

Tasmanian Audit Office
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**Auditor-General reports on infrastructure financial
accounting in local government**

Auditor-General, Mr Mike Blake, today released a report on infrastructure financial accounting in Local Government.

Mr Blake said “this Report follows my observation that in recent years a number of councils, as part of asset revaluations, had begun applying residual values to long-lived infrastructure assets, particularly roads. This saw depreciation expenses reducing but at the risk of non-compliance with Australian Accounting Standards”.

From his discussions with council management and engineers, it became apparent that there were differing views regarding the definition, use and validity of residual values in the valuation and depreciation of infrastructure assets, such as roads, for financial reporting purposes.

In his Report No. 4 of 2012-13 Mr Blake had flagged an intention to appoint an independent expert to review depreciation methods, including use of residual values, by Tasmanian councils. This Report represents the outcome of the expert’s work.

The Report contains 23 recommendations aimed at providing workable and cost effective approaches to road assets valuation and depreciation which are appropriate for financial reporting and are compliant with relevant accounting standards.

Mr Blake believes the Report will help to ensure Tasmanian councils establish consistent and transparent depreciation and revaluation practices. Mr Blake also said that “while the Report’s focus is road assets, the recommendations apply similarly to other long-lived assets”.

The Report also includes a suggested common road hierarchy which the Local Government Division of the Department of Premier and Cabinet can use as the basis of further consultation with councils.

The Tasmanian Audit Office is an independent agency whose role is to provide independent assurance to Parliament and the community on the performance and accountability of the Tasmanian public sector.

The full text of the Auditor-General’s report is available from the Tasmanian Audit Office website:
<http://www.audit.tas.gov.au/publications/reports/specialreport/index.html>

Further information:

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