

Financial statements and independent auditor's report

Queensland Audit Office Financial Statements For the year ended 30 June 2019

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General Information

These financial statements cover the Queensland Audit Office (QAO) for the 2018–19 financial year. QAO is established under the *Auditor-General Act 2009* to provide independent, valued assurance and insights.

QAO is a not-for-profit entity with the objective to strengthen public sector accountability by providing independent audit services, including reporting to parliament. QAO is a department for financial reporting (as described in the *Financial Accountability Act 2009*) and is consolidated into the Report on State Finances of the Queensland Government.

The principal place of business is:

Level 13, 53 Albert Street
BRISBANE QLD 4000

For information relating to QAO's financial report please:

- call (07) 3149 6000
- email enquiries@qao.qld.gov.au
- or visit the QAO's internet site www.qao.qld.gov.au.



Queensland Audit Office
Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 Actual \$'000	2019 Original budget \$'000	Budget variance* \$'000	2018 Actual \$'000
Income from continuing operations					
Audit fees	2(i)	37,665	36,624	1,041	35,800
Appropriation revenue for services	2(ii)	6,835	6,835	..	6,727
Other revenue	2(iii)	230	201	29	686
Total income from continuing operations		44,730	43,660	1,070	43,213
Expenses from continuing operations					
Employee expenses	3	21,068	22,572	(1,504)	20,574
Supplies and services	4	21,286	20,668	618	20,258
Depreciation and amortisation	8 (b)	345	318	27	581
Other expenses	5	435	263	172	345
Total expenses from continuing operations		43,134	43,821	(687)	41,758
Total operating result from continuing operations/comprehensive income		1,596	(161)	1,757	1,455

**An explanation of major variances is included at Note 12.
The accompanying notes form part of these statements.*



Queensland Audit Office
Statement of Financial Position
As at 30 June 2019

	Notes	2019 Actual \$'000	2019 Original Budget \$'000	Budget Variance* \$'000	2018 Actual \$'000
Current assets					
Cash and cash equivalents	1(d)	7,189	5,407	1,782	7,325
Work in progress	6	3,574	2,736	838	1,448
Receivables	7	3,054	4,041	(987)	4,157
Other current assets		350	10	340	54
Total current assets		14,167	12,194	1,973	12,984
Non-current assets					
Plant and equipment	8(c)(i)	209	424	(215)	28
Intangible assets	8(c)(ii)	641	929	(288)	942
Total non-current assets		850	1,353	(503)	970
Total assets		15,017	13,547	1,470	13,954
Current liabilities—Payables and accruals	9	2,214	1,993	221	1,849
Non-current liabilities—Provision for lease	10	17	902	(885)	915
Total liabilities		2,231	2,895	(664)	2,764
Net assets		12,786	10,652	2,134	11,190
Equity					
Contributed equity		5,183	5,183	..	5,183
Accumulated surplus		7,603	5,469	2,134	6,007
Total equity		12,786	10,652	2,134	11,190

**An explanation of major variances is included at Note 12.*

The accompanying notes form part of these statements.

Queensland Audit Office
Statement of Changes in Equity
for the year ended 30 June 2019

	Accumulated Surplus \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2018	6,007	5,183	11,190
Operating result from continuing operations	1,596	..	1,596
Balance as at 30 June 2019	7,603	5,183	12,786

	Accumulated Surplus \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2017	4,552	5,183	9,735
Operating result from continuing operations	1,455	..	1,455
Balance as at 30 June 2018	6,007	5,183	11,190

The accompanying notes form part of these statements.



Queensland Audit Office
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 Actual \$'000	2019 Original Budget \$'000	Budget Variance* \$'000	2018 Actual \$'000
Cash flows from operating activities					
<i>Inflows:</i>					
Audit fees		36,659	36,599	60	35,945
Appropriation revenue for services		6,835	6,835	..	6,727
GST input tax credits from ATO		2,181	1,933	248	2,087
GST collected from customers		3,575	3,329	246	3,693
Other revenue		24	..	24	499
<i>Outflows:</i>					
Employee expenses		(21,052)	(23,369)	2,317	(20,558)
Supplies and services		(22,012)	(20,480)	(1,532)	(20,344)
GST paid to suppliers		(2,262)	(1,933)	(329)	(2,004)
GST remitted to ATO		(3,630)	(3,329)	(301)	(3,745)
Other expenses		(229)	(263)	34	(138)
Net cash provided by/(used in) operating activities	14	89	(678)	767	2,162
Net cash used in investing activities— Payments for plant and equipment and intangibles		(225)	(450)	225	..
Net increase/(decrease) in cash and cash equivalents		(136)	(1,128)	992	2,162
Cash and cash equivalents at beginning of financial year		7,325	6,535	790	5,163
Cash and cash equivalents at end of financial year		7,189	5,407	1,782	7,325

**An explanation of major variances is included at Note 12.*

The accompanying notes form part of these statements.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

1. Summary of significant accounting policies

Significant accounting policies are shown in the notes to which they relate, except as follows:

(a) Statement of compliance

These general purpose financial statements have been prepared on an accrual basis, except for the statement of cash flows, and in accordance with:

- section 42 of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

The historical cost convention is used unless otherwise stated. Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(b) Currency and rounding

Amounts included in the financial statements are in Australian Dollars and have been rounded to the nearest \$1,000 or, where that amount is less than \$500, to zero unless disclosure of the full amount is specifically required.

(c) Taxation

QAO is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Revenues, expenses and assets are recognised exclusive of GST, except:

- receivables and payables, which include input tax credits and GST payable, and the net amount due to or receivable from the Australian Tax Office (ATO)
- where the amount incurred is not recoverable from the ATO.

The GST components of cash flows arising from investing activities which are recoverable from, or payable to the ATO are included as operating cash flows.

(d) Cash and cash equivalents

Cash assets comprise funds at call with the Commonwealth Bank of Australia.

(e) New and revised accounting standards not yet effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below:

AASB 15 Revenue from contracts with customers

This standard will become effective for reporting periods beginning on or after 1 January 2019 and contains detailed requirements for the accounting for certain types of revenue from customers. An analysis of the impact of AASB 15 on QAO revenue was undertaken. QAO currently recognises revenue as services are performed (over time). AASB 15 paragraphs 35 to 37 (and related guidance) includes provisions for similar situations where performance obligations are satisfied over time. Based on this guidance, QAO does not expect this standard to have a material impact on how revenue is currently recognised in our financial statements.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

1. Summary of significant accounting policies (continued)

(f) New and revised accounting standards not yet effective (continued)

AASB 16 Leases

This standard will become effective for reporting periods beginning on or after 1 January 2019.

QAO has completed its review of the impact of adoption of AASB 16 on the statement of financial position and statement of comprehensive income and has identified the following major impacts which are outlined below.

During the 2018–19 financial year, the QAO held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Lease payments under these arrangements totalled \$1,539,341 p.a. QAO has been advised by Queensland Treasury and DHPW that, effective 21 July 2019, amendments to the framework agreements that govern QGAO will result in the above arrangements being exempt from lease accounting under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation used within these arrangements. From 2019–20 onwards, costs for these services will continue to be expensed as supplies and services expense when incurred.

Currently QAO has no material operating leases that will be impacted by the new standard.

(g) Issuance of financial statements

The financial statements are authorised for issue by the Auditor-General of Queensland and the Chief Financial Officer at the date of signing the Certificate of the Queensland Audit Office.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

2. Revenue

QAO charges fees for financial audit services on a full cost recovery basis.

QAO also receives parliamentary appropriation for:

- the position of the Auditor-General
- the conduct of performance audits
- reporting to parliament on the results of financial and performance audits performed
- providing advice and assistance to the parliament and central agencies
- preparation of the strategic audit plan
- investigating matters referred in relation to financial waste and mismanagement.

(i) Audit fees for services to the public sector

QAO recognises revenue from audit fees when the work is undertaken. This includes audit work completed by contracted audit firms on behalf of QAO.

(ii) Appropriation revenue for services to the parliament

QAO recognises appropriation revenue in the year when the services are performed, which matches the timing of cash transfers made by Queensland Treasury under the *Appropriation (Parliament) Bill 2018*.

	2019 \$'000	2018 \$'000
Revenue		
Budgeted appropriation	6,835	6,670
Queensland Treasury adjustments	..	57
Total	6,835	6,727

(iii) Other revenue

	2019 \$'000	2018 \$'000
Other revenue		
Licence fees	..	443
Storage services received free of charge	206	207
Miscellaneous receipts	24	36
Total	230	686

In previous years, QAO received licence fee revenue from the provision and support of audit toolkits to other Australian audit offices.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

3. Employee expenses

	Note	2019 \$'000	2018 \$'000
Employee benefits			
Wages, salaries and sick leave		16,586	16,065
Annual leave levy	3(ii)	1,707	1,632
Long service leave levy	3(ii)	383	372
Employer superannuation contributions		2,282	2,217
Fringe benefits tax		76	86
Service payment—non-renewal of contract		..	162
Total		21,034	20,534
Employee related expenses—WorkCover Queensland premium		34	40
Total		21,068	20,574

The number of employees on a full-time equivalent (FTE) basis under the Minimum Obligatory Human Resource Information (MOHRI) classification methodology is:

	2019	2018
Number of employees as at 30 June	185	177

(a) Employee benefits

Employee benefits include employer superannuation contributions, annual leave and long service leave levies.

Workers' compensation insurance is not included in an employee's total remuneration package and is recognised separately as employee related expenses.

(i) Wages, salaries and sick leave

Wages and salaries are recognised at current salary rates as it is expected these liabilities will be wholly settled within 12 months of year end. Sick leave is recognised as an expense when the leave is taken.

(ii) Annual leave and long service leave

QAO is a member of the Queensland Government's Annual Leave and Long Service Leave Schemes. QAO pays a levy to these schemes to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. QAO expenses these levies in the period in which they are payable and claims from these schemes quarterly in arrears for amounts paid to employees for leave taken.

QAO does not recognise a provision for annual leave or long service leave as these liabilities are held and disclosed in the Report on State Finances of the Queensland Government pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(iii) Superannuation

Superannuation is provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined (accumulation) contribution plans—Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

3. Employee expenses (continued)

(iii) Superannuation (continued)

Defined benefit plan—The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by QAO at the specified rate following completion of the employee's service each pay period. The QAO's obligations are limited to those contributions paid.

(b) Key executive management personnel and remuneration

(i) Key executive management personnel

Details of key executive management personnel are disclosed in accordance with section 3C of the Financial Reporting Requirements for Queensland Government Agencies. Key executive management personnel encompass positions which form part of the Executive Management Group. This group had the authority and responsibility for planning, directing and controlling the activities of the QAO during 2018–19.

Auditor-General—undertakes financial and performance audits of Queensland state and local government entities and provides parliament with independent assurance of public sector accountability and performance as defined in the *Auditor-General Act 2009*.

Deputy Auditor-General—acts on behalf of the Auditor-General as required and leads and sets the strategic direction of performance audit.

Assistant Auditors-General—lead and set the strategic direction of financial and specialist audit services.

Further information on these positions is in the QAO Annual Report under the Leadership and Governance section.

(ii) Remuneration

The remuneration policy for QAO's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and the *Auditor-General Act 2009*. Individual remuneration and other terms of employment are specified in employment contracts.

Remuneration packages comprise the following components:

- short-term employee benefits which include
 - base—salary, incentives, allowances and leave entitlements paid and accrued for the year or for that part of the year during which the employee occupied the specified position
 - non-monetary benefits—car parking and the applicable fringe benefits tax
- long-term employee benefits include long service leave accrued
- post-employment benefits include superannuation contributions
- redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payments in lieu of notice on termination regardless of the reason for termination
- performance bonuses are not paid under the current contracts.

Total fixed remuneration is calculated on a total 'cost' basis and includes the base and non-monetary benefits, long-term employee benefits and post-employment benefits.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

3. Employee expenses (continued)**(ii) Remuneration (continued)**

Position	Name	Short-Term Employee Benefits		Long-Term Employee Benefits	Post-Employment Benefits	Total Remuneration
		Base	Non-Monetary			
		\$'000	\$'000			
1 July 2018–30 June 2019						
Auditor-General	B Worrall	456	13	11	53	533
Deputy Auditor-General	D Bird	313	13	6	33	365
Assistant Auditor-General	P Brahman	273	13	6	31	323
Assistant Auditor-General	K Johnson	273	13	6	28	320
Total 2019						1,541
1 July 2017–30 June 2018						
Auditor-General (commenced 11/7/17)	B Worrall	443	12	10	52	517
Deputy Auditor-General (11/7/17–25/8/17)	A Close*	56	3	0	249	308
Auditor-General (acting 1/7/17–10/7/17)						
Deputy Auditor-General (commencing 1/2/18)	D Bird	282	13	6	28	329
Assistant Auditor-General (1/7/17–31/1/18)						
Assistant Auditor-General	P Brahman	256	13	6	28	303
Assistant Auditor-General	K Johnson	259	13	5	27	304
Total 2018						1,761

2017–18: *Total remuneration includes contract termination benefits of \$169,747 annual and long service leave entitlements payout of \$70,712.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

3. Employee expenses (continued)

(iii) Related party transactions

Transactions with people or entities related to key executive management personnel (KMP)

No transactions with people or entities related to the QAO's KMP were reported for this financial year.

Transactions with other Queensland Government-controlled entities

QAO receives appropriation revenue for the statutory position of Auditor-General and other appropriation funded services (refer Note 2), both of which are provided in cash via Queensland Treasury.

QAO provides financial audit services which are paid for directly by public sector entities.

4. Supplies and services

	2019 \$'000	2018 \$'000
Payment to contract auditors	13,833	14,224
Consultants and expert advice	2,194	1,413
Payments to employment agencies for contractor personnel	666	651
Rent and office services	1,578	1,903
Leasehold restoration (i)	(512)	(8)
Information technology and minor office equipment	1,970	821
Staff development	289	245
Travel costs	572	439
Bureau charges	118	107
Other administrative costs	578	463
Total	21,286	20,258

- (i) On 1 April 2019 QAO entered into a new arrangement with DHPW for the use of Level 14 and part Level 13, 53 Albert Street, Brisbane City whereby QAO no longer has a present obligation to restore the office accommodation to its original state at end of arrangement. The provision for lease restoration was therefore released during 2018–2019.

5. Other expenses

	2019 \$'000	2018 \$'000
Internal audit fees	141	46
External audit fees*	29	42
Insurance premiums—QGIF	59	50
Storage services received free of charge	206	207
Total	435	345

* Total audit fees due to Hall Chadwick QLD relating to the 2018–19 financial year are \$32,500 (2017–18: \$33,800 Nexia Brisbane Audit Pty Ltd).

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

6. Work in progress

Work in progress represents services performed but not yet invoiced and is based on:

- weekly timesheets and hourly rates for each level of staff. The rates are determined by the Auditor-General to provide for full cost recovery at the beginning of each year and approved by the Treasurer
- costs of work undertaken for QAO by contracted audit firms. The total estimated cost of contracted-out work is agreed in advance of the work commencing, but may be subject to variations as the work proceeds
- outlays such as travel and accommodation directly incurred in completing the work that are yet to be recovered.

The recoverability of work in progress is regularly reviewed and an allowance for impairment is provided if there is evidence that amounts are not fully recoverable.

As at reporting date, all work in progress is assessed as fully recoverable. The basis of assessment considers:

- no work is disputed by clients
- no unexplained overdue work in progress (WIP) exists
- no amounts are outstanding for entities that no longer exist, and
- good quality credit history, with most of our clients being government entities.

7. Receivables

	2019 \$'000	2018 \$'000
Audit fees receivable	2,581	3,720
Annual leave reimbursement	303	292
Long service leave reimbursement	149	145
Other receivables	21	..
Total	3,054	4,157

Receivables represent amounts owed to QAO at year end.

Receivables are recognised when an invoice is issued and work in progress is reduced accordingly. Invoices are issued periodically, based on milestones or completion of the work. The total estimated cost of audit engagements is communicated in advance of the work commencing but may be subject to variations as the work proceeds. Invoices are due for settlement within 14 days of invoice date.

All receivables are current and expected to be fully collectible based on good credit quality and recent collection history.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

8. Plant and equipment and intangible assets

(a) Acquisition

All plant and equipment and intangible assets are initially recognised and subsequently measured at cost. Cost comprises purchase price plus additional expenditure incurred to maintain the asset in the condition necessary to be used as intended.

Assets are only recognised in the Statement of Financial Position where their initial acquisition costs exceed \$5,000 for plant and equipment and \$100,000 for intangibles. Items costing less than these amounts are included as expenses.

(b) Measurement

Assets are carried at their acquisition cost less accumulated depreciation/amortisation and any accumulated impairment losses. Plant and equipment is depreciated on a straight line basis to allocate the net cost of each asset, less its estimated remaining value, equally over its estimated useful life.

All intangible assets, including purchased and internally generated software, have finite useful lives and are amortised on a straight line basis over the period of the expected benefit to QAO.

The depreciation and amortisation rates are:

Asset class	Depreciation rate	Basis	Useful life
Plant and equipment	12.5% to 33.3%	Straight line	3 to 8 years
Intangible assets	Amortisation rate	Basis	Useful life
Software purchased	20% to 33.3%	Straight line	3 to 5 years
Software internally generated	20% to 33.3%	Straight line	3 to 5 years

	2019 \$'000	2018 \$'000
Depreciation and amortisation		
Plant and equipment	44	194
Intangibles	301	387
Total	345	581



Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

8. Plant and equipment and intangible assets (continued)

(c) Impairment

All plant and equipment and intangible assets are assessed annually for indicators of impairment. If an indicator of possible impairment exists, QAO determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. Impairment losses are recognised immediately in the Statement of Comprehensive Income.

	2019 \$'000	2018 \$'000
(i) Plant and equipment		
Plant and equipment		
At cost	945	1,006
Accumulated depreciation	(736)	(978)
Total	209	28

<i>Plant and equipment reconciliation</i>		
Carrying amount at 1 July	28	222
Acquisitions	225	..
Disposals	(287)	(30)
Depreciation	(44)	(194)
Accumulated depreciation on disposal	287	30
Carrying amount at 30 June	209	28

	2019 \$'000	2018 \$'000
(ii) Intangible assets		
Software purchased		
At cost	331	331
Accumulated amortisation	(206)	(140)
Total	125	191
Software internally generated		
At cost	1,968	1,968
Accumulated amortisation	(1,452)	(1,217)
Total	516	751
Intangible asset total	641	942

<i>Intangible assets reconciliation</i>		
Carrying amount at 1 July	942	1 329
Acquisitions
Disposals	..	(769)
Amortisation	(301)	(387)
Accumulated amortisation on disposal	..	769
Carrying amount at 30 June	641	942

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

9. Payables and accruals

Creditors are recognised on receipt of goods or services ordered and are measured at the agreed purchase or contract price including any applicable trade and other discounts when goods and services ordered are received. Amounts owing are unsecured and are generally settled on 20-day terms.

	2019 \$'000	2018 \$'000
(a) Payables		
Creditors	1,140	672
GST payable	380	435
GST input tax receivable	(290)	(209)
Net GST payable	90	226
Total	1,230	898
(b) Accrued employee benefits		
Annual leave levy payable	443	474
Long service leave levy payable	92	84
Other employee benefits	449	393
Total	984	951
Total	2,214	1,849

Other employee benefits include accrued salaries and wages, superannuation, paid parental leave and time in lieu.

10. Provision for lease

	2019 \$'000	2018 \$'000
Non-cancellable operating lease	17	403
Leasehold restoration	..	512
Total	17	915

Non-cancellable operating lease

QAO entered into a new sub-lease arrangement for office accommodation; the Department of Housing and Public Works (DHPW) has the head lease. This arrangement is an operating lease as DHPW retains substantially all risks and benefits. From 1 July 2019 this will no longer be a lease under AASB16 *Leases* as DHPW has substantive substitution rights.

Non-cancellable lease commitments are disclosed in Note 11(a).



Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

10. Provision for lease (continued)

Leasehold Restoration

QAO has entered into a new arrangement with DHPW for the use of office accommodation whereby QAO no longer has a present obligation to restore the office accommodation to its original state. The provision was therefore released during 2018–2019. During 2018–19 QAO signed a new lease with different terms and the deferred lease liability was recalculated.

11. Commitments for expenditure

	2019 \$'000	2018 \$'000
(a) Non-cancellable operating lease		
Not later than one year	1,464	1,614
Later than one year and not later than five years	2,474	4,532
Total	3,938	6,146
(b) Future auditing services under contract		
Not later than one year	12,782	5,601
Later than one year and not later than five years	4,533	7,372
Total	17,315	12,973
(c) Other contracts		
Not later than one year	1,562	1,443
Later than one year and not later than five years	210	..
Total	1,772	1,443
Total	23,025	20,562

All commitments in existence at reporting date are exclusive of GST. These commitments have not been recognised as liabilities in the financial statements as services are yet to be performed under these contracts.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

12. Budgetary reporting disclosures

The QAO's assessment of major budget variances is in accordance with FRR 5C Budgetary Reporting Disclosures.

(i) Explanation of major variances—statement of comprehensive income

<i>Audit fees</i>	Audit fee revenue exceeded budget by \$1,401 million due to additional audit work performed on machinery-of-government changes and local government in addition to the early performance of 2019 year end testing.
<i>Employee Expenses</i>	Employee expenses were under budget \$1,504 million due to lower than expected FTE in first half of financial year due to staff attrition and delays in finding suitable replacements.
<i>Depreciation and Amortisation</i>	Increased depreciation from property plant and equipment acquisitions relating to new fit-out.
<i>Other expenses</i>	The spend on internal audit was higher than expected with additional reviews undertaken in 2018–19.

(ii) Explanation of major variances—statement of financial position

<i>Cash and Cash Equivalents</i>	This variance relates to lower than budgeted employee expenses and improved management of customer accounts.
<i>Work in Progress</i>	In 2018–19 more audit work was performed earlier. These audit services are not yet billable per agreed milestones as at end of financial year.
<i>Receivables</i>	Less work in progress was converted to receivables and increased debtor management.
<i>Plant and Equipment</i>	The decrease reflects planned depreciation and lower capital works expenditure to replace current office and IT equipment.
<i>Intangible Assets</i>	We accelerated the amortisation of existing intangibles to reflect a change of useful life.
<i>Payables and Accrual</i>	Trade creditors are higher than budgeted due to increase of contract auditor fees.
<i>Provision for Lease</i>	A decrease in provisions with the signing of a new lease with significant savings and a no 'make good' clause resulting in the releasing of the leasehold restoration.

(iii) Explanation of major variances—statement of cash flows

<i>Employee Expenses</i>	Lower than anticipated employee numbers in the first half of the year correlated to a decrease in cash outflows.
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Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2019

13. Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position on agreement of the contractual provisions of the financial instrument. QAO has the following categories of financial instruments:

(a) Classification

Financial Assets	Notes	2019 \$'000	2018 \$'000
Cash and cash equivalents (fair value through profit or loss)	1 (d)	7,189	7,325
Work in progress (amortised cost)	6	3,574	1,448
Receivables (amortised cost)	7	3,054	4,157
Total		13,817	12,930
Financial Liabilities—Payables and accrued employee benefits (amortised cost)	9	2,214	1,849

(b) Financial risk management

QAO's activities expose it to credit risk and liquidity risk. Financial risk management is implemented pursuant to state government and QAO policies. These policies focus on the financial performance of QAO over the medium term. Primary responsibility for the management of financial risk rests with the Executive Management Group, with oversight and monitoring by the Audit and Risk Management Committee.

QAO's bank account is included in the whole-of-government set-off arrangement managed by Queensland Treasury. The overdraft limit of the whole-of-government group is \$75 million. The account does not earn interest on surplus funds, nor is interest charged on overdrawn funds. Interest earned or charged on the aggregate set-off arrangement accrues to the Consolidated Fund of the State.

(c) Credit risk exposure

QAO may incur financial loss because of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date is the gross carrying amount of each category of recognised financial asset inclusive of any allowance for impairment.

No collateral is held as security and no credit enhancements relate to the financial assets held by QAO.

In the current financial and prior financial years there has been nil trade receivable write offs and therefore no financial impact of credit risk.

13. Financial instruments (continued)

(c) Credit risk exposure (continued)

No financial assets had their terms renegotiated to prevent them from being past due or impaired and are stated at the carrying amounts as indicated. There were no individually impaired financial assets in the current or previous period.

Ageing of Financial Assets (not impaired)

Receivables	Overdue				Total Financial Assets \$'000
	Less than 30 days \$'000	30–60 days \$'000	61–90 days \$'000	More than 90 days \$'000	
2019	2,914	34	60	46	3,054
2018	3,260	481	218	198	4,157

(d) Liquidity risk

Liquidity risk refers to the situation where QAO may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

QAO ensures it has sufficient funds available to meet financial obligations when they fall due by maximising its bank account balance and through an approved corporate card facility with a \$200,000 limit. At year end, \$175,101 (2018: \$178,662) was available in this facility.

An approved overdraft facility of \$2 million was not used during the financial year.

As at 30 June 2019, QAO's financial liabilities are all payables and accruals that fall due within 12 months.

(e) Fair value

The carrying amounts of receivables and payables, which represent the value of the original transactions less any allowance for impairment, are consistent with the fair values of these balances.

14. Reconciliation of Operating Surplus to Net Cash from Operating Activities

	2019 \$'000	2018 \$'000
Operating surplus	1,596	1,455
Non-cash items included in operating result:		
Depreciation and amortisation expense	345	581
Provision for lease	(386)	48
Provision for leasehold restoration	(512)	(8)
Change in assets and liabilities:		
(Increase)/decrease in work in progress	(2,125)	627
(Increase)/decrease in receivables	1,103	(556)
(Increase)/decrease in other current assets	(295)	214
Increase/(decrease) in payables and accruals	466	(342)
Increase in accrued employee benefits	33	112
Increase/(decrease) in GST payable	(136)	31
Net cash from operating activities	89	2,162

Certificate of the Queensland Audit Office

CERTIFICATE OF THE QUEENSLAND AUDIT OFFICE

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), s.42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements.

In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year ended 30 June 2019 and of its financial position as at the end of that year
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects for financial reporting throughout the reporting period.



Karen Johnson, FCA
Assistant Auditor-General and Chief Financial Officer
21 August 2019



Brendan Worrall
Auditor-General
21 August 2019



Independent auditor's report

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Independent Auditor's Report to the Accountable Officer of Queensland Audit Office

Report on the audit of the financial report

Opinion

We have audited the financial report of Queensland Audit Office, which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the certificates given by the Auditor-General of Queensland and the Chief Financial Officer of Queensland Audit Office.

In our opinion, the accompanying financial report:

- (a) gives a true and fair view of the financial position as at 30 June 2019 of the Queensland Audit Office and of its financial performance and cash flows for the year then ended; and
- (b) complies with the Financial Accountability Act 2009, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Queensland Audit Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The Accountable Officer is responsible for the other information. The other information comprises the information included in Queensland Audit Office's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Accountable Officer for the Financial Report

The Accountable Officer of the Queensland Audit Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and is appropriate to meet the requirements of the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2009. This responsibility includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Associations of Independent Firms

In preparing the financial report, the Accountable Officer is responsible for assessing the ability of the Queensland Audit Office to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accountable Officer either intends to liquidate the Queensland Audit Office or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Queensland Audit Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Officer.
- Conclude on the appropriateness of the Accountable Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Queensland Audit Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Queensland Audit Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2019:

- (a) We have received all the information and explanations which we have required; and
- (b) In our opinion, the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects.

Hall Chadwick & Co. P.L.C.


Geoff Stephens
Partner
Hall Chadwick QLD

Dated at Brisbane this 21st day of August, 2019.



Performance statement

Queensland Audit Office Performance statement For the year ended 30 June 2019

Contents

Performance comparison—target to actual

Notes to and forming part of the Performance statement

General information

This Performance statement covers the Queensland Audit Office (QAO) for the 2018–19 financial year. QAO is an office established under the *Auditor-General Act 2009* to support the Auditor-General in providing independent public sector auditing services and reporting.

The head office and principal place of business is:

Level 13, 53 Albert Street
BRISBANE QLD 4000

For information relating to QAO's performance report please call (07) 3149 6000, email enquiries@qao.qld.gov.au or visit the QAO's internet site www.qao.qld.gov.au.



Queensland Audit Office
Performance statement
Year ended 30 June 2019

Performance comparison—actual to target

Service standards	Notes	Target	Actual	Variance
Service area: Independent public sector auditing				
Service: Reports and advice to the parliament				
<i>Effectiveness measures</i>				
Parliament's overall satisfaction with services (%)	1	80	89	9 favourable
Audit entities' overall satisfaction with performance audit services (ip)	2,3	80	75	5 unfavourable
Average time taken to produce reports—results of financial audits—from applicable balance dates (months)	5,6	6	6.5	0.5 unfavourable
Average time taken to produce reports—results of performance audits—from initiation of audits (months)	5,7	9	8.9	0.1 favourable
<i>Efficiency measures</i>				
Average cost of reports tabled—results of financial audits (\$'000)	6	\$140.0	\$142.8	\$2.8 unfavourable
Average cost of reports tabled—results of performance audits (\$'000)	7	\$395.0	\$317.9	\$77.1 favourable
Service: Reports and advice to the public sector				
<i>Effectiveness measures</i>				
Audit entities' overall satisfaction with financial audit services (ip)	2,4	80	80	0 favourable
<i>Efficiency measures</i>				
Average cost of financial audits	8			
State entities (\$'000)		75–90	91.1	1.1 unfavourable
Local government entities (\$'000)		65–75	75.8	0.8 unfavourable

The accompanying notes form part of these statements.



Notes to and forming part of the Performance statement

Including the Explanation of major variances

- Opinion surveys are issued to members of the Queensland Parliament approximately twice per parliamentary term. Therefore, members are not surveyed every year. A survey was completed between February and April 2019. This is a favourable result, up from 81 percentage points in 2016, which reflects the work being performed to engage Members of Parliament through briefings to committees on our reports to parliament and requests for briefings from Members of Parliament.
- Opinion surveys are issued each year to our financial and performance audit clients within the Queensland public sector. An independent organisation conducts the surveys for us. The results are expressed as 'index points' (ip) to more accurately describe the result when combining multiple survey factors into a single value or score.
- Performance audit results are lower than target. General comments about our performance more commonly related to improving auditors' communication/consultation or improving the balance, fairness and accuracy of reporting/findings. The result of 75 ip is higher than the 72 ip in 2017–18.
- Financial audit results are comparative with 2017–18—81 ip. Positive feedback was about auditors' conduct and professionalism as well as the efficiency of the audit. Suggestions for improvement included improving communication and consultation, efficiency of the audit process and timeliness.
- We track the full life cycle cost of each report to parliament and the time it takes to produce it.

The cost of our reports includes internal staff costs and overheads, any consultant costs, and other direct costs. The total cost of all the reports we tabled during the 2017–18 financial year are used in this measure. We report the estimated final cost within each report. Actual costs may vary slightly from this estimate due to minor work undertaken after tabling.

The timeliness of our reports on the results of financial audits is measured from the financial year end date of our clients to the tabling date of the report in parliament. For our reports on the results of performance audits, it is measured from the formal initiation of the audit to the tabling date.

- Overall, our reports on the results of financial audits have been delivered slightly over budget and later than expected. The actual costs for each report are:

Report title	Life cycle cost	Duration (months)
Water: 2017–18 results of financial audits	\$105,198	4.5
Energy: 2017–18 results of financial audits	\$80,050	4.7
Transport: 2017–18 results of financial audits	\$138,910	5.4
Health: 2017–18 results of financial audits	\$137,529	7.9
Queensland state government: 2017–18 results of financial audits	\$134,083	8.0
Local government entities: 2017–18 results of financial audits	\$288,924	10.5
Education: 2017–18 results of financial audits	\$114,934	4.4
Total	\$999,628	45.4
Average	\$142,804	6.5

The variances for cost and time taken for financial audit reporting are within tolerance of our targets.



Timing has improved and is slightly lower than the 2017–18 year—6.7 months, though costs are slightly higher than 2017–18—\$140,223. Timing is also impacted by the statutory deadlines for audits.

7. Overall, our reports on the results of performance audits have been delivered under budget but slightly later than expected. The actual costs for each report are:

Report Title	Life cycle cost	Duration (months)
Monitoring and managing ICT projects	\$330,106	9.6
Access to the National Disability Insurance Scheme for people with impaired decision-making capacity	\$366,887	7.5
Delivering shared corporate services in Queensland	\$545,437	11.2
Managing transfers in pharmacy ownership	\$211,802	4.2
Follow-up of Bushfire prevention and preparedness	\$116,462	6.4
Delivering coronial services	\$341,377	8.0
Conserving threatened species	\$202,389	6.1
Digitising public hospitals	\$671,460	15.9
Market-led proposals	\$388,484	9.4
Follow-up of Oversight of recurrent grants to non-state schools	\$153,107	7.5
Follow-up of Maintenance of public schools	\$170,429	8.7
Managing consumer food safety in Queensland	\$416,640	10.5
Follow-up of Managing child safety information	\$162,231	7.3
Delivering forensic services	\$373,517	11.5
Total	\$4,450,328	123.8
Average	\$317,880	8.9

More performance audits were tabled in 2018–19 than 2017–18 (14 compared to 10). More follow-up audits (four compared to two) were performed this year, which brings the timing and cost of audits down. Follow-up audits are lower in cost and take less time than a full performance audit.

8. We track the full life cycle cost of each financial audit for state and local government entities. The cost of our audits includes internal staff costs and overheads, contractor costs, and other direct costs. The total cost of all the financial audits we completed during the 2018–19 financial year are used in this measure.

The average cost for both categories has increased from 2018–19. This is impacted by the number of opinions signed.

