



Transparency report

2019–20



As the independent auditor of the Queensland public sector, including local governments, the Queensland Audit Office:

- provides professional audit services, which include our audit opinions on the accuracy and reliability of the financial statements of public sector entities
- provides entities with insights on their financial performance, risk, and internal controls; and on the efficiency, effectiveness, and economy of public service delivery
- produces reports to parliament on the results of our audit work, and on our insights, advice, and recommendations for improvement
- conducts investigations into claims of financial waste and mismanagement raised by elected members, state and local government employees, and the public
- shares wider learnings and best practice from our work with state and local government entities, our professional networks, industry, and peers.

We conduct all our audits and reports to parliament under the *Auditor-General Act 2009* (the Act). Our work complies with the *Auditor-General Auditing Standards* and the Australian standards relevant to assurance engagements.

- Financial audit reports summarise the results of our audits of over 400 state and local government entities.
- Performance audit reports cover our evaluation of some, or all, of the entities' efficiency, effectiveness, and economy in providing public services. Depending on the level of assurance we can provide, these reports may also take the form of:
 - Audit insights, which provide some evaluation and share our insights or learnings from our audit work across government
 - Audit briefs, which set out key facts, involve some evaluation, and may include findings and recommendations
 - Audit overviews, which help clients and stakeholders understand complex issues and subjects.

Learn more about our publications on our [website](#).



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ISSN 1834-1128

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Auditor-General's foreword

The Queensland Audit Office (QAO) is not required to prepare a transparency report but we do so voluntarily to provide you with some insight into the way QAO audits, and the internal practices and processes we apply to demonstrate our commitment to audit quality.

This Transparency report covers the financial year ended 30 June 2020 and its content is guided by the *Corporations Act 2001* and regulations. The report explains the culture, governance, independence and quality frameworks that support our quality control systems; our quality review practices and results; and how we seek to continuously improve our audit and assurance practices.

Our focus at QAO is on delivering quality audits with insightful impacts that meet the expectations and regulatory requirements of our clients. Our values and culture align to this because we know that effective audits are dependent on demonstrating them. As an organisation, we continue to identify, and be responsive to, new and revised regulations, standards and expectations.

2020 has been a year of enormous challenge and uncertainty for our clients and our operations. Physical distancing meant that our traditional methods of audit execution required a rethink. We could no longer interact and observe client operations in their own environments. Auditing with these restrictions—and in an uncertain environment—increases our audit risk, but I believe we responded quickly and appropriately. I am proud of the way our people responded to the unique challenges.

In response to COVID-19, we enacted our business continuity plan with speed and agility. Our digital and technology capability reflects the culmination of initiatives over the past few years, including:

- a cloud-first technology environment, with multi-factor authentication and robust virtual private network (VPN). By migrating or decommissioning on-premise and legacy systems, QAO was able to provide a near-seamless remote-working experience for all staff
- our activity-based working model, which allowed all staff to be flexible, observe better physical hygiene practices, and ease physical transition back to the office
- a highly mobile and more tech-savvy workforce, where people understand and appreciate the importance of cyber security and awareness.

Our technology allowed us to communicate effectively throughout the COVID-19 closure. I provided regular leadership updates and reinforced the importance of using our technology to keep in constant contact with our audit teams and clients. This was not only to ensure we continued to progress our audits, but to also ensure we considered our people's wellbeing and made support available when needed.

Working remotely enabled us to deliver on our commitments to our clients but has raised audit risks. We worked hard to ensure our staff assessed internal controls and management judgements with a different lens and upheld their professional scepticism. To help address these emerging audit risks, we have provided our clients with guidance for financial reporting areas that may be impacted by COVID-19, including cash flow management and going concern; recoverability of receivables; valuation of property, plant and equipment; fair value; rent concessions; and increased disclosures.

In late 2019, we adopted a new operating model—Think and Act OneQAO. We changed how we think about our work. At the heart of Think and Act OneQAO is a fully integrated business. We are pivoting from 'service lines' to organising ourselves around serving our client groups: parliament, entities and internal.



The three key themes of Think and Act OneQAO are:

- building capability.
- relationships.
- being valued.

We will still remain independent and objective in all we do, but want to think about the audit experience from our clients' perspective first. We want them to have a seamless QAO service, and ensure our service meets their needs. For this to happen, we must provide consistent, efficient, and professional services. Why? Because our vision is **better public services**.

While parliament can improve legislation and frameworks, performance and process improvements must come from the clients themselves. We made over 1,000 recommendations around service improvement in 2019–20 across our various mandates. However, to truly effect change, we need to build our clients' trust and understanding. We all need to shape, share and support QAO's recommendations so clients are more likely to implement them. Collaborating regularly with our clients is an important part of this process, and we have timely and meaningful conversations with those charged with governance.

Our people are supported by well-designed public-sector methodologies and technology. Our methods require us to gain a deep understanding of client operations while applying an objective and sceptical mindset. Investment in our new audit toolset, QUEST, provides comfort that our methodology will be applied consistently, but also increases opportunities to innovate and deliver more efficient audits.

We have invested in our analytics capability, enabling a more effective approach where we target our audit focus on areas of risk. Our analytics capability had a key part to play during COVID-19. We expanded our data supply to facilitate remote auditing and minimise the impact of auditors not being able to attend audit sites in person.

The audit profession and regulators regularly discuss the future of audit. Digital disruption and real-time information present challenges to our traditional audit methods. We are aware the way we deliver audits will evolve. QAO is well placed to transform.

Statement on effectiveness of system of quality control

The audits we deliver are supported by an effective internal quality control system.

This report describes the quality control framework and controls that enable my staff to perform audits in accordance with *Auditor-General Auditing Standards*. These standards require the adoption of standards issued by the Australian Auditing and Assurance Standards Board (AUASB) to the extent they are consistent with the requirements of the *Auditor-General Act 2009*.

The results of our quality control practice and internal quality assurance program provides me with a reasonable basis to conclude that QAO's system of quality control described in this Transparency report is functioning effectively.



Brendan Worrall
Auditor-General

January 2021



About the Queensland Audit Office

Our audit services

The Queensland Audit Office (QAO) is one of the largest audit practices in Queensland. Each year, we audit the state's departments, statutory bodies and authorities, government owned corporations, universities and local governments, and their controlled entities.

QAO provides integrated audit and engagement services and we share our insights seamlessly as one organisation. Our financial audit engagements deliver our audit opinions on the accuracy and reliability of entities' financial statements. Our performance audit engagements examine government programs to consider if public money is being used well and that government is meeting taxpayers' expectations around service delivery.

Throughout our 2019–20 financial audit program, we formed 397 audit opinions about the reliability of financial statements of state and local government entities. Our audit service providers delivered 173 of these opinions—44 per cent. The costs of our financial audits are recovered from audit fees. Audit fee revenue totalled \$36.965 million in 2019–20.

Our audits are not just a compliance activity—we make recommendations that promote improvements in internal controls and accountability.

Annually, we will table about 20 reports to parliament. Some of these are on the combined results of individual financial audits, and others contain the findings, conclusions, and recommendations from our performance audits. Performance audits evaluate the efficiency, effectiveness, or economy of a wide range of government programs and activities. The topics for these audits are developed by assessing whole -of-government risks, in consultation with parliament, the executive government and the broader Queensland community.

In 2019–20 we tabled 16 reports to parliament. Our number of tabled reports was less than last year's total of 21 as we paused some of our work during COVID-19 to prevent placing pressure on impacted entities and to ensure we focused our efforts where we can provide the greatest value. The cost of our performance audits and all reports to parliament is funded through parliamentary appropriations—totalling \$4.8 million in 2019–20.

Our greatest asset will always be our people. Their skills and commitment are vital to our ability to deliver our vision of better public services. Our workforce comprises 190 full-time equivalents, who are a mix of auditors, specialists, and support team members. Around 40 per cent of our work is delivered in partnership with audit service providers and we value this extension of our workforce.

Our mandate

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

It also requires us to table in parliament the standards by which we perform our audits—the *Auditor-General Auditing Standards 2019*. These standards require the adoption of standards issued by the Australian Auditing and Assurance Standards Board to the extent they are consistent with the requirements of the Act.



Our commitment to audit quality

Audit quality is a serious matter, and we undertake a range of activities each year to improve and manage our effectiveness. QAO supports the Australian Securities and Investments Commission (ASIC) view of audit quality and we promote to our people that they must:

- achieve the fundamental objective of obtaining reasonable assurance
 - that the financial report as a whole is free from material misstatement, or
 - when we report on performance of an activity against identified criteria
- ensure material deficiencies detected are addressed with those charged with governance or communicated through the audit report.

A high-quality audit will comply with the *Auditor-Generals Auditing Standards* and will be delivered by truly independent and ethical auditors. All our people use their skills and experience to develop a deep understanding of the state and local government public sectors. Throughout the audit process our people will exercise professional scepticism and they will exercise their judgement in a timely manner to resolve audit issues.

Around 40 per cent of our financial audits are conducted through contract arrangements with audit service providers. Our quality expectations extend to our audit service providers.

In 2019–20 our people delivered 196,000 hours of audit work and we invested a total of 2,545 hours in performing quality assurance reviews and reporting over the following activities:

- quality assurance on closed and open audit files prepared by QAO engagement leaders and our audit service provider engagement partners
- developing new or amending existing quality assurance programs, policies and procedures
- developing and delivering technical training arising from quality assurance insights
- methodology updates.

In achieving audit quality, QAO seeks to improve public sector accountability. Our commitment to audit quality is delivered through our culture, our values, our people, and our structures, systems, and methods by supporting each other. We take a constructive and collaborative approach to how we engage with our clients. We know that developing a culture that values quality will result in the right behaviours.

We recognise that audit quality is the responsibility of all QAO auditors, and we acknowledge the leadership and guidance provided to us by independent members of our Audit and Risk Management Committee and Audit Quality Sub-committee.

Our well-established governance mechanisms oversee and lead our audit quality practice and culture. In 2019, we established an Audit Quality Sub-committee that reports to QAO's Audit and Risk Management Committee. This sub-committee is led by independent, experienced audit professionals who are not only monitoring our audit quality journey, but also helping us develop contemporary, efficient, and more effective responses to audit quality.

Our system of quality control is built on the *Auditor-General Auditing Standards* and Auditing and Assurance Standards Board—ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*.

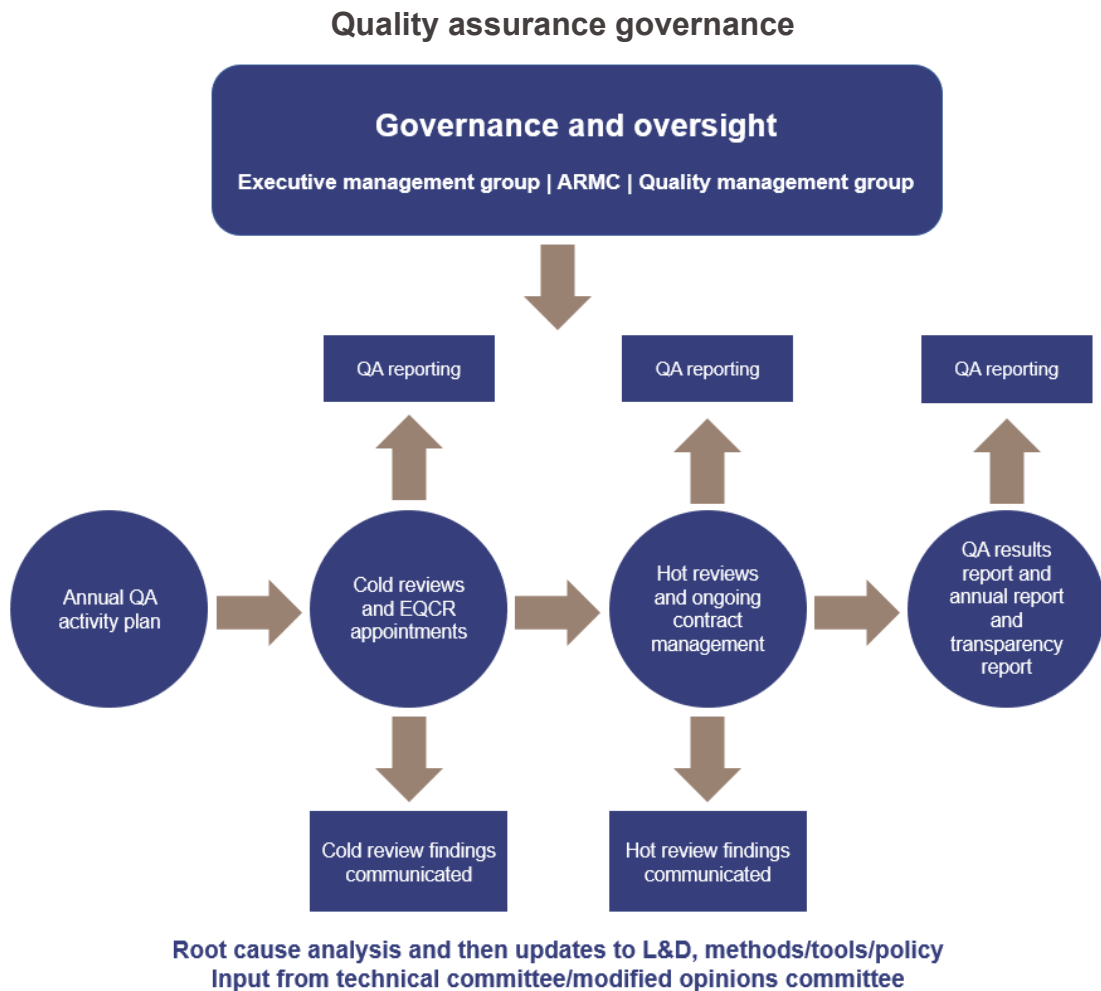
Each year, we develop comprehensive plans that cover all aspects of quality for our assurance services.

We sought independent advice on refining the program we use to conduct our closed audit file reviews. The refinements mean we are now more closely aligned to the ASIC audit inspection approach for listed entities, while still encompassing the key requirements of professional accounting and auditing bodies, and the Australasian Council of Auditors-General (ACAG).



1. Quality governance

Leadership responsibilities for quality within QAO



Note: ARMC—Audit and Risk Management Committee; QA—quality assurance; EQCR—engagement quality control reviewer; RCA—root cause analysis; L&D—learning and development.

QAO’s quality assurance framework applies the principles of ASQC1, ASA 220 and APES 320. Consistent with these standards, QAO has policies and procedures that promote an internal culture that recognises that quality is fundamental to our purpose, and we constantly monitor and evaluate it.

The *Auditor-General Act 2009* prescribes that the Auditor-General has responsibility for all audit work undertaken. The Executive Management Group (EMG), comprising the Auditor-General and assistant auditors-general (AAGs), assumes operational responsibility for QAO’s system of quality control.

Strong leadership and management are critical to audit quality. The EMG sets the ‘tone at the top’ and communicates our commitment to quality. It provides leadership to promote an internal culture of integrity, independence and professionalism, recognising that quality is essential in performing engagements and issuing appropriate reports.



QAO's commitment to quality audit practice is promoted in key corporate documents: QAO's strategic plan, business plan, divisional plans, quality assurance framework and internal policies and procedures.

Enhancements of the quality assurance framework are the responsibility of the EMG. The Assistant Auditor-General—Audit Practice is responsible for implementing enhancements to QAO's quality control framework as well as monitoring against policies and procedures.

Internal audit file quality is managed by the AAGs and senior directors/directors, who act as engagement leaders. QAO staff are appointed to the roles of AAG and senior director/director based on their audit experience and demonstrated audit ability. Senior directors/directors are the engagement leaders on all audits and are required to demonstrate understanding of QAO policies and procedures and appropriate quality control. Evaluation of the competencies of AAGs and senior directors/directors is assessed regularly in line with a performance management framework.

Engagement quality control reviewers (EQCRs) are appointed to all high risk or complex audits. AAGs act as the EQCR and they ensure that audit quality is demonstrated while the audit is occurring and before opinions are issued. They also take the opportunity to coach and mentor the audit team to develop their assessments of key audit matters and other areas of significant judgement. EQCRs are appointed on all performance audits.

The EQCR review must be complete before the independent audit report is issued. The extent of EQCR review will depend on the risk and complexity of the audit engagement. For financial audits, the review will assess the appropriateness of the audit response to significant risks, areas of judgement, financial statements and disclosures, the audit opinion and all communications with those charged with governance.

Our audit service providers have established quality frameworks that ensure they comply with professional requirements and QAO quality expectations. QAO regularly reviews the application of their frameworks. Professional bodies and regulators also assess their quality frameworks and audit files.

Other governance bodies

Several dedicated committees have risk and quality responsibilities to oversee and influence our quality outcomes.

The **Audit and Risk Management Committee** (ARMC) is an independent advisory committee to the Auditor-General, comprised of three external members, two of whom have extensive audit experience in major audit practices. The ARMC provides effective oversight of risk, control and compliance frameworks, and fiscal responsibilities underpinning our corporate governance. This year it met four times.

In 2019, a **Quality Assurance Sub-committee** of the ARMC was established to provide external advice, guidance and challenge regarding QAO's audit quality activities. The sub-committee has three external members, all of whom have extensive experience in audit and audit quality practices. QAO provides the sub-committee with all information about the application of our audit quality framework and the processes that underpin it. The sub-committee gives objective feedback and advice on how we can continue to improve the quality of our audits.

We value the input from these committees. However, we recognise that improvements to quality must start from within. A **Quality Management Group** was established in November 2020 to improve internal oversight of quality management systems. This group is chaired by the Assistant Auditor-General—Parliamentary Services and two other AAGs are in attendance. Quarterly meetings will be held to oversee the completion of the quality assurance plan, to consider and moderate quality findings, and to determine appropriate action plans.

We strive to maintain a strong consultative culture wherein our auditors consult frequently and early with peers, subject matter experts and technical specialists from across QAO.



For financial audit issues considered to be difficult or contentious, an accounting issues resolution paper is prepared and referred to our **Technical Issues Committee**. The Technical Issues Committee includes members of the Executive Management Group and the Director—Technical. Once the conclusion is reached, the accounting issues resolution paper will be approved by the Assistant Auditor-General—Audit Practice and documented in the respective toolset. Any accounting or auditing issues that are material at a whole-of-government level are escalated to the Auditor-General.

The Director—Technical also assesses prior period errors and undertakes root cause analysis. The findings from this are considered in the quality program and incorporated into our technical training programs.

Proposed audit qualifications, key audit matters and prior period errors are reviewed by the **Qualified Opinions Panel**. This committee consists of the Assistant Auditors-General and the Director—Technical. Qualifications raised on significant public sector entities are escalated to the Auditor-General.

A **CaseWare Implementation Working Group** was established to monitor the co-development and implementation of our new public sector audit toolset. A staged implementation approach has been adopted. The terms of reference for this group include a focus on audit consistency, efficiency and quality.

QAO collaborates with audit offices in other national and international jurisdictions. We collaborate to respond to proposed standards changes, benchmark our performance, and share expertise. This year, liaison between the offices was particularly valuable during COVID-19. We each shared how we are responding to new risks, supporting our clients, and where we will focus our audit programs going forward.

The **Australasian Council of Auditors-General (ACAG)** is an association that shares information and intelligence between auditors-general from Australia and some Asia Pacific audit offices. An executive committee guides and monitors ACAG's engagement and achievement of objectives. The committee consists of three auditors-general and its membership rotates, with appointments determined on seniority. The convenor chairs the executive committee, acting as the designated ACAG spokesperson and representative. Queensland Auditor-General, Brendan Worrall, will assume the role of convenor for 2020–21. Brendan Worrall is also the current chair of the ACAG sub-committee for audit analytics.

QAO is also a member of PASAI—the **Pacific Association of Supreme Audit Institutions**. PASAI is one of the regional working groups belonging to the International Organisation of Supreme Audit Institutions (INTOSAI). PASAI promotes transparent, accountable, effective, and efficient use of public sector resources in the Pacific. It contributes to that goal by helping its members improve the quality of public sector auditing in the Pacific to uniformly high standards.

Quality risk management

QAO acknowledges the importance of quality risk management and records it as a strategic risk. The office promotes a culture of risk awareness and consultation.

Audit quality risk is a component of our operational risk register. Risk events, consequences and appetite are defined. Controls or treatments in place to prevent occurrence and/or minimise consequences are identified. Effectiveness of controls is assessed and a residual risk rating after controls is calculated. Additional treatments required to strengthen existing controls are included where required. The quality risk register is reviewed by the EMG each month.



One of the key controls to reduce audit quality risk is promoting a culture that learns from our quality findings. The common themes from our quality assurance reviews are summarised and discussed with our audit teams and audit service providers. Our methodologies, toolsets and training materials are updated annually after considering these themes and any further root cause analysis.

Experienced staff, who are independent of involvement in the engagement, perform the quality assurance reviews.

Audit quality is recognised and built into performance measures against which staff are monitored. All audit staff are evaluated annually for demonstrating a strong commitment to audit quality and risk management, excellence in client service, development of junior staff and contribution to broader audit quality initiatives.

Risks emerging from COVID-19

The COVID-19 pandemic resulted in new challenges to our audits. Physical distancing meant that our traditional methods of audit execution required a rethink. We could no longer interact and observe client operations in their own environments. We worked hard to ensure our staff assessed internal controls and management judgements with a different lens and upheld their professional scepticism.

Auditing with these restrictions and in an uncertain environment increases our audit risk and required us to consider how this might impact the quality of audits. Our risk response was to:

- increase our communication and collaboration with our clients to better understand the challenges to their financial and operating environments
- highlight to our clients the importance of strong control environments during periods of uncertainty and changes in physical workplaces
- reassess our audit risks and the procedures to respond to them
- where necessary, renegotiate audit deliverables and timeframes to allow our clients the time to prepare for remote audits
- provide our auditors with relevant guidance material that highlighted COVID-19 risks and issues and what good audit responses looked like, including cash flow management and going concern; recoverability of receivables; valuation of property, plant and equipment; fair value; rent concessions; and increased disclosures
- increase consultation with our technical specialists
- provide guidance and support to our audit service providers to help them understand the unique public sector risks.

Our audit risks were somewhat mitigated because for most clients we had conducted on-site planning visits prior to COVID-19 lockdowns.

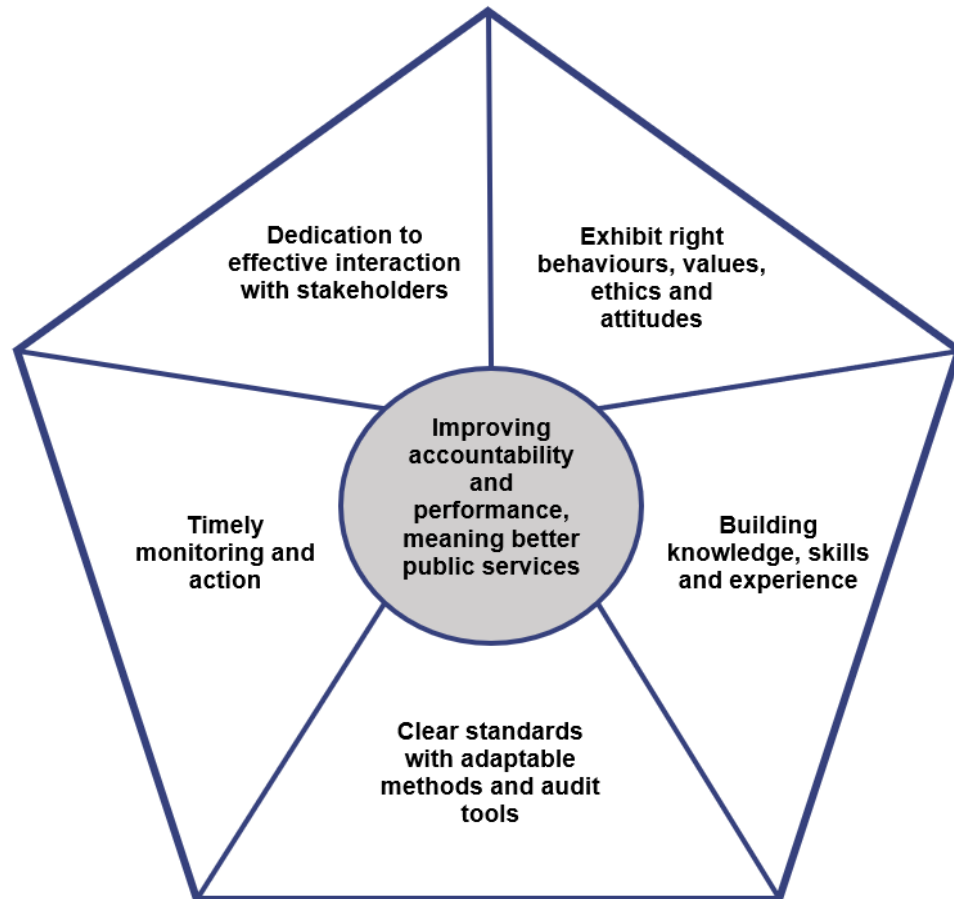
The technology infrastructure, which has been in place for a number of years, enabled our people to continue to deliver audits despite the significant change to our physical workplace. This included:

- a cloud-first technology environment, with multi-factor authentication and robust virtual private network (VPN)
- our activity-based working model, which allowed all staff to be flexible, observe better physical hygiene practices, and ease physical transition back to the office
- a highly mobile and more tech-savvy workforce, where people understand and appreciate the importance of cyber security and awareness
- additional communications issued in response to any emerging cyber risks to us or our audits.



2. Audit quality framework

The five attributes of the QAO audit quality framework



The QAO audit quality framework establishes five key attributes that determine expected behaviours, processes we follow, and how we measure quality and improve our people and methods. Central to the framework is the recognition that quality management is critical to achieve QAO's strategic objective. It needs to be embedded within our organisation.

Establishing the right behaviours, values, ethics and attitudes

The tone from the top is critical to establishing quality expectations. Our expectations about audit quality, independence and objectivity, and professional scepticism are regularly communicated at our team meetings and through our internal policies. There are several components that promulgate our commitment:

- Our culture and values
- Our independence expectations
- Our strategic plan and the operational plans that support it
- Engaging only with audit service providers who share our commitment to audit quality.



QAO's culture

QAO's culture is reflected in our four values, which enable us to achieve our vision for better public services through the delivery of audits.

We promote an organisational culture based on looking after our relationships—internally with our people, and externally with our clients and stakeholders.

Our culture is articulated by our four core values, which set our expectations for performance and behaviour. We regularly reflect on our culture and ensure our staff are living our values.



Engage

- Collaborating to achieve shared outcomes
- Listening to understand, and communicating clearly and openly
- Being balanced, objective and purposeful



Respect

- Appreciating and caring for others
- Sharing our knowledge and skills
- Recognising achievement



Inspire

- Seeking and sharing better ways of doing things
- Embracing innovation and being progressive
- Encouraging and motivating others



Deliver

- Taking responsibility and being accountable
- Ensuring our work is quality driven and acting with integrity
- Being action oriented and achieving results

Feedback on quality behaviours

Our leaders are expected to model our culture. Each year, the Queensland public sector participates in the Working for Queensland survey. In 2019–20, two questions related to QAO's leadership:

1. In my organisation, the leadership is of high quality. This statement was supported by 91 per cent of staff (25 basis points **above** the Queensland public sector average).
2. People in my workgroup are honest, open and transparent in their dealings. This statement was supported by 92 per cent of staff (15 basis points **above** the Queensland public sector average).

Our audit quality framework requires a culture that drives and enables those behaviours and actions to achieve audit quality consistently. All aspects of our culture are regularly discussed with our staff. We reward good culture and call out behaviours that do not align.

QAO adheres to the APES 110 *Code of the Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board in Australia. Our internal policies and procedures adopt the principles of this code.

Our expectations of staff are documented in our internal policies and the *Code of Conduct for the Queensland Public Service*.



Our people are reminded that certain skills are fundamental to ethical decision making and that QAO leadership's expectation is to promote a QAO culture based on audit quality as follows:

- ✓ Every engagement team member is to maintain a high level of quality in all assigned tasks.
- ✓ Quality will not be compromised by fee considerations or time constraints on assignments.
- ✓ Staff are required to comply with the *Auditor-General Auditing Standards*, and QAO's policies, procedures and practices.
- ✓ Every engagement team member's performance review includes an appraisal of their demonstrated commitment to quality (that is, goal plans within our performance assessment system include quality indicators).
- ✓ Position descriptions include reference to quality audit outcomes.
- ✓ Training and mentoring are recognised as key components in ensuring quality is maintained.
- ✓ Every engagement team member is responsible for ensuring attendance at training relevant to their roles. All professional staff are responsible for continually updating their knowledge to remain current with assurance standards and, where applicable, accounting standards or their subject area of speciality.
- ✓ People are required to adhere to professional ethics, particularly APES 110 *Code of Ethics for Professional Accountants*.
- ✓ People are required to demonstrate an attitude of scepticism and integrity on all engagements.
- ✓ People are required to maintain professional independence and impartiality.

We are committed to continually monitor and identify those areas where improvements are required, and to respond in an agile manner. This ensures that, as an organisation, we remain relevant and responsive to any changes within the regulatory environment.

Independence

The Auditor-General is an independent officer of parliament and this is embodied within the *Auditor-General Act 2009*. This means the Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way audits are to be executed or reported.

All staff are required to demonstrate objectivity, integrity and professional behaviour. QAO has independence policies and procedures to ensure compliance with professional standards, regulations and ethical conduct.

A quality framework usually commences with the decision to accept or continue with a client relationship or specific engagement. The Auditor-General's mandate requires that QAO audit all state public sector entities and local government entities. Our office does not have choice in the entities we audit and this raises unique issues.



Where an actual or potential conflict of interest and/or ethical issue has been identified, the engagement leader must propose how QAO will manage the issue. The engagement file must contain an approved memo that documents:

- the nature of the issue, the results of consultations between the engagement leaders and assistant auditors-general and any others, and the conclusions and the basis for the conclusions
- the safeguards or procedures to be followed to address the issue
- details of any discussions held with stakeholders
- details of any proposed experts or independent consultants proposed as part of the management plan.

Our commitment to independence is reinforced through comprehensive independence policies, procedures and monitoring.

All QAO staff are to maintain independence and to ensure they are free of actual, potential or perceived conflicts of interest. QAO has controls to ensure independence or conflict of interest concerns are declared and appropriately actioned. Any threats to independence are reported in accordance with our policies and procedures, and each engagement leader has the responsibility to review all threats and proposed safeguards for all staff involved in the audit engagement. Compliance with our internal policies is subject to regular review by our audit practice team and our internal auditors. There were no unmanaged independence issues in 2019–20.

On commencing employment with QAO, and annually thereafter, staff complete the independence declaration process. The annual declaration process obtains confirmation from all staff around compliance with QAO policies regarding financial, business, employment and personal relationships. The most recent annual independence declaration was conducted in January 2020. Furthermore, all staff involved in an audit engagement are required to confirm independence at both commencement and completion of the engagement. Familiarity threats are monitored and considered when assigning QAO staff to audits.

Under the Public Service Commission's *Declaration of Interests policy - Senior Executive Service and Equivalent Employees including Statutory Office Holders*, our assistant auditors-general (AAG) are required to submit an annual declaration of interests to the Auditor-General. AAGs are responsible for fully disclosing their interests that may have a bearing, or be perceived to have a bearing, on their ability to discharge the duties of their office properly and impartially. All declarations were received and assessed.

In addition, the Auditor-General and the Deputy Auditor-General are required to provide declarations of interest to the Legislative Assembly. Both declarations were provided.

Rotation of key audit staff helps provide a fresh perspective and to reduce familiarity and self-interest threats to independence. We maintain a database that tracks auditor involvement on engagements to facilitate succession planning, monitor compliance with rotation requirements and provide a seamless experience for our clients.

QAO staff are also expected at all times to discharge their responsibilities in the public interest, and in accordance with our policies and the *Code of Conduct for the Queensland Public Service*, and are required to report any charge and/or conviction in writing to the Auditor-General. All staff annually complete a criminal history charges and convictions declaration through the Declarations Database.

QAO maintains a Register of gifts and benefits that records any gifts or benefits received as part of official duties. This is published online to avoid any perception of conflicts of interest or inappropriate influence.



QAO does not provide non-audit services to our clients. When we provide advice through our blogs, fact sheets and reports to parliament, it has application to the wider public service.

Independence expectations extend to our audit service providers. They are required to advise QAO of any independence concerns and we will work with them to assess whether these can be managed. Our audit services will not provide any non-audit services to our clients unless these services are approved by QAO and considered inconsequential to the audit.

All independence issues raised during the year had appropriate management plans in place. No breaches of policy were reported.

Building knowledge, skills and experience

To deliver a quality audit we must engage or develop people that are able to apply their experience, values and professional judgement to support the conclusions in our audit reports.

To that end, we strive to maintain a highly competent workforce that is able to deliver outstanding service and quality to our clients, through having a detailed understanding of the skills and capabilities individuals require at particular points in their career, and an innovative and structured approach to learning and development.

QAO policy requires sufficient personnel with the technical competence and ethical commitment necessary to perform each engagement. All staff who undertake financial audits are required to have CPA/CA ANZ qualifications or be studying towards them. Our information technology (IT) auditors, treasury products auditors and data analysts have undertaken additional study in their area of specialisation. Our performance audit specialists have a variety of post graduate qualifications and have undertaken internal training in audit skills and ethics.

Teams assigned to the engagement must collectively possess the competencies necessary to complete that engagement while maintaining quality. Our teams are led by engagement leaders and incorporate specialist skills based on audit risk and complexity. Engagement leaders are responsible for the delivery of our audit engagements and reports to parliament. They determine the extent of direction, supervision and review of junior staff.

Engagement leaders demonstrate the appropriate qualifications, skills and experience equivalent to the Australian Securities and Investments Commissions' requirements for registration as a registered company auditor. The audit service providers that we engage are registered company auditors.

Recruitment and selection, the engagement of audit service providers and the assignment of engagement teams are managed in accordance with specific policies and procedures.

All QAO staff are periodically assessed for technical competence, work experience and training. Their capabilities and competence, and development and performance evaluations, are managed in accordance with the QAO Technical Competency Framework and policies.

Our learning and development programs focus on targeted learning on both technical and non-technical topics. The courses offered reflect the competency framework and are intended to:

- provide staff with the right skills at the right time, to provide both quality outcomes for clients and rewarding career experiences for our people
- keep staff at the forefront of new developments in the accounting, auditing and regulatory environment
- embed QAO's quality and risk appetite in its culture and leadership.



Training

Our training curriculum prescribes relevant and specific training for all staff and at all levels. Training is delivered through several platforms and involves both online and face-to-face content delivery. We provide technical updates, industry specific training, e-learning modules and webinars to give staff access to relevant training on demand.

In 2019–20 we provided 7,400 hours of in-house training. This averages at 52 hours per auditor. The training is based on the technical competencies required for each audit role and encompasses:

- current changes to either auditing or accounting standards
- specific areas of audit focus
- internal quality assurance (QA) program observations
- audit methodology or transformation initiatives.

Coursework covers auditing standards and how QAO applies the standards within our methodology. Annual sessions are held on new accounting standards and the audit implication arising from them. Training that focuses on our management and engagement skills is also provided.

QAO has a valued graduate program. Our graduates receive hands-on experience and comprehensive training. Mentors are assigned to support our graduates and we hold monthly graduate forums to ensure that professional development occurs in that critical first year.

Our specialist staff are considered experts in diverse fields including government policy, treasury products, data analytics and information system auditing. Additional training is provided to ensure their expertise is current. We engage external consultants to supplement our expertise when required.

Staff are also expected to attend their relevant professional body continuing professional development (CPD) sessions to ensure that their skills and knowledge remain relevant and appropriate based on current issues or new developments within their profession. We expect our audit professionals to maintain their professional memberships, with a minimum of 20 hours of professional development per annum and 120 hours in every three-year period. Our audit service providers are members of professional bodies and have the same CPD expectations.

Senior staff also provide less experienced staff with appropriate coaching and on-the-job training. Appropriate performance evaluations are done after the completion of an engagement, and these performance evaluations provide an opportunity to deliver timely feedback to staff around audit quality and further development opportunities. Staff are encouraged to complete targeted training for any gaps identified.

Lunchbox sessions are held and alerts are issued to auditors, including our audit service providers, to clarify or communicate aspects of the methodology and developments in financial reporting, or to convey findings from monitoring processes.

Experience

QAO assigns engagement leaders and staff to match their experience and skills to our client's industry and associated risks.

The Director—Talent Management and the AAGs collaborate to identify the people with the right skills and experience to deliver on our quality commitments. Our resourcing team forecast our people requirements and ensure we have sufficient resources available.



Our staff profile is stable and we believe we have sufficient senior staff involvement in our audits. In 2019–20, 40 per cent of our audit staff held roles that were directly responsible for the delivery of a quality audit. This provides assurance to the Executive Management Group (EMG) that our quality risk is low.

Profile of QAO staff	2019–20	2018–19
Assistant Auditors-General	5	3
Engagement leaders	17	18
Audit managers	47	60
Total number of senior staff	69	81
Percentage of senior staff to total audit staff	40%	49%

Our audit service providers are engaged under competitive tender processes. An assessment of the experience and skills of engagement partners and key team members is part of the assessment of their suitability to conduct audits on our behalf.

OneQAO

During 2019 we changed the way we thought about our work and how we delivered our audits. We called this ‘Think and Act OneQAO’. We pivoted from service lines to organising ourselves around serving our client groups: parliament, entities and internal. This was not just an organisational restructure; it is about having the best people, systems, and tools we need to succeed.

We no longer have a static, hierarchical structure. We have become an engagement and project-based organisation. This new approach means that reporting lines and responsibilities will change from one engagement to the next.

Under OneQAO we changed the ways we resource our engagements to ensure they are supported by the right mix of staff skills, which will enable us to provide our clients with the best possible advice and recommendations. When our clients action our recommendations, we are helping to create better public services.

We value the diversity and different skills and backgrounds our staff have—this is one of our biggest strengths.

Staff will regularly come together as teams to support projects, engagements and tasks, ensuring the best skill sets are matched to the job at hand, and we are efficient and flexible.

All QAO engagements have value to our clients. Engagement leaders will not only look at their own engagements as being important but embrace and support all QAO engagements. While we may respond to specific risks and skill requirements for one engagement, all must be successful from our clients’ perspective for any of us to be successful.

Managers will play a stronger role in coaching and mentoring staff as they come and go from projects. To give managers the time and space to do this, we will ensure the right resources are available so that work is done at the right level.



Clear standards with adaptable methodologies and technology

QAO has prepared audit methodologies to guide the work we undertake in:

- financial audits
- assurance reviews—ASAE 3402 *Assurance reports on controls at a service organisation*, GS007 *Guidance Statement Audit implications of the use of service organisations for investment management*, and ASAE 3100 *Compliance engagements*
- performance audits
- investigations into matters of importance.

Our risk-based audit methodology has been developed to ensure compliance with the *Auditor-General Auditing Standards 2019* (which comply with Australian auditing standards) and requires us to develop an understanding of the client's business and risks, and apply this to the design and execution of our audits. The audit methodology is adapted to developments in professional standards and to findings from internal quality control reviews.

Our quality assurance reviews evaluate how well our methodology was applied.

Evolving our audit methodology

In December 2019, we updated the standards to incorporate recommendations made in the 2017 *Strategic Review of the Queensland Audit Office*, and to reflect changes to audit practice and associated legislation.

This year, we also undertook a major body of work to evolve the methodology we use to conduct our assurance reviews and performance audits. We compared our approach to Australian auditing and assurance standards and reflected pertinent elements of international best practice.

ASAE 3500 *Performance Engagements* is the standard we apply when conducting performance audits. Our new methodology provided enhanced guidance on audit evidence, audit sampling, using data and communicating with those charged with governance.

The main non-technical changes include clearer governance gateways, new approaches to budgeting and documentation, more targeted external communication, and a stronger whole-of-office perspective. Importantly, it focuses us on better managing the value of our audits by reporting to parliament on the right topics at the right time.

Next, we will further develop our capability across our business by providing in-depth training for our staff, ensuring we fully maximise the benefits the methodology provides our clients and our staff.



Evolving our audit technology

QAO currently uses three audit toolsets to document our audit work. They are:

- **IPSAM**—This is an internally developed public sector financial audit tool that uses IBM Notes Social software. It is in use on the majority of 2019–20 audits. QAO maintains this audit tool on behalf of other Australasian Council of Auditors-General (ACAG) offices. It is checked annually for compliance against Australian auditing standards. Our assurance reviews are also documented in IPSAM
- **Quest**—Quest is an internally developed audit template based on CaseWare Audit System. This was co-developed with CaseWare (Australia and New Zealand) and configured to suit Queensland public sector auditing. Several audits were trialled using Quest in 2019–20. All financial audit and related assurance engagements will use Quest for 2020–21
- **ASPIRE**—This is an internally developed public sector performance audit tool that uses IBM Notes Social software. It is checked annually for compliance against the assurance standard ASAE 3500 *Performance Engagements*.

These toolsets enable comprehensive planning, performance, documentation and review of our work in accordance with auditing standards and applicable professional, regulatory and legal obligations. This ultimately supports us in forming and expressing an appropriate opinion on financial statements and performance audits.

The new toolset also provides comprehensive content to ensure our audits are structured to comply with the *Auditor-General Auditing Standards* and our methodology and guidance.

Developing audit insights

QAO obtains live data feeds from the majority of our larger audit clients. We have developed methods that allow interactive, free-form exploration and analysis at individual client, sector-wide and whole-of-government levels.

Data and audit analytics help reveal insights into our client operations and audit risk. QAO has invested in developing our people to understand what those insights mean and how they impact our audit approaches.



Timely monitoring and action

Monitoring of audit progression and file quality

Our audit approach requires that audits be adequately planned, supervised and managed so that the work performed provides reasonable assurance they comply with our policies and methodologies. The overall supervision of each audit is the responsibility of the engagement leader and includes:

- ✓ tracking the progress of the engagement with defined milestones for completion and review
- ✓ considering the competence and capabilities of individual members of the engagement team—whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement
- ✓ addressing significant matters arising during the engagement, considering their significance and modifying the planned approach appropriately
- ✓ identifying matters for consultation or consideration by more experienced engagement team members during the engagement
- ✓ reviewing less experienced team members—this is performed by a more experienced team member, who considers whether they
 - performed the work in accordance with Australian auditing standards, relevant ethical requirements, and applicable legal and regulatory requirements
 - raised significant matters for further consideration
 - ensured appropriate consultations have taken place and the resulting conclusions have been documented and implemented
 - questioned if there was a need to revise the nature, timing and extent of work performed
 - ensured that the work performed supports the conclusions reached and is appropriately documented
 - obtained sufficient and appropriate evidence to support the report
 - achieved the objectives of the engagement procedures
- ✓ completing and locking down audit files within 15 days of the signing of the independent audit report.

Engagement leaders are required to ensure there has been timely review of audit working papers. QAO has a range of business intelligence (BI) reporting that helps engagement leaders monitor this. AAGs meet regularly with engagement leaders to provide oversight of audit delivery.

QAO has established technical support groups to provide in depth and expert analysis of accounting issues, reported key audit matters and modified audit opinions. These groups meet throughout the audit year as required.



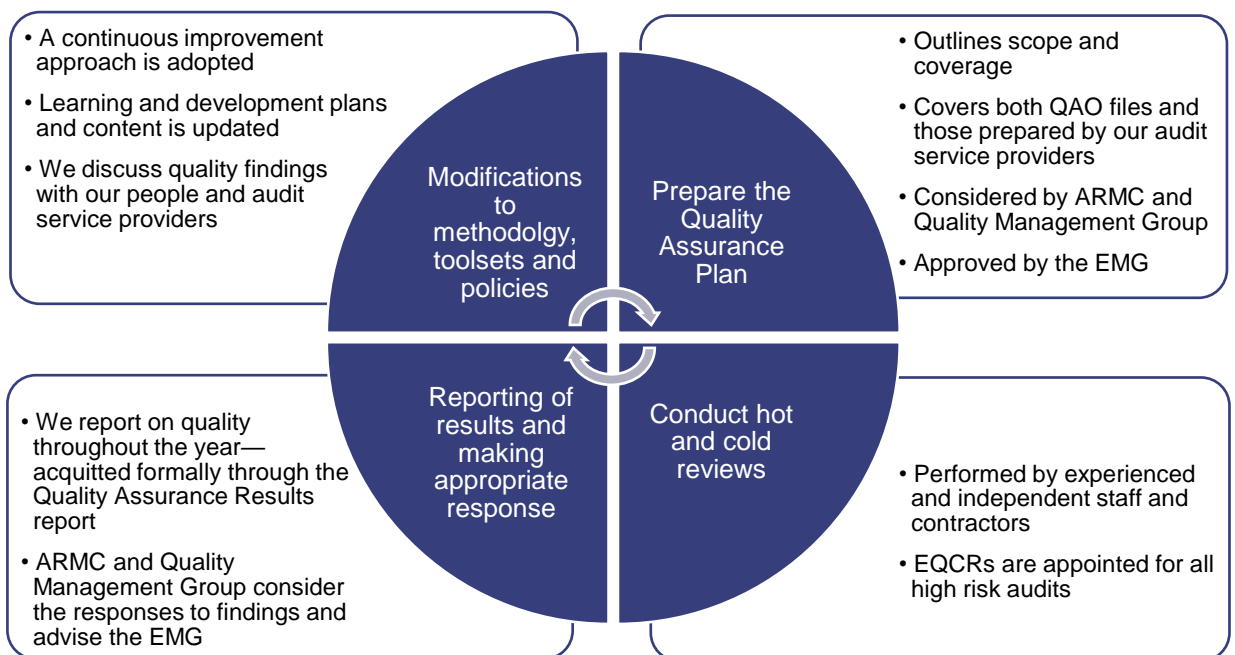
Independent monitoring by the quality team

Monitoring compliance with our quality assurance framework provides QAO with confidence that our methodology, policies, and processes:

1. are working as designed
2. are appropriate and effective
3. ensure we prepare independent and accurate audit opinions and reports
4. ensure we engage audit service providers who care about quality as much as we do.

Internal quality assurance program

Our annual quality cycle



Note: ARMC—Audit and Risk Management Committee; EQCR—engagement quality control reviewer.

QAO has established policies that apply to all audit engagements undertaken pursuant to the Auditor-General’s responsibilities under the *Auditor-General Act 2009* (the Act).

Quality assurance and quality review processes are performed in accordance with our monitoring policy. Annually, the Assistant Auditor-General—Audit Practice communicates the results of the monitoring of QAO’s quality control system to all engagement leaders, the EMG and our independent Audit and Risk Management Committee (ARMC). Where the results have office-wide implications, these are communicated to all audit staff and audit service providers.

Complaints and allegations that work practices and/or QAO staff fail to comply with professional standards or other requirements, and non-compliance with QAO’s system of quality controls, are managed in accordance with our complaints handling or managing employee complaints policies.

The responsibility for developing, implementing, and monitoring quality policies and procedures rests with the Assistant Auditor-General—Audit Practice.

Our systems of quality control are designed to help deliver high-quality audits and comply with the requirements of ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.



Our review program assures QAO senior management that our systems of quality control comply with ASQC1 and are operating effectively. The findings and recommendations resulting from the reviews are presented to the EMG and form the basis for future improvement initiatives. Each year, QAO also communicates the results of the review program, and ongoing consideration and evaluation of its systems of quality control, to staff. For performance audit engagements, prior year quality assurance findings are communicated to relevant staff.

Our quality assurance program approach

Our program

Annually, we conduct quality assurance reviews over:

- internal engagement files of financial audits
- internal engagement files of performance assurance engagements
- audit service providers' engagement files.

Selection of audits for review

Quality reviews of finalised files (these are termed cold reviews)

At least one finalised audit for each engagement leader is evaluated every year to ensure the system of quality control is operating effectively.

Where engagement leaders are responsible for both financial and assurance audits, files will be selected from both types of audits.

Our audit service provider engagement partners are assessed on a three- to five-year rotation. The largest four national audit firms are on a five-year cycle provided a satisfactory result has been assessed for the firm review.

The process used to select an engagement file for review will be based on audit client size, complexity and risk profile of the engagement.

Where deficiencies are identified these are evaluated, with recommendations including:

- taking appropriate remedial action in relation to an individual engagement or member of personnel
- communicating findings to those responsible for training and professional development
- making changes to the quality control policies and procedures
- taking disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

Quality reviews of open files (these are termed hot reviews)

Hot reviews are used to embed QAO's audit quality focus. Rather than a formal review after the audit is finalised, reviewers work with the audit teams to reinforce our methodology, challenge teams and provide timely advice that can be acted on immediately during the engagement.

The hot review program is determined annually. The overall focus is ensuring that audit risk is properly assessed and responded to. Other areas of focus may be reviewed on the advice of the Auditor-General or AAGs, such as the use of audit analytics; valuation of property, plant and equipment; or review of the audit approach to significant once-off transactions.



Reporting and engagement with audit teams

Engagement team

The engagement leader, team leader and team members are consulted on an ongoing basis as required throughout the cold quality assurance process. At the conclusion of each review, a final close-out meeting is held with the engagement team to discuss all findings. A consultative approach follows and provides the engagement team with the opportunity to assess and respond prior to issuing the final report.

Reporting

The overall findings and recommendations resulting from the reviews are presented to the EMG and form the basis for future improvement initiatives. A formal letter is sent to each audit service provider to inform them of their selection for review, and once concluded a final report is also issued with the results of their review.

Annually, QAO also communicates the results of the review program and ongoing consideration and evaluation of its systems of quality control to all audit staff, and to audit service providers at our regular forums.

Improvement opportunities

Any improvement opportunities identified from the reviews are also reported to the EMG at the completion of each review cycle's program.

Oversight and reporting to leadership

A monthly status report on audit quality is provided to the EMG, who actively oversees the function. At the conclusion of the annual cycle, a final report summarises all quality assurance activity undertaken for the year.

Review team, milestones and duration of audit quality program

The Assistant Auditor-General—Audit Practice has overall responsibility for the quality assurance review program and is responsible for quality assurance, active oversight of policies and procedures relating to quality assurance, and the effectiveness of training processes in accordance with QAO's Learning and Development Plan. The Assistant Auditor-General—Audit Practice is supported by a Director—Audit Practice and Manager—Audit Practice.

Specialist contractors are also used to assist in delivering the quality assurance review program.

An annual quality plan is developed that establishes the files selected for hot and cold reviews, areas for deeper analysis, the timing of quality reviews and reporting milestones. The cold reviews commence in November each year, and completion is expected to occur by the end of March the following year. Cold review reporting is completed in time for remedial actions to be incorporated into the following year's audits.

Measurements of audit quality

Monitoring audit quality is an important aspect of identifying emerging risks and opportunities, and ensuring that standards are being adhered to and that staff are performing appropriately.

QAO regularly monitors features of audit quality, such that timely action can be taken, to ensure the consistent achievement of high-quality audit outcomes. The results of this monitoring are reported to the Executive Management Group and shared with audit staff, with a formal transparency report prepared on an annual basis.



We monitor a range of audit quality indicators that span our culture and values, independence, recruitment, employee performance assessment, audit allocation and process, quality assurance, timely reporting, and interaction with stakeholders. The measures we monitor are either quantitative or qualitative and these are reviewed annually for continuing relevance. The measures are listed in part three of this report.

Our quality assurance rating scale, criteria and remediation expectations

At the conclusion of our quality assurance reviews on closed engagement files, we assign a rating and discuss the results with the engagement leader (for all audits) and include team members (for in-house teams). A formal report is issued, and response requested.

The table below outlines our rating scale, criteria and remediation requirements.

In 2020–21, we plan to revise our scale, criteria and remediation requirements having regard to the Australian Securities and Investments Commission audit inspection results and reporting criteria.

Criteria	Remediation
<p>1. Good with limited improvement opportunities</p> <p>The file contains sufficient and appropriate audit evidence for all key conclusions and high standard of compliance with all relevant auditing standards. There are limited improvement opportunities.</p>	<p>A confirmation of formal agreement to the results and response to any improvement opportunities requested.</p> <p>No further action required and to remain on the normal cycle for quality assurance reviews.</p>
<p>2. Satisfactory with improvement opportunities</p> <p>The audit file demonstrates sufficient appropriate audit evidence to support the auditor's conclusions on significant matters and compliance with relevant auditing standards.</p>	<p>Response required to confirm in writing that the issues identified in review results have been addressed, and that action taken has been incorporated into future strategies and documentation.</p> <p>No further action required and to remain on the normal cycle for quality assurance reviews.</p>
<p>3. Unsatisfactory with improvement opportunities, follow-up review required</p> <p>The reviewer has concern in relation to the sufficient appropriate audit evidence to support the auditor's conclusions on significant matters and compliance with relevant auditing standards in one or more key balances or conclusions considered individually or collectively significant.</p>	<p>Response required to confirm in writing that the issues identified in review have been addressed or are included in an action plan outlining how the issues identified are being addressed and the time frame for implementation in the current audit year.</p> <p>The QAO engagement leader and team manager will both be subject to another review in the next quality assurance period, and until such a time as 'good' or 'satisfactory with improvement opportunities' are achieved.</p> <p>The results of the review directly impact and link to an individual's performance assessment process.</p> <p>For an audit service provider, a review is conducted over key balances and conclusions in a current year's file and a follow-up review in the next quality assurance program.</p>



Criteria	Remediation
<p>4. Immediate action required</p> <p>The reviewer cannot conclude that there was sufficient audit evidence or on the appropriateness of the audit judgements in one or more key areas. This includes that an inappropriate audit opinion has been expressed.</p> <p>This rating to apply where a further adverse report is issued as a result of a follow-up review.</p>	<p>Response required to confirm in writing that the issues identified in review have been addressed.</p> <p>The EMG reviews the response from the audit service provider or QAO engagement leader.</p> <p>The engagement leader will be considered for the performance improvement plan under QAO's policy P17 <i>Managing performance and conduct</i>.</p> <p>An audit service provider may be requested to show cause as to why the contract should not be cancelled.</p>

Effective interactions with stakeholders

Engaging with our stakeholders enables QAO to better align our business and audit practices with our stakeholders' needs and expectations, helping to drive long-term benefits for QAO and the Queensland public sector. We have many stakeholders, but primarily define them through our reporting products as:

- parliament
- state and local government entities.

We recognise effective communication between audit teams, client management teams, audit committees and boards is critical to excellence in financial reporting. Our communication covers the scope of audits, any threats to independence or objectivity, as well as our risk assessment, significant findings, and judgements. Our reports are structured so they communicate clear and concise messages and allow the reader to quickly understand key findings.

In 2019, our office better defined and then published our tabling protocols. We did this to clearly set out the principles where we will release or not release our reports during the government caretaker and estimates hearing periods. The tabling protocols define when information is of significant public interest.

We regularly report the progress of audits and our findings to those charged with governance, including management and audit committees. We do this through informal meetings and formally through presentations of our external audit plans, progress updates and attendance at audit committee meetings. Through our management letters, we share our evaluations of the design and implementation of our clients' systems of internal controls. Audit differences or errors are discussed when identified. We also share insights from our broader work throughout the Queensland public sector.

Those charged with governance can provide a positive influence on the quality of an audit by demonstrating an active interest in the auditor's work and taking action when they do not consider that the appropriate quality has been provided.

Full and timely access to relevant information and individuals both within and outside the entity helps the auditor in gathering audit evidence. An open and constructive relationship assists the auditor in identifying, assessing and responding to the risks of material misstatement, particularly with regard to complex or unusual transactions, or matters involving significant judgement or uncertainty.

To assist audit efficiency, at an early stage in the audit the auditor is likely to discuss information needs with management and to agree an appropriate timetable. The auditor is also likely to discuss audit findings with management as they arise so that management can provide explanations on a timely basis or undertake additional analysis where necessary.



Another important stakeholder group to QAO is our audit service providers. Because they deliver a significant portion of our workload, we treat them as an extension of our workforce. We have well-established channels to share relevant audit information.

Client satisfaction survey

QAO is committed to providing excellent client service. An essential part of delivering, sustaining and improving our service is obtaining regular and structured feedback from our clients.

Good relationships between QAO and our clients are essential. Client surveys and results provide us with valuable feedback on our performance, covering three areas: audit process, reporting and value. At the completion of the audit cycle, we ask clients to provide feedback on the performance of the audit team to help us better focus our audit efforts in the future and improve our services to clients.

The objectives of the surveys are to:

- obtain feedback from our audit clients on the effectiveness and quality of our services
- identify opportunities for enhancing QAO's relationship with its audit clients.

The survey is conducted by an independent third-party provider and is in accordance with the international quality standard ISO 20252.

We conduct three rounds of financial audit surveys:

- Round one—issued in the last week of August to entities with a statutory deadline of 31 August (that is, departments, statutory bodies, and government owned corporations)
- Round two—issued in the last week of October to entities with a statutory deadline of 31 October, (that is, local governments and other clients whose audits were not completed in time for round one)
- Round three—issued in the last week of February to entities with a statutory deadline of 28 February (that is, universities and grammar schools, and other clients whose audits were not completed in time for earlier rounds).

We conduct up to five rounds of performance audit and assurance engagement surveys between July and May each year. The timing of each round is dependent upon when we table our reports.

The Auditor-General writes to all chief executive officers to advise them of the survey. An independent research consultant will administer the survey on our behalf. They are responsible for issuing the questionnaire, liaising with the clients and collating the survey data. Entities are given the opportunity to either provide feedback anonymously or consent to us receiving the survey. The independent third-party service provider collates the responses and provides QAO with reports for each round, the combined results and benchmarked results.

These reports are distributed to the EMG and engagement leaders, and our overall satisfaction ratings are published in our annual report.

In the event a stakeholder makes a complaint about our business operations, staffing arrangements or administrative decisions, then we will manage these disclosures in accordance with our complaints handling policy.



Resources for our stakeholders

From 1 July 2019 to 31 October 2020 we published 52 blogs on a range of topics to better inform all our stakeholders, including:

- technical accounting, auditing and financial reporting matters
- advice on matters such as good governance, risk management and effective control environments
- news on our future audit program, standards, products and tools.

We provide advice on better practice to help state and local government public sector entities. Better practice advice is developed in response to issues, challenges and opportunities we identify through our audit work and engagement. We offer a range of resources including guides, checklists and self-assessment tools.

We host events for our clients to raise awareness of emerging issues and share our insights, including:

- technical audit updates for public sector chief financial officers and finance managers
- briefings for public sector audit committee chairs
- special events such as insights sessions, performance audit conferences, and briefings for parliamentary staff.

We produce fact sheets to share our insights and explain our role.

We prepare dashboards for some of our reports to parliament to illustrate the insights we collect from our audit work. Our dashboards are an interactive way for audiences to explore our data in more detail or view summarised information by sector, topic or theme.

QAO is actively involved in shaping the future of accounting and auditing through regular contributions to Australian standards-setting bodies and professional associations.

Quality assurance activity undertaken in other jurisdictions

From time to time, we receive requests for peer reviews from other audit jurisdictions. In 2019–20, we participated in the following peer reviews and took the following learnings from these reviews.

Nature of peer review	Learnings
<p>QAO was engaged by the Australian National Audit Office to undertake a peer review of the Papua New Guinea audit office against the PASAI Performance Measurement Framework (PMF). The PMF is an independent and internationally recognised supreme audit institutional assessment. It provides a comprehensive structure to assess all aspects of a supreme audit institution and allows longitudinal analysis of performance.</p>	<p>We:</p> <ul style="list-style-type: none"> • learned more about another culture • learned insights from benchmarking our practices to another audit jurisdiction • learned more about the importance of an independent Auditor-General • identified quality assurance traps • recognised an opportunity on how to improve engagement with staff • learned about how we can better engage with the Auditor-General's Office of Papua New Guinea under our twinning program to improve the outcomes.



Nature of peer review	Learnings
QAO was invited by another state based public sector audit office to perform a quality assurance review of performance audit engagements.	We: <ul style="list-style-type: none">• learned the importance of ensuring an audit objective can be concluded on using specific audit criteria, and in documenting any key decisions made on the audit scope during the conduct of the audit• considered different perspectives in addressing materiality in a performance audit.



3. Our 2019–20 quality program and results

The quality assurance activity undertaken in 2019–20 consisted of:

- cold reviews of financial audit and performance audit engagement leader files
- cold reviews of audit service provider files
- reviews of audit quality frameworks and risk assessment processes in use by our audit service providers
- appointment of engagement quality control reviewers (EQCRs) to 30 high risk/complex audits
- appointment of experienced engagement managers to all contracted out audit engagements
- engagement of external specialists to audit specialised assets in two complex audit files
- hot reviews of financial audit and performance audit engagement leader files
- hot reviews of all engagement leaders or partners that had prior year unsatisfactory quality findings
- hot reviews on CaseWare Quest transition files.

Execution of plan—cold reviews

Our actual quality assurance activity was significantly short of what we planned. Our internal cold quality assurance was not able to be achieved because of staff diversion to the CaseWare implementation project and some impact of COVID-19. We do not plan for this to be repeated in 2020–21 and have now secured sufficient resources.

We also could not complete our planned cold review of audit service provider files, as most firms asked that we not attend their premises during the COVID-19 period and were unable to provide us with off-premise access.

The table below acquits our execution against our plan for cold quality assurance reviews.

	Planned number	Actual number	Explanation of variance
QAO financial audit	11	8	(3) Three engagement leaders were not subject to cold review. Our plan relied on internal resources being available to undertake these reviews but COVID-19 impacts introduced variability into our audit workloads and senior staff were unable to be released.



	Planned number	Actual number	Explanation of variance
QAO performance audit	2	2	We achieved our planned review of two files. These reviews covered two engagement leaders (50 per cent of total engagement leaders) and four team leaders. Ideally, we would like to review each engagement leader annually. We plan to develop in-house resources to supplement our externally engaged reviewers to achieve this in 2020–21.
Audit service provider financial audit	18	9	(9) Only half of our reviews were completed prior to COVID-19 impacting our ability to travel to audit service provider (ASP) offices or to arrange collection of files. The nine engagement partners not subject to review were because these firms use internally developed audit toolsets and are not able to allow us cloud-based access. Our planned ASP review program in 2020–21 will include these engagement partners in addition to the ones due for review.

Execution of plan—hot reviews

Our extensive hot review program continued, and planned reviews were achieved. In addition, we reviewed the completion of risk assessments and planning for all audit files that transitioned to CaseWare in 2019–20. All issues identified during hot reviews were remedied.

	Planned number	Actual number	Explanation of variance
QAO financial audit	15	15	–
QAO performance audit	3	2	(1)
Audit service provider financial audit	2	2	–
Audit service provider firm reviews	8	8	–
Total	28	27	(1)

We achieved our plan.

QAO financial audits

All staff appointed as engagement leaders were subject to hot review in 2019–20. Three hundred and thirty-seven material classes of transactions and balances (COTABS) were reviewed across the 15 files.



In addition, we undertook hot reviews on audit files that transitioned to our new QUEST audit toolkit. These reviews were not part of the hot review program, but the information from the reviews was used to:

- revise or clarify QUEST guidance material and methodology
- adjust QUEST training material
- hold discussions with engagement leaders and managers about where risk assessments and responses were not adequately supported by file documentation
- hold discussions with the engagement teams where we found errors or inconsistencies in the completion of key planning documents.

QAO performance audits

We planned to review three files; however, one review was not able to be done because the audit was postponed until COVID-19 issues passed.

Audit service provider financial audits

Two engagement partners were subject to hot reviews because of poor ratings in the prior year. We reviewed these files and worked closely with the QAO contract manager to ensure adequate supervision occurred.

Audit service provider firm reviews

We obtained representation about internal quality and risk management from the six largest of our audit service provider firms. All six have had recent satisfactory firm reviews and we accept their representations that their systems are still in place and effective. We reviewed two of our 'mid-tier' firms. In addition, we reviewed the reports on audit quality findings from the Australian Securities and Investments Commission (ASIC) inspections on the six largest firms and discussed areas of concern.

Quality assurance results—cold reviews

The rating system in use for cold reviews is:

Rating	
1 Satisfactory	Good with limited improvement opportunities
2 Satisfactory	Satisfactory with improvement opportunities
3 Unsatisfactory	Follow-up review required
4 Unsatisfactory	Immediate action required

	Rating 1 or 2 (satisfactory)	Rating 3 or 4 (unsatisfactory)	Target % satisfactory	Actual % satisfactory
QAO financial audit	8	–	100	100
QAO performance audit	2	–	100	100
Audit service provider financial audit	4	5	100	44
Total	14	5		



QAO financial audits

The eight cold reviews all received a rating of ‘2—satisfactory with improvement opportunities’. Reports from each file review and the overall rating were discussed with the engagement leader and team leader. We also discussed quality assurance findings with all members of the respective financial audit engagement team.

Audit service provider financial audits

The results from the review of audit service provider files did not indicate improvement from the previous cycle.

Four files received a rating of ‘3—unsatisfactory: follow-up review required’ and will be subject to ongoing hot reviews. One file was rated ‘4—unsatisfactory: immediate action required’. We addressed this with the engagement partner and no further work will be given to this engagement partner at this time.

The top six common themes identified across all financial audit files reviewed included:

- improvements in the judgements and documentation of risk assessments and responses
- analytical procedures and substantive analytical procedures did not meet ASA requirements, and in particular expectations were not sufficiently precise and did not include appropriate details and thresholds against which results could be measured
- improvement around understanding the effectiveness of controls for all significant risks identified
- insufficient documentation around the re-evaluation of materiality and evaluation of misstatements.
- timely documentation of supervision, review and oversight provided by the engagement leader
- timely execution of completion procedures and finalisation of the engagement file.

QAO performance audits

The scope of the reviews was to assess whether the performance audits were undertaken in accordance with our methodology and relevant auditing standards.

Two cold reviews were undertaken. One cold review was rated a ‘1—satisfactory with limited improvement opportunities’, and the other rated a ‘2—satisfactory with improvement opportunities’. Reports were provided on the results of each review and the overall rating was discussed with the engagement leader.

The key improvement opportunities from these reviews are that:

- audit objectives, sub-objectives, criteria and questions are frequently not aligned and do not necessarily support a coherent audit approach that will facilitate a reasonable or limited assurance conclusion against the stated audit objective
- scope exclusions are not made clear in either the audit strategy or report to parliament
- the audit strategy must stipulate whether the audit is aimed at concluding on a reasonable assurance or limited assurance basis
- EQCR reviews are not always timely or recorded
- relevant internal controls are seldomly evaluated for design and implementation
- rationale and comments (in the form of us expressing an opinion) are not always adequately referenced to sources.



Quality assurance results—hot reviews

QAO financial audit files

We performed hot (open file) reviews to promote proactive responses to risks and other factors that affect audits. The reviews focused primarily on the planning phase so that audit teams had sufficient time to consider and address any observations during the current year's audit.

This year, the hot reviews focused on the risk assessments and audit response programs for all material classes of transactions and account balances (COTABs) for selected audit files.

The program included in-house files that had more than 330 COTABs. Many of the files were of our more complex and high-risk engagements, ensuring representative coverage of all significant sectors and industries.

The results on QAO files were generally very good; however, all files had review points raised, indicating that improvements can still be made. The review points are cleared by the hot reviewer after discussions with the engagement leader, engagement team, and after observing the remedial action.

Common strengths

- The consistency of risk evaluation and documentation—engagement teams used our risk assessment template on every file.
- We agreed with the overall inherent risk ratings arrived at by engagement teams for 80 per cent of COTABs.
- Audit teams adopted a control approach where we assessed that it was proper to do so.
- Most of planning had been reviewed at manager level or above in a timely manner.

Common improvement opportunities

- Indirect controls (controls that key controls depend on, for example reliability of exception reports) were not routinely tested.
- Substantive analytical procedures were not designed in accordance with auditing standards.
- There were lengthy delays between completion and review of work papers.

Audit service provider financial audit

We performed two hot reviews on audit service provider engagement partners who had received unsatisfactory ratings in the prior year. In both cases, improvements were made to the overall audit approach and we noted timely review and supervision of staff.

One other audit service provider received an unsatisfactory rating in the prior year. Instead of a hot review, QAO supported them by embedding a QAO manager on their job to help build capability. This co-sourcing arrangement worked well.



Audit service provider firm reviews

Two firms were subject to full review and were found to have satisfactory quality frameworks and risk processes.

The largest six firms were again asked to provide an annual representation over the firm's quality assurance framework.

We also continued to follow up firms that needed to improve their quality frameworks, as determined by prior year reviews. Two of these audit service provider firms advised they are in progress with improving their quality and risk management frameworks, and these firms are flagged for review in the 2020–21 review cycle.

Actions taken from quality assurance results

Responses from quality assurance activity included:

- presenting results of hot and cold quality assurance activity to staff and audit service providers
- targeting training courses in the June and November block training periods
- revising the sampling methodology and preparing application guidance and examples
- undertaking a full day methodology update as part of compulsory QUEST training
- revising the performance audit methodology and developing training courses to support its application
- piloting and revising the cold quality assurance assessment (to focus on material COTABs, significant risks, key audit matters and timely review) for use in 2020–21
- establishing a new governance committee—the Quality Management Group. Its terms of reference include monitoring of progress against plan, review and moderation of findings, and response decisions.

Audit quality indicators—2019–20 results

QAO has a range of internal indicators and processes that monitor the effectiveness of our quality assurance processes.

The following table acquits how we have monitored key audit quality indicators in 2019–20.



Results of employee opinion survey

This annual survey measures employee engagement, our workplace climate and key areas to celebrate and improve.

Our employee response rate increased over last year and the following workplace climate factors remained steady (+/- 2 per cent movement)—safety, health and wellness, effectiveness and innovation, fairness and trust, people and relationships, performance and development, and leadership and engagement.

Positive areas we recognised	Areas identified for improvement
<ul style="list-style-type: none"> We treat customers with respect and are committed to delivering excellent service We understand what is expected of us to do our job well We understand how our work contributes to QAO's objectives Our managers treat employees with dignity and respect and demonstrate honesty and respect 	<ul style="list-style-type: none"> Managing audit workloads Clearer criteria for measuring employee performance

Staff have completed ethics training

We undertake staff training in areas of ethics and conduct. Training frequency is either on employee commencement, every year thereafter or when course content changes significantly.

- | | |
|---|---|
| <ul style="list-style-type: none"> Code of Conduct Domestic and Family Violence Information Privacy Awareness (Qld) Right to Information (Qld) Handling Client Information (audit staff) Records Management | <ul style="list-style-type: none"> Fraud and Corruption Awareness Workplace Health and Safety Awareness <i>Human Rights Act 2019</i> Overview Confidentiality requirements of the <i>Auditor-General Act 2009</i> |
|---|---|

Senior officers and above have completed declarations of interest

All senior officers and above completed declarations of interest and appropriate actions have been taken.

Staff have completed independence declarations

All staff completed annual independence declarations.

Staff have not been allocated to an audit for longer than five years continuously

At the end of 2019–20, no engagement leaders had been allocated to an audit for longer than five years continuously.



Performance assessments have been completed and where unsatisfactory performance has been identified, appropriate action has been taken

All QAO staff are required to participate in performance assessments to ensure that employee performance is aligned with the strategic goals of the business and our organisational values.

Employees are empowered to actively drive this approach and are encouraged and supported to regularly seek feedback from their manager on their performance. Employees initiate and prepare goal setting, and schedule and prepare for focused and 'sum-up' conversations.

During 2020, we updated our practices to align with recent changes introduced by the Queensland Government Positive performance management (Directive 15/20).

Staff have completed 40 hours of professional development per annum

QAO, as a firm, achieved an average of 61.8 hours of professional development per audit staff, not including the hours provided by mentors for our graduates.

Technical training comprised more than 60 per cent of all training time.

Non-technical training comprised nearly one-quarter of all training time, with induction training for new staff comprising nearly 10 per cent.

Appropriate mix of audit staff

QAO's audit methodologies require assigning appropriately skilled and experienced team members to audit engagements.

Assigning staff to engagements is a collaboration between engagement leaders and a specialist resource coordination team that is overseen by an assistant auditor-general.

The following table shows the overall mix of 2019–20 hours by audit type and role.

Audit role	Financial audit % audit hours	Performance audit % audit hours
Auditor	38%	8%
Senior	28%	33%
Manager	26%	36%
Director/Engagement Leader/EQCR	8%	23%
	100%	100%

Our 2019–20 quality assurance program identified one instance where the mix of audit staff was less than preferable. Despite this exception, appropriate overall quality control was maintained by the respective engagement leader.

Prior period errors identified in audited financial statements

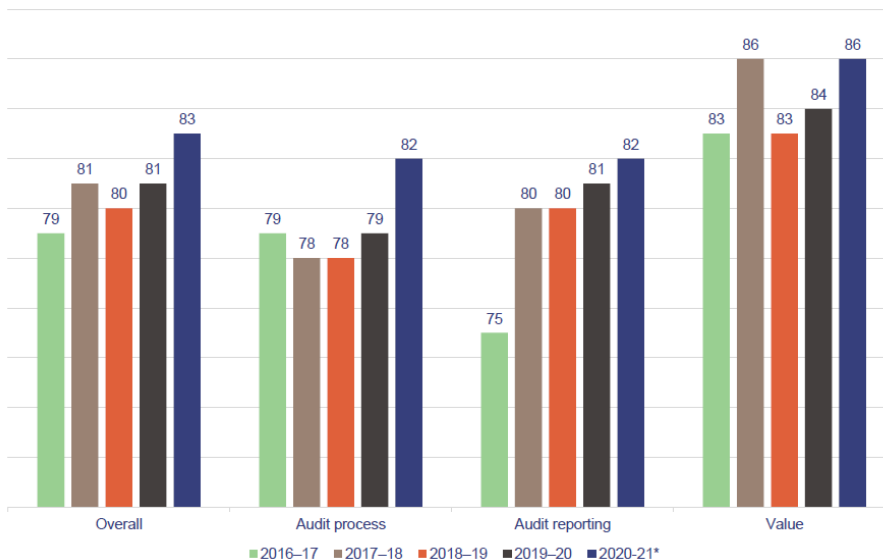
We track the prior period errors disclosed in client financial statements. Where appropriate, we undertake a root cause analysis to inform us of opportunities to improve our own practices. We also share this information with clients to reduce the risk of recurrence.

For audits completed on 2019–20 financial reports, we investigated 19 prior period errors disclosed in our client financial statements. 84 per cent of these errors were assessed as quantitatively immaterial. Most errors relate to the recognition, valuation or classification of assets reported at current replacement cost by not-for-profit entities.



Client satisfaction survey

We survey our clients to understand their satisfaction with our services so we can address any issues they may have. In 2019–20, we surveyed 320 clients and achieved a 79 per cent response rate. As shown in the chart below, the overall feedback was positive. Results have remained stable, and while consistently high, it indicates a need for us to seek out all further possible improvement opportunities and address client feedback at an individual level.



Root cause analysis

During 2019–20, QAO developed a root cause analysis (RCA) program consistent with incoming quality assurance standards.

QAO uses RCA to improve audit quality and understand how and why audit quality deficiencies occurred. RCA as a technique is a crucial component of our quality assurance program and identifies the underlying cause behind quality findings so that appropriate actions can be taken to prevent recurrence. RCA is not required for every quality finding and it is envisaged as a support function, and not a performance review. In light of this, we consider that an effective RCA program will:

- not seek to establish a blame culture
- challenge superficial answers about why things went wrong
- challenge preconceived notions
- avoid the temptation of the ‘quick fix’ answer and not shy away from identifying matters that might be difficult to fix
- identify root causes linked directly to one or more quality findings
- prepare a remedial action plan with clear responsibilities and ownership of the actions.



Following this, QAO adopted a structured approach to assessing RCA with the following steps performed:

- Define the audit quality issue/s—define the scope of the quality issue and set parameters for discussion and evidence while identifying interviewees and documentation to be reviewed.
- Gather the relevant facts and information—interview relevant engagement team members and specialist auditors and obtain sufficient information to understand the context of all relevant circumstances.
- Identify the issues that helped create the quality issue—consider all possible root causes, keep probing, question junior staff initially and understand the actual level of supervision/monitoring while considering the guidance provided in QAO methodology and training.
- Objectively assess those issues—make a preliminary assessment of the root cause and discuss with the engagement leader/team, and consider feedback on proposed remedial actions while considering if the assessment has a wider ranging impact.
- Determine appropriate remedial action and prepare a final report—formulate remedial plans for individuals or teams, training, and changes to audit policies or methodology, or performance management; and assign accountability, implementation timeframes and agreed future check-in points.

QAO envisages that the RCA program will only be applied to:

- significant systemic quality assurance findings raised from our annual hot and cold review program
- significant quality findings that are identified through engagement review, technical team involvement, or evaluation of prior period errors.

Our RCA program was piloted in 2019–20 on both a performance audit engagement and on four financial audit engagements in the same sector. The results from the RCA were communicated to relevant engagement leaders and the Executive Management Group (EMG). Opportunities were identified to enhance our guidance material.

Audit reports issued

We formed 397 audit opinions about the reliability of financial statements of state and local government entities. Our audit service providers delivered 173 of these opinions—44 per cent.

Modified audit opinions

For completed 2019–20 audits, we issued 12 modified audit opinions:

- nine of which were qualified audit opinions and three were disclaimer of opinion
- 11 of the 12 modified audit opinions were issued for general purpose financial reports
- one qualified report was issued for an ASAE 3402 *Assurance Report on Controls at a Service Organisation*.

Details of the modified audit opinions we issued are available in our tabled reports to parliament.



Key audit matters

Key audit matters (KAMs) reported to stakeholders provide a better understanding on those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. It provides additional information to intended users of the financial report and assists them in understanding those matters that were of most significance in the audit, while also identifying areas of significant management judgement in the audited financial report.

Engagement leaders review and approve draft KAMs prior to them being communicated to those charged with governance or management.

While QAO has seen a consistent application of criterion and reporting of KAMs since the initial implementation, the majority of the KAMs reported within the public sector relate largely to the same topic, that is, the valuation of non-current assets.



4. Improving our quality assurance practices

The audit profession and regulators regularly discuss the future of audit. Digital disruption and real-time information present challenges to our traditional audit methods. We are aware the way we deliver audits will evolve. QAO is well placed to transform.

We will continue to invest in our analytics capability, enabling a more effective approach where we target our audit focus on areas of risk. QAO has automated real-time data extractions from across the public sector and uses a series of bots to 'normalise' the data from many diverse accounting systems to allow audit interrogation at both a client and whole-of-government level.

QAO has strict data privacy and information security protocols. Our data management is robust and we are committed to embedding good data management practices.

Self-assessment

In 2019–20, we compared our quality assurance practices to ASIC guidance—information sheet 22—to audit firms on how to improve and maintain audit quality. We can improve:

- our external website by providing information on our quality assurance practices and results
- some aspects of our internal reporting of our quality assurance program
- how we collaborate with our audit service providers to improve their audit quality.

Our quality assurance plan 2020–21 will address these improvement opportunities.

Report on regulation of auditing in Australia

We remain vigilant and agile about considering current audit quality topics within the public sector and professional audit industry that are relevant to us. The Commonwealth Parliamentary Joint Committee on Corporations and Financial Services report on *Regulation of Auditing in Australia* lists recommendations with the aim to improve the standard of auditing and company reporting.

Auditor independence is a key determinant of a robust audit regulatory framework and crucial in the process of building trust, confidence, and stability in capital markets. The report includes several recommendations, and we noted the following two will impact our quality assurance activities in the future:

Recommendation 6—The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosure should include both the length of tenure of the entity's external auditor, and of the lead audit partner.

QAO is mandated to audit all Queensland public sector clients. For some clients, such as Queensland Treasury, our length of tenure could exceed 150 years. However, QAO does have internal policies that require engagement leaders to annually assess any threats to independence or familiarity. We further limit the tenure of engagement leaders to seven years. The Auditor-General has a fixed, non-renewable term of seven years.



In 2020–21 QAO will review our internal policies and consult with our peers and audit service providers to ensure our policy applies best practice.

Recommendation 9—The committee recommends that the *Corporations Act 2001* be amended such that entities required to have their financial reports audited under the Act must establish and maintain an internal controls framework for financial reporting. In addition, such amendments should require that:

- management evaluate and annually report on the effectiveness of the entity's internal control framework; and
- the external auditor report on management's assessment of the entity's internal control framework.

Our audit approach already considers our clients' internal control frameworks. All state public sector entities are required to comply with the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2019. These prescribe the requirements for the establishment and keeping of accounts, including an appropriate system of internal controls. QAO's independent audit report certifies that prescribed requirements are complied with in all material respects.

QAO will consider if our audit approach requires change after amendments have been made to the *Corporations Act 2001*.

International Standard of Quality Management (ISQM) 1

The Australian equivalent of this standard is expected to become mandatory in 2022. QAO has contributed to feedback on this standard through the Australasian Council of Auditors-General (ACAG). The proposed changes to quality principles will be considered when we undertake our annual refresh of our audit quality framework.

Feedback from our audit service providers

In 2021, we will survey our audit service providers to help us understand if we are collaborating and supporting them sufficiently.



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A. Our quality assurance team

Our quality assurance team

Our quality assurance (QA) team is led by Ms Karen Johnson FCA. We report on quality assurance to the Executive Management Group (EMG) and Audit and Risk Management Committee (ARMC).

Our quality assurance team is primarily comprised of the following members.

QA reviewer	Position	Qualifications
Karen Johnson	Assistant Auditor-General—Audit Practice and Deputy Auditor-General	B Com, FCA, GAICD

Karen has 30 years' experience in private and public sector auditing and governance. She leads QAO's audit methodologies and technology, quality framework, audit technical support, accounting and reporting, information technology, finance, and human resources.

David Adams	Director—Audit Practice	B Bus, FCPA
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David is responsible for delivery of the annual quality assurance process, audit methodology, financial audit training, and special projects including the replacement of our current audit toolset.

Prior to this role, David was a sector director in infrastructure. Major entities in this portfolio are Queensland Rail, Department of Housing and Public Works, Department of Transport and Main Roads, and the government owned ports corporations.

David is a career public sector external auditor with more than 31 years' experience across nearly all significant public sector entities in Queensland.

Damian Bowdler	Manager	BCom CPA
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Damian has 25 years of experience in the Queensland public sector.

Since 2013–14, he has been involved in quality-related work for financial audits at QAO, including performing the annual open and closed file review program, reviewing modified opinion proposals, and analysing material prior period errors.

In addressing the learnings from this work, Damian had developed programs, templates and other tools designed to enhance audit quality. During this period, Damian has also been a member of QAO's technical and methodology teams with a focus on addressing changes in auditing and accounting standards and issues relating to the measurement of fair value for government infrastructure.

Prior to 2013–14, Damian audited public sector entities across all sectors, with a particular emphasis on entities that use treasury products.

Damian also had two short stints working as a financial accountant in government departments.

Jessica Saayman	Manager	B.Compt, B.Compt (Hons), M.Com (International Accounting), CA (SA), CA (CAANZ), RCA
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Jessica has spent 28 years as a qualified accountant/auditor in professional firms and commerce.

Since 2018, Jessica has been involved in quality-related work for financial audits at QAO, including performing the annual open and closed file review program.

Self-employed consultant and board member: 2017–present, 2011–2014.

Partner Assurance and Advisory Deloitte Touche Tohmatsu: 2014–2017.

Assurance Partner at Grant Thornton, South Africa (Audit and Technical): 2006–2011.



B. Companies audited by QAO

Our mandate includes audits of the following companies that prepare their financial reports under the *Corporations Act 2001*.

A summary of these engagements follows.

Client nature	Count
Government owned corporation	12
Entity controlled by a government owned corporation	9
Entity controlled by a department	12
Entity controlled by a local government	49
Entity controlled by a statutory body	16
Entity controlled by multiple public sector entities	14
Total	112

Companies included in the table above (other than for government owned corporations or some entities controlled by government owned corporations) are not rated as high-risk audit engagements.

Our quality assurance review program for 2019–20 featured:

- closed file reviews for four of the nine government owned corporations audited by in-house teams. Three of the 12 government owned corporations were audited by our audit service providers in 2019–20
- open file views were conducted for two of nine government owned corporations audited by in-house teams.

No audit reports were amended after publication in annual reports.



C. Remuneration of audit executives

The remuneration for QAO's key audit executives is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and *Auditor-General Act 2009*. It is publicly disclosed in QAO's annual report.

Individual remuneration and other terms of employment are specified in employment contracts. Remuneration comprises:

- short-term employee benefits, being base-salary, incentives, allowances and leave entitlements, and non-monetary benefits, being car parking and the applicable fringe benefits tax
- long-term employee benefits, including long service leave accrued
- post-employment benefits, including superannuation contributions.



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