

Financial statements, independent auditor's report, and performance statement

We continue to operate as a sustainable and contemporary audit practice. The following pages of this report contain the:

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



Financial statements

Queensland Audit Office
Financial Statements
For the year ended 30 June 2022

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General Information

These financial statements cover the Queensland Audit Office (QAO) for the 2021-22 financial year. QAO is established under the *Auditor-General Act 2009* to provide independent, valued assurance and insights.

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

The principal place of business is:

Level 13, 53 Albert Street

BRISBANE QLD 4000

For information relating to QAO's financial report please:

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



Queensland Audit Office
Statement of Comprehensive Income
For the year ended 30 June 2022

	Notes	2022 Actual \$'000	2022 Original Budget \$'000	Budget Variance* \$'000	2021 Actual \$'000
Income from Continuing Operations					
Audit fees	2(i)	39,770	38,659	1,111	38,952
Appropriation revenue for services	2(ii)	7,003	7,014	(11)	6,588
Other revenue	2(iii)	263	207	56	212
Total Income from Continuing Operations		47,036	45,880	1,156	45,752
Expenses from Continuing Operations					
Employee expenses	3	25,345	25,396	(51)	23,807
Supplies and services	4	19,276	18,868	408	19,511
Depreciation and amortisation	8 (b)	88	64	24	408
Other expenses	5	470	602	(132)	444
Total Expenses from Continuing Operations		45,179	44,930	249	44,170
Total Operating Result from Continuing Operations/Comprehensive Income		1,857	950	907	1,582

**An explanation of major variances is included at Note 11*

The accompanying notes form part of these statements.

Queensland Audit Office
Statement of Financial Position
As at 30 June 2022

	Notes	2022 Actual \$'000	2022 Original Budget \$'000	2022 Budget Variance \$'000	2021 Actual \$'000
Current Assets					
Cash and cash equivalents	1(d)	9,079	8,687	392	6,939
Work in progress	6	2,838	4,043	(1,205)	5,946
Receivables	7	5,421	4,741	680	2,768
Other current assets		882	433	449	662
Total Current Assets		18,220	17,904	316	16,315
Non-Current Assets					
Plant and equipment	8(c)(i)	52	..	52	138
Intangible assets	8(c)(ii)	2
Total Non-Current Assets		52	..	52	140
Total Assets		18,272	17,904	368	16,455
Current Liabilities					
- Payables and accruals	9	1,307	1,751	(444)	1,347
Total Liabilities		1,307	1,751	(444)	1,347
Net Assets		16,965	16,153	812	15,108
Equity					
Contributed equity		5,183	5,183	..	5,183
Accumulated surplus		11,782	10,970	812	9,925
Total Equity		16,965	16,153	812	15,108

The accompanying notes form part of these statements.

Queensland Audit Office
Statement of Changes in Equity
For the year ended 30 June 2022

	Notes	Accumulated Surplus \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2021		9,925	5,183	15,108
Operating result from continuing operations		1,857		1,857
Balance as at 30 June 2022		11,782	5,183	16,965
Balance as at 1 July 2020		8,343	5,183	13,526
Operating result from continuing operations		1,582	..	1,582
Balance as at 30 June 2021		9,925	5,183	15,108

The accompanying notes form part of these statements.



Queensland Audit Office
Statement of Cash Flows
For the year ended 30 June 2022

	Notes	2022 Actual \$'000	2022 Original Budget \$'000	2022 Budget Variance \$'000	2021 Actual \$'000
Cash Flows from Operating Activities					
<i>Inflows:</i>					
Audit fees		37,326	38,775	(1,449)	39,538
Appropriation revenue for services		6,993	7,014	(21)	6,598
GST input tax credits from ATO		2,078	1,707	371	1,870
GST collected from customers		4,316	3,514	802	3,695
Other revenue		57	..	57	28
<i>Outflows:</i>					
Employee expenses		(25,583)	(25,318)	(265)	(23,484)
Supplies and services		(16,711)	(18,868)	2,157	(22,422)
GST paid to suppliers		(1,974)	(1,696)	(278)	(1,998)
GST remitted to ATO		(4,097)	(3,523)	(574)	(3,720)
Other expenses		(265)	(395)	130	(236)
Net Cash Provided by / (Used in) Operating Activities	13	2,140	1,210	930	(131)
Net Cash used in Investing Activities					(77)
Payments for plant and equipment and intangibles		
Net increase / (decrease) in cash and cash equivalents		2,140	1,210	930	(208)
Cash and cash equivalents at beginning of financial year		6,939	7,477	(538)	7,147
Cash and Cash Equivalents at End of Financial Year		9,079	8,687	392	6,939

Queensland Audit Office
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For the year ended 30 June 2022

QAO supports the statutory role and functions of the Auditor-General, who is parliament's auditor for all state and local government entities. The Auditor-General is fully independent, appointed by the Queensland Governor in Council for a seven-year term. Our work is governed by the *Auditor-General Act 2009* and guided by Australian auditing and accounting standards.

The Auditor-General's mandate includes annual financial audits and performance audits. We also conduct investigations about financial waste and mismanagement, and report on 'better practice' ways that can improve performance and service delivery. The outcomes from our work include:

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

Financial audits are performed on a fee for service basis and account for approximately 85 per cent of QAO's revenue. To assist in executing our mandate, QAO engages private sector audit firms to undertake around 30 per cent of our work. These contracted firms are agents of the Auditor-General and their services are led and overseen by QAO. The balance of QAO's revenue comes from parliamentary appropriation.

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

1. Summary of Significant Accounting Policies

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

(a) Statement of compliance

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

- section 38 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2021.

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

(b) Currency and Rounding

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

Queensland Audit Office
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1. Summary of Significant Accounting Policies (continued)

(c) Taxation

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

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

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

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

(d) Cash and cash equivalents

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

(e) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(e) Issuance of financial statements

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



Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2022

2. Revenue

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

QAO also receives parliamentary appropriation for:

- the position of the Auditor-General
- the conduct of performance audits
- reporting to Parliament on the results of financial and performance audits
- providing advice and assistance to the Parliament and central agencies
- preparation of the Forward Work Plan
- investigating matters referred in relation to financial waste and mismanagement.

(i) Audit fees for services to the public sector

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

(ii) Appropriation revenue for services to the Parliament

QAO recognises appropriation revenue in the year when the services are performed, which matches the timing of cash transfers made by Queensland Treasury under the *Appropriation (Parliament) Bill 2021*.

	2022 \$'000	2021 \$'000
Revenue		
Budgeted appropriation	7,014	6,598
Queensland Treasury adjustments	(11)	(10)
Total	7,003	6,588

The 2021 and 2022 Budgeted appropriation included reductions reflecting decisions made in the Queensland Government Debt and Savings Plan. These totalled \$0.453 million in 2021 and \$0.131 million in 2022

The adjustments to appropriation from the amount set out in the *Appropriation (2021-2022) Bill 2021* and *Appropriation (2020-2021) Bill 2020* were for Microsoft Core Client Access License (CAL).

(iii) Other Revenue

	2022 \$'000	2021 \$'000
Other revenue		
Storage services received free of charge	205	199
Miscellaneous receipts	58	13
Total	263	212

Miscellaneous receipts consist of amounts recovered from other audit offices for their share of services including audit software support.

Queensland Audit Office
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3. Employee Expenses

	Note	2022 \$'000	2021 \$'000
Employee Benefits			
Wages, salaries and sick leave	3(i)	19,876	18,783
Annual leave levy	3(ii)	2,070	1,805
Long service leave levy	3(ii)	500	469
Employer superannuation contributions		2,679	2,560
Fringe benefits tax		84	70
Voluntary early retirements		..	17
Total Employee Benefits		25,209	23,704
Employee Related Expenses			
WorkCover Queensland premium		38	42
Employee expenses – other		98	61
Total Employee Related Expenses		136	103
Total		25,345	23,807

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

	2022	2021
Number of employees as at 30 June (based upon the fortnight ending 1 July 2022)	179	182

(a) Employee benefits

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

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

(i) Wages, salaries and sick leave

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

(ii) Annual leave and long service leave

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

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

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3. Employee Expenses (continued)

(iii) Superannuation

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

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

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

(b) Key executive management personnel and remuneration

(i) Key executive management personnel

Details of key executive management personnel are disclosed in accordance with section 3C of the Financial Reporting Requirements for Queensland Government Agencies. Key executive management personnel encompass positions which form part of the Executive Management Group. This group had the authority and responsibility for planning, directing and controlling the activities of the QAO during 2021–22.

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

Deputy Auditor-General – the statutory role of Deputy Auditor-General is only filled when the Auditor-General is unavailable – the Deputy Auditor-General then acts as Auditor-General.

Assistant Auditors-General – lead and set the strategic direction of client services, parliamentary services and audit practice.

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

(ii) Remuneration

The remuneration policy for QAO's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and the *Auditor-General Act 2009*.

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

Remuneration packages comprise the following components:

- short term employee benefits which include:
 - base — salary, incentives, allowances and leave entitlements paid and accrued for the year or for that part of the year during which the employee occupied the specified position
 - non-monetary benefits — car parking and the applicable fringe benefits tax

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

- long term employee benefits include long service leave accrued
- post-employment benefits include superannuation contributions
- redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payments in lieu of notice on termination regardless of the reason for termination
- performance bonuses are not paid under the current contracts.

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

Position	Name	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Total Remuneration
		Base	Non-Monetary			
		\$'000	\$'000			
1 July 2021 – 30 June 2022						
Auditor-General	B Worrall	467	13	11	55	546
Deputy Auditor-General (when required) & Assistant Auditor-General	K Johnson	283	13	6	29	331
Assistant Auditor-General	P Brahman	280	13	6	31	330
Assistant Auditor-General	P Flemming	246	13	5	25	289
Assistant Auditor-General	D Olive	236	13	5	23	277
Assistant Auditor-General* (1/7/21 – 31/05/22)	R Vagg	258	11	4	22	295*
Total 2022						2,068
1 July 2020 – 30 June 2021						
Auditor-General	B Worrall	482	12	11	57	562
Deputy Auditor-General (when required) & Assistant Auditor-General	K Johnson	282	12	6	29	329
Assistant Auditor-General	P Brahman	274	12	6	32	324
Assistant Auditor-General	P Flemming	239	12	4	26	281
Assistant Auditor-General	D Olive	228	12	4	23	267
Assistant Auditor-General	R Vagg	245	12	4	25	286
Total 2021						2,049

2021-2022: *Total remuneration includes annual and long service leave entitlements payout of \$30,184

(iii) Performance payments

No KMP remuneration packages provide for performance or bonus payments.

Queensland Audit Office
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3. Employee Expenses (continued)

(iv) Related Party Transactions

Transactions with people or entities related to Key Executive Management Personnel (KMP)

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

Transactions with other Queensland Government-controlled entities

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

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

QAO pays work cover premium to WorkCover Queensland as per Note 3.

QAO pays rent and office services to Department of Energy and Public Works as per Note 4.

QAO pays insurance to Queensland Government Insurance Fund (QGIF) as per Note 5.

4. Supplies and Services

	2022	2021
	\$'000	\$'000
Payment to audit service providers	12,017	11,818
Consultants and expert advice	2,176	1,267
Payments to employment agencies for contractor personnel	594	1,194
Rent and office services	1,698	2,158
Information technology and minor office equipment	1,536	1,751
Staff development	163	220
Travel costs	300	354
Bureau charges	288	328
Other administrative costs	504	421
Total	19,276	19,511

5. Other Expenses

	2022	2021
	\$'000	\$'000
Internal audit fees	154	144
External audit fees*	33	33
Insurance premiums – QGIF	63	60
Storage services received free of charge	205	199
Other expenses	15	8
Total	470	444

* Total audit fees due to Hall Chadwick QLD relating to the 2021-22 financial year are \$33,150 (2020-21: \$32,500).

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6. Work in Progress

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

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

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

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

- no work is disputed by clients
- no unexplained aged work in progress exists
- no amounts are outstanding for entities that no longer exist, and
- good quality credit history, with our clients being state and Local Government entities.

7. Receivables

	2022 \$'000	2021 \$'000
Audit fees receivable	4,757	2,279
Annual leave reimbursement	487	440
Long service leave reimbursement	177	14
Other receivables	..	35
Total	5,421	2,768

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

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

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2022

Plant and Equipment and Intangible Assets

(a) Acquisition

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

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

(b) Measurement

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

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

The depreciation and amortisation rates are:

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

	2022	2021
	\$'000	\$'000
Depreciation and Amortisation		
Plant and equipment	86	92
Intangibles	2	316
Total	88	408



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8. Plant and Equipment and Intangible Assets (continued)

(c) Impairment

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

	2022	2021
	\$'000	\$'000
(i) Plant and Equipment		
Plant and equipment		
At cost	997	997
Accumulated depreciation	(945)	(859)
Total	52	138
 <i>Plant and Equipment Reconciliation</i>		
Carrying amount at 1 July	138	153
Acquisitions	..	77
Disposals	..	(51)
Depreciation	(86)	(92)
Accumulated depreciation on disposal	..	51
Carrying amount at 30 June	52	138
	2022	2021
	\$'000	\$'000
(ii) Intangible Assets		
Software purchased		
At cost	331	331
Accumulated amortisation	(331)	(331)
Total
Software internally generated		
At cost	1,968	1,968
Accumulated amortisation	(1,968)	(1,966)
Total	..	2
Intangible Asset Total	..	2
 <i>Intangible Assets Reconciliation</i>		
Carrying amount at 1 July	2	318
Amortisation	(2)	(316)
Carrying amount at 30 June	..	2

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9. Payables and Accruals

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

	2022	2021
	\$'000	\$'000
(a) Payables		
Creditors	258	510
GST payable	470	251
GST input tax receivable	(214)	(316)
Net GST payable	256	(65)
Total	514	445
(b) Accrued Employee Benefits		
Annual leave levy payable	612	586
Long service leave levy payable	151	129
Other employee benefits	30	187
Total	793	902
Total	1,307	1,347

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

10. Commitments for Expenditure

At reporting date QAO had no capital expenditure or operating lease commitments. QAO sub-leases our accommodation through an arrangement with the Department of Energy and Public Works (DEPW). This arrangement is outside the scope of *AASB 16 Leases* as DEPW has substantive substitution rights over the non-specialised, commercial office accommodation we use. There is no lease remediation requirement under this sub-lease.

Queensland Audit Office
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11. Budgetary Reporting Disclosures

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

(i) Explanation of Major Variances – Statement of Comprehensive Income

<i>Audit fees</i>	Audit fees were \$1.111 million above budget. We were required to do additional audit work during the financial year because of the impact of the 2021 Machinery of Government changes.
<i>Supplies and services</i>	Supplies and Services were \$0.408 million above budget. We spent more on expert advice and consultants because we commenced our Data Analytics Project during the financial year. This is a multi-year project that aims to enhance staff data literacy, improve audit efficiency and streamline data extraction processes.
<i>Employee Expenses</i>	Employee expenses were not over budget. This reflects two offsetting events – salaries and wages increased in line with Public Sector increases and the retention incentives that we had to pay to retain staff, offset by significant reductions in FTE through the year due to market conditions.

(ii) Explanation of Major Variances – Statement of Financial Position

<i>Cash and Cash Equivalents</i>	Cash was \$0.392 million above budget. This was due to additional audit work being performed and the timing of when that is billed and paid.
<i>Work in Progress</i>	Work in Progress was \$1.205 million less than budget. Our June 2022 revenue was less than expected because of unplanned leave from COVID and Influenza.
<i>Receivables</i>	Receivables was \$0.680 million above budget. This is a timing difference and most of this balance was received in July 2022.

(iii) Explanation of Major Variances – Statement of Cash Flow

<i>Audit Fees</i>	Audit fees received were \$1.449 million less than expected. The conversion of Work in Progress to receivables occurred right at the end of the financial year in 2022 resulting in a higher than expected receivables.
<i>Supplies and Services</i>	Supplies and services paid were \$2.157 million below budget. This reflects Work in Progress being less than expected and timing differences when invoices from our Audit Service Providers were paid.

Queensland Audit Office
Notes to the Financial Statements
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12. Financial Instruments

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

(a) Classification

Financial Assets	Notes	2022 \$'000	2021 \$'000
Cash and cash equivalents (fair value through profit or loss)	1 (d)	9,079	6,939
Work in progress (amortised cost)	6	2,838	5,946
Receivables (amortised cost)	7	5,421	2,768
Total		17,338	15,653
Financial Liabilities - Payables and accrued employee benefits (amortised cost)	9	1,307	1,347

(b) Financial Risk Management

QAO's activities expose it to credit risk and liquidity risk. Financial risk management is implemented pursuant to state government and QAO policies. These policies focus on the financial performance of QAO over the medium term. QAO is predominantly self-funded and sufficient surplus cashflow is required to reinvest in the technology required to deliver our services. QAO aims to record modest surpluses over a 2-to-3-year period to allow for this reinvestment. Primary responsibility for the management of financial risk rests with the Executive Management Group, with oversight and monitoring by the Audit and Risk Management Committee.

QAO's bank account is included in the whole-of-government set-off arrangement managed by Queensland Treasury. The overdraft limit of the whole-of-government group is \$300 million. The account does not earn interest on surplus funds, nor is interest charged on overdrawn funds. Interest earned or charged on the aggregate set-off arrangement accrues to the Consolidated Fund of the State.

(c) Credit Risk Exposure

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

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

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

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

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for the year ended 30 June 2022

12. Financial Instruments (continued)**(c) Credit Risk Exposure (continued)**

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

Receivables	Ageing of Receivables (not impaired)			Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	Overdue 61-90 days \$'000	
2022	5,380	..	41	5,421
2021	2,542	202	24	2,768

(d) Liquidity Risk

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

QAO ensures it has sufficient funds available to meet financial obligations when they fall due by maximising its bank account balance and through an approved corporate card facility with a \$200,000 limit. At year end, \$171,000 (2021: \$194,748) was available in this facility.

As at 30 June 2022, QAO's financial liabilities are all payables and accruals that fall due within 12 months.

(e) Fair Value

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

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

	2022 \$'000	2021 \$'000
Operating Surplus	1,857	1,582
Non-cash items included in operating result:		
Depreciation and amortisation expense	88	408
Change in assets and liabilities:		
(Increase) / decrease in work in progress	3,108	(2,203)
(Increase) / decrease in receivables	(2,652)	683
(Increase) / decrease in other current assets	(220)	(98)
Increase / (decrease) in payables and accruals	(252)	(537)
Increase / (decrease) in accrued employee benefits	(110)	187
Increase / (decrease) in GST payable	321	(153)
Net Cash provided / (used) by Operating Activities	2,140	(131)

Certificate of the Queensland Audit Office

CERTIFICATE OF THE QUEENSLAND AUDIT OFFICE

These general-purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), s.42 of the *Financial and Performance Management Standard 2019* and other prescribed requirements.

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year ended 30 June 2022 and of its financial position as at the end of that year
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects for financial reporting throughout the reporting period.



Sandi Faddy, CPA
Acting Chief Financial Officer
28 July 2022



Karen Johnson, FCA
Acting Auditor-General
28 July 2022



Independent auditor's report

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Queensland Audit Office, which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the certificates given by the Auditor-General of Queensland and the Chief Financial Officer of Queensland Audit Office.

In our opinion, the accompanying financial report:

- (a) gives a true and fair view of the financial position as at 30 June 2022 of the Queensland Audit Office and of its financial performance and cash flows for the year then ended; and
- (b) complies with the Financial Accountability Act 2009, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

Basis for Opinion

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

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

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

The Accountable Officer is responsible for the other information. The other information comprises the information included in Queensland Audit Office's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Accountable Officer for the Financial Report

The Accountable Officer of the Queensland Audit Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and is appropriate to meet the requirements of the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2019. This responsibility includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Limited liability by a scheme approved
under the Professional Standards Legislation

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2022:

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

Hall Chadwick
M. Taylor

Mark Taylor
Director
Hall Chadwick QLD

Dated at Brisbane this 28th day of July, 2022.



Performance statement

Queensland Audit Office Performance statement Year ended 30 June 2022

Performance comparison – actual to target

Service Standards	Notes	Target	Actual	Variance
Effectiveness measures				
Parliament's overall satisfaction with services (%)	1	80	N/A*	
Audit clients' overall satisfaction (index points)	1, 2	80	82	2.0 favourable
Average time to produce reports – financial audits (months)	3, 5	6	6.7	0.7 unfavourable
Average time to produce reports – performance audits (months)	3, 5	9	11.2	2.2 unfavourable
Efficiency measures				
Average life-cycle cost of reports tabled – financial audits (\$'000)	4, 5	\$140.0	\$102.7	\$37.3 favourable
Average life-cycle cost of reports tabled – performance audits (\$'000)	4, 5	\$395.0	\$262.8	\$132.2 favourable
Average cost of financial audits – State entities (\$'000)	6	80–90	93.8	3.8 unfavourable
Average cost of financial audits – Local government entities (\$'000)	6	70–75	79.5	4.5 unfavourable

* We typically survey members of parliament twice during the parliamentary term (not annually). We last surveyed members of parliament in 2020–21. Parliament's overall satisfaction with services in 2020–21 was 89%.

These measures are in the 2022–23 Queensland State budget papers.



Notes to and forming part of the performance statement.

Including the explanation of major variances

1. QAO's performance is effective when members of parliament and our audit clients value our independent audits and advice. We report on the results of our audits and share our insights and advice to parliament and the entities we audit. We value all feedback we receive. It identifies opportunities for QAO to enhance our relationships with members of parliament and audit clients.
2. QAO surveys its public sector and local government audit clients each year. Our audit clients' overall satisfaction is a blended average from surveys of financial audit and performance and assurance audit clients. The actual result for 2021–22 is slightly higher than the target and reflects our focus on providing our clients with a consistent and seamless QAO experience. We received positive feedback about the professionalism of our auditors and their knowledge and skills. Clients rated our reporting highly, and agreed they had adequate opportunity to comment on audit findings. Based on the survey results, key improvement opportunities include the timeliness of our audit program and management letters; and how we communicate with some clients.
3. The Auditor-General must report to parliament annually on each audit performed. We track the time it takes to produce each report to parliament, and how we contribute positively to prompt action towards the delivery of better public services. Our audits include:
 - Financial audits.** The measure is the average time of all financial audit reports tabled. It calculates the average time taken from our clients' financial year-end date to the tabling date of the report.
 - Performance audits.** The measure is the average time of all performance audit reports tabled. It calculates the average time from when we initiate the audit to the tabling date of the report.
4. We also track the life cycle cost of each report to parliament. The measure is the cost of QAO's reporting to parliament. Costs include internal staff costs and overheads, contractor costs and other direct costs to produce the report.
 - Financial audits.** The measure is the average cost of all financial audit reports tabled within the financial year. The life cycle cost of a report includes the costs to develop the report through to when we table the report.
 - Performance audits.** The measure is the average cost of all performance audit reports tabled within the financial year. We measure the life cycle cost of a report from when we initiate the audit to the tabling date of the report.
5. This year we tabled our audit reports later than expected but under budget. Delays in tabling were due to the impact of the COVID-19 pandemic resulting in us giving extensions to planned reporting timeframes to some clients. The favourable cost result demonstrates our improved operating rhythm and organisational structure, and more succinct reports to parliament that meet our clients' needs.



We have listed the actual duration and cost for each report below.

Financial audit report title	Life cycle cost	Duration (months)
Water 2021	\$69,253	4.3
Energy 2021	\$71,908	5.1
Transport 2021	\$70,087	5.3
Health 2021	\$121,836	5.5
State finances 2021	\$56,645	8.2
State entities 2021	\$141,472	9.3
Local Government 2021	\$177,993	10.3
Education 2021	\$111,896	5.5
Total	\$821,090	53.5
Average	\$102,636	6.7
Target	\$140,000	6.0

Performance and assurance audit report title	Life cycle cost	Duration (months)
Enabling digital learning	\$156,645	6.4
Measuring emergency department patient wait time	\$379,707	25.3*
2021 status of Auditor-General's recommendations	\$157,319	8.6
Managing Queensland's transition to renewable energy	\$312,467	9.8
Regulating animal welfare services	\$166,010	9.3
Improving access to specialist outpatient services	\$260,593	7.7
Regulating dam safety	\$385,527	12.2
Establishing the Queensland Future Fund	\$48,609	6.3
Contract management for new infrastructure	\$326,395	13.0
Appointing and renewing government boards	\$302,835	14.7
Enhancing government procurement	\$394,156	10.1
Total	\$2,980,262	123.4
Average	\$262,751	11.2
Target	\$395,000	9.0

* COVID-19 impacted both QAO and our client's resources during the audit of measuring emergency department patient wait time.

- We track the cost to perform each financial audit for state and local government entities completed within the financial year. The cost of our audits includes internal staff costs and overheads, contractor costs, and other direct costs. The scope of the audit and the number of opinions we sign each year impacts this measure. Expressing the target as a range better reflects the nature of audit services and provides better information for understanding QAO's performance. It is normal for the total number of opinions to change marginally each year, impacting these results. We issued 412 opinions for the year ended 30 June 2022.

