



# Annual report 2018–19

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## About this report

This report covers the activities of the Queensland Audit Office for the reporting period from 1 July 2018 to 30 June 2019.

It provides a comprehensive view of how we operate to create value, reporting against our published strategy and performance measures.

The general purpose financial statements within this report were prepared in accordance with Australian Accounting Standards and Interpretations, the Treasurer's minimum reporting requirements, and other authoritative pronouncements.

The report is available online at: [www.qao.qld.gov.au/about/business-and-annual-report](http://www.qao.qld.gov.au/about/business-and-annual-report)

## Accessibility

We are committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty understanding this report, you can contact us on (07) 3149 6000 and we will arrange an interpreter to effectively communicate the report to you.



## Further information

As required by the *Annual report requirements for Queensland Government agencies*, further information is published online through the government open data website <https://data.qld.gov.au> related to the following:

- consultancies
- overseas travel
- Queensland Language Services Policy
- government bodies.

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10 September 2019

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The Honourable A Palaszczuk MP  
Premier and Minister for Trade  
Level 40  
1 William Street  
BRISBANE QLD 4000

Dear Premier

**Queensland Audit Office annual report 2018–19**

I am pleased to present the *Annual report 2018–19* for the Queensland Audit Office.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2019.
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual report requirements can be found at Appendix D of the report.

Yours sincerely



Brendan Worrall  
Auditor-General


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# Report on a page—2018–19 highlights



**196** active employees and 20 contracted audit service providers

**53%** are women

**26%** from non-English speaking backgrounds



**Australian Association of Graduate Employers Award**  
Sixth out of 75 organisations Australia-wide. Top Queensland employer

**Provided 61 hours professional development per person**  
Recognised CPA Australia employer

**We are sustainable** as a contemporary public sector audit practice. We are in a good position to deliver our planned audit programs using efficient and effective technology and practices

**Made around 1,000 recommendations** to individual clients

**Served around 600 clients, issuing 396 opinions**  
Clients gave us a satisfaction rating of 76 to 80 points

**Tabled 21 reports to parliament** containing 81 recommendations, all accepted by clients



**Received 70 referrals** on public sector financial waste or mismanagement ▲ 12 from 2017–18

**Gave 17 briefs to parliamentary committees** plus ongoing advice

**89% of members of parliament were happy with our services** ▲ eight points from 2016

**Launched a QAO blog** viewed nearly 20,000 times

**Enhanced our capability development and efficiency** with a new staff resourcing model



**Gave our clients deeper insights through audit analytics**

Won the **Qlik Excellence Award in Public Sector** at the 2019 ANZ Health and Public Sector Analytics Summit Awards



**Embraced activity-based working** reducing our footprint by 345sqm, while enabling more collaboration

**Increased our use of digital materials** moving to a paper-light and more environmentally friendly office



# About the Queensland Audit Office

## Our role

The Queensland Audit Office (QAO) is parliament's independent auditor of Queensland's state and local government public sector entities, as established under the *Auditor-General Act 2009*.

The Auditor-General is fully independent, appointed by the Queensland Governor in Council for a seven-year term.

The parliamentary Economics and Governance Committee provides oversight of the Auditor-General and the office.

## Our work

Our vision is for better public services. To achieve this, we:

- provide professional audit services, which include our audit opinions on the accuracy and reliability of the financial statements of public sector entities and local governments
- provide entities with insights on their financial performance, risk, and internal controls; and on the efficiency, effectiveness, and legislative compliance of public service delivery
- produce reports to parliament on the results of our audit work, our insights and advice, and recommendations for improvement
- conduct investigations about financial waste and mismanagement raised by elected members, public service employees, and the public
- share information about best practice and wider learnings across the public sector and local government.

## Outcomes from our work

The outcomes from our work include:

- improved public sector and local government financial management and reporting
- maintaining confidence in financial accountability, transparency, and reporting
- supporting Queenslanders by providing recommendations to our clients on how they can improve their delivery of better public services
- providing parliament with independent assurance over the performance of the public sector.



# Auditor-General's foreword

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I would like to thank our workforce, clients, stakeholders, and audit service providers for a great year.

QAO is undergoing significant change as we position our business positively for the future and harness the opportunities and challenges facing us.

We have recently conducted strategic workforce planning and developed a blueprint for how we will achieve our objectives—and desired end state—over the next five years.

The plan anticipates the transformations we expect will occur in our internal and external operating environments. We have identified key risks and developed strategies to proactively address them. Our audit service providers also feature in our planning, and we will continue to develop these relationships for the benefit of our clients.

A key focus going forward is to Think and Act One QAO. This means our services are fully integrated, as we give our clients insights from across our business. Working together means we can give our clients more consistent experiences, and it enhances our operational efficiencies. Importantly, staff and our audit service providers feel like they belong to one organisation. They work as a team towards shared goals, and they support each other.

This year, we successfully refurbished our accommodation and moved to activity-based working, which gives staff a choice of work settings as per intended work outcomes and engagement approaches. The new way of working is already enhancing our collaboration and our staff and client experiences. I would like to thank staff for their enthusiasm and tenacity. Their willingness to try new things means we are already benefiting from the change. In the coming months, we will use staff feedback to make improvements.

We provided insights for our clients on the challenges, issues, and opportunities about performance we see arising. To achieve our vision of better public services, we must communicate the learnings and insights from our audit work across the wider public sector and local governments, as well as to individual clients. To make change happen at the service level for Queenslanders, we need to urge and support agencies to act on our advice. We also value the important role parliament has in effecting change and accountability.

Following on from last year, I continued to travel throughout Queensland to meet with clients and stakeholders—to understand what they need from us—including trips to more remote parts of Queensland to see councils, health and hospital services, water boards, and our audit service providers. I attended around 95 meetings.

I am committed to listening to any concerns our clients and stakeholders may have and finding ways for us to achieve more mutually beneficial outcomes. I appreciate seeing firsthand how our clients work and sharing their feedback with staff. Our auditors also continued to work alongside their clients to complete important audit milestones.

While we reflect on our performance and achievements in this annual report, we also take the opportunity to mention shortfalls. We can improve, particularly our client engagement. We must connect with our clients and build trust over the long term. We must help our clients to trust us, so they are more willing to listen to our advice, and we need to bring them on the journey with us.

I am proud to be Queensland's Auditor-General and to lead an organisation with the vision of better public services. I look forward to seeing you in 2019–20.

Brendan Worrall,  
Auditor-General



# Think and Act One QAO

Our aim is to deliver more integrated services and flexibility for our clients, multi-skill our staff, and ensure they, and our audit service providers, feel like they belong to one organisation.

## Who we are

Our people are the key to our service delivery and to achieving our vision of better public services. They are dedicated, engaged, and highly skilled.

Our workforce is made up of 196 active employees (185 full-time equivalents), who are a mix of audit professionals, specialists, and support team members.

This year we engaged 20 audit service providers to perform 46 per cent of our financial audits. Audit service providers are an essential extension of our workforce, providing support across our large and diverse client base.

Twenty-six per cent of our staff come from non-English speaking backgrounds. Fifty-three per cent are women—including 36 per cent of our senior officers and half of our executive management group. We represent all age demographics. We are proud of these statistics.

## Our culture and values

Our culture reflects who we are. Our system of shared attitudes, behaviours, and values defines our workplace environment.

We aim to have a ‘relationship-focused culture’ where we deliver our services as one QAO, and a ‘people-focused culture’ where we empower our staff to work together and be the best in their field.

At the heart of our culture are our values. As we transform to one QAO, we will revisit our values and the ways that we recognise and reward staff for:

### Engage



- being frank, fair, and honest
- setting and managing to agreed expectations
- listening to learn and communicating clearly to inform

### Challenge



- questioning the status quo
- seeking new knowledge and applying new ideas
- taking measured risks when trying new things

### Deliver



- taking responsibility and holding ourselves accountable
- doing the right things and doing things right
- understanding then acting

### Care



- respecting others for who they are and their contribution
- considering how our actions affect others
- sharing our knowledge and skills freely
- celebrating success and supporting each other.





## Integrity in all that we do

With the gravity of our role comes the need for the highest levels of integrity.

All members of our workforce are held to the most exacting standards for honesty, transparency, and independence. We provide staff with formal training, and all auditors fulfil the requirements of the Code of Ethics for Professional Accountants (APES110). We routinely discuss matters of ethics and integrity.

## Learning, developing, and growing

To achieve our vision, we are committed to developing our organisational capability.

Our learning and development program not only gives our staff the skills they need to do a great job, but also supports them in meeting their future career goals.

This year, we provided our audit workforce with an average of 61 hours of professional development per person. Along with technical training, we gave staff opportunities to develop higher capability in client engagement, leadership, and people management.

QAO is now a formally recognised CPA Australia employer. This means we provide an optimal learning environment and give our staff opportunities to attain professional development hours that are recognised by CPA.

This year, QAO redeveloped how it assesses staff performance and develops their skills. Our new approach is goal-focused, reflects our values, and encourages more frequent conversations between staff.

We are working on a one QAO competency framework, which will underpin the capabilities QAO needs in order to continue improving our services in the future, and to help our staff make the most of their career and development opportunities.

### Recognised as a top graduate employer

QAO's graduate program develops well-rounded professionals who have the capability they need to work across the different aspects of our business.

In 2018–19, QAO received 272 applications from graduates, and 73 per cent of potential candidates nominated QAO as their preferred choice. A final 12 accepted offers from QAO following the selection process.

In February 2019, the Australian Association of Graduate Employers recognised QAO as a Top Graduate Employer for 2019. We ranked sixth out of 75 public and private sector organisations, based on feedback from our graduates on induction, training and development, quality of work, culture, career progression, and more. We were the top Queensland graduate employer of participating organisations.

*'QAO offers so much guidance, support and mentoring from so many wonderful and amazing people, who have a wealth of knowledge, that you have everything you need to kick-start your career.'*

—Stacey Fahey, Graduate Auditor, June 2019.

## A productive and nice place to be

We believe that if our staff are healthy; feel connected, competent, and appreciated; and enjoy their work, they deliver better results.

This year, we offered flu vaccinations, ran healthy eating promotions, and got behind 'RU OK?' day. We encourage staff to access an Employee Assistance Program whenever they need it.

QAO provides flexible working arrangements for those who need to balance work and home commitments. We are even better placed to do this since updating our technology.



Our wellbeing initiatives include supporting staff in sporting and community events. In May 2019, 45 staff participated in the 2019 Queensland Corporate Games. (QAO finished top of its division.) In June 2019, QAO hosted its yearly team building games day. It gave hardworking staff a chance to socialise, enjoy some fresh air and have a laugh together.



QAO team building 'Olympics' June 2019.

## Staff satisfaction

The annual *Working for Queensland* survey determines how engaged employees feel, gathers their thoughts on public service leadership, and measures their satisfaction with their job.

80 per cent of QAO's staff participated in the 2018 survey, giving us valuable feedback.

QAO scored 67 per cent for agency engagement. This measure indicates employee sentiment towards their employer—whether our staff would recommend QAO to others, are proud to say they work here, and feel attached and inspired to do their job. This year's score is seven points above the public service office average. It is equal to our highest score, which we achieved previously in 2013.

Workload and health, and organisational fairness, continue to be areas for improvement. We recognise we need to do more to improve our peoples' experience. We are implementing new approaches to staff resourcing, will leverage the benefits of activity-based working, and will keep improving how we manage performance and development. This will help us to continue improving the efficiency and effectiveness of the services we provide.

We are conducting regular staff surveys to check that we are going in the right direction in addressing staff concerns, and to gather more information on what our staff like about working at QAO. This feedback will also help us as we become one QAO.

## Activity-based working

This year, QAO refurbished its accommodation, delivering more modern facilities for a more productive working environment. We have provided flexibility for business change, investing in more efficient operations that will realise cost and effectiveness benefits for years to come.

A major part of the refurbishment was a move to activity-based working. This allows individuals to select from a variety of settings to suit working styles. While it was a big change for staff, we are now working more collaboratively—truly supporting our desire to be one QAO. There is also less physical hierarchy, with senior leaders moving out of traditional offices to work among their teams.

In a health check survey, 98 per cent of staff said the change is good for QAO, and 94 per cent agreed they have the ability to adopt the new way of working.

*'The new work set up is fantastic. I have a decluttered workspace, I feel more productive, I'm seeing more of my colleagues. The technology is seamless.'*—QAO staff member, August 2019.

Activity-based working aligns with QAO's desire for more face-to-face engagement. Clients and stakeholders are benefiting from more meeting spaces, a venue for events, and state-of-the-art videoconferencing. A successful replacement of our technology means our teams are collaborating with ease and are more mobile.

Activity-based working also aligns with the whole-of-government strategy to maintain existing long-term leases, while increasing the number of people who can work here and reducing costs. QAO's original space had an overall footprint of 2,632 square meters and allowed for growth of up to 187 people. The new space has a reduced overall footprint (2,278 square meters) and provides space for up to 230 people.

Moving forward, we are inducting new staff to activity-based working and are capturing feedback from all staff to ensure they feel supported. We have technology in place that provides data about how staff are working, and we will use this in making improvements in the future.



Audit planning, level 14 'scrum room', QAO, Brisbane.



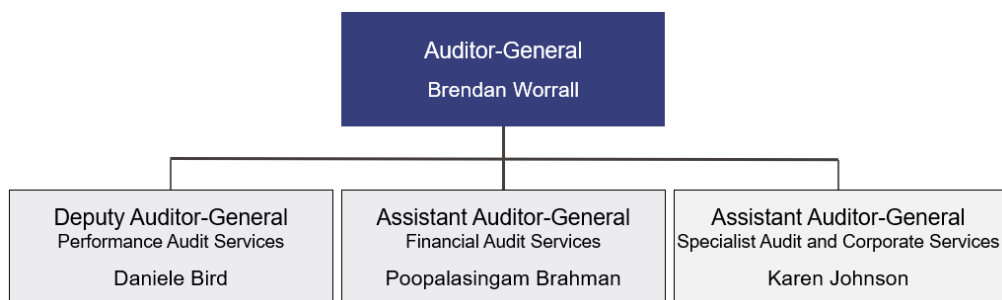
# Leadership and governance

QAO's leadership and governance is integral to achieving our organisational objectives.

## Organisational structure

Our office has a simple accountability structure. We run some of our operations by division, but our services are aligned and integrated. We are working towards becoming one QAO and do not see ourselves—or present ourselves to our clients—as separate groups.

QAO's organisational structure 30 June 2019



## Executive leadership

Our executive management group has a shared responsibility for audit excellence and operational performance. They lead change, set the tone for integrity, and model good governance within QAO. Our executive leaders are:

- Brendan Worrall, Auditor-General
- Daniele Bird, Deputy Auditor-General
- Poopalasingam Brahman, Assistant Auditor-General
- Karen Johnson, Assistant Auditor-General.



L–R: B. Worrall, P. Brahman, D. Bird, K. Johnson.

## Sector leadership

We endeavour to work together to deliver dynamic and timely client services. Sector directors lead our audit services, providing technical expertise and in-depth knowledge of clients' portfolios. In 2018–19, our sector directors were:

- Central agencies and financial services—Paul Christensen
- Community services—John Welsh
- Education and housing—Michelle Reardon
- Energy and natural resources—Damon Olive
- Health—Charles Strickland
- Local government—Patrick Flemming
- Specialised audits and financial services—Rachel Vagg
- Water and infrastructure—Vaughan Stemmett.

## Governance bodies

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Our governance bodies have an important role in monitoring and assessing our performance.

### Executive Management Group

This group includes all executive leaders. It determines strategy and budget, and regularly reviews QAO's strategic and operating risks.

### Senior Management Group

This group provides leadership for achieving the strategies outlined in QAO's operational plans. Daniele Bird, the Deputy Auditor-General, is the chair and the Auditor-General is a member by observation. The other members include senior representatives from across the organisation. The group meets every eight weeks.

This year, the group focused on relationship management with our clients, major QAO projects, emerging operational risks, and performance management of staff.

### Audit and Risk Management Committee

The Audit and Risk Management Committee provides independent advice and support to the Auditor-General in discharging their responsibilities, along with recommendations on improvement. It has oversight of risk, compliance frameworks and fiscal responsibilities underpinning our corporate governance. The committee has three external independent members and meets four times each year. Membership details are at Appendix B.

This year, the committee focused on QAO's risk management, quality assurance, and data governance and security. In 2019–20, we will establish a quality assurance review subcommittee, with independent members reporting to QAO's Audit and Risk Management Committee.

### Internal audit

Internal audit conducts independent, objective, and risk-based assurance activities over our operations. Its charter aligns with the *International Standards for the Professional Practice of Internal Auditing*.

Kaylene Cossart, Senior Audit Manager, is the head of internal audit. Each year, the head develops an internal audit program and submits it to the Audit and Risk Management Committee for endorsement prior to Auditor-General's approval. Three audits were finalised in 2018–19.

## Our legislative framework

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The *Auditor-General Act 2009* (the Act) governs the powers and functions of the Auditor-General. It provides the legal basis for QAO's access to information, and the freedom to report the findings from our audits. The Act promotes the independence of the Auditor-General and authorised auditors.

The Act also requires QAO to table in parliament the standards by which we perform our audits—the *Auditor-General of Queensland Auditing Standards*. Our audits must be (and are) conducted by authorised auditors with appropriate technical qualifications, skills, and proficiency.

### Amendments to legislation

On 17 June 2019, Queensland Treasury put forward amendments to the Act, which received assent from the Governor in Council. The amendments allow Treasury to request QAO's client general ledger data to inform government budgeting processes. Treasury can also request this data directly from departments. As of 30 June 2019, QAO and Treasury are liaising closely and confirming the next steps. QAO is meeting with involved clients.



## Our approach to risk management

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This year, QAO advanced its risk management framework. The framework now more clearly delineates staff accountabilities for managing strategic and operational risks. It is integrated across our business through our policies, procedures, management information systems, and performance reporting. The final framework will give us a very high level of assurance over how we manage our data operations.

We also agreed on our risk appetite and tolerances, and reviewed our fraud and corruption control plan and risk registers.

We continued to enhance and align our cyber security governance in line with the Queensland Government's updated information security policy (IS18:2018). We also further developed our information security management system.

At QAO, all staff are expected to identify, assess, and manage risk within their respective areas of responsibility. Every risk conversation we have with our staff strengthens QAO's risk management culture and improves our ability to respond to any issues.



# Our strategy

Our strategic plan outlines our objectives, risks, organisational strategies, and indicators of achievement, and ensures they align to our vision and purpose.

## Vision

Better public services.

## Purpose

Independent, valued assurance and insights.

## Who we serve

Queenslanders, through parliament, public sector entities, and local governments.

## Approach

Objectives	Strategic risks	Strategies	Indicators of achievement
We support and challenge our people to best serve parliament and our clients.	We do not uphold our values or professional, ethical and quality standards.	Supporting the one QAO workforce to meet parliament and our clients' service needs.	Our people are engaged, professional and capable.
Those we serve trust and value our services and insights.	We do not adapt our services in response to changing needs.	Enhancing relationships.	Our relationships are valued.
Our financial and performance assurance services and insights are used to improve accountability and performance.	We do not sufficiently understand our clients' organisations and context to deliver valuable services.	Adapting our assurance services to provide greater value.	Parliament and our clients benefit from the assurance services and insights we provide.



# Our performance

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This year, we continued using the term 'relationship-centric' engagement, which means we are looking at how we can create more positive experiences for our clients.

We know we need to listen to our clients and identify any issues they may have as soon as they occur. Better understanding how we can help them, at both the individual audit level and across sectors, will enable us to deliver greater insights and better focus our audit services.

## Our service delivery

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Throughout our audit program, we formed 396 audit opinions about the reliability of financial statements of public sector and local government entities. We examined the efficiency, effectiveness, and economy of a range of important aspects of public services.

We tabled 21 reports to parliament. Seven of these were on the combined results of individual financial audits, and 14 contained the findings, conclusions, and recommendations from our performance audits. Included in this year's audit program were four follow-up reports on entities' progress in implementing the recommendations QAO had made in earlier reports.

We endeavour to operate as efficiently and effectively as possible. One way we measure efficiency is by tracking the full life cycle cost of each of our reports to parliament, and the time we take to produce them.

This year, the average time to deliver our reports to parliament on the results of our financial audits was 6.5 months—slightly longer than our target of six months. We delivered our performance audit reports on average in 8.9 months—not far over our target of eight months. Timing was affected by machinery of government changes to our clients, and increased complexity in some audits. Despite time delays, our audit quality was high and we effectively managed costs.

The cost of our reports includes internal staff costs and overheads, consultant costs, and other direct costs. Overall this year, we delivered our financial audit reports at an average of \$142,804 per report, which was within two per cent of our target. We delivered our performance audit reports marginally under budget at an average of \$317,880 per report.

## Making valuable recommendations

We make recommendations on performance improvement directly to individual clients and via our reports to parliament.

In our reports to parliament, we make recommendations on how entities can improve their effectiveness, efficiency, economy, governance, or financial reporting. This year's reports included 81 recommendations, which clients accepted.

The main themes of the recommendations from our financial audit work related to planning and governance, information systems, and expenditure and asset management. Some of the themes of recommendations from our performance audit work were about governance, monitoring projects/programs, collaborating across agencies, managing contracts, understanding costs, realising benefits, and measuring strategy and performance.

During our audits, we made over 1,000 recommendations across our client base for improving internal controls. Around 300 of these recommendations were significant (high-risk matters), meaning clients acted on them immediately. These internal controls-related recommendations covered management oversight and culture; clients' structure, policies, and values; and the systems and processes they use for reliable financial reporting.



Our unique position as the auditor of all public sector entities means we can, and do, use our breadth of knowledge about internal controls. We give our clients wide-ranging public sector-focused insights. As one example, we update our clients when we become aware of new methods for fraud attempts that are targeting the public sector.

*‘QAO’s observations and advice in relation to internal controls is valuable to our organisation. The engagement with the audit team on matters requiring attention, for example, on position papers, was appreciated and assists the process for all parties.’—Audit client, April 2019.*

#### Focused effort—Working to improve financial sustainability in local governments

Queensland has many regional and remote communities with low populations, which contributes to long-term financial sustainability risks for local governments.

Our audit teams work with councils, the Department of Local Government, Racing and Multicultural Affairs, the Queensland Treasury Corporation, and interested stakeholders to understand councils’ operations and the service delivery challenges they face. This helps us identify if councils are developing long-term financial difficulties.

We continue to highlight which councils are at risk of not being financially sustainable, according to measures set by the state government. Our reports analyse the reasons for increased risk, including assessing whether councils are appropriately responding to reduced or variable revenue, and the effect of severe weather events on the communities and their assets.

Every year, we look closely at specific areas of sustainability, including long-term forecasting, collecting revenue, managing services, and managing assets.

Each report gives local councils and the state government recommendations for improving operations, policies, and processes. Our recommendations are practical and focus on developing financially sustainable local governments. We also make recommendations for broadening and improving sustainability measures to ensure that they are appropriate for each council.

### Implementing recommendations

All our recommendations provide entities with a critical checkpoint for improving their performance. We work with management before finalising our recommendations to ensure they are practical to implement, appropriate to the size and complexity of the entity, and provide the most value. To realise the full benefits of our audits, entities need to implement our recommendations in an appropriate and timely manner.

Reporting on the long-term impacts of our audit work remains challenging, but we have made good headway in recent years. We apply rigour in selecting audit topics to ensure we focus on what is important. We emphasise the building of effective relationships with clients, so they are more likely to listen to our advice and apply our recommendations. And we raise awareness of our reports to parliament as soon as they are tabled in parliament.



### Impact of our audit work—*Follow-up on Managing water quality in Great Barrier Reef catchments* (Report 16: 2017–18)

In February 2019, the Minister for Environment and the Great Barrier Reef, Minister for Science and Minister for the Arts introduced the Environmental protection (Great Barrier Reef Protection Measures) and other legislation amendment Bill.

Some of the amendments in the Bill related directly to our report to parliament: *Follow-up on Managing water quality in Great Barrier Reef catchments* (Report 16: 2017–18). Our follow-up report examined whether departments have effectively implemented the recommendations we made in our initial report, tabled in 2014–15. The objective of the initial audit was to determine whether the adverse impact of broad scale land use on the quality of water entering the Great Barrier Reef was declining.

The explanatory notes to the Bill amendments reflected some insights and advice QAO presented throughout its report. One of our recommendations—which related to the need for more industry information for government—was also directly referenced in parliament’s transcript of proceedings (Page 437, 27 February 2019).

The opportunity for legislative change resulting from our audit work, and in particular from our recommendations, is one of the ways in which QAO provides value. It means our work is fostering positive change in the delivery of public services.

### Impact from our audit work—*Delivering forensic services* (Report 21: 2018–19)

On 27 June 2019, QAO tabled *Delivering forensic services* (Report 21: 2018–19) in parliament. The audit’s objective was to assess whether agencies deliver forensic services efficiently and effectively in order to investigate crime and prosecute offenders.

On 28 June 2019, the Minister for Health and Minister for Ambulance Services released a statement saying reforms were underway in response to QAO’s report.

In response to one of our recommendations, Queensland Health confirmed it is planning a new process to better serve and protect victims of assault, specifically around forensic medical examinations and reporting incidents to police. In response to another recommendation, Queensland Health stated that it will be training more health staff to conduct forensic examinations.

The director who led the audit reflected:

*‘I am privileged to have a job that allows me and the teams I lead to play an important part in improving public services. In this instance, especially services to support victims of crime.’—June 2019.*

## Providing insights

This year, we shared more insights and specialist advice with our clients.

We hosted workshops, events and webinars, and gave numerous presentations about the systemic challenges or issues we see facing the public sector. We helped our clients make the transition to new accounting standards by promoting our recommendations and building our clients’ trust in our advice.

In response to topics that clients need help on, we launched a blog to replace our quarterly *Insights* newsletter. The new blog format is searchable and shareable. It has given QAO a contemporary channel to instantly share its insights. As of 30 June 2019, we had published 42 posts, which were visited 17,471 times.

This year, we continued to work with our clients on simplifying their financial statements and their early preparation of financial statements. Starting our work earlier means we can produce higher quality reports. Financial reporting and valuation matters can be resolved in a timely manner, and workloads are better managed.

Overall, we ensured our advice was consistent for all clients but also tailored to the varying levels of government, whether it be chief executives, audit committees, or finance managers.

## New financial statement preparation maturity model

Based on discussions with public sector chief financial officers, QAO has started changing its approach to assessing clients' financial statement preparation.

We have prepared a maturity model, which includes better practice in financial reporting. Our model retains some key elements of QAO's traffic lights—red, amber, green—approach but allows for scalable assessments of our clients, reflecting their different sizes and maturity. We recognise that one size does not fit all when it comes to assessing our clients' maturity. Importantly, the model will help QAO identify practical areas for improvement—something our clients have asked for and value greatly.

We are also reviewing our approach to reporting our internal control findings. Reporting using a broader scale will allow us to incorporate the reasons for internal control deficiencies, the possible impact for our clients, and the actions taken by management.

We are currently circulating the new model with clients for their thoughts and feedback. We are also developing a self-assessment tool that clients can use to check the levels of maturity we expect to see.

### Focused effort—Working with audit committees

This year, we have been particularly focused on sharing our insights and advice with the audit committees of public sector entities. Effective audit committees are integral to good governance, and they are mandatory for all departments (though unfortunately not for local governments). They have a large part to play in entities improving their financial reporting and performance.

Our staff not only attended hundreds of formal audit committee meetings across our client base but also met regularly with chairs of audit committees throughout the year. The Auditor-General and various QAO experts briefed them via two dedicated QAO events, to which 50 audit committee chairs attended in person, and 30 joined via live streaming.

We are running a series of blog posts covering how audit committees can be more effective and what we see their role to be in financial reporting. Collectively, the first two blog posts have been viewed 405 times as of 30 June 2019.

Our audit program for 2019–22 includes a topic on the effectiveness of audit committees in state entities and local governments.

*'I gain an immense amount of knowledge of the 'bigger picture' of audit within entities and whole of government via the blog and face-to-face (twice yearly) gatherings in Brisbane.'*—Audit committee chair, Orima Survey, June 2019.

## Putting a face to a name

Our audit teams and audit service providers travel across Queensland to complete our clients' audits and learn more about their work. This year, our staff travelled as far west as Burketown, as far north as Bamaga, south to Goondiwindi, and east around Brisbane and coastal areas.

The Auditor-General is committed to meeting with our clients and stakeholders face-to-face to understand the context they operate in, hear any concerns they may have and to identify opportunities to improve QAO's service delivery.



This year, the Auditor-General attended around 95 meetings with clients and stakeholders. He travelled throughout metro and regional Queensland to see a wide range of client entities in terms of type and size, including Indigenous and rural shire councils.

Of a QAO visit in May 2019, a client said:

*'We were very pleased to have the opportunity to show Brendan Worrall and the audit team around our site. It's great that the QAO teams take a genuine interest in the assets and the people, rather than simply the numbers!'*



Brendan Worrall, Noreen Romero, Damon Olive, QAO, Kogan Creek, April 2019.

#### Client engagement—a note from Nicholas Dow, Graduate Auditor

*'Travelling with my team to Wujal Wujal Aboriginal Shire Council in October was the best experience of my year. It was well outside of what I had been exposed to as an auditor up to that point, and I had never been that far north before. When our team arrived, we were honoured when the community Elders performed a Welcome to Country. It was a completely unique experience and one I will never forget.'*

*'I learnt so much during my two weeks at Wujal Wujal on this audit. Councils are ever-changing and must adapt to events in their area. From an audit perspective, this makes it a really interesting area to work on and a great hands-on experience.'*

## Delivering more engaging, accessible reports

Over the past five years, QAO has embarked on a continuous improvement program around the readability of its reports to parliament. We need to make our reports easier to read and cater for a wide range of readers. We also need to prepare the reports more efficiently so that we deliver them to parliament sooner.

We are currently restructuring our reports so they provide the main information up front, and we remain committed to plain language in our writing. We will continue to gather feedback from clients on what they would like to see.

We are now including an 'actions for entities' section in each financial audit report. This section provides focus areas for entities, specifically those charged with governance. These recommended actions reflect the themes we identify across the sector and suggest what entities can do to improve performance.

We are also doing more in digital delivery, with a new Adobe summary presentation of each report that is mobile-friendly, and we have continued with our audio overviews so users can listen on the go. We also worked on HTML reports for our website for 2019–20.

## Providing advice and support for parliament

Through the parliamentary process, each of our reports to parliament is referred to the appropriate committee for consideration and response.

We ensure we are available to assist the committees and provide additional briefings on our report findings, opinions, and recommendations. This year, we provided 17 in-depth briefs to parliamentary committees.

QAO also held other meetings on request with members of parliament. In February 2019, QAO met with the Shadow Minister for Health and Ambulance Services and Shadow Minister for Women on our report *Digitising public hospitals* (Report 10: 2018–19). QAO also met with the Office of the Leader of the Opposition for a briefing on *Integrated transport planning* (Report 4: 2017–18) in June 2019.

In June 2019, the Economics and Governance Committee visited QAO to see our new workplace and activity-based working.

## Investigating referrals

We invite elected members, the public sector, and the public to raise issues about known or suspected incidents of financial waste or mismanagement.

This year, we received 70 referrals, compared to 58 in 2017–18. This year's referrals came from other integrity offices, elected members, management of public sector entities or local governments, the general public, and some people or organisations who chose to remain anonymous. Most referrals came from the general public. Forty-three percent of referrals related to the local government sector.

If within our mandate, we investigated the raised issues and made recommendations to the audited entity's management. Some of the referrals resulted in reports to parliament.

In May 2018, the chair of the Health, Communities, Disability Services and Domestic and Family Violence Prevention Committee wrote to the Auditor-General to request an audit of how the Department of Health assesses transfers of pharmacy ownership. The Auditor-General agreed to conduct an audit as per the *Australian Auditing and Assurance Standards*. Our resultant report *Managing transfers in pharmacy ownership* (Report 4: 2018–19) was tabled in parliament on 28 September 2018.

On 25 March 2019, the Under Treasurer referred concerns to the Auditor-General about the delivery of the State Penalties Enforcement Registry (SPER) information and communication technology (ICT) project. On 26 March 2019, the Treasurer also stated in parliament that the project had been referred. QAO has agreed to conduct a performance audit focused on the effectiveness of governance for delivery of this project. The report will be tabled in parliament in 2019–20.

## Planning our annual program of audits

We collaborate with our clients to develop audit products and timetables that meet their needs and the needs of the wider audiences reading our clients' financial statements or reports to parliament.

Our main focus continues to be on the timely identification and resolution of accounting matters and the earlier preparation of financial statements. We provide support to our clients one-on-one as well as via communication tools—such as fact sheets on how to prepare accounting position papers.

We identify common risks and issues from our audit work across our client base, and we incorporate the learnings into our forward audit program. We share our program at QAO's briefings for clients and audit committees, and in our blog articles.

Each year, we publish a three-year plan of the performance audits we are planning to undertake. On 20 May 2019 we published *Strategic Audit Plan 2019–22*. Our strategic audit plan reflects the challenges facing public sector entities and local governments across a wide range of sectors. We focus on the public services that matter to Queenslanders.

In developing this year's strategic audit plan, we sent consultation letters to over 170 entities and held in-person meetings with many. The plan describes the proposed audit topics, the rationale for each topic and the planned objectives for the audit.

We now publish our strategic audit plan on our website via a new interactive table that allows our audiences to easily see who we might audit, to track status updates, and to contribute to audits in progress.



## Getting better at what we do

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### High-quality audits

Audit quality is the cornerstone of QAO's work, and we take upholding audit quality standards very seriously. We ensure our audit opinions comply with Australian auditing and assurance standards, and with relevant ethical, legal, and regulatory requirements.

QAO's audit quality assurance program is renowned for its rigour. Quality improvement is integrated and pervasive across our business, and we assess it at multiple layers of the organisation. Our staff welcome quality assurance reviews and respond well to them.

The results of this year's quality assurance reviews demonstrated that QAO is consistently meeting quality expectations. We will, however, continue to revise how we do business and improve our guidance materials.

### Enhancing our capability

This year, we implemented more efficient and contemporary people management practices using a new resource management tool. We now 'share' audit staff across all QAO business services, instead of more permanently assigning them to a specific division or sector.

By giving staff exposure to a range of sectors and clients, we give them the chance to develop broad knowledge of public services, which is quite unique in the audit industry. More staff are skilled in more services, which enhances our overall capability.

As an organisation, we are now more agile, meaning we can deliver timelier services. And the tool enables us to plan and monitor the continuity of audit services by better tracking which auditors are working for which clients and when. Shared resourcing encourages us to have more conversations with our clients, and within our own business, about what clients need from us.

While it has been a big change for QAO, it has enabled fairer and more consistent work allocation for staff. In an internal staff survey in April 2019, 92 per cent of staff said the new tool has improved the visibility of staff use and availability.

Next steps include implementing more reporting and analytics functions that the tool offers, and using all of its benefits to support our one QAO culture.

### Next-level audit analytics

We live in a world of digital transformation, meaning organisations are integrating digital technology into all areas of their businesses, fundamentally changing how they operate and deliver value.

QAO's analytics services help our auditors deliver more effective and insightful audits. The tools and techniques enable speed, accuracy, and unique insights.

This year, we built several new dashboards for our auditors to identify and respond to risk, and we tested new software that supports more effective self-service by our auditors.



### Collaboration and insights—audit analytics

In early 2019, we worked with a major client to create a sophisticated payroll analysis dashboard that profiles employee overtime and allowances at a range of levels within the entity. This dashboard incorporated data from the Bureau of Meteorology to validate weather-related allowance claims and provide context for overtime events.

The dashboard helped the audit team better understand the risk profile of employee overtime and allowance claims, with the context of materiality.

Collaborative development between QAO and the client allowed us to build trust, and helped our auditors better understand the client’s business. The sentiment from all meetings throughout the process was that QAO’s work provided immense value.

*‘I have never seen such excitement from management about an audit report/deliverable before, noting that they were fighting each other to get access to the tool’—Audit committee member, June 2019.*

We made presentations to clients, stakeholders and industry about our analytics capabilities and helped clients on their own analytics journeys. And we participated on a number of panels. We also worked with the Australian Auditing and Assurance Standards Board on incorporating analytics into auditing standards.

Liaising with other experts around Australia is also an important part of our analytics journey. In late 2018, QAO hosted a conference for Australian and New Zealand audit offices to exchange know-how on methodology, standards, tools, and techniques.

QAO uses a platform called Qlik to deliver its analytics capability. This year, QAO won the 2019 Qlik Excellence Award in Public Sector at the ANZ Health and Public Sector Analytics Summit. The awards recognise Qlik’s most groundbreaking users—those who reimagine processes, balance risks and rewards, and leverage personalised intelligence to create customer value.

Our audit analytics journey is not without its challenges. We need more seamless integration of analytics into our audit methodologies. And we need to better link our analytics capability to audit goals and outcomes.

We will enhance our insights into risk profiling, expand our dashboards for asset management and revenue, and augment our reporting tools for clients.



Chris Sharrock, Rob Kilbride, Nathan Wright, QAO, Qlik Analytics Summit 2019.

### New audit tool set

This year, QAO neared completion of phase one of implementing its new audit software to replace its current tool (IPSAM), which has reached end of life.

The new software contains a suite of electronic programs, checklists, and work papers designed specifically for audit practitioners. It is a cloud-based program, that is configurable to specific audit office needs. We will be able to share it with our audit service providers, in line with our transformation to operating as one QAO.

The new software will allow QAO to promote effective and efficient documentation of audit work. We will be able to tailor our work to the specific needs of the audit. We expect our clients will benefit from more standardised audit practices, including improved consistency in audit documentation.



Selecting and implementing a new audit tool set is a large and complex project. In 2018–19, we reviewed, designed, and tested the relevant software products that QAO will configure. We also developed governance and reporting routines to steer project execution.

Next steps are applying the learnings coming from users currently testing the tool. We will enhance the audit content to enable deeper pilot work during the upcoming audit cycle. We are also developing a change management plan to ready our staff for the transition.

## Electronic signing

Another way we are creating efficiencies for our clients is by electronically signing our independent auditor opinions on our clients' financial statements.

Electronic signing provides a faster work turnaround time for clients—particularly those located outside of South East Queensland—as it means there is no need to post or scan signed documents. It also reduces paper consumption, which provides cost savings and lessens environmental impact.

Next year, we will continue to work with our clients on how to use the electronic signing process and reap its benefits.

## Client satisfaction with our services

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We seek feedback from our clients during our day-to-day engagement and via an annual, independently managed survey. In this survey, we ask our audit clients, audit committees, and members of parliament to rate our services and provide comment on their experiences. The results are reported as index points (ip), which are the average responses for questions, across respondents, using a numerical score.

We would like to improve our clients' level of comfort with giving us direct feedback about our service delivery and our relationships. It is important that we know how our clients really feel. If they are not happy, we need to think about how we engage with them and deliver our services.

### Audit clients

This year, we surveyed 315 clients and received a rating of 75–80 ip across all our services. Overall, clients were positive about QAO's performance.

While our results are strong, we are considering how we can better meet and exceed our clients' expectations. We want to improve, and these survey results—along with ongoing feedback—highlight opportunities to do so. We are conducting a follow-up survey with clients who indicated concerns to help us better understand more about their feedback.

We received good ratings for this year's audit processes, with an index score of 77–78 ip across our services (similar to 75–78 ip in 2017–18).

*'I have noticed a continuous improvement in the audit process by QAO—from engagement, to reporting and value add. Also, the capability of team members in understanding our business'.*—Audit client, Orima Survey, September 2018.

For audit reporting, our index score was 79–80 ip, notably up from last year's 71–79 ip. Clients were more likely to agree that our reports to parliament were clear in communicating findings and issues, were factually accurate, and were balanced and fair. That said, there are still areas for improvement, mostly related to the audit documents and letters we send our clients.

Regarding the value of our audits, our rating was 72–83 ip, slightly down from 72–86 ip in 2017–18. Clients indicated that they value the assurance they obtain, but they would like more recommendations on how to improve their financial management and internal controls.



*‘QAO’s communication was of a high level, as was their candour. It never felt like an ‘inquisition’. They were accessible and listened to all points of view. The final product has been very useful in dealing with chronic and systematic underperformance.’—Audit client, Orima Survey, February 2019.*

Approximately every two years, we also survey the chairs of our clients’ audit committees. They are an important group for advocating our insights, advice, and recommendations, and for monitoring entities’ progress in implementation. Overall, the chairs were positive about QAO’s performance, providing a rating of 82 ip, but they identified more opportunities for engagement and in terms of the findings in our reports to parliament.

*‘I have been involved with QAO over many years. I believe they are ‘moving with the times’ and very committed to business improvement within their processes. The current Auditor-General has a very approachable and realistic manner. The staff I have intersected with are consistently very approachable, positive, knowledgeable and helpful.’—Audit committee chair, Orima Survey, June 2019.*

## Members of parliament

We survey members of parliament (MPs) at least once during their term. Our last survey was in 2016.

47 per cent of MPs responded to this year’s survey, slightly up from 42 per cent in 2015–16, but still not as high as we would like. For the next survey, we will engage earlier to encourage more participation.

In an overall great result, MPs were happier about our performance this year. Our index score rose to 89 per cent, notably up from 81 per cent in 2016.

## Collaborating with other important stakeholders

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Our relationships with our stakeholders are important to us and have a big effect on our ability to deliver on our strategy.

### Central agencies

Central agencies for QAO include the Department of the Premier and Cabinet, the Public Service Commission, and Queensland Treasury.

QAO’s work identifies important areas for change, but we need these agencies to bring the right people together to make the change happen. They often provide the perspective we need to implement the right solution and help our clients hear our messages.

QAO holds regular liaison meetings and ad hoc discussions with Queensland Treasury on accounting and financial reporting issues. Each year, Queensland Treasury participates in our client technical update event for 300 finance managers to explain changes in their financial reporting requirements.

Specifically, this year, we worked with Queensland Treasury and the Department of Housing and Public Works on applying a new leasing accounting standard. We reached an ‘in-principle’ agreement based on objectives that suit the centralised nature of managing whole-of-government office accommodation.

### Integrity agencies

Integrity agencies have powers to investigate matters relevant to their role. Members of the public may raise matters with them, or the agencies may identify matters when delivering their services.



We work with other integrity agencies to collaborate and promote integrity in financial management. As an example, this year QAO worked closely with the Crime and Corruption Commission Queensland on incidents of fraud and corruption in local government.

## Industry and community groups

A variety of industry and community groups have an interest in public sector services. We engage with different ones at different times based on the work we are doing. For example, this year we met with the Local Government Association of Queensland on our report *Managing consumer food safety in Queensland* (Report 17: 2018–19) and are doing so again on our current audit into the cost of local government services.

For our in-progress audit on coal seam gas activities, we engaged with landholders, the Queensland Farmers Federation, the Queensland Resources Council, interest and conservation groups, the Australian Petroleum Production & Exploration Association (APPEA) and more. In our tabled report on *Conserving threatened species* (Report 7: 2018–19), we engaged with landholders, researchers, scientists, academics, and conservationists.

For many of this year's audits, we also received submissions or contributions via our website during the audit planning and conduct stages. We welcome contributions from all stakeholders, but the website forms provide a particularly accessible avenue for members of the public. This year, we received 48 contributions to our audits.

## Peers

The Australian Council of Auditors-General (ACAG) is an association that shares information and intelligence between auditors-general. We collaborate through ACAG to respond to proposed standards changes, benchmark our performance, and share expertise. Members include all Australian and some Asia Pacific audit offices.

This year, QAO participated in 12 ACAG meetings across the various committees. ACAG also often engages with international offices to share best practice and training.

ACAG partnered with the Canadian Audit and Accountability Foundation (CAAF) to deliver innovative, intensive audit training. In February 2019, QAO and other Australian audit offices attended two weeks of 'one-of-a-kind' courses on performance audit.

QAO is also working with the Office of the Auditor-General Ontario, Canada, to introduce an employee exchange program. The six-month exchanges will give auditors the opportunity to broaden their technical skills and develop on a personal level. The first exchange is due to begin in January 2020.

Closer to home, QAO participates in a 'twinning' arrangement with the Vanuatu National Audit Office. This year, we met with the Auditor-General of Vanuatu to discuss their support needs and how we can help.

Each year, we support the Australian National Audit Office in delivering a partnership program with the Auditor-General's Office of Papua New Guinea. In 2018–19, we hosted one secondee (a second needed to withdraw).

QAO is continuing to engage collaboratively with other Australian audit offices on public sector specific issues, and audit-related content, in developing its new audit tool kit and software. This collaboration will help us deliver a fit-for purpose product for QAO, that can also be tailored to suit the unique audit requirements each jurisdiction may have.

In November 2019, QAO also hosted a week of introductory training for ACAG performance auditors from across the country. In QAO's newly refurbished training and event rooms, 22 auditors learnt about audit process, methodology, engagement, and best practice.

## Professional bodies

Professional accounting and auditing bodies, and standard-setting boards, are an important part of advancing our profession. Their work can have a significant impact on us and on our audit clients.

Via ACAG, and sometimes as an individual office, we contribute to the work of the various bodies that set accounting and auditing standards. We present our views on proposed changes to standards, reflecting our clients' needs and the uniqueness of the public sector audit environment. This year, we liaised with the Australian Accounting Standards Board, the International Accounting Standards Board, the International Public Sector Accounting Standards Board and the Australian Auditing Standards Board.

QAO staff participated on a number of panels and contributed to the advocacy work CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) are doing on financial reporting and auditing. The Auditor-General also met with CPA and CA ANZ representatives, facilitated a public sector briefing, and presented awards to staff throughout the year.

QAO's leadership and technical experts presented at numerous CPA congresses, as well as other industry events such as the Interdepartmental Accounting Group and the Healthcare Financial Management Association.

CA ANZ provides QAO's professional scepticism program, and CPA provides us with ethics and governance training. Further, QAO hosted two in-house presentations by CA ANZ on the future of audit, and the value of trust. QAO also utilises professional development programs by the Institute of Chartered Accountants of England and Wales (ICAEW).

QAO's study assistance scheme helps our staff achieve membership of CPA Australia and CA ANZ, and our procedures are aligned with our professional standards. We provide study leave and financial support. We also encourage candidates to network with others who have completed the program for support and guidance. This year two staff achieved CA ANZ, and one CPA, qualifications.

In March 2019, QAO's James Simmons and Hayden Grant were awarded a certificate of merit by CA ANZ for being in the top five per cent of their CA qualification modules. James was awarded for Management Accounting and Applied Finance, and Hayden for Audit and Assurance.



James Simmons and Hayden, QAO,  
CA ANZ awards ceremony,  
March 2019.

## Priorities for next year

2019–20 will be a year of consolidation, innovation, and collaboration.

We will continue with our current strategic initiatives, aimed at improving our client services and how we run our business. Our focus on integration and outcomes will drive all aspects of our work.

We will continue planning for, and implementing, a new operating model that will deliver on QAO's promise for more integrated, consistent, quality and timely services for our clients. We will work on building the trust of our clients, so they are more likely to listen to our advice and implement our recommendations. We will embed organising ourselves around our client groups: parliament, entities and internal. We want our clients to value us and our services.

For our people, we will transform our business strategy and workforce planning, which will influence our structure, our skills and systems, and our leadership styles. We will continue to make the most of activity-based working and our new ICT assets.



We take data governance and cyber security seriously and will continue to ensure our controls reflect a high level of maturity. We will fully embed our revised risk management framework in 2019–20.

We will continue to use audit analytics to transform our services. We will integrate them into our audit methodologies and tools and use them to share valuable insights with clients.

In particular, we will help our clients to improve their internal controls. Many agencies have specifically asked for help with this, and we will prepare targeted reporting for clients and parliament about it. We will continue to work with our clients on how we assess financial statement preparation.

We will continue to improve our collaboration and communication. As an example, we will start publishing our program of performance audits earlier (by December each year), starting with *Strategic Audit Plan 2020–23*, to give entities more time to prepare for their audits. We will meet and interact with our clients in a way and at a pace that works for them.

We will also aim to increase the reach and readership of our insights by making sure our reports to parliament (including their new digital delivery platforms) meet user needs. As always, we will take opportunities to ensure our messages are clear and consistent.

Overall, in 2019–20 QAO will listen and respond to the needs of our workforce and our clients. We will better understand what they need, so Queenslanders can benefit from better public services.

We will engage with purpose, challenge ourselves, deliver on our commitments, and care about our people.



# Financial statements and independent auditor's reports

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QAO funds the costs of its operations from the financial audit fees we charge our clients and from parliamentary appropriation. Our funding from parliament for 2018–19 was \$6.835 million, which we allocated to reporting to parliament, delivering performance audit services, preparing the strategic audit plan, investigating referrals, and remunerating the Auditor-General.

We are sustainable as a contemporary public sector audit practice. We are in a good position to deliver our planned audit programs using efficient and effective technology and practices.

We earned slightly more revenue than anticipated due to the impact machinery of government changes had on our clients following the 2017 Queensland state election. And our response to increased governance risks in the local government sector. Both of which meant we delivered more audit services. We also brought more audit work forward into this financial year, with clients successfully undertaking early year end close processes.

The majority of our surplus, \$1.596 million, resulted from the decrease in provisions with QAO's signing of a new lease, which provided significant savings, and a no 'make good' clause resulting in the releasing of the leasehold restoration.

We also paid our staff less than anticipated due to a number of vacant positions within our audit service lines, for which active recruitment has now filled.

QAO's total expenses were \$43.134 million, slightly more than half of which are staff costs at \$21.068 million. Our next largest expense was for audit service providers at \$13.833 million. Our other expenses were conservative, covering expenses such as rent, information technology licensing and corporate travel.

This year, QAO refurbished its office premises and relocated one level within its existing building. The majority of the broader accommodation refurbishment project was funded by Department of Housing and Public Works, which holds the head lease. The total costs for QAO were \$1.45 million, which included a major technology refresh, and the implementation of activity-based working. QAO planned to incur a future technology refresh cost of \$700,000 in 2019–20 (due to aging equipment and systems) but brought it forward in line with the accommodation refurbishment and relocation project.

The following pages of this report contain:

- the Queensland Audit Office's financial statements
- the Queensland Audit Office's performance statement
- independent auditor report from Hall Chadwick.



# Financial statements and independent auditor's report

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## 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](mailto:enquiries@qao.qld.gov.au)
- or visit the QAO's internet site [www.qao.qld.gov.au](http://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
<b>Income from continuing operations</b>					
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
<b>Total income from continuing operations</b>		<b>44,730</b>	<b>43,660</b>	<b>1,070</b>	<b>43,213</b>
<b>Expenses from continuing operations</b>					
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
<b>Total expenses from continuing operations</b>		<b>43,134</b>	<b>43,821</b>	<b>(687)</b>	<b>41,758</b>
<b>Total operating result from continuing operations/comprehensive income</b>		<b>1,596</b>	<b>(161)</b>	<b>1,757</b>	<b>1,455</b>

*\*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
<b>Current assets</b>					
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
<b>Total current assets</b>		<b>14,167</b>	<b>12,194</b>	<b>1,973</b>	<b>12,984</b>
<b>Non-current assets</b>					
Plant and equipment	8(c)(i)	209	424	(215)	28
Intangible assets	8(c)(ii)	641	929	(288)	942
<b>Total non-current assets</b>		<b>850</b>	<b>1,353</b>	<b>(503)</b>	<b>970</b>
<b>Total assets</b>		<b>15,017</b>	<b>13,547</b>	<b>1,470</b>	<b>13,954</b>
<b>Current liabilities—Payables and accruals</b>	9	<b>2,214</b>	<b>1,993</b>	<b>221</b>	<b>1,849</b>
<b>Non-current liabilities—Provision for lease</b>	10	<b>17</b>	<b>902</b>	<b>(885)</b>	<b>915</b>
<b>Total liabilities</b>		<b>2,231</b>	<b>2,895</b>	<b>(664)</b>	<b>2,764</b>
<b>Net assets</b>		<b>12,786</b>	<b>10,652</b>	<b>2,134</b>	<b>11,190</b>
<b>Equity</b>					
Contributed equity		5,183	5,183	..	5,183
Accumulated surplus		7,603	5,469	2,134	6,007
<b>Total equity</b>		<b>12,786</b>	<b>10,652</b>	<b>2,134</b>	<b>11,190</b>

*\*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
<b>Balance as at 1 July 2018</b>	6,007	5,183	11,190
Operating result from continuing operations	1,596	..	1,596
<b>Balance as at 30 June 2019</b>	<b>7,603</b>	<b>5,183</b>	<b>12,786</b>

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

*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
<b>Cash flows from operating activities</b>					
<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)
<b>Net cash provided by/(used in) operating activities</b>	14	<b>89</b>	<b>(678)</b>	<b>767</b>	<b>2,162</b>
<b>Net cash used in investing activities— Payments for plant and equipment and intangibles</b>		<b>(225)</b>	<b>(450)</b>	<b>225</b>	<b>..</b>
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
<b>Cash and cash equivalents at end of financial year</b>		<b>7,189</b>	<b>5,407</b>	<b>1,782</b>	<b>7,325</b>

*\*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**

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## 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**  
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**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**  
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## 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
<b>Revenue</b>		
Budgeted appropriation	6,835	6,670
Queensland Treasury adjustments	..	57
<b>Total</b>	<b>6,835</b>	<b>6,727</b>

### (iii) Other revenue

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

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



**Queensland Audit Office**  
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### 3. Employee expenses

	Note	2019 \$'000	2018 \$'000
<b>Employee benefits</b>			
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
<b>Total</b>		<b>21,034</b>	<b>20,534</b>
<b>Employee related expenses—WorkCover Queensland premium</b>		<b>34</b>	<b>40</b>
<b>Total</b>		<b>21,068</b>	<b>20,574</b>

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**

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### 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**  
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**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			
<b>1 July 2018–30 June 2019</b>						
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
<b>Total 2019</b>						<b>1,541</b>

<b>1 July 2017–30 June 2018</b>						
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
<b>Total 2018</b>						<b>1,761</b>

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



**Queensland Audit Office**  
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### 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
<b>Total</b>	<b>21,286</b>	<b>20,258</b>

- (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
<b>Total</b>	<b>435</b>	<b>345</b>

\* 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**  
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## 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	..
<b>Total</b>	<b>3,054</b>	<b>4,157</b>

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**  
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## 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:

<b>Asset class</b>	<b>Depreciation rate</b>	<b>Basis</b>	<b>Useful life</b>
Plant and equipment	12.5% to 33.3%	Straight line	3 to 8 years
<b>Intangible assets</b>	<b>Amortisation rate</b>	<b>Basis</b>	<b>Useful life</b>
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
<b>Depreciation and amortisation</b>		
Plant and equipment	44	194
Intangibles	301	387
<b>Total</b>	<b>345</b>	<b>581</b>



**Queensland Audit Office**  
**Notes to the Financial Statements**  
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**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
<b>(i) Plant and equipment</b>		
Plant and equipment		
At cost	945	1,006
Accumulated depreciation	(736)	(978)
<b>Total</b>	<b>209</b>	<b>28</b>

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

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

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

**Queensland Audit Office**  
**Notes to the Financial Statements**  
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## 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
<b>(a) Payables</b>		
Creditors	1,140	672
GST payable	380	435
GST input tax receivable	(290)	(209)
Net GST payable	90	226
<b>Total</b>	<b>1,230</b>	<b>898</b>
<b>(b) Accrued employee benefits</b>		
Annual leave levy payable	443	474
Long service leave levy payable	92	84
Other employee benefits	449	393
<b>Total</b>	<b>984</b>	<b>951</b>
<b>Total</b>	<b>2,214</b>	<b>1,849</b>

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
<b>Total</b>	<b>17</b>	<b>915</b>

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

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**  
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## 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**  
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### 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
<b>Total</b>		<b>13,817</b>	<b>12,930</b>
<b>Financial Liabilities—Payables and accrued employee benefits (amortised cost)</b>	<b>9</b>	<b>2,214</b>	<b>1,849</b>

#### (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
<b>Operating surplus</b>	<b>1,596</b>	<b>1,455</b>
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
<b>Net cash from operating activities</b>	<b>89</b>	<b>2,162</b>

## Certificate of the Queensland Audit Office

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### 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

**HALL CHADWICK**   
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

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BRISBANE QLD 4001  
GPO Box 389  
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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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International Association | Prime Global  
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:

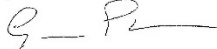
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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.L.C.*  


Geoff Stephens  
Partner  
Hall Chadwick QLD

Dated at Brisbane this 21<sup>st</sup> day of August, 2019.



# Performance statement

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

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### 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@gao.qld.gov.au](mailto:enquiries@gao.qld.gov.au) or visit the QAO's internet site [www.qao.qld.gov.au](http://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
<b>Service area: Independent public sector auditing</b>				
<b>Service: Reports and advice to the parliament</b>				
<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
<b>Service: Reports and advice to the public sector</b>				
<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
<b>Total</b>	<b>\$999,628</b>	<b>45.4</b>
<b>Average</b>	<b>\$142,804</b>	<b>6.5</b>

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
<b>Total</b>	<b>\$4,450,328</b>	<b>123.8</b>
<b>Average</b>	<b>\$317,880</b>	<b>8.9</b>

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.



# Appendices

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# A. Reports tabled in parliament

Number	Title	Tabled in Legislative Assembly
1	Monitoring and managing ICT projects	10 July 2018
2	Access to the National Disability Insurance Scheme for people with impaired decision-making capacity	27 September 2018
3	Delivering shared corporate services in Queensland	27 September 2018
4	Managing transfers in pharmacy ownership	28 September 2018
5	Follow-up of Bushfire prevention and preparedness	9 October 2018
6	Delivering coronial services	18 October 2018
7	Conserving threatened species	13 November 2018
8	Water: 2017–18 results of financial audits	15 November 2018
9	Energy: 2017–18 results of financial audits	22 November 2018
10	Digitising public hospitals	4 December 2018
11	Transport: 2017–18 results of financial audits	11 December 2018
12	Market-led proposals	13 December 2018
13	Health: 2017–18 results of financial audits	26 February 2019
14	Queensland state government: 2017–18 results of financial audits	28 February 2019
15	Follow-up of Oversight of recurrent grants to non-state schools	26 March 2019
16	Follow-up of Maintenance of public schools	30 April 2019
17	Managing consumer food safety in Queensland	14 May 2019
18	Local government entities: 2017–18 results of financial audits	15 May 2019
19	Education: 2017–18 results of financial audits	16 May 2019
20	Follow-up of Managing child safety information	29 May 2019
21	Delivering forensic services	27 June 2019

The reports are available on our website at [www.qao.qld.gov.au/reports-resources/parliament](http://www.qao.qld.gov.au/reports-resources/parliament).



## B. Additional information

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This section contains additional information required for annual reporting purposes that is not in the main body of this report. It covers:

- *Public Sector Ethics Act 1994*
- workforce planning and performance data
- record keeping
- details of the Queensland Audit Office's Audit and Risk Management Committee.

### *Public Sector Ethics Act 1994*

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We are a signatory of the whole-of-government code of conduct established under the *Public Sector Ethics Act 1994*. We adhere to the Public Service Code of Conduct 2011 and a code of ethics for professional accountants.

To proactively safeguard and promote ethical conduct, we:

- undertake pre-employment screening on all contractors and employees, including criminal history and reference checks
- require employees to complete a comprehensive independence declaration, including details to help us manage any potential conflicts of interest
- train new recruits in public sector ethics and the Public Service Code of Conduct 2011, and provide refresher training on ethical decision-making
- operate as an integrity agency and routinely discuss issues of ethics and integrity among our workforce and clients.

Our internal policies, procedures, and practices align with ethical principles and values. Our auditors also apply *APES 110 Code of Ethics for Professional Accountants* as issued by the Accounting Professional and Ethical Standards Board.

### *Workforce planning and performance data*

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The Queensland Audit Office takes a strategic planning approach to workforce management, in which we focus on capability and capacity. Each year, we review our workforce needs during our business planning process. This section provides data on our workforce.



## Workforce numbers at 30 June 2019

Measure	Value
Minimum Obligatory Human Resource Information (MOHRI)*—effective headcount	196
Minimum Obligatory Human Resource Information*—effective full-time equivalents	184.54

\*MOHRI measures are for public service reporting purposes.

During 2018–19, our separation rate for permanent employees was 12 per cent. No redundancy, early retirement, or retrenchment packages were paid.

The below table provides the Queensland Audit Office's data on our workforce inclusion and diversity.

## Workforce inclusion and diversity at 30 June 2019

Measure	Value
Employees who are women	52.6%
Employees from non-English speaking backgrounds	26%
Employees with disability	1.5%
Employees who identify as Aboriginal or Torres Strait Islander	1.5%

Further information on how we manage, develop, and support our people is on page five of this report.

## Information systems, security, and record keeping

Effective record keeping gives us confidence that we have the evidence we need to support our decisions and the results of our audit work. During 2018–19, we continued to improve our recordkeeping practices by:

- implementing the principles of our records governance policy
- increasing our use, and reliance on born-digital and digitised records to support our business activities
- reviewing key components of the Queensland Audit Office Retention and Disposal Schedule
- continuing to develop an information security management system to preserve the confidentiality, integrity, and availability of our information assets
- transitioning to more paper-light office activities, for example, by no longer sending physical correspondence)
- furthering our use of electronic signatures in audit certifications and in correspondence.



## Audit and Risk Management Committee

The below table provides the membership details of the Queensland Audit Office's Audit and Risk Management Committee.

### Audit and Risk Management Committee 2018–19

Member	Term	Meetings attended	Remuneration*
Mr Ian Rodin (Chair)	Nov 17–Nov 20	Four of four	\$14,240
Russel Banham	Nov 17–Nov 20	Four of four	\$5,000
Jeff Duthie	Sep 18–Aug 21	Four of four	\$5,000

\*All amounts exclude GST and do not include reimbursement of out-of-pocket expenses.

Further information on the functions of the Audit and Risk Management Committee is on page 10 of this report.



## C. Fees for audit service providers

Firms providing financial audit services	2018–19*	2017–18*
KPMG	2,616,382	2,048,380
Deloitte Touche Tohmatsu	2,611,677	3,070,087
Grant Thornton Audit Pty Ltd	2,226,015	1,961,070
Crowe Horwath	1,596,275	2,059,106
Thomas Noble & Russell	801,989	730,817
Pitcher Partners	798,749	757,348
William Buck (QLD)	778,014	938,068
Bentleys Brisbane (Audit) Pty Ltd	590,414	591,652
PricewaterhouseCoopers	580,622	609,971
BDO Audit (Nth Qld) Pty Ltd	557,975	424,373
Ernst & Young	481,936	499,817
BDO Audit (Qld) Pty Ltd	455,634	378,680
Altius Accountants and Advisors Pty Ltd	453,129	471,905
UHY Haines Norton	217,385	203,902
PKF Hacketts Audit	207,952	113,891
Prosperity Advisers Audit Services	199,832	150,623
Priestleys Chartered Accountants	189,612	182,833
Bennett Partners Pty Ltd	163,900	211,387
MGI Assurance (South Qld) Pty Ltd	70,682	64,283
Vincent's Audit & Assurances	19,421	43,723
<b>Total</b>	<b>15,617,595</b>	<b>15,511,916</b>

\* All amounts represent payments made during the financial year.



Firms providing Performance audit services	2018–19*	2017–18*
Arc Consultancy	197,164	140,685
Ernst & Young	129,992	116,445
Alcorn Security Group Pty Ltd	110,000	
Concept 2 Completion Group Pty Ltd	106,288	
Deloitte Risk Advisory Pty Limited	96,036	
Jauhien Krykun	74,459	118,800
WSP Australia Pty Ltd	55,291	14,372
Crowe Horwath	57,764	51,450
Monash University	13,531	
Credence Consulting	23,837	
The Trustee for Gaskell Family Trust	19,723	18,800
Writebusiness	5,544	
Gregory Jaggs Family Trust	7,986	
Michael Page International		64,514
PricewaterhouseCoopers		43,750
Ernst & Young Services Pty Ltd		19,200
Voronoï Pty Ltd		15,456
Sustainability Queensland Pty Ltd		12,060
Bentleys Brisbane (Audit) Pty Ltd		10,000
Queensland University of Technology		3,300
Michael Parkinson		3,032
<b>Total</b>	<b>897,615</b>	<b>631,864</b>

\* All amounts represent payments made during the financial year.





## D. Annual report compliance checklist

	Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister	ARRs–section 7	Inside cover
Accessibility	Table of contents Glossary	ARRs–section 9.1	Inside cover
	Public availability	ARRs–section 9.2	Inside cover
	Interpreter service statement	Queensland Government Language Services Policy ARRs–section 9.3	Inside cover
	Copyright notice	<i>Copyright Act 1968</i> ARRs–section 9.4	Inside cover
	Information licensing	QGEA–Information Licensing ARRs–section 9.5	Inside cover
General information	Introductory information	ARRs–section 10.1	2, 4
	Machinery of Government changes	ARRs–section 10.2, 31 and 32	N/A
	Agency role and main functions	ARRs–section 10.2	2
	Operating environment	ARRs–section 10.3	2, 10
Non-financial performance	Government’s objectives for the community	ARRs–section 11.1	N/A
	Other whole-of-government plans/specific initiatives	ARRs–section 11.2	N/A
	Agency objectives and performance indicators	ARRs–section 11.3	12
	Agency service areas, and service standards	ARRs–section 11.4	13–20
Financial performance	Summary of financial performance	ARRs–section 12.1	26



Summary of requirement		Basis for requirement	Annual report reference
Governance— management and structure	Organisational structure	ARRs—section 13.1	5, 9, 49
	Executive management	ARRs—section 13.2	10
	Governance bodies (statutory bodies and other entities)	ARRs—section 13.3	10, 51
	<i>Public Sector Ethics Act 1994</i>	ARRs—section 13.4	49
	Queensland public service values	ARRs—section 13.5	5
Governance—risk management and accountability	Risk management	ARRs—section 14.1	11
	Audit committee	ARRs—section 14.2	10, 51
	Internal audit	ARRs—section 14.3	10
	External security	ARRs—section 14.4	11
	Information systems and recordkeeping	ARRs—section 14.5	50
Governance— human resources	Strategic workforce planning and performance	ARRs—section 15.1	4, 49, 50
	Early retirement, redundancy and retrenchment	Directive No. 04/18 <i>Early retirement, Redundancy and Retrenchment</i> Directive No.16/16 ARRs—section 15.2	50
Open data	Statement advising publication of information	ARRs—section 16	Inside cover
	Consultancies	ARRs—section 33.1	Inside cover
	Overseas travel	ARRs—section 33.2	Inside cover
	Queensland Language Services Policy	ARRs—section 33.3	Inside cover
Financial statements	Certification of financial statements	FAA—section 62 FPMS—sections 42, 43 and 50 ARRs—section 50 ARRs—section 17.1	40
	<b>Independent Auditor’s Report</b>	<b>FAA—section 62</b> <b>FPMS—section 50</b> <b>ARRs—section 50</b> <b>ARRs—section 17.2</b>	<b>41</b>



## E. Glossary

Term	Meaning
Audit	This is an official examination and verification of accounts and records, especially of financial accounts.
Audit, financial	Depending on the audit subject (consolidated fund, public sector agency, ministerial expenditure, and whole-of-government financial statements), the Auditor-General must give an opinion as to whether public money was recorded, managed, and protected properly. Usually this involves auditing the <i>financial statements</i> and preparing an <i>audit opinion</i> .
Audit, performance	A performance audit may consider all or any particular activities of a public sector entity. It may be conducted as a separate audit or as part of another audit, including an audit of another public sector entity. The audit's object includes deciding whether the public sector entity is achieving its objectives economically, efficiently, and effectively, and in compliance with all relevant laws.
Audit mandate	This is the scope of the Queensland Auditor-General's authority and powers in terms of the types of audits they may carry out, the entities subject to audit, and the access to personnel, property, and information. Part 3 of the <i>Auditor-General Act 2009</i> defines the audit mandate.
Audit opinion	An audit opinion will generally address whether the Auditor-General has received all the information and explanations the role requires. It will also generally address whether the Auditor-General considers the financial statements have been properly drawn up and are accurate and compliant with prescribed requirements to give a true and fair view of an entity's financial operations and position.
Auditor-General	In Queensland, the Governor in Council appoints the Auditor-General for a fixed, non-renewable term of seven years.
<i>Auditor-General Act 2009</i>	This is the Queensland law that establishes the position of the Queensland Auditor-General and the Queensland Audit Office, confers the functions and powers necessary to carry out independent audits of the Queensland public sector and related entities, provides for the strategic review of the Queensland Audit Office, and provides for the independent audit of the Queensland Audit Office (published at <a href="http://www.legislation.qld.gov.au">www.legislation.qld.gov.au</a> ).
Auditor-General of Queensland Auditing Standards	<p>These are standards by which the audits of public sector entities are performed. They require the adoption of standards issued by the Australian Auditing and Assurance Standards Board (AUASB) to the extent they are consistent with the requirements of the <i>Auditor-General Act 2009</i>.</p> <p>The AUASB standards set out the basic principles and essential procedures to be applied to ensure that audits are planned and performed in a manner that will support the opinion or conclusion expressed by the auditor.</p>



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