



# Annual report 2017–18

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## About this report

This report covers the activities of the Queensland Audit Office for the reporting period from 1 July 2017 to 30 June 2018.

It provides a comprehensive view of how the Queensland Audit Office operates to create value, reporting against our published strategy and performance measures.

The general purpose financial statements within this report were prepared in accordance with Australian Accounting Standards and Interpretations, the Treasurer's minimum reporting requirements, and other authoritative pronouncements.

The report is available online at: [www.qao.qld.gov.au/about/business-and-annual-report](http://www.qao.qld.gov.au/about/business-and-annual-report)

## Accessibility

We are committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty understanding this report, you can contact us on (07) 3149 6000 and we will arrange an interpreter to effectively communicate the report to you.



## Further information

As required by the *Annual report requirements for Queensland Government agencies*, further information is published online through the government open data website <https://data.qld.gov.au> related to the following:

- consultancies
- overseas travel
- Queensland Language Services Policy
- government bodies.

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13 August 2018

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The Honourable A Palaszczuk MP  
Premier and Minister for Trade  
Level 40  
1 William Street  
BRISBANE QLD 4000

Dear Premier

**Queensland Audit Office annual report 2017–18**

I am pleased to present the *Annual report 2017–18* for the Queensland Audit Office.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the Financial and Performance Management Standards 2009
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual report requirements can be found at Appendix D of the report.

Yours sincerely



Brendan Worrall  
Auditor-General

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# At a glance

## Our role



We are parliament's independent auditor of the Queensland public sector, as established under the *Auditor-General Act 2009*.

## Our approach



- We provide professional financial and performance audit services.
- We conduct investigations about financial waste and mismanagement raised by members of parliament, public service employees, and the public.
- We provide specialist advice for our clients and stakeholders, and share information about better practice.

## Our work



- We provide financial audit opinions—providing assurance about the accuracy and reliability of public sector entity financial statements.
- We raise matters with entities on how they can strengthen their internal control environments to mitigate financial losses and damage to reputation, and to improve their financial reporting and governance processes.
- We produce reports to parliament on the results of our financial audits—providing aggregated information about risks, financial performance, and internal controls relevant to the whole of government or groups within the public sector.
- We produce reports to parliament on the results of our performance audits—examining areas of public sector economy, efficiency, and effectiveness.



## Outcomes

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



# Auditor-General's forward

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In July 2017, I was appointed as Queensland's Auditor-General.

It has been an eventful and rewarding year.

It started with a revision of our office's strategic plan. Our executive management team confirmed our vision for better public services. We clarified who we serve, what we do, and the strategies we use to realise our purpose of independent assurance and trusted advice.

Our vision is important to me. Serving Queensland's parliament and the public, and working with agencies to help them provide better public services, is why we exist and where we will continue to focus our efforts.

My three main focuses for this year were improving client and stakeholder engagement, improving staff satisfaction, and improving our service integration and efficiencies.

Client engagement is integral to being successful in what we do. We are investing time in refining our client service skills and increasing our interpersonal, face-to-face client engagement. I have travelled across Queensland to meet public sector and local government audit clients, professional bodies, and audit service providers. I have also met with members of parliament and parliamentary committees in Brisbane. By 30 June 2018, I had attended over 170 engagements.

The feedback I received in these meetings was insightful. I learned more about how our clients work, their needs, and their unique stories.

Our staff surveys continue to indicate strong staff engagement and connection with the important work that we do. But some improvements are needed in staff satisfaction with workload and health. In response to last year's *Working for Queensland* employee opinion survey results, we have developed a range of strategies to improve work life for staff. I am fully committed to ensuring staff enjoy their work and achieve a sense of balance and fulfilment.

In terms of service delivery, we achieved many and great things. We refined our business processes to focus on a 'one Queensland Audit Office' approach, where all parts of the organisation work together seamlessly to service our clients. We continued our journey to improve the quality and efficiency of our work, including selecting new toolsets to manage our audit work and our resources.

During the year I also simplified the office's executive management team by reallocating the functional responsibilities that the Deputy Auditor-General previously held. The Deputy will now act in my position when I am unavailable.

I am thrilled about our new branding, which more accurately reflects our contemporary organisation and streamlines our identity. We launched the new look on 1 May 2018, to time with the 25<sup>th</sup> anniversary of today's Queensland Audit Office.

I would like to thank our clients and stakeholders for their support, cooperation, and advice.

I would also like to thank our staff for their hard work, commitment, and passion. They should be very proud of the important work they do.



# Highlights from the year



# Who we are

## Our people

Our workforce is a mix of 171 active employees (163.4 full-time equivalents) who are audit professionals, specialists, and support team members. We also engage around 20 audit service providers, who are an integral part of our business and perform 50 per cent of our annual financial audits. And we engage key specialists to support some of our performance audits.

Our people are key to our service delivery. They are dedicated, highly skilled, and capable. They are essential to us achieving our objectives and our vision of better public services.

We are a diverse group, with 22 per cent of staff from non-English speaking backgrounds, 0.5 per cent who identify as Aboriginal or Torres Strait Islander, and 1.6 per cent with disability. We are particularly proud that 51 per cent of our staff are women and that our executive management group is gender balanced. We continue to advocate for a diverse and inclusive workforce in support of the *Queensland Public Sector Inclusion and Diversity Strategy 2015–2020*.

## Culture and values



### Engage

- Being frank, fair, and honest
- Setting and managing to agreed expectations
- Listening to learn and communicating clearly to inform

We express how we work with each other, and with our clients and stakeholders, through the core values that underpin our culture: engage; challenge; deliver; care.



### Challenge

- Questioning the status quo
- Seeking new knowledge and applying new ideas
- Taking measured risks when trying new things

We have been living our values for the past three years and they have become truly embedded in our organisation.



### Deliver

- Taking responsibility and holding ourselves accountable
- Doing the right things and doing things right
- Understanding then acting

We have continued with our quarterly award to recognise people who are living the values, as nominated by their peers. And we presented an annual Australia Day award for an overall achiever from a pool of 16 nominees. As part of our new branding, we included our values in more of our external communication materials, such as our email signatures and business cards.



### Care

- Respecting others for who they are and their contribution
- Considering how our actions affect others
- Sharing our knowledge and skills freely
- Celebrating success and supporting each other

We regularly check in with our staff to measure engagement and we include specific values-related questions in the annual *Working for Queensland* employee opinion survey.





# Investing in our people

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## Developing our people

We are committed to developing an exemplary workforce by building our staff members' capabilities. Over the last year, each staff member received on average 55 hours of professional development. We provided our staff with:

- targeted technical training on accounting, audit, and professional standards
- non-technical training in areas such as critical thinking, internal consulting, leadership, presentation skills, writing skills, and more
- ongoing development through tailored competency frameworks
- financial support towards work-related study and time off to study and attend exams.

## Supporting our people

Supporting our staff is a Queensland Audit Office priority. Our aim is to have a highly engaged workforce where every person enjoys their work and has a sense of accomplishment and connection with the organisation.

We participate in the annual *Working for Queensland* employee opinion survey, which the Public Service Commission coordinates for the public sector.

In response to last year's survey results, we developed an action plan to address employee concerns about workload and health, fairness, effectiveness, and organisational leadership. We consulted with all staff to validate their survey responses, seek their input, and prioritise our actions. As a result, we are:

- improving our coaching and feedback skills
- addressing our project management abilities and making better use of our technology
- addressing workload issues for our auditors by improving our resourcing practices with a new resourcing toolkit that will allocate jobs more equitably and consistently
- managing our hours of work with more accurate time sheeting, and managing leave
- clarifying roles and responsibilities
- implementing more consistent auditing practices by appointing a champion to coordinate our approach
- redesigning our approach to performance and development to improve fairness.

We also started planning for an accommodation refit. This will provide staff with more collaborative workspaces, quiet rooms, and breakout areas.

Health and wellbeing are a large part of life at the Queensland Audit Office. To promote a healthy workforce, we:

- offered flu vaccinations, health checks, and health and fitness education
- provided educational materials on topics such as thriving in the digital age
- promoted our confidential Employee Assistance Program
- supported participation in the Queensland Corporate Games.

We also provide flexible working arrangements to support our people in balancing their work and home commitments.



## Recruiting and developing our graduates

In 2017–18 year we engaged 14 graduate auditors and provided them with tailored programs including:

- a comprehensive foundation program that meets their knowledge needs
- experience working as part of a team of audit professionals across all aspects of our organisation
- the dedicated support of a mentor ‘buddy’
- experience in client engagement
- an understanding of the broader public sector context
- support in achieving qualifications such as Chartered Accountant or Certified Practising Accountant, and ongoing professional development
- an opportunity to travel throughout Queensland to work with our clients.



‘There is always something new to learn and different aspects about auditing you can gain exposure to. Every day is different, and there is always something to challenge you.’

— Yinny Lo



‘I always feel supported and empowered by my colleagues to challenge myself and deliver work to a high standard.’

— Timothy Kiepe



‘QAO gives me the opportunity to work on a range of not-for-profit and for-profit entities, together with developing relationships with senior stakeholders that I wouldn’t have had the same access to elsewhere.’

— James Simmons



‘It is inspiring being a part of a diverse organisation that demonstrates teamwork, respect, and values staff development.’

— Laura Bowen



## Leadership and governance

Our executive leaders have a shared responsibility for audit excellence and operational performance. They set the tone for integrity and model good governance within the Queensland Audit Office. Our executive leaders are:

- Brendan Worrall, Auditor-General
- Daniele Bird, Deputy Auditor-General
- Poopalasingam Brahman, Assistant Auditor-General
- Karen Johnson, Assistant Auditor-General.



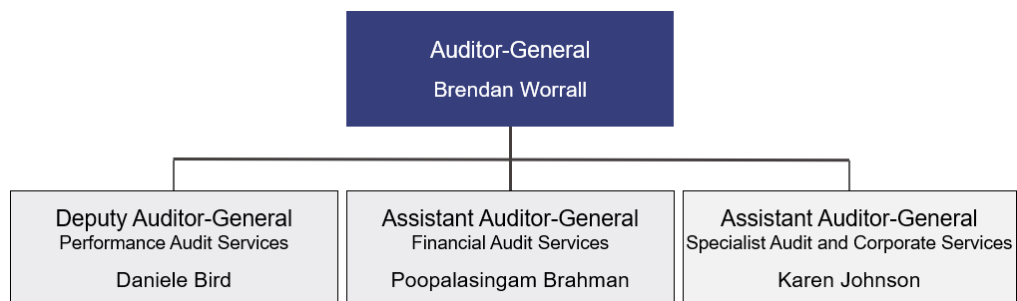
L–r: B. Worrall, P. Brahman, D. Bird, and K. Johnson.

## Organisational structure

Our office has a simple accountability structure, with our staff organised into divisions that align with the services we provide. Two divisions directly produce our outputs and outcomes through our financial and performance audit programs, and a division of specialist staff delivers technical advice and our corporate functions.

While we run our operations by division, our services are aligned and integrated. We do not see ourselves as separate groups but as ‘one Queensland Audit Office’. This enhances our operational efficiency and enables cohesive client and stakeholder engagement. It also enhances teamwork and staff morale.

### Queensland Audit Office structure at 30 June 2018



## Governing bodies

Our governing bodies include the Executive Management Group, Senior Management Group, and Audit and Risk Management Committee. They steer the overall direction of the business, manage risk, and inform policy.

### Executive Management Group

This group includes all executive leaders. It determines strategy and budget, and regularly reviews the Queensland Audit Office’s strategic and operating risks.

### Senior Management Group

This group provides leadership for achieving the strategies outlined in the Queensland Audit Office’s operational plans. Daniele Bird, the Deputy Auditor-General, is the chair of the group. The Auditor-General is a member by observation. The other members include senior representatives from across the organisation.



## Audit and Risk Management Committee

The Audit and Risk Management Committee provides independent advice and support to the Auditor-General in discharging his responsibilities, along with recommendations on improvement. It has oversight of risk, control, and the compliance frameworks and fiscal responsibilities underpinning our corporate governance.

The committee has three external independent members and meets four times each year. Membership details are at Appendix B.

## Internal audit

Internal audit conducts independent, objective, and risk-based assurance activities over the office's operations. Its charter aligns with the *International Standards for the Professional Practice of Internal Auditing*.

Kaylene Cossart is the head of internal audit. Each year, the head develops an internal audit program and submits it to the Audit and Risk Management Committee for approval. Five internal audits were finalised in 2017–18.

## Our approach to risk management

We manage risk through our Enterprise Risk Management Framework. The framework is appropriate for our unique operating environment and reflects better practice.

Our Specialist Audit Services division regularly updates our policies and guidelines to ensure risk is managed appropriately and that they reflect our values. It also prepares monthly finance reports discussing key performance indicators and financial sustainability.

We have frameworks in place to manage workplace health and safety risks, cyber security risk, and fraud risk. This year, we also developed a crisis communication plan to manage our response to critical events.

We challenge how we monitor and report risk on an ongoing basis.



# Our strategy

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Our strategic plan outlines our strategic objectives, risks, organisational strategies, and indicators of achievement and ensures they align to our vision and purpose.

## Vision

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**Better public services**

## Purpose

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**Independent assurance and trusted advice**

## Who we serve

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**The parliament and the public of Queensland, public sector entities, and local governments**

## Approach

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Objectives	Strategic risks	Strategies	Indicators of achievement
We support and challenge our people to best serve parliament and our clients.	We do not uphold our values or professional, ethical, and quality standards.	Supporting our workforce to meet parliament and our clients' service needs.	Our people are professional, capable, and engaged.
Those we serve trust and value our services and advice.	We do not adapt our services in response to changing needs.	Enhancing relationships.	Our relationships are valued.
Our assurance services and advice are used to improve accountability and performance.	We do not sufficiently understand our clients' organisations and context to deliver valuable assurance services.	Adapting our assurance services to provide greater value.	Parliament and our clients benefit from the assurance services and advice we provide.



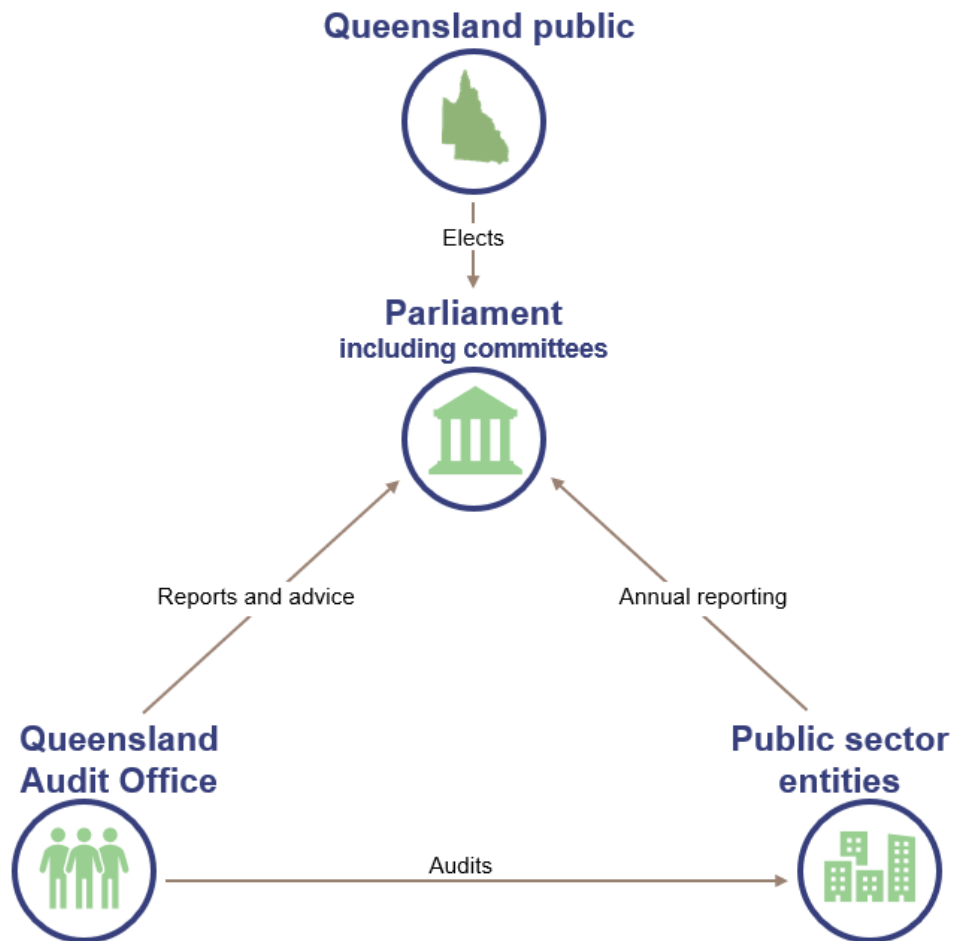
# Our performance and engagement

## How we fit into the bigger picture

The Queensland Audit Office is an important part of Queensland’s integrity system of government, as what we do provides parliament with independent assurance over the financial statements and performance of the public sector. The Auditor-General is fully independent, appointed by the Queensland Governor in Council for a seven-year term.

The Economics and Governance Committee (previously the Finance and Administration Committee) provides oversight of the Auditor-General and the office. The committee meets with the Auditor-General at different times throughout the year to discuss the position and performance of the office. It is also consulted on our budget, the appointment of the Auditor-General, our strategic plan, our audit program, and a five-yearly independent strategic review of the Queensland Audit Office.

### The Queensland Audit Office’s relationship with parliament



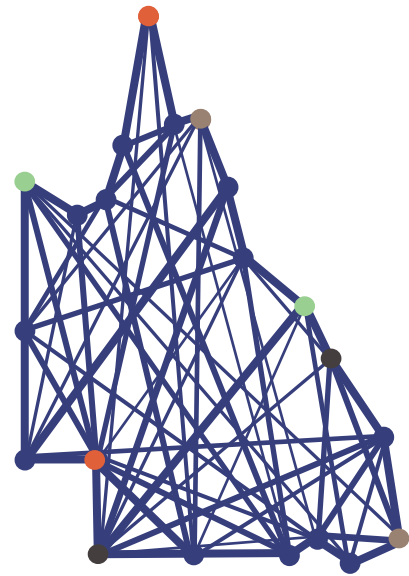
## Who we work with

We work with the Queensland Parliament, public sector entities, local governments, central agencies, other integrity agencies, professional bodies, industry and community groups, and our peers. Our relationship with each group is important to us and impacts on our ability to achieve our strategy.

Parliament is our client because we provide it with wholly independent assurance over the financial and operational performance of the public sector. Our work is important for maintaining parliament’s confidence in the stewardship of public resources and delivery of public services.

An important way that parliament supports us is with funding. In 2017–18 we received \$6.727 million, which we allocated to delivering performance audit services, reporting to parliament, and remunerating the Auditor-General.

Our audit clients are the Queensland public sector entities and local governments we audit. We take extra care to ensure our clients are at the heart of our business and that we focus on productive, mutually beneficial engagement.



## Sector engagement

Our clients are supported by sector directors, who lead services for key stakeholders and portfolios of entities.

Our sector directors have extensive technical experience and develop in-depth knowledge of their sectors.

This year we changed our portfolios to better align with changes across government.

Our sectors and their respective sector directors are:

- Central agencies and financial services—Paul Christensen
- Community services—Nick George (until October 2018); John Welsh
- Education and housing—Michelle Reardon
- Energy and natural resources—Damon Olive
- Health—Charles Strickland
- Local government—Patrick Flemming
- Water and infrastructure—Vaughan Stemmett.



## This year's services

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Through our financial audit program, we formed 408 opinions about the reliability of the financial statements of public sector entities. These opinions were published in each entity's annual report. We tabled seven financial audit reports in parliament based on the combined results of individual financial audits.

Through our performance audit program, we examined the efficiency, effectiveness, and economy of a range of important aspects of public services. We tabled eight reports to parliament containing our findings, conclusions, and recommendations for improving performance. We also tabled two follow-up performance audits on entities' progress in implementing the recommendations in our initial reports.

### Making recommendations in our reports to parliament

In all our reports to parliament, we make recommendations on how entities can improve the effectiveness, efficiency, governance, and financial reporting of the public services we examine. These recommendations are based on our domain knowledge, better practice, and our view of wider public sector performance.

Our aim is for the recommendations to be meaningful and relevant. To do this, we are engaging with entities earlier throughout the audit process. For one of this year's performance audit reports on local government, we worked with the Local Government Association of Queensland to workshop proposed recommendations with councils.



For every report, we invite entities to provide a formal response that we may include in the final report tabled in parliament. This year, 197 recommendations of 204 were accepted.

After each report is tabled in parliament, we produce learnings from our audit work that may be relevant to other entities and share these with our audit clients.

### Providing advice to parliament

Through the parliamentary process, each report to parliament is referred to the appropriate committee for consideration and response. We provided eight in-depth briefs to portfolio committees on report findings, opinions, and recommendations, and on how the Queensland Audit Office can assist the committees.

This year, following the 2017–18 Queensland state election, we also provided a brief to new committee members and their staff on the role of the Auditor-General.

### Investigating referrals about public sector financial waste or mismanagement

We invite members of parliament, other integrity agencies, public sector management, and members of the public to raise issues about known or suspected public sector financial waste or mismanagement.

This year, we received 58 referrals and continued to work on four from the prior year. If within our mandate, we investigated the issues and made recommendations to the audited entity's management, for example, on how to strengthen internal controls and governance practices. We referred some of the results of our investigations to the Queensland Crime and Corruption Commission. As of 30 June, we had finalised 49 referrals and the remaining 13 are in progress.





## Planning our annual performance audit program

We communicate our proposed performance audit topics for the next three years via a strategic audit plan. This is to ensure transparency about our work and give our clients time to prepare for an audit. Our planning is based on a robust and disciplined approach to identifying, prioritising, and selecting topics.

We are required to publish our plan by 30 June each year. We published this year's *Strategic Audit Plan 2018–21* on 2 May 2018.

As recommended in the *Strategic Review of the Queensland Audit Office 2017*, we updated our strategic audit planning methodology to ensure it better links to value for our clients, and we improved the efficiency of our own planning processes.

In developing and finalising the plan, we held an input session with the Economics and Governance Committee to ensure we reflected the topics members wish to see covered over the next three years. The Economics and Governance Committee circulated the plan with other parliamentary committees for feedback.

We consulted the leadership of some public sector entities on the draft plan. This was to ensure we are considering topics they deem relevant and that our program is appropriate in terms of timing. And we presented the plan to whole-of-government representatives at a Department of the Premier and Cabinet-coordinated briefing. We also produced a presentation for our website on what entities should do to prepare for a performance audit.

## Improving connections with our audit clients

We are always seeking ways to improve our communication with our clients. We must build their trust in us, so they are more likely to follow through on our recommendations and trust our advice. We endeavour to work with them, not against them. Our promise is that we listen to their needs and understand their points of view, while delivering independent, quality, and timely audit services and reports to parliament.

During the audit process, and before a report to parliament is finalised, the Auditor-General offers to discuss the report with entity executives. He also offers to meet with executives and ministers after tabling.

This year, our senior leaders and engagement leaders regularly interacted in person with clients to gain a better understanding of their unique work.

The new Auditor-General met with many clients, industry groups, and audit service providers across the state. He held over 170 engagements this financial year alone. Highlights included visits to Aboriginal and Torres Strait Island councils in far north Queensland to hear more about their stories.

We worked in conjunction with our clients to improve the quality and reach of our communication. We held local government forums with the then Department of Infrastructure, Local Government and Planning—76 of 77 councils attended sessions in Brisbane, Rockhampton, Cairns, Townsville, Toowoomba, and Longreach. We also engaged with local government engineers and the Australian Government on long-term financial sustainability and asset management.

Improving client engagement, in particular by our senior leadership, was a recommendation in the *Strategic Review of the Queensland Audit Office 2017*.

'In general, we are highly satisfied with QAO's performance and appreciate their collaborative approach. We look forward to open communications with QAO in the future.'

— Financial audit client,  
Dec 2017

## Providing technical and specialist audit insights

We want our audit clients to benefit from our objective, analytical thinking and technical expertise and to use our advice to improve their accountability and performance.

From 2018 onwards, there will be significant changes to Australian accounting and auditing standards. Via day-to-day engagement as well as more formal briefings, we have guided our clients on how these changes are likely to impact them and challenged them to evaluate their readiness.

A Queensland Audit Office team with advanced skills in technical accounting matters helped our auditors and clients come to an agreement about government accounting treatments where the Australian standards were not always specific to, or for, public sector reporting.

In addition to our ongoing advice on technical matters, we produce better practice guides on areas of risk for the public sector. This year, we produced a new fraud risk and assessment planning tool to help public sector entities and local governments document their assessments of fraud risk and how they will control, monitor, and report on them. Visitors viewed our better practice guides on our website 3 839 times this year.

## Delivering advanced audit analytics

The Queensland Audit Office continues to enhance its advanced audit analytics function, which helps our auditors provide more efficient, effective, and quality audits.

This year, we continued to embed the capability into our business. We centralised data supplies for over 40 data providers and built automated procedures to validate over 11 billion finance and payroll records for 79 clients. This is allowing analytics to become an integral component of most of our audits, via our analytics dashboard.

The dashboard and its enhancements help us focus our financial auditors on areas of greater risk. We use analytical procedures to improve our understanding of our clients' operations and improve our audit testing approaches. This year, audit analytics also supported referrals and performance audit.

As per a recommendation in the *Strategic Review of the Queensland Audit Office 2017*, we consulted with the Queensland Government Chief Information Office on data centre arrangements and have given our audit service providers access to our analytics dashboards for relevant clients.

## Improving the quality and efficiency of our work

We make every effort to improve the quality and efficiency of our work. This year, we implemented, or planned for, a range of activities that will help us improve how we deliver our services.

### Enhancing our annual assurance program

Audit quality is critical to us. We design audit practices that provide reasonable assurance that our work complies with Australian auditing and assurance standards, and with relevant ethical, legal, and regulatory requirements.

This year's quality assurance program confirmed that the Queensland Audit Office staff and audit service providers responsible for client engagement are undertaking appropriate risk-based audits. Where we identified areas for quality improvement, we communicated the learnings to our staff and our audit service providers. We also enhanced our policies, processes, and guidance materials, and refined our learning and development programs.

This year, we further enhanced our assurance approach with guidance from our technical experts, particularly in the financial services, energy, and ports sectors.



## Revising our audit methodologies

The Queensland Audit Office finalised its project to clarify and improve its financial audit methodology—that is, the processes we use to assess our clients' financial performance and risk—and separated it from the toolset we use to deliver audits.

Our revisions ensure that we audit our clients in the most economical way, and that we provide sufficiently detailed guidance to our staff on how to use data analytics and communicate documentation standards.

We also updated our performance audit methodology to clearly state that we do not question the merits of government policy. We drafted some changes for the Auditor-General of Queensland Auditing Standards to reflect the same. This was a recommendation in the *Strategic Review of the Queensland Audit Office 2017*.

## Developing a new audit toolset

The Queensland Audit Office uses a sophisticated database tool to support our audit operations and services. Called 'IPSAM', the software manages our audit work papers and our libraries of risks, controls and substantive testing programs. It also houses training materials.

This year, we launched a project to replace IPSAM. It has served us well but is reaching the end of its life. New commercial toolsets are available that will suit the nature of our public sector audit work. A new toolset will enable multiple users to access it and will provide simpler document management. Importantly, it will provide us with much needed connectivity with our clients and our audit service providers.

We have assessed available products and are planning for customisation and trials in 2018–19, and are planning for full implementation in 2019–20.

## Better managing our resources

In response to the needs of our staff, and to improve the integration of our services, we are moving towards a new resourcing model and toolkit.

The new approach will enable fair and consistent allocation of resources, where we will more accurately consider client profiles and their service needs. We will review each job to get the right answer for individual clients and ensure alignment between our audit and non-audit commitments.

Overall, the new toolkit will provide the office with greater confidence in its resourcing methodology and systems. We will be able to look further ahead and plan our work more strategically.

## Introducing electronic signatures

The Queensland Audit Office now signs its independent auditor's reports electronically. While electronic signatures are not new, we were careful to ensure we were meeting Queensland's legal requirements before implementing them. This more contemporary approach will reduce time delays for audit clients outside South East Queensland, limit paper consumption, and improve reproduction quality.

The *Strategic Review of the Queensland Audit Office 2017* also recommended the Queensland Audit Office use electronic signatures.

## Results of our client surveys

We encourage our clients to provide feedback about our services on an ongoing basis and we measure client satisfaction via independent surveys. We survey parliament every two–three years, and our audit clients every year.

In 2017–18, we sent surveys to 247 entities on our financial audits and 27 entities on our performance audits.

We set ourselves an overall client satisfaction target of 80 index of performance points (index points (IP)). IP is the average of the aggregate indices for each area of performance that the survey explored.

Clients' overall satisfaction with our financial audit services in 2017–18 was 81 IP, up from 79 IP in 2016–17. General comments most commonly included positive feedback about our auditors' conduct and skills. Areas we will improve on are communication, consultation, and the efficiency of the audit process.

Our performance audit result for overall satisfaction was 72 IP, down from 76 IP in 2016–17. We scored highly on our understanding of the clients' organisations and around our auditors' professionalism, skills, and knowledge. We will improve on communication and consultation.



## Working with other important stakeholders

We engage with a range of stakeholder groups, in addition to parliament and our audit clients. Most of these relationships are collaborative in nature.

### Central agencies

Central agencies include the Department of the Premier and Cabinet, Public Service Commission, and Queensland Treasury.

The Queensland Audit Office's work identifies important areas for change, but we need these groups to bring the right people together to make the change happen. These agencies often provide the perspective we need to implement the right solution and to help our clients hear our message.

This year, we worked closely with Queensland Treasury on helping public sector entities prepare for upcoming changes to accounting standards. We regularly present at Queensland Treasury-hosted forums for chief financial officers.

Twice a year, we co-host a forum with the Department of the Premier and Cabinet for public sector entities to share the learnings from our audit work and reports to parliament.

We are sharing what we have learnt from working with data from across government by assisting Queensland Treasury in better understanding the types and quality of client data available to it. The Queensland Audit Office has also been sharing its knowledge about using data and the design of our analytic environment with the Department of Housing and Public Works.



## Integrity agencies

Integrity agencies have powers to investigate matters relevant to their role. Members of the public may raise matters with them, or the agencies may identify matters when delivering their services.

We work with other integrity agencies to collaborate and promote integrity in financial management. The Auditor-General met with the heads of the integrity agencies throughout the year to discuss sector- or government-wide issues, collaboration opportunities, and policy changes.

## Professional accounting groups

Professional bodies and standard-setting boards are important in the advancement of our profession. Their work can have a significant impact on our work, and on our audit clients.

This year, we contributed to submissions on proposed changes to accounting standards, to ensure they reflect public sector challenges. One of our employees currently participates in the Australian Accounting Standards Board's (AASB) Fair Value advisory panel.

We regularly share our knowledge and experiences at many conferences, workshops, and training events run by professional bodies throughout the year, for example, Chartered Accountants and Certified Practising Accountant (CPA) member events. One of our technical experts had articles published in the CPA Australia INTHEBLACK magazine.

## Industry and community groups

This is a variety of groups with an interest in public sector services. Each group's focus may vary—some on specific services such as education or transport, and some on specific stakeholder interests.

We engage different groups at different times based on the work we are doing. For example, this year we met with the Queenslanders With Disability Network during our performance audit on the National Disability Insurance Scheme. We also invest in valuable long-term relationships with entities such as the Local Government Association of Queensland.

## Peers

We collaborate with other audit jurisdictions through the Australasian Council of Auditors-General (ACAG) to respond to proposed standards, benchmark our performance, and share expertise. We also connect with international audit offices to explore best practice.

This year, we collaborated with audit analytics teams across the ACAG network on how to build an analytics function and incorporate it into associated methodologies.

In March 2018, the Queensland Audit Office participated in the biennial International Meeting of Performance Audit Critical Thinkers (IMPACT) conference hosted by the Audit Office of New South Wales. Our staff presented on using data in performance audits and participated in panel discussions.

In April 2018, the Queensland Audit Office's Deputy Auditor-General attended the Canadian Council of Legislative Auditors Performance Audit Symposium in Toronto. The event gave our office access to new thinking from international jurisdictions and visibility of innovative audit approaches that we could deploy.

The Queensland Audit Office participates in a 'twinning' arrangement with the Vanuatu National Audit Office. The twins recently signed a Memorandum of Understanding about helping Vanuatu develop sustainable business practices that support efficient and high-quality audits, comply with standards, and meet stakeholder requirements.

We also support the Australian National Audit Office in delivering a partnership program with the Auditor-General's Office of Papua New Guinea. In 2017–18, we hosted two Papua New Guinea assurance audit managers for two six-week secondments. These secondments further developed the managers' capabilities by exposing them to audit processes in an Australian audit office.

In May 2018, our office co-hosted the 10th meeting of the Regional Working Group on Environmental Auditing for Australian and Pacific audit offices. This year's event focused on important elements of environmental audit including sustainable development goals, the marine environment, and the impact of our work.

## Priorities for next year

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Our key focus in 2018–19 will be on refining our business and further integrating our financial, performance, audit analytics, and information systems services. We will work with our clients as 'one Queensland Audit Office' and all staff will improve how they listen to and communicate with our clients and stakeholders. A new client relationship management framework will provide the strategic path for our engagement approach.

Our performance audit work will continue to focus on closer engagement throughout audits to ensure we understand clients' contexts. We will focus on areas of risk for the wider public sector, such as cyber security, and we will do more work in the local government sector with two planned performance audits.

We will help our clients transition to the new accounting standards by promoting our recommendations on these matters and building our clients' trust in our advice. We will also promote our guides that help entities improve their delivery of public services, for example, our tools on fraud risk assessment.

Our staff will participate in the Australian Accounting Standards Board's (AASB) advisory panel on AASB 13 *Fair Value Measurement* to help increase its understanding of the challenges faced by the not-for-profit and public sectors.

We will embed our audit analytics solutions across the business. We will use our capability in performance audits, increase our coverage of local government clients, add revenue analysis to our existing dashboards, and trial new solutions for smaller public sector clients.



In terms of high quality and efficient service delivery, we also plan to:

- continue to monitor the quality of our audits to proactively identify areas for improvement and ensure we are adhering to audit policies, methodologies, and standards
- move our audit toolset to a customised commercial software solution to support more efficient and modern audit techniques
- trial our new resourcing model and toolkit to address workload issues for our staff and facilitate timelier client engagement
- increase our investment in information systems audit so we can better test application controls and assess our clients' controls
- continue with information and communication technology improvements, including migrating our internal intranet to SharePoint Online
- continue developing more modern communication channels and products to share our advice with our clients and stakeholders.

We will be refurbishing our office, leading to big changes for our people. The move will provide office-wide activity-based working, which will heighten productivity, foster innovation, improve day-to-day comfort, and provide cost savings. We will work closely with staff to help them adopt the new way of working.

In 2018–19, we will listen and respond to the needs of our workforce and our clients.

We will engage with purpose, challenge ourselves, deliver on our commitments, and care about our people.

'During the past couple of years, the QAO has moved to a much more contemporary organisation with much better client services, so keep moving forward with the same.'

— Financial audit client,  
Oct 2017

# Financial statements and independent auditor's reports

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The Queensland Audit Office funds the cost of its operations from financial audit fees we charge our clients and parliamentary appropriation. Our funding from parliament for 2017–18 was \$6.727 million, which we allocated to delivering performance audit services, reporting to parliament, and remunerating the Auditor-General.

This year's financial objective was for our budgets to be financially sustainable. We made allowances for future cash requirements for replacing equipment and improving our services, and over the next three to five-year period we intend to break even.

Our operating costs were lower than budget meaning we achieved more with less. This is notable considering the impact of the machinery of government changes following the 2017–18 Queensland election.

We budgeted for a surplus of \$0.347 million and achieved \$1.455 million, which will be used next year to fund our replacement audit toolset, our resourcing toolkit, and mobile devices. It will also contribute to the cost of our accommodation refurbishment. These projects will be costly in 2018–19 but will increase our efficiency and our client and staff experiences.

We will continue to invest in our audit analytics capability and services. This investment is part of our long-term strategy to improve the ways we audit and to place our auditors in the best position as information systems adapt in the future.

The following pages of this report contain:

- the Queensland Audit Office's financial statements
- the Queensland Audit Office's performance statement
- independent auditor report from Nexia Australia.





# Financial statements and independent auditor's report

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## Queensland Audit Office financial statements for the year ended 30 June 2018

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**Statement of financial position**

**Statement of changes in equity**

**Statement of cash flows**

**Notes to the financial statements**

**Certificate of the Queensland Audit Office**

**Independent auditor's report**

### General information

These financial statements cover the Queensland Audit Office for the 2017–18 financial year. The Queensland Audit Office is established under the *Auditor-General Act 2009* to provide independent public sector assurance services.

The Queensland Audit Office is a not-for-profit entity with the objective of strengthening public sector accountability by providing independent audit services, including reporting to parliament. The Queensland Audit Office is a department for financial reporting (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 14, 53 Albert Street  
BRISBANE QLD 4000

For information relating to the Queensland Audit Office's financial report please:

- call (07) 3149 6000,
- email [enquiries@qao.qld.gov.au](mailto:enquiries@qao.qld.gov.au)
- or visit the Queensland Audit Office's internet site [www.qao.qld.gov.au](http://www.qao.qld.gov.au).



**Queensland Audit Office**  
**statement of comprehensive income**  
**year ended 30 June 2018**

	Notes	2018 Actual \$'000	2018 Original budget \$'000	Budget variance* \$'000	2017 Actual \$'000
<b>Income from continuing operations</b>					
Audit fees	2(i)	35 800	37 042	(1 242)	35 407
Appropriation revenue for services	2(ii)	6 727	6 670	57	6 608
Other revenue	2(iii)	686	640	46	658
<b>Total income from continuing operations</b>		<b>43 213</b>	<b>44 352</b>	<b>(1 139)</b>	<b>42 673</b>
<b>Expenses from continuing operations</b>					
Employee expenses	3	20 574	23 258	(2 684)	20 567
Supplies and services	4	20 258	20 021	237	21 602
Depreciation and amortisation	8 (b)	581	436	145	411
Other expenses	5	345	290	55	366
<b>Total expenses from continuing operations</b>		<b>41 758</b>	<b>44 005</b>	<b>(2 247)</b>	<b>42 946</b>
<b>Total operating result from continuing operations/comprehensive income</b>		<b>1 455</b>	<b>347</b>	<b>1 108</b>	<b>(273)</b>

*\*An explanation of major variances is included at Note 12*

*The accompanying notes form part of these statements*



**Queensland Audit Office**  
**statement of financial position**  
**as at 30 June 2018**

	Notes	2018 Actual \$'000	2018 Original budget \$'000	Budget variance* \$'000	2017 Actual \$'000
<b>Current assets</b>					
Cash and cash equivalents	1(d)	7 325	5 547	1 778	5 163
Work in progress	6	1 448	2 500	(1 052)	2 075
Receivables	7	4 157	2 699	1 458	3 601
Other current assets		54	183	(129)	268
<b>Total current assets</b>		<b>12 984</b>	<b>10 929</b>	<b>2 055</b>	<b>11 107</b>
<b>Non-current assets</b>					
Plant and equipment	8(c)(i)	28	228	(200)	222
Intangible assets	8(c)(ii)	942	1 130	(188)	1 329
<b>Total non-current assets</b>		<b>970</b>	<b>1 358</b>	<b>(388)</b>	<b>1 551</b>
<b>Total assets</b>		<b>13 954</b>	<b>12 287</b>	<b>1 667</b>	<b>12 658</b>
<b>Current liabilities—Payables and accruals</b>	9	<b>1 849</b>	<b>1 545</b>	<b>304</b>	<b>2 048</b>
<b>Non-current liabilities—Provision for lease</b>	10	<b>915</b>	<b>403</b>	<b>512</b>	<b>875</b>
<b>Total liabilities</b>		<b>2 764</b>	<b>1 948</b>	<b>816</b>	<b>2 923</b>
<b>Net assets</b>		<b>11 190</b>	<b>10 339</b>	<b>851</b>	<b>9 735</b>
<b>Equity</b>					
Contributed equity		5 183	5 183	..	5 183
Accumulated surplus		6 007	5 156	851	4 552
<b>Total equity</b>		<b>11 190</b>	<b>10 339</b>	<b>851</b>	<b>9 735</b>

*\*An explanation of major variances is included at Note 12*

*The accompanying notes form part of these statements.*



**Queensland Audit Office**  
**statement of changes in equity**  
**for the year ended 30 June 2018**

	<b>Accumulated surplus \$'000</b>	<b>Contributed equity \$'000</b>	<b>Total \$'000</b>
<b>Balance as at 1 July 2017</b>	4 552	5 183	9 735
Operating result from continuing operations	1 455	..	1 455
<b>Balance as at 30 June 2018</b>	<b>6 007</b>	<b>5 183</b>	<b>11 190</b>

	<b>Accumulated surplus \$'000</b>	<b>Contributed equity \$'000</b>	<b>Total \$'000</b>
<b>Balance as at 1 July 2016</b>	4 825	5 183	10 008
Operating result from continuing operations	(273)	..	(273)
<b>Balance as at 30 June 2017</b>	<b>4 552</b>	<b>5 183</b>	<b>9 735</b>

*The accompanying notes form part of these statements.*



**Queensland Audit Office**  
**statement of cash flows**  
**for the year ended 30 June 2018**

	Notes	2018 Actual \$'000	2018 Original budget \$'000	Budget variance* \$'000	2017 Actual \$'000
<b>Cash flows from operating activities</b>					
<i>Inflows:</i>					
Audit fees		35 945	36 952	(1 007)	35 405
Appropriation revenue for services		6 727	6 670	57	6 608
GST input tax credits from the Australian Taxation Office (ATO)		2 087	1 797	290	2 262
GST collected from customers		3 693	3 411	282	3 762
Other revenue		499	439	60	467
<i>Outflows:</i>					
Employee expenses		(20 558)	(23 224)	2 666	(20 647)
Supplies and services		(20 344)	(19 800)	(566)	(20 619)
GST paid to suppliers		(2 004)	(1 788)	(216)	(2 221)
GST remitted to ATO		(3 745)	(3 566)	(179)	(3 715)
Other expenses		(138)	(290)	174	(176)
<b>Net cash provided by operating activities</b>	14	<b>2 162</b>	<b>601</b>	<b>1 561</b>	<b>1 126</b>
<b>Net cash used in investing activities—</b>					
Payments for plant and equipment and intangibles		<b>0</b>	<b>(250)</b>	<b>250</b>	<b>(574)</b>
Net increase in cash and cash equivalents		2 162	351	1 811	552
Cash and cash equivalents at beginning of financial year		5 163	5 196	(33)	4 611
<b>Cash and cash equivalents at end of financial year</b>		<b>7 325</b>	<b>5 547</b>	<b>1 778</b>	<b>5 163</b>

*\*An explanation of major variances is included at Note 12*

*The accompanying notes form part of these statements*



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

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## **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, in accordance with:

- section 42 of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017 (FRR).

The historical cost convention is used, unless otherwise stated. This means that assets and liabilities are initially recorded at their fair value and subsequently measured at amortised cost.

### **(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.

### **(c) Taxation**

The Queensland Audit Office 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) Changes in accounting estimates**

During the annual review of useful life for the Queensland Audit Office's assets it was determined to change the useful life and therefore straight-line amortisation of an intangible asset (our finance system) from eight years to five years.

### **(f) New and revised accounting standards not yet effective**

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below:

#### ***AASB 15 Revenue from Contracts with Customers***

This standard will become effective from reporting periods beginning on or after 1 January 2019 and contains detailed requirements for the accounting for certain types of revenue from customers. An analysis of the impact of AASB15 on Queensland Audit Office revenue was undertaken.

The Queensland Audit Office currently recognises revenue as services are performed (over time). AASB15 paragraphs 35 to 37 (and related guidance) include provisions for similar situations where performance obligations are satisfied over time. Therefore, the Queensland Audit Office does not expect this standard to have a material impact on how revenue is currently recognised in our financial statements.



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

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**1. Summary of significant accounting policies (continued)**

**(f) New and revised accounting standards not yet effective (continued)**

**AASB 16 Leases**

This standard will become effective for reporting periods beginning on or after 1 January 2019. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases—Incentives*, and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Queensland Audit Office has one operating lease (rent for two floors of a building) that is recognised as an expense on a straight-line basis over the lease term as per AASB 117 *Leases*. Under AASB 16, the accounting for this lease will change to recognising a right-of-use asset and associated liability, interest, and depreciation expense, resulting in an impact on financial statements from 2019–20.

As the deadline for adoption of the new standard approaches, additional consultation and refining of the impact of the standards will occur, including the discount rate to be used.

**AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)**

These standards will first apply to the Queensland Audit Office from its financial statements for 2018–19 with a 1 July 2018 date of transition. The main impacts of these standards are that they will change the requirements for the classification, measurement, impairment, and disclosures associated with the Queensland Audit Office's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

There will be no material impact on the classification and measurement of the Queensland Audit Office's financial assets.

**(g) Issuance of financial statements**

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



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

## 2. Revenue

The Queensland Audit Office charges fees for financial audit services on a full cost recovery basis.

The Queensland Audit Office 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 performed
- providing advice and assistance to parliament and central agencies
- investigating matters referred in relation to financial waste and mismanagement.

### (i) Audit fees for services to the public sector

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

### (ii) Appropriation revenue for services to the parliament

The Queensland Audit Office 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 2017*.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Budgeted departmental services appropriation	6 670	6 629
Queensland Treasury adjustments	57	(21)
<b>Total</b>	<b>6 727</b>	<b>6 608</b>

### (iii) Other revenue

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other revenue</b>		
Licence fees	443	419
Storage services received free of charge	207	191
Miscellaneous receipts	36	48
<b>Total</b>	<b>686</b>	<b>658</b>





**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

**3. Employee expenses**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Employee benefits</b>		
Wages, salaries, and sick leave	16 065	16 342
Annual leave levy	1 632	1 587
Long service leave levy	372	369
Employer superannuation contributions	2 217	2 144
Fringe benefits tax	86	82
Service payment—termination payment	162	..
<b>Total</b>	<b>20 534</b>	<b>20 524</b>
<b>Employee related expenses—WorkCover Queensland premium</b>	<b>40</b>	<b>43</b>
<b>Total</b>	<b>20 574</b>	<b>20 567</b>

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

	<b>2018</b>	<b>2017</b>
Number of employees as at 30 June 2018	177	176

**(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 these liabilities 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**

The Queensland Audit Office is a member of the Queensland Government's Annual Leave and Long Service Leave Schemes. The Queensland Audit Office pays a levy to these schemes to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The Queensland Audit Office 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.

The Queensland Audit Office 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*.

**(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.



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

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### **3. Employee expenses (continued)**

#### **(iii) Superannuation (continued)**

**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 on the rates determined on the advice of the State Actuary. Contributions are paid by the Queensland Audit Office at the specified rate following completion of the employee's service each pay period. The Queensland Audit Office'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 G1 of the Financial Reporting Requirements for Queensland Government Agencies. Key executive management personnel include positions that form part of the Executive Management Group. This group had the authority and responsibility for planning, directing, and controlling the activities of the Queensland Audit Office during 2017–18.

**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**—acts on behalf of the Auditor-General as required and leads and sets the strategic direction of performance audit.

**Assistant Auditors-General**—lead and set the strategic direction of financial and specialist audit services.

Further information on these positions is in the annual report under the Leadership and Governance section.

##### **(ii) Remuneration**

The remuneration policy for the Queensland Audit Office'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 are comprised of 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
- 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.



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

**3. Employee expenses (continued)**

**(ii) Remuneration (continued)**

Position	Name	Short-term employee benefits		Long-term employee benefits	Post-employment benefits	Total remuneration
		Base	Non-Monetary			
		\$'000	\$'000			
<b>1 July 2017–30 June 2018</b>						
Auditor-General (commenced 11/7/17)	B Worrall	443	12	10	52	517
Deputy Auditor-General (11/7/17–25/8/17)	A Close*	296	3	0	9	308
Auditor-General (acting 1/7/17–10/7/17)						
Deputy Auditor-General (commencing 1/2/18)	D Bird	282	13	6	28	329
Assistant Auditor-General (1/7/17–31/1/18)						
Assistant Auditor-General	P Brahman	256	13	6	28	303
Assistant Auditor-General	K Johnson	259	13	5	27	304
<b>Total 2018</b>						<b>1761</b>
<b>1 July 2016–30 June 2017</b>						
Auditor-General (resigned 13/9/16)	A Greaves**	221	4	..	10	235
Auditor-General (acting 31/8/16–30/6/17)						
Deputy Auditor-General (1/7/16–30/8/16)	A Close	390	13	7	33	443
Assistant Auditor-General	D Bird	261	13	5	27	306
Assistant Auditor-General (1/7/16–30/8/16)						
Deputy Auditor-General (acting from 31/8/16–30/6/17)	P Brahman	261	13	5	23	302
Assistant Auditor-General	K Johnson	238	13	5	25	281
Assistant Auditor-General (acting from 17/1/17–16/6/17)	D Olive	94	6	2	8	110
Assistant Auditor-General (acting 1/9/16–16/1/17 and 17/6/17–30/6/17)	P Flemming	87	6	2	7	102
<b>Total 2017</b>						<b>1 779</b>

2017–18: \*Total remuneration includes contract termination benefits of \$169 747 annual and long service leave entitlements payout of \$70 712  
2016–17: \*\*Total remuneration includes annual and long service leave payout of \$123 685

**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

**3. Employee expenses (continued)**

**(iii) Related party transactions**

**Transactions with people or entities related to key executive management personnel (KMP)**

No transactions with people or entities related to the Queensland Audit Office's KMP took place in this financial year.

**Transactions with other Queensland Government-controlled entities**

The Queensland Audit Office 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.

The Queensland Audit Office provides financial audit services which are paid for directly by public sector entities.

**4. Supplies and services**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Payment to contract auditors	14 224	13 817
Consultants and expert advice	1 413	1 506
Payments to employment agencies for contractor personnel	651	1 750
Rent and office services	1 903	1 910
Leasehold restoration	(8)	520
Information technology and minor office equipment	821	880
Staff development	245	282
Travel costs	439	406
Bureau charges	107	55
Other administrative costs	463	476
<b>Total</b>	<b>20 258</b>	<b>21 602</b>

**5. Other expenses**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Internal audit fees	46	82
External audit fees*	42	26
Insurance premiums—Queensland Government Insurance Fund	50	65
Storage services received free of charge	207	191
Other expenses	..	2
<b>Total</b>	<b>345</b>	<b>366</b>

\* Total audit fees due to Nexia Brisbane Audit Pty Ltd relating to the 2017–18 financial year are \$33 800 (2016–17: \$35 500). Further assurance services in relation to the audit of the 2016–17 Service Delivery Statement—key performance indicators were delivered at a cost of \$7 400.



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

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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 full cost recovery at the beginning of each year and approved by the Treasurer
- costs of work undertaken for the Queensland Audit Office 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 recovered.

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 overdue WIP exists
- no amounts are outstanding for entities that no longer exist
- good quality credit history, with most of our clients being government entities.

## 7. Receivables

	2018 \$'000	2017 \$'000
Audit fees receivable	3 720	3 240
Annual leave reimbursement	292	250
Long service leave reimbursement	145	91
Other receivables	..	20
<b>Total</b>	<b>4 157</b>	<b>3 601</b>

Receivables represent amounts owed to the Queensland Audit Office at year end.

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.

## 8. 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.

**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

**8. Plant and equipment and intangible assets (continued)**

**(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 the Queensland Audit Office.

The depreciation and amortisation rates are:

<b>Asset class</b>	<b>Depreciation rate</b>	<b>Basis</b>	<b>Useful life</b>
Plant and equipment	12.5% to 33.3%	Straight line	3 to 8 years
<b>Intangible assets</b>	<b>Amortisation rate</b>	<b>Basis</b>	<b>Useful life</b>
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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Depreciation and amortisation</b>		
Plant and equipment	194	229
Intangibles	387	182
<b>Total</b>	<b>581</b>	<b>411</b>

**(c) Impairment**

All plant and equipment and intangible assets are assessed annually for indicators of impairment. If an indicator of possible impairment exists, the Queensland Audit Office 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.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(i) Plant and equipment</b>		
Plant and equipment		
At cost	1 006	1 086
Accumulated depreciation	(978)	(864)
<b>Total</b>	<b>28</b>	<b>222</b>

***Plant and equipment reconciliation***

Carrying amount at 1 July	222	403
Acquisitions	..	48
Disposals	(30)	(50)
Depreciation	(194)	(229)
Accumulated depreciation on disposal	30	50
<b>Carrying amount at 30 June</b>	<b>28</b>	<b>222</b>



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

**8. Plant and equipment and intangible assets (continued)**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(ii) Intangible assets</b>		
Software purchased		
At cost	331	1 100
Accumulated amortisation	(140)	(829)
<b>Total</b>	<b>191</b>	<b>271</b>
Software internally generated		
At cost	1 968	1 968
Accumulated amortisation	(1 217)	(910)
<b>Total</b>	<b>751</b>	<b>1 058</b>
<b>Intangible asset total</b>	<b>942</b>	<b>1 329</b>
<b><i>Intangible assets reconciliation</i></b>		
Carrying amount at 1 July	1 329	985
Acquisitions	..	526
Disposals	(769)	..
Amortisation	(387)	(182)
Accumulated amortisation on disposal	769	..
<b>Carrying amount at 30 June</b>	<b>942</b>	<b>1 329</b>

**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 30-day terms.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Payables</b>		
Creditors	672	1 014
GST payable	435	488
GST input tax receivable	(209)	(293)
Net GST payable	226	195
<b>Total</b>	<b>898</b>	<b>1 209</b>
<b>(b) Accrued employee benefits</b>		
Annual leave levy payable	474	371
Long service leave levy payable	84	96
Other employee benefits	393	372
<b>Total</b>	<b>951</b>	<b>839</b>
<b>Total</b>	<b>1 849</b>	<b>2 048</b>

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



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

## 10. Provision for lease

	2018 \$'000	2017 \$'000
Non-cancellable operating lease	403	355
Leasehold restoration	512	520
<b>Total</b>	<b>915</b>	<b>875</b>

### Non-cancellable operating lease

The Queensland Audit Office has a sub-lease for office accommodation; the Department of Housing and Public Works has the head lease. This arrangement is an operating lease as the Department of Housing and Public Works retains substantially all risks and benefits.

Lease rentals are expensed in the period incurred on a straight-line basis over the term of the lease, with the difference between future increases and the amounts due recognised as a provision.

Non-cancellable lease commitments are disclosed in Note 11(a).

### Leasehold restoration

Under our current lease arrangement, the Queensland Audit Office has a present obligation to restore the office accommodation to its original state if the office does not exercise its option to extend the current lease beyond the existing agreement.

At 30 June 2018 the Queensland Audit Office remains in 53 Albert Street with leasehold restoration still required. As the settlement of this obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

### *Key estimates and judgements*

The leasehold restoration provision has been calculated by an estimated rate per square metre, based on an industry benchmark used by the corporate real estate industry in Australia.

## 11. Commitments for expenditure

	2018 \$'000	2017 \$'000
<b>(a) Non-cancellable operating lease</b>		
Not later than one year	1 614	1 545
Later than one year and not later than five years	4 532	6 146
<b>Total</b>	<b>6 146</b>	<b>7 691</b>
<b>(b) Future auditing services under contract</b>		
Not later than one year	5 601	12 288
Later than one year and not later than five years	7 372	3 731
<b>Total</b>	<b>12 973</b>	<b>16 019</b>
<b>(c) Other contracts—Not later than one year</b>	<b>1 443</b>	<b>1 032</b>
<b>Total</b>	<b>20 562</b>	<b>24 742</b>

All commitments in existence at reporting date are exclusive of GST. These commitments have not been recognised as liabilities in the financial statements (except for the provision included in note 10) as services are yet to be performed under these contracts. Audit service contracts entered into after 30 June 2018 are not included in this commitment.





**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

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## **12. Budgetary reporting disclosures**

The Queensland Audit Office'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>	The machinery of government changes in December 2017 has resulted in the Queensland Audit Office deferring a portion of the annual financial audit work program to after 30 June for affected agencies. This has resulted in lower than expected audit fee revenue.
<i>Other revenue:</i>	The Queensland Audit Office receives payments for licence fees and information technology (IT) support provided to other Australian audit offices. This year we invoiced greater IT support revenue.
<i>Employee expenses:</i>	The deferral of the audit work program has resulted in the reduction of employee expenses and correlates to a reduction in audit fees at 30 June 2018. During this period, we employed fewer contractor resources. This is a timing issue, with the additional work to be completed in the 2018–19 financial year. Salaries were also impacted by several audit and corporate services roles being unfilled for part of the year as we had trouble in attracting and retaining staff.
<i>Depreciation and amortisations:</i>	Our finance system's useful life was assessed and reduced from eight to five years in line with the mainstream retirement of support by Microsoft in 2021. The impact was accelerated amortisation of \$178 k.
<i>Other expenses:</i>	The spend on internal audit was less than expected as several planned reviews will not be completed until 2018–19.

### **(ii) Explanation of major variances—statement of financial position**

<i>Cash and cash equivalents:</i>	Our 2016–17 cash balance was lower than usual as we reduced our 30 June 2017 creditor accounts due to finance systems changes. We based our budget on this balance. Our 2017–18 cash balances have increased due to a reduction in employee expenses. These cash balances will reduce in 2018–19 as we employ additional resources and undertake major projects such as audit software replacement and office accommodation refurbishment.
<i>Work in progress:</i>	The variance is due to a concerted effort made by management to minimise the WIP balance through conversion to receivables and cash. This is reflected in higher than planned receivables.
<i>Receivables:</i>	The variance is due to increased billable hours in quarter four 2016–17 and improved management of the conversion of WIP to customer invoices.
<i>Plant and equipment:</i>	Capital expenditure planned in the 2017–18 budget did not occur but will be spent in 2018–19.
<i>Intangible assets:</i>	Accelerated amortisation of our finance system resulted in a lower carrying value of the Queensland Audit Office's intangible asset.
<i>Payables and accruals:</i>	Our year end creditor balances are lower than expected as the costs associated with the commencement of several internal projects have been delayed until first quarter 2018–19.



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

## 12. Budgetary reporting disclosures (continued)

*Provision for lease:* In the 2016–17 Financial Year a decision to provide for lease restoration was made after the submission and approval of the Service Delivery Statements Budget.

### (iii) Explanation of major variances—statement of cash flow

*Employee expenses:* Lower than anticipated employee numbers resulted in a decrease in cash outflows.

## 13. Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position on agreement to the contractual provisions of the financial instrument. The Queensland Audit Office has the following categories of financial instruments:

### (a) Classification

Financial assets	Notes	2018 \$'000	2017 \$'000
Cash and cash equivalents (fair value through profit or loss)	1 (d)	7 325	5 163
Work in progress (amortised cost)	6	1 448	2 075
Receivables (amortised cost)	7	4 157	3 601
<b>Total</b>		<b>12 930</b>	<b>10 839</b>
<b>Financial liabilities</b> —Payables and accrued employee benefits (amortised cost)	9	<b>1 849</b>	<b>2 048</b>

### (b) Financial risk management

The Queensland Audit Office's activities expose it to credit risk and liquidity risk. Financial risk management is implemented pursuant to government and Queensland Audit Office policies. These policies focus on the financial performance of the Queensland Audit Office over the medium term. 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.

The Queensland Audit Office'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 \$75 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

The Queensland Audit Office 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 the Queensland Audit Office.



**Queensland Audit Office**  
**notes to the financial statements**  
**for the year ended 30 June 2018**

**13. Financial instruments (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 financial assets (not impaired)				Total Financial Assets \$'000
	Less than 30 days \$'000	30–60 days \$'000	61–90 days \$'000	Overdue More than 90 days \$'000	
2018	3 260	481	218	198	4 157
2017	2 854	648	72	27	3 601

**(d) Liquidity risk**

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

The Queensland Audit Office 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, \$178 662 (2017: \$154 184) was available in this facility.

An approved overdraft facility of \$2 million was not used during the financial year.

As at 30 June 2018, the Queensland Audit Office'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.

**14. Reconciliation of operating surplus to net cash from operating activities**

	2018 \$'000	2017 \$'000
<b>Operating surplus (deficit)</b>	<b>1 455</b>	<b>(273)</b>
Non-cash items included in operating result:		
Depreciation and amortisation expense	581	411
Provision for lease	48	113
Provision for leasehold restoration	(8)	520
Change in assets and liabilities:		
Decrease in work in progress	627	1 562
(Increase) in receivables	(556)	(1 665)
(Increase)/decrease in other current assets	214	(85)
Increase/(decrease) in payables and accruals	(342)	434
Increase in accrued employee benefits	112	22
Increase in GST payable	31	87
<b>Net cash from operating activities</b>	<b>2 162</b>	<b>1 126</b>



## 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 2009* 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 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 2018 and of the financial position as at the end of that year
- (c) these assertions, in all material respects, are based on an appropriate system of internal controls and effective risk management processes for financial reporting throughout the reporting period.



Karen Johnson, FCA  
Assistant Auditor-General and Chief Financial Officer  
30 July 2018



Brendan Worrall  
Auditor-General  
30 July 2018



# Independent auditor's report



## 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 2018, the statement of comprehensive income, the statement of changes in equity and the 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 financial report:

- i) gives a true and fair view of the financial position as at 30 June 2018 of Queensland Audit Office, and of its financial performance and cash flows for the year then ended;
- ii) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 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 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 2018, but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

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**Independent Auditor’s Report to the Accountable Officer of Queensland Audit Office (cont)**

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available 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. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Accountable Officer and request the other information be corrected. If the other information is not corrected after communicating with the Accountable Officer we will be required to seek to have the uncorrected material misstatement brought to the attention of users for whom this auditor’s report is prepared.

**Responsibilities of the Accountable Officer for the Financial Report**

The Accountable Officer of 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 are appropriate to meet the requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*. 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.

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

**Auditor’s Responsibility 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 the 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 this 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.





### Independent Auditor's Report to the Accountable Officer of Queensland Audit Office (cont.)

- 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 entity'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 entity'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 entity 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 2018:

- 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.

*Nexia Brisbane Audit Pty Ltd*

**Nexia Brisbane Audit Pty Ltd**

*A M Robertson*

**A M Robertson**  
**Director**

Level 28, 10 Eagle Street,  
Brisbane, QLD, 4000

31 July 2018

# Performance statement

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## Queensland Audit Office performance statement for the year ended 30 June 2018

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### Contents

**Performance comparison—target to actual**

**Notes to and forming part of the performance statement**

### General information

This performance statement covers the Queensland Audit Office for the 2017–18 financial year. The Queensland Audit Office is an office established under the *Auditor-General Act 2009* to support the Auditor-General in providing independent public sector auditing services and reporting.

The head office and principal place of business is:

Level 14, 53 Albert Street  
BRISBANE QLD 4000

For information relating to the Queensland Audit Office's performance report please call (07) 3149 6000, email [enquiries@qao.qld.gov.au](mailto:enquiries@qao.qld.gov.au) or visit the Queensland Audit Office's internet site [www.qao.qld.gov.au](http://www.qao.qld.gov.au).





**Queensland Audit Office  
performance statement  
year ended 30 June 2018**

**Performance comparison—actual to target**

Service standards	Notes	Target	Actual	Variance	
<b>Service area: Independent public sector auditing</b>					
<b>Service: Reports and advice to parliament</b>					
<i>Effectiveness measures</i>					
Parliament's overall satisfaction with services (%)	1	80	N/A		
Audit entities' overall satisfaction with performance audit services (IP)	2,3	80	72	8	unfavourable
Average time taken to produce reports—Results of financial audits—from applicable balance dates (months)	5,6	6	6.7	0.7	unfavourable
Average time taken to produce reports—Results of performance audits—from initiation of audits (months)	5,7	9	10.5	1.5	unfavourable
<i>Efficiency measures</i>					
Average cost of reports tabled—results of financial audits (\$'000)	6	\$140.0	\$140.2	\$0.2	unfavourable
Average cost of reports tabled—Results of performance audits (\$'000)	7	\$395.0	\$348.0	\$47.0	favourable
<b>Service: Reports and advice to the public sector</b>					
<i>Effectiveness measures</i>					
Audit entities' overall satisfaction with financial audit services (IP)	2,4	80	81	1	favourable
<i>Efficiency measures</i>					
Average cost of financial audits	8				
State entities (\$'000)		\$80.0	\$88.1	\$8.14	unfavourable
Local government entities (\$'000)		\$71.0	\$71.7	\$0.8	unfavourable

*The accompanying notes form part of these statements*



## Notes to and forming part of the performance statement including the explanation of major variances

1. Opinion surveys are issued to members of the Queensland Parliament approximately twice per parliamentary term. Therefore, members are not surveyed every year. No surveys were issued to this group for 2017–18.
2. Opinion surveys are issued each year to our financial and performance audit clients within the Queensland public sector. An independent organisation conducts the surveys for us. The results are expressed as index points (IP) to more accurately describe the result when combining multiple survey factors into a single value or score.
3. Performance audit results are lower this year due to lower ratings for audit reporting. Clients were more likely to disagree that our reports were factually accurate, balanced and fair and that they were provided with adequate opportunities to comment on the final report.
4. Financial audit results are within tolerance of our target.
5. We track the full life cycle cost of each report to parliament and the time it takes to produce it. These are important measures of our efficiency.

The cost of our reports includes internal staff costs and overheads, consultant costs, and other direct costs. The total cost of all the reports we tabled during the 2017–18 financial year is used in this measure. We report the estimated final cost within each report. Actual costs may vary slightly from this estimate due to minor work undertaken after tabling.

The timeliness of our reports on the results of financial audits is measured from the financial year end date of our clients to the tabling date of the report in parliament. For our reports on the results of performance audits it is measured from the formal initiation of the audit to the tabling date.

6. Overall, our reports on the results of financial audits have been delivered slightly over budget and later than expected. The actual costs for each report are:

Report title	Lifecycle cost	Duration (months)
Rail and ports: 2016–17 results of financial audits	\$76 714	5.3
Water: 2016–17 results of financial audits	\$108 045	5.5
Health: 2016–17 results of financial audits	\$199 311	7.6
Energy: 2016–17 results of financial audits	\$113 379	7.7
Queensland state government: 2016–17 results of financial audits	\$136 832	7.8
Local government entities: 2016–17 results of financial audits	\$241 398	8.7
Education: 2016–17 results of financial audits	\$105 879	4.5
<b>Total</b>	<b>\$981 599</b>	<b>47.0</b>
<b>Average</b>	<b>\$140 223</b>	<b>6.7</b>

The variances for cost and time taken are within tolerance of our targets.

7. Overall, our reports on the results of performance audits have been delivered under budget but slightly later than expected. The actual costs for each report are:

Report title	Lifecycle cost	Duration (months)
Follow-up of Report 15: 2013–14 Environmental regulation of the resources and waste industries	\$113 897	6.6
Managing the mental health of Queensland Police employees	\$317 630	11.3
Integrated transport planning	\$517 859	15.6
Fraud risk management	\$261 604	9.2
Confidentiality and disclosure of government contracts	\$285 789	11.6
Finalising unpaid fines	\$448 876	11.8
Investing for Success	\$372 828	11
The National Disability Insurance Scheme	\$595 000	10.2
Follow-up of Managing water quality in Great Barrier Reef catchments	\$137 607	6.7
Managing local government rates and charges	\$428 520	10.8
<b>Total</b>	<b>\$3 479 609</b>	<b>104.8</b>
<b>Average</b>	<b>\$347 961</b>	<b>10.5</b>

Timing was impacted by machinery of government changes to entities being audited, unforeseen staff movements, the need to expand scope, and greater complexity in some audits. Despite the time delays, we have maintained audit quality was maintained and managed costs.

8. We track the full life cycle cost of each financial audit for state and local government entities. The cost of our audits includes internal staff costs and overheads, contractor costs, and other direct costs. The total cost of all the financial audits we completed during the 2017–18 financial year is used in this measure.

Overall, our average cost of financial audits for state and local government entities is within about two per cent of target.



# The Queensland Audit Office at work



Jess, Shannyn and Rachel on Auditor Proud Day — Sep 2017



Recipients of the 'E CDC' values awards— Engage, Challenge, Deliver, Care — May 2018



Visit to Torres Strait Island Regional Council — May 2017



Cricket teammates at the Queensland Corporate Games — Apr 2018



Regional Working Group on Environmental Auditing — May 2018



Gold winners at the Queensland Corporate Games — April 2018



Commonwealth Games financial audit team — Jul 2017



Visit to Wujal Wujal Aboriginal Shire Council — May 2018



Signing a Memorandum of Understanding with Vanuatu — May 2018



Client site visit to Giru — Feb 2018



Visit to Torres Shire Council — May 2018



Joint 90 years of service to the Queensland Audit Office — May 2018



# Appendices

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# A. Reports tabled in parliament

Number	Title	Tabled in Legislative Assembly
1	Follow-up of Report 15: 2013–14 Environmental regulation of the resources and waste industries	September 2017
2	Managing the mental health of Queensland Police employees	October 2017
3	Rail and ports: 2016–17 results of financial audits	December 2017
4	Integrated transport planning	December 2017
5	Water: 2016–17 results of financial audits	December 2017
6	Fraud risk management	February 2018
7	Health: 2016–17 results of financial audits	February 2018
8	Confidentiality and disclosure of government contracts	February 2018
9	Energy: 2016–17 results of financial audits	February 2018
10	Finalising unpaid fines	February 2018
11	Queensland state government: 2016–17 results of financial audits	February 2018
12	Investing for success	March 2018
13	Local government entities: 2016–17 results of financial audits	March 2018
14	The National Disability Insurance Scheme	May 2018
15	Education: 2016–17 results of financial audits	May 2018
16	Follow-up of Managing water quality in Great Barrier Reef catchments	June 2018
17	Managing local government rates and charges	June 2018

The reports are available on our website at [www.qao.qld.gov.au/reports-resources/parliament](http://www.qao.qld.gov.au/reports-resources/parliament).



## B. Additional information

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This section contains additional information required for annual reporting purposes that is not in the main body of this report. It covers:

- *Public Sector Ethics Act 1994*
- workforce planning and performance data
- record keeping
- details of the Queensland Audit Office's Audit and Risk Management Committee.

### *Public Sector Ethics Act 1994*

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We are a signatory of the whole-of-government code of conduct established under the *Public Sector Ethics Act 1994*. We adhere to the Public Service Code of Conduct 2011 and a code of ethics for professional accountants.

To proactively safeguard and promote ethical conduct, we:

- undertake pre-employment screening on all contractors and employees, including criminal history and reference checks
- require employees to complete a comprehensive independence declaration, including details to help us manage any potential conflicts of interest
- train new recruits in public sector ethics and the Public Service Code of Conduct 2011, and provide refresher training on ethical decision-making
- operate as an integrity agency and routinely discuss issues of ethics and integrity among our workforce and clients.

Our internal policies, procedures, and practices align with ethical principles and values. Our auditors also apply *APES 110 Code of Ethics for Professional Accountants* as issued by the Accounting Professional and Ethical Standards Board.

### *Workforce planning and performance data*

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The Queensland Audit Office takes a strategic planning approach to workforce management, in which we focus on capability and capacity. Each year, we review our workforce needs during our business planning process. This section provides data on our workforce.



## Workforce numbers at 30 June 2018

Measure	Value
Queensland Audit Office effective headcount (full-time employees, part-time employees, casual employees)	171
Queensland Audit Office effective full-time equivalents (expresses headcount as full-time employees only)	163.4
Minimum Obligatory Human Resource Information (MOHRI)*—effective headcount	186
Minimum Obligatory Human Resource Information*—effective full-time equivalents	176.6

\*MOHRI measures are for public service reporting purposes.

During 2017–18, our separation rate for permanent employees was 16.7 per cent. No redundancy, early retirement, or retrenchment packages were paid.

The below table provides the Queensland Audit Office's data on our workforce inclusion and diversity.

## Workforce inclusion and diversity at 30 June

Measure	Value
Employees who are women	51%
Employees from non-English speaking backgrounds	22.0%
Employees with disability	1.6%
Employees who identify as Aboriginal or Torres Strait Islander	0.5%

Further information on how we manage, develop, and support our people is on page five of this report.

## Information systems, security, and record keeping

Effective record keeping gives us confidence that we have the evidence we need to support our decisions and the results of our audit work. During 2017–18, we continued to improve our recordkeeping practices by:

- reinforcing key principles of information management through adopting electronic recordkeeping practices across the business
- archiving all physical files and historical artefacts
- disposing of almost 1 500 physical records under the General Retention and Disposal Schedule and the Queensland Audit Office Retention and Disposal Schedule.

This year, in response to a new Information Security Standard (ISO), we started work on a new information security management system to preserve the confidentiality, integrity, and availability of the Queensland Audit Office's information assets. We are working towards compliance and will fully implement the solution over the coming years. It will be supported by a risk management framework that identifies, assesses, and manages the risks associated with our information assets.





## Audit and Risk Management Committee

The below table provides the membership details of the Queensland Audit Office's Audit and Risk Management Committee.

### Audit and Risk Management Committee 2017–18

Member	Term	Meetings attended	Remuneration
Mr Robert Grice (Chair)	Jun 12–Dec 17**	Two of four***	\$3 440
Mr Ian Rodin (Chair)	Nov 17–Nov 20	Two of four***	\$7 000
Mr Jeff Duthie	Jul 15–Aug 18	Four of four	\$2 800
Mr Russell Banham	Nov 17–Nov 20	Three of four	\$3 750

All amounts exclude GST and do not include reimbursement of out-of-pocket expenses.

\*\* Mr Robert Grice's term was extended to end of 2017 to facilitate handover to a new chair.

\*\*\* All four meetings were attended between Mr Robert Grice and Mr Ian Rodin as per respective terms.

Further information on the functions of the Audit and Risk Management Committee is on page eight of this report.



## C. Fees for audit service providers

Firms providing financial audit services	2017–18*	2016–17*
Deloitte Touche Tohmatsu	3 070 087	2 750 362
Crowe Horwath**	2 059 106	1 947 306
KPMG	2 048 380	1 919 861
Grant Thornton Audit Pty Ltd	1 961 070	1 469 464
William Buck (QLD)	938 068	909 651
Pitcher Partners	757 348	837 682
Thomas Noble & Russell	730 817	755 714
PricewaterhouseCoopers	609 971	809 581
Bentleys Brisbane (Audit) Pty Ltd	591 652	548 405
Ernst & Young	499 817	417 336
Altius Accountants and Advisors Pty Ltd	471 905	382 070
BDO Audit (Nth Qld) Pty Ltd	424 373	318 125
BDO Audit (Qld) Pty Ltd	378 680	404 695
Bennett Partners Pty Ltd	211 387	237 237
UHY Haines Norton	203 902	228 958
Priestleys Chartered Accountants	182 833	74 547
Prosperity Advisers Audit Services	150 623	181 643
PKF Hacketts Audit	113 891	127 751
MGI Assurance (South Qld) Pty Ltd	64 283	64 925
Vincent's Audit & Assurances	43 723	63 758
Moore Stephens (Queensland) Audit Pty Ltd**		288 035
HLB Mann Judd (SE Qld Partnership)		65 241
<b>Total</b>	<b>15 511 916</b>	<b>14 802 347</b>

\* All amounts represent payments made during the financial year.

\*\* Moore Stephens (Queensland) Audit Pty Ltd is part of Crowe Horwath for 2017–18.



Firms providing Performance audit services	2017–18*	2016–17*
Arc Consultancy	140 685	63 900
Jauhien Krykun	118 800	
Ernst & Young	116 445	165 509
Michael Page International	64 514	
Crowe Horwath	51 450	
PricewaterhouseCoopers	43 750	
Ernst & Young Services Pty Ltd	19 200	
The Trustee for Gaskell Family Trust	18 800	
Voronoj Pty Ltd	15 456	
WSP Australia Pty Ltd	14 372	104 089
Sustainability Queensland Pty Ltd	12 060	
Bentleys Brisbane (Audit) Pty Ltd	10 000	30 000
Queensland University of Technology	3 300	3 300
Michael Parkinson	3 032	
Louise Elisabeth Alexander		131 760
Alcorn Security Group Pty Ltd		47 000
AGINIC		29 800
Writebusiness		2 280
BDO Audit (Qld) Pty Ltd		1 200
Chappell Dean Pty Ltd		910
<b>Total</b>	<b>631 864</b>	<b>579 748</b>

\* All amounts represent payments made during the financial year.



## D. Annual report compliance checklist

	Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister	ARRs—section 7	First page in
Accessibility	Table of contents Glossary	ARRs—section 9.1	Third page in Page 57
	Public availability	ARRs—section 9.2	Inside front cover
	Interpreter service statement	Queensland Government Language Services Policy ARRs—section 9.3	Inside front cover
	Copyright notice	<i>Copyright Act 1968</i> ARRs—section 9.4	Inside front cover
	Information licensing	QGEA—Information Licensing ARRs—section 9.5	Inside front cover
General information	Introductory information	ARRs—section 10.1	Page 1
	Agency role and main functions	ARRs—section 10.2	Page 1 Page 9 Pages 10–18
	Operating environment	ARRs—section 10.3	Pages 10–11
Non-financial performance	Government's objectives for the community	ARRs—section 11.1	n/a
	Other whole-of-government plans/specific initiatives	ARRs—section 11.2	n/a
	Agency objectives and performance indicators	ARRs—section 11.3	Page 9
	Agency service areas, and service standards	ARRs—section 11.4	Pages 10–18
Financial performance	Summary of financial performance	ARRs—section 12.1	Page 20
Governance—management and structure	Organisational structure	ARRs—section 13.1	Page 7
	Executive management	ARRs—section 13.2	Page 7



	Summary of requirement	Basis for requirement	Annual report reference
	Governance bodies (statutory bodies and other entities)	ARRs—section 13.3	Page 7-8
	<i>Public Sector Ethics Act 1994</i>	ARRs—section 13.4	Page 51
	Queensland public service values	ARRs—section 13.5	n/a
Governance—risk management and accountability	Risk management	ARRs—section 14.1	Page 8
	Audit committee	ARRs—section 14.2	Page 8 Page 53
	Internal audit	ARRs—section 14.3	Page 8
	External security	ARRs—section 14.4	Page 8 Page 53
	Information systems and recordkeeping	ARRs—section 14.5	Page 52
Governance—human resources	Workforce planning and performance	ARRs—section 15.1	Page 51
	Early retirement, redundancy and retrenchment	Directive No. 11/12 Early retirement, Redundancy and Retrenchment  Directive No.16/16 Early Retirement, Redundancy and Retrenchment (from 20 May 2016)  ARRs—section 15.2	Page 52
Open data	Statement advising publication of information	ARRs—section 16	Inside front cover
	Consultancies	ARRs—section 33.1	Inside front cover
	Overseas travel	ARRs—section 33.2	Inside front cover
	Queensland Language Services Policy	ARRs—section 33.3	Inside front cover
Financial statements	Certification of financial statements	FAA—section 62 FPMS—sections 42, 43 and 50 ARRs—section 50 ARRs—section 17.1	Page 40
	Independent Auditor's Report	FAA—section 62 FPMS—section 50 ARRs—section 50 ARRs—section 17.2	Pages 41–43



## E. Glossary

Term	Meaning
Audit	This is an official examination and verification of accounts and records, especially of financial accounts.
Audit, financial	Depending on the audit subject (consolidated fund, public sector agency, ministerial expenditure, and whole-of-government financial statements), the Auditor-General must give an opinion as to whether public money was recorded, managed, and protected properly. Usually this involves auditing the <i>financial statements</i> and preparing an <i>audit opinion</i> .
Audit, performance	A performance audit may consider all or any particular activities of a public sector entity. It may be conducted as a separate audit or as part of another audit, including an audit of another public sector entity. The audit's object includes deciding whether the public sector entity is achieving its objectives economically, efficiently, and effectively, and in compliance with all relevant laws.
Audit mandate	This is the scope of the Queensland Auditor-General's authority and powers in terms of the types of audits they may carry out, the entities subject to audit, and the access to personnel, property, and information. Part 3 of the <i>Auditor-General Act 2009</i> defines the audit mandate.
Audit opinion	An audit opinion will generally address whether the Auditor-General has received all the information and explanations the role requires. It will also generally address whether the Auditor-General considers the financial statements have been properly drawn up and are accurate and compliant with prescribed requirements to give a true and fair view of an entity's financial operations and position.
Auditor-General	In Queensland, the Governor in Council appoints the Auditor-General for a fixed, non-renewable term of seven years.
<i>Auditor-General Act 2009</i>	This is the Queensland law that establishes the position of the Queensland Auditor-General and the Queensland Audit Office, confers the functions and powers necessary to carry out independent audits of the Queensland public sector and related entities, provides for the strategic review of the Queensland Audit Office, and provides for the independent audit of the Queensland Audit Office (published at <a href="http://www.legislation.qld.gov.au">www.legislation.qld.gov.au</a> ).
Auditor-General of Queensland Auditing Standards	<p>These are standards by which the audits of public sector entities are performed. They require the adoption of standards issued by the Australian Auditing and Assurance Standards Board (AUASB) to the extent they are consistent with the requirements of the <i>Auditor-General Act 2009</i>.</p> <p>The AUASB standards set out the basic principles and essential procedures to be applied to ensure that audits are planned and performed in a manner that will support the opinion or conclusion expressed by the auditor.</p>



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