



Queensland Audit Office

Brief for Audit Committee Chairs

10 December 2015

Welcome

Anthony Close
Deputy Auditor-General



Agenda

10:30 — Improving public services

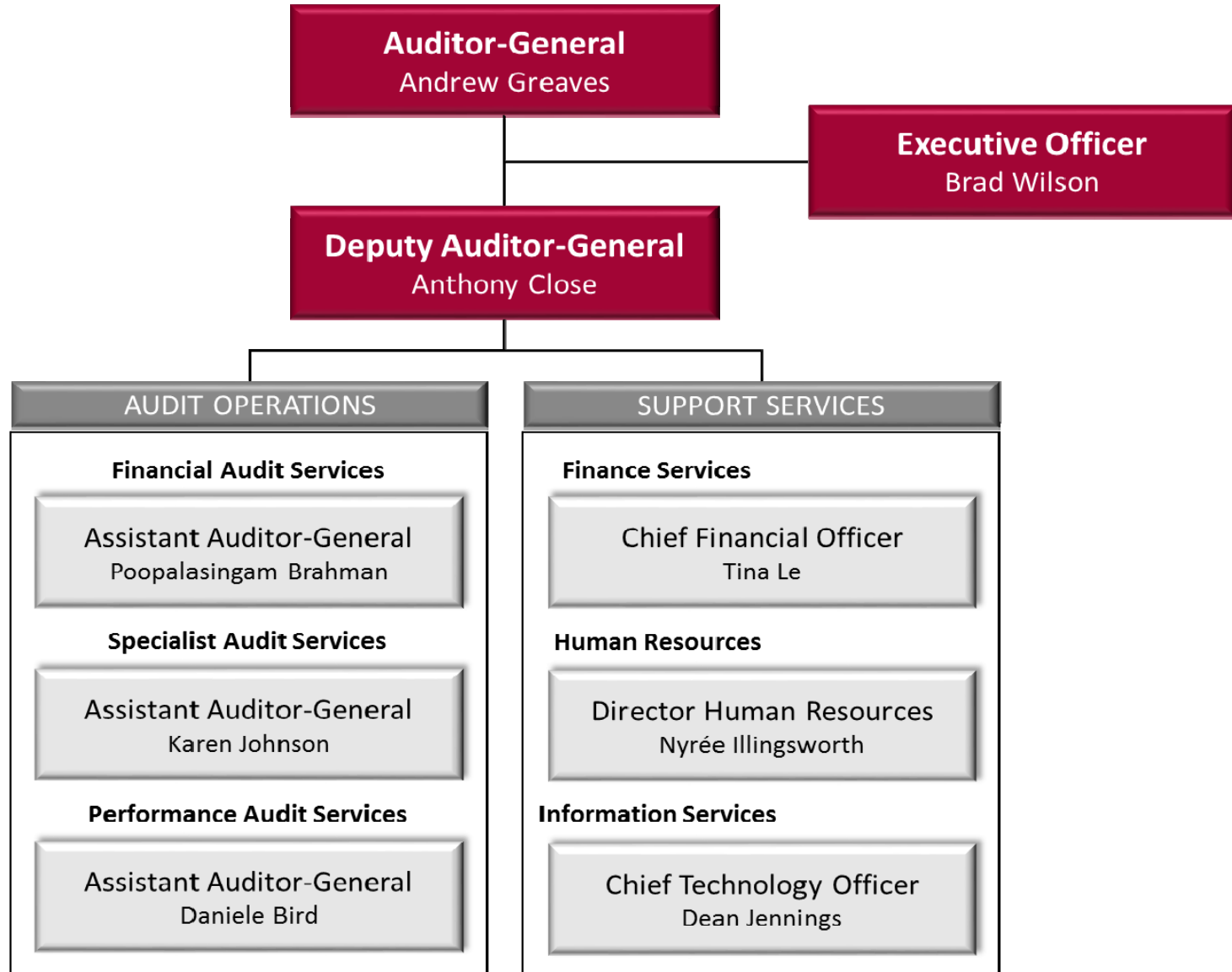
- Strategic plan
- Recurring themes
- Challenges

11:15 — Providing unique insights

- Publicly available information
- Entity-specific information
- QAO approach to data




Organisational structure



Improving Public Services

Andrew Greaves
Auditor-General

Strategic Plan 2015-19

Vision:	Better public services	World-class audit		
Purpose:	Independent assurance	Unique insights		
Values:	 Engage	 Challenge	 Deliver	 Care



Systemic issues

Grant management



Processes – lack transparency and accountability.

Boards and departments cannot demonstrate that:

- applicants are dealt with equitably
- evaluation criteria is applied consistently
- decisions have maximised potential community benefit.



Administration of grants – inefficient and monitoring of payments is weak.

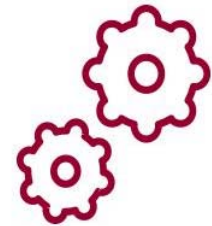


Grant management



Some non-state schools are getting more recurrent state grants than they are entitled to – others receive less.

Board has not established a robust framework.



DETE has not sought assurance from the Board in regards to accuracy of student numbers.



*Oversight of recurrent grants to non-state schools
Report 12:2014-15, March 2015*



Procurement



Decision making documentation does not demonstrate economy in procurement – weakens accountability.

Lack of transparency weakened program administration.



Leaves process open to accusations of favoritism.



*Procurement of youth boot camps
Report 13:2014-15, April 2015*



Procurement



The decision on the capacity of the Gold Coast Desalination Plant did not benefit from the rigorous cost-benefit analysis.

For the scheme's business case, as compared to costs, less rigour was applied to estimating potential benefits and these benefits were overstated.

Consideration of the water supply needed and the cost of this supply were not balanced against a realistic assessment of benefits.



*Maintenance of water infrastructure assets
Report 14:2012-13, June 2013*

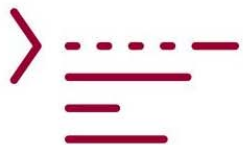


Procurement



Poor health service and investment planning has cost the state more than expected.

The decision to build before a preliminary evaluation of options, and before business cases, put the planning process out of step with the Project Assurance Framework.



QH took the position that the announcements set the scope and expectations for each project. Other options were not explored.



Policy development



The quality of the business cases varied significantly, particularly in:

- the rigor of analysis, absent in some cases
- the level of detail provided to support decision-making.

In the case of the 2008 amendments, QH was unable to provide financial or workforce analysis or other documentation to support them.



QH has failed to analyse adequately the financial implications to quantify success, or to schedule and complete reviews.



*Right of private practice
Report 1:2013-14, July 2013*



Policy



The trial was not well planned, implemented or evaluated:

- planning was rushed
- no benchmarks to gauge success



- unintended consequence of restricting the ability of the police service to use its resources where and when needed.

Unrealistic time frames impacted set up and design – caused problems throughout.



*Drink safe precincts trial
Report 13:2012-13, May 2013*



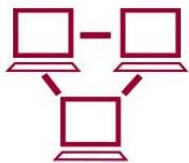
Challenges for the sector

Data integration and availability



Poor data and inadequate systems continue to hinder EHPs planning and risk assessments.

Monitoring and enforcement efforts cannot be targeted to where they are needed most.



Exacerbated by lack of coordination and sharing of information across agencies.



*Environmental regulation of resources and waste industries
Report 15:2013-14, April 2014*

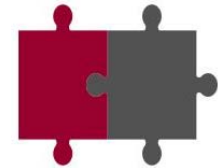


Data integration and availability



Teacher data is fragmented across four systems.

Lack of integration creates inefficiencies sourcing appropriately qualified teachers.



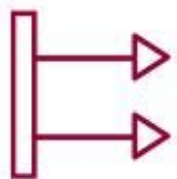
Increases risk of teachers being placed in schools without the capabilities and competencies required.



*Supply of specialist subject teachers
Report 2:2013-14, October 2013*



Data integration and availability



Little alignment between scheme oversight objectives and the management information to support effective decision-making.

Insufficient information is available to monitor and discharge obligations, or for proactive governance.



The desire for more in-depth information...has not been supported with well-targeted and sufficient investment in integrated information technology infrastructure.

Data integration and availability



...departments did not have complete records of all their contracts. Or centralised records of contract management activities.

Their systems were inadequate and did not:

- integrate with their financial systems
- provide automated alerts to enable early planning for contract expiry
- support and record details about the entire contract life-cycle.



Contract management: renewal and transition
Report 10:2013-14, December 2013



Full and frank advice

- They [Ministers] make decisions without all the information and without fully understanding the consequences
- The responsibility for this unfortunate situation lies with chief executives
- What is often needed is a more sophisticated analysis of priorities and programs
- Departmental advice should be better structured and better considered than anything that could be produced in a minister's office



*Don Russell, former Industry department Secretary
ANU, March 2014*

Collective amnesia

"The bureaucracy has been cowed both by the prospect of being sacked and by a reward system which punishes taking risks"

Ken Henry

[he] laments the consequences of "blurring of boundaries" between public servants and political advisors, as well as the "relentless focus on message over substance" in government.

Martin Parkinson

Political amnesia: How We Forgot How to Govern
Laura Tingle, AFR



The Age: editorial on the East West Link report

- The most extraordinary feature of the report is how the public service conducted itself
- Good governance depends on departments providing frank and impartial advice to ministers
- Public servants should be prepared to back their advice with a clear recommendation about which of several potential courses of action would be in the best interests of the state
- The public service must give best advice and firm recommendations before decisions are made
- Departments are narrowly interpreting the legislation under which they operate and their code of conduct with the result that they "avoid providing advice or recommendations simply because they believe the government of the day does not want to hear them".
- The public service has become too timid to lay its opinions on the line, in part because individuals fear that contradicting the government's policies will blunt their potential influence or sour their careers.
- The prevailing ethos is one of diffidence when they should be frank and fearless about what option is best.



Q & A

Providing unique insights

Poopalasingam Brahman
Assistant Auditor-General

Public Reports and Client Specific information

Reports to parliament



Client specific information

External audit plans




Management letters

Closing reports

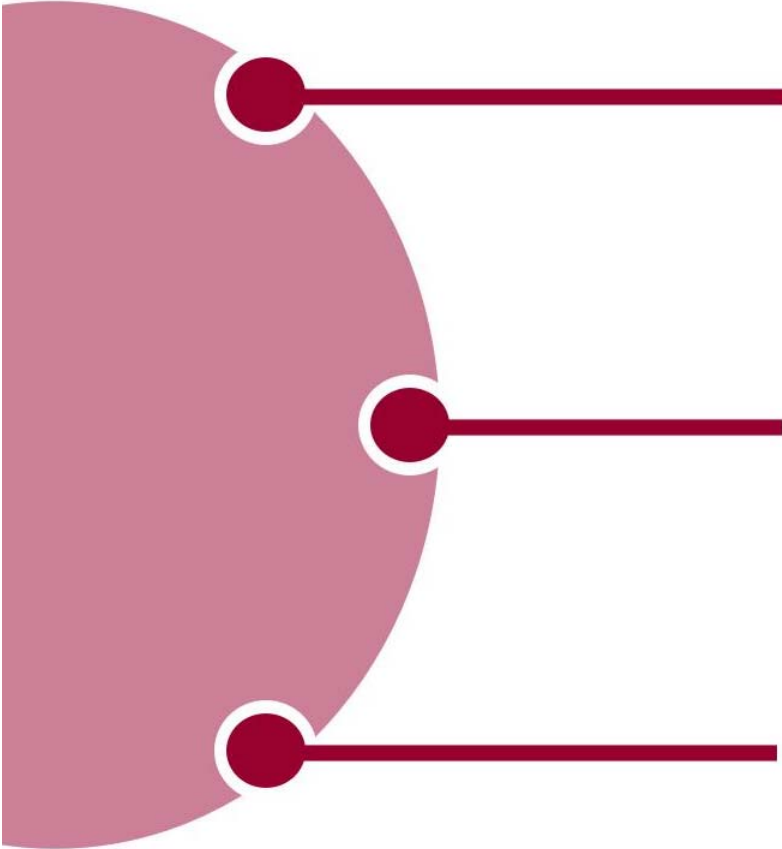
Data insights



Reports tabled last week

Who	What	Entities	Depts	GOC	Stat body	Other
PNFC		21		X	X	X
HHS		16			X	
SPSE		351	X	X	X	X

Audit results



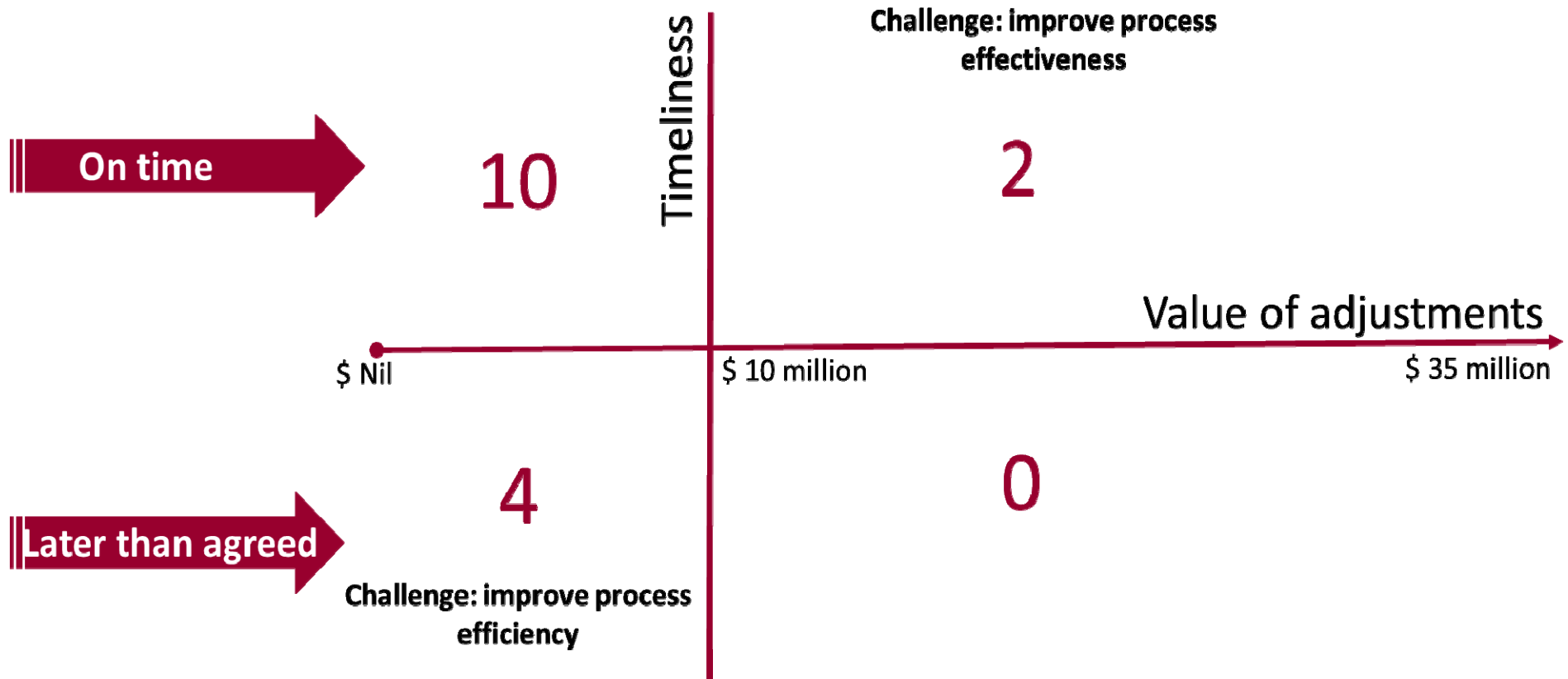
Timeliness and quality
of financial statements

Recurring themes

Impact of new standards

Timeliness and quality of financial statements

HHS 2014-15



Quality - Simplification of financial statements

Use of
proformas

On average 14%
reduction in pages

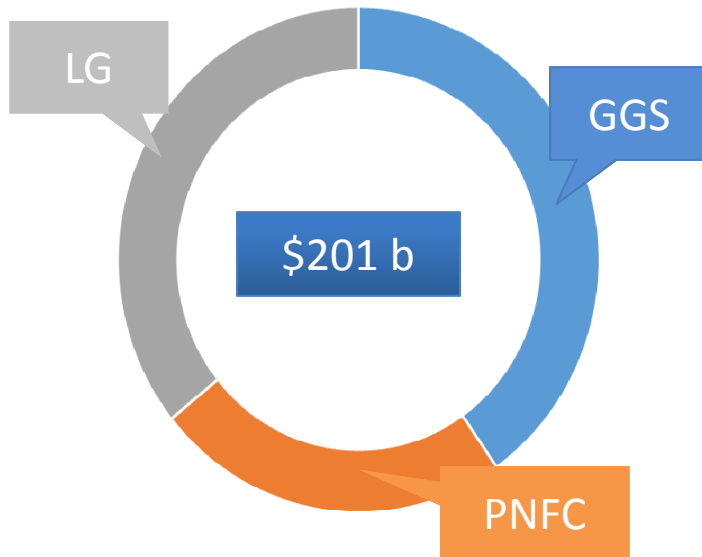
Focus for 2015–16

- Format of statements
- New FRRs
- Plain English

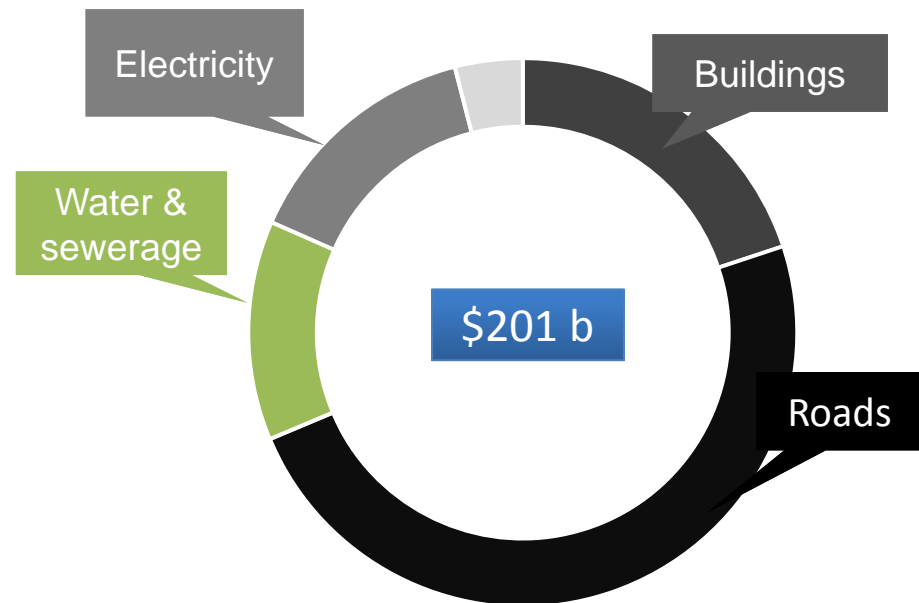
Recurring themes– valuation of assets

Public infrastructure – value by sector

by Govt sector

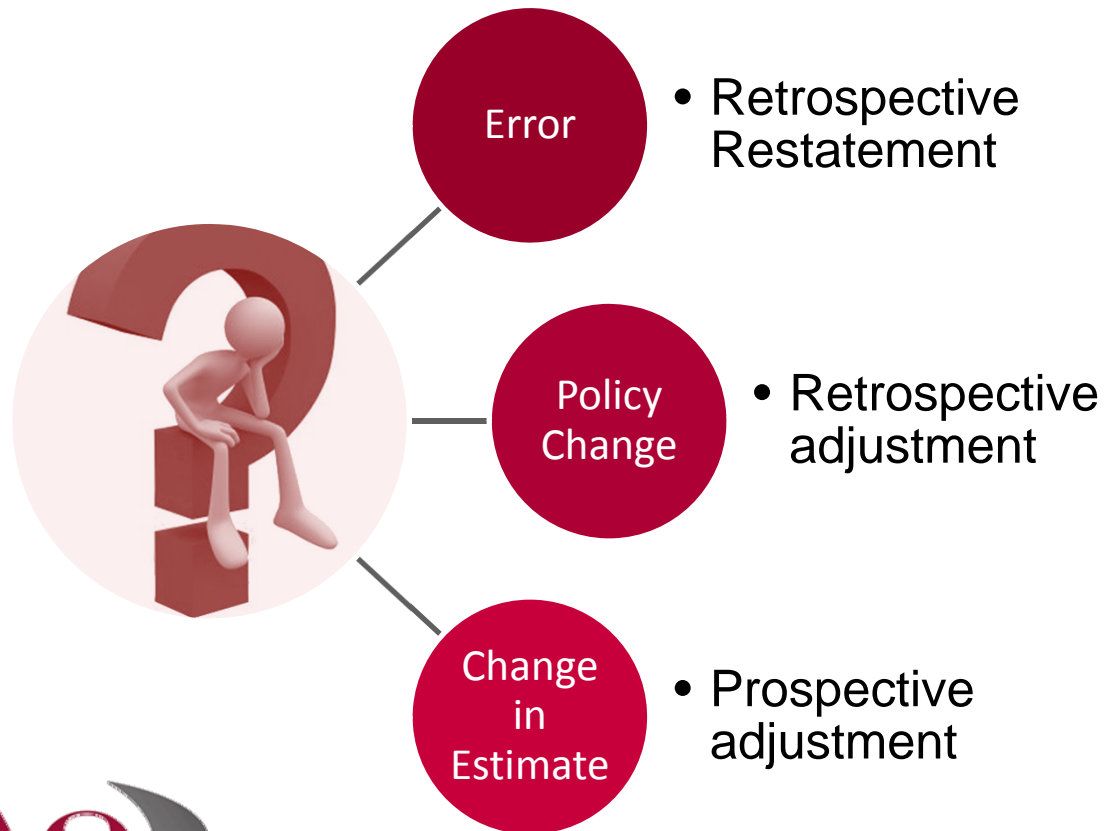


Infrastructure by class

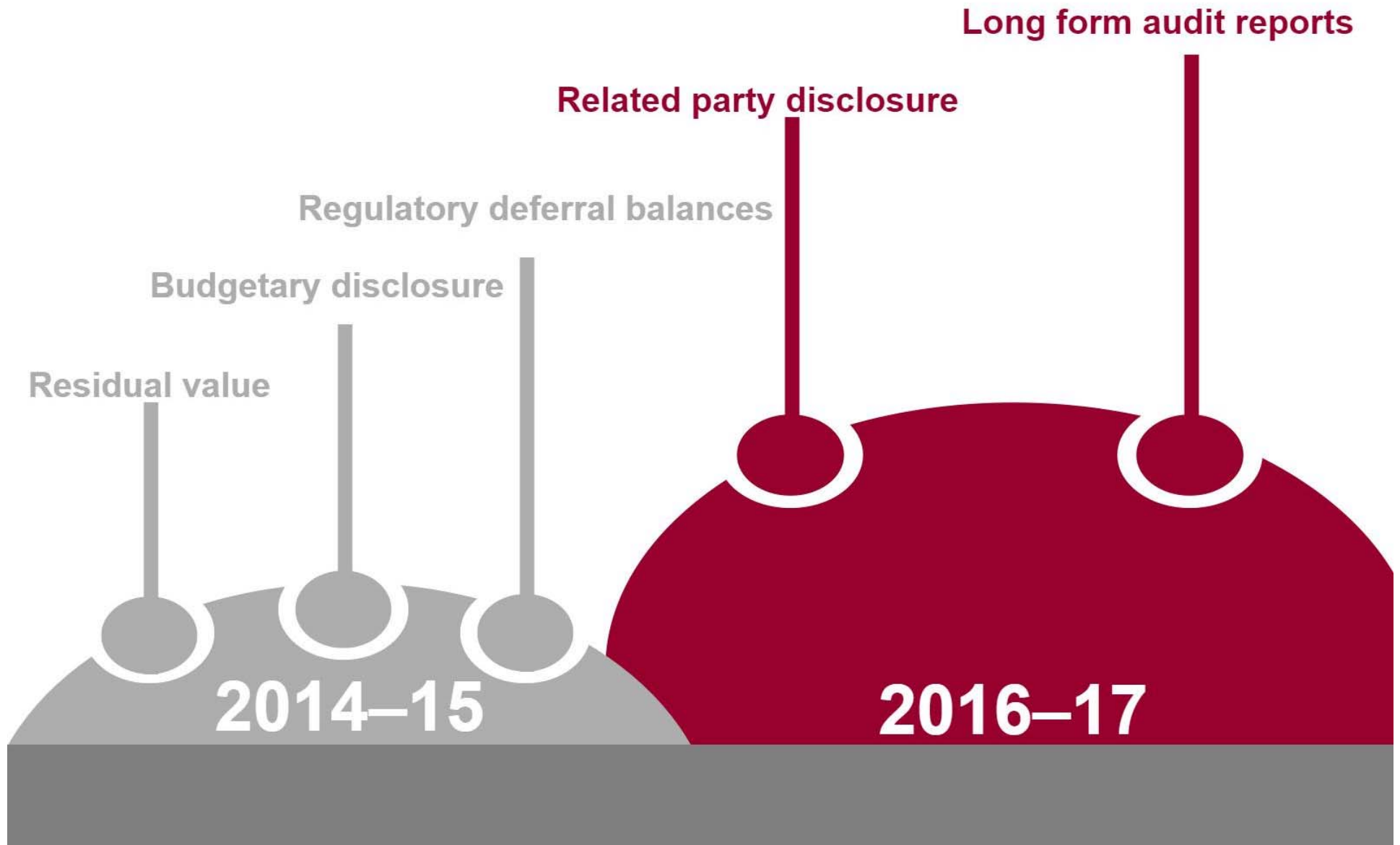


Recurring Themes– valuation of assets

What do you consider when you see significant valuation movements?



Impact of Standards



Sustainability ratios

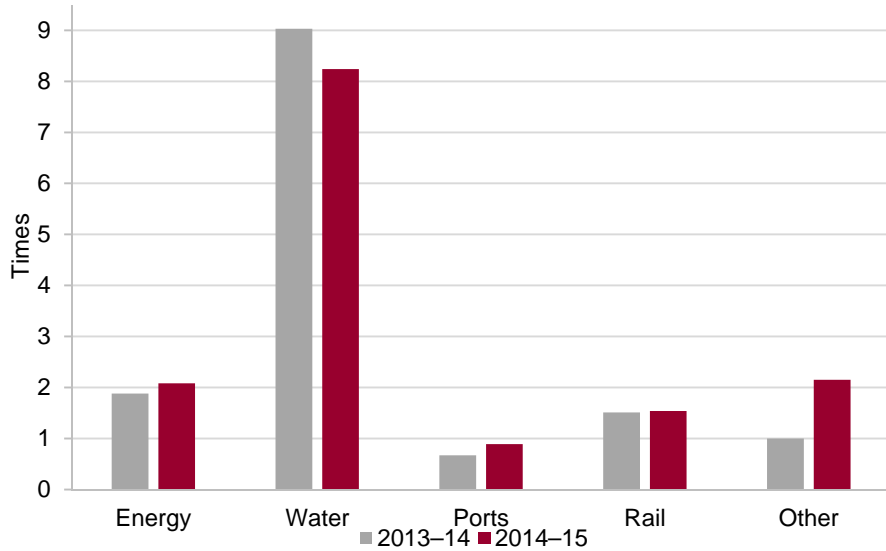
2014–15 net profits



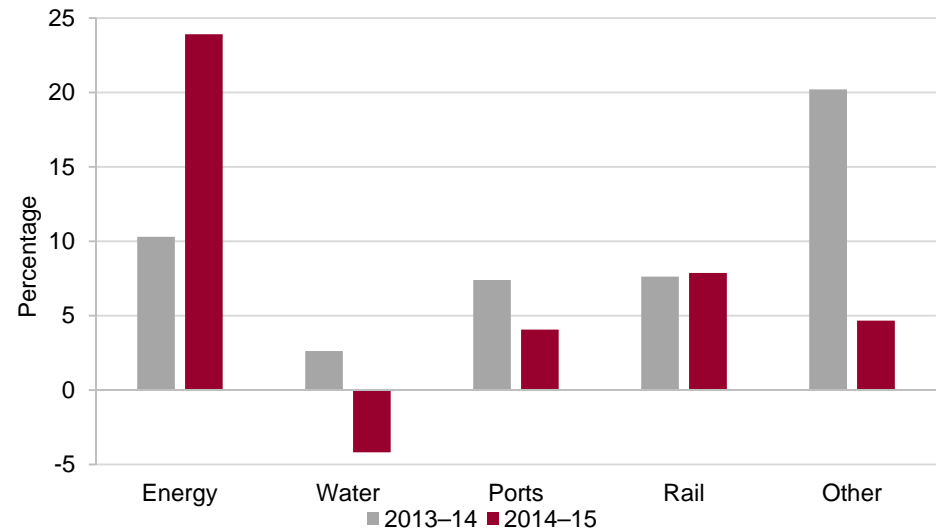
Movement compared to 2013–14



Debt to Revenue



Return on equity



Overall Assessment of Financial Governance

Overall assessment of financial governance by council category for 2013–14

Council	Timeliness	Quality	Elements of internal control frameworks					Financial sustainability
			Control environment	Risk assessment	Control activities	Information and communication	Monitoring of controls	Relative risk assessment (refer Figure G5)
Coastal councils								
Bundaberg Regional Council	●	●	●	●	●	●	●	
Burdekin Shire Council	●	●	●	●	●	●	●	
Cairns Regional Council	●	●	●	●	●	●	●	
Cassowary Coast Regional Council	●	●	●	●	●	●	●	
Douglas Shire Council*	●	●	●	●	●	●	●	
Fraser Coast Regional Council	●	●	●	●	●	●	●	
Gladstone Regional Council	●	●	●	●	●	●	●	
Gympie Regional Council	●	●	●	●	●	●	●	
Hinchinbrook Shire Council	●	●	●	●	●	●	●	
Livingstone Shire Council*	●	●	●	●	●	●	●	

Simplifying our communication—client specific

Engagement letter



External audit plan



Controls assessment and interim management report



Closing report



Final management report



External audit plan



Audit Approach



Engagement



Audit team



Fees



Data Analytics



Changes to audit reporting



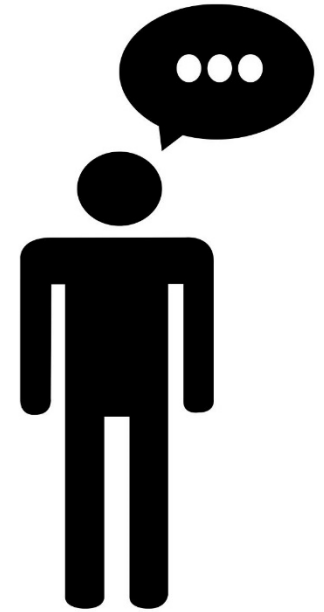
Other matters



Appendices

More effective audits through data analytics

- Auditing standards require auditors to obtain an understanding of the entity they are auditing.
- QAO uses dashboards to help us better understand your entity in order to deliver a more effective and efficient audit.



More effective audits through data analytics

Planning Dashboards

- Understand population and processes
- Identify inherent risks
- Shape walkthroughs and audit focus

Controls Testing Dashboards

- Tests effectiveness of controls e.g. Goods Received & Invoice Received and Financial Delegations

Transaction
Data &
Master Data

Substantive testing

- Single & Multi-Vector Regressions
- Analysis to assist in specific item examination

Probity testing

- Relative size factor
- Benford's Analysis
- Bank account matching

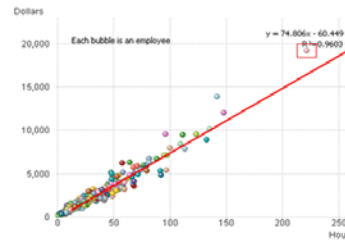
Our approach to data

Understand your entity



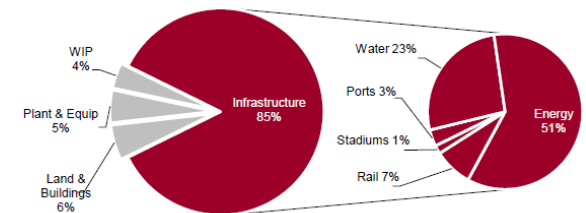
More effective audits

Overtime – Hours worked v payment received



One nurse identified in the red box has claimed 74 hours more than the next employee. The employee is a casual nurse who has had costs allocated across 24 different cost centres. For 6 fortnights the employee has claimed over 19 hours in overtime, along with working 64 ordinary hours. This exception has been provided to Management for further investigation.

Unique insights



Understanding your entity

We map your data to your financial statements to check accuracy and completeness.

2013-14 2014-15 2015-16 01 02 03 04 05 06 07 08 09 10 11 12 13+ P ← × 🏠

Period Analysis **Grouping Analysis** Scatter Analysis Stratification Benford's Analysis

QAO_Audit_Nam
QAO_System Finance
QV_COA_FS_1 Expenditure
QV_COA_FS_3 Employee Expenses

Financial Statement Note & Line Item

Financial Statement Note & Line Item	2013-14 \$	2014-15 \$	2015-16 \$	2013-14 #	2014-15 #	2015-16 #
Total	1,584,579,046	1,502,210,168	558,740,398	7,480	10,498	1,776
Employee Expenses Salaries and Wages	1,130,339,573	1,149,244,760	384,782,444	3,443	7,284	1,114
Employee Expenses Annual Leave	150,284,074	135,764,377	95,673,508	38	50	9
Employee Expenses Superannuation Contributions	172,247,812	171,661,344	59,322,994	446	508	165
Employee Expenses Other Employee Related Expenses	103,832,778	19,385,843	9,880,865	3,158	2,261	389
Employee Expenses Long Service Leave	26,337,625	26,146,745	9,080,145	380	383	98
Employee Expenses Other	245	557	441	1	1	1
Employee Expenses Termination Benefits	1,536,939	6,542	-	14		0

Expenditure Only AP CR DR **GL** CR DR

Select Field: Financial Statement Note
1 Possible Value

- Employee Expenses
- Accrued Employee Benefits
- Administered Asset
- Administered Expense
- Administered Liability
- Annual Leave Central Scheme Claims Paid
- Appropriation
- Appropriation Revenue

Understanding your entity

We analyse your data to help us focus on the material components.

The screenshot shows a web-based data analysis tool. At the top, there's a navigation bar with the QAO logo, year selectors (2013-14, 2014-15, 2015-16), and a calendar view. Below this are tabs for 'Period Analysis', 'Grouping Analysis', and 'Scatter Analysis'. The main area contains a table with columns for 'Pay Stream', '2013-14 \$', '2014-15 \$', '2015-16 \$', '2013-14 #', '2014-15 #', and '2015-16 #'. A blue box highlights the 'Total' row and several data rows. On the left, there are filters for 'Active Only' and 'Terminated Only', and a dropdown for 'Employment Basis' with a list of values: Casual, Permanent, Temporary, Unallocated, and Contract.

Pay Stream	2013-14 \$	2014-15 \$	2015-16 \$	2013-14 #	2014-15 #	2015-16 #
Total	1,485,693,329	1,569,952,060	517,060,007	22,984	23,446	19,076
...	422,247,941	470,451,558	168,478,377	5,103	5,388	5,150
...	291,485,712	296,072,931	100,938,244	4,434	4,060	3,614
...	270,413,714	278,608,701	98,634,675	4,135	4,343	3,668
...	160,121,167	165,774,269	57,438,433	2,597	2,606	2,102
...	206,075,148	215,386,990	50,027,079	3,476	3,863	2,547
...	47,062,603	49,749,133	17,377,832	673	690	555
...	17,412,150	20,055,175	5,609,634	385	643	350
...	16,127,027	8,485,065	4,901,675	1,196	696	552
...	9,662,284	10,726,912	3,749,664	178	183	121
...	9,346,823	9,738,261	3,666,287	143	151	153
...	11,762,094	11,428,017	2,324,502	180	226	112

Understanding your entity

We drill down to specific transactions within these components, focusing on those that appear anomalous.

The screenshot displays a payroll system interface. At the top, there are navigation elements including the QAO logo, fiscal year selection (2013-14, 2014-15, 2015-16), and a month selector (01-26). Below this are tabs for 'Period Analysis', 'Grouping Analysis', and 'Scatter Analysis'. The 'Transactions' tab is active, showing a summary table and a detailed list of transactions.

Summary Table:

Line Item Count	Payslip Count	Employee Count	Total	2013-14 \$	2014-15 \$	2015-16 \$	2013-14 Employees	2014-15 Employees	2015-16 Employees
1,464,023	136,446	15,321	513,792,507.40	0.00	0.00	513,792,507.40	0	0	15,321

Transaction List Table:

Employee	Processing Period	Trans. Code	Trans. Description	Leave Type	Hrs/Units	Rate
...	10/07/2015	ADV-PP	...	-	1.00	...
...	07/08/2015	ADV-PP	...	-	1.00	...
...	07/08/2015	ADV-PP	...	-	1.00	...
...	24/07/2015	ADV-PP	...	-	1.00	...
...	24/07/2015	ADV-PP	...	-	1.00	...
...	30/10/2015	ADV-PP	...	-	1.00	...
...	21/08/2015	ADV-PP	...	-	1.00	...
...	30/10/2015	ADV-PP	...	-	1.00	...
...	16/10/2015	ADV-PP	...	-	1.00	...
...	21/08/2015	ADV-PP	...	-	1.00	...
...	04/09/2015	ADV-PP	...	-	1.00	...
...	16/10/2015	ADV-PP	...	-	1.00	...
...	07/08/2015	ADV-PP	...	-	1.00	...
...	30/10/2015	ADV-PP	...	-	1.00	...
...	04/09/2015	ADV-PP	...	-	1.00	...
...	02/10/2015	ADV-PP	...	-	1.00	...
...	18/09/2015	ADV-PP	...	-	1.00	...
...	30/10/2015	ADV-PP	...	-	1.00	...
...	07/08/2015	ADV-PP	...	-	1.00	...

Field Selection Menu:

- Attendance Type
- Company Code
- Employment Basis
- Employee String
- Pay Stream & Scale
- Pay Stream
- Pay Level
- Pay String
- Transaction Types
- Transaction Type
- Transaction Sub-Type 1
- Transaction Sub-Type 2
- Transaction Code String

More effective audits

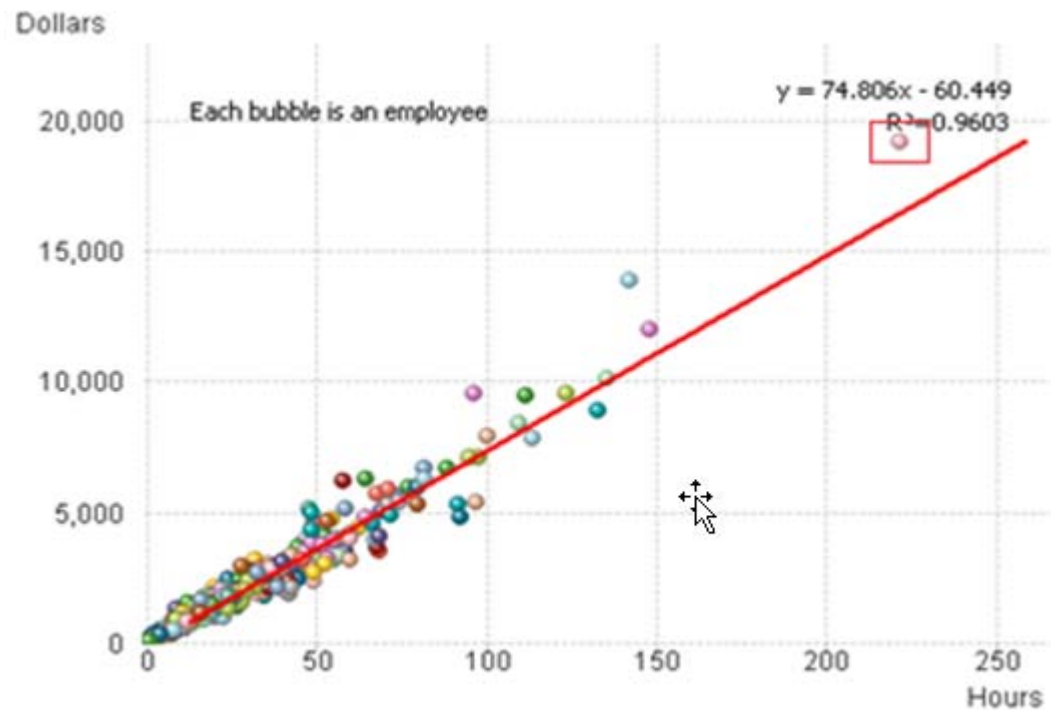
We use regression analysis to investigate anomalous transactions.

Active Only Terminated Only

Select Field: Pay Stream

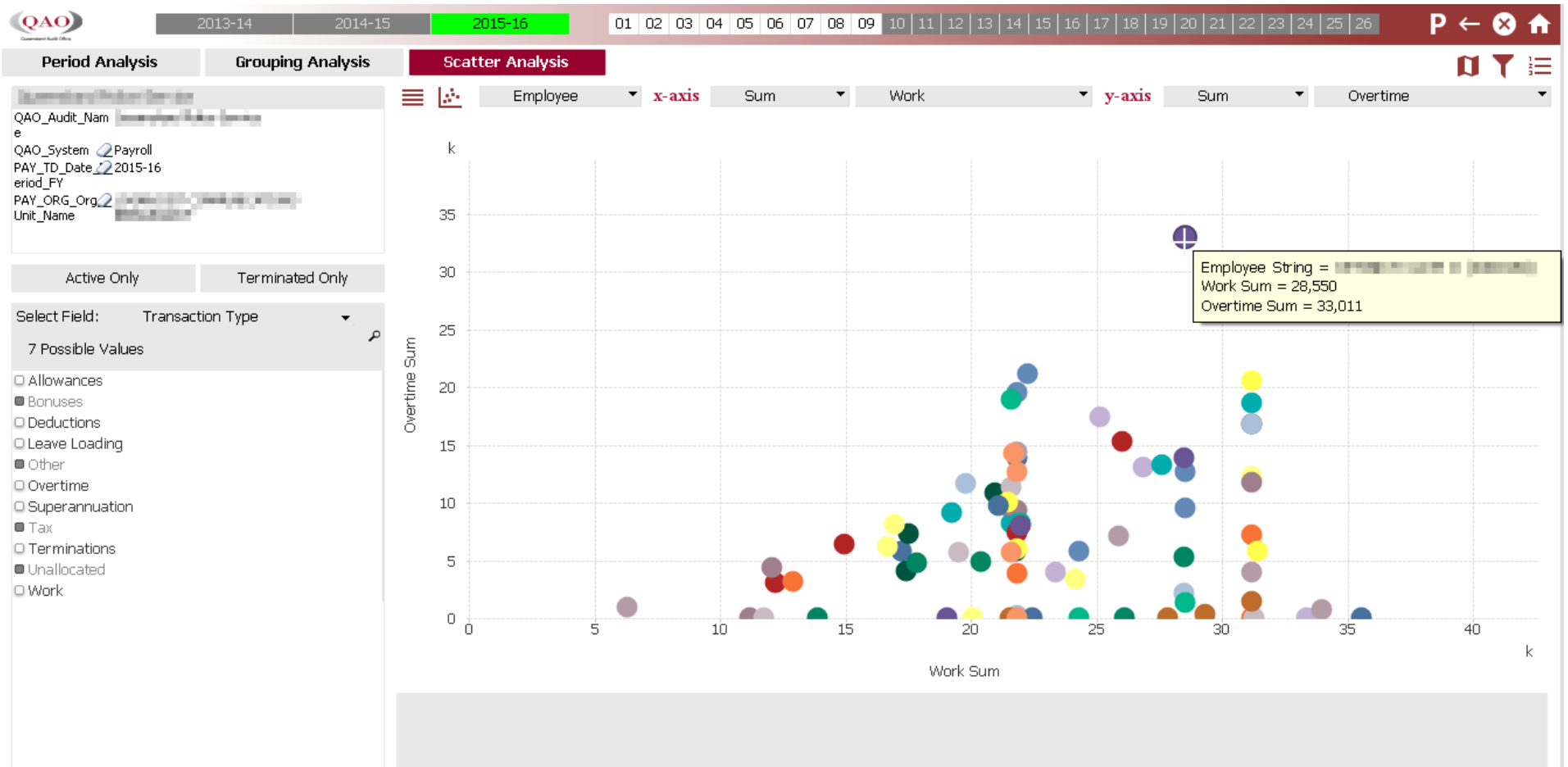
19 Possible Values

- AO
- AO
- AO
- CEO
- ENGINEER
- ENGINEER
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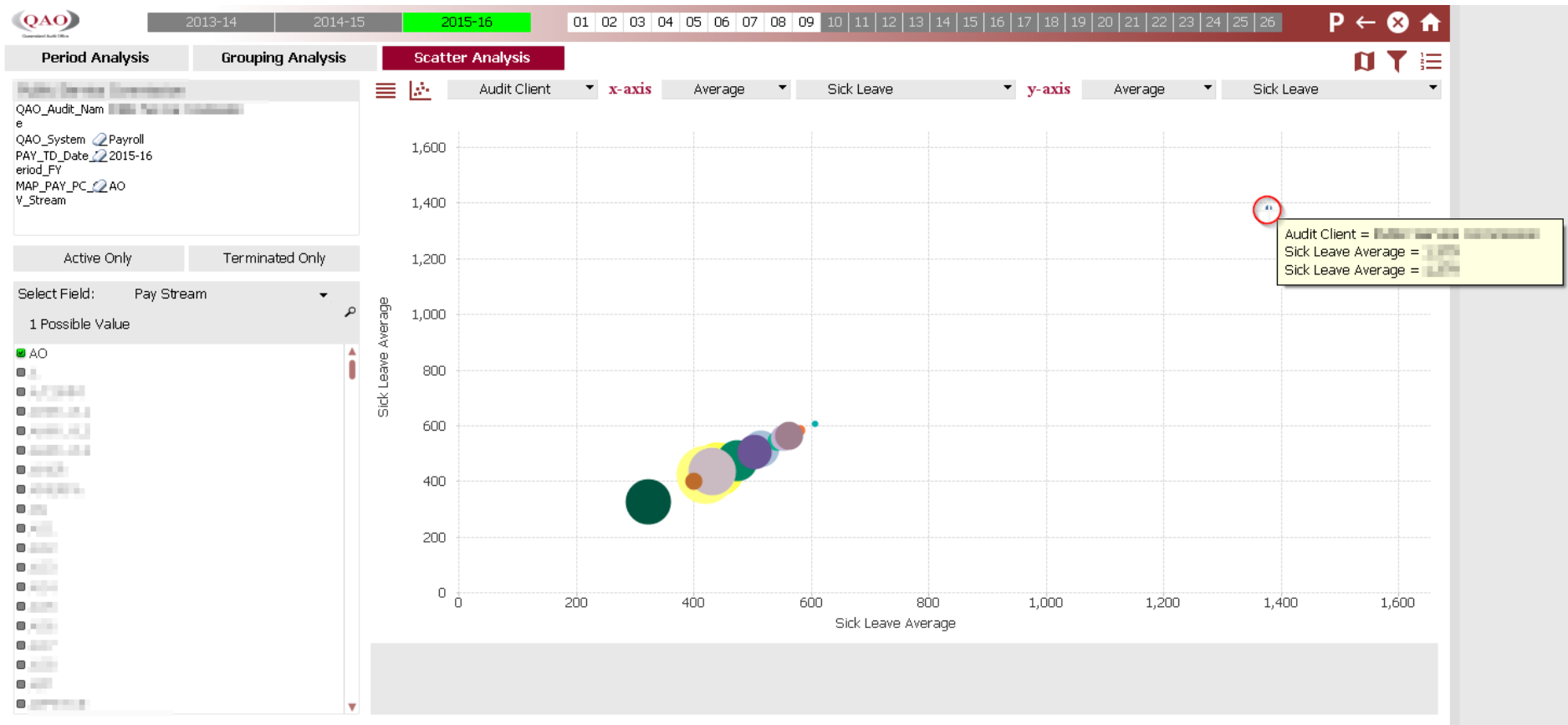
More effective audits

We use scatter graphs to investigate outliers.



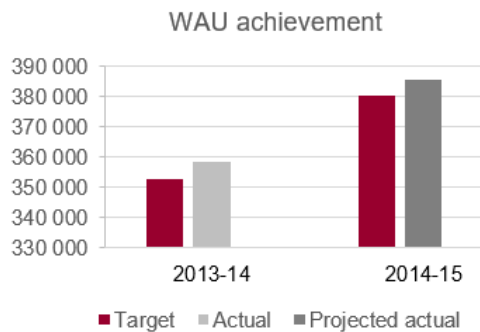
Unique insights

We are able to benchmark you against your peers and provide you with the results.



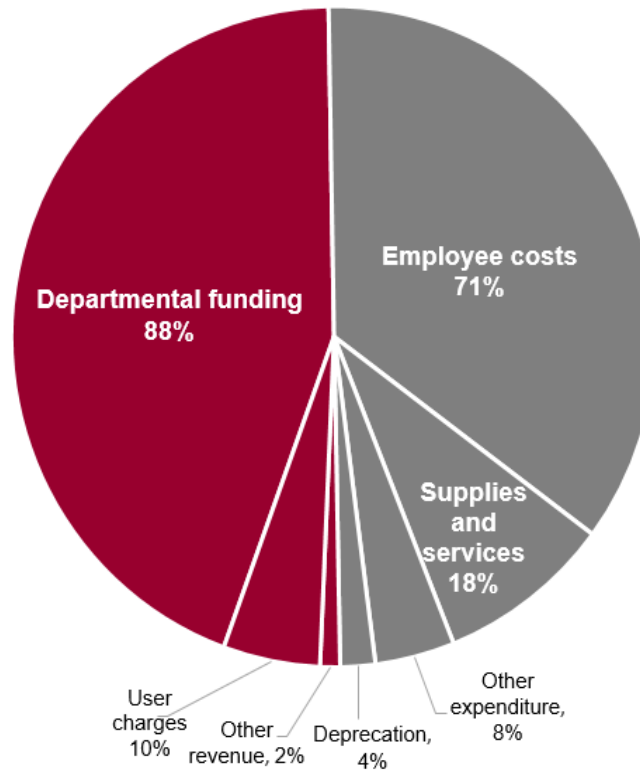
Unique insights

An example in the Health sector.



2014-15 Actual
Cost per QWAW
\$4 398

3rd lowest in the state



2014-15 employee costs per WAU

Nursing costs
Agency \$1 447
Peers \$1 502

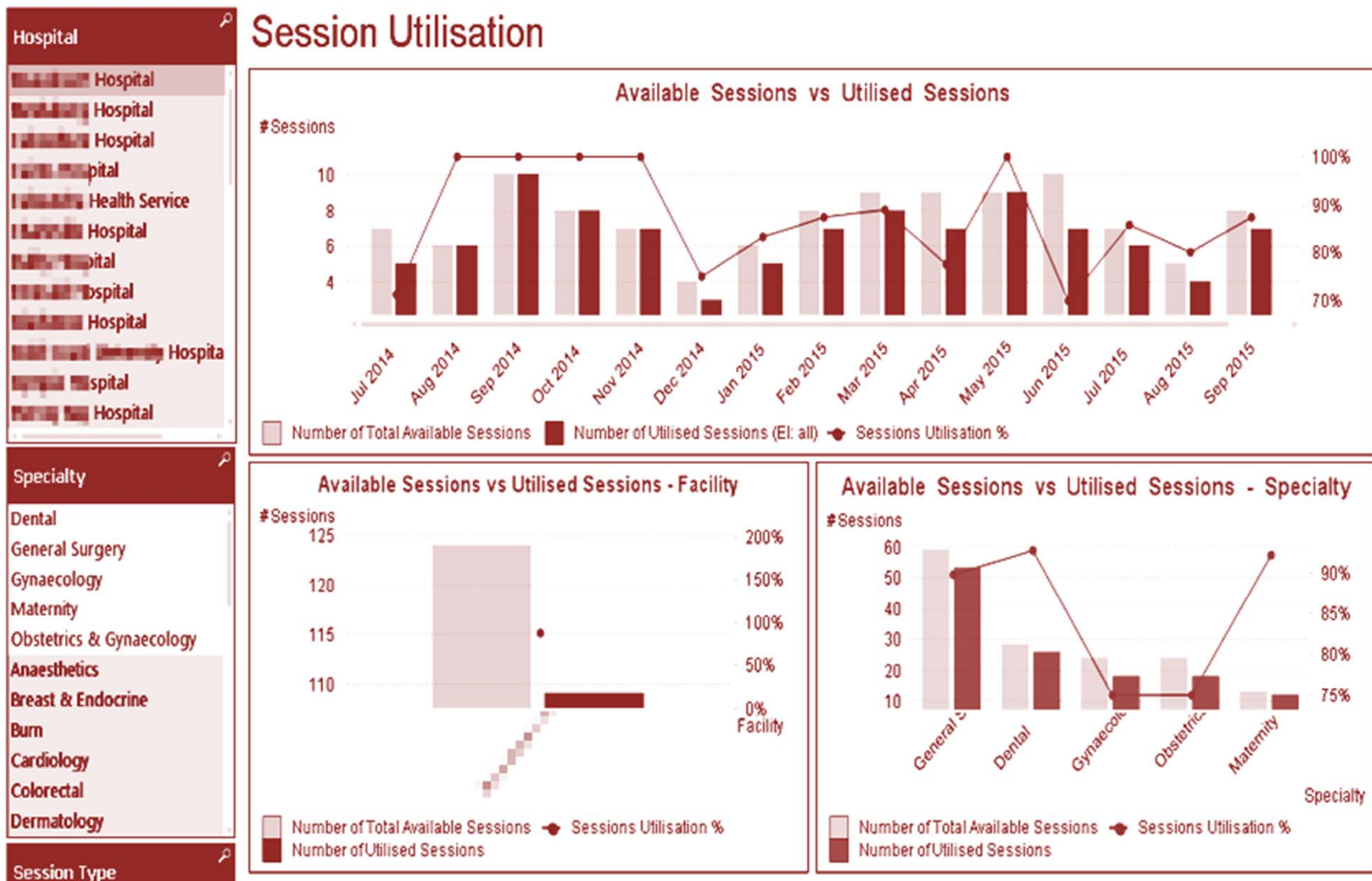
Medical costs
Agency \$1 017
Peers \$974

2014-15 supplies and services costs per WAU

	Agency	Peers
Drugs	\$212	\$275
Clinical supplies	\$217	\$227
Catering	\$24	\$35
Prosthetics	\$101	\$101
Pathology	\$135	\$125
Electricity	\$27	\$51

Unique insights

An example of hospital theatre utilisation.



Unique insights

An example of hospital theatre utilisation.

Hospital

- 1 Hospital
- 2 Hospital
- 3 Hospital
- 4 Hospital
- 5 Health Service
- 6 Hospital
- 7 Hospital
- 8 Hospital
- 9 Hospital
- 10 Hospital
- 11 Hospital
- 12 Hospital

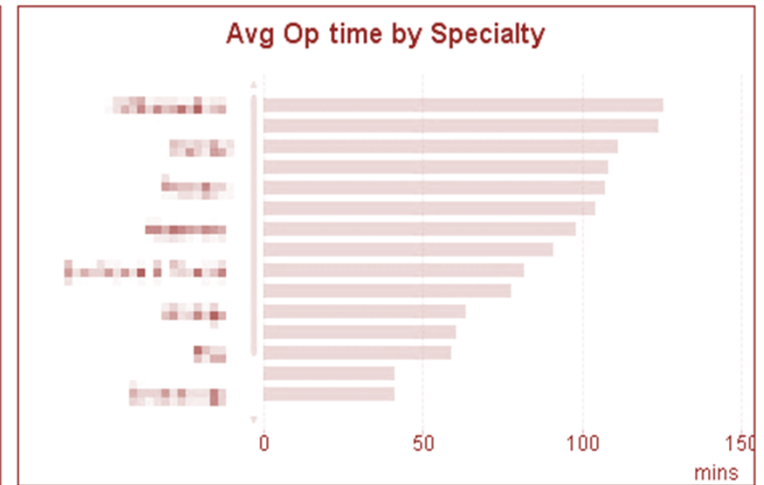
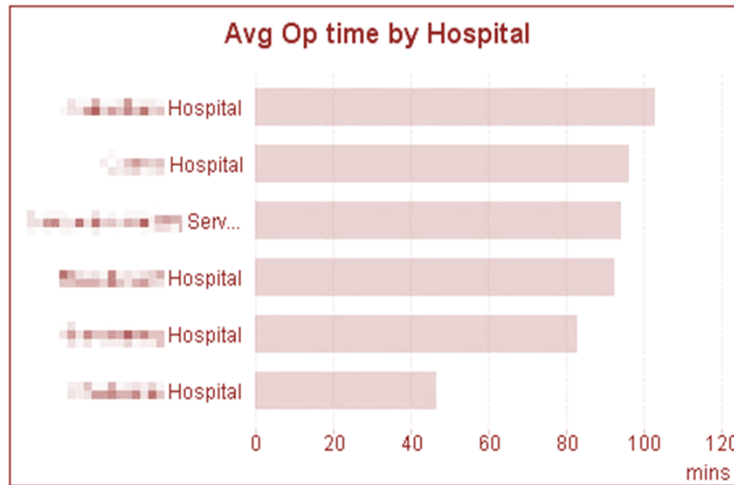
Specialty

- Anaesthetics
- Dental
- Ear Nose & Throat
- Endocrine
- Endoscopy
- Eye
- Facio-maxillary
- Gastroenterology
- General Surgery
- Gynaecology
- Maternity

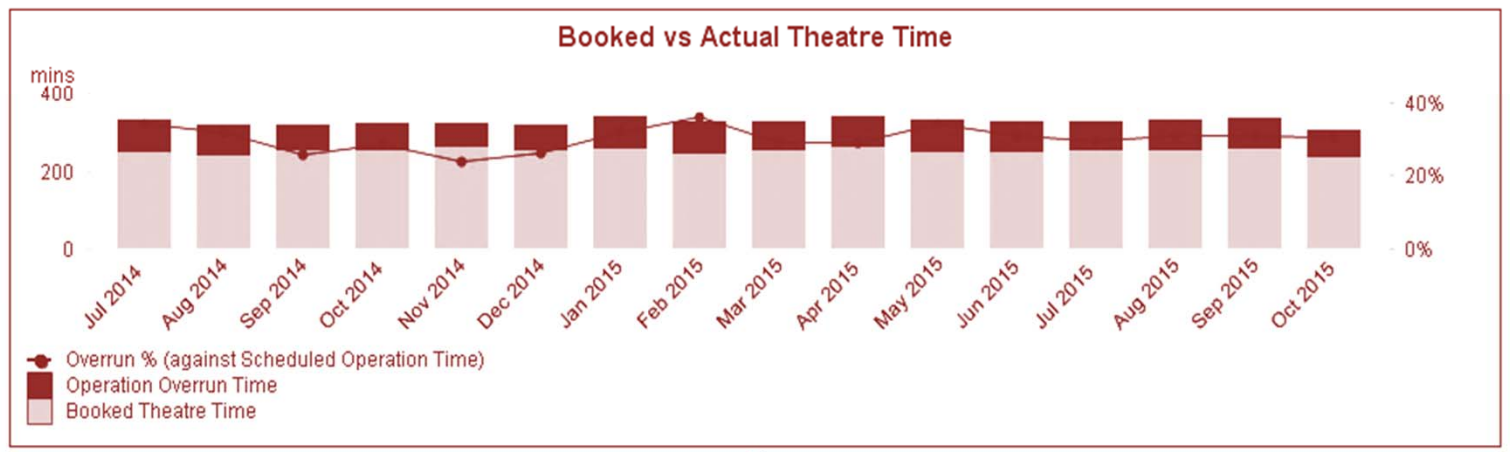
Session Type

- ELECTIVE
- EMERGENCY

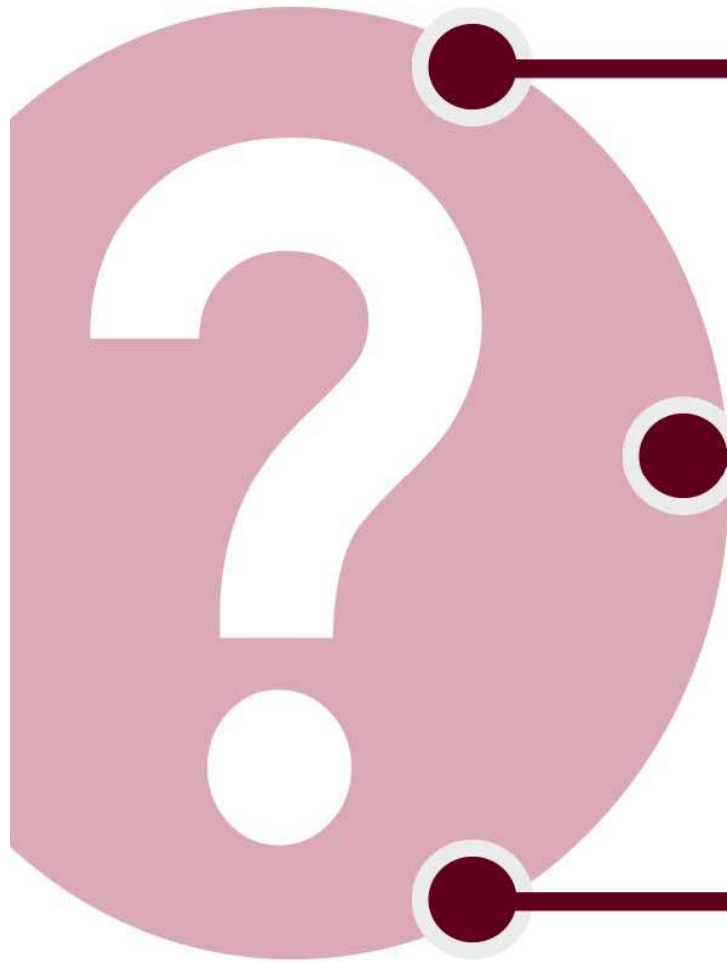
Average Operation Time - all Ops



Booked vs Actual Theatre Time (Total Session)



Frequently asked questions



Q: Will the data I provide you with be secure?

Q: Will QAO have access to my information communications technology (ICT) systems?

Q: Will the performance of my ICT systems be impacted by this new approach?

Q & A

Wrap-up

Anthony Close
Deputy Auditor-General



IMPACT Conference

Inaugural performance auditing conference

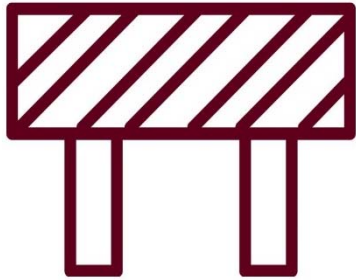
- March 15-16 2016
- Open to all professionals
- Registrations – open now

Program and speakers visit:

<https://impact16.eventbrite.com.au>



Future of Performance Audit Survey



Looking five to ten years into the future, what are the major challenges or obstacles?

What solutions would you propose to meet these challenges or obstacles to the auditing of the performance of government service delivery?



Thank you

- Thank you for your attendance.
- Presentation material will be emailed to you and available on the QAO website.

