Queensland Audit Office
*better public services*

# Energy: 2015–16 results of financial audits

## Report 5: 2016–17

Queensland Audit Office

| | |
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QUEENSLAND
Prepared under Part 3 Division 3 of the *Auditor-General Act 2009*



Front cover image is an edited photograph of Queensland Parliament, taken by QAO.

ISSN 1834-1128

Your ref:
Our ref: 2016-RTP-EN

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30 November 2016

The Honourable P Wellington MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

**Report to Parliament**

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Energy: 2015–16 results of financial audits* (Report 5: 2016–17).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

Anthony Close
Auditor-General (acting)

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# The Queensland Audit Office

The Queensland Auditor-General, supported by the Queensland Audit Office, is the external auditor of the Queensland public sector. We provide independent audit opinions about the reliability of financial statements produced by state and local government entities.

We provide independent assurance directly to parliament about the state of public sector finances and performance. We also help the public sector meet its accountability obligations and improve its performance. This is critical to the integrity of our system of government.

The auditor-general must prepare reports to parliament on each audit conducted. These reports must state whether the financial statements of a public sector entity have been audited. They may also draw attention to significant breakdowns in the financial management functions of a public sector entity.

This report satisfies these requirements.

The Queensland Audit Office has a unique view across the entire Queensland public sector of matters affecting financial and operational performance. We use this perspective to achieve our vision of better public services for all Queenslanders by sharing knowledge, providing comprehensive analysis, and making well-founded recommendations for improvement.

# Contents

# Summary

## Introduction

Most public sector entities prepare annual financial statements. The Queensland Auditor-General is responsible for providing parliament with independent assurance of the financial management of public sector entities by auditing these financial statements. For distribution entities within the energy sector, the auditor-general also audits regulatory information notices (RINs) required by the Australian Energy Regulator (AER)—the regulator of energy markets and networks. RINs provide financial and operational information to enable the AER to undertake its regulatory functions such as making determinations for entities relating to the energy network, monitoring outcomes against network determinations, and performance reporting. These regulatory functions are undertaken with a goal to ensure efficient investment and provide reliable services to consumers of energy.

This report summarises our financial audit results of the four main energy companies and 31 subsidiaries owned by the Queensland Government.

These entities form part of the east coast national electricity grid. They are part of a supply chain which comprises generation, transmission, distribution, and retail.

The main generators are Stanwell Corporation Limited and CS Energy Limited. Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland) transports electricity at high voltage between generators and distributors connecting to businesses, households, and some direct connect high voltage customers.

On 30 June 2016 a new parent entity, Energy Queensland Limited (EQL), took control of the Energex and Ergon Energy groups to merge distribution operations across the state. Energex Limited operates the distribution network in South East Queensland. Outside South East Queensland, Ergon Energy Corporation Limited operates the distribution network.

The main interfaces between distributors and customers are retailers. All retailers in Queensland are privately owned, except for Ergon Energy Queensland Pty Ltd, which provides retail services outside South East Queensland. Generators also sell directly to some large industrial customers.

## Results of our audits

Energy entities used good financial reporting practices to produce high quality financial statements for 2015–16, in a timely manner.

We provided unmodified audit opinions on all financial statements this year within the statutory deadline of 31 August 2016. This confirms their financial statements were prepared according to requirements of legislation and relevant accounting standards, and can be relied upon.

Thirty out of 31 subsidiary companies across the energy supply chain did not prepare financial statements for 2015–16. Of these, 17 obtained exemption through Australian Securities and Investment Commission (ASIC) as they were part of a larger group and are secured by a deed of cross guarantee with all entities party to that deed to cover debts. The remainder were either dormant or small in size, and therefore do not need to prepare financial statements under the *Corporations Act 2001.*

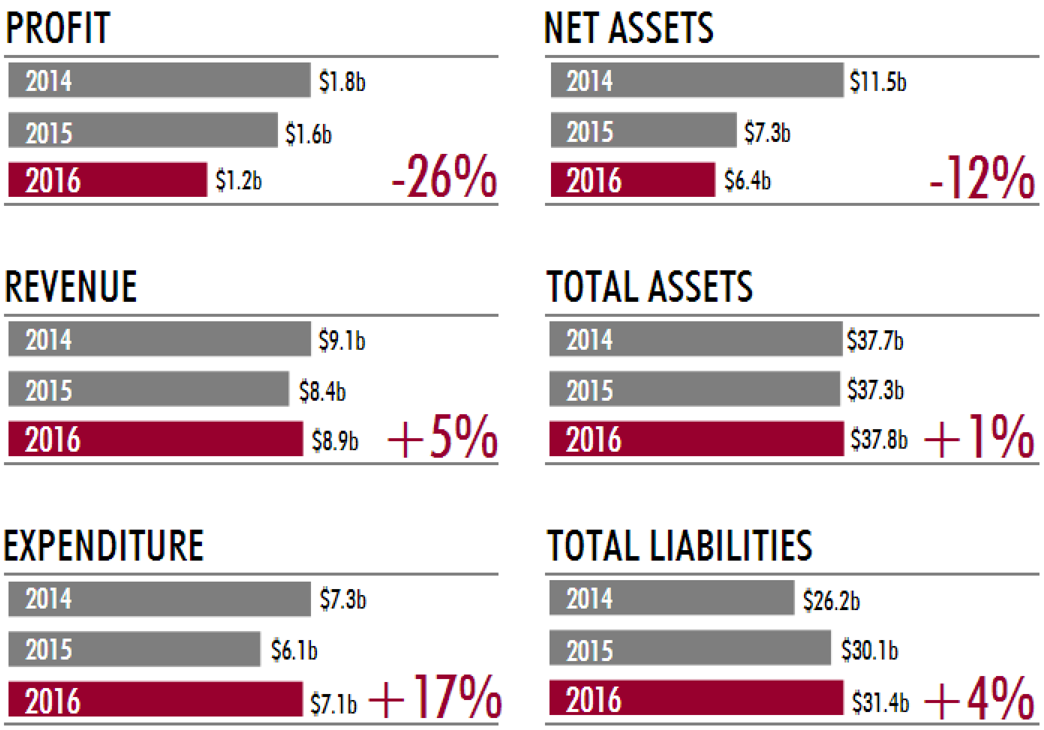
Ergon Energy Queensland Pty Ltd was the only subsidiary to prepare separate financial statements. This is because it holds an Australian Financial Services Licence and is required to lodge an audited financial report as part of its annual return to the ASIC.

We provided 12 audit reports to Energex and Ergon Energy for their regulatory submissions to the AER—six unqualified opinions over historical financial information and six conclusions about their estimated and non-financial data. The conclusions related to estimated, rather than actual, financial information and non-financial data. We concluded that nothing had come to our attention that causes us to believe that the estimated and non-financial data is not in all material respects presented fairly in accordance with RIN requirements and the basis of preparation documented by Energex and Ergon Energy.

All regulated certificates contained a paragraph emphasising the basis on which the information was prepared, and that the certificates were issued for use by the AER only.

## Financial performance, position, and sustainability

**Figure A**
**Whole of Queensland energy sector 2015–16 financial snapshot**




*Source: Queensland Audit Office.*

Publicly owned energy entities in Queensland face a number of financial challenges, primarily due to reducing net profits both:

- now—from material reductions in regulated revenue earned by networks, and increases in interest cost from shareholder imposed debt increases
- in the future—as the effect of future renewable energy targets on state owned coal fired generators and the costs of maintaining widely dispersed networks are felt.

Over the next four years, the merger of Energex and Ergon Energy to a single entity, Energy Queensland, is expected by its shareholders to result in cost efficiencies of $562 million.

This year, the energy sector recorded a reduction of 26 per cent in profit, mainly driven by expenditure increasing at a pace greater than revenue. Cost-efficiency will be key to future profits, as regulated revenue—55 per cent of total sector revenue—allowed by the AER declines in the future.

The AER continues to reduce the regulated revenue it allows network entities to earn to put pressure on them to make their expenditure more efficient and effective, and to ensure consumers pay a fair price. Distribution entities had revenue reduced by over 23 per cent and Powerlink's regulated revenue based on its recent draft determination—18 per cent of total network revenue—is expected to decline by around 31 per cent in 2017–18 as a new regulatory determination commences.

Forty-five per cent of total revenue across the sector is not regulated by the AER and is mainly earned from the generation of energy and retail sales to consumers.

The generation sector is diversifying their sources of revenue to support their ability to increase profits. This includes coal sale revenue, gas sales, financial product trading, and retail contracts. They are also driven to improve cost-efficiency to enable them to compete with other generators in the National Electricity Market. Coal fired generators will be placed under increasing pressure as the state moves towards the 50 per cent renewables target by 2030, up from the 16 per cent currently used in production.

Key sustainability risks for this sector include:

- understanding where network development needs to occur and new energy assets need to be commissioned to balance cost and reliability
- the impact that customer technology—components that generate or store energy such as solar panels and battery storage devices—has on infrastructure capacity, power quality, demand and forecasting reliability.

The state government continues its position of 100 per cent of net profits after tax from government owned corporations (GOC) being returned as dividends, except for CS Energy which returns 80 per cent. GOC fund these dividends through cash and borrowings, and out of realised and unrealised reserves.

Over the last two years, $1.7 billion in cash has been taken out of energy entities and $3.7 billion in new borrowings has been drawn to fund the payment of dividends.

The energy sector will meet the increased interest expense caused by the 4 per cent increase in debt position this year. In the longer term, if dividends continue to be funded through borrowings and unrealised reserves there is a risk that reserves will be depleted. This may result in a reduced ability to fund future dividends and service the increased debt levels.

Additionally, if expenses continue to grow at a rate greater than revenue, there will be less profit to pay for asset replacement and repayment of debt, and ultimately lower returns to shareholders through dividends.

## Internal controls

Good internal controls provide reasonable assurance that an entity is achieving its objectives relating to operations, reporting, and compliance.

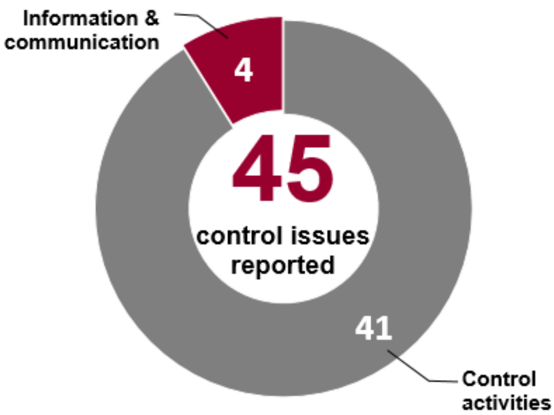
We assess the financial controls used by public sector entities against the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework. This framework is widely recognised as the benchmark for designing and evaluating internal controls using five key elements, including:

- control environment—actions, attitudes, and values that influence daily operations
- risk assessment—processes for identifying, assessing, and managing risk
- monitoring activities—oversight of internal controls for existence and effectiveness
- control activities—policies, procedures, and actions taken to prevent or detect errors
- information and communication—systems to inform staff about control responsibilities.

We did not identify any significant deficiencies (high risk matters) in the control environments across the sector.

This year we identified 45 lower risk internal control deficiencies across Stanwell, Powerlink, and the four main subsidiaries of EQL relating to manual and information technology system controls. These deficiencies only affected the control activity, and information and communication COSO elements. As part of our audit, we provide internal control deficiencies to management for resolution. Figure B below shows the number of issues reported to management at 31 August 2016.

**Figure B**
**Number of 2015–16 internal control issues at 31 August 2016**




Note: No control issues were reported for control environment, risk assessment, and monitoring activities.

*Source: Queensland Audit Office.*

Energy entities have resolved or are on track to resolve issues by dates agreed with their respective boards. The proactive resolution of control deficiencies generally indicates a strong control environment in the energy sector.

## Reference to comments

In accordance with section 64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities with a request for comment.

We also gave a copy of this report to the Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply; the Director-General, Department of Energy and Water Supply; and the Under Treasurer, Queensland Treasury for comment.

We received a response from the Treasurer, Queensland Treasury. The response is in Appendix A.

## Report structure

| Chapter | |
|---|---|
| Chapter 1 | provides the background to the report and the context needed to understand the audit findings and conclusions. |
| Chapter 2 | evaluates the audit opinion results, timeliness, and quality of reporting. |
| Chapter 3 | analyses the financial performance, position, and sustainability to enhance accountability and transparency for transactions and events during the year. |
| Chapter 4 | assesses the strength of the internal controls designed, implemented, and maintained by entities in the energy sector. |

## Report cost

This audit report cost $75 000 to produce.

# 1. Context

## Legislative framework

Energy entities prepare their financial statements in accordance with the following legislative frameworks and reporting deadlines:

| Entity type | Entity | Legislative framework | Financial audit deadline |
|---|---|---|---|
| Government owned corporations (GOC) | Stanwell Corporation Limited<br>CS Energy Limited<br>Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)<br>Energy Queensland Limited (EQL) | ▪ *Government Owned Corporations Act 1993*<br>▪ *Corporations Act 2001*<br>▪ Corporations Regulations 2001 | 31 August 2016 |
| Prescribed GOC subsidiary | Sparq Solutions Pty Ltd | ▪ *Government Owned Corporations Act 1993*<br>▪ *Corporations Act 2001*<br>▪ Corporations Regulations 2001 | 31 August 2016 |
| Controlled entities | Energex Limited<br>Ergon Energy Corporation Limited<br>Ergon Energy Telecommunications Pty Ltd<br>Ergon Energy Queensland Pty Ltd | ▪ *Corporations Act 2001*<br>▪ Corporations Regulations 2001 | 31 October 2016 |

Note: GOC and Ergon Energy Queensland Pty Ltd are the only entities to prepare financial statements this year.

*Source: Queensland Audit Office.*

## Accountability requirements

The *Government Owned Corporations Act 1993* establishes four key principles for government owned corporations:

- clarity of objectives
- management autonomy and authority
- strict accountability for performance
- competitive neutrality.

## Queensland state government financial statements

Each year, Queensland state public sector entities must table their audited financial statements in parliament.

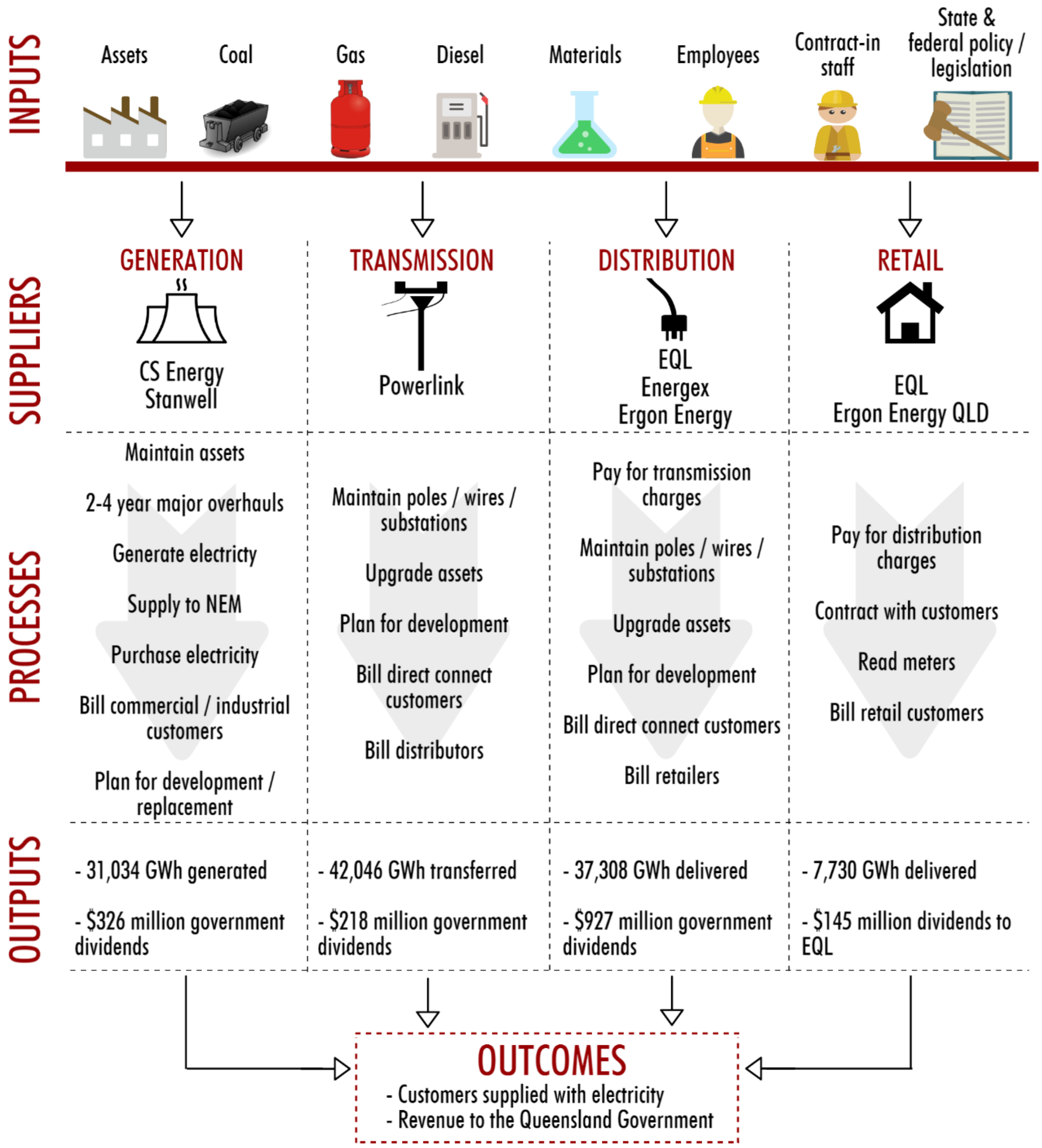
These financial statements are used by a broad range of parties including parliamentarians, taxpayers, employees, and users of government services. For these statements to be useful, the information reported must be relevant and accurate.

The auditor-general's audit opinion on these entities' financial statements assures users that the statements are accurate.

## Energy entities

The Queensland energy supply chain comprises a number of public and private operators. Generation, transmission, and distribution are dominated by state government owned corporations. Retail outside of South East Queensland is also predominantly state owned. Figure 1A details the major government entities that make up the energy supply chain, their inputs, suppliers, customers, and outcomes for the sector. The majority of transmission and distribution entities' revenue is regulated by the AER.

**Figure 1A**
**Queensland energy supply chain in 2015–16**




Note: NEM = National Electricity Market. Stanwell provide some commercial/industrial services, and Powerlink some non-regulated services for customers who connect into their high voltage network. All other retail enables connection at lower voltages by business and households.

*Source: Queensland Audit Office.*

State owned energy corporations return dividends to the Queensland government. Continued ownership has refocused objectives on maximising returns; repositioning the mix of debt and equity to suit whole-of-government objectives; and minimising energy supply chain costs passed onto customers.

Energy Queensland Limited (EQL) was established as a new GOC on 30 June 2016, when it took control of Energex and Ergon Energy, merging the functions of these two groups. Energex and Ergon Energy became GOC subsidiaries at the same time.

In this report, we focus on the four Queensland energy GOC—CS Energy, Stanwell, Powerlink, and EQL. We also analyse Energex and Ergon Energy as they are significant to the EQL group.

## Energy regulation

Network energy GOC are subject to regulated prices. The Australian Energy Regulator (AER), in this role, requires Energex and Ergon Energy to provide them with information for the purposes of benchmarking with other distributors in the national electricity market. Each year, financial and non-financial templates are prepared by Energex and Ergon Energy in response to three regulatory information notices issued to each entity by the AER. Certain aspects of the information are subject to either audit or review. Energex and Ergon Energy engage QAO to issue audit opinions and conclusions for these requirements.

# 2. Results of our audits

## Chapter in brief

We audit the financial statements of state government owned energy entities and provide assurance that the reports are reliable and comply with accounting standards.

### Main findings

- Energy entities that produced financial statements for 2015–16 received unqualified opinions as they complied with Australian accounting standards and the Corporations Regulations 2001.
- All energy entities met the year end key deliverables on time. Seven out of nine entities completed draft financial statements or financial reporting packs on time, and eight of these required no adjustments to their drafts before we certified their statements.
- Information supplied by Energex and Ergon Energy to the Australian Energy Regulator (AER) in response to regulatory information notices complied with notice requirements and the basis of preparation documented by Energex and Ergon Energy.
- Energy Queensland Limited, the new government owned corporation (GOC) created on 30 June 2016 by merging Energex Limited Group and Ergon Energy Corporation Limited Group, reported its results and position of the newly formed group. The single set of financial statements acquitted the activities of all of the previous GOC.

### Audit conclusions

Mature processes for preparing financial statements allowed the energy entities to produce timely and high quality financial reports.

Responses to regulatory information notices issued by the AER to Energex and Ergon Energy were also timely and reliable.

## Introduction

This chapter details the reliability of the reported information by energy entities that was subjected to audit.

Our audits provide confidence in the financial statements of public sector entities by intended users. We express an *unmodified opinion* when the financial statements are prepared in accordance with the relevant legislative requirements and the Australian accounting standards. We *modify* our audit opinion where financial statements do not comply and are not accurate and reliable.

Sometimes we include an *emphasis of matter* in our audit reports to highlight an issue that will help users better understand the financial statements. They do not change the audit opinion.

The purpose of our analysis is to increase accountability and transparency in financial reporting by scrutinising the quality and timeliness of reporting.

## Conclusion

All energy entities have strong year end close processes allowing them to produce high quality financial statements in a timely manner.

Readers can rely on the results in the audited financial statements of the energy entities because we issued unmodified audit opinions for each entity.

We also provided unmodified opinions on actual data and formed conclusions on the estimated data that Energex and Ergon Energy provided to the Australian Energy Regulator (AER).

All audits were completed within legislative and AER deadlines.

## Audit opinion results

Figure 2A details the audit opinions we issued for the 2015–16 financial year.

**Figure 2A**
**Audit opinions issued for the 2015–16 financial year**

| Element of energy supply chain | Entity | Date audit opinion issued | Type of audit opinion issued |
|---|---|---|---|
| Generator | CS Energy | 31.08.16 | Unmodified |
| | Stanwell | 30.08.16 | Unmodified |
| Transmission | Powerlink | 31.08.16 | Unmodified |
| Distribution | Energy Queensland Limited | 31.08.16 | Unmodified |
| Retail | Ergon Energy Queensland Pty Ltd | 29.08.16 | Unmodified |

Note: The Energy Queensland Limited group incorporates Ergon Energy Queensland Pty Ltd.

*Source: Queensland Audit Office.*

All energy entities continued to meet their legislative deadline of 31 August (2014–15: 100 per cent).

## Financial statement preparation

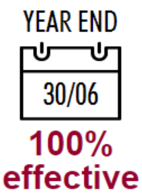
Entities that adopt effective financial reporting practices throughout the year should be able to produce a set of high quality financial statements in a timely manner.

To assess the financial statement preparation process we considered:

- the year end close process—whether key outcomes were delivered by agreed dates
- timeliness—whether we received a complete draft financial report or financial reporting pack by an agreed date
- quality—the extent of adjustments made to total revenue, expenditure, and net assets, during our audit.

The following sections of this report detail the improvements required in financial statement preparation. Our assessment criteria and our detailed assessment by entity is outlined in Appendix C.

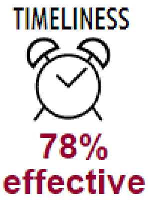
### Year end close process




Based on better practice guidance issued by the Queensland Under Treasurer in January 2014, we identified five key outcomes for entities to achieve before 30 June 2016. Early completion of these items means an entity has less risk that a financial report or financial reporting pack is not cleared in time for board signature, and certification by audit is achieved within statutory deadlines.

All five key outcomes were completed by the planned dates for each energy entity.

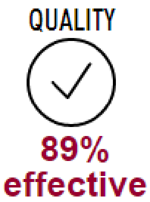
### Timeliness of draft financial statements




An entity's ability to prepare timely draft financial statements is an indicator of the strength of the entity's financial management processes. Financial statements are timely when they provide information for decision-makers in time to influence their decisions. As timeliness diminishes, the statements are less relevant and useful to users of the financial statements.

Seven out of nine energy entities completed draft financial statements or financial reporting packs on time. The other two entities were late in delivering their financial reporting packs due to changes in reporting requirements because of the EQL group restructure.

### Quality of draft financial statements




The extent of adjustments made to a draft financial report or financial reporting pack indicates the effectiveness of the entity's internal review process to identify and correct errors before providing reports or packs to audit.

Eight out of nine energy entities did not need to make adjustments to this draft before we certified their statements. Minor errors were noted for one entity about the capitalisation of project costs—these were incorrectly split between asset classes disclosed on the balance sheet.

## Audit reporting changes

The Australian Auditing and Assurance Standards Board has adopted the international standard ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

QAO will formally adopt this standard for financial statements prepared at 30 June 2017.

The new form of audit reporting will aid transparency by disclosing our audit response to the areas in the financial report that we consider require significant audit attention.

The new look audit report will continue to include our audit opinion on the financial report, and will now also include a section on key audit matters—those areas that, in our professional judgement, pose a higher risk of material misstatement of the financial report. These matters will mostly relate to major events and transactions that occur during the period, and those areas requiring significant judgement and estimation.

We will report on why we considered the key audit matter to be significant and give an overview of the key procedures we performed to address the matters.

We trialled the preparation of key audit matters this year for a selection of entities, and they have been presented to the respective entities' accountable officers and audit committees for their feedback.

We are pleased with the positive response from those entities on the key audit matters.

## Regulated information notices

Every five years, the AER sets a ceiling on the revenue or prices that Queensland networks can earn or charge during a regulatory period, known as a revenue or price cap.

The AER approves the revenue proposed by the networks to cover their efficient costs (including operating and maintenance expenditure, capital expenditure, asset depreciation costs, and a tax allowance) and to provide a commercial return on capital. To help the AER do this, it issues notices for financial and non-financial information from each network business each year.

For each notice a set of templates is completed, together with an explanatory document about how these templates have been prepared—called the basis of preparation. The information is subject to either an audit or a review depending on the whether it is based on actual or estimated data.

### Result of audits and reviews undertaken

We issued six unmodified audit opinions about data provided by entities to the AER based on actual information, and six conclusions about estimated data. Figure 2B details the results of the regulatory audits and reviews undertaken in 2015–16 for Energex and Ergon Energy.

**Figure 2B**
**Results of Energex and Ergon Energy regulatory audit and reviews for 2015–16**

| Entity | Engagement | Type of information | Certification date | Type of report issued |
|---|---|---|---|---|
| Ergon | Annual performance | Financial | 31.10.16 | Audit (actual data) |
| | Economic benchmarking | Financial | 31.10.16<br>31.10.16 | Audit (actual data)<br>Review (estimated data) |
| | Category analysis | Financial | 31.10.16<br>31.10.16 | Audit (actual data)<br>Review (estimated data) |
| | | Non-financial | 31.10.16 | Review<br>(actual and estimated data) |
| Energex | Annual performance | Financial | 31.10.16 | Audit (actual data) |
| | Economic benchmarking | Financial | 31.10.16<br>31.10.16 | Audit (actual data)<br>Review (estimated data) |
| | Category analysis | Financial | 31.10.16<br>31.10.16 | Audit (actual data)<br>Review (estimated data) |
| | | Non-financial | 31.10.16 | Review<br>(actual and estimated data) |

*Source: Queensland Audit Office.*

Emphases of matters were included in all opinions and conclusions to highlight that they were prepared according to the AER's requirements and are not intended for other users.

### Quality of regulated templates

AER regulated notices require that information submitted from 2015–16 be based on actual data. This is a change from previous years when the AER allowed some templates to contain estimated data.

In some instances, Energex and Ergon Energy did not report actual information due to system limitations.

Where actual information is not available, the AER indicated that estimated information should be reported and reasons why actual information was not provided included in the basis of preparation.

## Entities not preparing financial statements

Not all Queensland public sector energy entities produce financial statements. When entities are part of a larger group, and are secured by a deed of cross guarantee with other entities in that group to cover debts, Australian Securities and Investments Commission Class Order 98/1418 provides relief from preparing a financial report. In addition, small companies can choose not to prepare financial statements when they meet specific criteria under the *Corporations Act 2001*.

The Queensland Government's restructure of the Energex and Ergon Energy businesses into a group owned by Energy Queensland Limited (EQL) has changed the reporting requirements for those entities. On 30 June 2016 Energex Limited, Ergon Energy Corporation Limited, and Sparq Solutions Pty Ltd entered into a deed for cross guarantee with Energy Queensland Limited. As a result, EQL was the only entity in the newly formed group to produce financial statements for 2015–16. The material subsidiaries of EQL produced financial reporting packs to assist EQL in preparing the consolidated groups' 2015–16 financial statements. EQL's financial statements contained sufficient information for users to understand the operations and balance sheets of all of the entities in the group.

All Queensland public sector energy entities discharged their accountability requirements for this year. The full list of entities not preparing financial reports and the reasons for this are detailed in Appendix B.

# 3. Position, performance, and sustainability

## Chapter in brief

This chapter details the major transactions and events that affected energy entities' 2015–16 financial statements. We alert users to future challenges, including existing and emerging risks for the sector, and analysed the sustainability of entities.

### Main findings

- The Australian Energy Regulator (AER) reduced the revenue allowed to be earned by Energex and Ergon Energy for 2015–20 and Powerlink is also expecting a reduction in revenue for 2018–22. Reductions in revenue are continuing to put pressure on network entities to make expenditure more efficient and effective where these entities face rising costs to maintain widely dispersed networks. This is likely to result in lower profits and dividends.
- Energy Queensland Limited (EQL) now leads distribution in Queensland. The reorganisation of systems, processes, and people will be a significant challenge to enable benefits of the restructure to be realised by the Queensland Government.
- After dividend payments by Energex and Ergon Energy, the combined debt of the EQL group was $4.6 billion more than the individual debt of Energex and Ergon Energy before restructure. EQL debt to equity is 4.8 times which is higher than the 1.7 times of the aggregate debt of Energex and Ergon Energy three years ago. This will result in increased financing costs for the group. EQL expects to attain a BBB standalone credit rating.
- All energy entities, except for CS Energy, returned 100 per cent of net profits after tax to the government. This was funded through cash and borrowings, and over the last two years $1.7 billion in cash was taken out of energy entities and $3.7 billion in new borrowings was drawn down to fund the payment of dividends. This increased by $543 million in November 2016 when generators and transmission dividends relating to 2015–16 profit was paid. This will affect the future profitability of the entities as they must fund interest costs associated with increased borrowings, and they must earn sufficient revenue to service borrowings.
- The proportion of debt held compared to equity has increased for the sector from 71 to 78 per cent. While this ratio has increased, it continues to be within industry benchmarks and the credit ratings of the entities remain unchanged.
- Queensland currently produces 16 per cent of its energy through renewable sources, with an aim to reach 50 per cent by 2030. With more than half of current generation produced from coal fired generators owned by the state, their value and dividends will be affected with the implementation of higher renewable targets.

### Audit conclusions

Energy government owned corporations are financially sustainable. CS Energy's sustainability has improved. Management has forecast a profit after tax in 2016–17.

The profitability of network entities depends on future revenue allowed by the AER and their ability to adapt to new technologies while having less profits available for retention.

In a period of changing technology for the generation and delivery of energy, entities are diversifying their businesses to ensure future revenue challenges are met. Government shareholder and regulatory changes have resulted in increased debt, reduced equity, and all profits being paid as dividends. As a result, entities must continue to pursue cost efficiencies.

## Introduction

The information in the financial statements describes the main transactions and events for the year. Over time, financial statements also help users to understand the sustainability of the entity and the industry. Metrics, such as ratio analysis, allow users to understand organisational performance.

The purpose of our analysis is to help users understand and use the financial statements by clarifying the financial effects of key transactions and events in 2015–16.

Additionally, our analysis alerts users to future challenges, including existing and emerging risks faced by the entities.

In this chapter, we assess the position, performance, and sustainability of energy entities.

## Conclusion

Energy government owned corporations (GOC) are financially sustainable.

CS Energy's sustainability is improving. The entity has not reported a profit since 2008–09, except for 2014–15, and has accumulated losses of $730 million. Management has forecast that the entity will be a profitable business in the medium-term.

The profitability of network entities depends on their ability to manage costs within the revenue allowed by the Australian Energy Regulator (AER), and to service their increased debt position.

The debt of all entities across the energy sector has increased, resulting in more borrowing costs in future years. The increased percentage of profit paid as dividends and one-off dividend payments has resulted in decreased retained earnings and asset revaluation reserves. This means the entities have less reserves to meet future unexpected costs and negative market price movements, and they must ensure that their future costs are effectively managed.

In a changing environment the ability to diversify and prepare for changes in technology is key across the entire energy supply chain.

## Understanding financial performance

Profits of the energy sector reduced by $1.2 billion in 2015–16 against the previous year as a result of increased expenses. At the same time dividends on net profits after tax, to be paid to the state, have decreased by $132 million. Overall, the restructure of distribution GOC and dividends paid have not affected credit ratings—Energy Queensland Limited (EQL) expects to attain a BBB standalone credit rating.

Demand for generated energy increased this year, which the generators supplied using the same asset base. This means the return from their assets for generators has improved. However, the profits of in the generator sector decreased from last year by $231.7 million as a result of valuation changes relating to onerous contracts, and the increase in retail expenses.

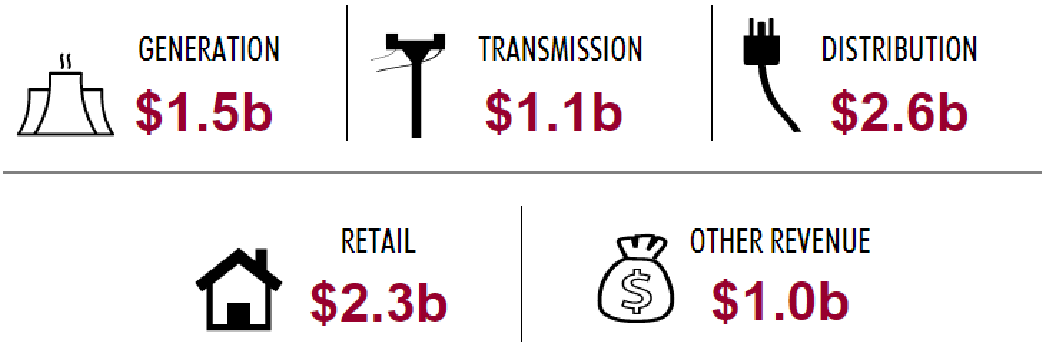
Profits from the network businesses reduced by $276 million. Networks represent 70 per cent of the revenue earned by the sector, and 86 per cent of dividends returned by the sector to the Queensland government. Revenue remained stable from last year even though volume of energy increased as a result of the reduced AER allowances for Energex and Ergon Energy.

It is expected that Powerlink's regulated revenue—18 per cent of total network revenue—is expected to reduce by 31 per cent in 2017–18 as a new regulatory determination applies, and 14 per cent overall for the five year regulatory period compared to the previous five year determination period. Energex and Ergon Energy expect revenue to decrease. Profitability of the network sector depends on their ability to efficiently manage costs.

To boost profit and spread risk, entities are diversifying their sources of revenue. Generators are increasing their retail operations, and networks are building their non-regulatory business. The state government, as shareholders, has restructured the distribution network businesses to support business efficiencies and to increase their focus on non-regulatory returns.

## Revenue

**Figure 3A**
**Major revenue for all entities by type in 2015–16**




*Source: Queensland Audit Office.*

Revenue for this sector increased by $419 million (five per cent) from last year. Revenue comes from the generation of energy; transmission and supply to retailers and large industrial customers; and sales to retail customers.

The industry diversified through other revenue sources—coal sale royalties, gas sales, financial product trading, service charges, and capital contributions received direct from customers to connect to or expand the network.

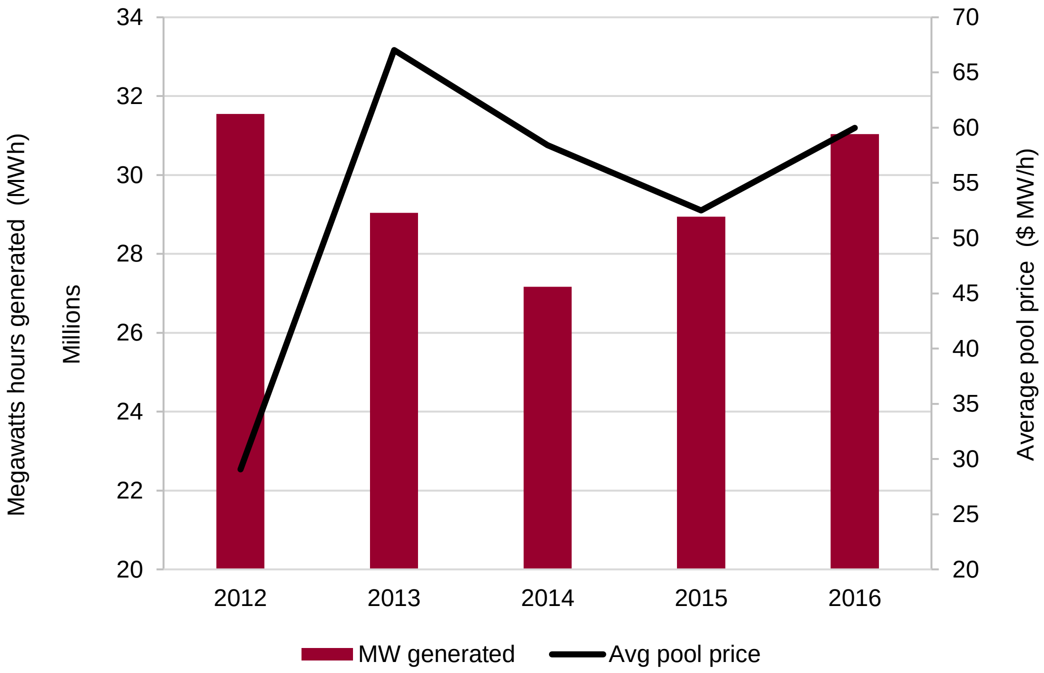
### Events and transactions affecting revenue this year

#### Consumer demand increased

Revenue from generation increased by $189 million because of improved industry and consumer demand.

CS Energy and Stanwell contribute to 67 per cent of the total energy generated in Queensland. Generation is increasing in line with energy demand by the growth in the LNG industry, partially offset by the supply provided from the installation of solar photovoltaic (PV) panels.

**Figure 3B**
**Energy generated vs. average pool price over five years**




*Source: Queensland Audit Office.*

Both megawatt hours generated and average pool price increases resulted in 22 per cent more revenue being generated over the last two years.

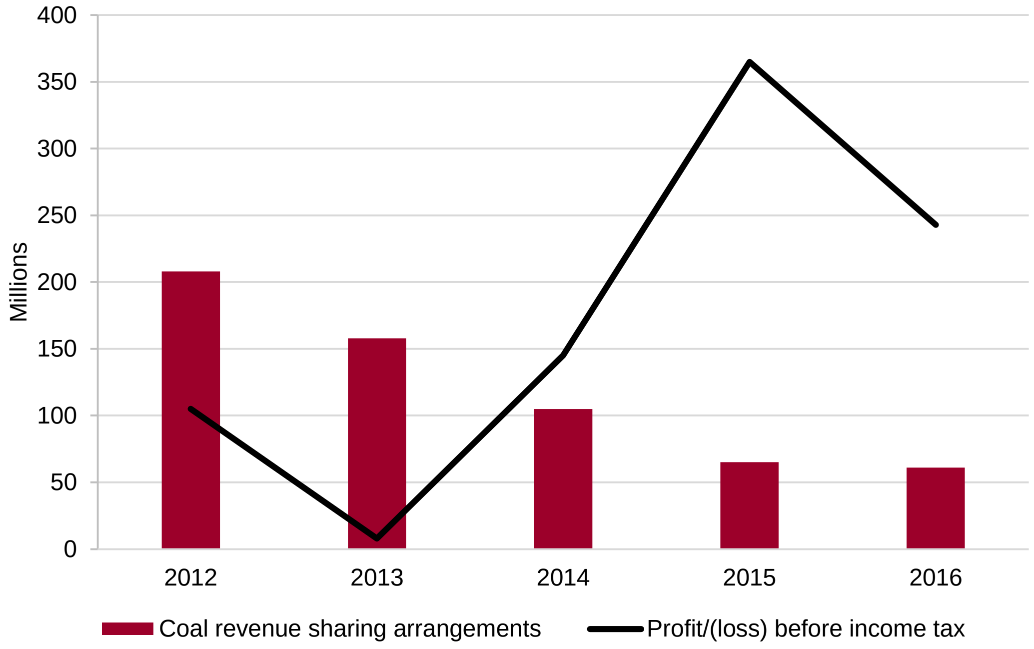
Over the past five years, CS Energy and Stanwell generation remained fairly constant and the Australian Energy Market Operator is not forecasting growth into the future.

Generators' revenue can therefore only grow by diversification and gains in market share through more competitive pricing.

### Coal supply revenue

Stanwell has a long-term coal supply agreement to fuel the Stanwell Power Station with coal. The contract also provides Stanwell with a share of the revenue from coal exported from the Curragh Mine. Stanwell received $61.9 million in revenue this year, which is a decrease of 70 per cent compared with the amount received in 2011–12, mainly due to changes in coal export prices and the quantity of coal exported. Over the past three years, Stanwell has not depended on this revenue to make a profit, although it has resulted in increased dividends to shareholding ministers.

**Figure 3C**
**Stanwell net profit before tax compared to coal agreement revenue over five years**




*Source: Queensland Audit Office.*

Stanwell forecasts to be in profit without reliance on the contract over the next five years.

There are ongoing proceedings with the mine operator about the amount of revenue recoverable by Stanwell under the coal supply agreement. Shareholder returns may reduce if Stanwell is unsuccessful in proceedings.

### Revenue levels set by the Australian Energy Regulator

The revenue allowed to be earned by Energex and Ergon Energy is set by the AER. In October 2015, the AER released the maximum revenue to be earned for 2015–20, and it was 21.7–23.6 per cent lower than the revenue requested by the distributors. As a result, revenue earned by the distributors decreased by $80 million this year. The AER expects networks to operate more efficiently, putting more pressure on distributors to reduce costs to maintain profitability.

Powerlink's revenue for providing transmission services increased by $149 million (15 per cent) this year. This is a result of increased regulatory allowances and improved non-regulatory business. The AER will release Powerlink's final determination for 2018–22 in April 2017. Draft determinations indicate that Powerlink's maximum regulated revenue is likely to reduce by 31 per cent in 2017–18, and 14 per cent overall compared to the previous determination.

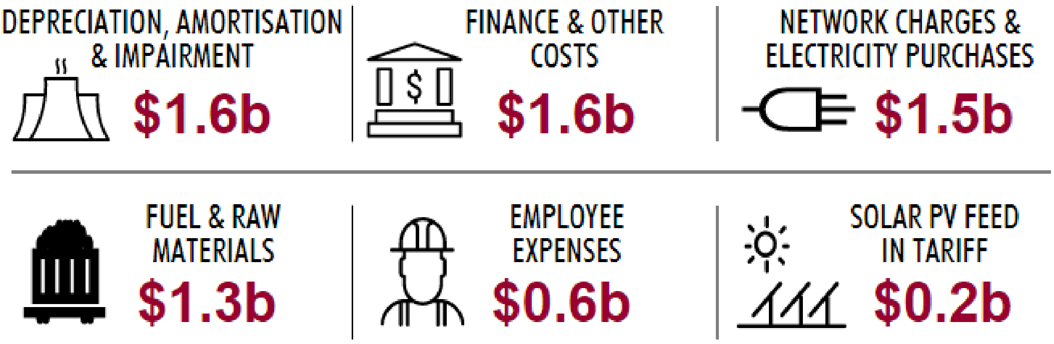
### Community service obligations

A uniform tariff policy provides for parity of pricing for all consumers not directly purchasing from the market—this is most households, regardless of where they are in Queensland. For customers outside the south-east corner, the cost of supplying energy usually exceeds the price allowed for in regulated retail tariffs. The Department of Energy and Water Supply pays Ergon Energy a Community Service Obligation (CSO) to compensate for services which cannot be supplied at the regulated retail tariff.

Ergon Energy was paid $541.6 million this year compared to $596 million in 2014–15. Over the past four years the amount paid to Ergon Energy has fluctuated by up to 12.9 per cent. An initial increase of $181 million occurred in 2012–13 under the 2010–15 revenue determination. Since then, the CSO has changed in line with the use of energy by the customers covered by the arrangement.

## Expenditure

**Figure 3D**
**Major expenditure for all entities by type in 2015–16**

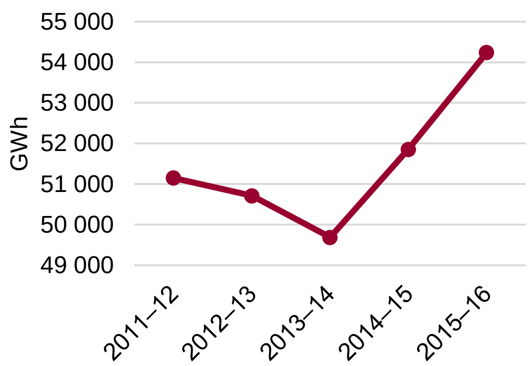



*Source: Queensland Audit Office.*

Expenditure for this sector increased by $1.01 billion (17 per cent) from last year. This is in line with increases in energy demand—more supply means more cost across the supply chain to deliver more energy to consumers.

Expenditure includes fuel costs to generate energy, raw materials, and employees to maintain and support assets. It also includes depreciation and amortisation of those assets and purchases of energy from the NEM for retail purposes. These costs are charged to customers through network charges based on usage of the network itself. The supply chain also makes payments for solar photovoltaic feed-in-tariffs and charges on debt held with the Queensland Treasury Corporation (QTC).

**Figure 3E**
**Queensland energy demand over five years**




*Source: Queensland Audit Office.*

Impairment is also recognised for assets where the value recorded in the financial statements for the asset exceeds the before-tax profit that the entity will recover from it through use and ownership.

Depreciation, although fairly constant, moves in line with the capitalisation of new projects, disposals, and revaluation of assets. Finance costs move in line with the level of borrowings held by entities and interest rates.

### Events and transactions affecting expenditure this year

#### Coal supply and costs

CS Energy used Anglo American Australia Limited for the supply of coal to its Callide power station units during 2015–16.

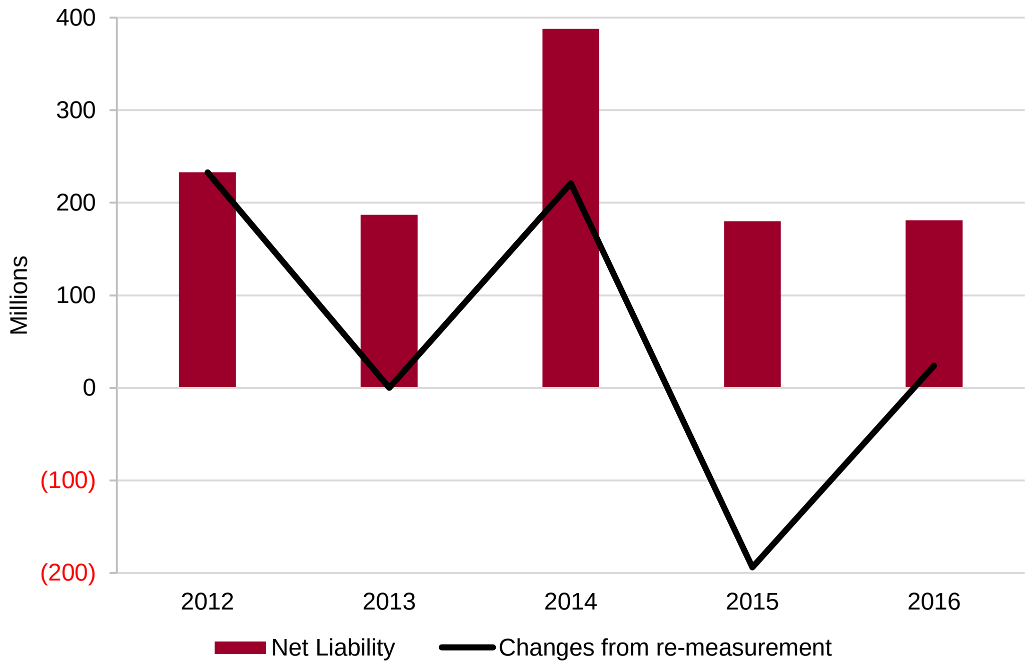
Anglo American (Anglo) announced on 31 October that it had completed the sale of the Callide Mine to Batchfire Resources. CS Energy will reassess impairment of the Callide power station in 2016–17 for the impact of this sale.

### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Each year, CS Energy's profit is affected by the changes in value of a liability for the supply of energy to a private operator, as a result of the Gladstone Power Station privatisation in 1994. The annual re-measurement adds volatility to profit.

**Figure 3F**
**Five year impact on profit from the re-measurement of CS Energy onerous contract**




*Source: Queensland Audit Office.*

This year the re-measurement of the net liability to $181.3 million resulted in expenses increasing by $18 million. Changes over time result from movements in expected cash flows and discount rates.

### Employee termination benefits

Ergon Energy re-assessed its organisation structure and paid out voluntary redundancies of $43.1 million. Energex also paid termination benefits of $9 million in the current year. The establishment of the merged entity, Energy Queensland Limited (EQL), means that a number of senior leadership and other roles are being consolidated, which may result in further redundancies.

### Solar PV feed-in-tariff and renewable energy targets

Energex and Ergon Energy make solar feed-in-tariff payments to retailers and recover these costs in future periods. These payments reimburse retailers for discounts provided to consumers under the Queensland Government's Solar Bonus Scheme. The amount decreased 8.3 per cent in 2015–16 compared to last year and will continue to decline as PV systems become ineligible for payment under the scheme.

Distributors recovered $390 million of historical solar feed-in-tariff payments through network revenue in 2015–16. A further $348 million will be recovered in 2016–17 revenue.

Queensland currently produces 16 per cent of its energy through renewable sources—large scale renewables and small scale solar PV. The Queensland Renewable Energy Expert Panel's draft report states that 57 percent of generation in Queensland is produced by coal, reflecting the state's high quality coal deposits. Gas is the second largest source of energy generation (19 per cent of capacity), with the remainder supplied by renewable energy, pumped storage hydro-electric, and other fossil fuels.

The Queensland Government has a target of 50 per cent renewables by 2030. The panel's draft report notes that operating cash flows for existing Queensland coal generators is projected to decline by $600 to $1 100 million net present value under the Linear and Ramp pathways option for increasing renewables. As approximately two-thirds of Queensland's generating capacity is state owned, this may affect future dividends returns to government.

## Understanding financial position

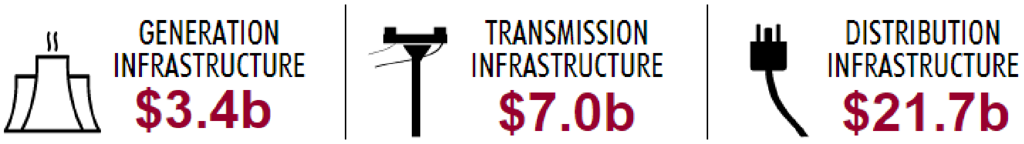
Asset values remained stable in 2015–16. A 28 per cent increase in borrowings resulted from Energex and Ergon Energy paying dividends early, and debt restructure across the newly formed Energy Queensland Limited group. This resulted in net assets of the sector reducing by $844 million.

The value of assets increased by $268 million, representing less than one per cent increase on prior year. Changes in market drivers were insignificant and the future impact of carbon pricing, renewable energy targets, and emerging technology on future cash flows remains uncertain. Networks represent 89 per cent of assets held by the sector, and 87 per cent of liabilities.

The sector holds $33.8 billion in property, plant, and equipment and is $23.1 billion in debt to the QTC.

## Assets

**Figure 3G**
**Total infrastructure assets for all entities by type for 2015–16**




Note: Generators continue to report their assets at cost while network entities report at fair value, which limits comparability across the sector.

*Source: Queensland Audit Office.*

Twenty-seven per cent, or $32.1 billion, of total state infrastructure investment is in energy assets—80 per cent is transmission and distribution poles and wires. These represent state monopolies and are regulated by the AER.

### Events and transactions affecting assets this year

#### Generation

At 30 June 2016 CS Energy and Stanwell had combined infrastructure assets of $3.4 billion.

Both generators record assets at cost or impaired value in their financial statements. There were no indicators of further impairment this year.

#### Networks

At 30 June 2016 Powerlink and Energy Queensland Limited held combined transmission and distribution infrastructure of $28.8 billion.

All network entities record assets at fair value in their financial statements. They revisit the amounts recorded each year to reassess the valuation—whether each asset's recorded value represents what can be recovered from it during the period the entity owns it. This year Powerlink and EQL revalued their infrastructure assets upwards by $268 million—less than one per cent of the value of the assets.

The valuation of Powerlink assets will be revisited when the AER publishes its final revenue determination for the 2018–22 period.

### Future challenges and emerging risks

Queensland's energy sector faces a number of challenges in designing, constructing, maintaining, and operating generation and supply assets. Future changes in technology and renewable policies will affect methods of generation and use of large distribution networks. Changes in the generation and supply structure and products will be assessed for impacts on expected period of use of assets and the value to owners.

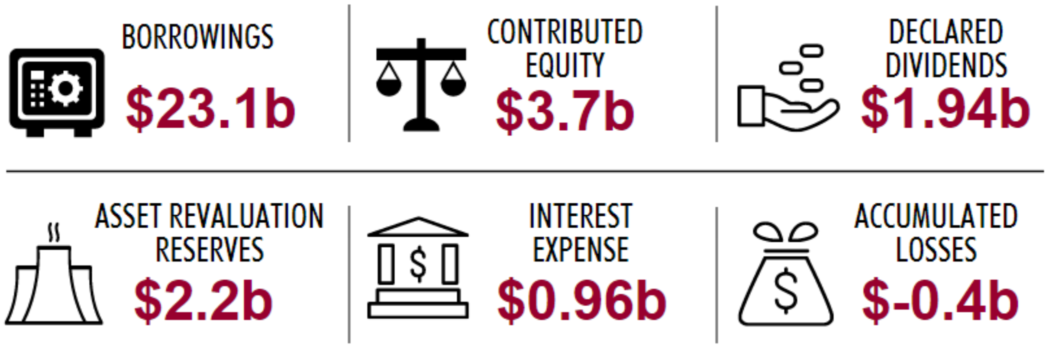
In generation, a goal is to schedule planned outages of power station units so as to conduct overhauls effectively and efficiently. The challenges are to minimise the length of time that units are unavailable to produce power; and to schedule materials and labour at the right time to minimise the risk of those materials not being available on time and thus to incur overruns in contracted labour.

For transmission and distribution there is also risk in managing materials and labour for maintenance and capital projects. Another challenge is to understand where network development needs to occur. Network modelling, fault study, and the impact that customer technology has on network capacity and power quality are some of the areas network entities deal with. Forecasting network demand is complex due to the simultaneous impact of solar PV, customer behaviour, weather, and pricing policies.

The other challenge network entities face is in ensuring they have sufficient funds to deliver maintenance and capital programs. Where the AER materially reduces the level of funding for these programs the entities are challenged in providing a cost-efficient and reliable network.

## Debt and equity

**Figure 3H**
**Major components of debt and equity for all entities by type for 2015–16**




Note: Contributed equity is net of other transactions with owners.

*Source: Queensland Audit Office.*

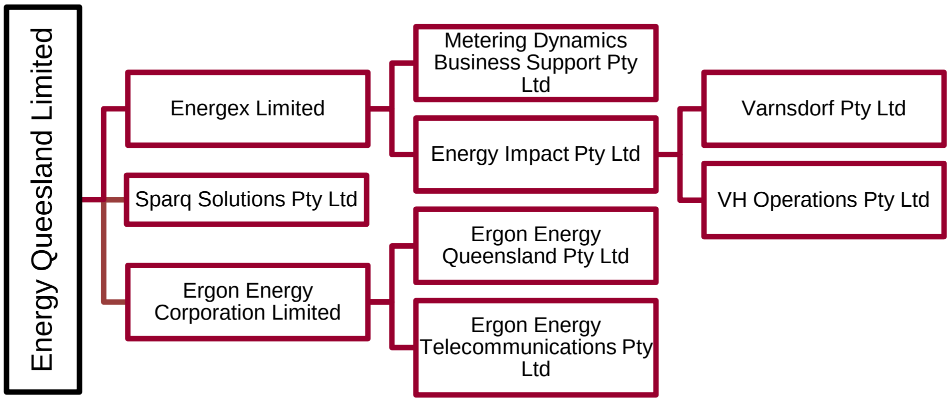
The energy sector holds $23.1 billion in borrowings and $6.4 billion in equity—a 78 per cent debt to equity ratio. While this ratio increased from 71 per cent last year, it continues to be within industry benchmarks and the credit ratings of the entities remain unchanged. Equity includes shares held by Queensland Government ministers, adjustments as a result of the restructure of Energex and Ergon Energy, valuation reserves, and retained earnings.

## Events and transactions affecting debt and equity this year

### Distributor merger at 30 June 2016

On 30 June 2016 all Queensland public sector entities in the distribution section of the supply chain were brought together under a new parent entity called Energy Queensland Limited. The new group structure is detailed in Figure 3I.

**Figure 3I**
**Energy Queensland Limited group in place 30 June 2016**




Note: The new group continues to hold the retail arm of Ergon Energy—Ergon Energy Queensland Pty Ltd. Sparq Solutions Pty Ltd is a joint arrangement held equally between Energex and Ergon Energy, and it is also a prescribed GOC subsidiary of Energy Queensland Limited.

*Source: Queensland Audit Office.*

The merger of the Energex and Ergon Energy groups resulted in:

- payment of dividends from 2016 Energex and Ergon Energy profits to the state government on 29 June 2016. No further dividends were provided for at 30 June
- transfer of shares in Energex and Ergon Energy from shareholding ministers to EQL
- transfer of net debt through QTC to EQL from Energex and Ergon Energy, resulting in an overall increase in the debt position of $4.2 billion. The increase includes dividend payments for 2015–16 and refinancing of the EQL group
- subsidiaries forming a new tax consolidated group at 30 June with EQL being the head entity.

**Figure 3J**
**EQL balance sheet**

| EQL Balance sheet | 2016 $m | 2015 $m |
|---|---|---|
| Cash | 137 | 663 |
| PPE | 22 336 | 21 651 |
| Other assets | 1 704 | 1 642 |
| Payables | (405) | (3 719) |
| Borrowings | (16 287) | (12 112) |
| Other liabilities | (4 120) | (4 239) |
| **Net assets/equity** | **3 365** | **3 886** |

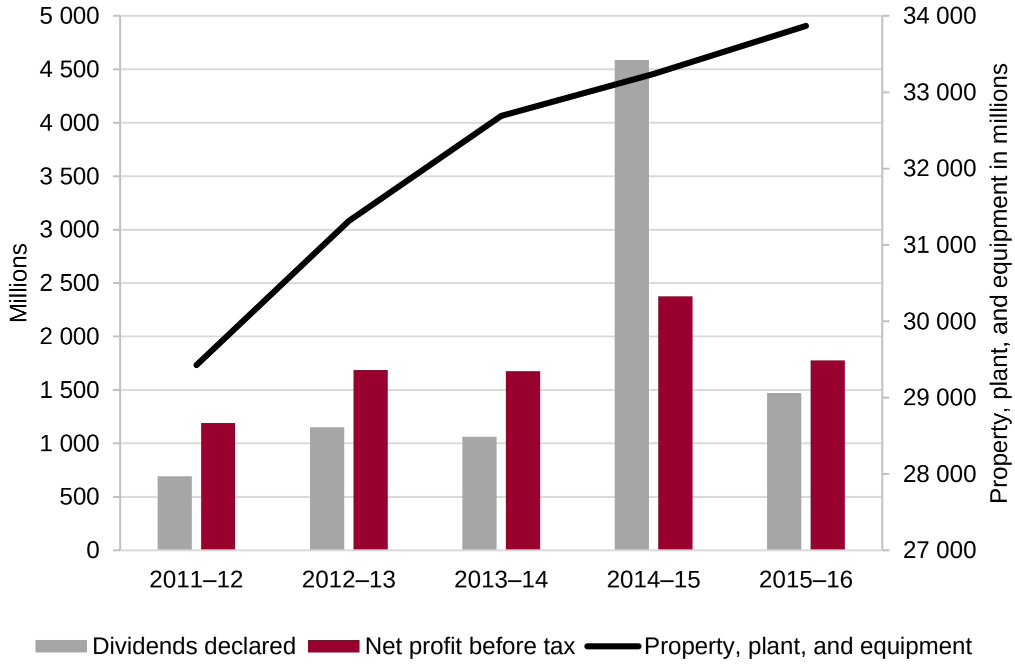
*Source: EQL financial statements 2015–16.*

EQL was incorporated and registered on 20 May 2016 and began trading on 30 June 2016. It reported the consolidated transactions and balances for EQL, Energex, and Ergon Energy for two years as if the subsidiaries had always been controlled by EQL.

## Dividends paid in 2015–16

In total, $1.94 billion was paid by energy entities in dividends to the state.

**Figure 3K**
**Whole of energy sector profits over past five years**



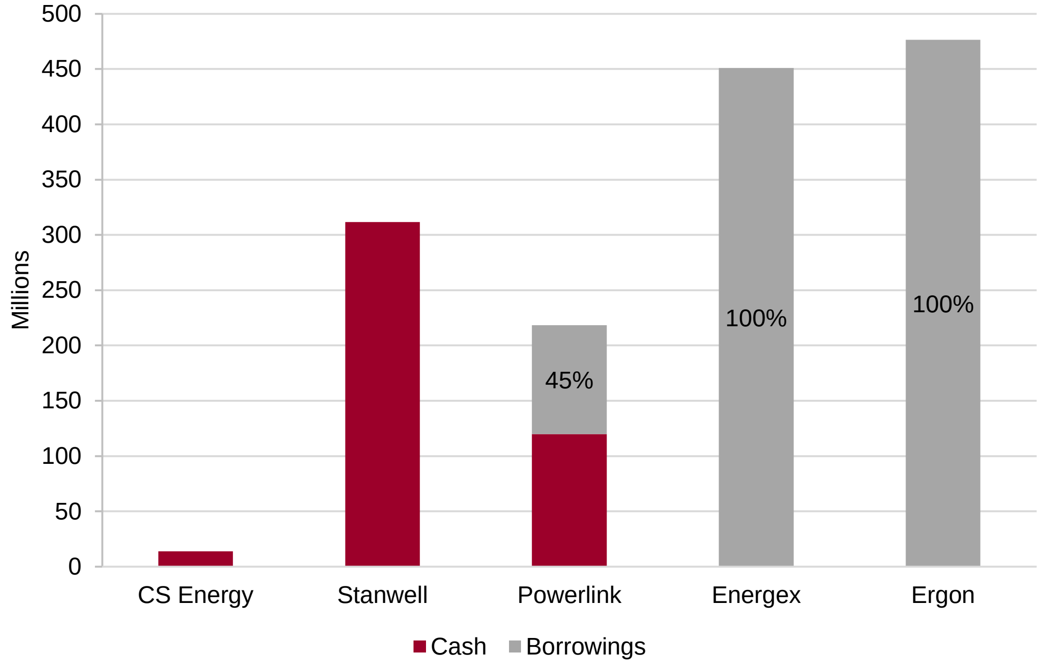

*Source: Queensland Audit Office.*

Energy entities paid 80 to 100 per cent of their combined $1.3 billion profit as dividends to the state. In addition to profits, shareholding ministers also requested Stanwell to pay further dividends of $150 million from retained earnings.

CS Energy paid a dividend of $13.8 million this year—its first since 2008–09. CS Energy reported a net loss after tax this year of $23 million and has accumulated losses of $730 million. This year's dividend was paid from cash after meeting the directors' obligations under the *Corporations Act 2001,* and after considering the requirements of the *Government Owned Corporations Act 1993.*

The sector's dividends have been funded through a mix of cash and increased borrowings, and have been paid from profits and reserves. Figure 3L shows that borrowings for the sector increased by $1.0 billion to fund payments relating to 2015–16.

**Figure 3L**
**2015–16 Sources of funds for dividends**



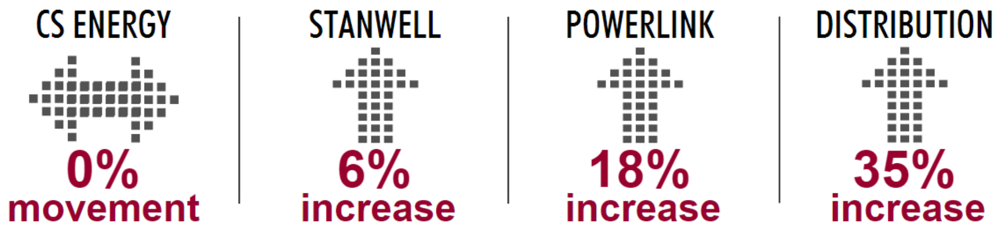

*Source: Queensland Audit Office*

Over the last two years $1.7 billion in cash was taken out of energy entities and $3.7 billion in new borrowings has been drawn to fund the payment of dividends. This excludes the remittance of the generator and transmission 2015–16 dividend to be paid in November 2016 totalling $543 million. Asset revaluation reserves have been reduced by $1.4 billion, with $4.4 billion being funded from earnings realised through yearly operations.

This will affect the future profitability of these entities as they must fund interest costs associated with increased borrowings, and ultimately earn sufficient revenue to repay borrowings.

### Movement in debt

**Figure 3M**
**2015–16 movement in debt**




*Source: Queensland Audit Office.*

The state government, through policy decisions including increased dividends and the EQL restructure, increased the debt held by transmission and distribution networks by $5 billion from last year. Stanwell increased its debt from a cash flow perspective only, with dividends paid out of cash by the entity. The increase in debt will result in increased borrowing costs, which will affect the profitability of entities unless offset by improved revenue.

Powerlink's debt increased by 27 per cent ($1.1 billion) since 30 June 2014. Over this period shareholding ministers have directed extra dividends be paid and changed the dividend payout ratio to be 100 per cent of net profit after tax for all entities except for CS Energy who remains at 80 per cent. Funding of these dividends has partially been through increasing debt. Before 2014–15, funding out of debt was unlikely. Of the $1.1 billion increase in debt, $821 million was used to fund dividends declared to government, and the remainder was used to fund the replacement and creation of new assets.

### Debt to equity

**Figure 3N**
**Debt to equity as at 30 June 2016**

| CS ENERGY | STANWELL | POWERLINK | DISTRIBUTION |
|---|---|---|---|
| 2.74 times | 0.70 times | 3.28 times | 4.84 times |

*Source: Queensland Audit Office.*

The debt to equity ratio represents an entity's financial leverage. Entities with a higher debt to equity ratio are considered riskier to creditors than entities with a lower ratio.

Before merging Energex and Ergon Energy into one group, the two entities held $12.8 billion in debt on 29 June 2016. As part of the establishment of the new group, a debt restructure took effect on 30 June 2016, resulting in the parent entity holding new debt for the group. The restructure transaction repaid the majority of cash and debt held by Energex and Ergon Energy to QTC. EQL then borrowed from QTC to regear the consolidated distribution business.

When EQL reported the group's operations on 30 June the restructure resulted in an increase of debt by $4.6 billion. Most of this funding was used by Energex and Ergon Energy to pay dividends before the merger and to increase the gearing ratio of the new distribution group. Where three years ago Energex and Ergon Energy debt was 1.67 to 1.96 times equity, this financial year EQL now has debt 4.84 times that of equity. Debt is no longer held by the EQL subsidiaries, as all cash and debt operations are now managed by EQL on behalf of the group. This means EQL needs to monitor cash requirements of subsidiaries to ensure cash management works for the overall group.

### CS Energy's sustainability

We monitor entities that report net losses, and those with accumulated losses. CS Energy has reported a net losses after tax since 2009–10, except for 2014–15, and has accumulated losses of $730 million.

Despite the continued losses, CS Energy's sustainability is improving, and the directors declared a dividend this year—its first since 2008–09. In 2016–17, CS Energy has forecast a return to profit. A repayment of debt totalling $63 million is also planned before 30 June 2017.

## Future challenges and emerging risks

The energy sector in Queensland faces a number of challenges. The Queensland Government wants to improve cost management and create cost efficiencies through the distribution restructure with the potential to lower energy prices long-term. With the merger of operations, loss of staff across the group carries a risk that there may be a resulting loss of expertise and industry knowledge, and the internal control environment may be affected. The reorganisation of systems, processes, and people will be a significant challenge for the EQL group to realise benefits out of the restructure.

The Queensland Government continues to mandate a return of 100 per cent of energy net profits after tax for all entities except CS Energy. During the last two years a mixture of net profit after tax and special dividends have been paid to the government using cash and additional borrowings, through realised retained earnings and unrealised asset revaluation reserves. While this continues there is a risk of depleting cash and reserves, resulting in a limited ability to fund future dividends with increased debt.

The Queensland state government budget for 2016–17 forecasts earnings before interest and tax of $3 billion for the energy sector. Energex and Ergon Energy earnings will be lower than previous years as the impact of new AER regulatory determinations materialises. The state also expects reduced returns from Powerlink in 2017–18 as a result of their new AER determination taking effect.

# 4. Internal controls

## Chapter in brief

This chapter details our assessment of the strength of the internal controls designed, implemented, and maintained by entities to ensure reliable financial reporting.

We assess financial controls using the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework, which is widely recognised as a benchmark for designing and evaluating internal controls.

### Main findings

- We did not identify any significant deficiencies (high risk concerns).
- We did not identify issues about the control environment, risk assessment, or monitoring activities elements of the COSO framework.
- We identified deficiencies for control activities over the way project expenditure was identified for capitalisation, checking of changes made to payroll master data, and internal controls in place over expenditure cycles. We also noted deficiencies in the information technology (IT) segregation of duties, user access, and systems documentation and backup.
- For information and communication we identified deficiencies over IT risk management, change management, and documentation of the IT environment, policies, and procedures to ensure knowledge is retained for future reference.

### Audit conclusions

Our preliminary assessment of the control environment for entities supported reliance on their internal control systems.

Our testing of the effectiveness of internal controls identified deficiencies in both manual and IT system controls. However, this did not impact on our ability to rely on the energy entities' internal controls to reduce the risk of undetected fraud or errors in these entities' financial statements.

## Introduction

This chapter evaluates the effectiveness of the internal controls maintained by energy entities. The purpose of these controls is to mitigate risks that may prevent an entity from achieving reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

As part of our audit, we assess the design and implementation of these controls and, where we identify controls that we intend to rely on, we test how effectively these controls are operating.

If we assess an entity's internal controls as not being well designed, or not operating as intended, or missing controls that should be in place, we are required to communicate these deficiencies to management.

By reporting on our analysis we aim to promote a stronger control environment, and to mitigate financial losses and damage to public sector reputation by initiating effective responses to identified control weaknesses

We provide a summary of our control assessments in Appendix C.

## Conclusion

We did not identify any significant deficiencies (high risk matters) in the sector relating to the controls and their control environments support reliance on their internal control systems.

The risk of undetected fraud or errors within financial systems and entities' financial reporting remained stable from previous years.

We reported control deficiencies to management relating to information technology (IT) service providers—this supports the need for energy entities to maintain vigilance over their own control environments. Supplementary controls, which assist them to monitor their transactions, are critical to maintaining the strength of their internal control framework.

## Internal control framework

We assess internal controls using the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework, which is widely recognised as a benchmark for designing and evaluating internal controls.

The framework defines five components to a successful internal control system. These include the control environment, risk assessment, monitoring activities, control activities, and information and communication.

All the components need to be present and operating together as an integrated system of internal control. When this is the case, entities reduce the risk of not achieving their objectives.

### Selecting internal controls to test

We assess the design and implementation of each entity's controls to assist us in determining the nature, timing, and extent of testing to be performed.

Where we believe the design and implementation of controls is effective, we select the controls we intend to test further by considering a balance of factors including:

- significance of the related risks
- characteristics of balances, transactions, or disclosures (volume, value, and complexity)
- nature and complexity of the entity's information systems
- whether the design of the controls facilitates an efficient audit.

Our initial assessments indicated that we could rely on financial controls in place at each entity. Our assessment of the effectiveness of each entity's controls relating to each COSO component is detailed in Appendix C.

## Our rating of internal control deficiencies

*Significant deficiency (high risk matters):* a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement. They require immediate management action and are reported to those charged with governance.

*Deficiency*: occurs when internal controls are missing or are ineffective. Deficiencies may lead to an environment which is not supportive of high quality financial statements

We assess all internal control issues based on their potential to cause a material misstatement in the financial statements—either alone or forming part of an environment supportive of effective record keeping.

Our ratings allow management to gauge relative importance and prioritise remedial actions.

We increase the rating to a significant deficiency from deficiency based on the risk of material misstatement in financial statements, the potential to cause financial losses or an event causing major business interruptions.

The following sections of this report detail the control deficiencies identified by COSO component. We also consider the appropriateness and timeliness of remedial action undertaken to resolve audit matters identified.

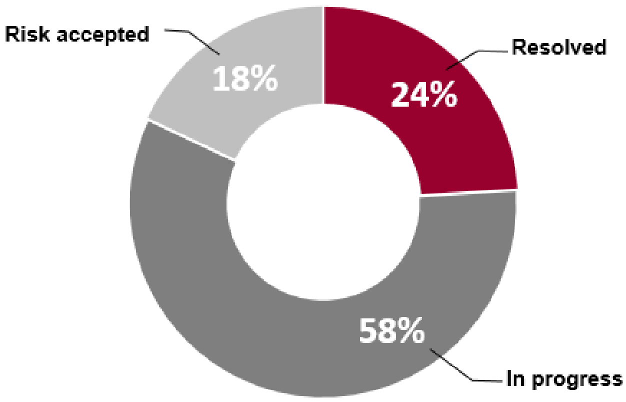
## Status of internal control deficiencies

In 2015–16 we did not identify any significant deficiencies in this sector.

We identified and communicated to management 45 deficiencies and suggestions for improvement about COSO internal control components. The majority of these deficiencies relate to information technology controls. This reflects the number of restructures and re-organisations within the sector—the cost of replacing systems is high and entities, in the main, work around their legacy systems rather than replacing them. Energy Queensland Limited has highlighted their intention to replace the current enterprise platform as part of the merger of Energex and Ergon Energy.

In each of the 45 issues, management either accepted the recommendations with a plan for action (26 issues), accepted the highlighted risks (eight issues), or had resolved the issues (11 issues).

**Figure 4A**
**Number of 2015–16 internal control issues at 31 August 2016**




*Source: Queensland Audit Office.*

Entities are on track to resolve the outstanding issues identified by dates agreed with their directors.

The timely resolution of control deficiencies and lack of significant weaknesses indicates a strong control environment.

## Control activities

- Manual controls
- Automated controls

Control activities are policies and procedures that help ensure management directives are carried out and that necessary actions are taken to address identified risks. These activities operate at all levels and in all functions, and can be designed to prevent or detect errors entering financial systems.

The mix of control activities can also be categorised into manual control activities and IT system controls.

### Manual control activities

Manual controls contain a human element, which can provide an opportunity to assess the reasonableness and appropriateness of transactions. These controls may also be less reliable than automated elements because they can be more easily bypassed or overridden.

They include activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, and segregation of incompatible duties. Manual controls may be performed with the aid of IT systems.

We noted deficiencies in the way project expenditure was identified for capitalisation, checking of changes made to payroll master data, and internal controls over expenditure cycles. For expenditure we raised issues about the approval of changes made to purchase orders, and about ensuring that the functions of requisitioning and ordering are done by different people.

We also emphasised the importance of declaring any conflicts of interest at the right time during a contract and tendering process, and the need to test the market where long-standing contracts exist. Testing the market by offering contracts for tender gives a true indication of whether new suppliers are willing to enter the market and potentially provide better value for money than an entity is currently obtaining.

### Information technology system controls

IT system controls are the control activities that relate to the maintenance and operational capability of the IT systems.

IT system controls can improve timeliness, availability, and accuracy of information by consistently applying predefined business rules. They can enable the performance of complex calculations in processing large volumes of transactions, and improve the effectiveness of financial delegations and segregation of duties.

Effective controls over IT systems can reduce the risk that controls will be circumvented, and maintain the integrity of information and the security of data.

Conversely, poorly managed IT system controls can increase the risk of unauthorised access, which may result in the destruction of data or recording of non-existent transactions.

We identified deficiencies in segregation of duties, user access, and systems documentation and backup.

#### Segregation of duties

A lack of segregation of duties increases the risk that inappropriate transactions are incurred that are not in line with the needs of the business.

We recommended entities review user profiles to ensure that they match users' job responsibilities and that there is segregation of duties through system access restrictions. Entities should also design and implement controls where segregation of duties is not enforced by the system.

#### User access

We also identified deficiencies in electronic funds transfer payments where entities have insufficient mechanisms in place to monitor whether changes in user access are appropriate.

We suggested further improvement in system-driven user lockouts, where employees are only with the entity for a short period of time. We emphasised the need to remove access in a timely manner for all other employees exiting the organisation.

Another issue is the lack of system-enforced controls over password complexity and password length. Weak password settings may permit users to learn other users' passwords over time; this will reduce accountability for the usage of systems, and the data and information recorded within them. We recommended stricter password controls to strengthen IT control environments.

#### Systems documentation and backup

We recommended regular testing of IT system restoration using backup data and improving documentation about what IT applications should be treated as a priority in the event of a disaster.

Absence of documented software patch management policy and procedures, together with untimely patching of system security vulnerabilities and upgrades, were noted across a couple of entities.

### Information technology service provider

In the energy sector, Stanwell, CS Energy, and Powerlink design, implement, and maintain their own IT systems. Entities that make up the Energy Queensland group rely on Sparq Solutions Pty Ltd, a subsidiary within the group, to supply the IT control environment for all entities in that group.

Our testing over the Sparq Solutions' IT control environment found that controls were suitably designed and operated effectively throughout the 2015–16 year. Some deficiencies were noted in the strength of passwords, evidencing changes to user access, and monitoring of user access granted. We also made recommendations to management about the extent to which system administrators have responsibility to manage user access and about the need to ensure that software was adequately supported by IT vendors.

## Information and communication

- Non-financial systems
- Financial systems
- Reporting systems

Information and communication controls are the systems used to provide information to employees and the ways that control how responsibilities are communicated.

This aspect of internal control also considers how management generates financial reports, and how they are communicated to internal and external parties to support the functioning of internal controls.

We identified four deficiencies this year across the energy entities.

We suggested entities:

- update their documentation about how security works in their IT environment, ensuring knowledge is retained for future reference
- improve their IT control environments by updating their change management policies and procedures, which govern and guide staff through a change process
- adequately document risk assessment and actions to be taken to reduce IT change management risks to an acceptable level.

## Control environment

- Cultures & values
- Governance
- Organisational structure
- Policies
- Qualified & skilled people
- Management's integrity & operating style

The control environment is defined as management’s actions, attitudes, and values that influence day-to-day operations. As the control environment is closely linked to an entity's overarching governance and culture, it is important that the control environment provides a strong foundation for the other components of internal control.

No control environment deficiencies were identified this year.

## Risk assessment

- Strategic risk assessment
- Financial risk assessment
- Operational risk assessment

Risk assessment relates to management's processes for considering risks that may prevent an entity from achieving its objectives, and for forming an agreement about how the risks should be identified, assessed, and managed.

Appropriate management of business risks can be achieved either by management accepting the risk, if it is minor, or mitigating the risk to an acceptable level through the implementation of appropriately designed controls. Risks can also be eliminated entirely by choosing to exit from a risky business venture.

We did not identify any deficiencies relating to risk assessment during the year. This indicates that senior management groups have identified the key business risks that their entities face, and they are appropriately managing and addressing them.

## Monitoring activities

- Management supervision
- Self-assessment
- Internal audit

Monitoring activities are the methods management uses to oversee and assess whether internal controls are present and operating effectively. This may be achieved through ongoing supervision, periodic self-assessments, and separate evaluations. They also concern the evaluation and communication of control deficiencies in a timely manner to effect corrective action.

Typically the internal audit function and an independent audit and risk committee are charged with the responsibility to oversee the implementation of controls and resolution of control deficiencies. These two functions work together to ensure that internal control deficiencies are identified and then resolved in a timely manner.

We did not identify any deficiencies in monitoring activities within entities this year. This illustrates that each entity is appropriately and effectively monitoring its internal control environment.

## Fraud awareness


Management are responsible for the systems of internal control designed to prevent and detect fraud within their entities.

Suppliers often change bank account details. The subsequent payments to these suppliers is significant. Annually, we report weakness with the controls that are meant to be operating over the integrity of this data.

### The scam

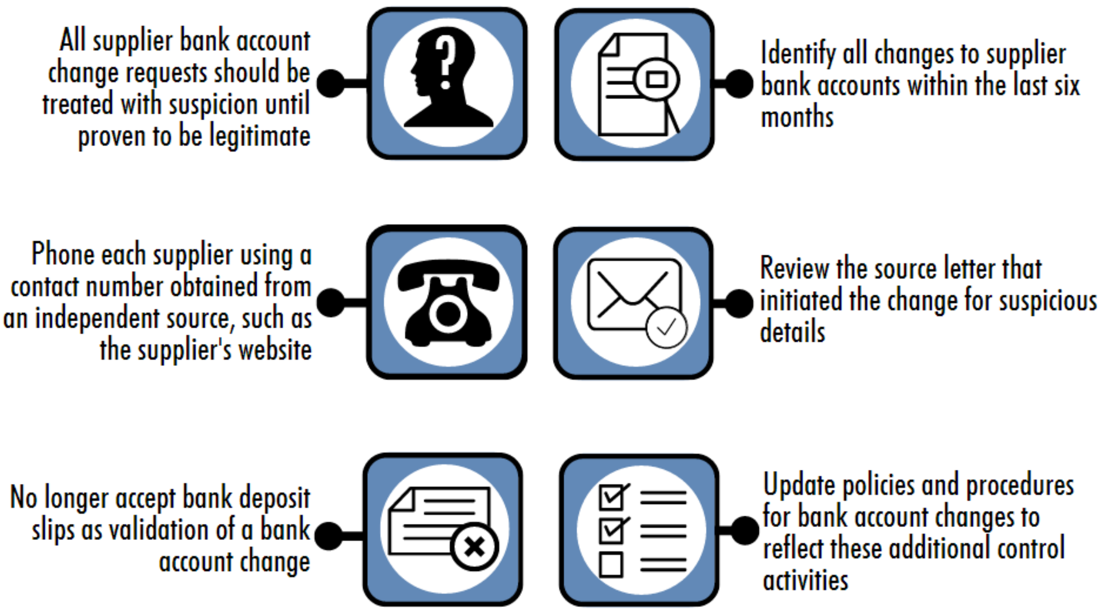
During the financial year, a malicious fraud scheme targeted public and private sector entities. The scammers used fraudulent documents to change an existing suppliers' bank account details and divert payments to illegitimate bank accounts.

### Our responsibilities

During an audit, we assess the risk of material misstatement due to fraud and respond by developing specific audit procedures to address the risks identified.

### Our response

In response to the identified fraud scheme this year, we asked all entity chief financial officers to independently verify their supplier bank account details. We recommended entities exercise increased vigilance over new requests to change supplier bank account details.




We also performed targeted procedures over controls for suppliers' bank account changes at all energy entities. We used computer-assisted audit techniques to target higher risk bank account changes.

Our testing of internal controls found that controls in this area were operating effectively and appropriate supporting documentation was maintained. Where we challenged the authenticity of a document, no frauds were detected.

Although no further fraudulent payments have been detected, entities need to remain on high alert to this, and other fraudulent schemes, and allocate sufficient resources to their support staff to ensure proper interrogation of documents requesting changes to bank account details.

# Appendices

# Appendix A—Full responses from entities

In accordance with section 64 of the *Auditor-General Act 2009*, we gave a copy of this report with a request for comment to the Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply; the Director-General, Department of Energy and Water Supply; and the Under Treasurer, Queensland Treasury for comment.

We also provided a copy of this report to the heads of the following entities with an option of providing a response:

- Stanwell Corporation Limited
- CS Energy Limited
- Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)
- Energy Queensland Limited.

We provided a copy of this report to the Premier and Minister for the Arts; Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport; and the Director-General, Department of the Premier and Cabinet for their information.

We have considered all views provided to us in reaching our conclusions, and these are represented to the extent relevant and warranted in preparing this report.

The heads of these organisations are responsible for the accuracy, fairness, and balance of their comments.

This appendix contains their detailed responses.

# Comments received from Treasurer, Queensland Treasury

Queensland Government

Treasurer
Minister for Aboriginal and Torres Strait Islander Partnerships
Minister for Sport

Level 38
1 William Street
GPO Box 611 Brisbane
Queensland 4001 Australia
**Telephone** 07 3719 7200
**Email** treasurer@ministerial.qld.gov.au
**Website** www.treasury.qld.gov.au

ABN 90 856 020 239

*Our Ref: 04215-2016*

28 NOV 2016

Mr Anthony Close
Acting Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr ~~Close~~ ANTHONY

**Result of 2015-16 Financial Audit of Energy Businesses**

Thank you for the opportunity to provide feedback on the Queensland Audit Office (QAO) report on the 2015-16 audit results for the Queensland Government's energy Government owned corporations (GOCs).

I note the QAO's comment that the energy entities produced high quality financial statements, and unmodified audit opinions were provided on all financial statements for 2015-16.

I also note the QAO's conclusions in relation to financial performance, including that all of the energy GOCs are financially sustainable.

In this context, the report acknowledges the Debt Action Plan announced as part of the 2015-16 Budget, which included changes to the capital structure and dividend payout ratios of the energy network businesses.

In developing the Debt Action Plan, the Government undertook a detailed Review of State Finances, and considered the overall efficiency and structure of the State's Balance Sheet.

The Review of State Finances, informed by Queensland Treasury Corporation's assessment and analysis by KPMG, suggested there was capacity to increase the gearing levels of the State's electricity network businesses to more commercial levels. The revised target gearing ratios were set to ensure the businesses could continue to finance their future capital needs, while still maintaining standalone investment grade credit ratings.

In determining the revised target capital structures for the businesses, the Government took into account the revised outlook for the capital expenditure requirements of the businesses, the benefits of the planned network business merger, and advice regarding the capacity to move to more commercial gearing levels.

## Comments received from Treasurer, Queensland Treasury

In this context, the lower capital expenditure outlook for the network businesses also allowed the Government to increase the businesses' dividend payout ratios from 80% to 100% of net profit after tax, while still allowing for gearing levels to remain at the target ratios. The revised dividend payout ratios are intended to support more efficient capital management in the businesses.

On 30 June 2016, the Government gave effect to the next step in its Debt Action Plan with the merger of Energex and Ergon under the umbrella of a single network business, Energy Queensland. The merger will allow for the pursuit of efficiencies through synergies between the two network businesses, and economies of scale.

In implementing the merger, detailed consideration was given to the level of debt that Energy Queensland could support and retain an investment grade rating.

As a result of the network business regearing measures implemented as part of the Debt Action Plan, over $4.1 billion will be made available to the General Government sector across the forward estimates for debt reduction. This will ensure that the Government is making the best use of its available capital by focusing on reducing General Government debt, as recommended in the Review of State Finances.

Going forward, the Government will to continue to monitor the financial performance and sustainability of the energy GOCs.

I trust this information is of assistance to you.

Yours sincerely

**HON. CURTIS PITT MP**
Treasurer
Minister for Aboriginal and Torres Strait Islander Partnerships
Minister for Sport

# Appendix B—Entities not preparing financial reports

The auditor-general will not be issuing audit opinions for the following controlled public sector entities for the 2015–16 financial year as they have not produced a financial report.

| Public sector entity | Reason for not preparing financial statements |
|---|---|
| Generation | |
| **Controlled entities of Stanwell Corporation Limited** | |
| Mica Creek Pty Ltd | Deed of cross guarantee ASIC order |
| SCL North West Pty Ltd | Deed of cross guarantee ASIC order |
| Energy Portfolio 1 Pty Ltd | Dormant |
| Glen Wilga Coal Pty Ltd | Dormant |
| Goondi Energy Pty Ltd | Non-reporting |
| Tarong Energy Corporation Pty Ltd | Dormant |
| Tarong Fuel Pty Ltd | Deed of cross guarantee ASIC order |
| Tarong North Pty Ltd | Non-reporting |
| TEC Coal Pty Ltd | Deed of cross guarantee ASIC order |
| TN Power Pty Ltd | Deed of cross guarantee ASIC order |
| **Controlled entities of CS Energy Limited** | |
| Aberdare Collieries Pty Ltd | Deed of cross guarantee ASIC order |
| Callide Energy Pty Ltd | Deed of cross guarantee ASIC order |
| CS Energy Group Holdings Pty Ltd | Dormant |
| CS Energy Group Operations Holdings Pty Ltd | Dormant |
| CS Kogan (Australia) Pty Ltd | Deed of cross guarantee ASIC order |
| CS Energy Kogan Creek Pty Ltd | Deed of cross guarantee ASIC order |
| CS Energy Oxyfuel Pty Ltd | Deed of cross guarantee ASIC order |
| Kogan Creek Power Pty Ltd | Deed of cross guarantee ASIC order |

| Public sector entity | Reason for not preparing financial statements |
|---|---|
| Kogan Creek Power Station Pty Ltd | Deed of cross guarantee ASIC order |
| Manzillo Insurance (PCC) Ltd— Cell Enmach | Non-reporting |
| Transmission | |
| **Controlled entities of Powerlink** | |
| Harold Street Holdings Pty Ltd | Deed of cross guarantee ASIC order |
| Powerlink Transmission Services Pty Ltd | Deed of cross guarantee ASIC order |
| Distribution | |
| **Controlled entities of Energy Queensland Limited** | |
| Energex Limited | Deed of cross guarantee ASIC order |
| Energy Impact Pty Ltd | Non-reporting |
| Metering Dynamics Business Support Pty Ltd | Non-reporting |
| Varnsdorf Pty Ltd | Non-reporting |
| VH Operations Pty Ltd | Non-reporting |
| Ergon Energy Corporation Limited | Deed of cross guarantee ASIC order |
| Ergon Energy Telecommunications Pty Ltd | Non-reporting |
| Sparq Solutions Pty Ltd | Deed of cross guarantee ASIC order |

Note: Manzillo Insurance (PCC) Ltd— Cell EnMach was established in Guernsey, and therefore exempt from audit by us under s.32 of the *Auditor-General Act 2009*. It is not required to produce financial statements in Guernsey. The company's results were consolidated into CS Energy Limited's Australian financial statements. ASIC = Australian Securities and Investments Commission.

*Source: Queensland Audit Office.*

# Appendix C—Our assessment of financial governance

## Auditing internal controls

In conducting an audit, we assess the design and implementation of internal controls to ensure they are suitably designed to prevent, detect, and correct material misstatements. Where the audit strategy requires it, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

### Internal controls

Our assessment of internal control effectiveness is based on the number of deficiencies and significant deficiencies identified during the audit.

We have categorised each deficiency against five elements of internal control under the internationally recognised Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. These elements are:

- control environment—management's actions, attitudes, and values that influence day-to-day operations
- control activities—policies and procedures that help ensure management directives are carried out, and that necessary actions are taken to address identified risks
- risk assessment—management's processes for considering risks that may prevent an entity from achieving its objectives, and for forming a basis as to how the risks should be identified, assessed, and managed
- information and communication controls—the systems used to provide information to employees and the ways that control responsibilities are communicated
- monitoring activities—the methods management employs to oversee and assess whether internal controls are present and operating effectively.

A deficiency occurs when internal controls are unable to prevent, detect, or correct errors in the financial statements or where internal controls are missing.

A significant deficiency is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. They require immediate management action.

The following table outlines the ratings we use to assess internal controls:

| Rating | Internal controls assessment |
|---|---|
| ● Effective | No deficiencies identified in internal controls. |
| ● Generally effective | Deficiencies identified in internal controls. |
| ● Ineffective | Significant deficiencies identified in internal controls. |

The deficiencies detailed in this report were identified during the audit and may have been subsequently resolved by the entity. They are reported here because they impacted the overall system of control during 2015–16.

# Financial statement preparation

## Year end close process

State public sector entities should have a robust year end close process to enhance the quality and timeliness of their financial reporting processes. In January 2014, the Queensland Under Treasurer recommended the completion of five key areas before 30 June each year, to enable a timely audit clearance of the financial statements at year end:

- finalising non-current asset valuations
- preparing complete pro forma financial statements
- resolving accounting issues
- completing hard or soft close processes
- concluding all asset stocktakes.

The extent of these key processes and the actual planned dates to perform these processes can vary on the needs of each entity. The target date for completion of these processes should be documented in a financial report preparation plan.

To be effective, year end processes need to be performed in accordance with the financial report preparation plan, and supporting documents made available for audit in a timely manner.

| Rating | Year end close process assessment |
|---|---|
| ● Effective | All five key processes were completed by the planned date. |
| ● Generally effective | Three of the five key processes were completed within two weeks of the planned date. |
| ● Ineffective | Less than three of the five key process were completed within two weeks of the planned date. |

## Timeliness of draft financial statements

To assess timely draft financial statement effectiveness, we have compared the financial report preparation plan’s target date to prepare the first draft financial statements against the actual date acceptable draft financial statements were received by audit.

| Rating | Timeliness of draft financial statement assessment |
|---|---|
| ● Effective | Acceptable draft financial statements were received on or prior to the planned date. |
| ● Generally effective | Acceptable draft financial statements were received within two days after the planned date. |
| ● Ineffective | Acceptable draft financial statements were received more than two days after the planned date. |

## Quality of draft financial statements

We calculated the difference between the first draft financial statements submitted to audit and the final audited financial statements for the key financial statement components of total revenue, total expenditure, and net assets. Our quality assessment is based on the percentage of adjustments across each of these components.

| Rating | Quality of draft financial statements assessment |
|---|---|
| ● Effective | No adjustments were required. |
| ● Generally effective | Adjustments for any of the three financial statement components were less than five per cent. |
| ● Ineffective | Adjustments for any of the three financial statement components were greater than five per cent. |

## Result summary

This table summarises our assessment of energy entities' internal controls, and the financial statement preparation processes across the nine entities producing either a financial report or financial reporting pack.

| Entity | Internal controls | | | | | Financial statement preparation | | |
|---|---|---|---|---|---|---|---|---|
| | CE | RA | CA | IC | MA | YE | T | Q |
| **Generation** | | | | | | | | |
| Stanwell Corporation Limited | 🟢 | 🟢 | 🟡 | 🟡 | 🟢 | 🟢 | 🟢 | 🟢 |
| CS Energy Limited | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 |
| **Transmission** | | | | | | | | |
| Queensland Electricity Transmission Corporation Limited (trading as Queensland) | 🟢 | 🟢 | 🟡 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 |
| **Distribution** | | | | | | | | |
| Energy Queensland Limited | Not rated this year | | | | | 🟢 | 🟡 | 🟢 |
| **Controlled entity** | | | | | | | | |
| Energex Limited * | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 |
| Ergon Energy Corporation Limited * | 🟢 | 🟢 | 🟡 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 |
| Ergon Energy Telecommunications Pty Ltd * | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 | 🟢 |
| Sparq Solutions Pty Ltd * | 🟢 | 🟢 | 🟡 | 🟡 | 🟢 | 🟢 | 🟡 | 🟡 |
| **Retail** | | | | | | | | |
| Ergon Energy Queensland Pty Ltd | 🟢 | 🟢 | 🟡 | 🟡 | 🟢 | 🟢 | 🟢 | 🟢 |

Note: CE = Control environment; RA = Risk assessment; CA = Controls activities; IC = Information and communication; MA = Monitoring activities; YE = Year end close processes; T= Timeliness; Q = Quality.

* All entities controlled by Energy Queensland Limited, except for Ergon Energy Queensland Pty Ltd, produced financial reporting packs in 2015–16.

*Source: Queensland Audit Office.*

# Appendix D—Glossary

| Term | Definition |
|---|---|
| Accountability | Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties. |
| *Auditor-General Act 2009* | An act of the State of Queensland that establishes the responsibilities of the Auditor-General, the operation of the Queensland Audit Office, the nature and scope of audits to be conducted, and the relationship of the Auditor-General with parliament. |
| Australian accounting standards | The rules by which financial statements are prepared in Australia. These standards ensure consistency in measuring and reporting on similar transactions. |
| Australian Accounting Standards Board (AASB) | An Australian Government agency that develops and maintains accounting standards applicable to entities in the private and public sectors of the Australian economy. |
| Average pool price | The Australian Energy Market Operator publishes a half-hourly spot pool price for energy supplied into the national electricity market base. An average pool price can be determined across any given period. |
| Capital expenditure | Amount capitalised to the balance sheet for contributions by an entity to major assets owned by the entity, including expenditure on:<br>▪ capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally<br>▪ capital expansion, which extends an existing asset at the same standard to a new group of users. |
| Community service obligations | Government payments to commercial entities to provide services that are not in the entity's commercial interests. |
| Depreciation | The systematic allocation of a fixed asset's capital value as an expense over its expected useful life to take account of normal usage, obsolescence, or the passage of time. |
| Discount rate | Interest rate used to calculate the present day value. |
| Emphasis of matter | A paragraph included with the audit opinion to highlight an issue of which the auditor believes the users of the financial statements need to be aware; the inclusion of an emphasis of matter paragraph does not modify the audit opinion. |
| Going concern | Means an entity is expected to be able to pay its debts as and when they fall due, and to continue to operate without any intention or necessity to liquidate or wind up its operations. |
| Impairment | When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset. |
| Net assets | Total assets less total liabilities. |

| Term | Definition |
|---|---|
| Net debt | Total QTC borrowings less cash. |
| Megawatt hours | A megawatt hour (Mwh) is equal to 1 000 kilowatts of energy used continuously for one hour. |
| Terminal value | Terminal value represents all future cash flows in an asset valuation model. In a discounted cash flow valuation, the cash flow is projected for each year into the future for a certain number of years, after which annual cash flows cannot be forecast with reasonable accuracy. At that point, rather than attempting to forecast the varying cash flow for each individual year, a single value representing the discounted value of all subsequent cash flows is used. This single value is referred to as the terminal value. |
| Useful life | The number of years the entity expects to use an asset (not the maximum period possible for the asset to exist). |

*Source: Queensland Audit Office.*

# Auditor-General reports to parliament

## Reports tabled in 2016–17

| Number | Title | Date tabled in Legislative Assembly |
|---|---|---|
| 1. | Strategic procurement | September 2016 |
| 2. | Forecasting long-term sustainability of local government | October 2016 |
| 3. | Follow-up: Monitoring and reporting performance | November 2016 |
| 4. | Criminal justice system—prison sentences | November 2016 |
| 5. | Energy: 2015–15 results of financial audits | November 2016 |

www.qao.qld.gov.au/reports-resources/parliament