

Auditor-General of Queensland

**Report to Parliament No. 9 for 2008
Results of Audits at 31 October 2008**



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Results of Audits as at 31 October 2008



Queensland

Prepared under Part 6

Division 3 of the

Financial Administration and Audit Act 1977

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Queensland Audit Office
Central Plaza One
Floor 11, 345 Queen Street, Brisbane Qld 4000
GPO Box 1139, Brisbane Qld 4001
Telephone 07 3405 1100
Facsimile 07 3405 1111
Email enquiries@qao.qld.gov.au
Website www.qao.qld.gov.au

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Auditor-General of Queensland

November 2008

The Honourable M F Reynolds MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

This report is prepared under Part 6 Division 3 of the *Financial Administration and Audit Act 1977* (FA&A Act) and is on the results of audits as at 31 October 2008. It is the ninth in the series of Auditor-General's Reports to Parliament for 2008.

In accordance with s.105 of the FA&A Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely



Glenn Poole
Auditor-General



Central Plaza One
Floor 11, 345 Queen Street, Brisbane Qld 4000
GPO Box 1139, Brisbane Qld 4001
Telephone 07 3405 1100
Facsimile 07 3405 1111
Email enquiries@qao.qld.gov.au
Website www.qao.qld.gov.au

Contents

Glossary Frequently used terms and abbreviations.....	1
Section 1 Executive summary	3
1.1 Auditor-General's overview.....	3
Section 2 Results of audits	5
2.1 Auditing the public sector.....	5
2.2 Status of 2007-08 audits.....	5
2.3 Auditor's opinions issued for 2007-08.....	6
2.4 Timeliness of financial statement completion	9
2.5 Results of prior year audits	10
Section 3 Cross sector issues.....	17
3.1 Financial reporting by public sector companies.....	17
3.2 Funding of costs arising from ENERGETX Limited's trade sale.....	23
3.3 Key issues from local government amalgamation process	25
Section 4 Entity specific issues	35
4.1 Department of Health — follow-up on review of Caboolture Emergency Department tender process	35
4.2 ENERGETX Limited – bank reconciliation issues	35
Section 5 Audit results by Ministerial portfolio.....	37
5.1 Attorney-General and Justice	37
5.2 Child Safety and Women	38
5.3 Communities, Disability Services and Aboriginal and Torres Strait Islander Partnerships, Multicultural Affairs, Seniors and Youth.....	39
5.4 Deputy Premier and Infrastructure and Planning	39
5.5 Education and Training and the Arts	40
5.6 Emergency Services	41
5.7 Health.....	42
5.8 Main Roads and Local Government	43
5.9 Mines and Energy	44
5.10 Natural Resources and Water	45
5.11 Police, Corrective Services and Sport	48
5.12 Premier	48
5.13 Primary Industries and Fisheries	49
5.14 Public Works, Housing and Information and Communication Technology.....	50
5.15 Sustainability, Climate Change and Innovation	51
5.16 Tourism, Regional Development and Industry	52
5.17 Transport, Trade, Employment and Industrial Relations	52
5.18 Treasurer	54
5.19 Legislative Assembly	57
Section 6 Appendices.....	59
6.1 Stakeholders' responses	59
6.2 Types of auditor's opinions.....	68
6.3 Statutory bodies with approved transitional arrangements.....	69
Section 7 Publications.....	73
7.1 Publications.....	73
7.2 Auditor-General's Reports to Parliament 2008.....	73

Glossary

Frequently used terms and abbreviations

AASB – Australian Accounting Standards Board.

Accountability is a responsibility on public sector entities to achieve their objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

ASIC – Australian Securities and Investment Commission.

Auditor's opinion is a positive written expression within a specified framework indicating the auditor's overall conclusion on the financial report based on audit evidence obtained. Refer to Section 6.2 for types of auditor's opinions issued by the Auditor-General.

Authorised auditor is the Auditor-General or Deputy Auditor-General, or a member of staff of the Queensland Audit Office, or a contract auditor.

By arrangement audit is an audit by the Auditor-General of an entity that is not a public sector entity, conducted at the request of a Minister or a public sector entity and with the consent of the entity.

By arrangement – under trust deed audit is an audit of a trust fund where the Auditor-General is specified as the auditor in the trust deed. A trust fund is not a public sector entity.

CEO – Chief Executive Officer.

Contract auditor is an appropriately qualified individual, who is not a staff member of the Queensland Audit Office, appointed by the Auditor-General to undertake audits of public sector entities on his behalf.

Delegate of the Auditor-General is an authorised auditor to whom the Auditor-General has delegated his powers to sign the independent auditor's report.

FA&A Act – *Financial Administration and Audit Act 1977*.

Financial report is a structured representation of the financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period in accordance with a financial reporting framework.

FMS – *Financial Management Standard 1997*.

GOC – Government owned corporation.

GOC Act – *Government Owned Corporations Act 1993*.

Going concern means an entity is expected to be able to pay its debts as and when they fall due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

Independent auditor's report is issued after an audit and contains a clear expression of the auditor's opinion on the entity's financial report.

PAC – the Parliamentary Public Accounts Committee.

Prescribed requirements means requirements prescribed by the *Financial Administration and Audit Act 1977*, another Act or a financial management standard, but does not include the requirements of a financial management practice manual.

Public sector entity means a department; a local government; a statutory body; an entity controlled by one, or more than one, department, local government or statutory body or by a combination of departments, local governments and statutory bodies; or an entity controlled by an entity that is a public sector entity as defined by Schedule 3 of the *Financial Administration and Audit Act 1977*.

QAO – Queensland Audit Office.

Section 1

Executive summary

1.1 Auditor-General's overview

This is my ninth report to Parliament for 2008 and it represents the status of 524 (or approximately 60 per cent) of the 876 audits required to be completed under my mandate for the 2007-08 audit year.

The report includes the results of the 2007-08 financial and compliance audits of departments, statutory bodies, government owned corporations and their controlled entities completed as at 31 October 2008. It also includes comments on significant issues arising from the completed audits of local governments abolished on 14 March 2008. The key issues discussed in this report are:

Results of audits

At 31 October 2008, the 2007-08 audits of financial statements for 446 public sector entities had been completed with 346 unmodified auditor's opinions and 100 modified auditor's opinions being issued. Section 5 of this report lists the audits completed at 31 October 2008.

In terms of meeting statutory timeframes, 93 per cent of departments, government owned corporations and those statutory bodies required to have their financial statements completed and certified by audit by 31 August 2008, were able to achieve the new statutory deadline which was one month earlier than in 2007.

In contrast, abolished local government entities with a balance date of 14 March 2008 had approximately six months to complete their financial statements and have these certified by audit to meet the statutory timeframe of 15 September 2008. Only 51 per cent of these entities were able to achieve this timeframe and a further six weeks later at 31 October 2008, the financial statements of 45 entities remain outstanding.

Financial reporting by public sector companies

The level of government activity being undertaken through company structures continues to increase. An important aspect of ensuring the accountability of this government activity is that there is an appropriate level of financial reporting to enable Parliament and the broader community to assess the performance of these entities.

In a number of instances, different financial reporting requirements are being used by public sector companies to provide a lower level of disclosure when compared to other public sector entities. This financial reporting by public sector companies is, at times, different from the reporting by publicly listed companies which are subject to the constant scrutiny of investors, stock market analysts and the Australian Stock Exchange.

Public sector companies, other than those established through the *Government Owned Corporations Act 1993*, have no overarching Queensland legislation which establishes an accountability and reporting framework.

The reporting differences are in the areas of requirements to prepare financial reports, the application of certain accounting standards and the disclosure requirements of the standards; and the tabling of financial reports in Parliament. These issues are discussed further in Section 3.1.

Funding of costs arising from ENERGEX Limited's trade sale

A series of transactions occurred between the Government and ENERGEX Limited following the trade sale of ENERGEX's gas network and retail businesses in 2006 and 2007. The transactions related to the payment of \$125m by ENERGEX as part of the dividend in 2007-08 to remit part of the funds brought to account in 2006-07 as revenue from the trade sale, and the subsequent return of this amount by the Department of Mines and Energy as grant revenue rather than through a capital contribution. In my view, the result of the process adopted is that for 2007-08 and 2008-09 the revenue and profit is overstated by the amount of the grant, which was essentially funded by the ENERGEX dividend paid to the government.

While no accounting standard or other pronouncement has been breached, my fundamental belief is that funding provided by the Government as owners of government owned corporations would most usually be treated as a capital contribution. In this instance, the funds have been recognised as revenue by ENERGEX on two occasions - originally as part of the sale proceeds, and subsequently as grant revenue from the Department of Mines and Energy.

Further details are provided in Section 3.2.

Key issues from local government amalgamation process

A significant number of financial statements for abolished local governments have not yet been completed. It is critical that the financial statements of the abolished councils be finalised and audited as soon as possible to allow the new councils to have access to reliable financial reports to support the management of their operations.

Staff turnover, lack of quality and lack of expertise in the financial statement process are areas which need to be addressed by many of the regional local governments. The Department of Local Government, Sport and Recreation and the local government sector need to initiate urgent action to build the financial management capacity within the new regional councils.

Other key issues from the local government amalgamation process including the ongoing use of consultants, non-current asset issues, probity and propriety issues and financial sustainability are discussed further in Section 3.3.

Overall audit result

The 2007-08 financial year was significant for Queensland public sector entities with the financial reporting deadline being brought forward by one month for all departments, government owned corporations and some statutory bodies. Ninety-three per cent of the entities required to do so achieved this earlier deadline. I would like to acknowledge the many entities that have worked hard over the past few years by introducing more robust monthly financial reporting processes and conducting early financial statement activity to ensure they could achieve the earlier financial reporting deadline this year. I would also like to thank the QAO auditors and contract auditors who conducted these audits for their commitment and hard work in helping public sector entities achieve the new deadlines.

2007-08 was a year of significant change in the local government sector with 156 local government areas being amalgamated into 72 councils and the abolished local governments being required to produce their final set of financial statements for the period ending on 14 March 2008. It is disappointing that, despite six months being available between 14 March and the statutory deadline of 15 September 2008 for these financial statements to be completed and audited, a significant number of councils have yet to complete their financial statements.

Infrastructure issues - cost estimation indices

In my Report No. 4 for 2008 on the results of audits at 31 May 2008, an item was included on the audit of Infrastructure Project Evaluation. Specifically, at Section 2.5.2 of Report No. 4 for 2008, comment was made on the fact that departments use different cost escalation percentages in determining the overall costs of individual projects.

Two figures quoted in Report No. 4 for 2008 related to the average cost escalation in percentage terms. These figures in fact reflected changes in underlying index movements. Nevertheless the thrust and intent of the report item that the estimated cost was below the actual cost remains valid.

Due to the identification of the use of different indices, I intend to incorporate a more detailed review of the policies and practices involved in the use of cost estimation indices in a report to Parliament in 2009.

Section 2

Results of audits

2.1 Auditing the public sector

As the independent external auditor for the Queensland Parliament, I am responsible for conducting the audits of all Queensland public sector entities including departments, statutory bodies, government owned corporations, local governments and their controlled entities. I also conduct audits by-arrangement for entities associated with public sector entities which are not public sector entities in their own right. I report to Parliament about each audit conducted and any significant issues arising from these audits.

The Queensland Audit Office (QAO) assists me in providing Parliament with quality independent audits of Queensland public sector entities. The main part of QAO's work each year is conducting financial and compliance audits to assess whether the financial statements of public sector entities are true and fair. These audits also check that entities' account-keeping methods meet prescribed requirements and assess the probity and propriety of the use of public resources.

A key outcome of a financial and compliance audit is the auditor's opinion expressed on whether the financial statements of the public sector entity are true and fair, and whether prescribed requirements included in legislation for the establishment and keeping of accounts have been complied with in all material respects. Other outcomes include recommendations of ways public sector entities can change their financial systems and controls to improve their financial accountability and management.

The 876 public sector audits for 2007-08 are carried out on my behalf by QAO staff and contracted auditors. Because of the number of audits and the geographic spread of the entities across Queensland, I contract some of my audits to qualified private sector auditors. The total number of public sector audits for which I am responsible is constantly changing as new public sector entities are created and others are abolished or amalgamated. In 2007-08, 76 new audits were added to my mandate and 20 audits were removed.

2.2 Status of 2007-08 audits

At 31 October 2008, the 2007-08 audits for 446 public sector entities had been completed as shown below. This includes the audits of local government entities abolished on 14 March 2008, but excludes the audits of continuing local government entities which will be reported to Parliament in the first half of 2009. This report also excludes the audits of entities which have a 31 December balance date, including universities and grammar schools.

Table 2.1 – Status of 2007-08 audits at 31 October 2008

Entity Type	Total	Completed	Incomplete
Aboriginal shire councils (abolished councils only)	3	1	2
By-arrangement	50	41	9
By-arrangement – Under trust deed	48	45	3
Controlled entities	66	59	7
Department	29	29	0
Departmental agencies	6	6	0
Government owned corporations	17	17	0
Joint controlled entities	14	12	2
Joint local governments (abolished councils only)	11	9	2
Local governments (abolished councils only)	95	64	31
Statutory bodies	167	155	12
Torres Strait Island councils (abolished councils only)	18	8	10
Total	524	446	78

2.3 Auditor's opinions issued for 2007-08

2.3.1 Consolidated fund financial report

On 26 September 2008, I certified the Consolidated Fund Financial Report which sets out particulars of transactions in respect of the Consolidated Fund for 2007-08. The Consolidated Fund consists of the consolidated revenue fund established under the *Constitution Act 1867* and the loan fund established under the *Financial Administration and Audit Act 1977* (FA&A Act). The Treasurer is responsible for the preparation and presentation of the financial report of the Consolidated Fund.

As required by s.38A(6) of the FA&A Act, I have audited the prescribed statements which collectively form the Consolidated Fund Financial Report. In my opinion:

- the Treasurer's Consolidated Fund Operating Account and the Treasurer's Consolidated Fund Investment Account, as defined in s.10 of the FA&A Act, have been properly kept in accordance with that Act
- the Consolidated Fund Financial Report is in agreement with the Consolidated Fund accounts
- the Consolidated Fund Financial Report has been properly drawn up to present a true and fair view of the transactions for 2007-08 and the position of the accounts at the end of that financial year.

2.3.2 Consolidated whole-of-government financial statement

Scope of financial statement

Section 38B of the FA&A Act requires the Treasurer to prepare the consolidated whole-of-government financial statement. The statement for 2007-08 prepared by Treasury Department consolidated 228 public sector entities that were controlled by the State and considered to be material.

Some non-material entities were also consolidated where they were departments or were funded for the delivery of outputs. Entities not considered to be directly controlled by the State were not consolidated and these include local governments, public universities and certain professional and occupational boards.

Similarly, funds of trusts or entities of a fidelity nature, where assets were not available for the benefit of the State, were not consolidated. An assessment of the financial performance and position of controlled public sector entities not considered to be material was disclosed in a note to the financial statement.

Independent auditor's report

My independent auditor's report on the 2007-08 financial statement was issued without qualification on 17 October 2008, following its certification by management on 7 October 2008.

2.3.3 Public sector entities

Unmodified auditor's opinions

Unmodified auditor's opinions have been issued for 346 public sector entities for the 2007-08 financial year. Section 5 of this report provides details of audits completed at 31 October.

Modified auditor's opinions

Modified auditor's opinions have been issued for 100 public sector entities for the 2007-08 financial year, including 84 for local government entities abolished on 14 March 2008.

These opinions are summarised in Table 2.2. Section 6.2 explains the different types of auditor's opinions.

Table 2.2 – Modified auditor’s opinions issued for 2007-08 financial year

Entity	Auditor’s opinion	Reason for modified auditor’s opinion
<i>Deputy Premier and Infrastructure and Planning</i>		
Queensland Bulk Water Supply Authority	Emphasis of matter	Included because there is significant uncertainty regarding the pricing mechanism post 30 June 2010. The Authority assessed there was no impairment of its assets at 30 June 2008, based on current pricing arrangements under normal pricing principles for regulated assets. However, the Queensland Government has not yet determined the pricing mechanism post 30 June 2010. If the pricing arrangements should change, an impairment may arise significantly affecting the carrying value of assets in future. Carrying values were not adjusted by the Authority for the effect of any future impairment.
South East Queensland Water Corporation Limited (trading as SEQWater)	Emphasis of matter	Included as the assets and liabilities were transferred to the company’s parent entity, Queensland Bulk Water Supply Authority, on 1 July 2008 at their carrying values. The Corporation ceased operations immediately after 30 June 2008.
<i>Education and Training and the Arts</i>		
Board of the Queensland Museum	Qualified	The 2006-07 financial report was qualified and the 2007 comparative figures remain qualified in 2008.
<i>Health</i>		
Gold Coast Hospital Foundation	Qualified	The Foundation determined that it was impracticable to establish control over the collection of donations. Accordingly, an opinion was unable to be expressed on the completeness of donation revenue and whether all donations received by the Foundation had been recorded in the financial report.
Redcliffe Hospital Foundation	Qualified	The Foundation determined that it was impracticable to establish control over the collection of donations. Accordingly, an opinion was unable to be expressed on the completeness of donation revenue and whether all donations received by the Foundation had been recorded in the financial report.
<i>Main Roads and Local Government</i>		
Department of Local Government, Sport and Recreation	Emphasis of matter	Included as the financial statements were not completed and audited within two months of the end of the financial year as required by the FA&A Act. This had no financial effect on the information presented in the financial statements.
Local government entities (84) (refer Section 3.3.8)	Emphasis of matter	Included in the auditor’s opinion for the financial statements for the period 1 July 2007 to 14 March 2008 because of the transfer of assets and liabilities due to the amalgamation of local governments. Although these councils ceased as entities on 14 March 2008, their financial statements for 2007-08 were prepared on a basis consistent with a going concern basis to allow the transfer of assets and liabilities to the new councils at the values reported in their balance sheets.
<i>Mines and Energy</i>		
Queensland Power Trading Corporation (trading as Enertrade)	Emphasis of matter	Included to draw attention to the fact that the Corporation was dissolved effective 18 April 2008.

Entity	Auditor's opinion	Reason for modified auditor's opinion
<i>Natural Resources and Water</i>		
Douglas Shire River Improvement Trust	Emphasis of matter	Included to draw attention to the fact that the Trust was abolished on 15 March 2008.
<i>Police, Corrective Services and Sport</i>		
Department of Corrective Services	Emphasis of matter	Included as the financial statements were not completed and audited within two months of the end of the financial year as required by the FA&A Act. This had no financial effect on the information presented in the financial statements.
<i>Primary Industries and Fisheries</i>		
Sugar Industry Commissioner	Emphasis of matter	Included to draw attention to the fact that the Sugar Industry Commissioner was abolished effective 1 July 2008.
<i>Transport, Trade, Employment and Industrial Relations</i>		
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	Emphasis of matter	Included as there was significant uncertainty as to whether the Authority will continue to operate as a going concern as the Authority has a deficiency of net assets of \$56.911m, an operating deficit of \$68.139m and a total scheme benefits liability of \$312.7m.
Bundaberg Port Authority	Emphasis of matter	Included to draw attention to the fact that the Authority was dissolved effective 30 September 2007.
Cairns Port Authority	Qualified	The Authority was unable to demonstrate the value of the land, buildings and infrastructure assets reported in the financial report did not differ materially from fair value at reporting date. This was due to the uncertainty surrounding the impact of the Queensland Government's intended long-term lease of the Cairns Airport on the fair value of the land, buildings and infrastructure assets and because no valuation process was undertaken to determine these assets' fair value at 30 June 2008.
Mackay Port Authority	Emphasis of matter	Included due to significant uncertainty regarding the likely consideration to be received from the proposed sale and lease transaction in relation to the Mackay Airport assets.
<i>Treasurer</i>		
Albion Park Raceway Joint Venture	Emphasis of matter	Included to draw attention to the fact that the Joint Venture was dissolved effective 1 July 2008.
Greyhound Racing Authority	Emphasis of matter	Included to draw attention to the fact that the Authority was dissolved effective 1 July 2008.

2.4 Timeliness of financial statement completion

2.4.1 Statutory requirements

The FA&A Act sets statutory timeframes for departments and statutory bodies to prepare financial statements and have them certified by the Auditor-General.

In 2007-08, the statutory timeframe was brought forward by one month. The FA&A Act now requires that accountable officers must give the financial statements to the Auditor-General by an agreed date that allows the audit of the statements to be completed no later than two months after the end of the financial year the statements relate to. For entities with a 30 June year-end, that is by 31 August.

Similarly, the *Government Owned Corporation Act 1993* (GOC Act) requires government owned corporations to give their financial statements prepared under the *Corporations Act 2001* to the Auditor-General by an agreed date that allows the audit of the statements to be completed no later than two months after the end of the financial year the statements relate to.

Under s.314 of the Corporations Act, public companies must report to members, including providing the auditor's report on the financial report, by the earlier of 21 days before the next Annual General Meeting after the end of the financial year or four months after the end of the financial year. For entities with a 30 June year-end, that is by 31 October.

Under s.46FA of the FA&A Act, the Treasurer granted a one-year transition period for 140 statutory bodies in relation to the new reporting timeframes. Of these, 119 entities prepare financial statements on a 30 June year-end basis and were required to provide their audit-ready financial statements to the Auditor-General by 15 September 2008. These entities are listed in Section 6.3.

For the 129 local government entities that were abolished on 14 March 2008, s.33 of the *Local Government Reform Implementation Regulation 2008* required a new local government to provide the Auditor-General with the financial statements for the period 1 July 2007 to 14 March 2008 for each abolished local government whose local government area became part of the new local government's area. Section 36 of the Regulation required the new local governments to prepare and adopt by 15 September 2008 an abolished local government's annual report for the period 1 July 2007 to 14 March 2008.

2.4.2 Were 2007-08 audits completed within the statutory timeframes?

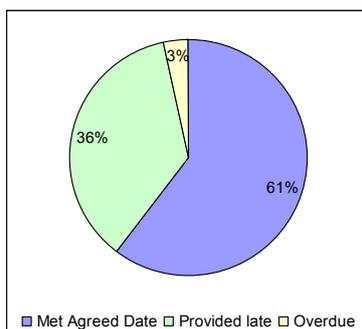
Agreements for providing financial statements to the Auditor-General

For the 2007-08 financial year, all departments, statutory bodies and government owned corporations were required to formally agree a date in writing with the Auditor-General by which their audit-ready financial statements would be provided to QAO.

At 5 August 2008, 79 agreements (covering 88 entities) had been approved. Agreements for another eight entities were not finalised. Given the approaching certification deadlines, the remaining entities did not have formal agreements approved, but continued to be monitored for completion of their financial statements.

As illustrated in Chart 2.1, 53 entities with formal agreements (61 per cent) met their agreed deadline for provision of audit-ready financial statements to QAO. Another 32 entities provided their audit-ready financial statements after the agreed date, but still met the 31 August deadline for having their financial statements completed and audited. Two entities that provided audit-ready financial statements after the agreed date were unable to meet the 31 August deadline. The financial statements of three entities remain outstanding at 31 October. Of the eight entities without formal agreements, only one failed to meet the new deadline.

Chart 2.1 – Compliance with agreed date for provision of audit-ready financial statements to QAO



Completion of audits within timeframes

Table 2.3 contains the types of entities, the timeframes for their financial statement completion and the number and percentage of entities which met this timeframe.

For departments, government owned corporations and those statutory bodies required to have their financial statements completed and certified by audit by 31 August 2008, 93 per cent of these entities were able to achieve the new statutory deadline which was one month earlier than in 2007.

In contrast, abolished local governments entities with a balance date of 14 March 2008 had approximately six months to complete their financial statements and have these certified by audit to meet the statutory timeframe of 15 September 2008 but only 51 per cent of these entities were able to achieve this timeframe.

As well as the 48 statutory bodies required to have their financial statements completed by 31 August, the Treasurer granted another 119 statutory bodies with a financial year ending on 30 June 2008 an extension until 15 September 2008. Of these 119 statutory bodies, 26 (or 22 per cent) had their financial statements completed and audited by 15 September 2008. This indicates that significant work will need to be done by most statutory bodies to meet the 31 August deadline next year.

Table 2.3 – Completion of 2007-08 financial statements by statutory deadlines

Entity Type	Number of entities	Completed by due date	% completed by due date
<i>Audits due to be completed by 31 August</i>			
Departments	29	27	93%
Government owned corporations	17	17	100%
Statutory bodies	48	43	90%
Sub-total	94	87	93%
<i>Local government entities due to be completed by 15 September</i>			
Aboriginal shire councils	3	1	33%
Joint local governments	11	6	55%
Local governments and controlled entities	97	55	57%
Torres Strait Island councils	18	4	22%
Sub-total	129	66	51%
<i>Other audits due to be completed by 15 September</i>			
Statutory bodies (extensions granted)	119	26	22%
<i>Audits due to be completed by 31 October</i>			
Public sector companies	76	65	86%

2.5 Results of prior year audits

In Report No. 4 for 2008 on the results of audits as at 31 May 2008, it was reported that the financial statements of 24 entities for the 2006-07 financial year had not yet been completed. The audits of 16 entities have since been completed. The results of these audits are outlined in the following sections.

2.5.1 Unmodified auditor's opinions issued for 2006-07

Five unmodified auditor's opinions have been issued for the 2006-07 financial year since Report No. 4 for 2008 was tabled in July 2008. Refer Table 2.4.

Table 2.4 – Unmodified auditor’s opinions issued for 2006-07 financial year

Entity (by Ministerial portfolio)	Balance date	Financial statements signed	Auditor’s report issued
Education, Training and the Arts			
The Queensland Music Festival Pty Ltd	30.09.2007	04.06.2008	04.06.2008
Main Roads and Local Government			
Lockhart River Aerodrome Company Pty Ltd	30.06.2007	13.05.2008	13.05.2008
North Queensland Local Government Association	30.06.2007	24.06.2008	08.07.2008
Natural Resources and Water and Minister assisting the Premier in North Queensland			
North Burdekin Water Board	30.06.2007	23.06.2008	25.06.2008
South Burdekin Water Board	30.06.2007	20.06.2008	25.06.2008

2.5.2 Modified auditor’s opinions issued for 2006-07

Eleven modified auditor’s opinions have been issued since Report No. 4 for 2008 was tabled in July 2008. Refer Table 2.5 for details.

Table 2.5 – Modified auditor’s opinions issued for 2006-07 financial year

Entity	Auditor’s opinion	Reason for modified auditor’s opinion
Main Roads and Local Government		
Aurukun Shire Council	Disclaimer	<p>Council failed to exercise sound managerial control and maintain adequate systems of internal control over general store sales revenue of \$4.6m.</p> <p>Council did not maintain adequate systems, controls or records to support the existence of the cash at bank and on hand balance of \$422,464. Unable to verify the statement of cash flows.</p> <p>Insufficient documentation available to support employee costs of \$7.2m, accrued annual leave of \$490,000 and long service leave provisions totalling \$115,500.</p> <p>Due to Council’s failure to exercise sound managerial control and maintain adequate systems of internal control over inventories for consumption, there was no evidence available to support the existence of these inventories reported at \$655,628.</p> <p>The Council did not implement adequate year end cut off procedures for identifying and recording creditors and accruals. As a result, the reported creditors and accruals balance of \$949,328 is estimated to be understated by a minimum of \$166,789. Had these additional liabilities been recognised in the financial report, the net loss attributable to the Council would have increased to \$4.7m.</p> <p>There was no evidence to suggest that the Council had assessed its assets for indicators of impairment at reporting date.</p>

Entity	Auditor's opinion	Reason for modified auditor's opinion
Badu Island Council	Disclaimer	<p>Significant uncertainty as to whether Council's debts would be able to be repaid as and when they fall due to poor cash management practices. Council used grant funding for purposes other than those approved by the grant providers.</p> <p>Balances for housing rentals; loans to and debts owed by related parties, various enterprise receivables and other receivables totalling \$1.3m and provision for doubtful debts of \$262,081 could not be verified due to inadequate controls and lack of recovery procedures over receivables.</p> <p>Unable to verify the accuracy of salaries and wages expense of \$5.7m due to inadequate documentation to support employee pay rate.</p> <p>Council did not maintain adequate systems, controls or records to support employee entitlement balances of \$727,598.</p> <p>Treasurer's approval was not sought, as required, before entering into four hire purchase agreements for the purchase of motor vehicles.</p> <p>Unable to verify revenues reported for bulk fuel sales, hotel sales, quarry sales and club house sales totalling \$3.1m due to inadequate documentation of and controls over the operations of the Council's enterprises, failure to eliminate internal transactions and incorrect application of GST on internal transactions.</p> <p>Inadequate documentation was available to support the inventory balance of \$507,746.</p> <p>Unable to verify the total expenditure in the trading statements because depreciation expenses were not included in any of the seven trading statements.</p> <p>The 2005-06 report was disclaimed on a similar basis and an opinion could not be expressed on the 2006 comparative figures.</p>
Belyando Shire Council	Disclaimer	<p>Council unable to reconcile the bank account at 30 June 2007 so neither the reported cash balance of \$5.4m nor the Statement of Cash Flows could be confirmed.</p> <p>Unable to express an opinion on the written down value of property, plant and equipment of \$151.9m, depreciation expense of \$7.2m and asset revaluation reserve balance of \$44.7m due to inadequate supporting documentation.</p> <p>Council unable to provide documentation to support the capital work in progress balance of \$1.5m.</p> <p>Final stocktake reports not available to support stores inventories balance of \$263,748.</p> <p>Unable to confirm the completeness of sales of contract and recoverable works of \$3.1m) other recurrent income of \$782,921 and receivables of \$2.1m due to Council's failure to maintain an effective system of internal control over invoicing and debt collection.</p> <p>Inadequate documentation to support grant income of \$10.3m.</p> <p>Inadequate documentation to support the completeness and accuracy of trade and other payables of \$2.5m.</p> <p>Council failed to disclose details of their amalgamation into Isaac Regional Council.</p>

Entity	Auditor's opinion	Reason for modified auditor's opinion
Dauan Island Council	Qualified	<p>Council failed to maintain an effective system of control for collecting revenue promptly in that Council did not comply with its own policy on loans to community members. Loan balances of 25 community residents exceeded the respective loan limits. There was no tangible improvement in the rate of collection of loan debts which totalled \$249,563. The financial report for 2005-06 was also qualified on this basis.</p> <p>The cash flow statement did not contain comparative information. Due to the insufficiency of records, the impact on the financial report is unable to be quantified.</p>
	Emphasis of matter	Included because of transfer of assets and liabilities due to local government amalgamations.
Edward River Crocodile Farm Pty Ltd	Qualified	<p>A stocktake of breeding animals was not undertaken and there was no documentation to support the value of breeder inventory reported at \$333,760.</p> <p>No evidence to support employee expenses of \$256,380, annual leave accrual of \$20,047 and long service leave entitlements were not disclosed.</p> <p>The depreciation expense of \$12,871 could not be substantiated as the calculation was based on inaccurate opening balances for property, plant and equipment which were qualified in 2006.</p> <p>No opinion was expressed on the cost of sales of \$21,073 or gross profit of \$334,430 because the opening hatchling inventory balance could not be verified.</p> <p>Specific balances in the 2005-06 financial report were qualified and the 2006 comparative amounts remain qualified for 2007.</p>
Isis Shire Council	Qualified	Unable to express an opinion on the reported written down value of infrastructure assets or the associated depreciation of \$2.9m. The impact on the financial report was unable to be quantified due to the unavailability of reliable valuation information.
	Emphasis of matter	Included due to Council's failure to adopt the financial report by the statutory deadline and because of transfer of assets and liabilities due to local government amalgamations.
Mer Island Council	Disclaimer	<p>Insufficient records and documentation to support receipts of \$6.3m.</p> <p>Unable to verify the completeness and accuracy of the reported inventory balance of \$62,680 as well as the values of canteen and freezer sales totalling \$1.09m and canteen and freezer stock totalling \$42,486 due to inadequate management control and documentation.</p> <p>Unable to verify the written down value of property, plant and equipment of \$25.6m and the depreciation expense of \$1.5m due to inadequate documentation to support prior period adjustments in excess of \$10.7m.</p> <p>No system in place to ensure the prompt collection of revenue and no provision for doubtful debts established.</p> <p>Unable to verify salaries and wages of \$2.8m, accrued wages of \$76,253 and annual leave provisions (not disclosed) due to inadequate records and internal controls.</p>

Entity	Auditor's opinion	Reason for modified auditor's opinion
		<p>Council failed to disclose details of their amalgamation into the Torres Strait Island Regional Council.</p> <p>The 2005-06 financial report was also disclaimed and an opinion could not be expressed on the 2006 comparative figures disclosed.</p>
Napranum Aboriginal Shire Council	Qualified	<p>Unable to verify tavern sales revenue of \$244,305 due to inadequate supporting documentation and audit trails to support canteen enterprise operations.</p> <p>No evidence that the Council was effectively monitoring the financial operations of any of their enterprises.</p> <p>Council unable to provide evidence that approval was given by the funding body to write back reported unspent CDEP grant liabilities of \$777,381.</p> <p>Council unable to provide adequate supporting documentation to confirm the completeness and accuracy of the annual leave liability of \$179,707.</p> <p>A statement of budget and actual expenses was not prepared as prescribed. The 2007 budget was framed on a cash basis whereas the financial report was prepared on an accrual accounting basis.</p> <p>Specific balances in the 2005-06 financial report were qualified and the 2006 comparative amounts remain qualified for 2007.</p>
	Emphasis of matter	<p>Included as significant uncertainty whether the Council will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report without continued support.</p>
Pormpuraaw Aboriginal Shire Council	Disclaimer	<p>No documentation to support employee benefits expense of \$7.3m, the annual leave provision of \$129,237 and long service leave provision of \$186,961.</p> <p>Inadequate documentation to support receivables balances including fees and charges debtors and other debtors totalling \$230,850. Council was unable to provide adequate documentation to substantiate credit adjustments to a debtor's account totalling \$150,000.</p> <p>No assessment of the collectability of receivables was undertaken by Council to adequately allow for doubtful debts.</p> <p>Inadequate documentation available to support property plant and equipment balance of \$38.3m and the associated depreciation expense of \$2.8m.</p> <p>Inadequate controls over data entry of GST transactions and inadequate documentation available to substantiate the GST recoverable and GST payable.</p> <p>Council did not maintain an effective inventory system. As a result, the canteen stock balance of \$43,067, the canteen net operating profit of \$294,407 and the value of inventories held for distribution of \$44,569 could not be substantiated.</p> <p>Specific balances in the 2005-06 financial report were qualified and the 2006 comparative figures remain qualified for 2007.</p>

Entity	Auditor's opinion	Reason for modified auditor's opinion
Saibai Island Council	Disclaimer	<p>Unable to verify the sale of goods of \$763,566 due to incomplete cash register receipt records for sales activities at the variety store, canteen and take-away shop.</p> <p>Council unable to provide adequate supporting documentation to confirm supplies and services expense of \$2.3m.</p> <p>Inadequate supporting documentation available to confirm employee expenses of \$2.5m.</p> <p>Due to a lack of adequate supporting documentation, audit trail and control account reconciliations, property plant and equipment totalling \$19.6m could not be substantiated.</p> <p>Due to a lack of supporting documentation, the opening balance adjustment of \$885,581 to retained surplus was unable to be substantiated.</p> <p>Inadequate documentation available to verify that grant expenditure of \$5.01m had been incurred in accordance with grant terms and conditions.</p> <p>The annual leave liability and long service leave liability totalling \$155,059 could not be substantiated due to a lack of adequate leave records.</p> <p>Unable to confirm the trust balance of \$128,700 due to inadequate documentation to support trust account receipts and disbursements.</p> <p>Council unable to provide any documentation to support the inventory balance.</p> <p>The 2005-06 report was disclaimed on a similar basis and an opinion could not be expressed on the 2006 comparative figures.</p>
Umagico Aboriginal Shire Council	Emphasis of matter	Included because of transfer of assets and liabilities due to local government amalgamations.

2.5.3 Unfinalised financial statements

The financial statements for the following eight entities remain unfinalised for prior financial years as shown in Table 2.7.

Table 2.7 — Unfinalised financial statements for prior financial years

Entity	Financial year/s	Balance date
<i>Education, Training and the Arts</i>		
Brisbane Festival Limited	2006-07	31 December
<i>Main Roads and Local Government</i>		
Bamaga Island Council	2006-07	30 June
Bayan Mayi-Ji Ltd	2002-03 – 2006-07	30 June
Erub Island Council	2006-07	30 June
Mapoon Aboriginal Shire Council	2006-07	30 June
Perry Shire Council	2006-07	30 June
Ugar Island Council	2006-07	30 June
Warwick Shire Tourism and Events Pty Ltd	2005-06 – 2006-07	30 June

Section 3

Cross sector issues

3.1 Financial reporting by public sector companies

3.1.1 Background

The FA&A Act and the GOC Act require that I am appointed as the auditor for all companies that are public sector entities or government owned corporations (GOCs). Treasury Department's *Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments*¹ also requires that I am appointed as the auditor for all companies controlled by GOCs. Under my mandate I am currently the registered auditor for over 300 public sector companies.

An important aspect of accountability in the public sector is ensuring that there is an appropriate level of financial reporting to enable Parliament and the broader Queensland community to assess the performance of all public sector entities including whether public resources have been appropriately used in undertaking the entity's operations and activities. The importance of this aspect of accountability is no less significant for public sector companies than it is for other public sector entity types such as departments, statutory bodies and local governments.

In auditing the financial reports of Queensland public sector companies I have identified a number of areas where differential financial reporting requirements are being utilised by some public sector companies which results in a more limited level of disclosure when compared to other public sector entities and listed companies with which they may be in competition. Differential reporting requirements were identified in the following areas:

- requirement for individual companies to prepare financial reports
- application of accounting standards, and in particular, the disclosure requirements of the standards
- tabling of financial reports in Parliament.

The issues discussed below were referred to the public sector entities mentioned for their comment, as well as to Treasury Department for their consideration from a whole-of-government perspective. Responses received from Treasury Department, CS Energy Ltd, QR Limited and ENERGEX Limited are included in Section 6.1.1.

3.1.2 Requirement for public sector companies to prepare financial reports

Queensland legislation requires all departments, statutory bodies, local governments and GOCs to prepare financial reports annually, and for their tabling in Parliament as part of the entity's annual report. These public sector legislative requirements do not extend to financial reporting by Queensland public sector companies. Public sector companies are required to prepare financial reports under s.292 of the *Corporations Act 2001* if they are 'large proprietary companies' and to lodge those financial reports with ASIC.

Proprietary companies are defined as 'large proprietary companies'² if they meet at least two of the following three criteria:

- (a) the consolidated revenue for the financial year of the company and the entities it controls (if any) is \$25m or more
- (b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls is \$12.5m or more
- (c) the company and the entities it controls have 50 or more employees at the end of the financial year.

¹ Treasury Department, *Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments*, December 2001

² Section 45A(3) of the *Corporations Act 2001*

If these criteria are not met, the company is considered to be a 'small proprietary company' and are not required to prepare a financial report under the Corporations Act unless the company is directed to do so either by shareholders with at least five per cent of the votes or by the Australian Securities and Investment Commission (ASIC).

Several public sector companies are not preparing annual financial reports because they meet the definition of 'small proprietary companies'. This is different to other public sector entities such as departments, statutory bodies and local governments which are required by Queensland legislation to prepare annual financial reports, regardless of their size.

Relief from financial reporting is also available to companies preparing financial reports under the Corporations Act by applying to ASIC under *Class Order CO 98/1418 Wholly-owned entities* (CO 98/1418). This Class Order does not require companies that are wholly-owned subsidiaries of another company to prepare an annual financial report providing they meet the conditions of the Class Order. These conditions include, but are not limited to:

- the company and its parent entity (and other companies in the same corporate group relying on the relief) entering into a deed cross guaranteeing each others' debts
- the parent entity lodging a consolidated financial report covering at least those group companies relying on the relief.

While Queensland GOCs have the capacity to seek relief from ASIC under CO 98/1418, Treasury Department's *Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments*³ also recognises that where it is considered appropriate, shareholding Ministers can require controlled entities to be reported upon within the GOC's annual report.

A number of Queensland GOCs have been afforded relief by ASIC from the requirement to prepare separate financial reports for their wholly-owned subsidiaries under CO 98/1418. In preparing their 2007-08 financial statements these GOCs complied with all applicable legislative requirements and in accordance with the requirements of the class order consolidated financial statements were prepared accounting for the transactions and balances of the companies that were afforded relief from preparing separate financial statements. By only preparing consolidated financial statements, however, the level of information available to interested parties regarding the nature and performance of each of the wholly-owned companies is reduced.

While these requirements are applicable to companies reporting under the Corporations Act, including GOCs, there are presently no specific legislative requirements applying to public sector entities in Queensland legislation. This means the same relief is not available to companies that are wholly-owned by other public sector entity types (not GOCs) such as government departments. The absence of specific Queensland legislation to prescribe the accountability and reporting requirements for public sector companies, other than GOCs, has resulted in a significant divergence in the level of financial reporting required by companies controlled by Queensland public sector entities.

Some examples of where Queensland GOCs have obtained relief from ASIC under CO 98/1418 for the 2007-08 financial year are outlined below. Examples where separate financial reports were not prepared for other subsidiary companies of the GOCs on the basis they meet the definition of 'small proprietary companies' are also included. Several of the companies not preparing separate financial statements have significant levels of revenue and assets which are therefore not separately disclosed.

CS Energy Limited

During the 2007-08 financial year, CS Energy Limited entered a deed of cross guarantee with its 11 wholly-owned subsidiaries. By entering into this deed of cross guarantee, CS Energy Limited utilised the relief available under CO 98/1418 by only preparing a consolidated financial report for CS Energy Limited and all 11 wholly-owned subsidiaries. Separate financial reports were not prepared for any wholly-owned subsidiary of CS Energy Limited. Three of the subsidiaries each had total revenue in excess of \$100m and one of these also had total assets exceeding \$1b.

³ Treasury Department, *Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments*, December 2001

QR Limited

During the 2007-08 financial year QR Limited entered a deed of cross guarantee with nine of its wholly-owned subsidiaries. By entering into this deed of cross guarantee QR Limited utilised the relief available under CO 98/1418 by only preparing a consolidated financial report for QR Limited and the nine wholly-owned subsidiaries. QR Limited also had a further three wholly-owned subsidiaries which did not prepare financial reports on the basis that they were small proprietary companies under the Corporations Act. The transactions and balances of the companies, however, are consolidated into the financial report of QR Limited. One wholly-owned subsidiary of QR Limited prepared a separate general purpose financial report and was also consolidated into the financial report of QR Limited. Of the companies not preparing separate financial statements, two had revenue exceeding \$200m and total assets of more than \$500m for each company.

ENERGEX Limited

On 13 March 2003 Queensland Energy Services Team Pty Ltd (QUEST), a wholly-owned subsidiary of ENERGEX Limited, and five of its wholly-owned subsidiaries entered a deed of cross guarantee. As a result, this group of companies within the ENERGEX Limited group have been afforded relief from preparing separate financial reports since April 2003. A further wholly-owned subsidiary of QUEST does not prepare a separate financial report however its transactions and balances are consolidated into the financial report of QUEST. One of the QUEST subsidiaries has income of approximately \$100m and assets in excess of \$25m. ENERGEX Limited also has a further two controlled entities which prepare separate general purpose financial reports and are consolidated into the financial report for ENERGEX Limited in addition to QUEST.

3.1.3 Application of accounting standards by public sector companies

Where the Corporations Act requires a company to prepare a financial report, s.296 of the Corporations Act requires the financial report to be prepared in accordance with the Accounting Standards issued by the Australian Accounting Standards Board (AASB). While the AASB adopts a 'sector-neutral' approach in setting accounting standards, the requirements of certain standards are applied differently to different entity types.

I have identified instances where public sector companies have complied with the requirements of certain Accounting Standards and have thus provided a lower level of disclosure than would otherwise be required for either other public sector entities or listed companies. Some examples of where this has been identified are included below.

AASB 8 Operating Segments

This Accounting Standard was issued by the AASB in February 2007 and is applicable to annual financial reporting periods beginning on or after 1 January 2009. This Standard specifies how an entity should report information about its operating segments and will supersede the requirements of AASB 114 *Segment Reporting*.

Unlike AASB 114 which is applicable to all 'for-profit' entities preparing general purpose financial reports, AASB 8 only applies to those 'for-profit' companies whose debt or equity instruments are traded in a public market or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

As 'for-profit' entities preparing general purpose financial reports, Queensland GOCs would generally be required to apply the requirements of AASB 114 in preparing their 2007-08 financial reports. However, audits of the 2007-08 financial reports identified that several GOCs had elected to early adopt the requirements of AASB 8 in preparing their financial reports. The impact of this was as follows:

- by early adopting AASB 8 these GOCs were not required to disclose information that would otherwise have been required under AASB 114.
- as GOCs do not have debt or equity instruments traded in a public market, the GOCs did not need to apply the disclosure requirements contained within AASB 8 when adopting this Standard.

In effect, the GOCs have early adopted an accounting standard with the only impact of the application of the standard being that less disclosure was required purely because the GOC is a public sector entity and not a publicly listed company.

Therefore, no segment information was disclosed in the 2007-08 financial reports for these GOCs. For an entity like QR Limited, which also obtained relief for financial reporting by its wholly-owned subsidiaries under CO 98/1418, this represents a significant reduction in the level of disclosure available to enable users of their financial report to assess the performance of QR Limited in the different aspects of its operations. In 2006-07 QR Limited disclosed information in relation to four business segments (freight, passengers, access and other operations) under AASB 114, although only one geographic segment was identified (Australia) despite having operations in Queensland, New South Wales, Victoria and Western Australia. This information is not provided in the 2007-08 financial statements of QR Limited.

This situation also needs to be distinguished from public sector entities required to prepare financial reports under the FA&A Act and the *Financial Management Standard 1997* (FMS). For these entities, AASB 114 is identified as a prescribed accounting standard in Schedule 4 of the FMS and as such was mandatory, to the extent applicable, in preparing financial reports for the 2007-08 financial year. Further, listed entities with which GOCs and public sector entities are in direct competition would be required to disclose segment information under AASB 8, if they had early adopted the standard.

AASB 124 Related Parties

This Accounting Standard, amongst other things, requires the disclosure of information about the remuneration received by key management personnel. These disclosures, however, are only applicable to companies which are defined as 'disclosing entities' under the Corporations Act and accordingly are not required for public sector companies.

While the requirements of AASB 124 are not applicable to entities in the public sector environment, these requirements are considered better practice disclosures and are still relevant for public sector entities. Accordingly, Treasury Department has previously issued minimum reporting disclosures for executive remuneration by public sector agencies, including GOCs. These requirements, however, have not been extended to other public sector companies. As a result, public sector companies, other than GOCs, are not required to disclose information relating to senior executive remuneration.

General purpose v special purpose financial reports

Where a company meets the definition of a 'small proprietary company', it may elect to prepare an annual financial report even though it is not required to do so under the Corporations Act. In these circumstances the companies often elect to prepare a special purpose financial report which allows the company freedom in deciding the extent to which it will adopt the requirements of Accounting Standards issued by the AASB. However, other public sector agencies are required by legislation to prepare general purpose financial reports, including compliance with all relevant Accounting Standards, unless an exemption is provided for under the legislation.

At least two public sector companies which qualify as large proprietary companies under the Corporations Act prepared their 2007-08 financial report as a special purpose financial report on the basis that they are not a 'reporting entity' because the directors believe there are limited users who may be dependent on the company preparing general purpose financial reports. Such an approach takes a limited view on the potential users of the company's financial report and fails to recognise that the public sector company is ultimately accountable to the Parliament and not just the immediate shareholders of the company.

3.1.4 Tabling of financial reports in Parliament

Queensland legislation requires each department, statutory body and GOC to provide the relevant Minister each year with an annual report containing the audited financial statements. The Minister is then required to table the annual report in Parliament. Likewise, each local government is required to prepare an annual report containing its audited financial statements and ensure that copies of the annual report are available to the public.

While public sector companies required to prepare annual financial reports under the Corporations Act must lodge the report with ASIC as part of their annual return, there is no legislative requirement for these reports to otherwise be publicly available or tabled in Parliament. This is left to the discretion of each entity.

Failing to table the annual financial reports of public sector companies significantly reduces Parliament's ability to monitor and assess the activities and financial performance of these public sector companies including companies that are material in size. These companies may include those in which there may be a significant public interest. While the activities of subsidiary companies may be accounted for in the consolidated financial report of the ultimate parent public sector entity which is tabled in Parliament, the size and nature of the operations of many of these companies would be sufficient to warrant scrutiny on an individual basis.

3.1.5 Appropriate use of company structures in the public sector environment

There are many valid reasons why the establishment of companies in a public sector environment is appropriate.

Treasury Department has previously issued *Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies*. These Guidelines only apply to circumstances where a department is required to seek the Treasurer's approval for participating in the formation or acquisition of a company under s.44 of the FA&A Act. The Guidelines are primarily aimed at ensuring departments have undertaken a rigorous process in concluding that a company structure is the most suitable vehicle for delivery of its outputs prior to seeking the approval of the Treasurer. The Guidelines also outline elements that must be addressed in seeking the approval of the Treasurer including consideration of relevant financial accountability and auditing requirements.

In relation to GOCs, s.163 of the GOC Act requires the written approval of the shareholding Ministers prior to the GOC forming or participating in the formation of a company that will become a subsidiary. Similar guidelines to those existing for departments have not, however, been developed for GOCs.

While the Treasury Department Guidelines only presently apply to departments seeking approval for the formation of a company under s.44 of the FA&A Act, these Guidelines should be considered as better practice by all Queensland public sector entities participating in the formation and acquisition of companies.

The increase in the use of company structures in recent years has also resulted in a significant number of modified auditor's opinions being issued for small public sector companies due to the existence of significant uncertainty as to whether each of these entities could continue to operate as a going concern. In most cases the companies are dependent on the parent entity for funding and additional grants, equity investments and/or loans in order to continue operating.

The appropriateness of setting up this type of company as opposed to using another type of business structure should be carefully considered when the parent entity is aware that the activities undertaken by the company may have a high risk probability and the potential for going concern issues.

3.1.6 Recommendations for strengthening the accountability of public sector companies

In April 1991 the Parliamentary Public Accounts Committee (PAC) reported on *Accountability of Government Companies*. In this report the PAC made several comments regarding the accountability of public sector companies including:

"As 'government companies' represent a furtherance of the activities and interests of their parent government agencies it is essential that they be required to meet the same standards of accountability as apply to their parents – they must be no less accountable."

"Just as audit by the Auditor-General is fundamental to the accountability process under the Westminster system of government so too is the need for government agencies to report upon their activities and performance to Parliament in a timely manner. The Committee sees it as essential that 'government companies' be required to meet like reporting requirements to those established for their respective parent government agencies. The minimal extent of disclosure required by exempt proprietary companies (which are the predominant form of 'government company'), under the Corporations Law is inadequate for companies owned or controlled by government agencies which by their very nature are of significant public interest and must be fully accountable for their affairs."

One of the recommendations made by the PAC was that the Auditor-General be required to audit the accounts of all 'government companies'. This recommendation was substantively implemented. Several other recommendations in the report, however, were not adopted including that:

- all 'government companies' be required to prepare an annual report
- the annual report of a 'government company' include at a minimum the annual financial statements, directors' statement, directors' report and auditor's report
- for an exempt proprietary company the documents included in the annual report be prepared on a basis as if that company were of non-exempt status
- within four months of the close of the financial year of a 'government company', the parent Queensland government agency be required to furnish its Minister with that company's annual report
- the relevant Minister be required to lay such annual report before the Legislative Assembly within 14 days of the day on which he or she receives it.

I believe the PAC's recommendations remain relevant and appropriate for public sector companies in the present day. In my opinion it would be appropriate for the Government to reconsider these recommendations to enhance the existing framework for financial reporting by public sector companies through greater accountability to the Parliament and greater consistency in the minimum reporting requirements for all public sector agencies.

In my view the accountability of Queensland public sector companies would also be enhanced by an overarching framework applicable to all Queensland public sector companies, similar to that which has been adopted for departments under s.44 of the FA&A Act. Such a framework could be utilised to ensure not only accountability and justification for the use of company structures but also provide a greater level of consistency in the financial reporting requirements for these companies. This framework should also require regular monitoring of and reporting on the existence of public sector companies to ensure that companies, once established, continue to represent the most appropriate and efficient means of providing the relevant services on behalf of the Queensland Government.

3.1.7 Conclusion

The level of government activity being undertaken through company structures continues to increase. Although the use of company structures is often justifiable as a means of delivering services in a modern public sector environment, entities creating new companies must be able to demonstrate to Parliament that these structures are only utilised where they are the most appropriate and efficient means of doing so. Even where the use of a company structure is considered appropriate, the activities of these companies should not be subject to a lesser degree of accountability and scrutiny than other types of public sector entities.

In undertaking the audits of Queensland public sector companies, it has become noticeable that there is no consistent approach to determining the appropriate level of financial reporting for these companies. While it may be appropriate for some smaller public sector companies with limited operations to adopt less stringent financial reporting requirements, appropriate consideration needs to be given to the potential interest of Parliament and the broader Queensland community where public monies have been invested in companies for the purpose of undertaking significant operations.

Some may also argue that a reduced level of financial reporting is supported on the basis that it would otherwise require the disclosure of commercially sensitive information that would put the public sector company at a disadvantage to their competitors. This argument, however, fails to recognise that ultimately these companies must be accountable to the Parliament and the broader Queensland community.

Further, the argument fails to recognise that the competitors are often listed companies who are subject to additional disclosure requirements in the Accounting Standards which the public sector companies do not presently need to comply with. As listed entities these private sector companies are subject to the scrutiny of investors and the share market and are required to comply with the requirements of the Australian Stock Exchange.

Ensuring that there is an appropriate level of disclosure regarding the operations and performance of public sector companies may be achievable without the need for all such companies to prepare their own separate financial reports. This could, for example, be achieved through greater but specific disclosure of information on these public sector companies in the financial statements and annual report of the parent public sector entity. These reports, however, would need to be required to be tabled in Parliament, to strengthen the accountability link between the public sector companies and the Parliament.

By requiring the Auditor-General to audit public sector companies, there will remain an accountability link between the Parliament and these companies through my reports to Parliament. However my reports generally are on an exception basis and therefore provide little information about the operational activities of such entities. Ultimately, the responsibility for providing this information must rest with the public sector companies and the appropriate parent public sector entity.

3.2 Funding of costs arising from ENERGEX Limited's trade sale

3.2.1 Introduction

In my view, a series of transactions between the Government and ENERGEX Limited relating to the return of funds arising from the Government trade sale of ENERGEX Limited's gas network and retail businesses in 2006 and 2007 were not undertaken in the normally expected manner. A Project Direction was issued by the shareholding Minister under the *Energy Assets (Restructuring and Disposal) Act 2006* to govern the remittance of sale-related proceeds from ENERGEX to the State. Negotiations between the Government and ENERGEX resulted in a structure for the remittance of the sale proceeds that addressed the Government's objective of a significant portion of the sale proceeds being returned prior to 30 June 2007, and also addressed the amounts to be retained by ENERGEX to fund sale related costs and business restructuring costs, following the sale.

These costs have been funded by a series of transactions which, while not in breach of accounting standards, in my view, result in a lack of clarity of the ENERGEX profit from operational activity for 2007-08 and will do so for the 2008-09 financial statements.

My concern centres around the payment of \$125m as part of the dividend in 2007-08 (previously brought to account in 2006-07 as revenue as part of its gain on sale from its trade sale process) and the subsequent return of this amount by the Department of Mines and Energy and recording by ENERGEX as revenue and unearned revenue by way of a grant of \$80m in 2007-08 and \$45m in 2008-09. In my view, the usual accounting treatment for a transaction of this nature involving a payment from the State, as owner, to a government owned corporation would be an equity injection through the capital account.

The result of the process adopted in my view is that for 2007-08 and 2008-09 the revenue and profit is overstated by the amount of the grant, which was essentially funded by the ENERGEX dividend paid to the government.

Responses from the Under Treasurer and the Chief Executive Officer (CEO), ENERGEX Limited on this issue are included in Section 6.1.2.

3.2.2 What happened?

The process for the remittance of sale related proceeds was set out in a Project Direction issued under the *Energy Assets (Restructuring and Disposals Act) Act 2006*.

In a letter dated 21 March 2007, the CEO of ENERGEX advised the Under Treasurer of his understanding of a proposal relating to the remittance of sale proceeds and the reimbursement of sale related costs. Part of the proposal included the State paying ENERGEX revenues of \$125m to offset the costs arising from the sale process in 2007-08 and 2008-09. In part, the CEO advised that the proposal to fund the costs arising from the sale and to provide additional financial support to ensure that ENERGEX retains an investment grade credit rating was acceptable.

On 10 April 2007, the Under Treasurer wrote to the CEO of ENERGEX Limited confirming that it was the expectation of shareholding Ministers that of the total sale proceeds, \$325m would be retained by ENERGEX. This amount included \$200m to cover sale and related costs incurred in 2006-07 and \$125m estimated to cover sale and related costs for 2007-08 and 2008-09. Such retention was also expected to meet the expectations of ENERGEX Limited's Board that ENERGEX should maintain a stand-alone investment grade credit rating up to 2008-09.

As part of the sale related remittance requirements established under the Project Direction, the shareholding Minister advised ENERGEX on 25 May 2007 that a separate process would address the structuring of transactions to give effect to a payment totalling \$125m to ENERGEX. These funds would be paid out of the proposed final sale related dividend, and were to fund sale-related costs including business restructuring costs.

The final dividend for 2006-07 was calculated and paid to the Government in September 2007 by way of a dividend cash payment of \$611m, made up of the final dividend expense of \$736m less an amount of \$125m, to be retained by ENERGEX to meet sale related costs expected to arise in 2007-08 and 2008-09.

This transaction resulted in a difference in the respective ledgers of ENERGEX and the whole-of-government accounts as ENERGEX recorded a dividend expense of \$736m, while the whole-of-government accounts recorded dividend revenue of only \$611m. The difference of \$125m was to be recognised by ENERGEX as an unearned revenue liability in its 2007-08 financial statements.

When this difference was raised with ENERGEX and Treasury Department by QAO during the audit process, Treasury Department and ENERGEX agreed that ENERGEX pay the remainder of the final dividend of \$125m, which it did on 16 June 2008. Treasury Department then undertook to return an amount of \$125m to ENERGEX via a grant from the Department of Mines and Energy which were to be paid in instalments of \$80m in June 2008 and \$45m in July 2008.

In terms of the *AASB Interpretation 1038*, any payment from owners to a wholly-owned public sector entity which stipulates that it is a contribution from the owners is treated as a capital contribution and is recorded as equity. However, if there is no such stipulation, then the contribution is treated as revenue. As the \$125m grant payment did not stipulate that it was a contribution from the owner, then in accordance with Interpretation 1038, and the wishes of both Treasury Department and ENERGEX, it was treated as revenue by ENERGEX.

A review of Interpretation 1038 is warranted, to consider making the default treatment of these owner transactions as capital (the most likely event), and requiring a specific request from owners to treat it as revenue.

3.2.3 Conclusion

In summary, while no accounting standard or other pronouncement has been breached, my fundamental belief is that funding provided by the Government as owners of GOCs would usually be treated as a capital contribution. In this instance, the funds have been recognised twice as revenue by ENERGEX – originally as part of the sale proceeds, and subsequently as grant revenue from the Department of Mines and Energy.

I believe that the original recommendation made by the Under Treasurer in his letter of 10 April 2007 advising ENERGEX to retain a portion of the sale proceeds to meet the expected costs of sale was appropriate. This was a simple and practical solution to cover the funding of the current and future trade sale costs. No further transactions were required, and the ones that have occurred have only served to inflate the reported revenue and operating profit of ENERGEX through the return of dividends as revenue.

3.3 Key issues from local government amalgamation process

3.3.1 Standard and timeliness of the financial statements of abolished local government entities

Delays in finalising financial statements

The closure of the former local governments presented some significant challenges to these councils in finalising their accounting records prior to the transfer to the new regional council. Some councils have yet to complete this task. This is despite six months being available since the end of the financial period on 14 March 2008 for these financial statements to be completed and audited by the statutory deadline. Section 3.3.8 details the current status of the financial statements of abolished local government entities.

The delays in finalising financial statements have been caused by a number of factors including:

- lack of timely attention by management
- departure of staff from the former local governments who had significant knowledge of the accounting systems, processes and transactions
- attention directed by local governments to the elections held on 15 March 2008
- change management issues arising from implementing Transitional Action Plans
- priority of the new regional councils' budget process for 2008-09 financial year over finalising the former local government's financial statements
- poor quality financial statements and work papers being submitted to audit for review.

Weaknesses in governance arrangements

It is acknowledged that some abolished local governments experienced a loss of corporate knowledge and disruption with staff leaving during the amalgamation process. The extent of the difficulties to the financial management capacity of many councils caused by these staffing issues demonstrated that the councils did not have robust systems and processes already in place.

New regional council staff have been required to quickly gain knowledge of the business of the former entity and its accounting transactions resulting in inefficiency and potential errors.

The inability of some councils to prepare financial statements for the abolished councils also reinforces the importance of quality financial statement workpapers which are supported by sufficient and appropriate audit evidence. This process should provide a solid foundation for the production of future financial statements in the event of the preparing staff subsequently leaving the council. However, this strategy is not necessarily a strong feature of the accounting practices of local governments.

In Report No. 2 for 2008, the need for councils to improve the governance of their financial management practices based on assessed risk was highlighted. The potential for misstatements in council financial statements should form part of those risk assessments. Observations from the audits of the financial statements of abolished local governments have highlighted weaknesses in the governance arrangements which previously existed. There appears to have been limited capacity within some local governments to meet the significant changes currently occurring in the local government sector.

Effects of delays on budget process

The failure to finalise the financial statements for the abolished councils in a timely manner has made the process of developing accurate budgets for the amalgamated regional councils for the period ending 30 June 2009 less effective. Essential information required for these budgets is a set of reliable opening balances. Because of the delays in finalising the abolished local governments' financial statements by many regional councils, the creation of opening balances and comprehensive reporting on the merged entity may not be completed within a reasonable timeframe.

The absence of accurate data has increased the risk of poor assumptions and estimates being made for budgetary purposes. A flow-on effect, for example, stemming from non-current assets not being brought to account would be that the monthly amount of depreciation expense may not be accurately calculated. Knowing the annual depreciation expense helps frame the annual rates levied by a local government which would fund this expense. Without an accurate estimate being made of depreciation charges for the period to 30 June 2009, rates levied for that period may not accurately reflect the depreciation expenses involved.

It is critical that the financial statements of the abolished councils be finalised and audited as soon as possible to allow the new regional councils to have access to reliable financial reports to support the management of their operations.

Staff turnover, lack of quality and lack of expertise in the financial statement process are areas which need to be addressed by many of the regional local governments. I consider that the Department of Local Government, Sport and Recreation and the local government sector need to initiate urgent action to build the financial management capacity within the new regional councils.

3.3.2 Use of consultants

In Report No. 2 for 2008, I indicated my concern over the use of consultants in the preparation of annual financial statements. Consultants were used in ten abolished local governments to complete financial statements. The ongoing dependency by local governments on consultants for producing their financial statements may be a reflection of the lack of expertise or capacity of the regional council to produce these statements.

In the past, difficulties have been experienced with establishing the audit trails of information to support the financial statement disclosures where the information has been prepared by consultants. This factor along with the lack of expertise by the relevant local government is not sustainable in the longer term and may lead to poor management reporting, non-compliance with the prescribed requirements and potential audit qualification of the annual financial statements.

3.3.3 Accounting for non-current assets

As reported in Report No. 2 for 2008, the majority of moderate and high risk audit issues raised with local governments are in relation to the financial management of non-current assets.

This area should be of significant concern to the new regional councils. Non-current assets represent a material proportion of total assets on each council's balance sheet. Accurate data is required to make whole-of-life decisions affecting acquisition, recording, maintaining and renewal and replacement of property, plant and equipment and to determine depreciation expenses for budgetary purposes.

New regional councils need to recognise the value in recruiting and selecting staff skilled in asset accounting and management in order to provide them with robust property, plant and equipment records. Longer term strategies for staff attraction and retention need to be considered by councils as part of financial and human resource risk management.

Integral to asset management and reporting is that non-current assets are recorded at fair value in accordance with Australian Accounting Standard *AASB 116 Property, Plant and Equipment*. For this to be achieved, individual non-current asset classes need to be assessed on an annual basis with the standard permitting the use of relevant indices in between comprehensive revaluations. Market fluctuations in asset costs also can affect the frequency at which the comprehensive revaluations are performed.

The average number of years since the last comprehensive revaluations were performed by the abolished local governments is set out in Table 3.1.

Table 3.1 – Years since last comprehensive revaluation

Asset class	Years since last comprehensive revaluation
Land and improvements	2.45
Buildings	2.32
Major plant	2.87
Road, drainage and bridge network	2.15
Water	2.37
Sewerage	2.37
Other infrastructure assets	2.37

This indicates that, on average, the valuations are reasonably current and that there is an appreciation of the need to maintain up to date values for non-current asset reporting.

A challenge for the new regional councils will be to consolidate all of the non-current assets into one asset register and to revise the asset accounting policies and valuation methodologies into a consistent framework for application across the entire regional council. In this environment, a comprehensive revaluation of all of the assets within the first year of operation of the new regional council must be a high priority.

Key to this will be the ability of the new regional councils to organise these comprehensive revaluations in a timely manner. Some new regional councils are revaluing non-current assets effective from 15 March 2008 which will allow better monitoring of depreciation costs throughout the year. A further assessment of fair value will be required by those local governments at balance date, i.e. 30 June 2009 to comply with the accounting standards. Other local governments are revaluing their assets with an effective date of 30 June 2009.

3.3.4 Probity and propriety issues

The abolition of certain local governments increased the risk of these councils carrying out extraordinary transactions prior to their actual closure. Transactions which are considered by audit to be unusual would be excessive rates write-offs; significant new and/or contractual arrangements; abnormal purchases or spending patterns; and enhanced employee benefits such as payment of cash equivalent of undrawn sick leave or generous voluntary early retirement packages.

The Government moved to counter any major policy decisions in the transition period through including in the *Local Government Reform Implementation Act 2007* a section prohibiting such decisions without the prior approval of the Minister. These decisions for a merging local government included decisions about the appointment or termination of employment of a chief executive officer or their remuneration. Decisions about entering into contracts (other than a contract between the local government and the State or the Commonwealth) where the total value was more than the greater of \$150,000 or one per cent of the local government's net rate and utility charges were also prohibited without the approval of the Minister.

Whilst no evidence of significant non-compliance with this prohibition was found, there was much media attention on the "closure parties" held to celebrate the achievements of the previous councils. Based on information supplied to auditors, these were mainly community based events with an average cost of \$12,300 per local government. In the case of one council, 152 gold watches ranging in value from \$235 to \$295 each (including GST) were purchased by the council and provided to council employees to mark the dissolution of that council.

3.3.5 Financial sustainability

One of the drivers to the reform process was the poor financial sustainability of certain local governments. Concerns about financial viability were discussed in Section 4.2.2 of Report No. 2 for 2008. This discussion included indicators of going concern (i.e. the capacity of a local government entity to pay its debts within the next 12 months) in line with relevant accounting and auditing standards. Three criteria or indicators of viability problems were used:

- current ratio (current assets over current liabilities) of less than 1.5:1
- material operating deficit (> 20 per cent of operating revenue)
- significant borrowings (> 20 per cent of operating revenue).

In April 2007, Queensland Treasury Corporation (QTC) published an interim report of its review into financial sustainability in Queensland local government. This review, which was commissioned by the Local Government Association of Queensland Inc. and the Department of Local Government, Sport and Recreation as part of the Size, Shape and Sustainability initiative, was conducted for local governments as they existed prior to amalgamation on 14 March 2008.

A total of 109 councils took part in this review and each of them were rated on a scale defined in the report from “very strong” to “strong”, “moderate”, “weak”, “very weak”, or “distressed”.

The *Report of the Local Government Reform Commission – Volume 1*, published in July 2007 refers to the interim report of QTC and states:

“One of the guiding principles for the commission when considering the structure of local government is whether the new local government has a better opportunity, in the medium to long-term, to be more financially sustainable”.

This report also acknowledged that in some cases the amalgamated local governments are likely to retain a weak rating. It is important for the Department to monitor the financial position of the newly formed regional councils, particularly in the first period of financial reporting for the period 15 March 2008 to 30 June 2009.

3.3.6 Completion of financial statements for Aboriginal shire councils and Torres Strait Island councils

The timeliness of the preparation and certification of financial statements of Aboriginal shire councils and Torres Strait Island councils has continued to be problematic, with financial statements from 2006-07 still outstanding while only nine of the 21 financial statements for the period 1 July 2007 to 14 March 2008 have been certified by audit.

In Report No. 4 for 2008, I reported that the 2006-07 financial statements of seven Aboriginal shire council and seven Torres Strait Island council entities had not been completed. Of these 14 entities, the financial statements of nine entities have been certified (refer Section 2.5). Financial statements for Mapoon Aboriginal Shire Council; Bamaga, Erub and Ugar Island Councils; and Bayan Mayi-Ji Ltd are still in the process of being finalised, more than 16 months after balance date.

At the date of this report, the financial statements of one Aboriginal shire council and eight Torres Strait Island council’s statements for the period 1 July 2007 to 14 March 2008 had been completed and certified. Twelve entities had not been finalised. These are listed in Section 3.3.8.

The delays in preparing and finalising annual financial statements have been caused by a number of factors including:

- the lack of financial and accounting expertise within the local community
- the lack of training and support available to the staff at the council
- difficulties in the filling of key finance positions due to the remoteness of these communities
- difficulties associated with the introduction of new accounting systems.

In order to progress financial statement preparation and completion, a number of Torres Strait Island councils have engaged the services of external consultants. However, the reliance on external consultants, in some instances, has not expedited the financial statement reporting process.

QAO’s experience in completing the audit of one particular Torres Strait Island council is outlined in the case study in Table 3.2.

Table 3.2 – QAO experience with preparation of financial statements

QAO conducted a field visit to a Torres Strait Island council in June 2007 to audit the 2005-06 financial statements and perform interim testing for the 2006-07 financial statements. At the end of the visit, the external consultant was still unable to provide QAO with financial statements for the 2005-06 year. After several follow-up telephone conversations and emails, the final version of the 2005-06 financial statements was provided to QAO in October 2007. After further follow-up on issues identified in the statements provided, the 2005-06 financial statements were certified by QAO in February 2008.

The external consultant was advised by QAO in August 2007 that the finalisation audit of the 2006-07 financial statements was to commence in October 2007. The external consultant indicated to QAO in October 2007 that a discrepancy of approximately \$300,000 in the trial balance was being investigated and that the fixed asset report from the independent valuer was still outstanding. The audit visit was deferred pending the resolution of the trial balance discrepancy and the receipt of the fixed assets report by the external consultant.

Another audit visit to complete the 2006-07 audit and to include testing over the 1 July 2007 to 14 March 2008 transactions was scheduled for May 2008. Travel arrangements were booked after confirmation was received from the external consultant in April 2008 that the financial statements would be completed by then. A week before the scheduled visit, the external consultant advised QAO that the \$300,000 discrepancy in the trial balance was still being investigated. Again the visit was deferred and travel arrangements cancelled.

After a number of follow-up emails between QAO and the external consultant, the audit visit was re-scheduled for October-November 2008. An incomplete set of 2006-07 financial statements was received by QAO in August 2008 with a second version received in early September 2008 which was also incomplete. The 2006-07 financial statements for this particular council remain unfinalised some 16 months after the year end date.

All Torres Strait Island councils and three Aboriginal shire councils were amalgamated on 15 March 2008 to form either the Torres Strait Island Regional Council or the Northern Peninsula Area Regional Council, whose first financial statements will cover the period from 15 March 2008 to 30 June 2009. It is critical that the Department of Local Government, Sport and Recreation works with these councils to ensure the financial statements of the abolished entities are finalised as a matter of priority.

3.3.7 Departmental response

A response from the acting Director-General, Department of Local Government, Sport and Recreation on the issues raised above is included in Section 6.1.3.

3.3.8 Status of financial statements for local governments entities for the period 1 July 2007 to 14 March 2008

Auditor's opinion key: U=Unmodified Q=Qualified E=Emphasis of matter

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 3 months	3 to 6 months	> 6 months
Local government councils						
Aramac Shire Council	23.07.2008	01.08.2008	E		✓	
Atherton Shire Council	not completed	not completed				
Barcaldine Shire Council	30.08.2008	12.09.2008	E		✓	
Bauhinia Shire Council	23.09.2008	06.10.2008	E			✓
Beaudesert Shire Council	not completed	not completed				
Belyando Shire Council	not completed	not completed				
Bendemere Shire Council	10.09.2008	12.09.2008	E		✓	
Biggenden Shire Council	not completed	not completed				

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 3 months	3 to 6 months	> 6 months
Blackall Shire Council	12.09.2008	15.09.2008	E		✓	
Boonah Shire Council	not completed	not completed				
Booringa Shire Council	10.09.2008	12.09.2008	E		✓	
Bowen Shire Council	not completed	not completed				
Broadsound Shire Council	10.06.2008	11.06.2008	E	✓		
Bundaberg City Council	not completed	not completed				
Bungil Shire Council	12.09.2008	12.09.2008	E		✓	
Burnett Shire Council	not completed	not completed				
Caboolture Shire Council	not completed	not completed				
Cairns City Council	30.07.2008	30.07.2008	E		✓	
Calliope Shire Council	30.09.2008	08.10.2008	E			✓
Caloundra City Council	13.05.2008	03.09.2008	E		✓	
Cambooya Shire Council	12.09.2008	18.09.2008	E			✓
Cardwell Shire Council	08.09.2008	15.09.2008	E		✓	
Charters Towers City Council	10.09.2008	10.09.2008	E		✓	
Chinchilla Shire Council	11.09.2008	11.09.2008	E		✓	
Clifton Shire Council	12.09.2008	18.09.2008	E			✓
Cooloola Shire Council	05.09.2008	10.09.2008	E		✓	
Crows Nest Shire Council	not completed	not completed				
Dalby Town Council	13.06.2008	13.06.2008	E	✓		
Dalrymple Shire Council	09.09.2008	09.09.2008	E		✓	
Douglas Shire Council	30.07.2008	30.07.2008	E		✓	
Duaringa Shire Council	29.08.2008	10.09.2008	E		✓	
Eacham Shire Council	not completed	not completed				
Eidsvold Shire Council	not completed	not completed				
Emerald Shire Council	22.08.2008	29.08.2008	E		✓	
Esk Shire Council	22.07.2008	08.08.2008	E		✓	
Fitzroy Shire Council	14.08.2008	26.08.2008	E		✓	
Gatton Shire Council	06.08.2008	04.09.2008	E		✓	
Gayndah Shire Council	not completed	not completed				
Gladstone City Council	not completed	not completed				
Goondiwindi Town Council	28.04.2008	23.06.2008	E		✓	
Herberton Shire Council	not completed	not completed				
Hervey Bay City Council	17.09.2008	17.09.2008	E			✓
Ilfracombe Shire Council	26.06.2008	08.08.2008	E		✓	
Inglewood Shire Council	11.09.2008	15.09.2008	E		✓	
Isis Shire Council	not completed	not completed				
Isisford Shire Council	30.06.2008	27.07.2008	E		✓	

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 3 months	3 to 6 months	> 6 months
Jericho Shire Council	28.07.2008	31.07.2008	E		✓	
Johnstone Shire Council	not completed	not completed				
Jondaryan Shire Council	12.09.2008	18.09.2008	E			✓
Kilcoy Shire Council	22.07.2008	08.08.2008	E		✓	
Kilkivan Shire Council	05.09.2008	15.09.2008	E		✓	
Kingaroy Shire Council	not completed	not completed				
Kolan Shire Council	not completed	not completed				
Laidley Shire Council	05.08.2008	29.08.2008	E		✓	
Livingstone Shire Council	27.06.2008	30.06.2008	E		✓	
Longreach Shire Council	30.06.2008	27.07.2008	E		✓	
Mackay City Council	10.09.2008	12.09.2008	E		✓	
Mareeba Shire Council	not completed	not completed				
Maroochy Shire Council	02.06.2008	03.09.2008	E		✓	
Maryborough City Council	29.08.2008	29.08.2008	E		✓	
Millmerran Shire Council	12.09.2008	18.09.2008	E			✓
Mirani Shire Council	10.09.2008	12.09.2008	E		✓	
Miriam Vale Shire Council	not completed	not completed				
Monto Shire Council	not completed	not completed				
Mount Morgan Shire Council	31.07.2008	06.08.2008	E		✓	
Mundubbera Shire Council	not completed	not completed				
Murgon Shire Council	not completed	not completed				
Murilla Shire Council	11.09.2008	11.09.2008	E		✓	
Nanango Shire Council	not completed	not completed				
Nebo Shire Council	22.08.2008	12.09.2008	E		✓	
Noosa Shire Council	16.06.2008	03.09.2008	E		✓	
Peak Downs Shire Council	09.09.2008	10.09.2008	E		✓	
Perry Shire Council	not completed	not completed				
Pine Rivers Shire Council	not completed	not completed				
Pittsworth Shire Council	not completed	not completed				
Redcliffe City Council	not completed	not completed				
Rockhampton City Council	22.08.2008	23.09.2008	E			✓
Roma Town Council	12.09.2008	12.09.2008	E		✓	
Rosalie Shire Council	12.09.2008	18.09.2008	E			✓
Sarina Shire Council	10.09.2008	12.09.2008	E		✓	
Stanthorpe Shire Council	08.07.2008	05.08.2008	E		✓	
Tambo Shire Council	12.09.2008	15.09.2008	E		✓	
Tara Shire Council	11.09.2008	11.09.2008	E		✓	
Taroom Shire Council	22.05.2008	13.06.2008	E	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 3 months	3 to 6 months	> 6 months
Thuringowa City Council	23.10.2008	31.10.2008	E			✓
Tiaro Shire Council	14.05.2008	06.06.2008	E	✓		
Toowoomba City Council	12.09.2008	18.09.2008	E			✓
Townsville City Council	22.08.2008	05.09.2008	E		✓	
Waggamba Shire Council	08.05.2008	23.06.2008	E		✓	
Wambo Shire Council	11.09.2008	11.09.2008	E		✓	
Warroo Shire Council	12.09.2008	12.09.2008	E		✓	
Warwick Shire Council	12.06.2008	09.07.2008	E		✓	
Whitsunday Shire Council	not completed	not completed				
Wondai Shire Council	not completed	not completed				
Woocoo Shire Council	29.08.2008	29.08.2008	E		✓	
Joint local governments						
Caloundra-Maroochy Water Supply Board	28.07.2008	03.09.2008	E		✓	
Dalby-Wambo Aerodrome Board	13.06.2008	13.06.2008	E	✓		
Dalby-Wambo Library Board	13.06.2008	13.06.2008	E	✓		
Dalby-Wambo Saleyards Board	11.06.2008	11.06.2008	E	✓		
Emerald-Peak Downs Saleyards Board	not completed	not completed				
Gladstone-Calliope Aerodrome Board	not completed	not completed				
Goondiwindi-Waggamba Aerodrome Board	14.05.2008	19.09.2008	E			✓
Goondiwindi-Waggamba Community Cultural Centre Board	28.04.2008	23.06.2008	E		✓	
Mission Beach Marine Facilities Joint Board	15.09.2008	30.09.2008	E			✓
Rockhampton District Saleyards Board	30.09.2008	30.09.2008	E			✓
Roma-Bungil Showgrounds and Saleyards Board	12.09.2008	12.09.2008	E		✓	
Joint controlled entities						
Southern Regional Organisation of Councils (SouthROC)*	09.04.2008	16.04.2008	E	✓		
Townsville/Thuringowa Water Supply Joint Board	22.08.2008	05.09.2008	E		✓	
Aboriginal shire councils						
Injinoo Aboriginal Shire Council	not completed	not completed				
New Mapoon Aboriginal Shire Council	24.07.2008	01.09.2008	E		✓	
Umagico Aboriginal Shire Council	not completed	not completed				
Torres Strait island councils						
Badu Island Council	not completed	not completed				
Bamaga Island Council	not completed	not completed				
Boigu Island Council	not completed	not completed				
Dauan Island Council	not completed	not completed				
Erub Island Council	not completed	not completed				

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 3 months	3 to 6 months	> 6 months
Hammond Island Council	30.05.2008	10.10.2008	E			✓
Iama Island Council	30.05.2008	15.08.2008	E		✓	
Kubin Community Council	08.09.2008	16.09.2008	E			✓
Mabuiag Island Council	19.06.2008	20.08.2008	E		✓	
Mer Island Council	not completed	not completed				
Poruma Island Council	08.09.2008	16.09.2008	E			✓
Saibai Island Council	not completed	not completed				
Seisia Island Council	not completed	not completed				
St Pauls Island Council	10.06.2008	19.08.2008	E		✓	
Ugar Island Council	not completed	not completed				
Warraber Island Council	18.07.2008	22.08.2008	E		✓	
Yorke Island Council	30.05.2008	31.10.2008	E			✓
Island Coordinating Council	not completed	not completed				

* This entity was abolished on 29 February 2008.

Section 4

Entity specific issues

4.1 Department of Health — follow-up on review of Caboolture Emergency Department tender process

In Report No. 4 for 2006, the results of a review of the Caboolture Emergency Department tender process were reported. In that report, it was recommended that the Department of Health should:

- consider and implement agreed recommendations arising from the current review of Agency Purchasing Procedures, as soon as possible, ensuring all changes are consistent with the current State Purchasing Policy
- formally document the market analysis and include reasons for the exclusion of any potential suppliers. This requirement should be documented in the Agency Purchasing Procedures
- record the issue of tender specifications in accordance with the requirements of Section 14.3 of the Queensland Health Agency Purchasing Procedures. In addition consideration should be given to issuing tender specifications under cover of a formal letter
- consider expanding the requirements of the Queensland Health Agency Purchasing Procedures to establish the action to be taken when a limited response is received to a tender invitation
- expand the requirements of their Agency Purchasing Procedures to include procedures to be followed in conducting and documenting post tender negotiations and ensure that officers undertaking such negotiations are familiar with these requirements
- ensure that all major or specialised purchase contracts that vary from the standard approved templates used by the Department or where the standard template does not apply, be reviewed by the Legal and Administrative Law Unit prior to signing by the Department
- ensure processes are documented and approved as required for the specific purchasing strategies adopted.

The recommendations were agreed to at that time by the Acting Director-General. The progress made by the department in the implementation of these recommendations has been reviewed and all recommendations have been addressed through the issue of the Queensland Health Purchasing Policy and Procedures document.

4.2 ENERGEX Limited – bank reconciliation issues

The sale of ENERGEX Limited's Gas Network and Retail businesses in 2006 and 2007, the implementation of new IT systems, and the introduction of full retail contestability in July 2007 resulted in significant changes to ENERGEX's business and financial systems. The combination of these events also introduced significant complexity into ENERGEX's IT receipting environment which contributed to a degradation in controls relating to the bank reconciliation process.

ENERGEX's two bank accounts could not be reconciled for the majority of the 2007-08 financial year due to significant unidentified variances. At 30 June 2008, the Network bank account had been fully reconciled for the year, while the Retail bank account had been reconciled with an unidentified variance of \$23,815.46. While unidentified variances increase the risk that losses may occur as a result of transaction misclassification, fraud or misappropriation, my review of the bank reconciliation process including sample testing of transactions did not identify instances of fraud or misappropriation of funds.

Unidentified variances had appeared on the bank reconciliations since July 2007 and advice was provided to executive management in mid December 2007. In February 2008, the Audit and Compliance Committee, which includes three Board members and is attended by QAO, was advised of the breakdown in this key control for the first time.

In addition to ENERGEX's internal team, internal audit were engaged to undertake a review of the bank reconciliation process and to assist in diagnosing the causes of unidentified variances. ENERGEX also appointed a dedicated external project manager in March 2008 to resolve the unidentified variances and to manage the implementation of Internal Audit recommendations.

The progressive quantum of unidentified variances for the Retail bank account during the year was as illustrated in Table 4.1.

Table 4.1 – Unidentified variances in ENERGEX's Retail bank account reconciliation 2007-08

Month	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
\$'000	255	(394)	794	1,295	675	2,159	493	1,103	(7,606)	16	142	24

Detailed analysis undertaken by the ENERGEX project team highlighted that the variances related to three key issues:

- The volume of miscoded transactions between the Network and Retail accounts arose out of the incorrect posting of transactions between the two general ledger bank accounts, and receipting of monies into the wrong bank account by the receipting team at ENERGEX's service provider Service Essentials Pty Ltd (SEPL). These errors were not able to be detected until separate reconciliations were prepared for each bank account.
- Inaccuracies occurred in key control reports from receipting systems used to determine timing differences. This resulted from duplicate processing of network usage payments due to the introduction of Network billing and receipting systems and the parallel use of the legacy receipting system for these transactions. These duplicate receipts required manual adjustment each month.
- Timing differences were unable to be identified because there was insufficient system reporting available from the newly introduced receipting and billing systems. There were instances of delays of up to 50 days from the time a transaction was initially receipted to the time it was posted to the General Ledger.

A number of other governance and control related weaknesses also facilitated the deterioration in the bank reconciliation controls during the year. These weaknesses included:

- unidentified variances in bank reconciliations being carried forward without comprehensive follow-up
- lack of formal procedures to escalate issues to executive management and the Board in a timely manner
- impact of system changes on key internal controls of the business not adequately assessed by management
- rapid changes to billing and receipting systems and the introduction of new IT systems resulting in the obsolescence of existing system documentation and processes
- inadequate training of SEPL staff affected by these system changes
- lack of a transparent framework for the communication with ENERGEX's IT shared service provider SPARQ Solutions, including monitoring of the IT systems and activities provided by SPARQ.

Recommendations to ensure these weaknesses are addressed have been provided to ENERGEX management by the project manager, internal audit and QAO during the course of the audit.

In response to QAO's interim findings, the Chairman of ENERGEX Limited, in summary, has advised that ENERGEX experienced an extraordinary period of change creating issues with reconciling the bank accounts however, ENERGEX dedicated significant resources to address this issue and reduce the unexplained variances to an acceptably low level at reporting date. The Retail bank account has since been closed and a number of actions have been undertaken to address weaknesses identified including implementation of a process which requires the Chief Financial Officer to review all monthly reconciliations and the status of all reconciliations is to be reported to the Audit and Compliance Committee. As a result of the subsequent actions taken by ENERGEX to address this issue, I was able to provide an unqualified audit opinion on the 2007-08 financial statements.

A response on this issue from the Chief Executive Officer, ENERGEX Limited is included in Section 6.1.4.

Section 5

Audit results by Ministerial portfolio

This Section provides details of the 396 audits of 2007-08 financial statements of public sector entities within the Auditor-General's mandate which were expected to be completed as at 31 October 2008. Unless indicated, these entities' financial year ended on 30 June 2008.

The following information is provided for each audited entity:

- the date the entity certified their 2007-08 financial statements
- the date the Auditor-General or his delegate issued the independent auditors' report
- the type of auditor's opinion issued by the Auditor-General (or his delegate)
- the entity's timeliness in completing their financial statements after the end of the financial year.

5.1 Attorney-General and Justice

5.1.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Justice and Attorney-General	25.08.2008	29.08.2008	U	✓		
Office of the Ombudsman	29.08.2008	29.08.2008	U	✓		
The Public Trustee of Queensland	26.08.2008	26.08.2008	U	✓		
Statutory Body						
Anti Discrimination Commission	19.08.2008	29.08.2008	U	✓		
Crime and Misconduct Commission	28.08.2008	29.08.2008	U	✓		
Electoral Commission of Queensland	25.08.2008	29.08.2008	U	✓		
Legal Aid Queensland	27.08.2008	27.08.2008	U	✓		
Legal Practitioners Admissions Board [^]	02.09.2008	02.09.2008	U		✓	
Office of the Information Commissioner	15.08.2008	18.08.2008	U	✓		
Professional Standards Council [^]	not completed	not completed				
Queensland Law Society Incorporated [^]	12.09.2008	12.09.2008	U		✓	
Supreme Court Library Committee [^]	01.09.2008	01.09.2008	U		✓	
Controlled Entity						
Law Claims Levy Fund	12.09.2008	12.09.2008	U		✓	
Legal Practitioners Fidelity Guarantee Fund	12.09.2008	12.09.2008	U		✓	
By Arrangement – Under Trust Deed						
Disaster Appeals Trust Fund	24.08.2008	26.08.2008	U	✓		
Forde Foundation Trust Fund	24.08.2008	26.08.2008	U	✓		
Lady Bowen Trust	24.08.2008	26.08.2008	U	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Public Trustee of Queensland – Australian Equities Fund	28.08.2008	29.08.2008	U	✓		
Public Trustee of Queensland – Australian Fixed Interest Trust	28.08.2008	29.08.2008	U	✓		
Public Trustee of Queensland Cash Trust	28.08.2008	29.08.2008	U	✓		
Public Trustee of Queensland Conservative Fund	28.08.2008	29.08.2008	U	✓		
Public Trustee of Queensland Growth Trust	28.08.2008	29.08.2008	U	✓		
Public Trustee of Queensland Higher Growth Trust	28.08.2008	29.08.2008	U	✓		
Queensland Community Foundation	not completed	not completed				

^ These entities were granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.1.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Justice and Attorney-General	506,985	737,959	732,350
Electoral Commission of Queensland	23,113	2,582	24,107
Office of the Ombudsman	6,213	141	6,214
The Public Trustee of Queensland	64,245	147,414	68,875
Anti-Discrimination Commission	4,551	850	4,601
Crime and Misconduct Commission	37,796	14,639	37,796
Legal Aid Queensland	105,382	34,490	101,163
Office of the Information Commissioner	1,809	756	2,098

5.2 Child Safety and Women

5.2.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Child Safety	22.08.2008	29.08.2008	U	✓		

5.2.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Child Safety	552,785	100,118	553,685

5.3 Communities, Disability Services and Aboriginal and Torres Strait Islander Partnerships, Multicultural Affairs, Seniors and Youth

5.3.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Communities	26.08.2008	29.08.2008	U	✓		
Disability Services Queensland	25.08.2008	29.08.2008	U	✓		
Departmental Agency						
Department of Communities – Retail Stores	26.08.2008	29.08.2008	U	✓		
Statutory Body						
The Island Industries Board*	15.04.2008	17.04.2008	U		✓	

* This entity's financial year ended on 31 January 2008.

5.3.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Communities	732,616	376,017	752,094
Disability Services Queensland	1,056,472	181,924	1,065,646

5.4 Deputy Premier and Infrastructure and Planning

5.4.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Infrastructure and Planning	28.08.2008	29.08.2008	U	✓		
Statutory Body						
Gladstone Economic and Industry Development Board [^]	10.09.2008	10.09.2008	U		✓	
Queensland Bulk Water Supply Authority	31.08.2008	31.08.2008	E	✓		
Queensland Bulk Water Transport Authority	28.08.2008	29.08.2008	U	✓		
Queensland Manufactured Water Authority	28.08.2008	29.08.2008	U	✓		
Queensland Water Commission	25.09.2008	30.09.2008	U		✓	
SEQ Water Grid Manager	07.08.2008	12.08.2008	U	✓		
Urban Land Development Authority	21.08.2008	25.08.2008	U	✓		
Controlled Entity						
City North Infrastructure Pty Ltd	28.07.2008	29.07.2008	U	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Queensland Water Infrastructure Pty Ltd	31.07.2008	31.07.2008	U	✓		
South East Queensland (Gold Coast) Desalination Company Pty Ltd	29.07.2008	05.08.2008	U	✓		
South East Queensland Water Corporation Limited (trading as SEQWater)	31.08.2008	31.08.2008	Q	✓		
Southern Regional Water Pipeline Company Pty Ltd	30.07.2008	01.08.2008	U	✓		
Western Corridor Recycled Water Pty Ltd	31.07.2008	31.07.2008	U	✓		

^ This entity was granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.4.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Infrastructure and Planning	170,305	592,602	168,450
Queensland Water Commission	25,481	3,286	25,447

5.5 Education and Training and the Arts

5.5.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Education, Training and the Arts	27.08.2008	29.08.2008	U	✓		
Departmental Agency						
Corporate Administration Agency	27.08.2008	28.08.2008	U	✓		
Corporate and Professional Services	27.08.2008	28.08.2008	U	✓		
Statutory Body						
Australian Agricultural College Corporation	26.08.2008	29.08.2008	U	✓		
Australian Agricultural College Employing Office	26.08.2008	29.08.2008	U	✓		
Board of the Queensland Museum	18.08.2008	25.08.2008	Q	✓		
Library Board of Queensland	28.08.2008	29.08.2008	U	✓		
Non-State Schools Accreditation Board^	15.09.2008	23.09.2008	U		✓	
Queensland Art Gallery Board of Trustees	29.08.2008	29.08.2008	U	✓		
Queensland Performing Arts Trust	26.08.2008	26.08.2008	U	✓		
Queensland Studies Authority	27.08.2008	31.08.2008	U	✓		
Southbank Institute of Technology	29.08.2008	29.08.2008	U	✓		
Controlled Entity						
Aboriginal Centre for the Performing Arts Pty Ltd	28.08.2008	29.08.2008	U	✓		
Aviation Australia Pty Ltd	23.10.2008	23.10.2008	U			✓

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Queensland Art Gallery Foundation	29.08.2008	29.08.2008	U	✓		
Queensland Library Foundation	31.07.2008	18.08.2008	U	✓		
Queensland Museum Foundation Trust	15.08.2008	21.08.2008	U	✓		
The Pacific Film and Television Commission Pty Ltd	19.09.2008	22.09.2008	U		✓	
Joint Controlled Entity						
Queensland Tertiary Admissions Centre Limited	26.08.2008	26.08.2008	U	✓		

^ This entity was granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.5.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Education, Training and the Arts	6,104,432	15,926,555	6,104,114
Corporate and Professional Services	109,080	2,934	109,093
Corporate Administration Agency	34,585	4,091	35,517
Queensland Studies Authority	41,346	11,082	43,929
Australian Agricultural College Corporation	26,780	117,073	25,646
Southbank Institute of Technology	29,719	46,941	30,779
Library Board of Queensland	49,218	87,112	50,653
Queensland Art Gallery Board of Trustees	33,059	260,054	38,049
Board of the Queensland Museum	28,211	357,975	28,401
Queensland Performing Arts Trust	33,801	17,913	35,578

5.6 Emergency Services

5.6.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Emergency Services	27.08.2008	29.08.2008	U	✓		

5.6.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Emergency Services	848,291	1,008,670	862,834

5.7 Health

5.7.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Health	12.08.2008	20.08.2008	U	✓		
Departmental Agency						
Health Department Shared Service Provider	12.08.2008	20.08.2008	U	✓		
Statutory Body						
Bundaberg Health Services Foundation^	not completed	not completed				
Chiropractors Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Dental Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Dental Technicians and Dental Prosthetists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Far North Queensland Hospital Foundation^	09.09.2008	09.09.2008	U		✓	
Gold Coast Hospital Foundation^	29.09.2008	16.10.2008	Q			✓
Health Quality and Complaints Commission	07.08.2008	07.08.2008	U	✓		
Ipswich Hospital Foundation^	26.09.2008	26.09.2008	U		✓	
Medical Board of Queensland	30.09.2008	17.10.2008	U			✓
Medical Radiation Technologists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Occupational Therapists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Office of Health Practitioner Registration Boards^	30.09.2008	30.09.2008	U		✓	
Office of the Medical Board of Queensland^	30.09.2008	17.10.2008	U			✓
Optometrists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Osteopaths Board of Queensland^	30.09.2008	30.09.2008	U		✓	
PA Foundation^	not completed	not completed				
Pharmacists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Physiotherapists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Podiatrists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Prince Charles Hospital Foundation Trust^	18.09.2008	18.09.2008	U		✓	
Psychologists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Queensland Institute of Medical Research Trust	29.08.2008	29.08.2008	U	✓		
Queensland Nursing Council^	12.08.2008	14.08.2008	U	✓		
Redcliffe Hospital Foundation^	13.08.2008	10.09.2008	Q		✓	
Royal Brisbane and Women's Hospital Foundation^	21.08.2008	21.08.2008	U	✓		
Speech Pathologists Board of Queensland^	30.09.2008	30.09.2008	U		✓	
Sunshine Coast Health Foundation^	29.09.2008	29.09.2008	U		✓	
The Council of the Queensland Institute of Medical Research	29.08.2008	29.08.2008	U	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
The Prince Charles Hospital Foundation [^]	18.09.2008	18.09.2008	U		✓	
The Royal Children's Hospital Foundation [^]	23.08.2008	23.08.2008	U	✓		
Toowoomba Hospital Foundation [^]	11.09.2008	12.09.2008	U		✓	
Townsville Hospital Foundation [^]	29.08.2008	29.08.2008	U	✓		
Controlled Entity						
Q-Gen Pty Limited	15.09.2008	19.09.2008	U		✓	
Joint Controlled Entity						
Injury Prevention and Control (Australia) Ltd	not completed	not completed				

[^] These entities were granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.7.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Health	7,722,285	5,569,816	7,723,350
Queensland Health Shared Service Provider	99,042	3,729	99,042
Queensland Institute of Medical Research Trust	10,266	58,121	8,685
Health Quality and Complaints Commission	9,347	2,202	8,546

5.8 Main Roads and Local Government

5.8.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Local Government, Sport and Recreation	30.10.2008	30.10.2008	E			✓
Department of Main Roads	15.08.2008	26.08.2008	U	✓		
Statutory Body						
Mt Gravatt Showgrounds Trust [^]	31.07.2008	31.07.2008	U	✓		
Controlled Entity						
Gold Coast Events Co. Pty Ltd	24.07.2008	28.07.2008	U	✓		
Logan Motorway Company Limited	30.07.2008	31.07.2008	U	✓		
Port Motorway Limited	30.07.2008	31.07.2008	U	✓		
Queensland Motorways Limited	30.07.2008	31.07.2008	U	✓		
Queensland Motorways Management Pty Ltd	30.07.2008	31.07.2008	U	✓		
The Gateway Bridge Company Limited	30.07.2008	31.07.2008	U	✓		
TRANSMAX Pty Ltd	25.08.2008	29.08.2008	U	✓		

[^] This entity was granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.8.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Main Roads	2,417,598	55,365,224	2,286,706
Department of Local Government, Sport and Recreation	627,805	366,772	627,818

5.9 Mines and Energy

5.9.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Mines and Energy	29.08.2008	29.08.2008	U	✓		
Statutory Body						
Office of the Energy Ombudsman ^A	29.09.2008	30.09.2008	U		✓	
Government Owned Corporation						
CS Energy Limited	28.08.2008	29.08.2008	U	✓		
ENERGEX Limited	25.08.2008	29.08.2008	U	✓		
Ergon Energy Corporation Limited	28.08.2008	29.08.2008	U	✓		
Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)	28.08.2008	28.08.2008	U	✓		
Queensland Power Trading Corporation (trading as Enertrade)*	18.04.2008	21.04.2008	E	✓		
Stanwell Corporation Limited	27.08.2008	28.08.2008	U	✓		
Tarong Energy Corporation Limited	14.08.2008	14.08.2008	U	✓		
Controlled Entity						
Beak Industries Pty Ltd	14.08.2008	21.08.2008	U	✓		
EA North Queensland Pty Ltd	28.08.2008	29.08.2008	U	✓		
Ergon Energy (Victoria) Pty Ltd	28.08.2008	29.08.2008	U	✓		
Ergon Energy Gas Pty Ltd	28.08.2008	29.08.2008	U	✓		
Ergon Energy Queensland Pty Ltd	28.08.2008	29.08.2008	U	✓		
Ergon Energy Telecommunications Pty Ltd	28.08.2008	29.08.2008	U	✓		
Mt Millar Wind Farm Pty Ltd	14.08.2008	14.08.2008	U	✓		
Northern Electricity Retail Corporation Pty Ltd	28.08.2008	29.08.2008	U	✓		
Queensland Energy Services Team Pty Ltd	14.08.2008	21.08.2008	U	✓		
Service Essentials Pty Ltd	14.08.2008	21.08.2008	U	✓		
Starfish Hill Wind Farm Pty Ltd	14.08.2008	14.08.2008	U	✓		
Tarong Renewable Energy Pty Ltd	14.08.2008	14.08.2008	U	✓		
TN Power Pty Ltd	14.08.2008	14.08.2008	U	✓		
ZeroGen Pty Ltd	04.08.2008	08.08.2008	U	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Joint Controlled Entity						
Quest Asset Holdings Pty Ltd	12.09.2008	16.09.2008	U		✓	
SPARQ Solutions Pty Ltd	15.08.2008	18.08.2008	U	✓		
By Arrangement						
Tarong North Pty Ltd	17.10.2008	17.10.2008	U			✓

^ This entity was granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.
* This entity was abolished on 18 April 2008.

5.9.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Mines and Energy	815,098	127,822	2,221,742
Office of the Energy Ombudsman	3,073	79	3,073

5.10 Natural Resources and Water

5.10.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Natural Resources and Water	27.08.2008	29.08.2008	U	✓		
Government Owned Corporation						
SunWater Limited	15.08.2008	27.08.2008	U	✓		
Statutory Body						
Avondale Water Board [^]	31.07.2008	19.09.2008	U		✓	
Babinda Swamp Drainage Board [^]	13.08.2008	23.09.2008	U		✓	
Benleith Water Board [^]	20.08.2008	22.09.2008	U		✓	
Bollon South Water Authority [^]	not completed	not completed				
Bollon West Water Authority [^]	25.07.2008	30.09.2008	U		✓	
Bones Knob Water Board [^]	16.07.2008	30.07.2008	U	✓		
Boonah Shire River Improvement Trust [^]	09.07.2008	30.07.2008	U	✓		
Boondooma Water Board [^]	28.08.2008	23.09.2008	U		✓	
Brigooda Water Board [^]	22.07.2008	30.07.2008	U	✓		
Burdekin Shire Rivers Improvement Trust [^]	21.07.2008	30.07.2008	U	✓		
Cairns River Improvement Trust [^]	15.09.2008	23.09.2008	U		✓	
Callandoon Water Supply Board [^]	31.07.2008	22.09.2008	U		✓	
Cardwell Shire River Improvement Trust [^]	29.07.2008	19.09.2008	U		✓	
Clifton Shire River Improvement Trust [^]	07.08.2008	22.09.2008	U		✓	

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Condamine Plains Water Board^	31.07.2008	19.09.2008	U		✓	
Coreen Water Board^	31.07.2008	19.09.2008	U		✓	
Cowley Drainage Board^	15.08.2008	02.09.2008	U		✓	
Crowley Vale Water Board^	11.09.2008	23.09.2008	U		✓	
Don River Improvement Trust^	19.08.2008	22.09.2008	U		✓	
Douglas Shire River Improvement Trust^	06.08.2008	06.10.2008	E			✓
Dundowran–Nikenbah Water Board^	21.07.2008	19.09.2008	U		✓	
East Deeral Drainage Board^	21.08.2008	19.09.2008	U		✓	
East Euramo Drainage Board^	23.07.2008	22.09.2008	U		✓	
Eugun Bore Water Authority^	12.09.2008	22.09.2008	U		✓	
Fernlee Water Authority^	25.07.2008	22.09.2008	U		✓	
Gladstone Area Water Board	28.08.2008	28.08.2008	U	✓		
Glamorgan Vale Water Board^	09.09.2008	23.09.2008	U		✓	
Grevillea Water Board^	30.07.2008	19.09.2008	U		✓	
Herbert River Improvement Trust^	03.07.2008	30.07.2008	U	✓		
Ingie Water Authority^	17.09.2008	30.09.2008	U		✓	
Ipswich Rivers Improvement Trust^	22.09.2008	30.09.2008	U		✓	
Johnstone Shire River Improvement Trust^	21.07.2008	19.09.2008	U		✓	
Jondaryan Shire River Improvement Trust^	02.09.2008	30.09.2008	U		✓	
Juandah Water Board^	26.07.2008	19.09.2008	U		✓	
Kaywana Bore Water Board^	28.07.2008	23.09.2008	U		✓	
Kelsey Creek Water Board^	31.07.2008	19.09.2008	U		✓	
Kooingal Water Board^	31.07.2008	19.09.2008	U		✓	
Lower Herbert Water Management Authority^	16.07.2008	30.07.2008	U	✓		
Marathon Bore Water Supply Board^	11.08.2008	19.09.2008	U		✓	
Matthew Road Drainage Board^	29.08.2008	23.09.2008	U		✓	
Merlwood Water Board^	06.09.2008	22.09.2008	U		✓	
Middle Park Bore Water Supply Board^	05.09.2008	30.09.2008	U		✓	
Millmerran Shire River Improvement Trust	22.09.2008	22.09.2008	U		✓	
Mount Isa Water Board	not completed	not completed				
Mourilyan Drainage Board^	14.08.2008	19.09.2008	U		✓	
Mulgildie Water Board^	08.07.2008	30.07.2008	U	✓		
Myall Plains Water Authority^	08.09.2008	22.09.2008	U		✓	
North Burdekin Water Board^	not completed	not completed				
Oaky Creek Water Board^	31.07.2008	22.09.2008	U		✓	
Orchard Creek Drainage Board^	23.07.2008	22.09.2008	U		✓	
Palmgrove Water Board^	not completed	not completed				
Pioneer River Improvement Trust^	24.09.2008	30.09.2008	U		✓	

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Pioneer Valley Water Board [^]	05.09.2008	12.09.2008	U		✓	
Riversdale–Murray Valley Water Management Board [^]	23.07.2008	30.09.2008	U		✓	
Roadvale Water Board [^]	21.07.2008	18.09.2008	U		✓	
Silkwood Drainage Board [^]	25.08.2008	22.09.2008	U		✓	
Six Mile Creek Water Supply Board [^]	25.07.2008	19.09.2008	U		✓	
Smithfield Drainage Board [^]	20.08.2008	22.09.2008	U		✓	
South Burdekin Water Board [^]	not completed	not completed				
South Maroochy Drainage Board [^]	not completed	not completed				
Stagnant Creek Drainage Board [^]	23.07.2008	23.09.2008	U		✓	
Stanthorpe Shire River Improvement Trust [^]	12.09.2008	27.10.2008	U			✓
Surveyors Board of Queensland [^]	29.09.2008	30.09.2008	U		✓	
Taberna Bore Water Board [^]	20.09.2008	30.09.2008	U		✓	
Valuers Registration Board of Queensland [^]	30.09.2008	30.09.2008	U		✓	
Wambo Shire River Improvement Trust [^]	not completed	not completed				
Wanda Creek Drainage Board [^]	18.08.2008	19.09.2008	U		✓	
Warrubullen Drainage Board [^]	25.08.2008	23.09.2008	U		✓	
Warwick Shire River Improvement Trust [^]	25.07.2008	22.09.2008	U		✓	
Washpool Water Board [^]	02.09.2008	22.09.2008	U		✓	
Whitsunday Rivers Improvement Trust [^]	28.07.2008	29.10.2008	U			✓
Woodmillar Water Board [^]	09.07.2008	05.08.2008	U	✓		
Yambocully Water Board [^]	31.07.2008	18.09.2008	U		✓	
Controlled Entity						
Burnett Water Pty Ltd	15.08.2008	27.08.2008	U	✓		
Eungella Water Pipeline Pty Ltd	15.08.2008	27.08.2008	U	✓		
North West Queensland Water Pipeline Pty Ltd	15.08.2008	27.08.2008	U	✓		
Joint Controlled Entity						
North Queensland River Trusts' Association Inc	15.09.2008	23.09.2008	U		✓	
State Council of River Trusts Queensland, Inc	29.09.2008	30.09.2008	U		✓	

[^] These entities were granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.10.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Natural Resources and Water	692,182	22,442,127	1,131,801

5.11 Police, Corrective Services and Sport

5.11.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Corrective Services	18.09.2008	19.09.2008	E		✓	
Department of Police	29.08.2008	31.08.2008	U	✓		
Statutory Body						
Prostitution Licensing Authority	28.08.2008	28.08.2008	U	✓		
Stadiums Queensland	26.08.2008	29.08.2008	U	✓		

5.11.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Police	1,416,189	1,628,260	1,416,703
Department of Corrective Services	501,217	1,900,504	497,594
Stadiums Queensland	104,838	731,353	84,657
Prostitution Licensing Authority	1,147	656	1,277

5.12 Premier

5.12.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of the Premier and Cabinet	28.08.2008	31.08.2008	U	✓		
Office of the Governor	27.08.2008	28.08.2008	U	✓		
Office of the Public Service Commissioner	20.08.2008	31.08.2008	U	✓		
Statutory Body						
Commission for Children and Young People and Child Guardian	29.08.2008	29.08.2008	U	✓		
Family Responsibilities Commission	23.09.2008	26.09.2008	U		✓	
Queensland Competition Authority [^]	26.09.2008	29.09.2008	U		✓	
Service Delivery and Performance Commission	20.08.2008	31.08.2008	U	✓		
South Bank Corporation	21.08.2008	31.08.2008	U	✓		
Controlled Entity						
Asia Pacific Screen Awards Ltd	29.08.2008	19.09.08	U		✓	

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Gold Coast Events Management Ltd (trading as Queensland Events Gold Coast)	not completed	not completed				
Queensland Events Corporation Pty Ltd	29.08.2008	17.09.2008	U		✓	
By Arrangement						
The Cyclone Larry Disaster Relief Fund	not completed	not completed				
By Arrangement – Under Trust Deed						
Premier's Disaster Relief Appeal Trust	not completed	not completed				
Premier's Necessitous Circumstances Relief Appeal Fund*	not completed	not completed				

^ This entity was granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

* This entity was abolished on 12 May 2008.

5.12.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of the Premier and Cabinet	233,346	11,645	232,524
Office of the Governor	4,435	1,138	4,483
Office of the Public Service Commissioner	13,588	378	13,687
Commission for Children and Young People and Child Guardian	37,133	1,254	37,134
Family Responsibilities Commission	487	277	764
Queensland Events Corporation Pty Ltd	20,510	1,425	19,364
South Bank Corporation	71,362	534,732	69,063

5.13 Primary Industries and Fisheries

5.13.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Primary Industries and Fisheries	27.08.2008	29.08.2008	U	✓		
Forestry Plantations Queensland Office	27.08.2008	28.08.2008	U	✓		
Statutory Body						
Chicken Meat Industry Committee^	29.09.2008	30.09.2008	U		✓	
Darling Downs – Moreton Rabbit Board^	26.09.2008	30.09.2008	U		✓	
Forestry Plantations Queensland	27.08.2008	28.08.2008	U	✓		
Queensland Rural Adjustment Authority	19.08.2008	20.08.2008	U	✓		
Safe Food Production Queensland^	14.08.2008	14.08.2008	U	✓		
Controlled Entity						
Wollemi Australia Pty Ltd	not completed	not completed				

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months

By Arrangement

Sugar Industry Commissioner	02.10.2008	07.10.2008	E			✓
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^ These entities were granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.13.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Primary Industries and Fisheries	392,058	455,000	390,627
Forestry Plantations Queensland Office	31,294	203,612	31,294
Queensland Rural Adjustment Authority	303,014	172,699	307,381

5.14 Public Works, Housing and Information and Communication Technology

5.14.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Housing	12.08.2008	15.08.2008	U	✓		
Department of Public Works	26.08.2008	29.08.2008	U	✓		
Departmental Agency						
CorpTech	19.08.2008	28.08.2008	U	✓		
Shared Service Agency	26.08.2008	26.08.2008	U	✓		
Statutory Body						
Board of Architects of Queensland^	03.09.2008	10.09.2008	U		✓	
Board of Professional Engineers of Queensland^	15.09.2008	17.09.2008	U		✓	
Queensland Building Services Authority	21.08.2008	21.08.2008	U	✓		
Residential Tenancies Authority	22.08.2008	22.08.2008	U	✓		
Controlled Entity						
CITEC	06.08.2008	28.08.2008	U	✓		
CSI Holdings Pty Ltd	05.09.2008	05.09.2008	U		✓	
Lazy Acres Caravan Park	not completed	not completed				
Monte Carlo Caravan Park Pty Ltd	not completed	not completed				
The Monte Carlo Caravan Park Trust	not completed	not completed				
Woombye Gardens Caravan Park	not completed	not completed				
By Arrangement						
BHC Development Services Pty Ltd	not completed	not completed				

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
BHC Nudgee Pty Ltd	not completed	not completed				
BHC Richlands Pty Ltd	not completed	not completed				
Brisbane Housing Company Limited	not completed	not completed				
Cairns Convention Centre	08.09.2008	08.09.2008	U		✓	
Gold Coast Convention and Exhibition Centre	not completed	not completed				

^ These entities were granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.14.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Public Works	487,051	3,040,605	489,150
Department of Housing	626,309	13,455,158	676,282
Shared Service Agency	215,089	16,601	217,323
CorpTech	124,007	199,018	125,220
Queensland Building Services Authority	134,936	54,399	132,055
Residential Tenancies Authority	24,319	50,758	23,263

5.15 Sustainability, Climate Change and Innovation

5.15.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Environmental Protection Agency	28.08.2008	29.08.2008	U	✓		
Statutory Body						
Currumbin Bird Sanctuary^	29.09.2008	29.09.2008	U		✓	
National Trust of Queensland^	03.10.2008	06.10.2008	U			✓
The Board of Trustees of Newstead House^	15.09.2008	15.09.2008	U		✓	
By Arrangement						
Great Barrier Reef Marine Park Authority	08.08.2008	08.08.2008	U	✓		
By Arrangement – Under Trust Deed						
Queensland Trust for Nature Fund	19.09.2008	19.09.2008	U		✓	

5.15.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Environmental Protection Agency	333,829	3,413,023	339,011

5.16 Tourism, Regional Development and Industry

5.16.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Tourism, Regional Development and Industry	27.08.2008	29.08.2008	U	✓		
Statutory Body						
Tourism Queensland	26.08.2008	27.08.2008	U	✓		
Tourism Queensland Employing Office	26.08.2008	27.08.2008	U	✓		
Controlled Entity						
Australian Institute for Commercialisation Limited	12.08.2008	12.08.2008	U	✓		
BioPharmaceuticals Australia (Network) Pty Ltd	09.09.2008	10.09.2008	U		✓	
ilab Incubator Pty Ltd	21.08.2008	22.08.2008	U	✓		
Industrial Supplies Office (Queensland) Limited	not completed	not completed				
teQstart Pty Ltd	14.08.2008	18.08.2008	U	✓		

5.16.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Department of Tourism, Regional Development and Industry	282,445	193,369	262,909
Tourism Queensland	65,490	511	65,522

5.17 Transport, Trade, Employment and Industrial Relations

5.17.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Employment and Industrial Relations	28.08.2008	29.08.2008	U	✓		
Department of Transport	15.08.2008	22.08.2008	U	✓		
Government Owned Corporation						
Bundaberg Port Authority*	17.01.2008	18.01.2008	E			✓
Cairns Port Authority	28.08.2008	29.08.2008	Q	✓		
Gladstone Ports Corporation Limited	28.08.2008	29.08.2008	U	✓		
Mackay Port Authority	26.08.2008	31.08.2008	E	✓		
Port of Brisbane Corporation Limited	27.08.2008	31.08.2008	U	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Townsville Port Authority	18.08.2008	18.08.2008	U	✓		
Ports Corporation of Queensland Limited	20.08.2008	20.08.2008	U	✓		
QR Limited	27.08.2008	28.08.2008	U	✓		
Statutory Body						
Anzac Day Trust	29.08.2008	15.09.2008	U		✓	
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	27.08.2008	29.08.2008	E	✓		
Contract Cleaning Industry (Portable Long Service Leave) Authority	not completed	not completed				
WorkCover Employing Office	26.08.2008	28.08.2008	U	✓		
WorkCover Queensland	26.08.2008	28.08.2008	U	✓		
Workers' Compensation Regulatory Authority (Q-COMP)	26.08.2008	28.08.2008	U	✓		
Controlled Entity						
Bundaberg Port Corporation Pty Ltd	27.08.2008	31.08.2008	U	✓		
Gateway Investments Corporation Pty Ltd	27.08.2008	31.08.2008	U	✓		
On Track Insurance Pty Ltd	05.08.2008	21.08.2008	U	✓		
Transport Holdings Queensland Pty Ltd (formerly Queensland Port Holdings Pty Ltd)	24.10.2008	24.10.2008	U			✓
Joint Controlled Entity						
Advance Cairns Limited	03.09.2008	03.09.2008	U		✓	
Australia TradeCoast Limited						
DBCT Holdings Pty Ltd	29.08.2008	29.08.2008	U	✓		
By Arrangement						
Building and Construction Industry Training Fund (Qld)	not completed	not completed				

* This entity was abolished on 30 September 2007.

5.17.2 Key financial results

Entity	Expenses	Net assets	Revenue
	\$'000	\$'000	\$'000
Department of Transport	2,282,876	1,763,043	3,699,268
Department of Employment and Industrial Relations	205,710	5,303	260,575

5.18 Treasurer

5.18.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Treasury Department	15.08.2008	29.08.2008	U	✓		
Government Owned Corporation						
Queensland Investment Corporation (QIC)	25.08.2008	26.08.2008	U	✓		
Statutory Body						
Greyhound Racing Authority [^]	30.09.2008	06.10.2008	E			✓
Motor Accident Insurance Commission	28.08.2008	28.08.2008	U	✓		
Nominal Defendant	28.08.2008	28.08.2008	U	✓		
Queensland Future Growth Corporation	15.08.2008	26.08.2008	U	✓		
Queensland Harness Racing Board [^]	not completed	not completed				
Queensland Treasury Corporation	26.08.2008	28.08.2008	U	✓		
Trustees of Parklands Gold Coast	25.08.2008	26.08.2008	U	✓		
Controlled Entity						
Brisbane Market Corporation Limited	07.10.2008	08.10.2008	U			✓
QIC (UK) Management Limited	25.08.2008	25.08.2008	U	✓		
QIC Private Capital Pty Ltd	26.08.2008	26.08.2008	U	✓		
QIC Properties Pty Ltd	25.08.2008	26.08.2008	U	✓		
QIC Retail Pty Ltd	26.08.2008	26.08.2008	U	✓		
Queensland BioCapital Funds Pty Ltd	25.08.2008	26.08.2008	U	✓		
Queensland Lottery Corporation Pty Ltd	01.09.2008	03.09.2008	U		✓	
Queensland Treasury Holdings Pty Ltd	19.08.2008	19.08.2008	U	✓		
Joint Controlled Entity						
Albion Park Raceway Joint Venture	29.09.2008	30.09.2008	E		✓	
Local Government Infrastructure Services Pty Ltd	06.09.2008	08.09.2008	U		✓	
Q Invest Limited	16.09.2008	18.09.2008	U		✓	
By Arrangement						
Aggressive Growth Fund	16.09.2008	18.09.2008	U		✓	
Australian Shares Fund	16.09.2008	18.09.2008	U		✓	
Balanced Growth Fund	16.09.2008	18.09.2008	U		✓	
Canberra Centre (No.2) Investment Trust	25.08.2008	26.08.2008	U	✓		
Canberra Centre Investment Trust	25.08.2008	26.08.2008	U	✓		
Conservative Growth Fund	16.09.2008	18.09.2008	U		✓	
Eastland Shopping Centre Trust	25.08.2008	26.08.2008	U	✓		
Innovis Investment Partners Australia LP	08.09.2008	26.09.2008	U		✓	

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Melton Property Trust	25.08.2008	26.08.2008	U	✓		
QIC 141 Queen Street Trust	25.08.2008	26.08.2008	U	✓		
QIC 80 Collins Street Trust	25.08.2008	26.08.2008	U	✓		
QIC Castle Towers Trust	25.08.2008	26.08.2008	U	✓		
QIC Central Plaza I Trust	25.08.2008	26.08.2008	U	✓		
QIC Central Plaza II and III Trust	25.08.2008	26.08.2008	U	✓		
QIC Colonial Centre Trust	25.08.2008	26.09.2008	U		✓	
QIC Coomera Trust	25.08.2008	26.08.2008	U	✓		
QIC Finance (Shopping Centre Fund) Pty Ltd	25.08.2008	26.08.2008	U	✓		
QIC Grand Central Trust	25.08.2008	26.08.2008	U	✓		
QIC Helensvale Trust	25.08.2008	26.08.2008	U	✓		
QIC Hi Yield Trust	23.09.2008	26.09.2008	U		✓	
QIC Industrial Trust	25.08.2008	26.08.2008	U	✓		
QIC Investments No. 1 Pty Ltd	22.09.2008	26.09.2008	U		✓	
QIC Investments No. 2 Pty Ltd	22.09.2008	26.09.2008	U		✓	
QIC January 1999 Trust	25.08.2008	26.08.2008	U	✓		
QIC Logan Hyperdome (No. 2) Trust	25.08.2008	26.08.2008	U	✓		
QIC Logan Hyperdome Trust	25.08.2008	26.08.2008	U	✓		
QIC March 2001 Trust	25.08.2008	26.08.2008	U	✓		
QIC MLC Centre Trust	25.08.2008	26.08.2008	U	✓		
QIC Office Property Fund	23.09.2008	26.09.2008	U		✓	
QIC Property Fund	25.09.2008	26.09.2008	U		✓	
QIC Retail (No. 2) Fund	23.09.2008	26.09.2008	U		✓	
QIC Ringwood Trust	25.08.2008	26.08.2008	U	✓		
QIC Robina Trust	14.08.2008	26.08.2008	U	✓		
QIC Shopping Centre Fund	26.08.2008	26.08.2008	U	✓		
QIC Westpoint Trust	25.08.2008	26.08.2008	U	✓		
QMI Solutions Limited	not completed	not completed				
Queensland Manufacturing Institute Trust	not completed	not completed				
QSuper Limited	22.09.2008	23.09.2008	U		✓	
Watergardens Trust	25.08.2008	26.08.2008	U	✓		
By Arrangement – Under Trust Deed						
QIC Active Currency Trust	25.08.2008	26.08.2008	U	✓		
QIC Active Large Companies Fund No. 1	25.08.2008	26.08.2008	U	✓		
QIC Active Small Companies Fund No. 1	25.08.2008	26.08.2008	U	✓		
QIC Australian Equities Fund	25.08.2008	26.08.2008	U	✓		
QIC Australian Fixed Interest Fund	22.09.2008	26.09.2008	U		✓	
QIC Australian Venture Capital Fund	25.08.2008	26.08.2008	U	✓		

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
QIC Cash Enhanced Fund	25.08.2008	26.08.2008	U	✓		
QIC Cash Fund	25.08.2008	26.08.2008	U	✓		
QIC Core Large Companies Fund No. 1	25.08.2008	26.08.2008	U	✓		
QIC Diversified Fixed Interest Fund No. 1	22.09.2008	26.09.2008	U		✓	
QIC Diversified Fixed Interest Fund No. 2	25.08.2008	26.08.2008	U	✓		
QIC GFI Alpha Fund	25.08.2008	26.08.2008	U	✓		
QIC Global Credit Fund	22.09.2008	26.09.2008	U		✓	
QIC Global Credit Opportunities Fund	22.09.2008	26.09.2008	U		✓	
QIC Global Macro Fund	22.09.2008	26.09.2008	U		✓	
QIC Global Strategy Trust No. 1	22.09.2008	26.09.2008	U		✓	
QIC Global Strategy Trust No.2	22.09.2008	26.09.2008	U		✓	
QIC Growth Fund	25.08.2008	26.08.2008	U	✓		
QIC Hedged International Equities Fund	22.09.2008	26.09.2008	U		✓	
QIC High Growth Fund	22.09.2008	26.09.2008	U		✓	
QIC Implemented Australian Equities Fund	25.08.2008	26.08.2008	U	✓		
QIC International Equities Fund	22.09.2008	26.09.2008	U		✓	
QIC International Equities Fund No. 2	25.08.2008	26.08.2008	U	✓		
QIC International Equities Small Companies Fund	25.08.2008	26.08.2008	U	✓		
QIC International Fixed Interest Fund	25.08.2008	26.08.2008	U	✓		
QIC Property Securities Fund	25.08.2008	26.08.2008	U	✓		
QIC Stable Fund	25.08.2008	26.08.2008	U	✓		
QIC Strategy Fund No. 1	22.09.2008	26.09.2008	U		✓	
QIC Strategy Fund No.2	22.09.2008	26.09.2008	U		✓	
QIC Tactical Return Fund	22.09.2008	26.09.2008	U		✓	
Queensland BioCapital Fund No. 1	25.08.2008	26.08.2008	U	✓		
Queensland BioCapital Fund No. 2	25.08.2008	26.08.2008	U	✓		
Queensland Investment Trust No 1	22.09.2008	26.09.2008	U		✓	
Queensland Investment Trust No 2	22.09.2008	26.09.2008	U		✓	
State Public Sector Superannuation Fund (QSuper)	29.08.2008	15.09.2008	U		✓	

^ These entities were granted an extension by the Treasurer for provision of their financial statements to QAO by 15 September 2008.

5.18.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Treasury Department	3,524,052	257,271	20,851,018
Motor Accident Insurance Commission	8,576	43,332	6,845
Nominal Defendant	20,131	131,502	89,273
Queensland Future Growth Corporation	2,231	2,538,771	179,852

5.19 Legislative Assembly

5.19.1 Status of audits

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Entity Name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report issued	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Legislative Assembly and Parliamentary Service	29.08.2008	29.08.2008	U	✓		

5.19.2 Key financial results

Entity	Expenses \$'000	Net assets \$'000	Revenue \$'000
Legislative Assembly and Parliamentary Service	70,113	267,716	69,684

Section 6

Appendices

6.1 Stakeholders' responses

6.1.1 Financial reporting by public sector companies (Section 3.1)

Treasury Department response

The Under Treasurer provided the following response about the issues raised in Section 3.1. CS Energy Limited, QR Limited and ENERGEX Limited have also provided their responses to Treasury Department and the Under Treasurer has provided comments to QAO on the issues raised in respect of these matters consistent with these entities' views.

"3.1.2 Requirement for Public Sector Companies to Prepare Financial Reports

Financial reports for Government Owned Corporations (GOCs) are prepared under the requirements of the Corporations Act 2001 and the Government Owned Corporations Act, 1993 (GOC Act) at both consolidated and parent GOC level. Class order relief is provided for by the Australian Securities and Investments Commission and is used by GOCs to report financial information on a consolidated basis only. This is consistent with private companies within the GOCs' respective industries.

Subsidiaries are utilised for a range of reasons including legal structuring, holding specific assets or interests, or arise from acquisitions. The corporate structure may not reflect the operational structure of the organisation, as key contracts, funding arrangements etc. may be held by the parent instead of the subsidiary. In these circumstances, subsidiary company financial reports would distort the overall financial picture and provide little meaningful information.

The reporting requirements of GOCs should replicate those for similar private sector entities. Accordingly Treasury will review its current policies and guidelines, taking into account legal and accounting requirements, to endeavour to achieve subsidiary reporting equivalent to comparable private sector entities.

In relation to companies controlled by departments, the Accounting Policy Guidelines (APGs) acknowledge that the individual entities that comprise the economic entity also may be separate reporting entities in their own right. The APGs state general purpose financial statements should be prepared for these entities, in addition to the consolidated statements.

The Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies (the Company Guidelines) apply to departments utilising a company structure to conduct part of their activities. The Company Guidelines are currently subject to review. The insertion of a section on appropriate financial reporting of public sector companies will be considered as part of this review.

In summary, Treasury will strive to align the reporting requirements of all companies controlled by Queensland public sector entities, irrespective of the status of their parent entity. However, it should be recognised that exact duplication of reporting requirements may not be appropriate given the diversity of entities involved.

3.1.3 Application of Accounting Standards by Public Sector Companies

AASB 8 Operating Segments

Treasury is preparing a framework for improved publication of information about GOCs, under the proposed Right to Information Act that is to replace the Freedom of Information Act, 1992 (FOI Act) in 2009. Under this framework, (Shareholding Ministers) SHMs will encourage GOCs to release information voluntarily on their websites where they have early adopted or adopted the 2009 accounting standard that 'relaxes' the requirements for segmented information for GOC subsidiaries/operational groups, to provide an equivalent level of information to their private sector counterparts.

It should be noted from QR Limited's annual report that they will make the segment information available on their website. A letter has been sent to QR requesting them to include segment information in future Annual Reports.

AASB 124 Related Party Disclosure - Executive Remuneration

It is acknowledged that a discrepancy currently exists between the reporting of executive remuneration by the departments in accordance with the Financial Reporting Requirements and their subsidiaries. Executive remuneration reporting of public sector companies will be reviewed to align it with the requirements relating to departments and GOCs.

General purpose v special purpose financial report

Treasury policy on reporting requirements of public sector entities will be reviewed to ensure an appropriate level of transparency is achieved.

3.1.4 Tabling of Financial Reports in Parliament

AASB 127 Consolidated and Separate Financial Statements requires, subject to materiality, public sector companies controlled by Queensland Government entities to be consolidated into the relevant entity's financial report. These consolidated financial reports are tabled in Parliament by the controlling department or GOC. In addition, it should be noted that many public sector companies publish their annual reports on their websites or in paper format, which are available to the public.

Where there is a clear net benefit in public reporting by a GOC subsidiary, GOCs will be encouraged to make these reports public. This would be where the GOC subsidiary is operationally self contained, of relevant interest to external parties and would exclude subsidiaries which are internal service providers to the GOC.

Treasury will also review reporting requirements of public sector companies controlled by departments when updating the Company Guidelines to ensure appropriate public accountability exists for these entities.

3.1.5 Appropriate use of Company Structures in Public Sector Environment

All GOCs are incorporated entities under the Corporations Act 2001 and operate as commercial businesses.

GOCs establish subsidiaries for internal operational reasons to support the GOC's business model. Prior to formation of a new company and application to SHMs, GOCs liaise with Treasury to discuss the proposal, seek guidance and provide a clear rationale for the establishment of the subsidiary under section 140 of the GOC Act.

GOCs also adhere to the guidelines "Government Owned Corporation Subsidiaries - Key Shareholder Requirements for Constitutions" and the "Government Owned Corporations Governance Arrangements for Chief and Senior Executives which set out the purpose for which the entity is created, appointing the Auditor-General as the auditor of the company, SHM's approval of senior executive officer appointments, the inclusion of indemnity provisions, and a statement that subsidiary provisions of the GOC Act, Chapter 3, apply.

Therefore, the constitution and governance requirements contained in the "Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies" applicable to departments are already communicated to GOCs through existing guidelines or legislation (GOC Act).

Given the proposed changes to the FOI Act in 2009, Treasury will review the existing guidelines relating to GOC subsidiaries and determine whether changes are needed and one overarching set of guidelines for GOC subsidiaries is warranted.

With respect to public sector companies outside the GOC framework, the legislation proposed to replace the Financial Administration and Audit Act includes a requirement that departments must prepare a business case demonstrating the need for a company structure before the Treasurer can approve the formation of a company.

3.1.6 Strengthening the Accountability of Public Sector Companies

As these issues effectively repeat or expand on matters outlined above, they will be addressed in the reviews or actions proposed to be undertaken.”

CS Energy Limited response

The Chairman, CS Energy Ltd provided the following response:

- *“The decision to utilise the relief offered under CO 98/1418 was taken to enable the completion of the year end audit and financial statements, within the shortened timeframe for Queensland Government reporting, which applied for the 2007/08 financial year.*
- *At all stages of the process, the relevant officers from the QAO were informed of CS Energy’s intention to utilise the relief under CO 98/1418 and, at no stage, were any objections raised. All discussions with the QAO included recognition that, as with prior years, the consolidated accounts would contain a full disclosure of all relevant information required to be disclosed in subsidiary accounts.*
- *CS Energy has fully complied with Queensland Treasury Policy Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments, issued in December 2001, which recognises the existence and use of the relief offered under CO98/1418 by GOCs.*
- *A number of CS Energy’s competitors, which are Australian Stock Exchange (ASX) listed entities and subject to additional disclosure requirements, including compliance with the listing rules of the ASX, as well as the scrutiny of investors and the share market, utilise the relief offered under CO 98/1418. In addition, many, if not most, other large listed corporate groups have, for many years, utilised the relief offered under CO 98/1418.*
- *From a management perspective, CS Energy seeks to optimise the value of its operations on a portfolio basis, which can, and does, result in a distortion of the results of individual legal entities. For example:*
 - *The hedging arrangements and related results for Callide C Power Station (Callide Energy Pty Ltd) and Kogan Creek Power Station (Kogan Creek Power Station Pty Ltd) are undertaken by CS Energy Limited;*
 - *For Mica Creek Power Station (CS Energy Mica Creek Pty Ltd) and Kogan Creek Power Station (Kogan Creek Power Station Pty Ltd), a significant portion of corporate support and related costs are borne by CS Energy Limited; and*
 - *Equity, debt and interest expense are managed on a group basis within CS Energy Limited, and are generally not charged to subsidiary entities.*

Any distortions from these items are eliminated at group level. As such, CS Energy considers that consolidated accounts are the most accurate reflection of the financial position of the CS Energy group.

CS Energy considers that, when viewed on a stand-alone basis, subsidiary accounts may be potentially misinterpreted, thereby diminishing, rather than enhancing, the requisite level of accountability.

- *The CS Energy group owns three power stations in one entity, and three power stations in separate entities. CS Energy does not understand how disclosing the results of three of its power stations separately, through the preparation of subsidiary accounts, whilst the results of the other three power stations are aggregated for inclusion in the accounts of CS Energy Limited, improves public accountability.*

In addition, had the CS Energy group evolved such that all its operations were contained within one entity, the accounts of that single entity would be the same as the current consolidated accounts of the CS Energy group.

It is also of note that many of these subsidiaries are historical, in that they were in existence prior to CS Energy's acquisition of the Kogan Creek power project and have been retained simply because the cost of liquidation is not warranted.

Both of these situations suggest that accountability is not dependent on legal structure, and that accountability is best discharged through the provision of consolidated group financial statements, incorporating disclosure of all relevant information for both the parent and subsidiary entities, as is normal CS Energy practice.

- *It seems that the real issue being addressed in the Auditor-General's Report is about the level of disclosure in regard to CS Energy Limited's wholly and partially owned subsidiaries. CS Energy is more than willing to provide further particulars in regard to these subsidiaries, which we understand should address the concerns being raised by the Auditor-General in his report.*

The following table, in respect of the 2007/08 financial year, has been prepared to address what CS Energy understands may be the level of additional disclosure that may better inform the reader of the CS Energy consolidated accounts, in regard to the nature and extent of its operations in subsidiary companies:

30 June 2008

Subsidiary Name	Purpose Entity	Total Assets (\$'000)	Total Liabilities (\$'000)	Total Revenue (\$'000)	Profit Before Income Tax (\$'000)
Callide Energy Pty Ltd	Owner of 50% of Callide C power station	338,275	333,457	123,014	48,806
Kogan Creek Power Station Pty Ltd	Owner of Kogan Creek power station	1,067,823	1,091,660	133,687	75,728
Kogan Creek Power Pty Ltd	Provides labour for Kogan Creek Power station	6,741	4,289	6,266	-
CS Energy Kogan Creek Pty Ltd	40% ownership of Kogan Creek Power Pty Ltd	72,657	36,336	-	-
CS Kogan (Australia) Pty Ltd	60% ownership of Kogan Creek Power Pty Ltd	487	-	-	-
CS Energy Mica Creek Pty Ltd	Owner of Mica Creek power station	179,575	177,856	101,472	24,971
CS North West Pty Ltd	Provides labour for Mica Creek power station	4,559	3,074	10,082	-
Aberdare Collieries Pty Ltd	Owner of coal mine that supplies Kogan Creek power station	60,116	60,866	15,103	-
Swanbank Energy Pty Ltd	Dormant entity	-	-	-	-
SE CSE Pty Ltd	Dormant entity	-	-	-	-
CS Energy Oxyfuel Pty Ltd	Holds CS Energy's interest in the Callide oxyfuel project	15,400	15,400	-	-

30 June 2007

Subsidiary Name	Purpose Entity	Total Assets (\$'000)	Total Liabilities (\$'000)	Total Revenue (\$'000)	Profit Before Income Tax (\$'000)
Callide Energy Pty Ltd	Owner of 50% of Callide C power station	390,150	387,043	160,187	88,266
Kogan Creek Power Station Pty Ltd	Owner of Kogan Creek power station	1,029,337	1,055,778	-	-
Kogan Creek Power Pty Ltd	Provides labour for Kogan Creek Power station	6,560	4,108	4,065	-
CS Energy Kogan Creek Pty Ltd	40% ownership of Kogan Creek Power Pty Ltd	72,642	36,321	-	-
CS Kogan (Australia) Pty Ltd	60% ownership of Kogan Creek Power Pty Ltd	488	-	-	-
CS Energy Mica Creek Pty Ltd	Owner of Mica Creek power station	184,048	183,204	93,646	24,370
CS North West Pty Ltd	Provides labour for Mica Creek power station	4,700	3,215	9,325	-
Aberdare Collieries Pty Ltd	Owner of coal mine that supplies Kogan Creek power station	31,013	31,763	-	-
Swanbank Energy Pty Ltd	Dormant entity	-	-	-	-
SE CSE Pty Ltd	Dormant entity	-	-	-	-
CS Energy Oxyfuel Pty Ltd	Holds CS Energy's interest in the Callide oxyfuel project	-	-	-	-

It is important to note that CS Energy's subsidiaries are all subject to cross guarantees from the holding company, which means that the operations and responsibilities of these entities is unconditionally guaranteed by the holding company, which again means that the consolidated accounts do fairly and completely reflect the financial position of the CS Energy group."

QR Limited response

The Chairman, QR Limited provided the following response:

"3.1.2 Requirements for public sector companies to prepare financial reports

We agree that QR entered into a deed of cross guarantee with its subsidiaries, which allowed QR to prepare a consolidated financial report... we wish to advise that the consolidated financial report included all of the subsidiaries contained in the QR Group...

QR's decision to enter into a deed of cross guarantee with the subsidiaries was based on simplifying the reporting of Group financial information. This decision was discussed with QAO's Audit Manager involved with the QR engagement.

3.1.3 Application of accounting standards by public sector companies

We refer to the comments made regarding QR's decision to early adopt AASB 8 Segment Reporting. The decision to early adopt the standard was discussed and signed-off by QAO's audit team. While you did advise QR of your concerns around disclosure in respect of government owned corporations generally and advised that you would take the matter up with government, QR was not aware of your specific concern in relation to segment reporting.

... QR will make the segment information available on its website."

ENERGEX Limited response

The Chief Executive Officer provided the following response:

“ENERGEX does not prepare separate accounts for subsidiaries of the QUEST Group as a class order is in place. The class order for QUEST was first executed on 13 March 2003, approved by ASIC on 24 April 2003 and first applied for the financial year ending 30 June 2003. The class order was put in place to provide relief from the requirements of the Corporations Act 2001 to prepare and lodge audited financial statements for large proprietary companies owned by QUEST parent eg. Energy Impact Pty Ltd.

The class order and deed of cross guarantee was sought to improve the efficiency and timeliness of the financial statement preparation process. The decision to seek a class order for all subsidiaries below QUEST was in alignment with existing protocol in place for the Allgas group that ENERGEX owned at that time, was agreed with the then QAO audit manager, and also did not impact the ability of the QAO to undertake a full audit of all transactions undertaken in the subsidiaries covered by the class order.

The QUEST subsidiary with income of approximately \$100m and assets in excess of \$25m is consolidated and disclosed as part of the Financial Statements for both Queensland Energy Services Team Pty Ltd and ENERGEX Limited. These financial statements were audited by the Queensland Audit Office and received no qualification or matter of note in the audit report.

ENERGEX is of the opinion that the current methods of reporting enable efficient and effective production of financial information for users of the financial statements. Any change will potentially have impacts on the costs of producing and auditing the financial statements with arguably minimal benefit to readers of the financial statements.”

Additional audit comment

QAO's acceptance of the reporting arrangements of CS Energy Limited, QR Limited and ENERGEX Limited was on the basis that these arrangements were strictly compliant with legislative requirements as they currently exist. This report identifies that the level of accountability and reporting required under the *Corporations Act 2001* is different from that required by the relevant legislation for other public sector entities. In these circumstances, the issue raised in this report is whether that more limited level of accountability and reporting is adequate for these public sector companies.

6.1.2 Funding of costs arising from ENERGEX Limited's trade sale (Section 3.2)

Treasury Department response

The Under Treasurer provided the following response about this issue:

“As part of the trade sale process, ENERGEX incurred certain costs not related to its ordinary operations. These included one-off transaction costs and some residual costs.

As the sale was undertaken at the request of Government, it was considered appropriate that any adverse impact of the transaction on the operating results of ENERGEX be normalised. Consequently, funding by way of revenue was provided to offset lagged sale costs to make more transparent the normal, day to day operations of the company. While an equity injection is the usual way to provide funds to a GOC, some payments - such as Community Service Obligations - are provided as revenue to offset expenses which would otherwise unfairly skew the results of an entity. In this particular situation, recognising the lagged costs associated with an 'involuntary' sale would skew the operating results and may be construed to indicate the performance of ENERGEX had been impaired.

This accounting transaction was undertaken in accordance with Australian accounting standards in the belief that it was the most appropriate reflection of the substance of the transaction.

It was always the Government's intention that the proceeds of the trade sale be accounted for fully and transparently. To this end, the remittance of the sale proceeds was structured so that this would occur by way of an interim dividend, a share buy-back and a final dividend, which would be a balancing amount to ensure all net proceeds, including any interest earned on the sale proceeds, were accounted for.

After payment of an interim dividend of \$500 million and a share buy-back of \$400 million, ENERGEX declared a final dividend of \$736.2 million, which accounted for the final net proceeds of the trade sale, including interest earned. ENERGEX paid to Government \$611.2 million out of the final dividend after retaining \$125 million to offset residual costs as agreed with Treasury.

However, it was subsequently considered that the retention of the \$125 million could be construed to be a provision of a grant from the Consolidated Fund notwithstanding the fact that it was to offset trade sale related residual costs. Under the Financial Audit and Administration Act 1977 (FA&A Act) grants cannot be made directly to entities other than a department. Therefore ENERGEX has subsequently paid to Government the retained \$125 million and a grant of \$125 million has been provided to ENERGEX via an appropriation to the Department of Mines and Energy.

The \$125 million has been provided to ENERGEX as a grant and not as equity because it is intended to off-set residual costs and not to maintain ENERGEX's existing capital structure. It was agreed in discussions between ENERGEX and Treasury, with advice from the Queensland Treasury Corporation, that the impact of the residual costs was on ENERGEX's operating statement and not on its balance sheet and there was sufficient basis for ENERGEX being compensated for these costs. It was also agreed that the question of ENERGEX's balance sheet and equity requirements was a separate issue which would be addressed subject to the outcome of a capital structure review."

ENERGEX Limited response

The Chief Executive Officer provided the following response:

"ENERGEX has considered the above response from Treasury Department and concurs with their understanding of the process and circumstances around this transaction."

6.1.3 Key issues from local government amalgamation process (Section 3.3)

Department of Local Government, Sport and Recreation response

The Acting Director-General, Department of Local Government, Sport and Recreation provided the following response:

"The recent amalgamation process, as part of the reform of local government, was needed to align local government areas with population growth and economic development, to improve planning and to deliver more efficient and sustainable councils better able to meet the expectations of changing communities.

In addition, the Department of Local Government, Sport and Recreation has embarked on a program of legislative reform so that councils have solid, easily understood and simplified legislation to provide them with an appropriate legal framework to guide their role. This legislative reform program will be completed early next year. The new Bill sets clear expectations and high standards about transparent decision-making, inclusive community consultation practices and local government performance. The new Bill does not contain any provision for the extension of time for any financial matters, including the presentation of financial statements.

In the near future, the Department will commence the implementation of a performance evaluation and reporting process for all councils in Queensland. This process is a further step in the reform of local government and includes the implementation of the National Frameworks for Sustainability, a national initiative to improve the ongoing sustain ability of local governments throughout Australia.

A Reference Group has been established to support the design and implementation process. It is pleasing to note that two officers of the Queensland Audit Office (QAO) are observers to the Reference Group process. The Reference Group consists of council chief executive officers, the Local Government Association of Queensland and Local Government Managers Australia.

This new performance evaluation and reporting process will emphasise the sustainability of councils. A new range of reporting requirements will concentrate on asset management and long term planning by councils. Local governments across Queensland will need to improve current standards of asset planning and forecasting to meet the new requirements.

The implementation of the performance evaluation and reporting process in 2008/2009 will increase the accountability and transparency of local government and lead to more sustainable councils with better planning and development of infrastructure.

The Department will actively promote improved asset management policies and practices and will evaluate the progress councils make in developing asset management plans for infrastructure assets. The Department will provide good practice guides to councils to support this process. The Department has also developed an asset management policy for Queensland local governments as part of this process.

A new range of reporting requirements will concentrate on asset management and long term planning by councils. The Department's evaluation of the sustainability of councils will emphasise the necessary linkages between the processes of community engagement, community planning, corporate planning, asset management planning, long term financial planning and budgeting. The Department will evaluate the extent to which this integrated planning process is in place within councils.

The Department will support councils in this process through an active program of capacity building that involves engagement, consultation and training. The Department has recognised the importance of improving its skills and capabilities in the areas of local government financial management and asset management and is taking steps to provide training and other development opportunities to its officers.

Indigenous Councils will also be supported through capacity building, particularly through the introduction of the new Skills Bank initiative during 2008. The Skills Bank, a partnership between government, councils and other stakeholders, will build the human capacity of Indigenous councils through the supply of more highly skilled staff. The Skills Bank will have the capacity to fill key council positions, as well as being able to undertake key projects that will develop a council's systems and capability.

As you identified, many councils experienced a loss of corporate knowledge and disruption with staff leaving during the amalgamation process, and this contributed to a decline in the standard and timeliness of the financial statements of some abolished local governments. The Department appreciates that timely reporting is fundamental to sound financial management. The Department has contacted all councils which failed to submit the financial statements for former councils for audit by 30 June and urged them to present their statements for audit as matter of priority. The Department will continue to work with the relevant councils to expedite the finalisation of these financial statements.

I anticipate that as the new regional councils become settled they will be in a stronger position to attract and retain suitably qualified financial management staff, implement and maintain more robust financial management systems and place less reliance on the use of consultants.

In the meantime the Department will continue to monitor local governments in terms of both financial sustainability and audit results and provide capacity building assistance or intervention where necessary. Recent examples of such assistance include:

- the provision of a business advisor to Cassowary Coast Regional Council;*
- the appointment of financial controllers to Napranum, Mapoon, Pormpuraaw, Doomadgee and Lockhart River Aboriginal Shire Councils; and*

- *substantial funding to assist the newly formed Torres Strait Island and Northern Peninsula Area Regional Councils to establish new systems and to amalgamate existing systems. This includes the installation and implementation of new, integrated corporate information systems including the Practical Computers Finance Systems; employment of human resource professionals to manage the transition of staff and to establish new systems and policies; and funding to support the employment of a finance manager to oversee the consolidation of existing Island Councils' finance into a new system. Further funding support is available until 30 June 2009 to support Councils in engaging additional resources to establish internal control systems, policies and procedures.*

Financial Controllers provide financial management advice and perform statutory and administrative functions and the Department will continue to appoint them to local governments, including non-indigenous local governments, when appropriate.

In relation to the probity and propriety issues that you raised, it is pleasing to note that there is no evidence of significant non-compliance with the prohibition on major policy decisions in the period leading up to the amalgamations.

The Minister for Main Roads and Local Government, the Honourable Warren Pitt MP's position on 'closure parties' was that they should be "modest functions, preferably one involving the local community in some way." As your report indicates, most councils did have community-based events, however it is disappointing to note that some were more extravagant."

6.1.4 ENERGEX Limited – bank reconciliation issues (Section 4.2)

ENERGEX Limited response

The following response to this issue was provided by ENERGEX Limited's Chief Executive Officer:

"During 2007-08, ENERGEX experienced an extraordinary period of change creating issues with reconciling the bank accounts. These issues had been escalated to the accountable Group Manager and were being addressed as part of the normal business operations. As it became clear that the bank reconciliation was becoming more complex to undertake, Executive Management were informed and considerable attention given to resolving the issue.

Significant resources were dedicated to addressing this issue and as a result ENERGEX was able to reduce the unexplained variances to an acceptably low level at reporting date.

The Retail bank account has since been closed and a number of actions have been undertaken by management to address weaknesses identified including implementation of a process which requires the CFO to review all monthly reconciliations and the status of all reconciliations is to be reported to the Audit and Compliance Committee.

Throughout the review of this issue by QAO, internal audit and the project team, there was no evidence of fraud or misappropriation of funds. Finally, as a result the actions taken by ENERGEX to resolving this issue, an unqualified audit opinion was received on the 2007-08 financial statements."

6.2 Types of auditor's opinions

As the independent external auditor for Queensland's Parliament, the Auditor-General issues independent auditor's reports on the financial reports of all public sector entities. The independent auditor's report provides the people of Queensland, through the Parliament, with assurance as to the veracity of the financial reporting of public sector entities including compliance with prescribed requirements. One of the following auditor's opinion types may be expressed when issuing independent auditor's reports in respect of the financial report of an entity. The types of auditor's opinion issued are in accordance with Australian Auditing Standard (ASA) ASA 700 *The Auditor's Report on a General Purpose Financial Report* and ASA 701 *Modifications to the Auditor's Report*.

Unmodified auditor's opinion

An unmodified auditor's opinion is an auditor's opinion which has been issued without qualification and has not been modified by the inclusion of an emphasis of matter paragraph (see below). An unqualified auditor's opinion is issued on financial reports where:

- all of the information and explanations required have been received
- the financial report gives a true and fair view or is presented fairly in accordance with the requirements of the applicable financial reporting framework, and
- in the Auditor-General's opinion, the prescribed requirements of applicable legislation have been complied with in all material respects in relation to the establishment and keeping of accounts.

Modified auditor's opinion

A modified auditor's opinion may be expressed either to highlight a matter affecting the financial report or where the auditor is unable to express an unqualified auditor's opinion on the financial report. A modified auditor's opinion is only issued after an auditor has, in a timely fashion, exhausted all reasonable steps to be able to express an unmodified opinion. There are four types of modified auditor's opinions:

- **Emphasis of matter** is included when the Auditor-General wishes to highlight disclosures made in the notes to the financial statements that more extensively discuss a particular matter impacting on the financial report. An emphasis of matter can accompany either an unqualified opinion, qualified opinion, disclaimer of opinion or adverse opinion. An emphasis of matter paragraph is expressly stated to be made "without qualification" to the auditor's opinion.

The most common example of emphasis of matter paragraphs arise where the Auditor-General identifies the existence of significant uncertainty in relation to either an entity's ability to continue as a going concern or judgements used by management in the calculation of complex accounting estimates (e.g. asset fair values or liabilities provided for). In determining whether an emphasis of matter paragraph will be sufficient without qualification of the auditor's opinion, the Auditor-General takes into account the degree of objective data to support the reasonableness of the accounting estimate and the extent and appropriateness of the disclosures included in the financial report.

- **Qualified opinion** is expressed when the Auditor-General concludes that, except for the effect of a disagreement with those charged with governance, a conflict between applicable financial reporting frameworks or a limitation on scope that is considered material to an element of the financial report, the remainder of the financial report can be relied upon.
- **Adverse opinion** is expressed when the effect of a disagreement between the Auditor-General and the management of an entity or there is a conflict between applicable financial reporting frameworks is so material and pervasive that the Auditor-General concludes that the financial report taken as a whole is misleading or of little use to the addressee of the audit report.
- **Disclaimer of opinion** is expressed when a limitation on the scope of the audit exists that is so material and pervasive that the Auditor-General is unable to express an opinion on the financial report.

6.3 Statutory bodies with approved transitional arrangements

The following 119 entities that prepare financial statements on a 30 June year-end basis were required to provide their audit-ready financial statements to the Auditor-General by 15 September 2008.

Entity Name
<i>Attorney-General and Justice</i>
Legal Practitioners Admissions Board
Professional Standards Council
Queensland Law Society Incorporated
Supreme Court Library Committee
<i>Deputy Premier and Infrastructure and Planning</i>
Gladstone Economic and Industry Development Board
<i>Education and Training and the Arts</i>
Non-State Schools Accreditation Board
<i>Health</i>
Bundaberg Health Services Foundation
Chiropractors Board of Queensland
Dental Board of Queensland
Dental Technicians and Dental Prosthetists Board of Queensland
Far North Queensland Hospital Foundation
Gold Coast Hospital Foundation
Ipswich Hospital Foundation
Medical Radiation Technologists Board of Queensland
Occupational Therapists Board of Queensland
Office of Health Practitioner Registration Board
Office of the Medical Board of Queensland
Optometrists Board of Queensland
Osteopaths Board of Queensland
Pharmacists Board of Queensland
Physiotherapists Board of Queensland
Podiatrists Board of Queensland
Prince Charles Hospital Foundation Trust
Princess Alexandra Hospital Foundation
Psychologists Board of Queensland
Queensland Nursing Council
Redcliffe Hospital Foundation
Royal Brisbane and Women's Hospital Research Foundation
Speech Pathologists Board of Queensland
Sunshine Coast Health Foundation

Entity Name
The Prince Charles Hospital Foundation
The Royal Children's Hospital Foundation
Toowoomba Hospital Foundation
Townsville Hospital Foundation
<i>Mines and Energy</i>
Energy Ombudsman
<i>Natural Resources and Water</i>
Avondale Water Board
Babinda Swamp Drainage Board
Benleith Water Board
Bollon South Water Authority
Bollon West Water Authority
Bones Knob Water Board
Boonah Shire River Improvement Trust
Boondooma Water Board
Brigooda Water Board
Burdekin Shire Rivers Improvement Trust
Cairns River Improvement Trust
Callandoon Water Supply Board
Cardwell Shire River Improvement Trust
Clifton Shire River Improvement Trust
Condamine Plains Water Board
Coreen Water Board
Cowley Drainage Board
Crowley Vale Water Board
Don River Improvement Trust
Douglas Shire River Improvement Trust
Dundowran-Nikenbah Water Board
East Deeral Drainage Board
East Euramo Drainage Board
Eugun Bore Water Authority
Fernlee Water Authority
Glamorgan Vale Water Board
Grevillea Water Board
Herbert River Improvement Trust
Ingie Water Authority
Ipswich Rivers Improvement Trust
Johnstone Shire River Improvement Trust

Entity Name
Jondaryan Shire River Improvement Trust
Juandah Water Board
Kaywana Bore Water Board
Kelsey Creek Water Board
Kooingal Water Board
Lower Herbert Water Management Authority
Marathon Bore Water Supply Board
Matthews Road Drainage Board
Merlwood Water Board
Middle Park Bore Water Supply Board
Mourilyan Drainage Board
Mulgildie Water Board
Myall Plains Water Authority
North Burdekin Water Board
Oaky Creek Water Board
Orchard Creek Drainage Board
Palmgrove Water Board
Pioneer River Improvement Trust
Pioneer Valley Water Board
Riversdale-Murray Valley Water Management Board
Roadvale Water Board
Silkwood Drainage Board
Six Mile Creek Water Supply Board
Smithfield Drainage Board
South Burdekin Water Board
South Maroochy Drainage Board
Stagnant Creek Drainage Board
Stanthorpe Shire River Improvement Trust
Surveyors Board of Queensland
Taberna Bore Water Board
Valuers Registration Board of Queensland
Wambo Shire River Improvement Trust
Wanda Creek Drainage Board
Warrubullen Drainage Board
Warwick Shire River Improvement Trust
Washpool Water Board
Whitsunday Rivers Improvement Trust
Woodmillar Water Board

Entity Name
Yambocully Water Board
Premier
Queensland Competition Authority
Primary Industries and Fisheries
Chicken Meat Industry Committee
Darling Downs – Moreton Rabbit Board
Safe Food Production Queensland
Public Works, Housing and Information and Communication Technology
Board of Architects of Queensland
Board of Professional Engineers of Queensland
Sustainability, Climate Change and Innovation
Currumbin Bird Sanctuary
National Trust of Queensland
The Board of Trustees of Newstead House
Transport, Trade, Employment and Industrial Relations
Anzac Day Trust
Building and Construction Industry (Portable Long Service Leave) Board
Contract Cleaning Industry (Portable Long Service Leave) Authority Board
Treasurer
Greyhound Racing Authority
Queensland Harness Racing Board

Section 7

Publications

7.1 Publications

Publication	Date released
Annual Report 2008	23 October 2008
INFORM	
Issue 5 for 2008	October 2008
Issue 4 for 2008	August 2008
Issue 3 for 2008	June 2008
Issue 2 for 2008	April 2008
Issue 1 for 2008	February 2008
Guidelines	
Better Practice Guide — Risk Management	October 2007
Checklist for Organisational Change — Managing MOG Changes	September 2006
Checklist — Preparation of Financial Statements	August 2006
Better Practice Guide — Output Performance Measurement and Reporting	February 2006
Better Practice Guide — Strategies for earlier financial statement preparation	December 2005
Other	
Auditor-General of Queensland Auditing Standards	April 2007
Performance Management Systems Audits — An Overview	December 2006

7.2 Auditor-General's Reports to Parliament 2008

Report No.	Subject	Date tabled in the Legislative Assembly
1	Auditor-General's Report No. 1 for 2008 Enhancing Accountability through Annual Reporting A Performance Management Systems Audit	17 April 2008
2	Auditor-General's Report No. 2 for 2008 Results of 2006-07 Audits of Local Governments, including Aboriginal Shire and Torres Strait Island Councils	1 May 2008
3	Auditor-General's Report No. 3 for 2008 Management of Rural Fire Services in Queensland A Performance Management Systems Audit	15 May 2008
4	Auditor-General's Report No. 4 for 2008 Results of Audits as at 31 May 2008	8 July 2008
5	Auditor-General's Report No. 5 for 2008 Protecting Queensland's primary industries and environment from pests and disease A Performance Management Systems Audit	26 August 2008

Report No.	Subject	Date tabled in the Legislative Assembly
6	Auditor-General's Report No. 6 for 2008 Follow-up audit of Workforce Planning at Departments of Education, Training and the Arts and Health, incorporating their responses to an ageing workforce A Performance Management Systems Audit	7 October 2008
7	Auditor-General's Report No. 7 for 2008 Administration of Grants and Funding to Community Organisations by Local Government in Queensland A Performance Management Systems Audit	28 October 2008
8	Auditor-General's Report No. 8 for 2008 Follow-up of Selected Audits Tabled in 2006 A Performance Management Systems Audit	November 2008
9	Auditor-General's Report No. 9 for 2008 Results of Audits as at 31 October 2008	November 2008

Queensland Audit Office publications are available at www.qao.qld.gov.au or by phone on (07) 3405 1100