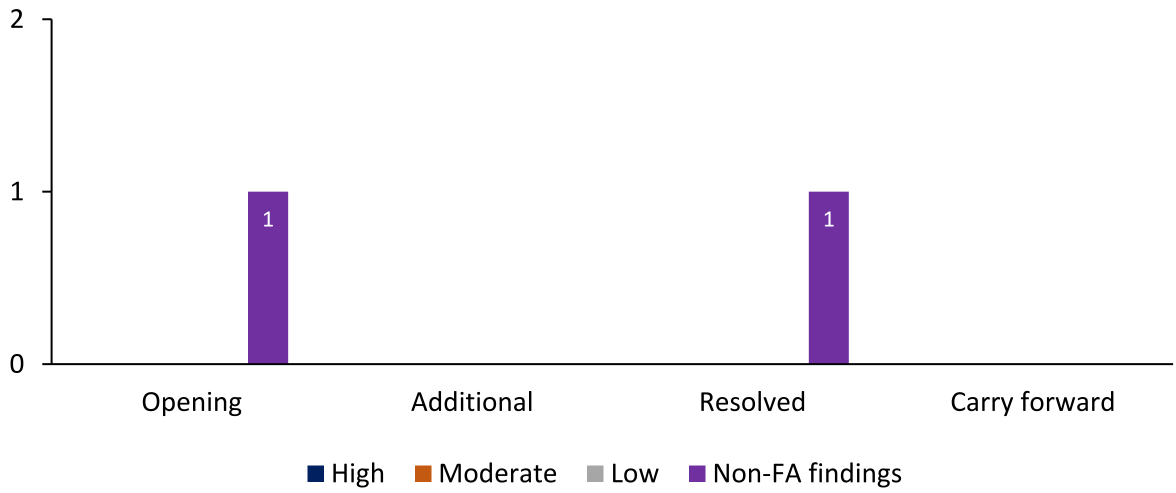
The Department of Treasury and Finance (Treasury) provides the Government with objective advice on the economic and financial management of Tasmania. Treasury also implements Government policies and programs, performs analysis, monitoring, and reporting functions on behalf of the Government.

The Finance-General Division is administered by Treasury. The major activities transacted through Finance-General include the management of the Government's financial assets and liabilities, meeting the Government's pension and other superannuation commitments, administration of the Tasmanian Risk Management Fund (TRMF), management of the Government's light vehicle fleet and property portfolio, and payments to government businesses.

Key areas of financial statement risk



Summary of recommendations



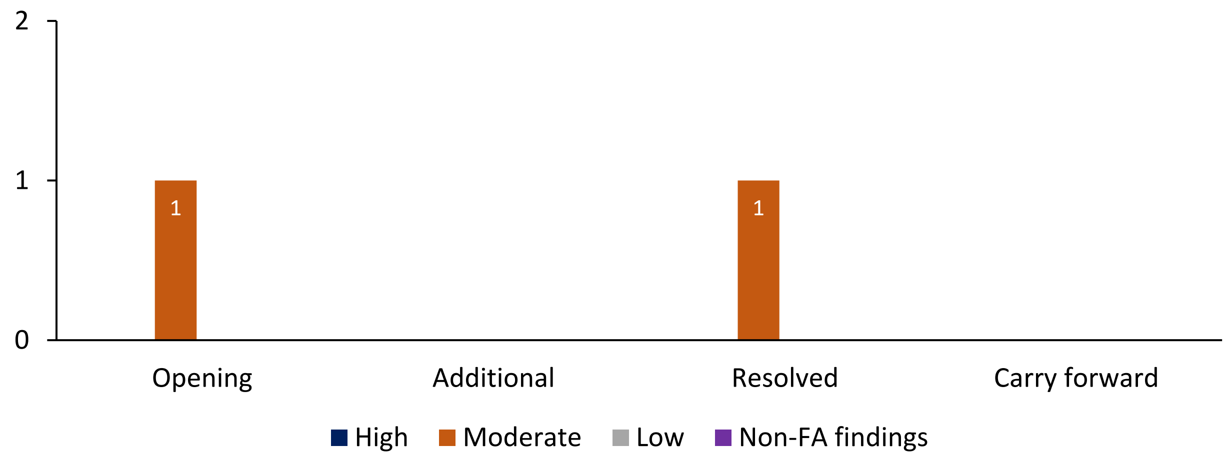
Performance audit matters

Treasury had 1 performance audit matter relating to the Management of major office accommodation, tabled in June 2024. This finding was resolved during the period.

Treasurer's Annual Financial Report

The Treasurer's Annual Financial Report provides the audited financial statements for the General Government Sector, Total State Sector and Public Account.

Summary of recommendations



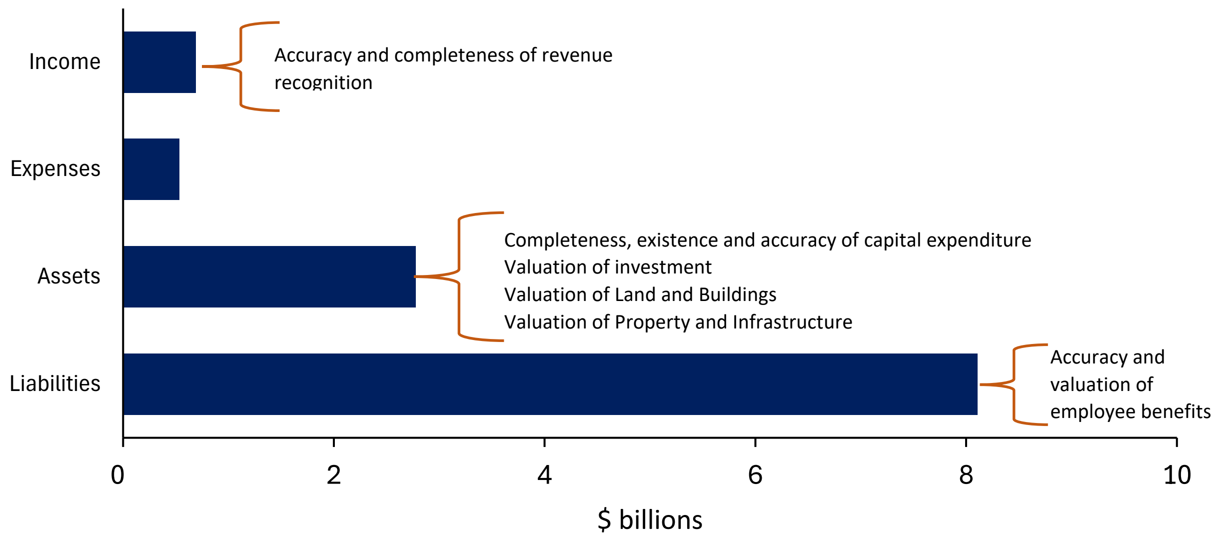
Recommendation updates

During the year, the moderate risk finding has been addressed leaving no findings carried forward.

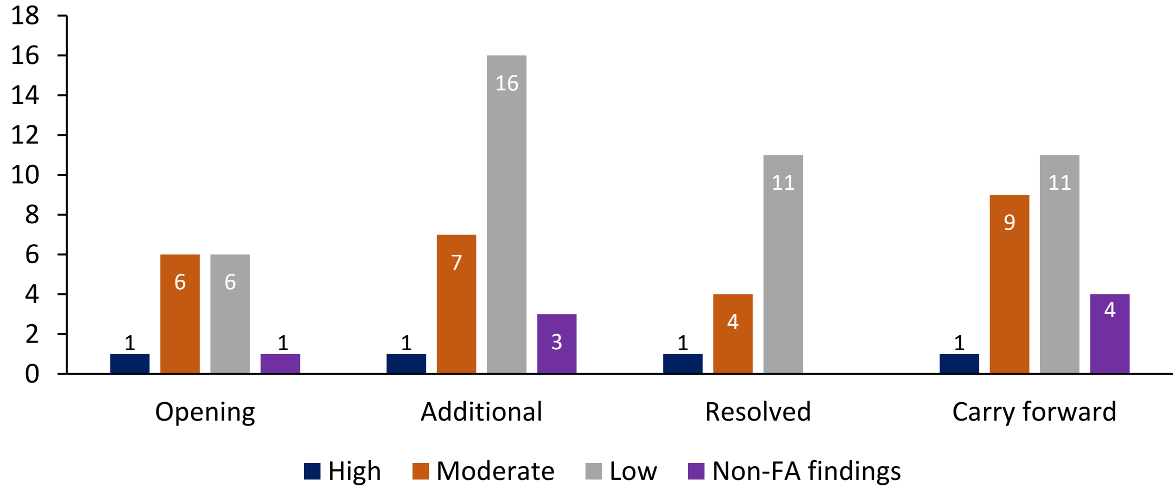
General Government Sector – Other

Appendix 1 provides a summary of entities which are categorised within the General Government Sector – Other category.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During the year, 27 additional findings were noted with one finding being high risk and 7 moderate risks findings. Of the opening and additional findings, only 16 were resolved by management leaving 25 findings to be carried forward.

High risk items

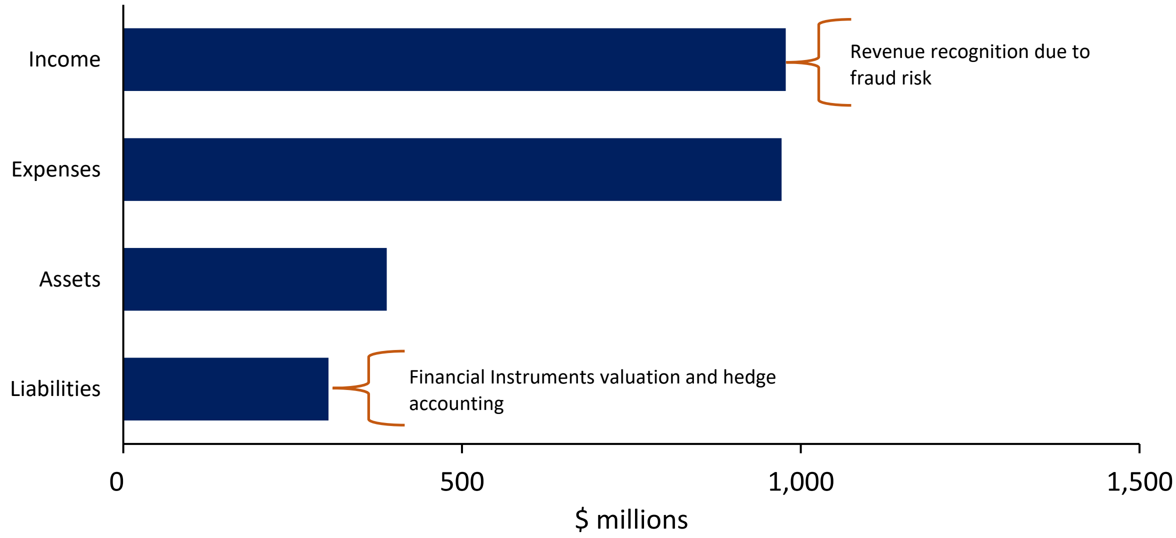
The high risk item relates to TasTAFE transitioning its payroll system from DECYP in November 2025 where it was noted the payroll control environment was not effective during the transition period.

Public Financial Corporations and Public Non-Financial Corporations

Aurora Energy Pty Ltd

Aurora Energy is Tasmania's government-owned energy retailer, providing electricity and natural gas services to homes and businesses across the state. Aurora Energy continues to play an important role in Tasmania's energy sector, balancing the provision of essential services with a commitment to sustainability and community well-being.

Key areas of financial statement risk



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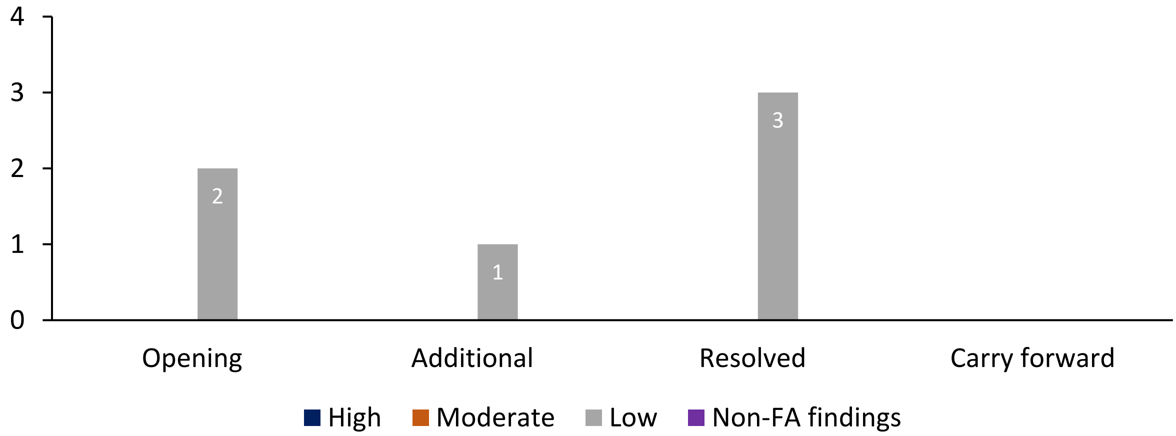


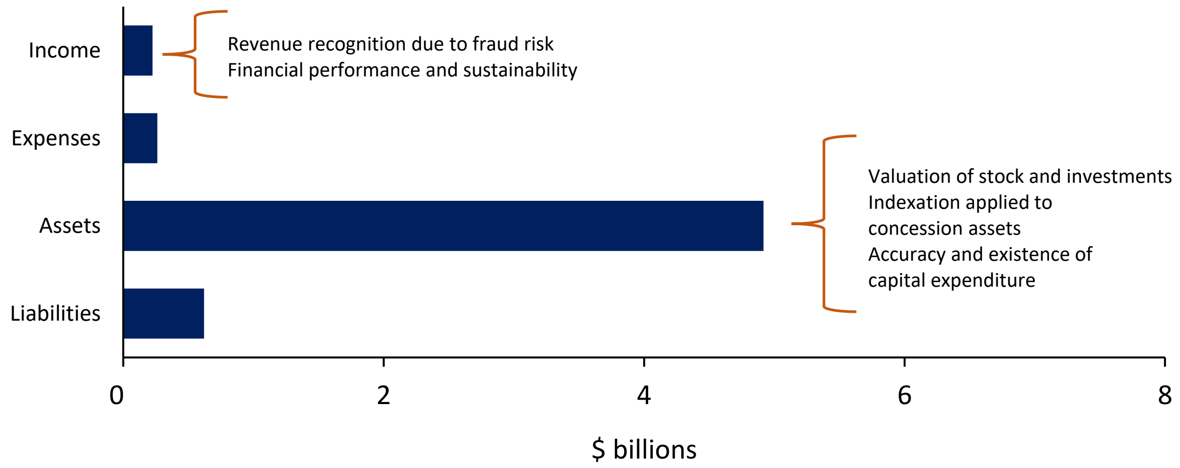
Recommendation updates

During the year, 1 new low risk finding was raised and with this finding being resolved along with the 2 existing low risk findings. This leaves no findings to be carried forward.

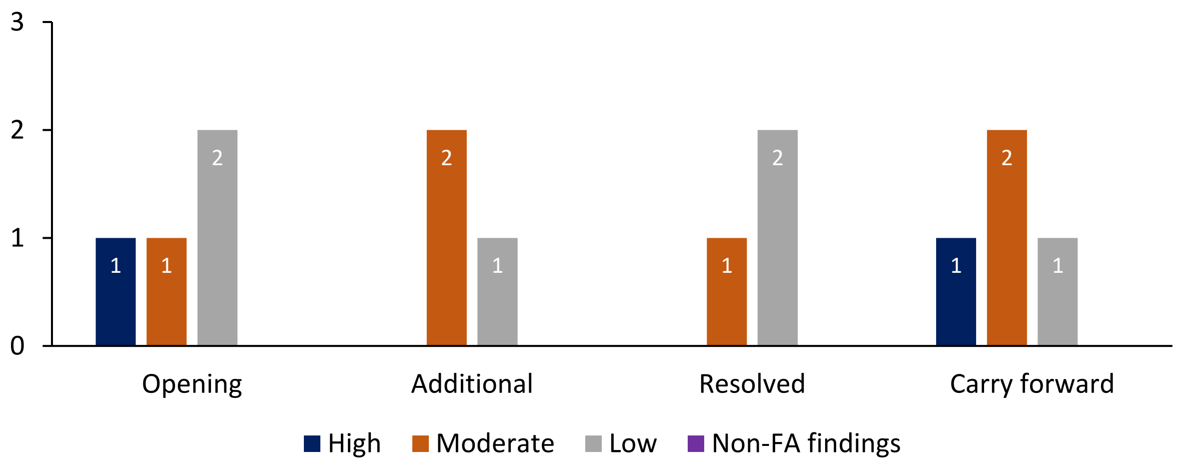
Homes Tasmania

Homes Tasmania is Tasmania's housing and homelessness system manager, working with government, industry, the private sector, and the social housing and homelessness sector, to improve the housing market and provide more housing opportunities.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

Management have resolved 3 of the 4 open findings. With an additional 3 findings raised during the period, this leaves 4 findings to be carried forward.

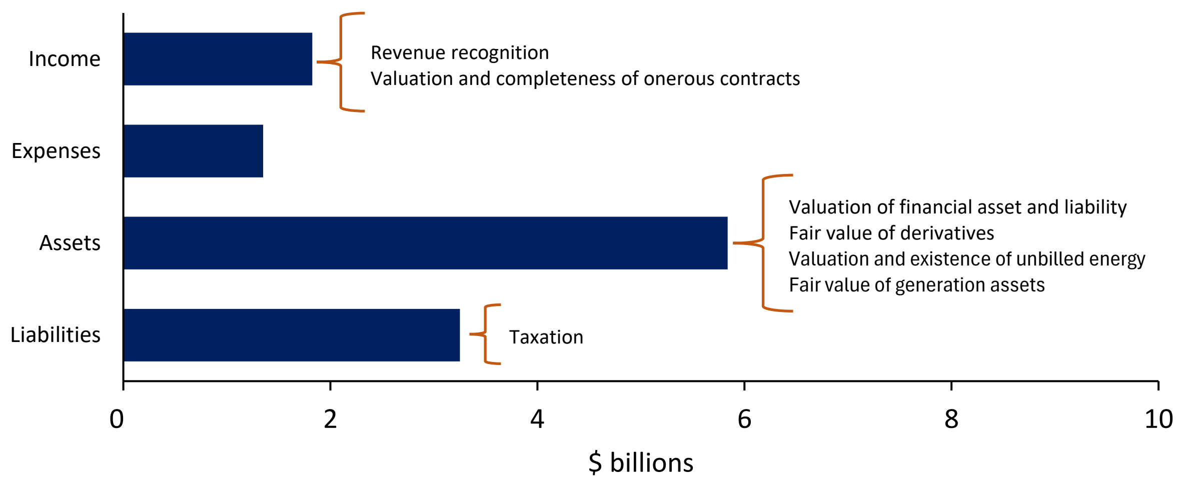
High risk items

The high risk item relates to the financial sustainability monitoring of Homes Tasmania, which was initially raised in December 2023. The revised implementation date for agreed management action of this finding is December 2026. Additionally, we noted that Homes Tasmania will be joining Building Tasmania on 3 December 2026, after which time this finding will be reviewed.

Hydro Tasmania

Hydro Tasmania is a government-owned business enterprise and Australia's largest producer of renewable energy. Established in 1914, it has played a pivotal role in Tasmania's energy landscape, primarily through hydropower generation. The organisation is also the nation's largest water manager, overseeing 54 major dams and 30 hydropower stations across the state.

Key areas of financial statement risk



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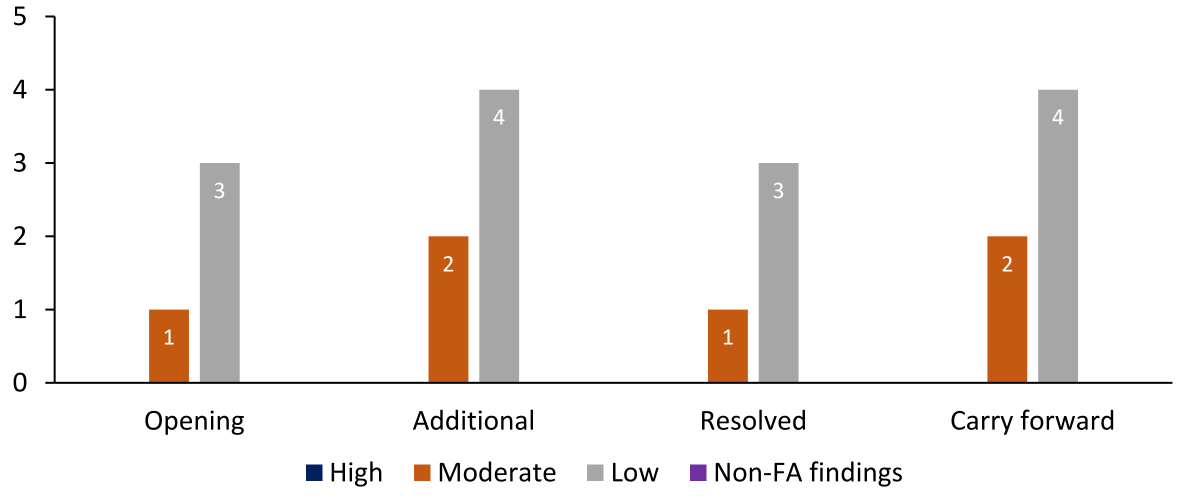


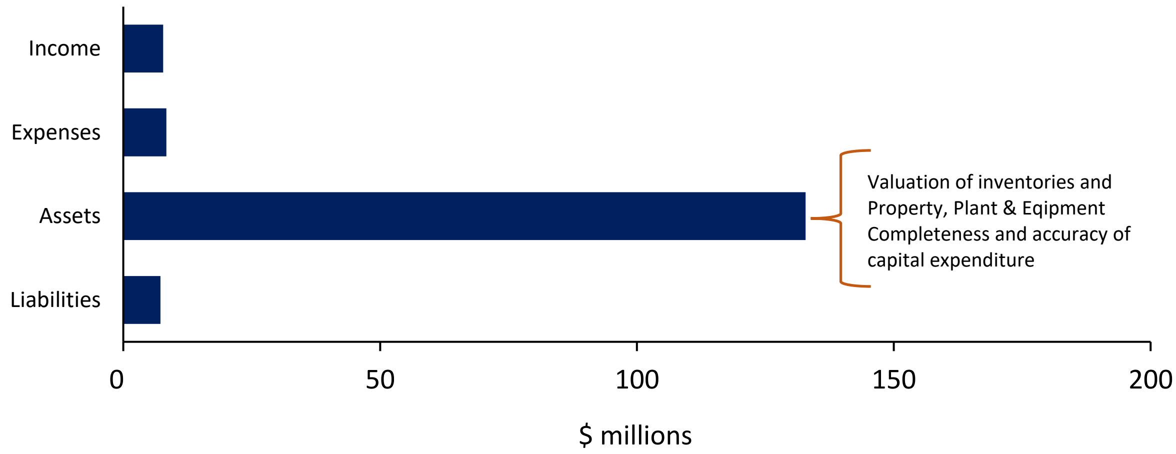
Recommendation updates

Whilst management were able to resolve all 4 findings from last year, there were 6 new items identified as part of the 2025-65 audit.

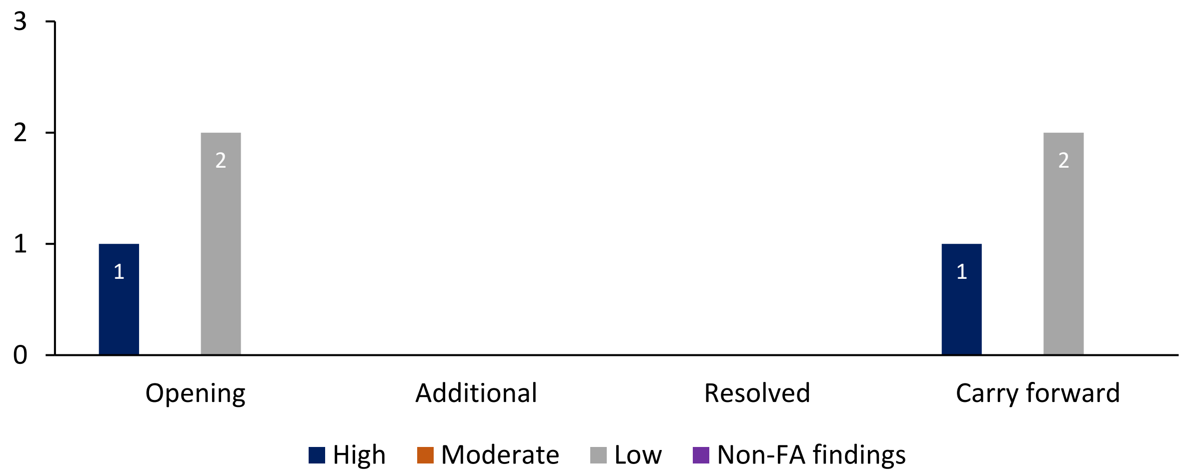
Macquarie Point Development Corporation

The primary purpose of Macquarie Point Development Corporation is to oversee the remediation, redevelopment, and transformation of the Macquarie Point site into a vibrant, mixed-use precinct.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

There has been no change to the status of the findings raised throughout the year, with the 3 findings continuing to be carried forward.

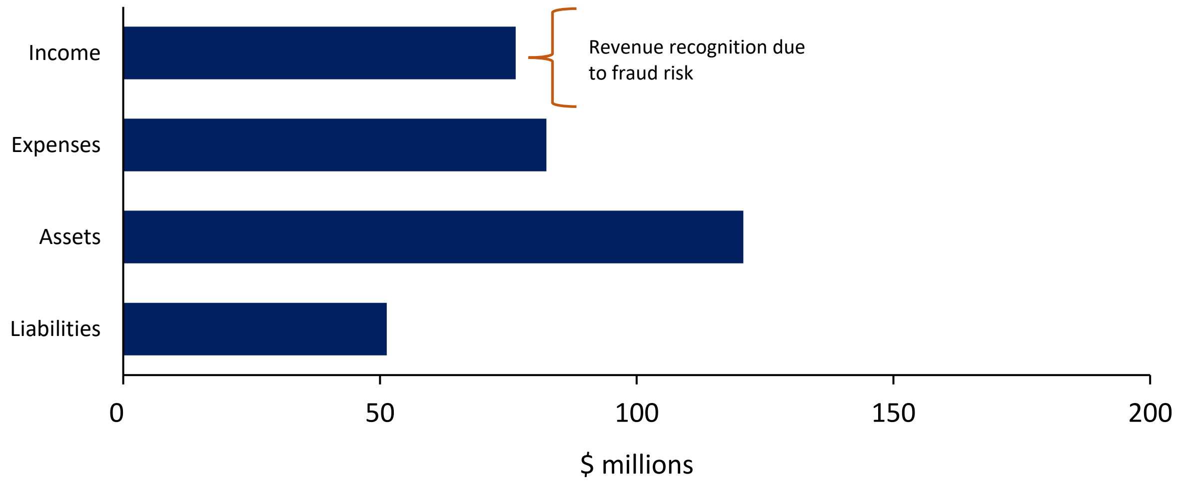
High risk items

The high risk item relates to the reconciliation of asset register to the general ledger accounts. Investigation found that valuation adjustments from prior periods had not been updated in the asset register, resulting in discrepancies between the recorded asset values and those reported in the financial statements. Management intends to address during the year-end process for 2025-26.

Metro Tasmania Pty Ltd

Metro Tasmania is a government business enterprise committed to delivering reliable, accessible, and sustainable public transport options across the state.

Key areas of financial statement risk



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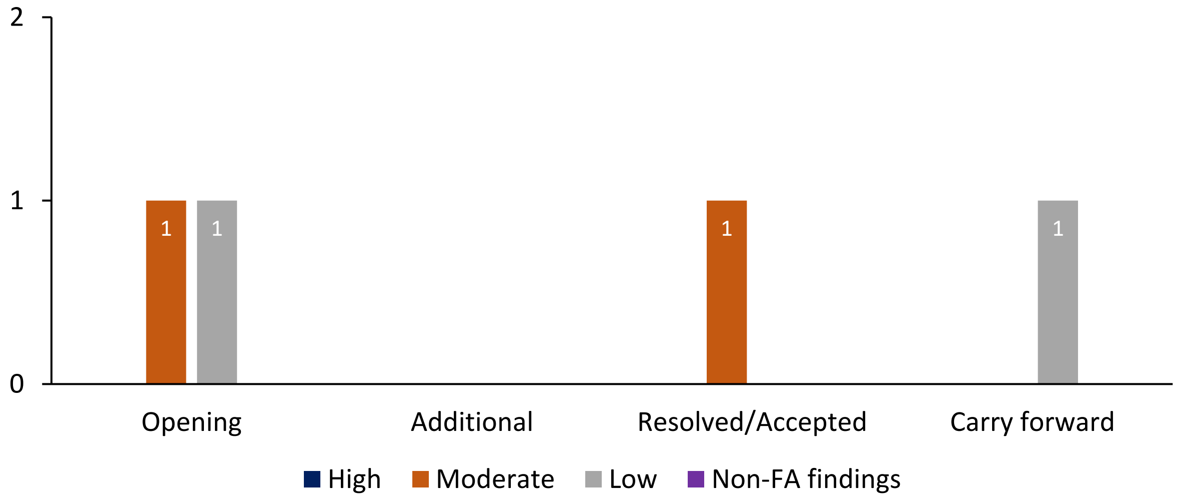


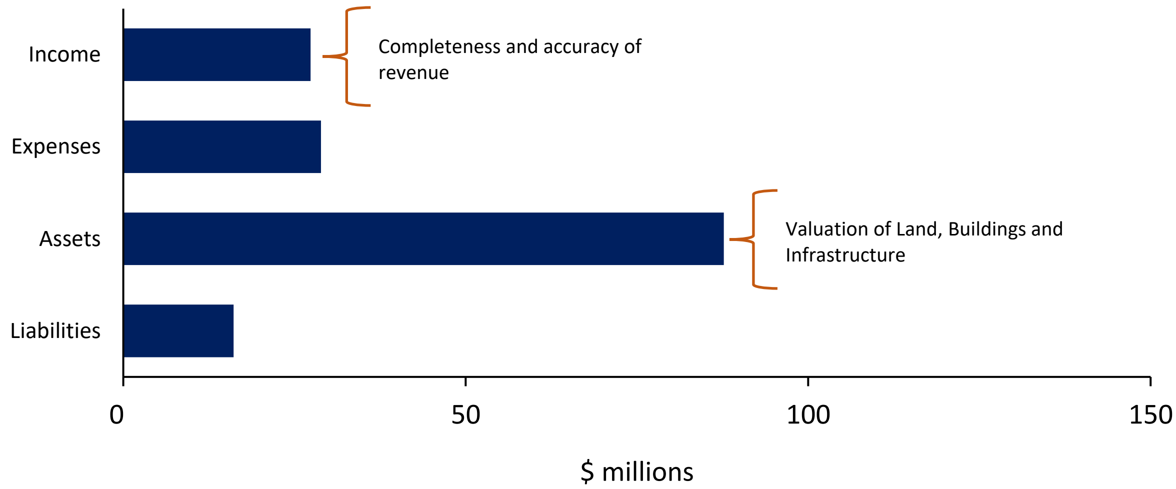
Recommendation updates

Of the 2 carried forward findings, management have taken action to resolve the moderate risk finding. The low risk finding continues to be carried forward.

Port Arthur Historic Site Management Authority

The Port Arthur Historic Site Management Authority (PAHSMA) was created in 1987 to preserve and maintain the Port Arthur Historic Site – a major Australian tourism destination and one of the country's most important heritage sites. PAHSMA are also responsible for the Coal Mines Historic Site and Cascades Female Factory Historic Site.

Key areas of financial statement risk



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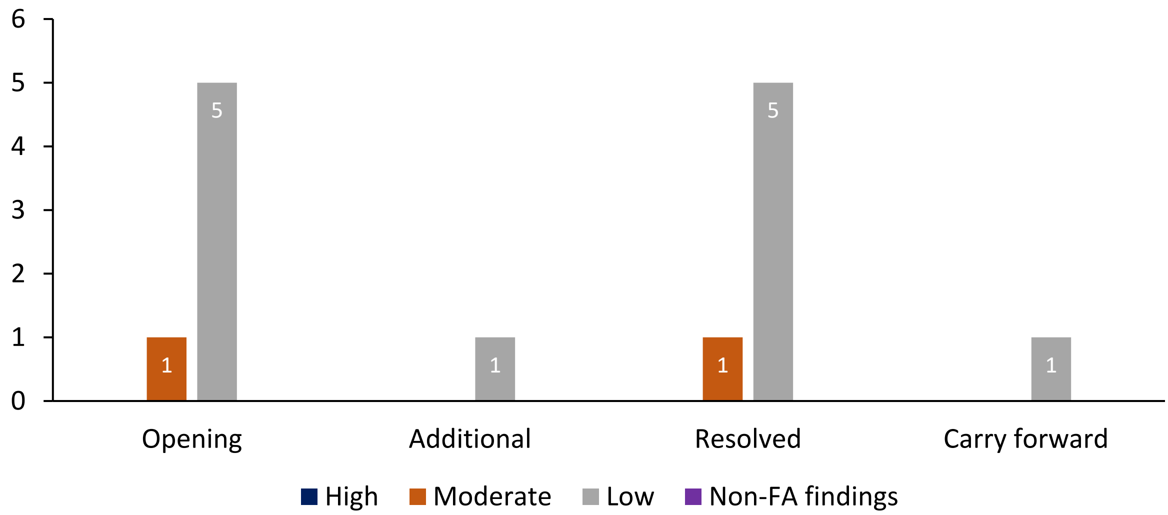


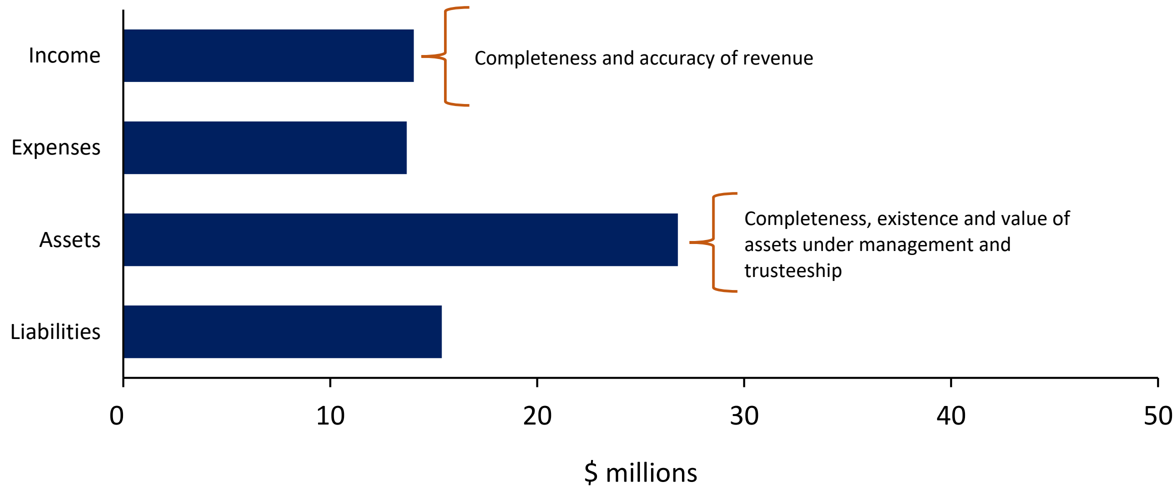
Recommendation updates

From the 6 findings carried forward, 5 have been resolved, with one new finding raised and resolved during the period. This has left one low risk finding carried forward.

Public Trustee

The Public Trustee is an independent statutory authority established in 1915, that provides a range of estate planning, administration, and trustee services.

Key areas of financial statement risk



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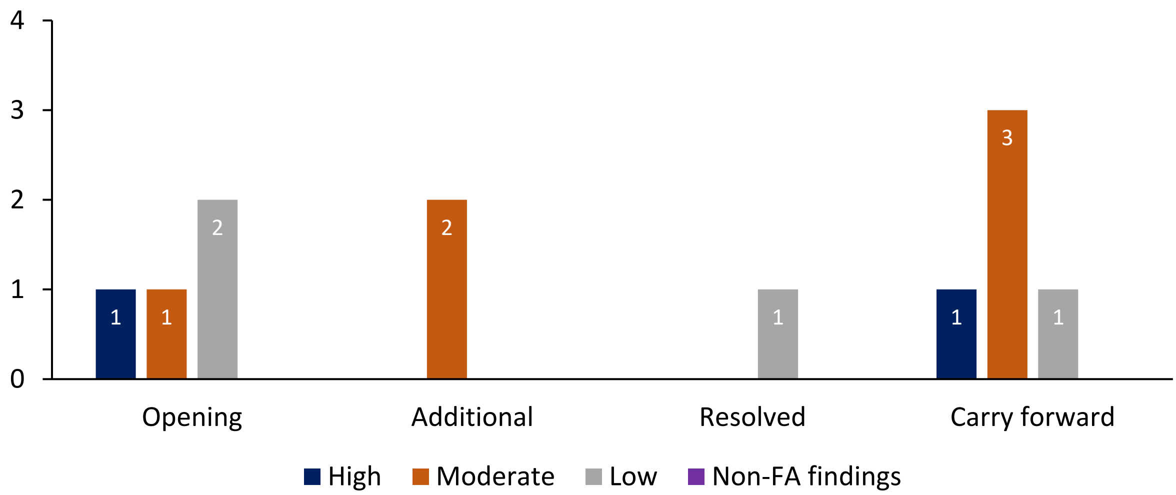


Recommendation updates

During 2025-26, 2 new moderate risk findings have been raised and 1 low risk finding has been resolved. This leaves 5 findings to be carried forward.

High risk items

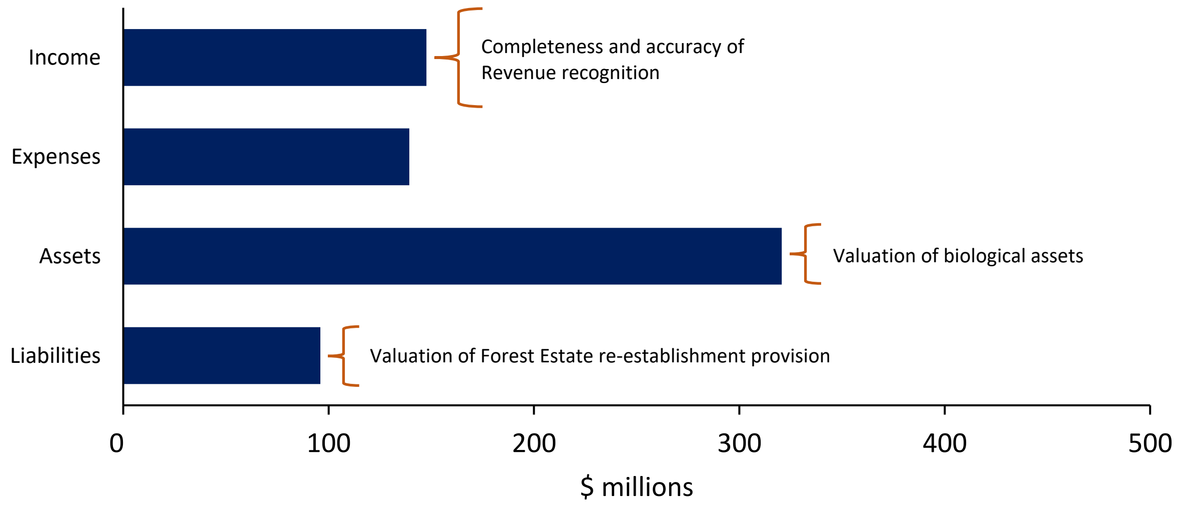
The high-risk item relates to the valuation of realty assets held under management and trusteeship. Inconsistent approaches in valuing these assets has been identified, which increases the risk of materially misstating the fair value information disclosed in the notes to the financial statements. Management intends to address this item during the year-end process for 2025-26.

Sustainable Timber Tasmania

Sustainable Timber Tasmania is a Tasmanian Government Business Enterprise responsible under State legislation for:

- sustainably managing approximately 800,000 hectares of public production forest (Permanent Timber Production Zone land)
- undertaking forest operations for the production and sale of forest products from these forests (including making available at least 137,000 cubic metres of high-quality eucalypt sawlogs and veneer logs per annum).

Key areas of financial statement risk



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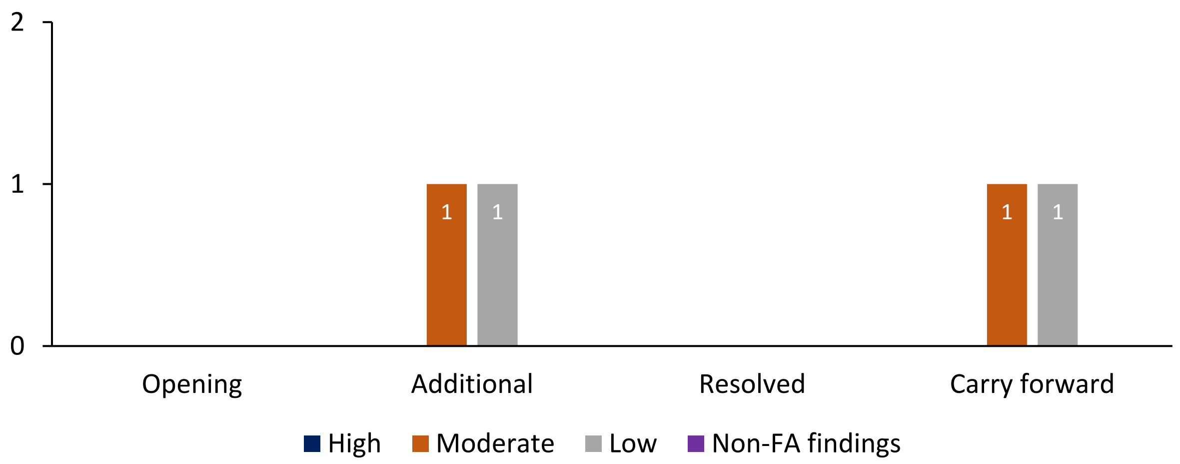


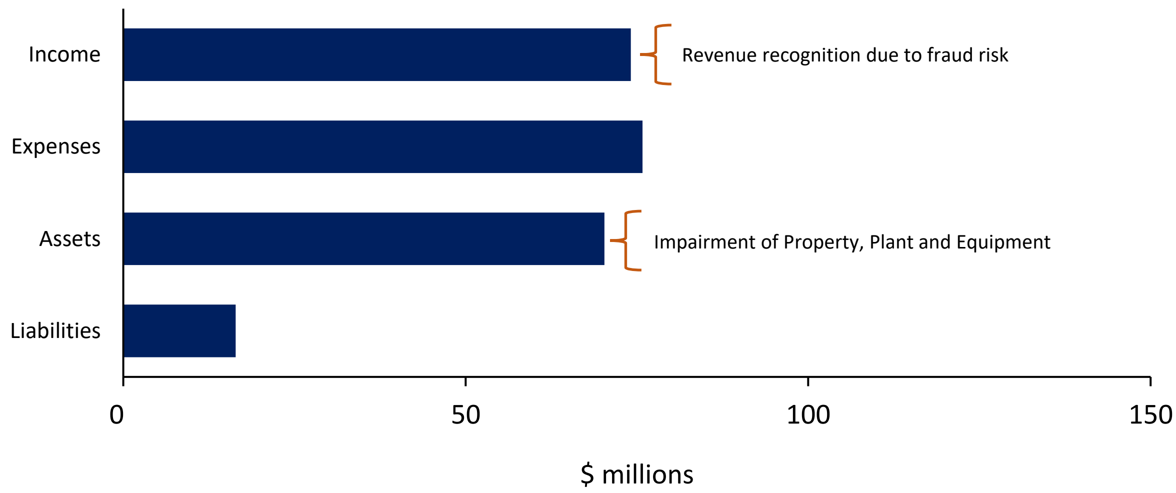
Recommendation updates

During the period 2 findings were raised, 1 moderate and 1 low risk rated. Both findings are to be carried forward.

Tasracing Pty Ltd

Tasracing is responsible for the development of racing and breeding, the funding of clubs, and providing stakes, negotiating media rights and managing racing and training venues. The Office of Racing integrity is responsible for maintaining the probity and integrity of each racing code.

Key areas of financial statement risk



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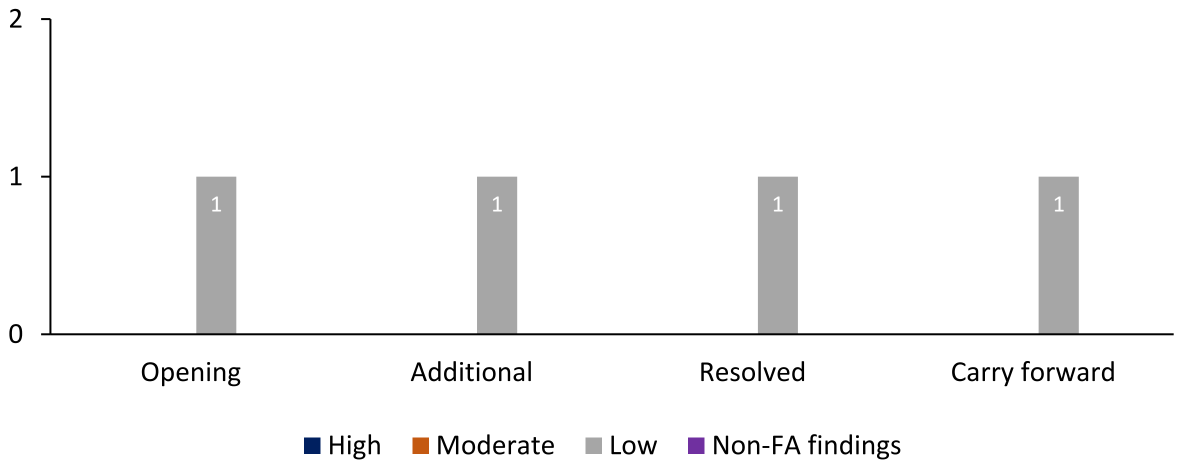


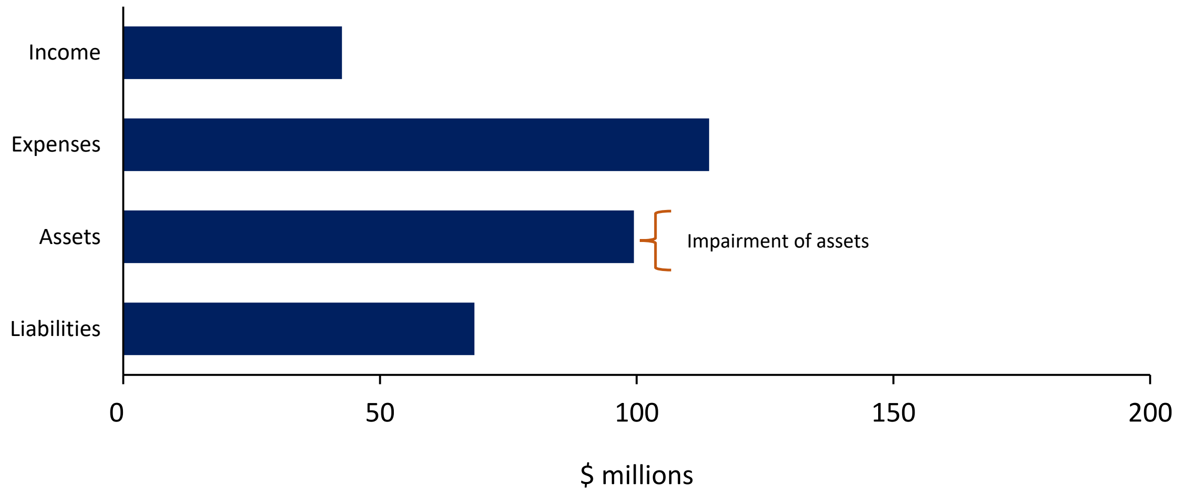
Recommendation updates

A new low risk finding has been raised and resolved during 2025-26, with the opening low risk finding continuing to be carried forward into 2026-27.

Tasmanian Irrigation Pty Ltd

Tasmanian Irrigation is a state-owned company established in 2008 under the *Water Management Act 1999*. It plays a pivotal role in supporting Tasmania's agricultural sector by delivering reliable irrigation water and managing water resources across the state.

Key areas of financial statement risk



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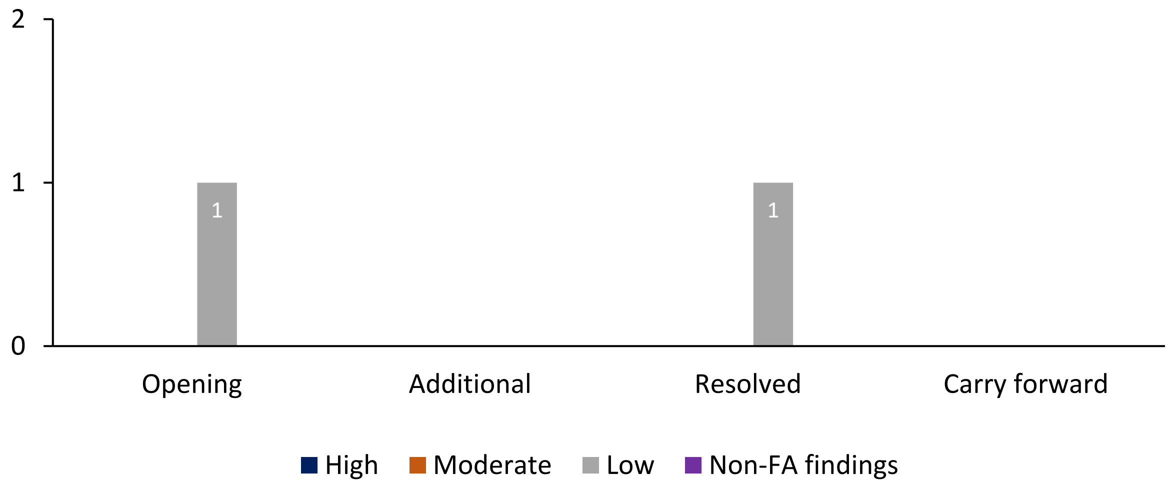


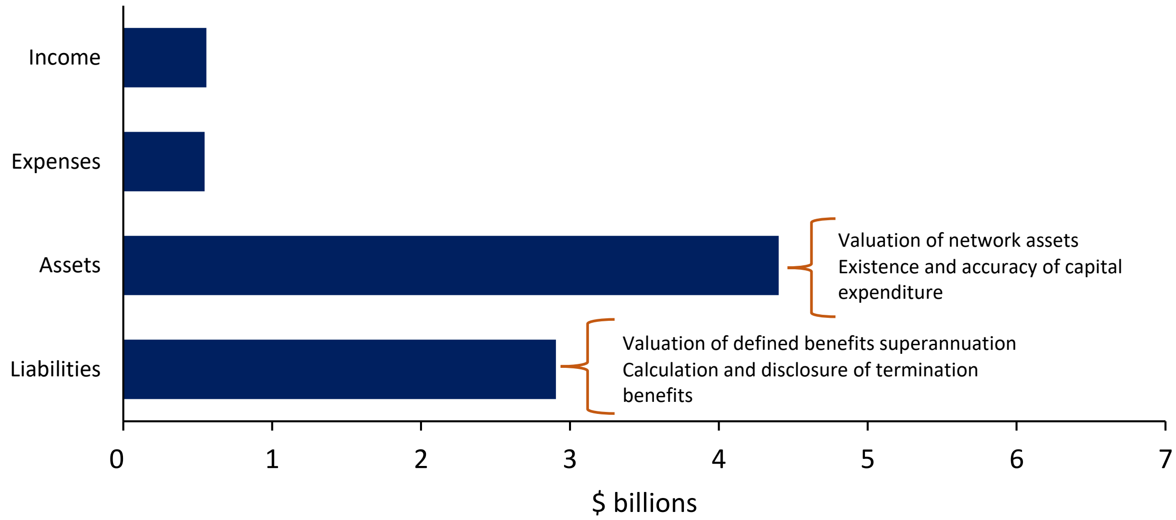
Recommendation updates

The opening finding has been resolved during the period, with no findings to carry forward.

Tasmanian Networks Pty Ltd

TasNetworks is a state-owned corporation responsible for the transmission and distribution of electricity throughout Tasmania. They deliver a safe, cost-effective and reliable electricity supply to more than 295,000 residential, commercial and industrial customers. TasNetworks facilitate the transfer of electricity between Victoria and Tasmania via Basslink, the sub-sea electricity interconnector.

Key areas of financial statement risk



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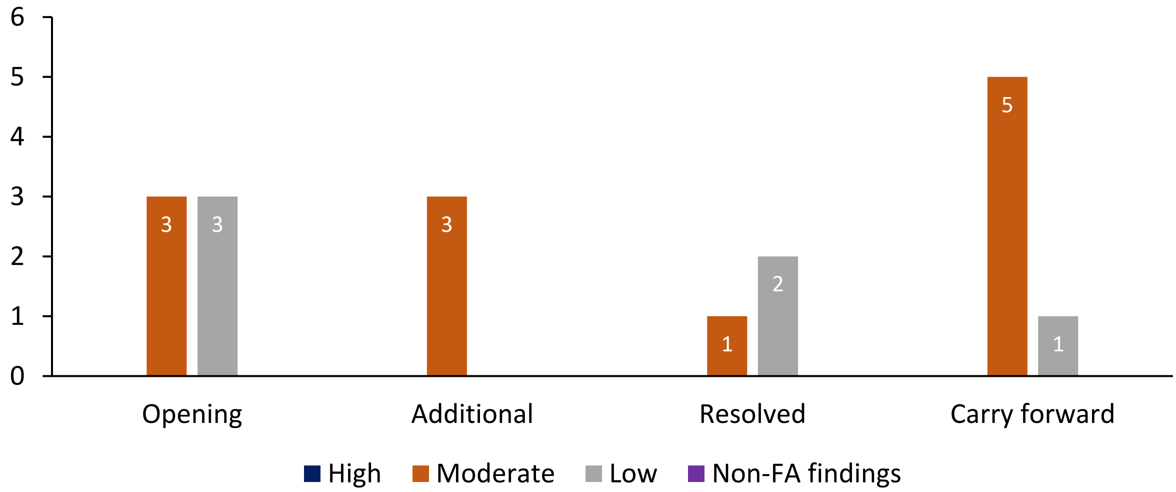


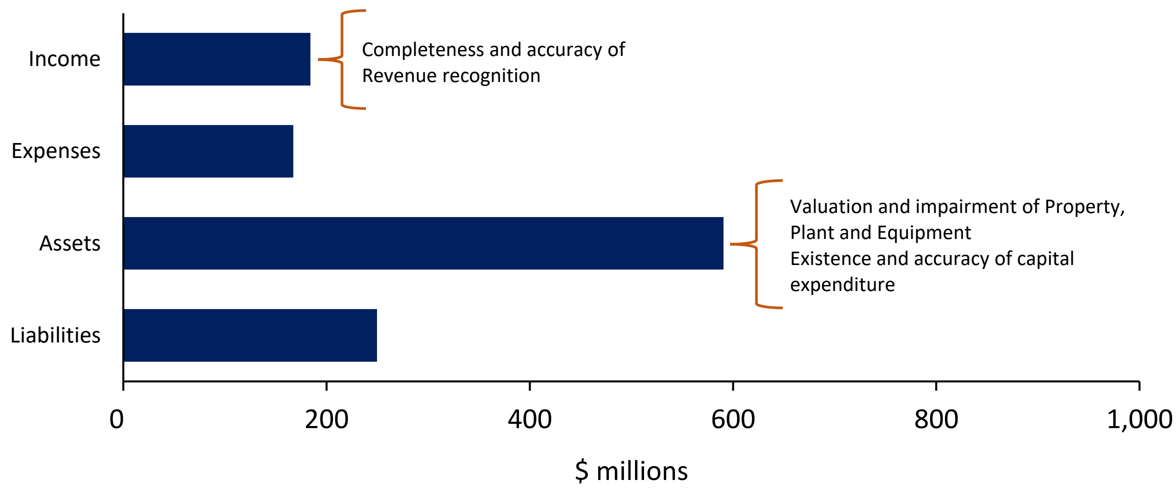
Recommendation updates

Of the 6 opening findings, 3 have been resolved during the period. An additional 3 moderate risk findings have been raised which all relate to IT findings. This leaves 6 findings to be carried forward.

Tasmanian Ports Corporation Pty Ltd

TasPorts facilitate trade for the benefit of Tasmania through the commercial provision of infrastructure and services. As an island state, Tasmania relies heavily on shipping, port infrastructure, and port operations to sustain its communities and economy. Each year 99% of the state's freight moves through TasPorts' multi-port network.

Key areas of financial statement risk



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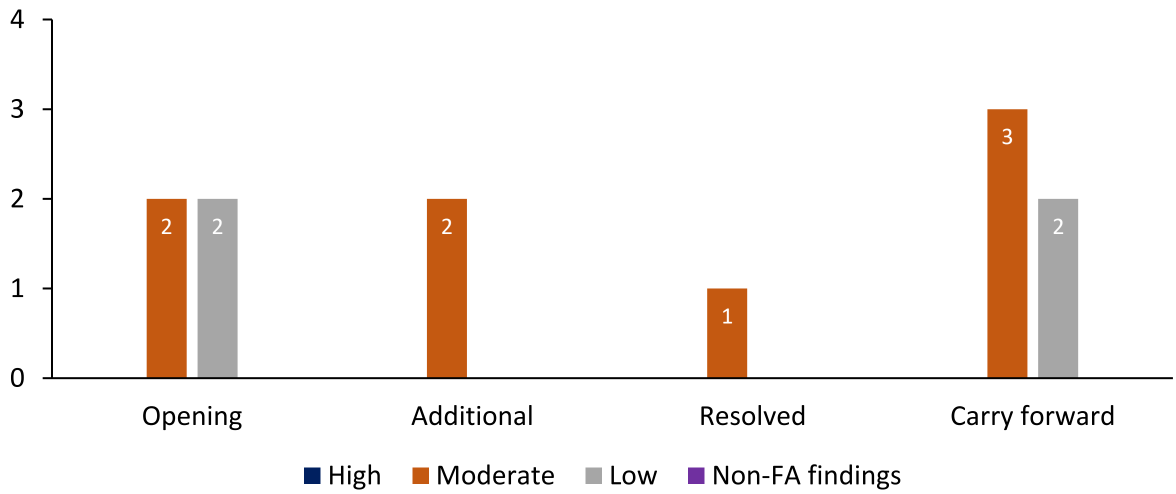


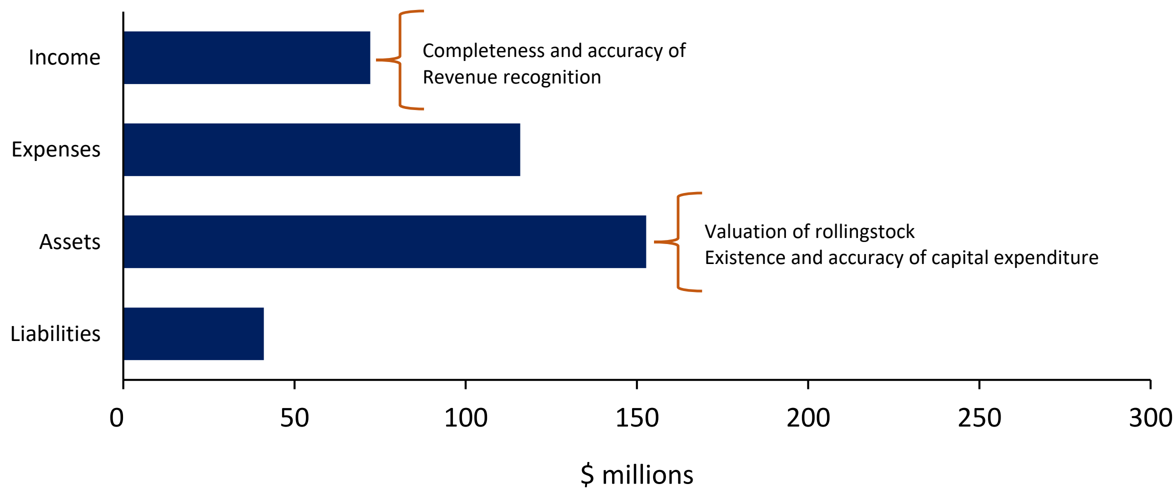
Recommendation updates

During the year, management resolved 1 of the moderate open findings. 2 additional moderate findings have been raised, with 5 findings to be carried forward.

Tasmanian Railway Pty Ltd

TasRail owns and manages both the below-rail infrastructure (tracks and associated facilities) and above-rail assets (rolling stock and operational services). This integration allows TasRail to provide comprehensive rail logistics solutions across Tasmania.

Key areas of financial statement risk



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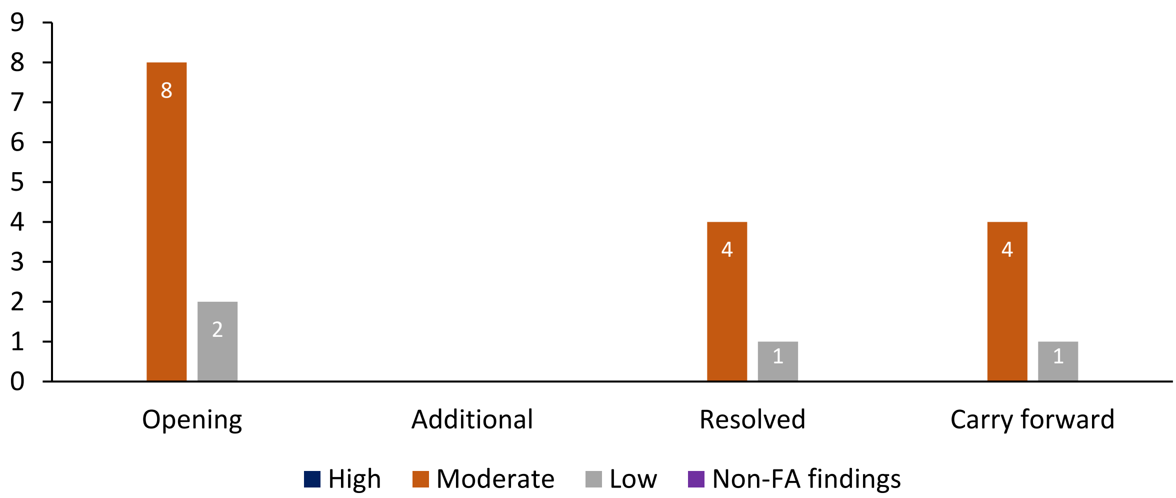


Recommendation updates

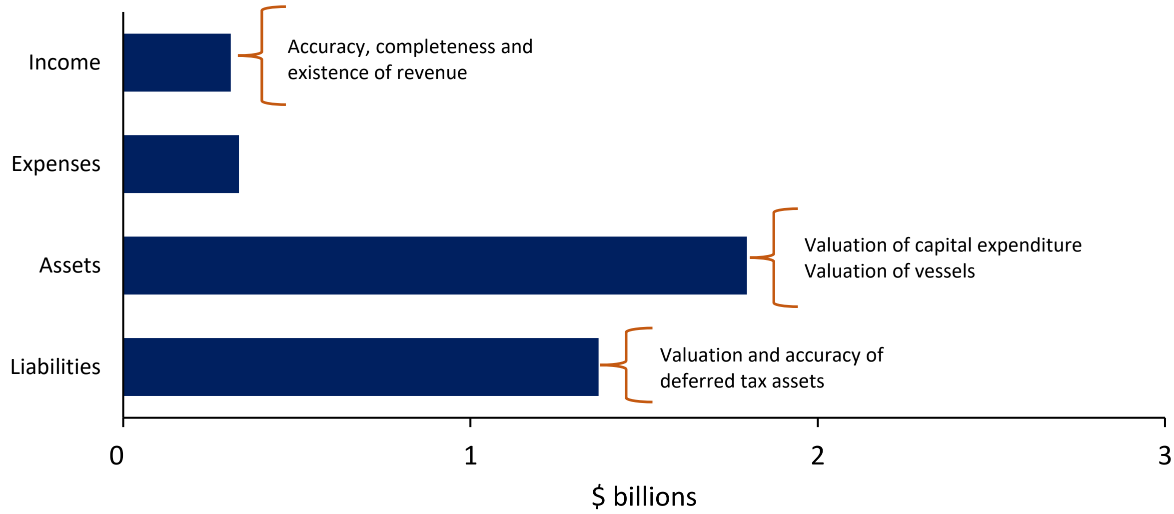
Of the 10 carried forward findings, half have been resolved during the period, with 4 findings relating to end of financial year closing which will be assessed during the year end audit for 2026 and 1 finding carried into 2026-27.

TT-Line Company Pty Ltd

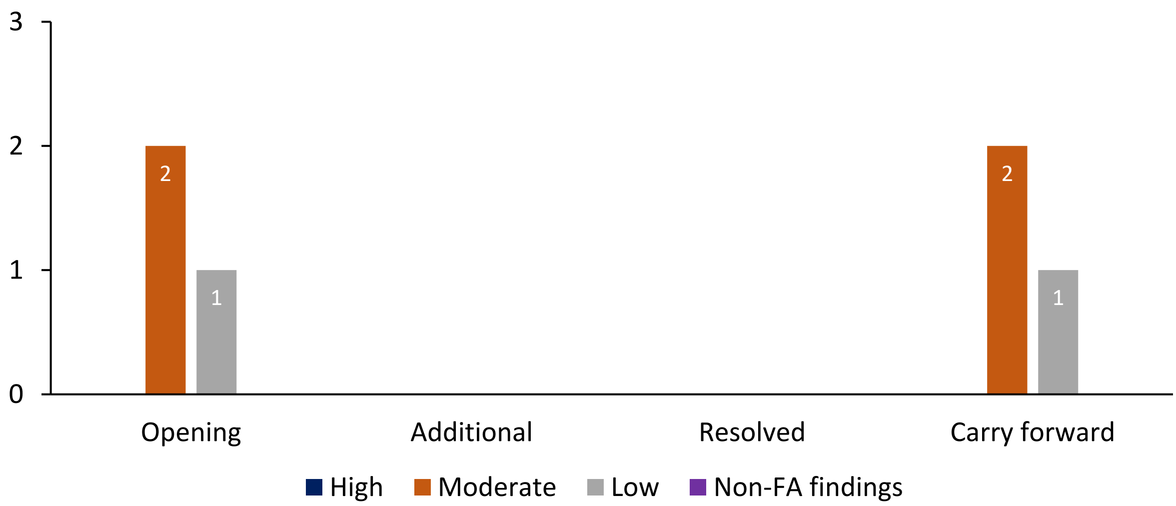
TT-Line is responsible for the provision of passenger and freight services on the Devonport to Geelong Bass Strait route.

Key areas of financial statement risk

In addition to the significant risks as highlighted in the figure below, a pervasive significant risk was raised regarding Going concern and financial sustainability.



Summary of recommendations



Recommendation updates

No new findings have been raised, and no findings resolved during the year. The 3 open findings continue to be carried forward.

Local Government

The principal legislation establishing the powers and functions of Tasmania's councils is the *Local Government Act 1993*. Section 20 describes the role of councils:

- to provide for the health, safety and welfare of the community
- to represent the interests of the community
- to provide for the municipal area's peace, order and good government.

Councils are responsible for providing a range of community services and infrastructure. These include:

- roads and bridges
- parks and sportsgrounds
- animal control
- waste and recycling
- planning, building, and environmental services
- local events.

Every council provides different types of infrastructure and services, due to differences in things like their communities' needs and expectations, land area, population, location, number of properties, and industry mix.

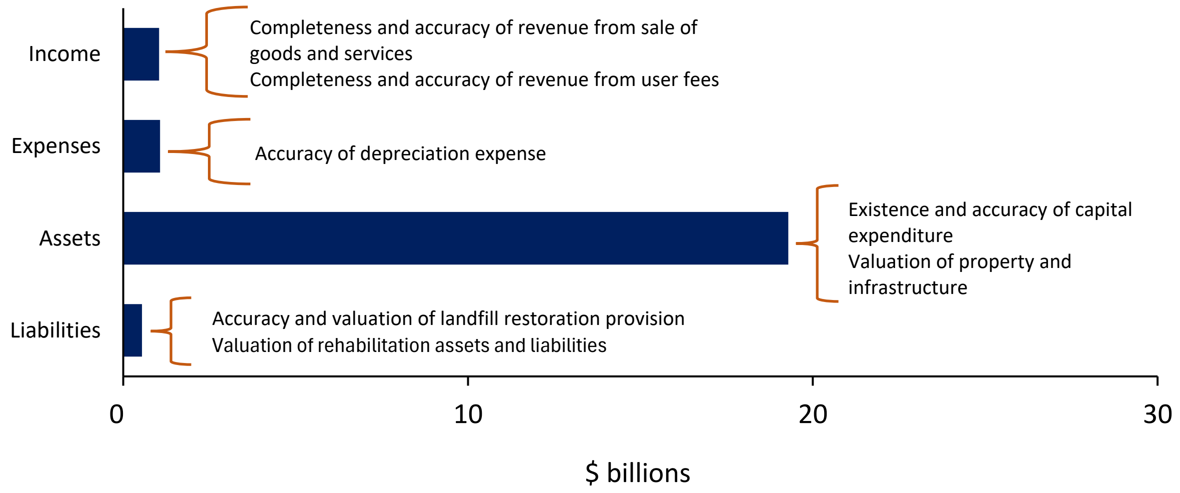
In performing these functions, councils are to consult, involve and be accountable to their residents and ratepayers. In doing so, councils can ensure they are acting in the best interests of the communities they serve.

Local Government Entities

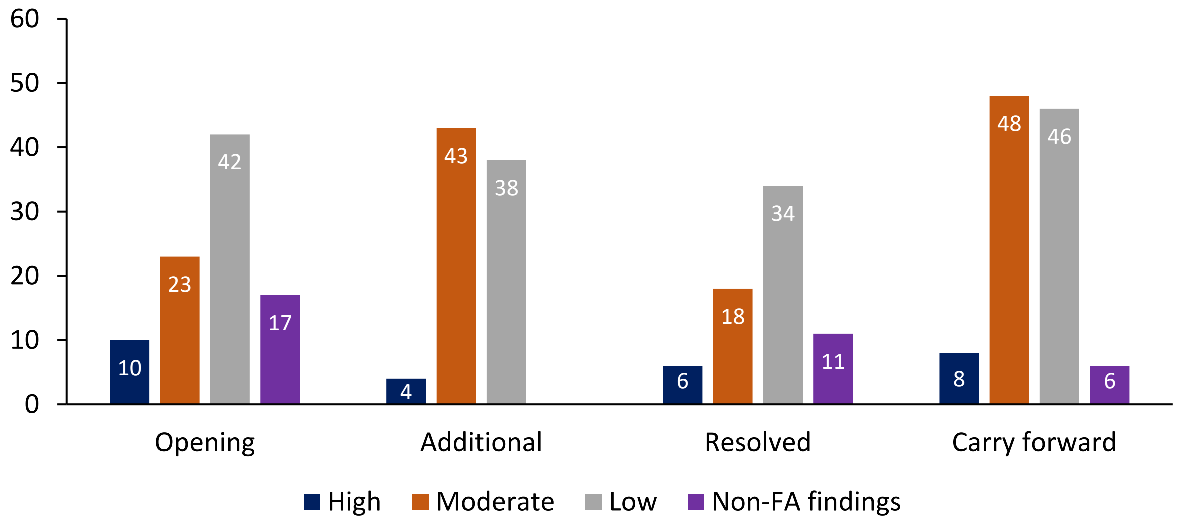
Councils

Tasmania's 29 Councils have been consolidated below.

Key areas of financial statement risk



Summary of recommendations



Recommendation updates

During the year, 85 new findings were raised, with 4 being high risk and 43 moderate risk findings. Of the 69 findings resolved, 8 were high risk findings. 108 unresolved findings have been carried forward.

High risk items

The following councils had the following resolved and unresolved high risk findings:

Brighton Council

1 resolved finding – indexation of fixed assets has previously had numerous application issues, including incorrect adjustment factors applied, and assets being omitted from indexation processes.

Circular Head Council

2 resolved findings – the first finding relates to the revaluation of land under roads, where Councils' asset register did not have sufficient information to accurately adopt the new rates provided. The second finding relates to management of a significant system outage. Council experienced a significant IT infrastructure failure that lasted for five and half days. Poor incident and infrastructure management has led to significant data and operations loss.

Clarence City Council

1 unresolved finding – lack of active cyber security policy, with no evidence provided to indicate a structured approach to managing the risk of cyber-attack.

Derwent Valley Council

1 resolved finding – valuation adjustments by management on independent landfill rehabilitation valuation. In arriving at the provision for landfill rehabilitation, management made alterations to the cost provided by the independent valuer. These alterations did not have sufficient evidence to support the changes made.

Hobart City Council

1 resolved finding – Council's migration to a new asset management system, errors were made in applying accumulated depreciation from revaluations and indexations, resulting in overstated written down values and excessive depreciation charges for Buildings, Land Improvements, Pathways & Cycleways, Stormwater, and Roads & Bridges asset classes. Council self-identified this issue during the 2024 financial year, undertook a detailed review and adjusted the financial report for material prior period restatement.

1 unresolved finding – it was identified that there may be an issue with Council owning land upon which buildings are situated, where operating leases exist, but the buildings are not attributed a value. For example, the lessor may construct or improve buildings on Council land and the asset not reflected in Council accounts.

Kingborough Council

1 unresolved finding – low level of IT governance, with the IT infrastructure needing a modern strategic review and direction evaluation.

Kentish Council

1 unresolved finding – management and quality of underlying asset data not sufficient for audit purposes. The level of detail at an individual asset level is not readily available for audit. This included unit rates, quantity of the asset held and other related data. This caused significant manual intervention during the revaluation of assets in 2022-23.

Latrobe Council

1 unresolved finding – management and quality of underlying asset data not sufficient for audit purposes. The level of detail at an individual asset level is not readily available for audit. This included unit rates, quantity of the asset held and other related data. This caused significant manual intervention during the revaluation of assets in 2022-23.

Tasman Council

3 unresolved findings – the first finding relates to key person dependency in maintaining the fixed asset register. the responsibility of maintaining and updating the fixed asset register was not shared with staff in Finance at Council, with the timeliness financial report completion being adversely impacted by the several errors in fixed asset register, partly attributed to the key person dependency.

The second finding relates to the completeness of the fixed asset register. In 2024-25, Council identified several assets in land, land under roads, bridges and roads which were not owned by Council but were recognised in previous years.

The third finding relates to duplicate journals being raised in the general ledger system due to processing errors due to manual override of an existing control in the general ledger.

Waratah Wynyard Council

1 resolved finding – the finding relates to the revaluation of land under roads, where Councils' asset register did not have sufficient information to accurately adopt the new rates provided.

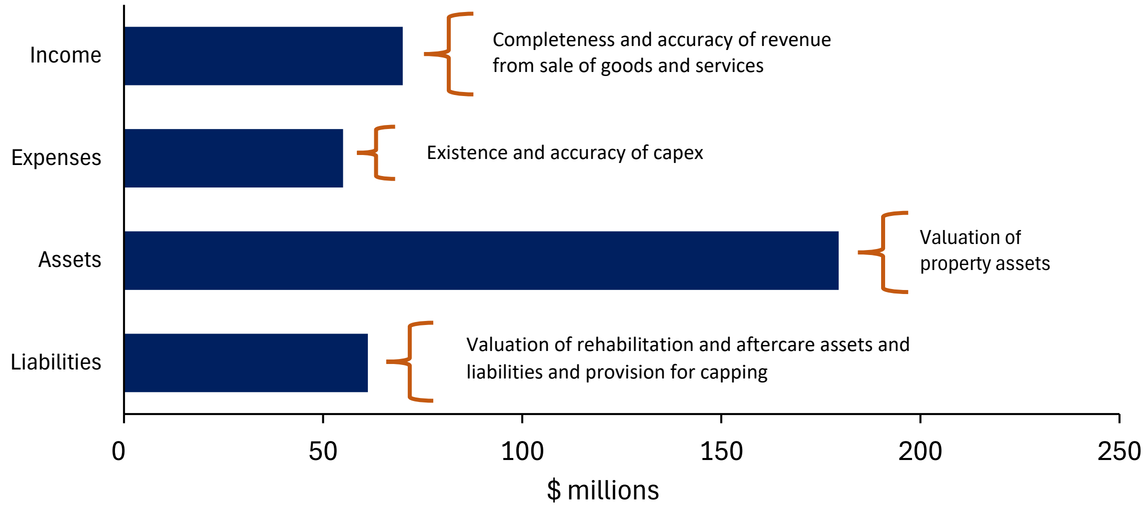
Ageing of findings

The 1 unresolved high risk finding held by Hobart City Council was initially raised in November 2022. This finding related to buildings on Council owned land. Management action taken to address the finding is to be verified as part of the 2025-26 audit process.

Other Local Government Entities

Refer to Appendix 1 for a list of entities.

Key areas of financial statement risk



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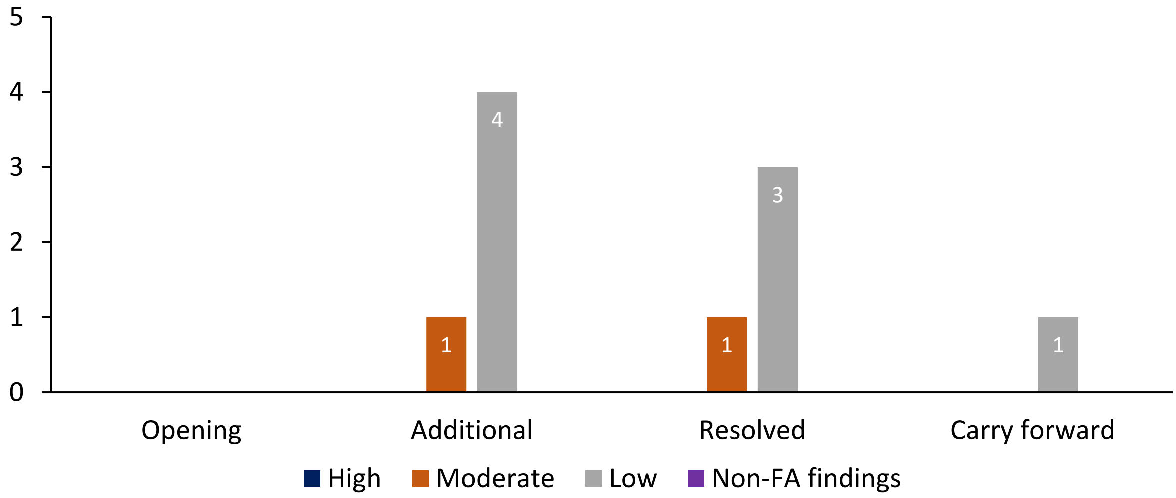


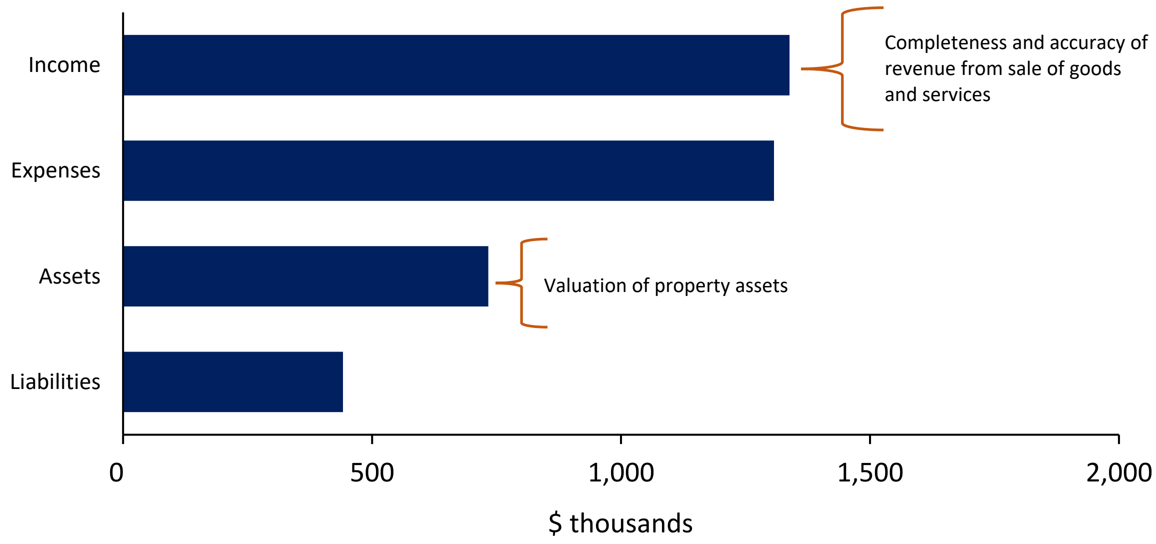
Recommendation updates

During the year, 1 moderate finding and 4 low risk findings were raised. The moderate and 3 low risk findings were resolved with 1 low risk finding to be carried forward.

Other Entities

Refer to Appendix 1 for a list of entities.

Key areas of financial statement risk



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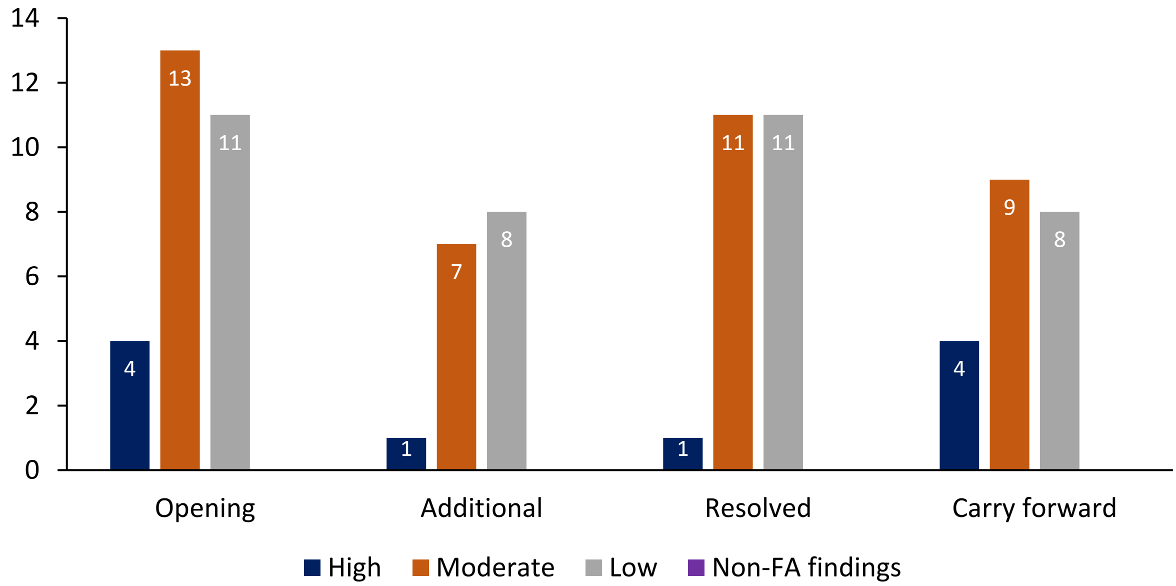


Recommendation updates

During the year, 16 additional findings were raised, with 23 resolved leaving 21 to be carried forward.

High risk items

The following entities had the following resolved and unresolved high risk findings:

Board of Architects

1 unresolved finding – management override of controls, as the entity does not maintain formal journal entries nor an accounting system capable of generating an audit trail.

Brand Tasmania

1 unresolved finding – assessment of revenue recognition for transfers from other agencies. Testing performed identified that revenue received as part of an agency transfer had been recorded in the incorrect period.

Theatre Royal Management Board

2 unresolved findings – the first finding relates to outdated or missing IT policies, whereby several critical IT policies, including the Cybersecurity Plan and Business Continuity Plan, are either outdated or not present. The second finding relates to the Board relying heavily on key personnels, with no formal handover process or documented manuals for critical operations.

Wellington Park Management Trust

1 resolved finding – The Trust uses journals to process invoices and make payments, with there being no independent review of journals.

University of Tasmania

For the year ended 31 December 2025, the University reported a net loss of $22.93 million. The result was primarily driven by the de-recognition (impairment) of a $22.77 million receivable relating to franking credit tax offsets associated with the University's investment in Education Australia Limited. The receivable, initially recognised in 2021, was impaired after the Australian Taxation Office disallowed objections lodged by other university shareholders in January 2025. Recovery of the amount is now contingent on the outcome of ongoing sector-wide litigation.

Total revenue and income from continuing operations decreased slightly to $779.38 million in 2025 from $788.98 million in 2024. The decline was primarily due to lower international student revenue, which decreased from $77.80 million to $76.40 million, and a reduction in Australian Government-funded scholarship and research income from $182.83 million to $176.36 million.

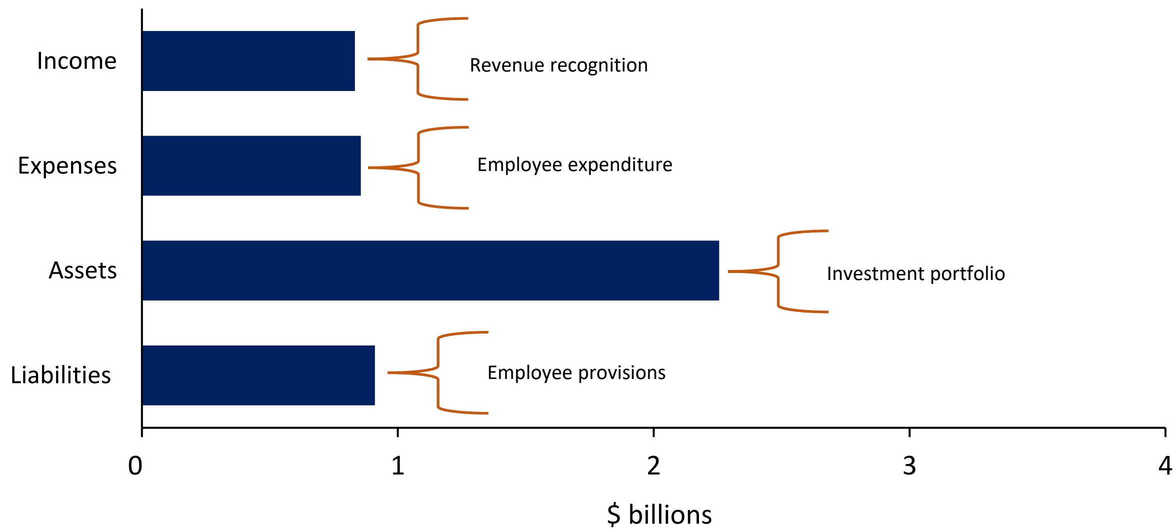
Total expenses increased by $35.10 million, rising from $820.10 million in 2024 to $855.20 million in 2025. This increase was largely attributable to the $22.77 million impairment of the franking credit receivable, which significantly impacted the University's overall financial result.

Sustainability

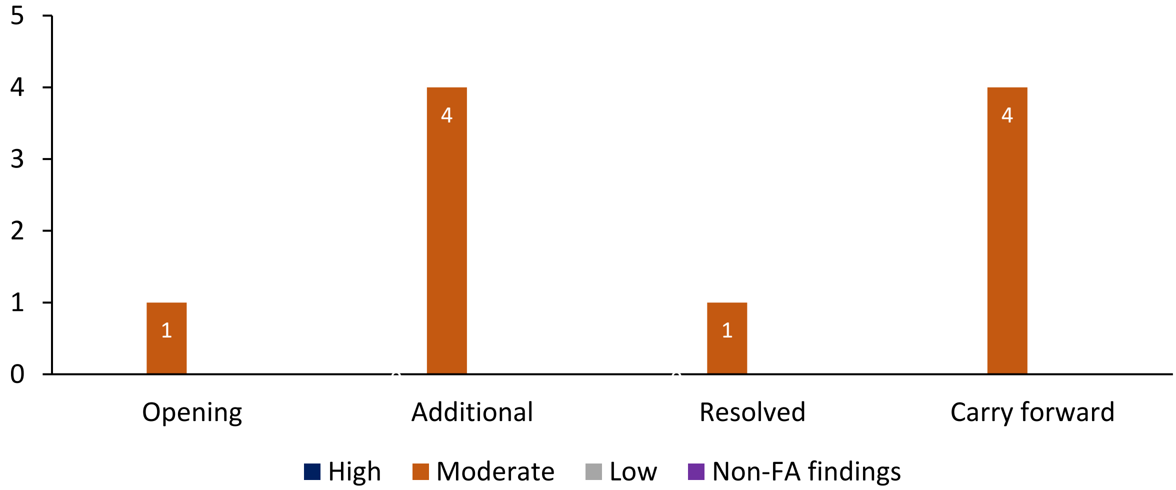
In our prior year report, we noted that the University recorded a consolidated deficit from core activities of $47.49 million and that University had recorded deficits from core activities for the last 4 consecutive years. That report highlighted that the University needed to address the causes of the deficits to ensure its longer-term sustainability. In 2025, the result from core activities improved by $19.80 million with the consolidated result from core activities decreasing to a deficit of $27.70 million. This result recorded through a period of continued challenges in the external and internal environments represents a significant improvement.

Improved performance enabled the University to consolidate its relatively strong financial position at the end of the 2025 financial year. As at 31 December 2025, the University reported consolidated net assets of $1.35 billion and held $56.85 million in cash and liquid investments, an increase of $25.90 million from 2024.

Key areas of financial statement risk



Summary of recommendations



Appendix 1 – Audit findings

Entities listed below are those which have been consolidated in the Report as per Figures

					Carried forward			
	Opening	Additional	Resolved	H	M	L	Non - FA findings	Total
General Government Sector - Other								
Abt Railway Ministerial Corporation	2	1	3	0	0	0	0	0
Asbestos Compensation Fund	0	0	0	0	0	0	0	0
Environment Protection Authority	4	2	3	0	0	0	3	3
House of Assembly	0	1	0	0	0	1	0	1
Inland Fisheries Service	2	1	1	0	0	2	0	2
Integrity Commission	0	1	0	0	0	1	0	1
Legislative Council	0	1	0	0	0	1	0	1
Legislature-General	1	4	1	0	2	2	0	4
Marine and Safety Authority	0	2	1	0	1	0	0	1
Office of the Director of Public Prosecutions	1	2	3	0	0	0	0	0
Office of the Governor	3	0	0	0	3	0	0	3
Office of the Ombudsman and Health Complaints Commissioner	0	1	0	0	0	1	0	1
Retirement Benefits Fund (Superannuation Commission)	0	1	1	0	0	0	0	0
Royal Tasmanian Botanical Gardens	0	0	0	0	0	0	0	0
State Fire Commission	0	0	0	0	0	0	0	0
Tasmania Development and Resources	0	0	0	0	0	0	0	0
Tasmanian Affordable Housing Limited	0	1	0	0	1	0	0	1

	Opening	Additional	Resolved	Carried forward H	M	L	Non - FA findings	Total
Tasmanian Assessment, Standards and Certification	0	0	0	0	0	0	0	0
Tasmanian Economic Regulator	0	0	0	0	0	0	0	0
Tasmanian Museum and Art Gallery	0	1	1	0	0	0	0	0
Tasmanian Waste and Resource Recovery Board	0	0	0	0	0	0	0	0
TasTAFE	1	6	1	1	2	2	1	6
Teachers Registration Board	0	1	1	0	0	0	0	0
Tourism Tasmania	0	0	0	0	0	0	0	0
WorkCover Board Tasmania	0	1	0	0	0	1	0	1
Sub-total	**14**	**27**	**16**	**1**	**8**	**11**	**4**	**25**
Public Financial Corporations and Public Non-Financial Corporations								
Bass Island Line Pty Ltd	0	0	0	0	0	0	0	0
FortyTwo24 Pty Ltd	2	0	2	0	0	0	0	0
Momentum Energy Pty Ltd	0	0	0	0	0	0	0	0
Sub-total	**2**	**0**	**2**	**0**	**0**	**0**	**0**	**0**
Councils								
Break O'Day Council	3	0	2	0	1	0	0	1
Brighton Council	4	1	5	0	0	0	0	0
Burnie City Council	8	1	5	0	0	3	1	4
Central Coast Council	3	0	3	0	0	0	0	0
Central Highlands Council	4	2	6	0	0	0	0	0
Circular Head Council	9	8	9	0	6	2	0	8

	Opening	Additional	Resolved	Carried forward H	M	L	Non - FA findings	Total
Clarence City Council	15	6	1	1	6	3	0	10
Derwent Valley Council	3	4	2	0	3	2	0	5
Devonport City Council	0	1	0	0	0	1	0	1
Dorset Council	0	1	0	0	0	1	0	1
Flinders Council	0	1	0	0	0	1	0	1
George Town Council	0	0	0	0	0	0	0	0
Glamorgan-Spring Bay Council	3	8	2	0	1	8	0	9
Glenorchy City Council	2	1	2	0	0	1	0	1
Hobart City Council	6	6	3	1	6	1	1	9
Huon Valley Council	1	0	1	0	0	0	0	0
Kentish Council	4	2	1	1	2	2	0	5
King Island Council	0	12	1	0	7	4	0	11
Kingborough Council	2	3	3	1	0	1	0	2
Latrobe Council	4	2	1	1	2	2	0	5
Launceston City Council	8	1	2	0	0	5	2	7
Meander Valley Council	2	1	2	0	0	1	0	1
Northern Midlands Council	0	6	2	0	4	0	0	4
Sorell Council	3	0	2	0	1	0	0	1
Southern Midlands Council	1	1	1	0	1	0	0	1
Tasman Council	2	7	3	3	2	1	0	6
Waratah-Wynyard Council	11	7	7	0	4	6	1	11

	Opening	Additional	Resolved	Carried forward H	M	L	Non - FA findings	Total
West Coast Council	3	2	2	0	1	1	1	3
West Tamar Council	1	1	1	0	0	1	0	1
Sub-total	**144**	**33**	**69**	**8**	**47**	**45**	**8**	**108**
Local Government – Other								
C-Cell Unit Trust	0	0	0	0	0	0	0	0
Cradle Coast Authority	0	0	0	0	0	0	0	0
Dulverton Regional Waste Management Authority	0	1	1	0	0	0	0	0
Launceston Flood Authority	0	0	0	0	0	0	0	0
Local Government Association of Tasmania	0	0	0	0	0	0	0	0
Southern Waste Solutions	0	1	1	0	0	0	0	0
Tasmanian Water and Sewerage Corporation Pty Ltd	0	2	1	0	0	1	0	1
TasWaste South	0	1	1	0	0	0	0	0
Sub-total	**0**	**5**	**4**	**0**	**0**	**1**	**0**	**1**
Other entities								
Aboriginal land council of Tasmania	4	1	5	0	0	0	0	0
AMC Search Ltd	0	1	0	0	1	0	0	1
Board of Architects	0	2	0	1	0	1	0	2
Brand Tasmania	2	0	1	1	0	0	0	1
Forest Practices Authority	0	0	0	0	0	0	0	0
Keystone Tasmania	0	1	0	0	0	1	0	1
Legal Profession Board	1	0	0	0	0	1	0	1

	Opening	Additional	Resolved	Carried forward H	M	L	Non - FA findings	Total
National Trust of Australia (Tasmania)	0	1	0	0	1	0	0	1
Property Agents Board	6	2	6	0	0	2	0	2
Property Agents Trust	2	1	2	0	0	1	0	1
Tasmania Legal Aid	0	0	0	0	0	0	0	0
Tasmanian Beef Industry (Research and Development) Trust	0	0	0	0	0	0	0	0
Tasmanian Community Fund	0	0	0	0	0	0	0	0
Tasmanian Dairy Industry Authority	0	0	0	0	0	0	0	0
Tasmanian Heritage Council	0	0	0	0	0	0	0	0
Tasmanian Pharmacy Authority	0	0	0	0	0	0	0	0
Tasmanian State Health Funding Pool	0	0	0	0	0	0	0	0
Tasmanian Timber Promotion Board	0	0	0	0	0	0	0	0
The Nominal Insurer	0	1	0	0	0	1	0	1
The Solicitors' Trust	1	1	1	0	0	1	0	1
Theatre Royal Management Board	6	1	2	2	3	0	0	5
University of Tasmania	1	4	1	0	4	0	0	4
UTAS Holdings Pty Ltd	1	0	1	0	0	0	0	0
UTAS Properties Pty Ltd	0	0	0	0	0	0	0	0
Veterinary Board of Tasmania	3	0	3	0	0	0	0	0
Wellington Park Management Trust	1	0	1	0	0	0	0	0
Sub-total	**28**	**16**	**23**	**4**	**9**	**8**	**0**	**21**
Grand Total	**188**	**81**	**114**	**14**	**64**	**65**	**12**	**155**

Appendix 2 – Audits dispensed

Audits dispensed with
Aspecthera Pty Ltd (University of Tasmania)
SciMex Pty Ltd (University of Tasmania)
Sita Gen Tech Pty Ltd (University of Tasmania)

Appendix 3 – Responses received

Response from the Secretary, Department of Premier and Cabinet and Head of the State Service

OFFICIAL

Department of Premier and Cabinet

Executive Building 15 Murray Street HOBART TAS 7000 Australia
GPO Box 123 HOBART TAS 7001 Australia
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Web: www.dpac.tas.gov.au

Tasmanian Government

Dept ref: 26/146252/1

Mr David Bond

Dear Mr Bond

Thank you for providing the opportunity to review the Auditor-General's Report Volume 1 2025-26 prior to publication.

The Department of Premier and Cabinet has a strong focus on strengthening governance, risk management and control frameworks, and on addressing audit findings in a timely manner.

I am encouraged that the Department of Premier and Cabinet has a comparatively low number of unresolved findings. I can also attest that significant work is underway through the Machinery of Government changes to design and implement fit-for-purpose shared services arrangements.

The scale and complexity of the Machinery of Government changes have influenced the timing of addressing some of the outstanding shared services recommendations. However, the work currently in progress is intended to directly address a number of the matters identified by Audit Tasmania and establish stronger, more consistent arrangements which can be extrapolated across government.

We remain committed to progressing these actions during 2026-27 and to maintaining public confidence in the administration of the public sector.

Yours sincerely

Kathrine Morgan-Wicks PSM
Head of the State Service/Secretary

27 July 2026

OFFICIAL

Response from the Secretary, Department for Education, Children and Young People

Department for Education, Children and Young People

Office of the Secretary

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P (03) 6165 5757
E Officeofthesecretary@decyp.tas.gov.au

Tasmanian Government

File no: DOC/26/128650/2

27 July 2026

Martin Thompson
Auditor-General
Audit Tasmania
GPO Box 851
Hobart TAS 7001

By e mail to: admin@audit.tas.gov.au

Dear Martin,

AUDITOR-GENERAL'S REPORT – VOLUME 1 – ANNUAL AUDIT UPDATE

Thank you for providing me with a copy of your *Report of the Auditor-General No. 1 of 2026-27: Auditor-General's report on the financial statements of State entities, Volume 1 – Annual Audit Update, 30 June 2026*.

I acknowledge the final report's commentary relating to the Department for Education, Children and Young People. I note that the report records DECYP as having resolved one high-risk finding during 2025-26, with a further six findings raised and nine findings carried forward. I also note that the report records three unresolved performance audit matters relating to student outcomes, custodial stays at Ashley Youth Detention Centre, and shared services arrangements.

DECYP welcomes the recognition that the high-risk finding relating to the valuation of land, buildings and infrastructure has been resolved. The Annual Audit Outcomes Report records that the Office of the Valuer General valuation had been conducted and received by audit, and that Audit Tasmania considered the issue resolved.

DECYP remains committed to addressing all agreed audit recommendations and to maintaining effective governance, risk management and internal control arrangements. We will continue to monitor and report progress against carried-forward findings and will work with Audit Tasmania to provide evidence required to support closure of matters as they are completed.

I also acknowledge Audit Tasmania's engagement with DECYP during the report finalisation process. DECYP provided feedback to David Bond on 22 July 2026 seeking additional context on recommendation statistics, student outcomes, AYDC custodial stays, and shared services arrangements. Stephen Morrison subsequently advised on 24 July 2026 that Audit Tasmania had made changes in response to DECYP's feedback and extended the timeframe for any further comments to 9:00 am Wednesday 29 July.

DECYP notes that the Annual Audit Outcomes Report records important progress on the performance audit matters. For student outcomes, recommendations 1 to 4 were implemented and closed in June 2025, while recommendation five was implemented with ongoing work required to achieve consistent adoption across all portfolios. For AYDC custodial stays, recommendation one is due by 2028, recommendations two to four have been completed, and recommendation five remains ongoing. For shared services, DECYP is progressing implementation through current arrangements, including transition planning for TasTAFE and annual review of Framework Agreements for Education Regulation Boards.

DECYP will continue to treat these matters as priorities and will maintain active oversight through departmental governance processes. We value Audit Tasmania's continued engagement and will work constructively with your office during the remainder of the 2025-26 audit cycle and subsequent follow-up activity.

Yours sincerely

Ginna Webster

SECRETARY

Response from the Acting Secretary, Department of State Growth

Building Tasmania

4 Salamanca Place, Hobart TAS 7000
GPO Box 536, Hobart TAS 7001 Australia
www.building.tas.gov.au

BUILDING TASMANIA

Tasmanian Government

Our Ref: D26/228162/2

Martin Thompson
Auditor-General
Tasmanian Audit Office
By email: admin@audit.tas.gov.au

Dear Mr Thompson

Report of the Auditor - General No. 1 of 2026-27 - Auditor-General's report on the financial statements of State entities - Volume 1 – Annual Audit Update

Thank you for your email of 21 July 2026 providing Audit Tasmania's proposed report, *Auditor-General's Report on the Financial Statements of State Entities Volume 1 – Annual Audit Update*.

As noted in the Building Tasmania (formerly the Department of State Growth) Annual Audit Outcomes Report for the year ended 30 June 2026, there are 17 findings reported as unresolved. However, it is my view that there is additional context that should be incorporated into the Report to more accurately reflect the current status of several findings and the context for the department in responding to these findings.

As you are aware, the Government announced significant Machinery of Government (MOG) changes in March 2026 that will affect the department and materially alter the risk environment for some functions, including the systems, processes, information and procedures that support them. Given this uncertainty, work on six audit findings (which are likely to be impacted through the MOG process) was intentionally deferred until the organisational changes are complete. These findings will then be reassessed to confirm whether they remain relevant and, if so, whether the original remediation approach remains appropriate. This approach is designed to avoid unnecessary work and ensure limited resources are directed to the department's highest priorities during a period of significant change. I would welcome Audit Tasmania's engagement in the finding reassessment process when it occurs.

In addition, the Agency has completed actions to address seven findings that continue to be reported as unresolved, with closure now subject to Audit Tasmania's review and validation. As detailed in the Building Tasmania Audit Outcomes Report, these findings are as follows:

Building Tasmania completed Items	
Risk Rating	**Finding Reference**
Moderate (2)	2024.1.2 and 2024.1.3
Low (4)	2025.1.1, 2025.1.2, 2025.1.4 and 2025.1.5
Non-FA (1)	2026.1.4

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I also note that, of the new findings raised during 2025-26, three Low-rated findings and one Non-FA finding have agreed implementation dates of 30 June 2027.

I would welcome Audit Tasmania's consideration of the above information and the provision additional context in the report regarding the status of the department's progress towards addressing the findings.

Yours sincerely

Shane Gregory
Acting Secretary
Building Tasmania

27 July 2026

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Appendix 4 – Risk ratings

Rating	Impact	Action
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 intervention with a detailed action plan to be implemented within 1 month. Requires correction to 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 intervention with a detailed action plan implemented within 3 to 6 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.	Requires intervention with a detailed action plan implemented within 6 to 12 months.
Performance recommendations	Performance recommendations are those that have been raised in performance audits, reviews or examinations. Reference should be had to the relevant reports to assess the risks associated with these findings.	N/A

Appendix 5 – Finding category

Findings fall into the following categories:

- internal control
- compliance
- financial reporting
- Non-Financial Audit – Performance audits, reviews and examinations.

Internal control

As required by the Australian Auditing Standards, in conducting our audit of your financial report, we assess the design and implementation of internal controls relevant to financial reporting. If we intend to rely on these controls, we test how effectively they are operating. Any weaknesses in internal control identified during our audit is communicated through this report.

Compliance

These audit findings relate to compliance with relevant legal and regulatory requirements. The purpose of these findings is to communicate instances where non-compliance has been identified. Consideration of compliance is limited to those laws and regulations generally recognised as having a direct effect on the financial report.

Financial reporting

The adequacy of the financial report preparation process, including an assessment of errors or omissions noted in the financial report, is undertaken as part of the audit process. This report provides an update on status in relation to any weaknesses in the financial report preparation process that were identified in prior audits. Any weaknesses that are noted in the current report will be separately reported at the conclusion of our current financial audit.

Performance recommendations

These audits and reviews are undertaken either in accordance with our annual plan of work or because of a decision by the Auditor-General to undertake a review or examination. Any findings from these audits are detailed in this report along with management's assessment as to the extent to which any recommendation has been implemented. Unless otherwise stated, the scope of our activity is limited to reporting management's assessment of progress to date. We provide no assurance as to the accuracy or completeness of managements comments.

Appendix 6 – Transmittal letter

Audit Tasmania

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12 August 2026

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

Report of the Auditor-General No. 1 of 2026-27: Auditor-General's report on the financial statements of State entities, Volume 1 – Annual Audit Update, 30 June 2026

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the first volume of my report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the year ended 30 June 2026.

Yours sincerely

Martin Thompson
Auditor-General

Acronyms and abbreviations

AAOR	Annual Audit Outcomes Report
AGR	Auditor-General's Report
AMC	Australian Maritime College
AI	Artificial Intelligence
ASD	Audit Strategy Document
Audit Act	*Audit Act 2008*
Audit Tasmania	Tasmanian Audit Office
DECYP	Department for Education, Children and Young People
DPFEM	Department of Police, Fire and Emergency Management
DPAC	Department of Premier and Cabinet
FAOR	Final Audit Outcomes Report
Health	Department of Health
HR	Human Resources
ICT	Information and Communications Technology
IT	Information Technology
KPIs	Key Performance Indicators
MPES	Monetary Penalties Enforcement Service
Non-FA findings	Non-Financial Audit findings
NRE Tas	Department of Natural Resources and Environment Tasmania
PAC	Parliamentary Standing Committee of Public Accounts
PAHSMA	Port Arthur Historic Site Management Authority
PFC	Public Financial Corporations
PNFC	Public Non-Financial Corporations

TasNetworks	Tasmanian Networks Pty Ltd
TasRail	Tasmanian Railway Pty Ltd
TasPorts	Tasmanian Ports Corporation Pty Ltd
THS	Tasmanian Health Service
Treasury	Department of Treasury and Finance
the Trust	Wellington Park Management Trust
TRMF	Tasmanian Risk Management Fund
TT-Line	TT-Line Company Pty Ltd
the University	University of Tasmania

Front cover image: Aerial of Road into Weldborough
Photography: Jason Charles Hill and Tourism Tasmania

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