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Briefing for audit committee chairs

6 May 2021

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Audit Office
Better public services

Agenda

10.30–11.00am: Considerations and advice as we approach year end. Insights from across our recent results of audits reports. New controls assessments

Rachel Vagg, Assistant Auditor-General

11.00–11.25am: Update on our new forward work plan. Update on our recommendations self-assessment tool and new report

Pat Flemming, Assistant Auditor-General

11.25–11.40am: Closing remarks

Brendan Worrall, Auditor-General

11.40am–12.00pm: Q&A

All presenters





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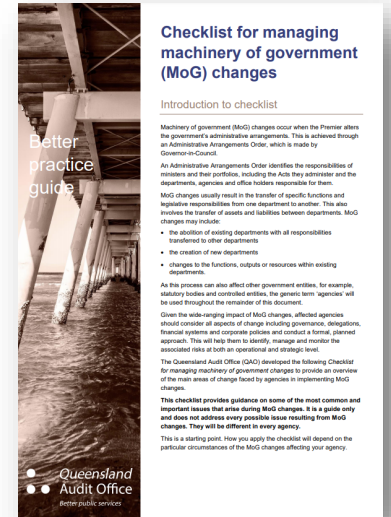
Considerations and advice as we approach year end


Rachel Vagg, Assistant Auditor-General

Machinery of government

- ✓ **Effective date if announced on 12 November**
- Abolished departments—12 Nov
- Functions transferring from abolished departments—13 Nov
- Functions transferring between continuing departments—1 Dec

- ✓ **Accounting for transfers of assets, equity and appropriations**
- ✓ **Who are your key management personnel and related parties?**
- ✓ **Agency transactions are in a note—not the statements**
- ✓ **Budget is based on what is published**
- ✓ **Impact on internal controls and systems:**





Checks for financial statements



Questions for all audit committees:

- Are technical matters resolved or in the process of resolution?
- Have proformas been updated (departments should update for machinery of government note, new functions, key management personnel and budget)?
- Is your chief financial officer (CFO) assurance process up to date?
- Have you revisited your financial delegations?



For machinery of government (MOG) affected entities:

- What are the implications of areas being on different systems—for network, finance, payroll and records?
- What work-arounds are being put in place, and what is the longer-term plan so approvals, monitoring and record keeping can occur efficiently and effectively?
- Are there sufficient resources to perform its functions, particularly from a corporate perspective? How many vacant positions are there within the finance function?

Financial statement maturity model

Four components:

- Quality month-end processes
- Early financial statement close processes
- Financial statement preparation
- Identification and resolution of financial reporting matters

Four levels of maturity:



Application to local governments

Reporting focus



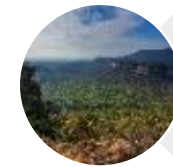
Future fund



Machinery of government changes



Major projects



Internal controls



**Financial statement maturity—
expansion to local government**

Focus areas





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Insights from across our recent results of audits reports

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Latest reports



Key report themes

Key report themes

- ❖ Financial statements are reliable
- ❖ Some health systems and processes have been ineffective
- ❖ Impact of COVID-19—additional health funding, changed expense profile, public transport services maintained
- ❖ Financial sustainability of hospital and health services (HHSs) and grant dependent local governments, energy sector profitability decline, water profits have declined



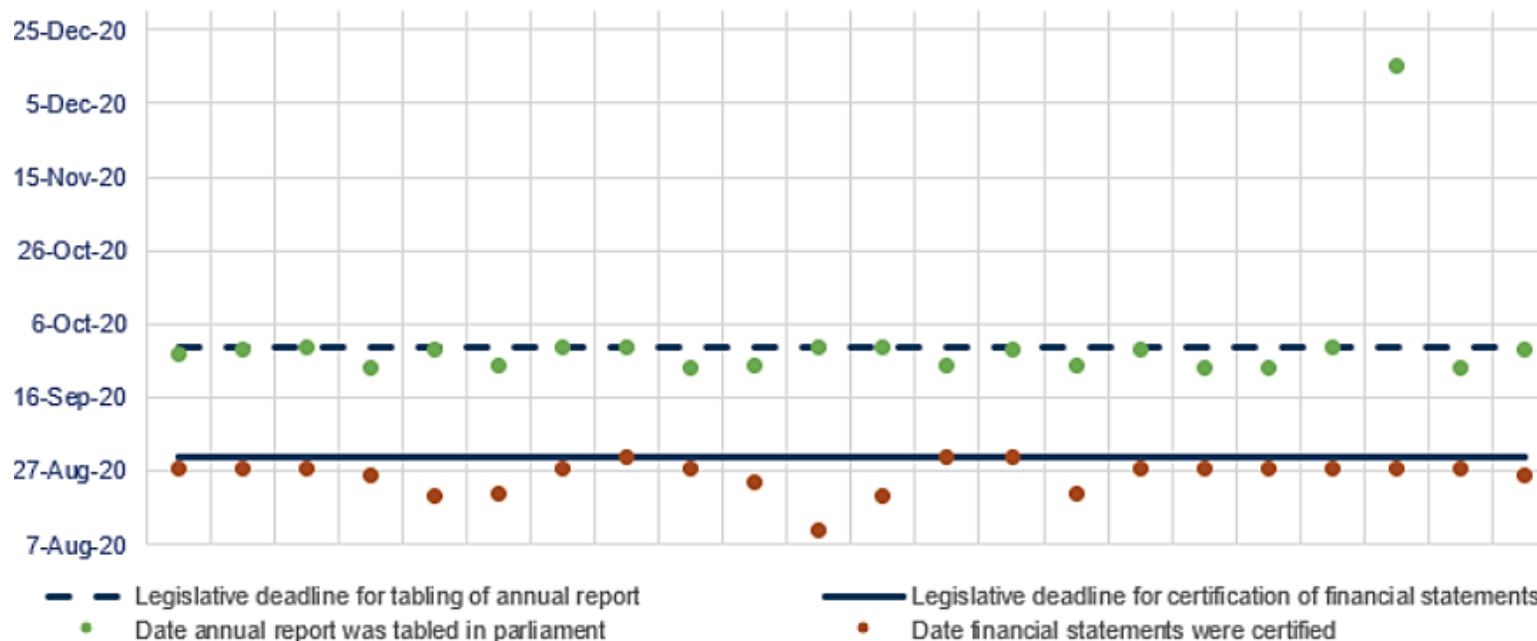
Most financial statements signed on time
Rapid response to COVID-19 brought risk
Cyber attacks have doubled this year

Recommendations:

- Seven recommendations across financial statement preparation, information systems controls, masterfile updates, and governance
- One recommendation relating to the timeliness of release of information

Report on state entities

Dates for certification and publication of financial statements for 22 departments

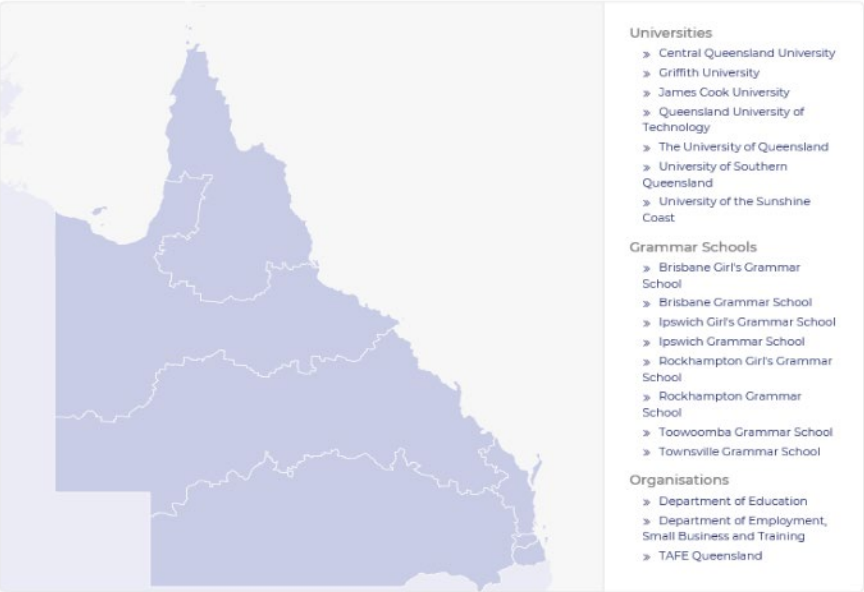


Report style and data presentations

Education financial information for 2019	+
Local government financial information for 2019 and 2018	+
Hospital and health service financial information for 2019	+

Search the map

Search by address



Universities

- > Central Queensland University
- > Griffith University
- > James Cook University
- > Queensland University of Technology
- > The University of Queensland
- > University of Southern Queensland
- > University of the Sunshine Coast

Grammar Schools

- > Brisbane Girl's Grammar School
- > Brisbane Grammar School
- > Ipswich Girl's Grammar School
- > Ipswich Grammar School
- > Rockhampton Girl's Grammar School
- > Rockhampton Grammar School
- > Toowoomba Grammar School
- > Townsville Grammar School

Organisations

- > Department of Education
- > Department of Employment, Small Business and Training
- > TAFE Queensland

Select education regions from list

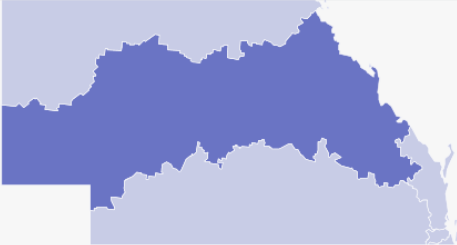
Central Queensland	Metropolitan	North Queensland
Darling Downs South West	North Coast	South East
Far North Queensland		



Central Queensland

321K PEOPLE 46.7K AVERAGE INCOME 38.9 AVERAGE AGE

This demographic data was sourced from the [Australian Bureau of Statistics](#) and represents the average of median statistics for the local government areas that make up this region



In this region

Click on an organisation for more details about its finances

		6 CAMPUSES**	190 SCHOOLS	54.6K STUDENTS	7.2K STAFF (FTE)
Universities	Central Queensland University	5		5,348.5	1,186.3
	James Cook University	1		78	35
Schools	Rockhampton Grammar School		1	1,336	277.4
	Rockhampton Girl's Grammar School		1	286	54.1
Other Institutions	Department of Education		188	47,554.1	5,659.1
	Department of Employment, Small Business and Training	0		-	-
	TAFE Queensland	0		0	0

** Includes locations where education is delivered by third party providers



We produce a range of materials to share our advice and insights

Did you see our fact sheets last year, such as:

- Financial reporting considerations in uncertain times
- Financial statement preparation maturity model
- Measuring service performance
- Preparing position papers for accounting matters and valuation
- Working with electronically signed financial statements—User guide

Sharing our insights



Reports to parliament



Interactive dashboards



Blog



Fact sheets



Better practice guides



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New controls assessments

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Our new controls assessment

Changing the way we assess controls

- Moving to a maturity assessment (rather than traffic light)
- Consult during 2020–2021; roll out 2021–22

Controls maturity model has two parts:

Annual assessment

- 10 focus areas
- Aid assessment of processes, highlight areas for improvement and risk, support our assessment of compliance
- Four maturity ratings

Deep dives (one or two per year) across the 10 focus areas

- Starting with procurement and grants management
- Form basis of reports to agencies and themes for parliament

Internal
controls
maturity
model



Design of the questionnaire-based controls maturity model

10 focus areas

Questions per focus area

Qualitative factors and additional support



Control element	Key maturity consideration	Assessment rating*				Additional considerations
		1	2	3	4	
Entity wide governance	There is an overarching strategic plan	✓				Strategic plan should be reviewed annually and comply with DPC's Agency Planning requirements.
	There is a documented organisational structure which is published for staff		✓			Organisational structure should be up to date and reflect current positions. The structure aligns to the entity's strategic and operational objectives. There are clear lines of responsibility, <u>accountability</u> and role definition.
	There is a code of conduct for the entity			✓		Code of conduct is easily accessible and understood by staff. Staff are trained on the code of conduct, and there are appropriate processes in place that allow for anonymous reporting and investigations into breaches.
	HR policies and related procedures exist			✓		Policies and procedures are regularly reviewed and kept <u>up-to-</u>



Four ratings:

1. Does not exist or is limited
2. Has been established but requires development
3. Fundamentally sound with some elements of improvement
4. Best practices

Design of maturity model



Ten focus areas

Risk management



Information systems



Governance



Procurement



Change management



Records management



Asset management



Culture



Monitoring



Grants management



Questions





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Update on our new forward work plan

Pat Flemming, Assistant Auditor-General

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Forward work plan

Our new forward work plan

Each year, we develop a three-year plan that outlines our planned audits.

We prioritise our audit activity where we believe our insights can most effectively support entities.

➔ This year, we will publish our new *Forward work plan 2021–24*, which includes the strategic risks to public service delivery we have identified and our expected audit activity in response.

Six 'focus areas' will guide our work:



COVID-19 support and stimulus



Healthy and safe communities



State savings and debt



Sustainable communities



Infrastructure investment



Governance of government

Aiming to publish our *Forward work plan 2021–24* in May 2021

Overview of our three-year plan

The plan includes our financial audits, performance audits and other assurance activities.

- A new report on major projects will draw together our insights and provide the status of major infrastructure projects

The performance audits we plan to table over the next three years:

2021–22 audits	2022–23 audits	2023–24 audits
Appointing and renewing government boards	Planning and delivering higher levels of state infrastructure	Effectiveness of local government audit committees
Contract management of new infrastructure	Deploying police resources	Diverting young offenders from crime
COVID-19 economic stimulus spending: early impact	Effectiveness of Queensland's long-term planning process	Management of Queensland's regional water supply
Delivering social housing and housing services	Maintaining strong and prosperous regions	Managing the supply of specialist teachers
Domestic and family violence initiatives (Rpt. 1)	Managing Queensland's world heritage sites	Managing volunteer services
Establishing the Queensland future fund	Managing risk transfer in infrastructure	Preventing childhood obesity
Improving access to specialist outpatient services	Effective delivery of mental health services	Sustainability of local governments
Improving asset management in local government	Implementation of the Powering Queensland plan	Managing invasive species
Keeping people safe from domestic violence (Rpt.2)	State financial forecasts and performance measures	Granting mining approvals
Managing our transition to renewables	Improving health outcomes for indigenous peoples	Queensland Floods Commission of Inquiry
Opportunities for cost efficiency in government spending	Effectiveness of cyber safety in schools	
Regulating dam safety	Managing workforce agility	
Regulating animal welfare services		

Questions





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Update on our recommendations self-assessment tool and new report

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New system for following up audits

Follow up of audit recommendations

- New approach to provide greater consistency, clarity and tracking for you and for us
- Online, easy-to-use system
- Entities were asked to submit their self-assessments between March–early May 2021
- New report to parliament: *Status of Auditor-General recommendations 2021*
Planned tabling: September 2021

The screenshot shows the 'QAO recommendations—self-assessments' website for the Department of Agriculture and Fisheries. It features a navigation menu with 'Active self-assessments', 'Submitted self-assessments', 'Self-reported status', and 'Reports relevant to your entity'. The 'Active self-assessments' section lists two items: 'In progress self-assessment' and 'Overdue self-assessment'. Below this are three image-based links: 'Submitted self-assessments', 'Self-reported status', and 'Reports relevant to your entity'. A 'Frequently asked questions' section addresses why the QAO asks entities to self-assess and the benefits of the new system. An 'Instruction manual' link is also present. The 'Contact information' section provides email and phone details for queries and technical inquiries.

QAO recommendations—self-assessments

DEPARTMENT OF AGRICULTURE AND FISHERIES

Active self-assessments

- In progress self-assessment**
You have an in progress self-assessment Department of Agriculture and Fisheries 2016-17, please click link below
[Self-assessment to QAO recommendations](#)
- Overdue self-assessment**
Department of Agriculture and Fisheries 2017-18 to 2018-19 is overdue, please click link below
[Self-assessment to QAO recommendations](#)

Submitted self-assessments

Self-reported status

Reports relevant to your entity

Frequently asked questions

Why is the Queensland Audit Office asking entities to self-assess their progress implementing recommendations?

The recommendations in our reports to parliament are framed primarily to improve how public sector entities deliver services, strengthen accountability and improve transparency. The primary responsibility for implementing our recommendations (where accepted) rest with the relevant entity. To further strengthen accountability, each year we select a previously tabled audit and follow up on the progress entities have made implementing our recommendations. The responses that we receive from entities self-assessment's help inform which audits we select for a follow up audit.

What are the benefits of the new self-assessment system?

The new self-assessment system enables clients to gain clarity over the status of their recommendations and makes it easier for clients to report their progress implementing recommendations. It also enables the Queensland Audit Office to provide greater assurance and drive better public services.

Please refer to our [frequently asked questions](#) for additional information about our new self-assessment system.

The QAO [self-assessment instruction manual](#) provides a step by step guide how to complete your entities self-assessment.

Contact information

For any queries in relation to the new self-assessment system, please email qao_recommendations@qao.qld.gov.au or contact Darren Brown, Sector Director on 07 3149 6080

For technical inquiries please contact it@qao.qld.gov.au

All Queensland Audit Office reports to parliament can be accessed from our [website](#).



New system for following up audits

What are we asking entities to do?

Self-assess their progress against the recommendations in our reports tabled between 2015–16 and 2017–18:

- **30** reports to parliament, **54** entities and **203** performance audit recommendations
- Performance audit recommendations only at this stage, and those made directly to your entity

What can you do?

We ask that you continue to monitor and oversee entities and their progress in implementing our recommendations each year.



This follow-up process and report will be done annually—each year we will ask entities to self-assess their progress implementing our recommendations and we will report to parliament



Recommendations being self-assessed for the first report

2015–16

Audit report

Agricultural research, development and extension programs and projects

Cloud computing

Early childhood education

Financial risk management practices at Energex

Flood resilience of river catchments

Follow up: Community benefits funds: grant management

Heavy vehicle road access reforms

Major transport infrastructure projects

Management of privately operated prisons

Queensland public hospital operating theatre efficiency

Road safety – traffic cameras

Royalties for the regions

2016–17

Audit report

Audit of Aurukun school partnership arrangement

Criminal justice system—prison sentences

Criminal justice system—reliability and integration of data

Education and employment outcomes for Aboriginal and Torres Strait Islander people

Efficient and effective use of high value medical equipment

Follow-up: Monitoring and reporting performance

Forecasting long-term sustainability of local government

Government advertising

Organisational structure and accountability

Security of critical water infrastructure

Strategic procurement

2017–18

Audit report

Confidentiality and disclosure of government contracts

Finalising unpaid fines

Follow-up of Managing water quality in Great Barrier Reef catchments

Follow-up of Report 15: 2013–14 Environmental regulation of the resources and waste industries

Fraud risk management

Integrated transport planning

Managing local government rates and charges

The National Disability Insurance Scheme



New system
for following
up audits



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Auditor-General remarks

Brendan Worrall

In an environment of uncertainty, a full understanding of risks and operations is vital

Auditor- General remarks

-  Are **changes in risks** being identified and responded to?
-  Does management know the **whole costs** of operations?
-  Is management thinking about **future** service and **asset** needs?
-  Does management have a handle on efficiency and effectiveness of operations, and the value its services deliver?
-  Are TCWG receiving accurate, timely info via internal management reporting?
-  Evidence-based decision-making trumps gut instinct over the long term
-  In a post-COVID world, we need to be re-imagining service delivery

**Q&A with all
presenters**



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