Engage

Challenge

Deliver

Care

Briefing for audit committee chairs

9 May 2019, Queensland Audit Office, Brisbane

Queensland Audit Office

Better public services

Welcome and agenda

10.30 – 10.50 am: Auditor-General update
Brendan Worrall, Auditor-General

10.50 – 11.10 am: Audit analytics
Karen Johnson, Assistant Auditor-General
Rob Kilbride, Director

11.10 – 11.35 am: Audit update

Karen Johnson, Assistant Auditor-General

11.35 – 11.45 am: Strategic audit plan
Darren Brown, Director

11.45 – 12.00 pm: Q&A and close
Brendan Worrall, Auditor-General

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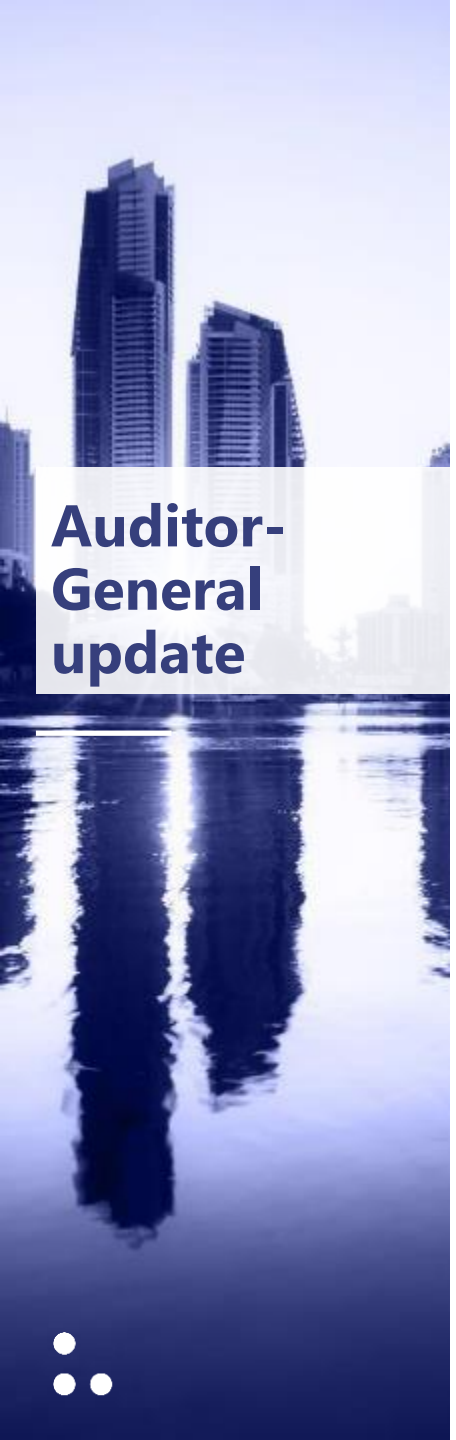
Auditor-General update

Brendan Worrall, Auditor-General

Queensland Audit Office

Better public services



Auditor-General update

Topical issues

- Local government learnings—culture, skills, oversight
- ICT project risk—such as SPER and the role of gateway reviews

Satisfaction survey for audit committees

Independent (ORIMA Research)

Late May 2019

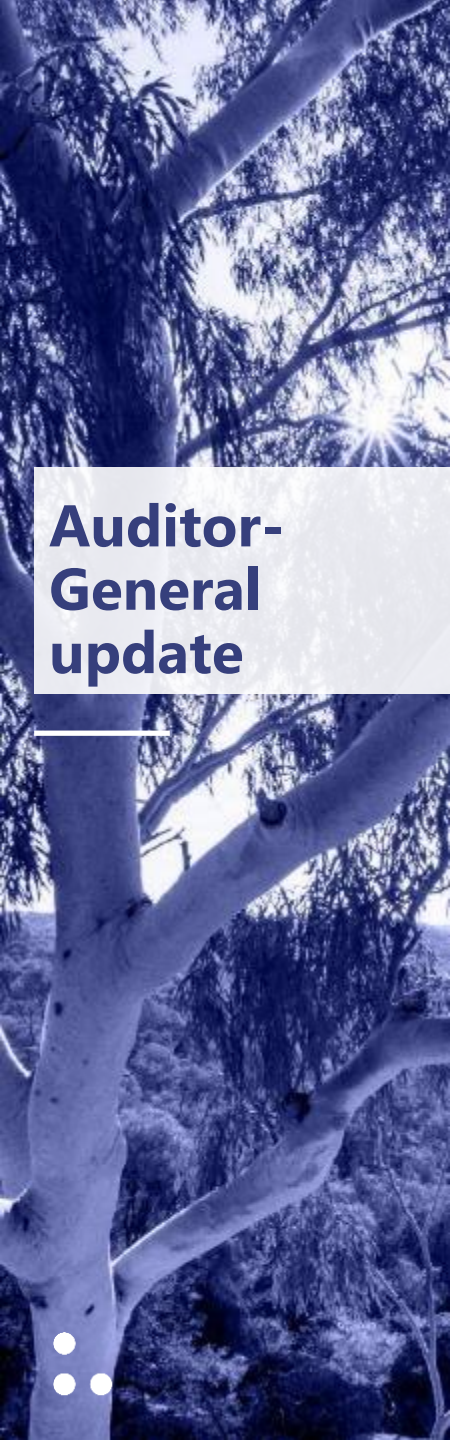
Questions cover expectations of QAO, audit process, reporting and value

Use the results to improve our engagement

→ Invigorating our engagement with audit committees

→ Improving our reporting - entity and Parliament

↷ Seeking your ongoing input and feedback on our changes



Auditor-General update

New—Strategic Audit Plan 2019-22 out 20 May

Bringing timing forward for future plans to end of calendar year

Topic to note—Effectiveness of audit committees:

- state government entities, 2019-20
- local government, 2022-23

Potential follow-up report on status of all PA report recommendations

Writing to entities/local governments about recommendation status from reports tabled in 2015-16 and 2016-17

Year end

Are you comfortable with where your entities are?

Q&A

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Audit analytics

Karen Johnson, Assistant Auditor-General

Rob Kilbride, Director

Queensland Audit Office

Better public services

Analytic Vision

Better public services

Better insight

Better productivity

Better integration

Better client experience

Engage Challenge

Sticking to our values

Deliver Care

Maintaining confidentiality

Data Governance

Only source data you need and be clear on why you need it

Classification and ownership	Quality and integrity	Availability and security	Storage and retention
Data owner vs data custodian	Does it meet needs?	Match classification Need to know Mandate	Only as long as required

Memorandum of Understanding

Data Sharing MOU

Queensland Audit Office
Better public services

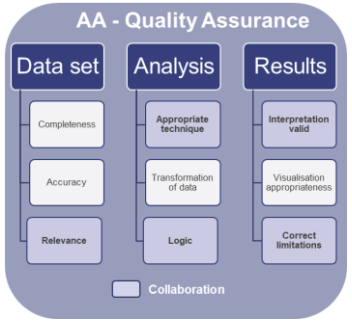
Proactive collaboration

QUEENSLAND STATE ARC HIVES

Queensland Government
Queensland Government Chief Information Office

Australian Government
Auditing and Assurance Standards Board

Internal process



Analytic solutions

Enhance the degree of confidence of intended users in the financial report.

Opinion

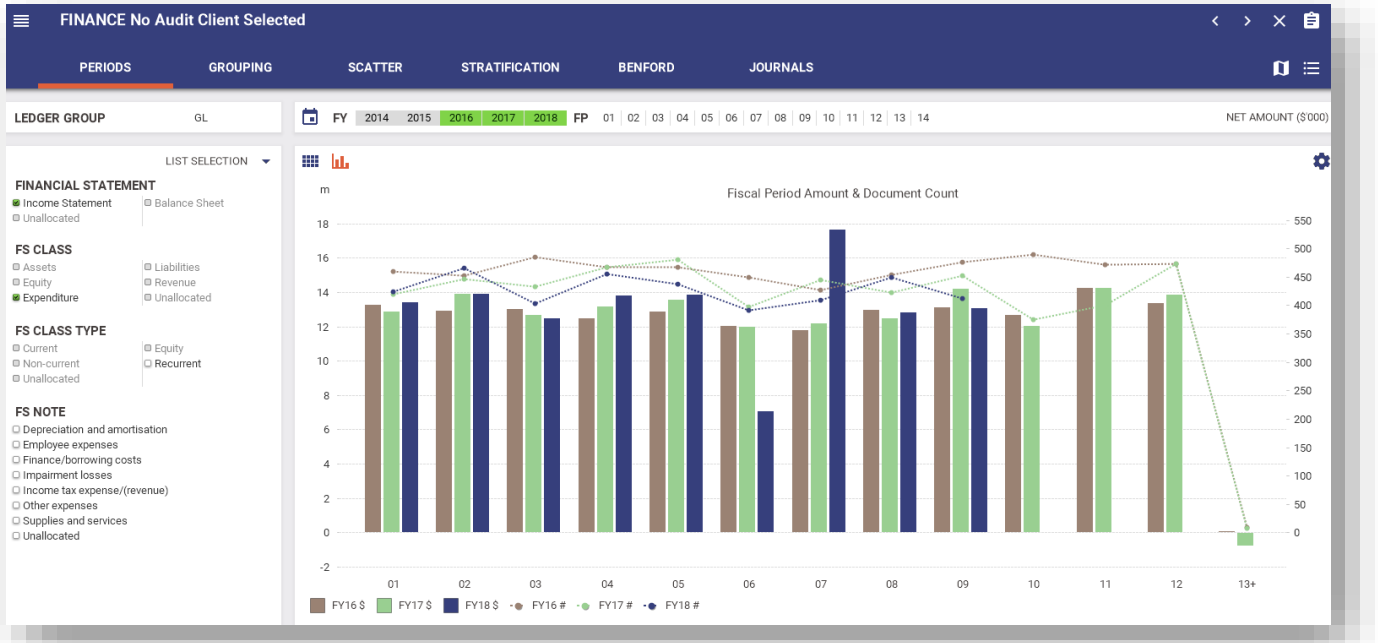
Financial report

Presented fairly or gives a true and fair view

Balance Sheet

Income Statement

Provide access to what lies beneath

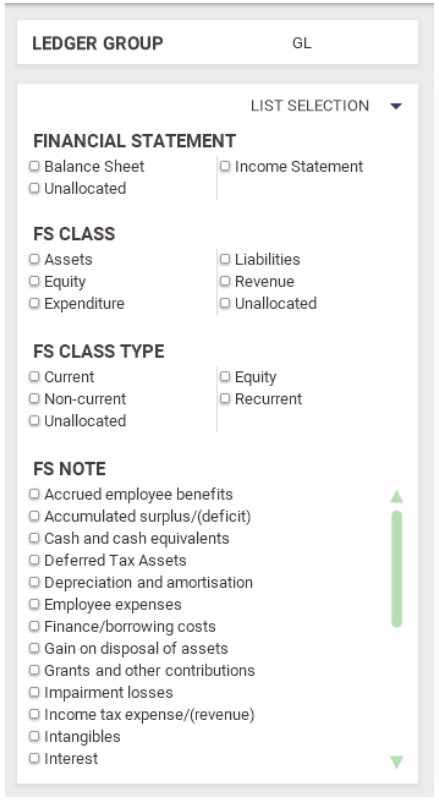


Dashboard

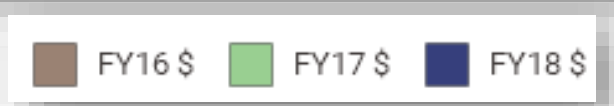
Multiple Perspectives

Trends over time	Understand Notes	Validate relationships	Audit Strategy	The unusual	Focused Audit Risk
	Materiality	Material Outliers	Sample Selection		

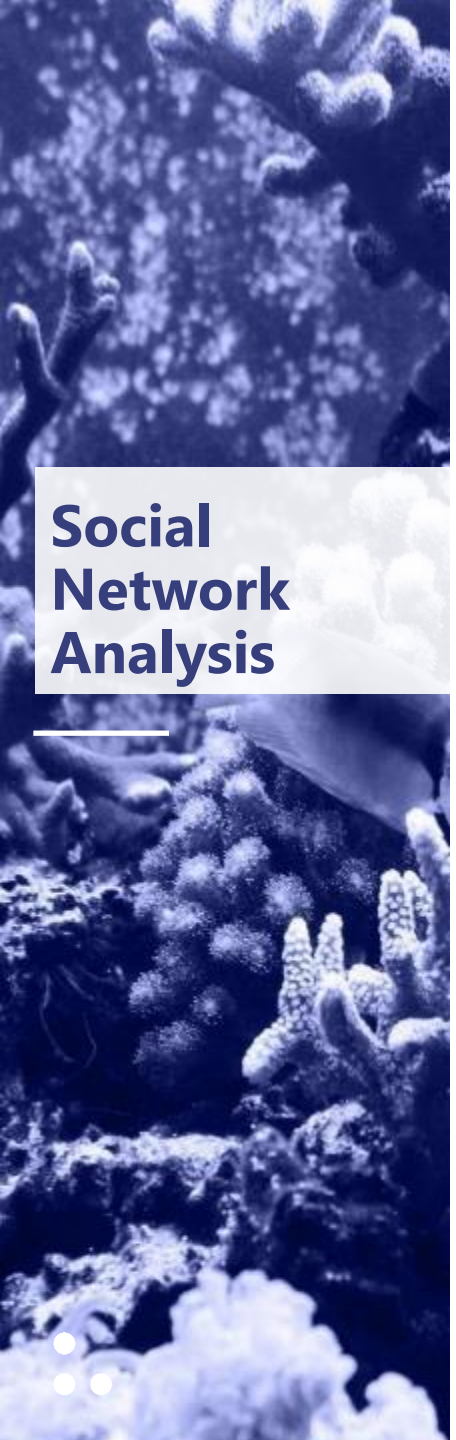
Complete Access



Multiple Financial Years



3-5 Financial Years



Social Network Analysis

Employees

Vendors

Are there relationships and are they appropriate?

Traditional

Direct compare employee and vendor details from same system

Entity Type	Name	Address
Employee	George	1 Fraud Drive
Vendor	ABC Inc	1 Fraud Dr

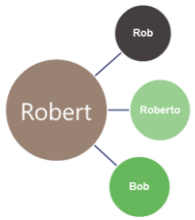
Hard to read

Primary relationship focus

Enhance with independent data

ASIC

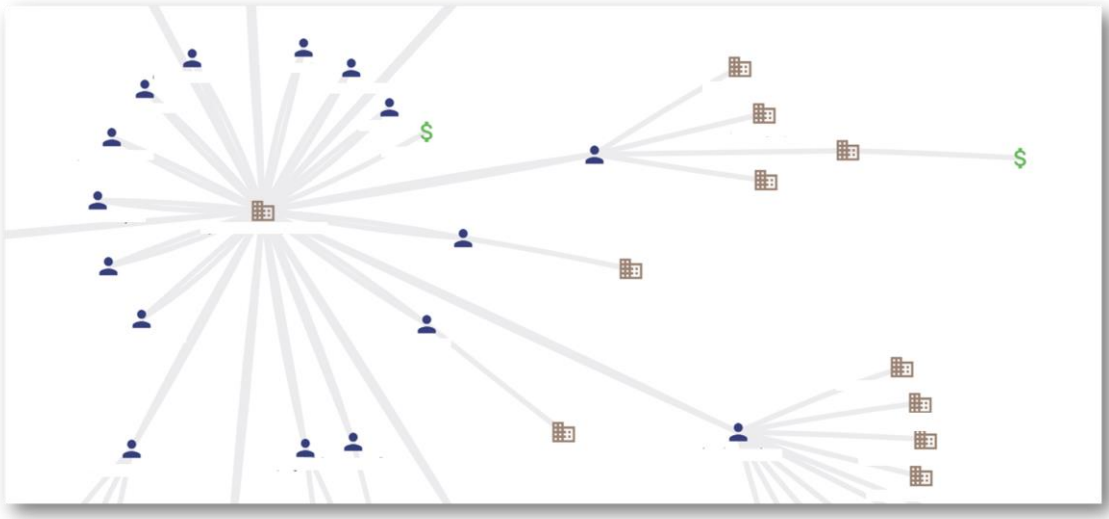
Australian Government
Australian Business Register



Better technique

Social network analysis

Visual that facilitates insight



Payroll example

EBA

Weather

Across QLD

Assess risk of inappropriate allowance and overtime claims?

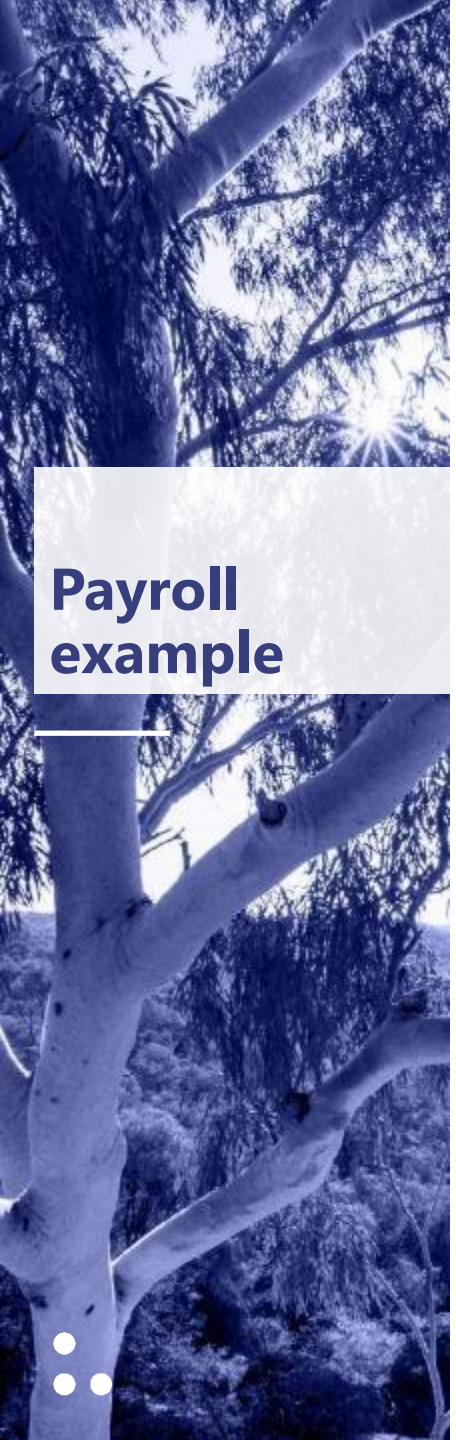
Payroll Transactions

10/7/2016 to 3/2/2019

Depot Mapping

Rainfall Data

Bureau of Meteorology (BoM)



Payroll example

Depot - Distribution of Allowances

Queensland Audit Office

Filters

Financial Year
2017
2018
2019

Financial Period

Payroll Cycle
Fortnightly
Monthly

Payroll Instance
EGX
ERG

Payroll Company

Business

Depot Flag
DEPOT
NON-DEPOT

Mapped Position Fun...
BACK OFFICE
OPERATIONS
UNALLOCATED
UNKNOWN

Mapped Position

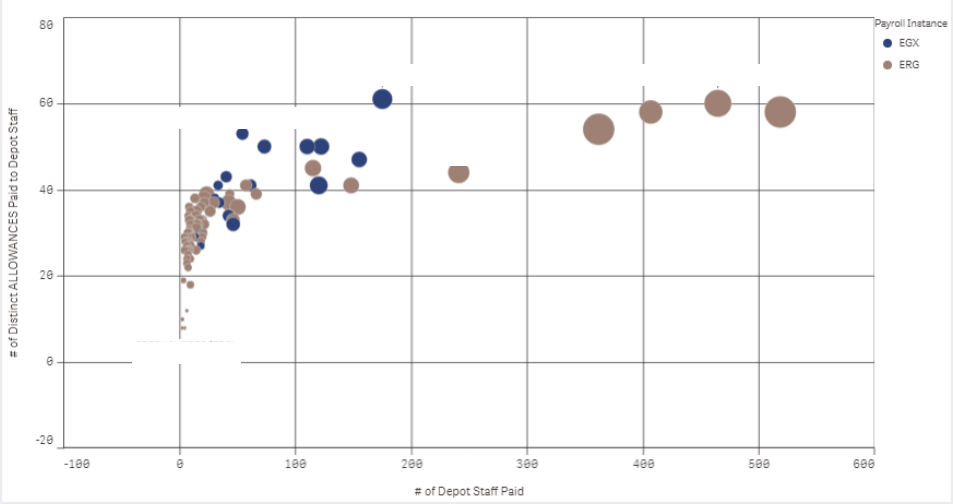
Mapped Depot

Mapped Transaction L1

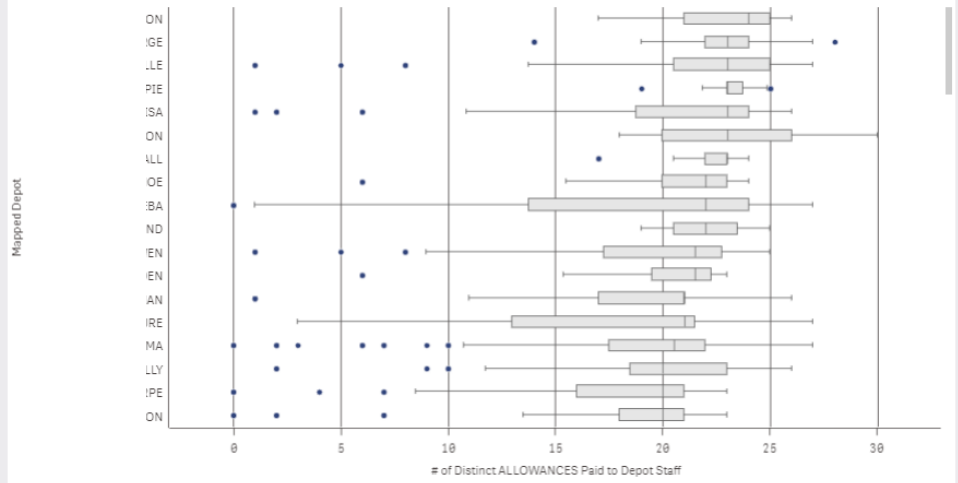
Mapped Transaction L2

Geo Layer
Bubble Layer

Diversity of Allowances by Depot



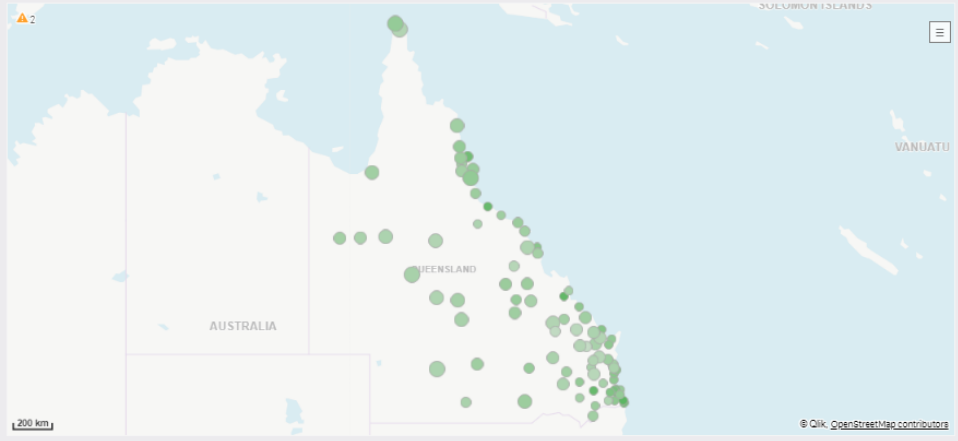
Box Plot - Employees by Depot



Detailed Allowances Data

Mapped Depot &...
Mapped Transac...
Measures

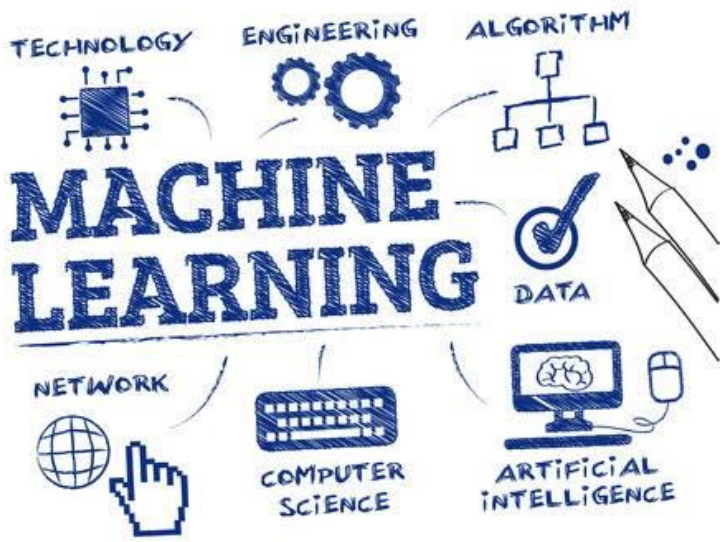
	AVAILABILITY DUTY		COMMITTEE FEES		EIC		FIRST AID ALLOWANCE		LOCALITY
	Depot ALLOWANCES Cost ($)	# of Depot Staff Paid ALLOWANCES	Depot ALLOWANCES Cost ($)	# of Depot Staff Paid ALLOWANCES	Depot ALLOWANCES Cost ($)	# of Depot Staff Paid ALLOWANCES	Depot ALLOWANCES Cost ($)	# of Depot Staff Paid ALLOWANCES	Depot ALLOWANCES Cost ($)
A	130,939	26	-	-	3,779	11	-	-	-
B	73,833	3	-	-	-	-	-	-	-
B	128,176	10	-	-	4,390	2	-	-	-
B	-	-	-	-	2,044	8	4,049	2	-
B	-	-	-	-	21,605	29	520	1	-
B	-	-	-	-	-	-	-	-	-
B	103,535	7	-	-	348	2	-	-	-
B	231,264	15	-	-	274	3	994	1	-
B	129,223	8	-	-	942	1	-	-	-
B	109,541	8	-	-	245	3	-	-	-
B	-	-	-	-	3,140	4	1,680	1	0
B	208,407	15	-	-	4,023	5	-	-	-
B	378,521	62	-	-	28,594	28	3,967	4	-
B	-	-	-	-	6,279	16	6,237	3	-
B	-	-	-	-	-	-	-	-	-
C	-	-	-	-	10,871	17	-	-	-
C	668,274	143	-	-	43,320	69	1,642	1	-
C	135,471	11	-	-	2,839	5	-	-	-
C	135,466	11	-	-	1,435	3	-	-	-
C	102,909	6	-	-	106	3	-	-	-
C	193,844	15	-	-	5,100	7	-	-	-
C	107,261	7	-	-	14	1	-	-	-



Shade: Diversity of ALLOWANCES
Size: Average ALLOWANCES per Employee

AI

Advanced Ai



Machine Learning based AI
Exception Identification Learning
Models
with
Feedback Loop

Machine learns over time

Reduce false positives

Identifies new risk factors

Impact on audit fees

Significant investment in data extraction, cleansing and analysis. Primary goal is to make our audits more efficient and effective

Our audit testing is now better focused and our conclusions more precise

→ insights into the effectiveness of key automated controls and insights into risk

Can we reduce audit fees further? Possibly in the longer term BUT there are a number of client dependencies:

- strong IT control environments
- level of automation in the financial and reporting systems
- sophistication of continuous control monitoring activity
- culture

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Audit update

Karen Johnson, Assistant Auditor General

Queensland Audit Office

Better public services

What to look for now

Are you on track for smooth year end close processes

Feedback on proforma statements

Comfortable with any known accounting issues

Happy with the result of asset valuations

Happy with the level of info you've received

Have you challenged management on what you've received…

We've been working with entities to bring forward audit clearance dates. Are you noticing a difference?

New standards

Do you understand what the impacts are and are you happy entities are prepared?

New fact sheets and blog post—
Assessing financial statement preparation for state govt entities 2019.
Preparing position papers

Position papers

Your auditors are in the process of communicating our feedback and agreement on the positions prepared

What is a good position paper?

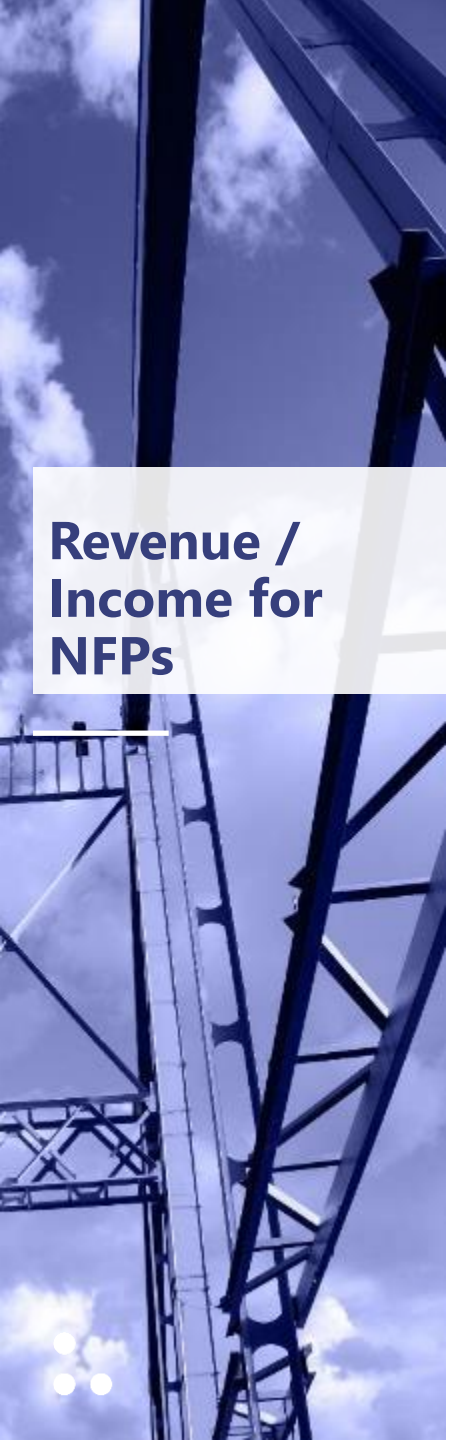
- identify the key elements to be included in the paper
- it is prepared by a suitably experienced and qualified officer
- it incorporates alternative positions

Did you know there's a fact sheet on preparing position papers for accounting matters and valuation on our website?
www.qao.qld.gov.au/reports-resources/fact-sheets

Leases

Are you ready for the new leases standard?

- Do you understand what the new leases standard requires?
- Have you identified all your leases?
- Have you identified the leases exempted under Treasury policies?
  - non-specialised buildings under the QGAO Office Accommodation Management Framework
  - Government Employee Housing program
  - QFleet
- For those leases within the scope of the standard, have you:
  - identified their terms and conditions
  - identified any rental adjustments, such as CPI, market reviews
  - identified which are peppercorn (or concessionary) leases that may have to be fair valued in the future
  - assessed their lease term
  - identified appropriate lease software to use
  - chosen a transition option
  - identified the effect on your results



Revenue / Income for NFPs

Are you ready for the new revenue and income for NFP standards?

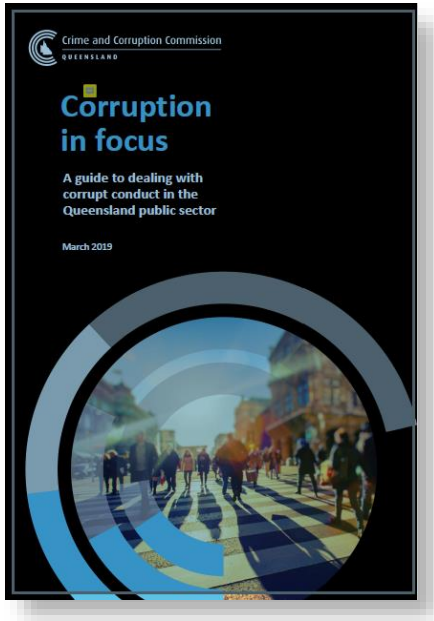
- Do you understand what the new revenue and income of not-for-profit standards require?
- Have you identified your major sources of revenue and income and determined which standard is likely to apply?
- Are you satisfied that the new concepts of performance obligation, enforceable and sufficiently specific have been correctly applied?

  — we are often encountering different views of whether the sufficiently specific criteria is met in order to defer revenue
- For your position paper, have you documented significant clauses in contracts and explained your reasoning?
- If you are now required to defer revenue, have you:
  - identified any system changes to monitor progress
  - identified how you will calculate opening balances for 1 July 2019

Fraud update

Recent social engineering frauds—@**lycos.com**

Fraud and corruption in the public sector



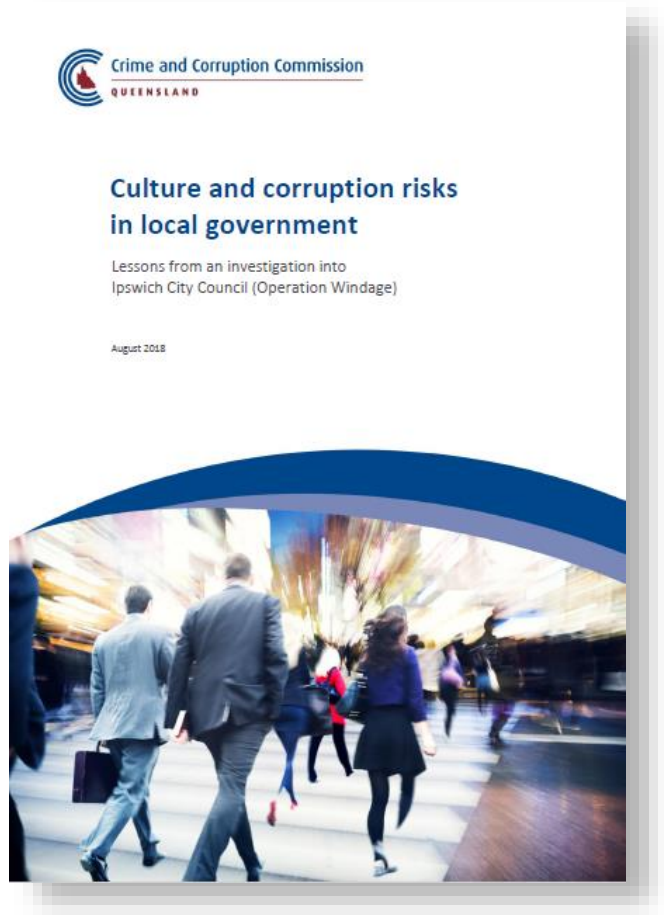
Are you being sceptical enough?

Audit committee chairs should discuss any suspicions of fraud with QAO

Culture and its impact on audit

How do you evaluate the tone from the top?

- Is fraud and corruption reported and discussed? Detective/preventative/collusion
- Does the entity respect and place importance on internal governance—Internal audit / ethics / compliance and regulatory services
- Actions from whistleblowing (PID)—complacency?
- CFO assurance process
- Remuneration and motivations risk
- Follow up of internal and external audit recommendations



Q&A

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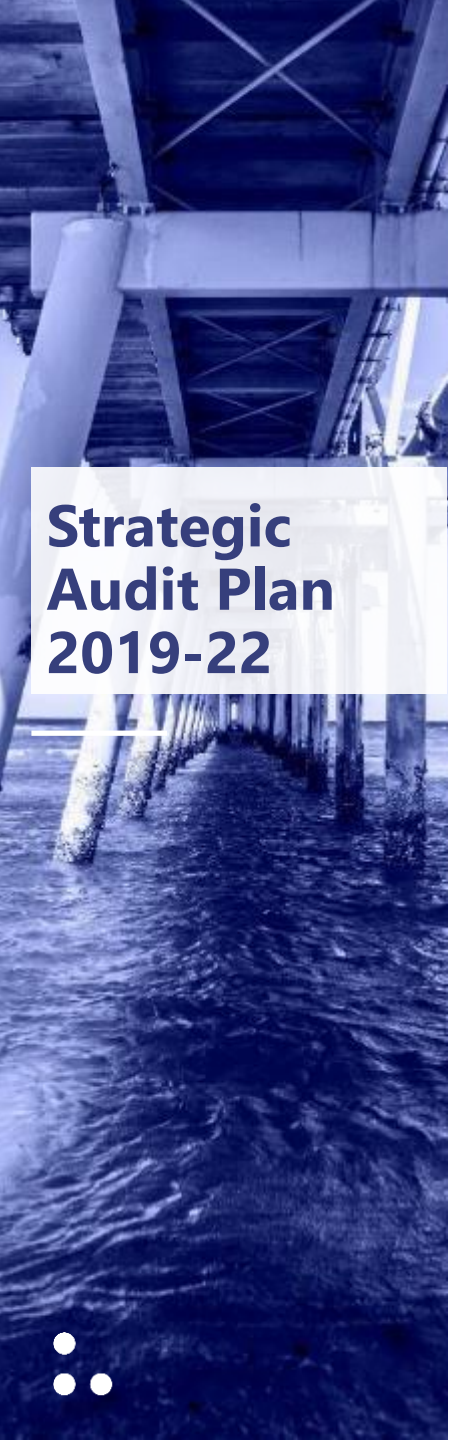
Strategic audit plan

Darren Brown, Director

Queensland Audit Office

Better public services



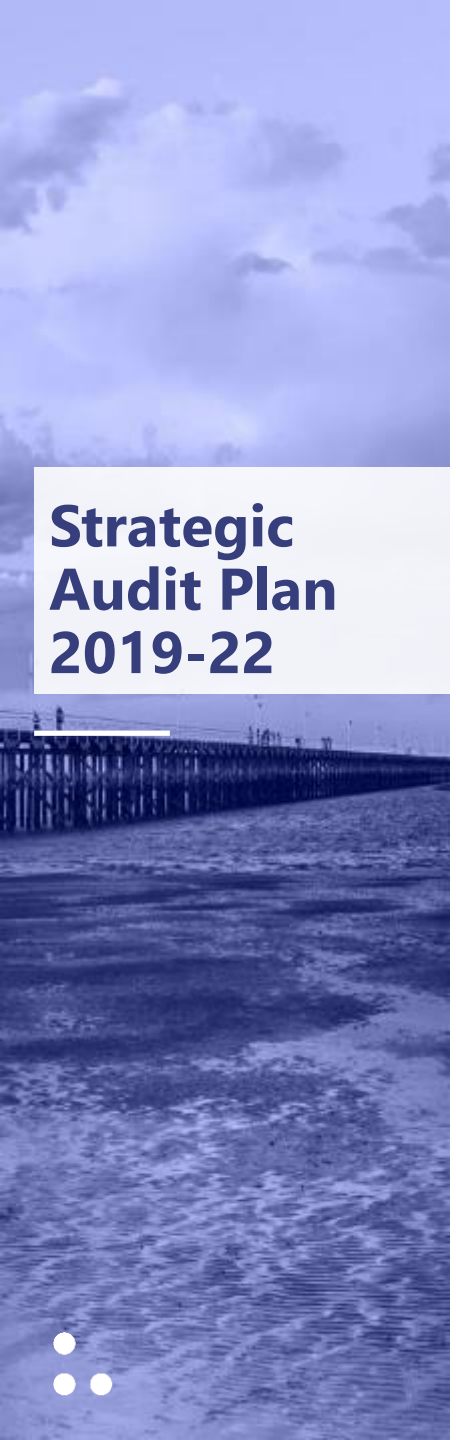
On our website 20 May **www.qao.qld.gov.au/audit-program**

This year, mostly timing shifts and topic refinement

We welcome contributions to our:

- strategic audit plan
- specific audits

Contributions can be made to our staff or via our website on the audit program page and contact us page



Points to note

We have consulted widely on the topics listed

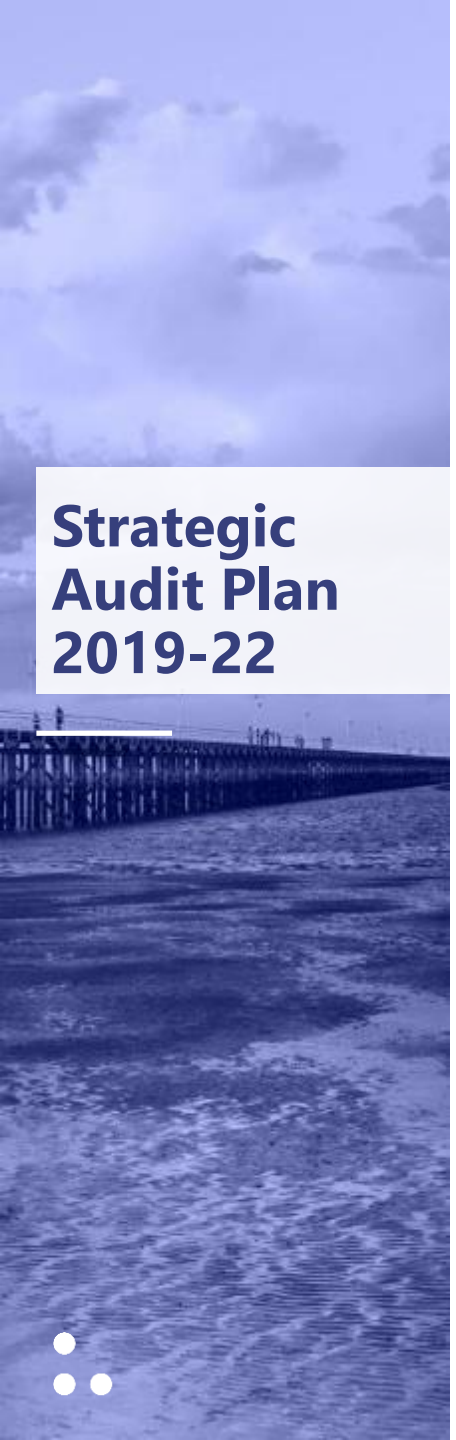
Tabling year is listed (not commencement)

Performance audits on average take nine months

We:

- provide a high level description of each audit topic
- detail the entities that might be included in the audit

The program is subject to change at any time to reflect new information



How can you use the strategic audit plan?

Identify the audits that might involve your agency or may be of interest.

Ask questions of your agency:

- what does our agency know about the topic itself?
- have reviews been done in this space previously? What did they find? Were recommendations actioned?
- should this be on our internal audit plan?
- how is our performance in this space currently monitored/managed?

Agencies can start to prepare relevant data and information in advance of the audit

Q&A

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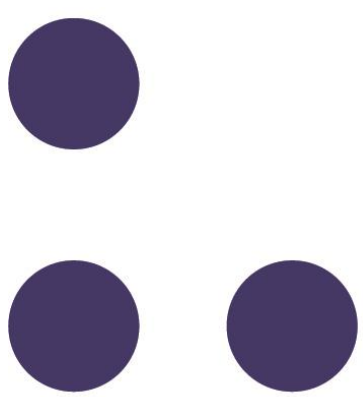
Q&A and closing

Brendan Worrall, Auditor-General

Queensland Audit Office

Better public services

Q&A



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