

Auditor-General of Queensland

Report to Parliament No. 13 for 2010
Results of audits at 31 October 2010

Financial and Compliance audit



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QUEENSLAND

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

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Auditor-General of Queensland

November 2010

The Honourable R J Mickel MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled Results of audits at 31 October 2010. It is number thirteen in the series of Auditor-General Reports to Parliament for 2010.

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

Yours sincerely



Glenn Poole
Auditor-General



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Executive summary

1.1 Results of audits

Each financial year, a number of reports are presented to Parliament containing the results of financial and compliance audits completed during the year. This report is the first containing the results of financial and compliance audits of public sector entities with 30 June 2010 balance dates.

Under the *Auditor-General Act 2009*, I am required to issue an auditor's opinion on the Consolidated Whole of Government Financial Statements. While in recent years, these statements have been completed and audited before 31 October 2010, due to the listing of QR National Limited, the completion of these statements has been delayed. The results of the audit of the Consolidated Whole of Government and General Government Sector Financial Statements will be reported in a future Auditor-General Report to Parliament.

This report includes the results of audits of departments, statutory bodies, government owned corporations and their controlled entities completed as at 31 October 2010. The status of 338 audits required to be completed under the audit mandate for the 2009-10 financial year is shown in Figure 1A.

Figure 1A – Status of 2009-10 financial statements at 31 October 2010

Entity type	Total	Unmodified auditors' opinions issued	Modified auditors' opinions issued	Auditors' opinions not yet issued
Departments	20	16	3	¹ 1
Departmental agencies	1	1	0	0
Statutory bodies	162	122	23	17
Government owned corporations	15	13	2	0
Controlled entities	56	49	3	4
Joint controlled entities	10	9	1	0
Under trust deed	1	1	0	0
Audited by arrangement	34	31	0	3
Audited by arrangement – under trust deed	39	35	0	4
Total	338	277	32	29

¹ An extension of time has been given to Forestry Plantations Queensland Office to complete its financial statements as the entity is to be abolished.

This report also includes the results of the audits of 36 local government entities for which an independent auditor's report was issued by 31 October 2010. The results of the audits of the remaining local government entities, and those of entities which have a 31 December 2010 balance date including universities and grammar schools, will be reported to Parliament during 2011.

Auditors' opinions have been issued for the 2009-10 financial statements of 309 public sector entities. Unmodified auditors' opinions have been issued for 277 public sector entities and 32 modified auditors' opinions have been issued. A modified auditor's opinion is expressed either to highlight a matter affecting the financial report or where the auditor is unable to express an unqualified auditor's opinion on the financial report.

One of the entities for which a modified auditor's opinion was issued for 2009-10 was the Redcliffe Hospital Foundation (refer Section 2.2.4). Matters which led to the modified auditor's opinion arose from a lack of clear purpose and understanding of the roles, responsibilities and objectives of the Foundation. The audit of the Foundation has raised a number of issues regarding the roles, responsibilities and objectives of hospital foundations and governance oversight. Based on the information available from the audit, there appears to be a need for the Foundation to review the constraints on its actions from the legal framework within which it operates and the need for Ministerial approval for certain actions. This would include the provision of further advice and guidance from government employees in relation to the framework within which the Foundation operates. I have written to the Minister encouraging further discussions with the Foundation on its operating framework. A response from the Chief Executive Officer, Redcliffe Hospital Foundation on this issue is included in Section 7.1.1.

This report also covers the 2008-09 financial statements of 12 public sector entities where an auditor's opinion has been issued since previous reports to Parliament were tabled or where an auditor's opinion has not yet been issued. Details of the status of these financial statements are included in Section 2.4.

1.2 Financial management

Proper financial management involves appropriately planning, directing, monitoring, organising, and controlling the financial resources of an organisation. My audits examine the adequacy of public sector entities' internal controls and I monitor the financial management practices of entities through examining their achievement of the statutory deadline for preparing their financial statements and having these statements certified by audit.

For 2009-10, 613 moderate to high risk financial management issues were reported to management from the finalised audits of departments, statutory bodies and government owned corporations. The most significant issues related to inadequate controls being maintained by these public sector entities over access to and use of their financial and human resources systems. It is critical that users' security profiles are monitored by management and updated regularly to reduce the risk of unauthorised access leading to unauthorised payments and access to confidential information. I also reported on this issue in my *Auditor-General Report to Parliament No. 8 for 2009 – Results of audits at 31 October 2009* and so far there has been little if any improvement in this area.

In July 2009, the *Financial Accountability Act 2009* and *Financial and Performance Management Standard 2009* replaced the *Financial Administration and Audit Act 1977* and the *Financial Management Standard 1997* respectively. This change resulted in the requirement for Chief Finance Officers to provide a statement on the efficiency, effectiveness and economy of financial internal controls in operation within their department for the first time for 2009-10. In auditing these statements, I found that the majority of statements by Chief Finance Officers demonstrated compliance with the requirements, most statements were compliance focused, with only some including additional disclosures on identified risks, the role of the audit committee, and issues identified during the year.

The Chief Finance Officer statement is an important addition to the accountability framework and an opportunity for Chief Finance Officers to provide positive assurance to their Directors-General on the financial operations of their department. The higher the level of disclosure, the more assurance that should be able to be gained by the Director-General. The statements also present both a challenge and opportunity to Chief Finance Officers in ensuring that their agency's financial controls are economic in providing sufficient control, without placing undue burden on the agency's resources.

I was also pleased to note that these provisions were voluntarily adopted as better practice by some large agencies to which they did not legislatively apply. Such actions are a credit to the governance of these agencies.

1.3 Governance

QBuild's Ellipse system was implemented to replace their existing operational, financial and payroll systems at a cost of approximately \$32m. Significant issues arose after this system was implemented.

My audit of QBuild identified that project management controls were not consistently applied across various stages of the system implementation. Governance structures were not effective in communicating complete and timely information to various parties. The level of testing performed prior to implementation was also unsatisfactory given that the robustness of QBuild's financial reporting and payroll processes were dependent on the rigour of this testing. This was not inconsistent with my findings from the audit of Queensland Health's payroll system and demonstrates a critical need for improved system implementation skills within the public sector.

The Queensland Health Payroll Stabilisation Project was established to address the significant problems which had arisen from the initial implementation. This project has since ended and has transitioned into the Payroll Improvement Program. Activities undertaken by Queensland Health have resulted in a declining trend in payroll enquiries and outstanding transactions. However, close monitoring of the transaction backlog and further improvement in the efficiency of business processes is still required.

My *Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2010* reported on a number of serious audit issues which had been raised with Shared Services. Section 4.3 of this report provides an update on the status of these issues, some of which are now close to being resolved.

1.4 Accountability

In Section 5 of this report, I have included comment on accountability issues relating to individual public sector entities as well as across the public sector. A key accountability issue I have raised is for the tabling in Parliament of independently audited and certified financial statements by all public sector entities.

There is a growing number of public sector entities, mainly companies, which are material in size and with a significant public interest that are audited by me, but are not required either by legislation or by policy to table an annual report and audited financial statements in Parliament. Tabling these financial statements would ensure Parliament and the public are able to monitor and assess the activities and financial performance of these public sector entities. I believe that all public sector entities should be accountable and subject to Parliamentary scrutiny.

Because of their significance to the State and interest to the public, I have reported on the sale of Queensland Government infrastructure assets and the work that QAO has done so far in the process. Apart from auditing the complex accounting requirements associated with the sales in the financial statements of individual entities, QAO's role has included a review of the governance and probity aspects of the sales program.

1.5 Government advertising

Public sector audits examine the probity and propriety of expenditure by public sector entities in addition to the normal attest audit function. Therefore the audits of public sector entities can include the examination of expenditure on activities such as advertising, official entertainment, corporate card and travel expenditure.

During the year the processes used by the Department of the Premier and Cabinet in relation to the approval and monitoring of advertising expenditure were included in the audit of that department. The audit did not identify any significant issues requiring reporting to Parliament.

Recommendations were made to the Department for improvement and clarification of aspects of the Department's processes. The Director-General has advised that the recommendations made following the audit will be implemented.

The administration of guidelines for this type of expenditure will always require the application of judgement in relation to the assessment of individual advertising proposals. I consider that the decisions relating to individual cases need to be made by the responsible Accountable Officer, or delegate.

While as auditor I will continue to comment on the adequacy of expenditure guidelines and their implementation, it is a matter for Parliament to assess instances where there may be some disagreement about the nature of the judgements exercised in relation to individual cases of expenditure.

2 | Results of audits

Summary

Background

Each year QAO conducts financial and compliance audits to enable the Auditor-General to express an opinion as to whether the financial statements of public sector entities present a true and fair position and whether prescribed requirements included in legislation for the establishment and keeping of accounts have been complied with in all material respects.

The *Auditor-General Act 2009* requires the Auditor-General to report to Parliament on the results of all audits each year. This section contains the results of the 2009-10 audits completed to 31 October 2010.

Key findings

- The completion of the Consolidated Whole of Government Financial Statement and the General Government Sector Financial Statement has been delayed due to the listing of QR National Limited.
- An unqualified auditor's opinion was issued on the Consolidated Fund Financial Report on 20 September 2010.
- The 2009-10 financial statements of 309 public sector entities were audited and 277 unmodified auditors' opinions issued. Another 32 auditors' opinions have been modified.
- Independent auditors' opinions for 36 local government entities were issued by 31 October 2010. Of the independent auditors' opinions, 34 were unmodified and two were modified.
- The 2008-09 financial statement audits of 12 public sector entities were not finalised for previous financial years when the results of audits were last reported in *Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2010*. The audits of the financial statements for eight of these entities have now been completed. Two entities will not have audits of their financial statements conducted for the 2008-09 financial year and the audits for two entities are yet to be finalised.

2.1 Status of 2009-10 financial statements

At 31 October 2010, the 2009-10 financial statements of 309 public sector entities had been audited. The status of these audits is summarised in Figure 2A. The details of modified auditors' opinions are summarised in Section 2.2.4.

Figure 2A : Status of 2009-10 audits at 31 October 2010

Entity type	Total	Unmodified auditors' opinions issued	Modified auditors' opinions issued	Auditors' opinions not yet issued
Departments	20	16	3	² 1
Departmental agencies	1	1	0	0
Statutory bodies	162	122	23	17
Government owned corporations	15	13	2	0
Controlled entities	56	49	3	4
Joint controlled entities	10	9	1	0
Under trust deed	1	1	0	0
Audited by arrangement	34	31	0	3
Audited by arrangement – under trust deed	39	35	0	4
Total	338	277	32	29

This report also includes the results of audits of 36 local government entities for which an independent auditor's report was issued by 31 October 2010.

The results of the audits of the remaining local government entities, and those of entities which have a 31 December 2010 balance date, including universities and grammar schools will be reported to Parliament during 2011.

2.2 Auditors' opinions issued for 2009-10

2.2.1 Legislative requirements

The *Auditor-General Act 2009* requires the Auditor-General to issue an auditor's opinion on the Consolidated Whole of Government Financial Statement and on the Consolidated Fund Financial Report and to report to Parliament on the results of these audits.

The Auditor-General must also report to Parliament on the result of the audits, that is the auditor's opinion, of all public sector entities conducted each year. Section 7.2 contains an explanation of the types of auditors' opinions issued.

² An extension of time has been given to Forestry Plantations Queensland Office to complete its financial statements as the entity is to be abolished.

2.2.2 Auditors' opinions issued for the Consolidated Whole of Government and General Government Sector Financial Statements

All Queensland public sector entities consolidated within the Whole of Government Financial Statements are required to provide audited financial information to Treasury Department to enable the preparation and audit of financial reports at both the whole of government level and at the general government sector level.

The *Financial Accountability Act 2009* requires the Consolidated Whole of Government Financial Statements to be prepared within six months after the end of each financial year or a later date agreed between the Treasurer and the Auditor-General. While in recent years these statements have been completed and audited before 31 October, due to the listing of QR National Limited, the completion of these statements has been delayed this year.

The results of the audit of the Consolidated Whole of Government and General Government Sector Financial Statements will be reported in a future Auditor-General Report to Parliament.

2.2.3 Auditor's opinion issued for the Consolidated Fund Financial Report

Under the *Financial Accountability Act 2009*, the Treasurer is responsible for the preparation and presentation of the financial report of the Consolidated Fund.

On 20 September 2010, an unqualified auditor's opinion was issued on the Consolidated Fund Financial Report which sets out particulars of transactions in respect of the Consolidated Fund for 2009-10.

As required by s.39 of the *Auditor-General Act 2009*, the Auditor-General audited the prescribed statements which collectively form the Consolidated Fund Financial Report:

- The Treasurer's Consolidated Fund Operating Account and the Treasurer's Consolidated Fund Investment Account, as defined in s.17 of the *Financial Accountability Act 2009*, have been properly kept in accordance with that Act
- The Consolidated Fund Financial Report is in agreement with the Consolidated Fund accounts
- The Consolidated Fund Financial Report has been properly drawn up to present a true and fair view of the transactions for 2009-10 and the position of the accounts at the end of that financial year.

2.2.4 Auditors' opinions issued for public sector entities

Unmodified auditors' opinions have been issued for 277 public sector entities. Details are included in Section 6.1. In addition, 32 public sector entities received modified auditors' opinions for the 2009-10 financial year.

Summaries of these modifications are provided in Figure 2B.

Figure 2B – Modified auditors’ opinions issued for 2009-10

Entity Name	Basis for auditors’ opinions issued
Qualified auditors’ opinions	
Bundaberg Health Services Foundation	A qualified auditor’s opinion was issued as the Foundation has determined it is impractical to establish control over the collection of donations prior to entry in their financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.
Department of Health	A qualified auditor’s opinion was issued as significant deficiencies were identified regarding the completeness, accuracy and timely payment of employee expenses since the department went live with a new payroll system on 14 March 2010. These deficiencies, which arose as a result of weaknesses in internal control, represented material non-compliance with the prescribed requirements for the department to maintain an appropriate expense management system. These deficiencies did not have a material effect on the completeness and accuracy of the reported employee expenses.
Gold Coast Hospital Foundation	A qualified auditor’s opinion was issued as the Foundation has determined it is impractical to establish control over the collection of donations prior to entry in their financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.
North Burdekin Water Board	<p>A qualified auditor’s opinion was issued as the Board did not assess the fair value of land, buildings and infrastructure assets at 30 June 2009, as required by Australian Accounting Standards and the Treasurer’s Non-Current Asset Policies and these comparative balances were qualified accordingly. In addition, the Board established two reserves without prior Treasury approval, which does not comply with the Treasurer’s Minimum Reporting Requirements.</p> <p>An emphasis of matter was also issued as the Board did not meet the requirement for completion and audit of the financial statements within two months of the end of the financial year.</p>
PA Research Foundation	A qualified auditor’s opinion was issued as the Foundation has determined it is impractical to establish control over the collection of donations prior to entry in their financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.
Queensland College of Wine Tourism	A qualified auditor’s opinion was issued as these were the first financial statements provided to the Auditor-General for audit even though the entity has existed since January 2007. As a result, an opinion could not be expressed on 2009 comparative income or expenses or on the closing inventory balance at 30 June 2009.
Redcliffe Hospital Foundation	<p>A qualified auditor’s opinion was issued as the Foundation has determined it is impractical to establish control over the collection of donations prior to entry in their financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.</p> <p>Redcliffe Hospital Foundation established a controlled entity, Kabtec Limited without the prior approval of the Minister as required by the <i>Hospitals Foundations Act 1982</i> and as a result, has not complied with the prescribed requirements for the establishment of accounts.</p> <p>On 1 July 2010, the Foundation transferred assets including a building to Kabtec Limited which the Board no longer considers to be a controlled entity. The Board did not obtain Ministerial approval prior to transferring this building as required by the <i>Hospitals Foundations Act 1982</i> resulting in non-compliance with this prescribed requirement.</p> <p>The Foundation did not call for tenders before awarding a construction contract to Ray White Constructions to construct the Moreton Bay</p>

Entity Name	Basis for auditors' opinions issued
	<p>Integrated Care Centre. Under the State Procurement Policy, the Foundation must conduct its procurement activities in a transparent manner which demonstrates probity, accountability and value for money.</p> <p>By not calling for tenders, the Foundation did not comply with these prescribed requirements.</p> <p>An emphasis of matter was also issued because the Foundation entered into a construction contract during the year with a financial obligation of \$11.65m (excluding GST) but only secured funding of \$5m from the Commonwealth Government for the construction works with an additional \$1.7m pledged from The University of Queensland. Consequently, the Foundation is dependent upon the financial support/ approval of the State to fund the balance of this construction project. As a result, there was significant uncertainty regarding the Foundation's ability to continue as a going concern.</p>
South Burdekin Water Board	<p>A qualified auditor's opinion was issued as the Board did not assess the fair value of land, buildings and infrastructure assets at 30 June 2009, as required by Australian Accounting Standards and the Treasurer's Non-Current Asset Policies and these comparative balances were qualified accordingly. In addition, the Board established two reserves without prior Treasury approval, which does not comply with the Treasurer's Minimum Reporting Requirements.</p> <p>An emphasis of matter was also issued as the Board did not meet the requirement for completion and audit of the financial statements within two months of the end of the financial year.</p>
Emphasis of matter references	
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	An emphasis of matter was issued because there was significant uncertainty as to whether the Authority would continue as a going concern due to the Authority's deficiency of net assets.
Chiropractors Board of Queensland Dental Board of Queensland Medical Board of Queensland Office of the Medical Board Optometrists Board of Queensland Osteopaths Board of Queensland Pharmacists Board of Queensland Physiotherapists Board of Queensland Podiatrists Board of Queensland Psychologists Board of Queensland	An emphasis of matter was issued for each of these boards as these boards were all abolished on 1 July 2010 with their net assets transferred at nil consideration to new Australia-wide boards. The final financial statements of each of the abolished boards recorded all asset and liability balances at nil to represent their value to the former boards. These statements were not prepared on a going concern basis.
Department of Infrastructure and Planning	An emphasis of matter was issued as there was significant uncertainty regarding the valuation of the Mary Valley properties obtained to build the Traveston Dam as the Queensland Government has not finalised the strategy for future use or divestment of this land. The impact that the strategy will have on property values cannot be determined at this time.
Department of the Premier and Cabinet	An emphasis of matter was issued as the department was precluded from recognising the equity, including the asset revaluation surplus, of Arts Queensland when its assets and liabilities were transferred under a machinery of government change to the department on 1 April 2009. As a consequence, the department has been required to record a significant revaluation decrement on buildings during 2010 as an expense during 2010.
Queensland Bulk Water Supply Authority (trading as Seqwater) Queensland Bulk Water Transport Authority (trading as LinkWater) Queensland Manufactured Water Authority (trading as WaterSecure)	<p>An emphasis of matter was issued for each of these entities as there was significant uncertainty regarding the future pricing mechanism as the Queensland Water Commission had not yet determined the pricing mechanism post 30 June 2010.</p> <p>As each of these 'for profit' statutory bodies assessed impairment using an income based discounted cash flow, without a bulk water pricing framework in place the impact on the reported asset values was significantly uncertain.</p>

Entity Name	Basis for auditors' opinions issued
Port of Brisbane Corporation Limited	An emphasis of matter was issued as the Queensland Government commenced a process to divest itself of the Corporation's port business and assets through a long term lease arrangement. As the process had not been finalised, significant uncertainty existed as to the terms and conditions of the arrangements and its likely impact on the valuation and classification of the Corporation's assets and liabilities.
Central SEQ Distributor-Retail Authority (trading as Queensland Urban Utilities) Northern SEQ Distributor-Retailer Authority (trading as Unitywater) Southern SEQ Distributor-Retailer Authority (trading as Allconnex Water)	An emphasis of matter was issued for each of these entities as on 1 July 2010, these authorities became responsible for the delivery of water and wastewater services for their respective local government areas. Relevant councils transferred the necessary assets to these Authorities to operate this business. Significant uncertainty existed regarding the value of assets transferred as the valuation methodology approved by the Queensland Government for water pricing purposes may not equate to fair value for accounting purposes.
South East Queensland (Gold Coast) Desalination Company Pty Ltd (trading as Sure Smart Water) Western Corridor Recycled Water Pty Ltd	An emphasis of matter was issued for each of these entities as financial statements of the companies were not prepared on a going concern basis. The financial statements for each company identified the respective director's intention to deregister the company as soon as practicably possible. All of the companies' assets and liabilities were transferred to their parent Queensland Manufactured Water Authority on 31 May 2010, so the financial statements of the companies were not prepared on a going concern basis.
Sunwater Limited	An emphasis of matter was issued as there was significant uncertainty regarding the future pricing mechanism as the Queensland Water Commission had not yet determined the pricing mechanism post 30 June 2010. As the financial model used is highly sensitive to small variations in key assumptions, including changes in prices, significant uncertainty existed over the calculation of value in use of infrastructure assets for impairment purposes.
ZeroGen Pty Ltd	An emphasis of matter was issued as the company's ability to continue to progress its project to research and develop technology for the integration of coal gasification and carbon capture and storage to produce low emissions baseload coal fired electricity beyond 30 November 2010 was dependent on the financial support of the State, its ability to attract other parties to fund its activities and the successful application for funding from both industry and Commonwealth Government programs. As a result, there was significant uncertainty regarding the company's ability to continue as a going concern.

2.2.5 Unfinalised financial statements

The audits of 2009-10 financial statements for 29 public sector entities have not yet been completed. These entities are listed in Section 6.1.

2.3 Status of local government financial statements

Unmodified auditors' opinions have been issued for 34 local government entities. Details are included in Section 6.2. In addition, two local governments have received a modified auditor's opinion for the 2009-10 financial year.

Summaries of these modifications are provided in Figure 2C.

Figure 2C – Modified auditors' opinions issued for 2009-10 for local government entities

Entity Name	Basis for auditors' opinions issued
Qualified auditor's opinion	
The Rockhampton Art Gallery Trust	A qualified auditor's opinion was issued as the Trustees have determined it is impractical to establish control over the collection of donations prior to entry in the Trust's financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.
Emphasis of matter references	
Brisbane City Council ³	An emphasis of matter was issued as the Council entered into an agreement to transfer all its remaining water and wastewater assets to the Central SEQ Distributor-Retailer Authority on 1 July 2010. In exchange the Council received a financial asset in the form of a right to receive a percentage of the Authority's future profits. While the calculation of this financial asset is underpinned by a financial model, given that the Authority had not yet traded at 30 June 2010 and the regulator had not set the Authority's future pricing structure, there was significant uncertainty regarding some of the key assumptions used in the financial model. Consequently as the value of this financial asset equated to the consideration the Council would receive for its water and wastewater assets on 1 July 2010, significant uncertainty existed in relation to the valuation of these assets at 30 June 2010.

2.4 Status of 2008-09 financial statements

2.4.1 Status of 2008-09 audits

The financial statement audits of 12 public sector entities were not finalised for previous financial years when the results of audits were last reported in *Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2010*. These entities are listed in Section 6.3.

The audits of the financial statements for eight of these entities have now been completed. The auditors' opinions are discussed further in Section 2.4.2.

The 2008-09 audits for two entities, being the Torres Strait Island Regional Council and Poruma Island Pty Ltd, are yet to be finalised.

Translational Research Institute Pty Ltd did not trade in 2008-09 and SEQ Distribution Entity (Interim) Pty Ltd is currently under liquidation. These entities will not have audits of their financial statements conducted for the 2008-09 financial year.

³ Other local governments whose assets were transferred to the Central SEQ Distributor-Retail Authority, Northern SEQ Distributor-Retail Authority, and Southern SEQ Distributor-Retail Authority will also have an emphasis of matter included in their auditor's opinion when their audits are completed.

2.4.2 Auditors' opinions issued for 2008-09

Since *Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2010* was tabled on 6 July 2010, unmodified auditors' opinions have been issued for three entities, Translational Research Institute Trust, The Grammar School of Queensland Association Inc. and Western Sub Regional Organisation of Councils.

Five modified auditors' opinions have been issued for 2008-09 as detailed in Figure 2D. An additional modified auditor's opinion is included for Jondaryan Shire River Improvement Trust which was reported in *Auditor-General Report No. 8 for 2010 – Results of audits at 31 May 2010* as unmodified.

Figure 2D – Modified auditors' opinions issued for 2008-09 financial statements

Entity Name	Basis for auditors' opinions issued
Disclaimer of auditor's opinion	
Pompuraaw Aboriginal Shire Council	<p>An opinion was unable to be formed due to the inability to obtain all the information and explanations required in order to form an opinion. The more significant factors that contributed to a limitation on the scope of the audit were:</p> <ul style="list-style-type: none"> • Council was unable to demonstrate that consolidated property, plant and equipment was reported at fair value as at 30 June 2009 as required by the Australian Accounting Standards. In addition, the completeness, accuracy and existence of property, plant and equipment could not be substantiated as the Council had not completed a full stocktake of these assets. • Council had not assessed the impairment of its roads which were the subject of flood damage which contravenes Australian Accounting Standard requirements. • Council did not recognise amounts granted to reconstruct flood damaged roads as revenue as required by the Australian Accounting Standards. • adequate documentation could not be provided to support several adjustments made to opening balances. • Council was unable to provide adequate supporting documentation for the consolidated annual leave and long service leave liability balances. • Council could not provide adequate documentation to support adjustments made to the opening balance for Grants by Project. Non-disclosure of these adjustments represents non-compliance with the Australian Accounting Standards. • no stocktake of consolidated biological assets was undertaken and no documentation existed to support the monetary value of each breeder and live hatchling. Inadequacies in controls over inventory movements and subsequent billing processes also resulted in the consolidated net change in fair value and the consolidated net result not being able to be substantiated. • there was also significant uncertainty as to whether Edward River Crocodile Farm Pty Ltd, a wholly controlled entity of the Council, would be able to continue as a going concern.
Qualified auditors' opinions	
Boonah and District Art Gallery and Library Trust	A qualified auditor's opinion was issued as the Trust has determined it is impractical to establish effective control over the collection of donations prior to entry in their financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.
Boonah and District Performing Arts Centre Trust	A qualified auditor's opinion was issued as the Trust has determined it is impractical to establish effective control over the collection of donations prior to entry in their financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.

Entity Name	Basis for auditors' opinions issued
Edward River Crocodile Farm Pty Ltd	<p>A qualified auditor's opinion was issued because no stocktake of biological assets was undertaken and no documentation existed to support the monetary value of each breeder and live hatchling. Inadequacies in controls over inventory movements and subsequent billing processes also resulted in sales revenue, cost of sales and the reported net loss not being able to be substantiated.</p> <p>Due to inadequate internal controls, insufficient documentation was available to support reported employee costs and employee benefits liabilities.</p> <p>The company was unable to demonstrate that property, plant and equipment was reported at fair value as at 30 June 2009 as required by the Australian Accounting Standards.</p> <p>An emphasis of matter was also issued as there was significant uncertainty as to whether the company would be able to continue as a going concern.</p>
Townsville District Hospital Foundation	<p>A qualified auditor's opinion was issued as the Foundation has determined it is impractical to establish effective control over donations prior to entry into its financial records. Consequently, an opinion could not be expressed on the completeness of donation revenue.</p> <p>An emphasis of matter was also issued as the Board did not meet the requirement for completion and audit of the financial statements within two months of the end of the financial year.</p>
Emphasis of matter reference	
Jondaryan Shire River Improvement Trust	<p>An emphasis of matter was issued as the Board did not meet the requirement for completion and audit of the financial statements within two months of the end of the financial year.</p>

3

Financial management

Summary

Background

Financial management includes the planning, directing, monitoring, organising, and controlling of the financial resources of an organisation.

In Queensland, a new financial accountability framework took effect on 1 July 2009 and for the 2009-10 financial year, financial management and reporting responsibilities for public sector entities are set out in key legislation including the *Financial Accountability Act 2009* and *Government Owned Corporations Act 1993*. A separate Act, the *Auditor-General Act 2009*, was approved setting out the Auditor-General's functions and powers to carry out independent audits of the Queensland public sector and related entities.

This section reports on the achievement of statutory timeframes for the completion of financial statements, the type of financial management issues being reported and the extent of public sector losses.

Key findings

- For 2009-10, 89 per cent of entities, which included departments, government owned corporations, statutory bodies and public sector companies, met their statutory deadline for completion and audit of their financial statements.
- At 31 October 2010, 613 moderate to high risk financial management issues identified by audit had been reported to management from the finalised audits of departments, statutory bodies and government owned corporations.
- The 2009-10 financial year was the first for which departmental Chief Finance Officers were required to provide certified statements of internal controls to their Accountable Officer prior to their certification of the department's financial statements.
- Losses may result from various causes including theft, unauthorised acts and omissions, and wilful destruction. The total material losses reported to the Auditor-General for 2009-10 under the requirements of the relevant legislation were \$1,634,909. In terms of overall losses for the public sector, these amounts can only be indicative as only 53 of the 309 entities required to do so have provided information about losses or confirmed that no such reportable losses have occurred.

3.1 Timeliness

3.1.1 Reporting framework

For the 2009-10 financial year, financial reporting responsibilities for public sector entities are set out in key legislation such as the *Financial and Performance Management Standard 2009* and *Government Owned Corporations Act 1993*.

The *Financial and Performance Management Standard 2009* sets statutory timeframes for departments and statutory bodies to prepare financial statements. Accountable Officers are required to provide the financial statements to the Auditor-General by an agreed date to enable the audit of the statements to be completed no later than two months after the end of the financial year the statements relate to. For entities with a 30 June year-end, that is by 31 August.

Similarly, the *Government Owned Corporations Act 1993* requires government owned corporations to provide their financial statements to the Auditor-General by an agreed date that allows the audit of the statements to be completed no later than two months after the end of the financial year to which the statements relate.

The *Corporations Act 2001* requires public companies to report to members, including providing the auditor's report on the financial report, by the earlier of 21 days before the next Annual General Meeting after the end of the financial year; or four months after the end of the financial year. For entities with a 30 June year end, that is by 31 October.

3.1.2 2009-10 financial statements

For 2009-10, 89 per cent of entities met their statutory deadline for completion and audit of their financial statements which was the same percentage as in 2008-09.

Details by entity type are provided in Figure 3A.

Figure 3A : Completion of 2009-10 audits within statutory deadlines

	Number of audits	Completed by due date	% completed by due date
Audits required to be completed by 31 August			
Departments	#19	18	95%
Government owned corporations	15	13	87%
Statutory bodies	*150	129	86%
Subtotal	184	160	87%
Audits required to be completed by 31 October			
Public sector companies	66	62	94%
Total	250	222	89%

Excludes one department which has been abolished and for which there is no statutory timeframe.

* Excludes 12 statutory bodies which have been abolished and for which there is no statutory timeframe.

3.2 Effectiveness of internal controls

3.2.1 Extent of control issues identified

Each public sector entity is responsible for developing and maintaining an adequate system of internal control to ensure that financial records and other information is complete and accurate, assets are adequately safeguarded, and errors and other irregularities are prevented or detected. Internal control procedures reduce variations in processes and procedures, leading to more predictable outcomes.

An integral part of the audit process is assessing the adequacy of an entity's internal control processes and identifying any weaknesses. In accordance with the Auditor-General of Queensland Auditing Standards, these weaknesses should be brought to the attention of management.

Weaknesses in internal controls identified during an audit will not necessarily result in a modified auditor's opinion. Often there are other control procedures in place which compensate for these weaknesses. Audit processes can be used to determine the level of risk of a material error occurring. A modified auditor's opinion may only be required where a lack of appropriate internal controls cause significant uncertainty about the financial information being reported.

At 31 October 2010, 613 moderate to high risk financial management issues had been reported to management from the finalised audits of departments, statutory bodies and government owned corporations. This is approximately 11 per cent less than the 691 moderate to high risk financial management issues reported last year.

Of the 613 issues noted this year:

- 103 issues (approximately 17 per cent) were high risk issues – findings that pose a significant business or financial risk to the entity requiring immediate corrective action.
- 510 issues (approximately 83 per cent) were moderate risk issues – findings that pose a moderate business or financial risk if not addressed as a matter of high priority within the current financial year.

Management is responsible for developing and maintaining sound internal control frameworks. A good system of internal controls substantially reduces the risk of fraud and error and provides assurance to management and audit that the amounts reported in entities' systems and financial statements are materially correct.

3.2.2 Common areas for improvement of internal controls

Overall, the internal controls of departments, statutory bodies and government owned corporations were generally adequate but opportunities to strengthen controls were identified and reported to management. The following are the key internal control weaknesses reported by audit for 2009-10. Entities should consider whether they have policies and procedures in place to address these weaknesses and implement required changes to ensure that their controls are operating in a cost effective manner.

Information technology security

Twenty-three entities had issues related to information technology security. The management of information technology security is critical to the confidentiality, integrity and availability of systems and the associated information. Of the issues raised, 64 were considered by audit to be of a high risk and 205 were moderate risk.

Among these issues were instances of inadequate controls being maintained over access to and use of their financial and human resources systems. For example, in some cases, user profiles were not regularly monitored to ensure that users of these systems were current employees, had the correct level of access for their position, and were using the system appropriately. Reports on security levels were not being regularly reviewed.

Users' security profiles should be regularly monitored by management and updated to reduce the risk of unauthorised access which may lead to unauthorised payments, access to confidential information or changes to master data such as vendor details. Further information in relation to lack of controls over vendor master data in the Shared Service environment is provided in Section 4.3.6.

Expenditure and accounts payable

Twenty-six entities had issues relating to expenditure and accounts payable controls including procurement practices, inappropriate expenditure approval levels, inadequate checking of expenditure transactions processed and policies not being correctly followed.

Eleven of these issues were considered to be high risk while 71 were moderate risk. While management have since taken action to address the procedural deficiencies identified by audit, these deficiencies could have led to misappropriation of funds.

Revenue and receivables

Issues were raised at 16 entities about revenue and receivables including weaknesses in receipting of amounts received and lack of review of key reconciliations performed. Six of these issues were considered to be high risk while 36 were moderate risk.

Management have since taken action to address these issues, however, inadequate control over revenue could result in a loss of public monies and provide the opportunity for fraud.

Employee expenses

Twenty entities had weaknesses in processes used to make payments to employees including no evidence of checking of payroll reports and deficiencies in payroll systems. Of the issues raised, four were high risk and 39 were moderate risk.

These weaknesses could result in incorrect payments being made to employees. Management of the entities involved have taken positive action to address these issues.

3.3 Statements by Chief Finance Officers

3.3.1 What are the requirements?

Departmental Chief Finance Officers are required under s.77 of the *Financial Accountability Act 2009* to provide their Accountable Officer with an annual statement on the operating efficiency, effectiveness and economy of financial internal controls.

The statement must be made either before or at the same time as the Chief Finance Officer certifies the annual financial statements, and there are specific statements that need to be made to comply with s.57 of the *Financial and Performance Management Standard 2009*. These include:

- whether the financial records of the department have been properly maintained throughout the financial year in accordance with the prescribed requirements
- whether the risk management and internal compliance and control systems of the department relating to financial management have been operating efficiently and effectively throughout the financial year
- since the balance date, whether there have been any changes that may have a material effect on the operation of the risk management and internal compliance and control systems of the department and if there have been any changes, details of the changes
- whether external service providers have given assurance about their controls.

3.3.2 What did the audit find?

This is the first year the Chief Finance Officer statement has been required by the *Financial Accountability Act 2009*. In all of the nineteen departments audited, the Chief Finance Officer had prepared a statement which was signed either before or at the same time as the annual financial statements. Overall the majority of statements by Chief Finance Officers demonstrated compliance with the *Financial and Performance Management Standard 2009*. Most were compliance focused, with additional disclosures on identified risks, the role of the audit committee and issues identified during the year.

Being the first year for this requirement, this is assessed as a positive result, and it was noted that some large public sector entities adopted this as better practice, even though the legislative provisions to provide this certificate did not apply to them.

Some instances of non-compliance with all of the requirements of the *Financial and Performance Management Standard 2009* were identified, including:

- two Chief Finance Officers did not include statements on compliance with prescribed requirements as required by s.57(1)(a) of the *Financial Accountability Regulation 2009*
- two Chief Finance Officers did not include direct statements on efficiency and effectiveness of financial internal controls and financial management processes as required by s.57(1)(b) of the *Financial Accountability Regulation 2009*
- six Chief Finance Officers refer to the 'period under review' rather than the financial year, without sufficient explanation of the time period as required by s.57(1)(b) of the *Financial Accountability Regulation 2009*.

Generally, the statements provided little voluntary information on the internal control and assurance frameworks in place within the department to support the Chief Finance Officer making their statement of efficiency, effectiveness and economy.

A few Chief Finance Officers provided extensive voluntary statements on the departmental financial internal control and assurance frameworks, which enhanced the rigour of the Chief Finance Officer statement. These Chief Finance Officers have taken the introduction of the *Financial Accountability Act 2009* and this new requirement as an opportunity to review and strengthen their department's financial internal control framework and to test its efficiency, effectiveness and economy. Their statements included disclosures on the design of the internal controls within their departments and alignment of the assurance framework with the required *Financial and Performance Management Standard 2009* statements. Such statements with more fulsome disclosure are regarded as better practice. In some agencies this information was available, but was not included in the statement.

Chief Finance Officers may wish to use the new *Financial Accountability Act 2009* requirements as leverage to drive internal control awareness and improvement process and consolidate the annual assurance process. Other matters identified as better practice were mapping the Chief Finance Officer statement to the departmental assurance systems, describing how the financial internal control framework supports the *Financial Accountability Act 2009* requirements and detailing the process undertaken by the Chief Finance Officer to support the assurance statement.

In reviewing the statements it was noted that the matter of economy in the design and application of controls was the least supported area. It is however acknowledged that in the public sector environment where many controls are still prescribed, achieving an economic balance can be difficult. The continuing shift of legislative provisions to a more principles based, rather than prescriptive, approach may well provide scope for the economy of financial controls to be better considered over time.

Throughout the 2009-10 financial year, Treasury Department hosted several Chief Finance Officer forums which provided valuable roundtables for discussing the implementation of the *Financial Accountability Act 2009* across departments. Continuing such discussions could assist Chief Finance Officers in further developing rigorous assurance frameworks and benchmarking processes with their peers.

3.4 Qualifications of Chief Finance Officers

3.4.1 What are the requirements?

Each departmental Accountable Officer is to nominate an appropriately qualified employee to be a Chief Finance Officer, as required by s.77 of the *Financial Accountability Act 2009*.

Section 4 of the *Financial Accountability Regulation 2009* requires each departmental Chief Finance Officer to hold or to be in the process of attaining at least one of the following professional qualifications:

- a certified practicing accountant conferred by CPA Australia
- a chartered accountant conferred by the Institute of Chartered Accountants in Australia
- a professional national accountant conferred by the National Institute of Accountants or
- an international qualification recognised by at least two of the above bodies.

3.4.2 What did the audit find?

This is the first year professional qualifications have been stipulated for departmental Chief Finance Officers. Of the 20 departments reviewed, 16 have Chief Finance Officers that are appropriately qualified as required by the *Financial Accountability Act 2009*. Four Chief Finance Officers although highly experienced do not yet have the formal professional qualifications required and are utilising the transitional provisions under s.7 of the *Financial Accountability Regulation 2009* which provides the incumbent Chief Finance Officer up to ten years to become professionally qualified.

3.5 Public sector losses

In difficult economic times, instances of loss and fraud generally become more prevalent however, over time, the reporting of losses to the Auditor-General under the legislative requirements has become irregular. In such circumstances, the need for entities to have appropriate risk management strategies and internal controls in place is increased.

Losses may result from various causes including theft, unauthorised acts and omissions, and wilful destruction. The *Financial and Performance Management Standard 2009* defines a material loss as: for money – a loss of money of more than \$500, and for other property – a loss valued by the Accountable Officer or statutory body at more than \$5000.

The *Financial and Performance Management Standard 2009* requires Accountable Officers and statutory bodies to provide written notice to the Auditor-General if a suspected loss occurs as a result of an offence under the Criminal Code or another Act or the official misconduct of an officer, consultant or engaged contractor of a department or statutory body. This notification must occur as soon as practicable but not later than six months after the Accountable Officer or statutory body becomes aware of the loss. Similar provisions exist for local governments in the relevant legislation.

Figure 3B shows the total material losses reported by all public sector entities to the Auditor-General for 2009-10.

Figure 3B : Material losses for 2009-10

Type	Instances	Amount reported
Damage	20	\$213,777
Fraud	10	\$936,649
Missing/stolen property	134	\$483,483
Total	164	\$1,633,909

In addition to the amounts shown in Figure 3B, \$318,026 of losses that individually did not meet the definition of a material loss (that is, money more than \$500 or property more than \$5000) were reported to the Auditor-General by 42 entities. In terms of overall losses for the public sector, these amounts can only be indicative as only 53 of the 309 entities required to do so (or approximately 17 per cent) have provided information about losses or confirmed that no such losses have occurred.

4 | Governance

Summary

Background

Governance incorporates the processes by which public sector entities and their resources are controlled and regulated. The term governance includes the processes affecting the way an organisation is directed, administered or controlled (corporate governance), the processes used to ensure an organisation's investment in technology meets the needs of the business (information technology governance) or the processes that need to exist for the successful completion of a project (project governance).

The governance processes in place for the implementation of QBuild's Ellipse system were audited. An audit was also conducted of Queensland Health's Payroll Stabilisation Project which was a project undertaken to resolve the problems arising as a result of the Queensland Health Implementation of Continuity project which were first reported in *Auditor-General Report to Parliament No. 7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project*.

Key findings

- **Department of Public Works – Implementation of QBuild's Ellipse system:** Significant issues arose after the system was implemented. These issues resulted in QBuild being unable to produce financial statements for end of month reporting and approximately seven per cent of staff being incorrectly paid following the Go-Live of the payroll module. The Department of Public Works is working with the supplier to resolve outstanding post-implementation issues.
- **Queensland Health Payroll:** Activities undertaken by Queensland Health have resulted in a declining trend in 'No Pay' enquiries and outstanding transactions. However, close monitoring of the transaction backlog and further improvement in the efficiency of business processes is still required.
- **Shared Services:** A number of issues relating to the Shared Services environment were identified in *Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2010*. An update is provided on the current status of these issues including action that is currently being implemented.

4.1 Department of Public Works – Implementation of QBuild’s Ellipse system

4.1.1 Project overview

QBuild, a business unit of the Department of Public Works implemented a new Enterprise Resource Planning system (Ellipse) in November 2009 to upgrade its existing system, Information Management System Open Enterprise (MIMSOE). The Payroll module was implemented in March 2010.

This project, at a cost of approximately \$32m, was considered by senior management as the largest information technology investment undertaken by QBuild.

The implementation of the Ellipse system was intended to replace functionality of the existing MIMSOE system and the processes involving peripheral systems that were required to support that system, while providing new capabilities, such as enhanced financial management capability for profit recognition, work in progress, budgeting and billing, and further capabilities to support QBuild’s business operations.

The implementation of the payroll module was added to the scope approximately midway through the project in September 2008. The main reason for this was that the whole of government payroll solution was not available at the time of the Ellipse system going live and there would be additional work in integrating the new Ellipse system into the existing Aurion payroll system.

Significant issues arose after the system was implemented. These issues resulted in QBuild being unable to provide reliable financial statements for end of month management reporting to the Governance Board between November 2009 and March 2010. In addition, some staff were incorrectly paid following the Go-Live of the payroll module. Payroll issues have since been resolved and workarounds were implemented for the production of the annual financial statements at 30 June 2010.

4.1.2 Audit conclusion

The audit identified that project management controls were not consistently applied across various stages of the system implementation, and governance structures were not effective in communicating complete and timely information to various parties.

The role of project manager was not separated from the role of the supplier. Consequently, project reporting did not adequately capture key issues and risks affecting QBuild, which resulted in management not having a complete understanding of the risks being accepted in proceeding with Go-Live. The level of testing performed prior to implementation was also unsatisfactory given the success of the project was key to QBuild’s financial reporting and payroll processes.

Although there were a number of serious issues existing at the time of implementation of the system, as a result of the subsequent actions taken by QBuild to address these issues and additional audit activity to gain confidence on the completeness and accuracy of the financial statements, an unqualified auditor’s opinion was able to be issued on the 2009-10 financial statements.

4.1.3 Audit scope

The audit assessed whether suitable controls and mechanisms were in place at the Department of Public Works to support the effective delivery of QBuild's Ellipse system.

The scope of the audit was to evaluate the effectiveness of the Department of Public Works' processes in relation to the business readiness and transition to new systems. The audit examined:

- project governance
- user acceptance testing
- system and business readiness at the time of the Go-Live decision
- lessons learnt that could be applied to other government projects.

The audit also assessed whether the information technology governance practices employed were consistent with practices outlined in international standards, and Queensland Government Information Standards. References used in the development of audit criteria included:

- *ISO/IEC 38500:2008 – Corporate Governance of Information Technology*
- *Queensland Government Project Management Methodology.*

4.1.4 Audit findings

QBuild's Ellipse system was implemented on 17 November 2009. The system went live without the payroll module as parallel testing for payroll was not completed satisfactorily. The payroll module was later implemented in February 2010 for the 1 March 2010 pay run. Following both Go-Lives, significant issues were experienced. Financial reporting could not be fully performed within the Ellipse system, and in the first and second pay runs following the payroll module Go-Live, approximately 400 employees or seven per cent of all QBuild employees were not paid correctly.

The Go-Live decision was not directly linked to the successful delivery of project deliverables nor were payments to the supplier linked to successful delivery of various stages of the system. Rather than proceeding with Go-Live on the basis of successfully completed key deliverables and a thorough and timely risk analysis of outstanding defects, QBuild relied on the supplier's assurances to correct system defects.

After the initial Go-Live, a large number of issues were reported by the QBuild regions as these regional offices had not fully adopted the new business processes. Breakdowns in the business and system processes were noted.

Specific issues included:

- The governance arrangements for the project were weakened as a result of the role of the supplier not being separated from the role of project manager for the overall project, and a lack of project management experience within QBuild for a large system implementation.
- The contract with the supplier was varied during the project to remove the relationship between project deliverables and project payments. The system was implemented and payments were made to the supplier without all contractual deliverables being satisfactorily completed.
- Information flows within the governance framework were inadequate to alert management to exceptions. Senior management of the Department of Public Works (outside of QBuild) were not made aware of significant issues with profit recognition prior to Go-Live.
- The decision to Go-Live in November 2009 occurred following a meeting where a number of significant system deficiencies were discussed. QBuild proceeded with Go-Live based on assurances given by the supplier that the system defects would be resolved by the Go-Live date, but this did not occur.

- The satisfactory completion of user acceptance testing and parallel pay run were specified conditions for system Go-Live. However user acceptance testing was not completed, some failed tests were not retested, and a report on the results of the parallel pay run was not completed prior to the payroll module Go-Live.
- User acceptance testing was performed at the same time as end user training so some workarounds were not incorporated into training programs.
- The Shared Service Agency and CITEC both provided important services to QBuild for payroll and infrastructure support, however no signoff was obtained from these units that they were prepared for Go-Live. Post Go-Live issues were experienced that affected both the Shared Service Agency and CITEC.
- The required organisational structures were not in place in regional offices to support the new business processes under the Ellipse system. This resulted in system errors and inefficiencies in completing processes.
- Contingency plans for the implementation of the Ellipse system were not documented and communicated to the Project Steering Committee.
- Various system validation errors affected QBuild's ability to perform year end activities including the creation of invalid account details affecting automatic journal processing, creation of invalid billing entities, duplication of GST calculations and creation of incorrect tax codes during data loads. These issues were addressed post Go-Live via workarounds or system corrections.
- There was a backlog of data entry for projects and work orders which contributed to delays in year to date invoicing.
- The payroll implementation occurred during the first pay fortnight in March 2010. This required manual data entry of timesheets for one week. Incorrect input or omission of times resulted in errors in staff pay as the required level of internal controls were not in place.
- Approximately 400 QBuild staff were incorrectly paid during the first and second pay runs under Ellipse. This was attributable to several factors, including:
 - system errors, impacting on the calculations of superannuation and tax.
 - incorrect configuration of employee details within the system.
 - incomplete employee timesheets.
 - incorrect data entry.
 - lack of system knowledge and experience by administrative and human resource staff.
- As a result of the subsequent actions taken by QBuild to address these issues and additional audit activity to gain confidence on the completeness and accuracy of the financial statements, an unqualified auditor's opinion was able to be issued on the 2009-10 financial statements.

Responses from the Director-General, Department of Public Works and the Under Treasurer are included in Section 7.1.2.

4.1.5 Learnings for future agency implementations

Although the impacts were less severe and extensive on departmental operations, the causes of several of the issues noted during this audit were similar to those arising from the audit of Queensland Health payroll system reported in *Auditor-General Report to Parliament No. 7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project*. In this instance, the department was able to implement manual and other remedial measures to minimise the initial impact of the system deficiencies. However the following learnings should be read in conjunction with the recommendations of that audit.

- Effective information flows should be enforced through the adoption of a project management methodology that includes requirements for project reporting, including key risks and issues.
- An experienced project manager with strong enterprise resource planning implementation experience should be engaged for such projects.
- Strong governance frameworks should be established to ensure there is separation between the roles of the senior supplier and the project manager.
- Payments to suppliers should be based on deliverables satisfying acceptance criteria. Contract arrangements that do not link delivery of milestones to payments should be discouraged in the interest of avoiding systems being implemented and paid for without the delivery of key project deliverables.
- Strict requirements should be enforced for all projects to ensure that user acceptance testing is formally signed off before Go-Live activities commence.
- A clear audit trail should be established for failed test results from the testing document to issues register, any related work orders and subsequent successful test results.
- Go-Live for payroll implementations should not occur until parallel testing has been completed and management has accepted any variances. The existence of workarounds in the final parallel pay run report should be confirmed and signed off by management.
- User acceptance testing should be completed prior to commencing user training. Defects identified by user acceptance testing should be analysed, including their impact on the business and workarounds required. End user training should include any new workarounds that have resulted from system defects.
- Contingency planning should form a key component of the system implementation plan. The plans should be well documented, with responsibilities for contingent activities clearly assigned. These plans should be communicated to all relevant stakeholders and tested prior to Go-Live.
- Payroll implementations should be timed to reduce the amount of manual intervention required.
- All key stakeholders, including external parties, should be consulted and their readiness to Go-Live should be formally documented and signed off. Any related processes occurring outside of the implementing organisation should be fully tested and ultimately signed off as part of user acceptance testing.

4.2 Queensland Health Payroll

4.2.1 Overview

Auditor-General Report to Parliament No. 7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project reported on the significant issues which have been experienced by the department since the Go-Live date of the payroll system on 14 March 2010. The report also articulated the complexities of Queensland Health's payroll.

In addition to QAO's audit, Queensland Health conducted an internal assessment of the problems experienced by the new payroll system and established a project to stabilise the payroll system. The project commenced on 19 April 2010 and ended on 14 July 2010. The project was governed by the Payroll Stabilisation Project Steering Committee. The final meeting of the Steering Committee was held on 15 July 2010. This project has now been transitioned into the Payroll Improvement Program and separate governance structures have been established for the new program.

KPMG was engaged to develop a payroll operating model and the associated roadmap for its implementation. The payroll operating model activities commenced in mid June 2010 and have been incorporated into the Payroll Improvement Program. The outcome of this will be the first step in addressing a major recommendation from Auditor-General Report to Parliament No. 7 for 2010 in that Queensland Health is reconsidering its current business model.

This report provides an update on actions taken by Queensland Health to address the difficulties with the payroll processes.

4.2.2 Audit findings

It is noted that approximately 40,000 emails and faxes containing payroll processing requests are received per pay period. Each email or fax can include one transaction or more than 100 transactions requiring processing. Significant efforts have been made to process current period transactions while reducing the backlog of prior period transactions. In addition, processes have been put in place to prioritise issues and standard workarounds have been developed to address known issues. Computer system changes have also been addressed systematically.

These activities have resulted in a declining trend in 'No Pay' enquiries and outstanding transactions. However, close monitoring of the transaction backlog and further improvement in the efficiency of business processes is still required.

When the Payroll Stabilisation Project was transitioned into the Payroll Improvement Program in July 2010, there were still issues in terms of the ongoing governance of the payroll. The main reasons provided by the department for transitioning to the Payroll Improvement Program was that, even though the payroll system was not stable at the time, no new problems were being identified and there was some predictability in the nature of issues that would result in incorrect pays.

The key audit findings in relation to the Payroll Stabilisation Project included:

- Inadequate separation of duties between those charged with governance and those responsible for delivering the project outcomes. While the Payroll Stabilisation Project Steering Committee was established as a project governing committee with the Director-General as the Chair, it also included members of the project team. This resulted in a lack of separation of duties between those charged with governance and those responsible for project delivery. This issue has been addressed within the Payroll Improvement Program.
- The definition of 'stabilisation' which was essentially the project's success criteria was only established ten days prior to the final Payroll Stabilisation Project Steering Committee meeting. Project success criteria or acceptance criteria should be established and endorsed by the Steering Committee at the beginning of the project as part of the project management plan. 'Stable' performance was considered to exist when there were declining trends in prior period backlog rollovers and limited variations in the number of current period rollovers.
- While the number of new payroll incidents being reported and the backlog of transactions were declining, there was significant manual processing relating to activities (such as leave application) that are normally automated in other Queensland Government departments. Queensland Health continues to improve these processes and has advised QAO that provision for automating some of these processes will be made as part of the Payroll Improvement Program.
- There was no system in place for payroll processing centre performance reporting. For example:
 - Forms were completed, signed and emailed or faxed to a central location for data entry into the system. As each email or fax could include one transaction or more than 100 transactions to be processed there was no accurate record of the number of transactions requiring processing.
 - There was no process for recording the number of payroll enquiries that were answered by each of the processing centres. Therefore, there was no method of understanding how the time spent on addressing telephone queries was impacting on the hubs' ability to process payroll transactions.

Action is being taken to address these performance reporting issues.

A response from the Director-General, Department of Health on these issues is included in Section 7.1.3.

A further update will be provided to Parliament during 2011 on the actions taken by Queensland Health in addressing all of the issues raised in Auditor-General Report to Parliament No. 7 for 2010 and in this report.

4.3 Shared Services

Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2010 included a summary of findings relating to the Shared Services environment, including a number of high risk issues. A number of recommendations and business improvement opportunities were identified. Due to the significance of the issues, follow up of the current status of each issue has been performed and an update is provided including the action currently being implemented.

4.3.1 Finance and human resource applications standardisation

The risk of security failures and data integrity issues with the number of legacy systems that CorpTech manage separately was highlighted in Auditor-General Report to Parliament No. 8 for 2010.

The Corporate Solutions Program (key outcome being standardisation of financial systems) has been halted pending the outcome of a review into Shared Services, due for release in late 2010.

Currently two projects are underway: the Department of Community Safety Payroll project to replace the two existing instances of the Lattice payroll system, and the Department of Public Works' replacement of the SAP 3.1i system (finance and projects model). Both these projects were in the initiation phase during the time of this report, and were operating as separate projects. Due to the governance issues raised by QAO in relation to similar projects, these projects will remain under review in the normal course of our audit program.

4.3.2 General computer controls

In Auditor-General Report to Parliament No. 8 for 2010, it was noted that information security and change management processes remain areas of concern. Issues raised with CorpTech include: CorpTech users' access to vendor master file and bank account maintenance, lack of regular review of CorpTech users with access to client systems, and the need to tighten CorpTech staff access privileges in relation to system administration and system development privileges.

Since Auditor-General Report to Parliament No. 8 for 2010 was tabled in Parliament, CorpTech has commenced a project to examine security issues across all systems and to take appropriate remedial action.

Issues in change control which have been reported annually since 2006-07 are expected to be addressed through the implementation of a new service management tool, Service Now ITSM, which was implemented by CorpTech (Phase 1) in August 2010.

Audit will assess progress made by CorpTech in relation to security and change management as part of the 2010-11 audit of CorpTech.

4.3.3 System disaster recovery

The need for an end to end approach to be adopted to ensure that risks relating to disaster recovery are clearly understood and mitigating actions undertaken was recommended in Auditor-General Report to Parliament No. 8 for 2010.

The audit identified that there was insufficient documentation of key processes in the event of a system disaster including how services would be recovered, within what timeframes these services would be recovered and whether these timeframes were acceptable to client agencies. The Department of Public Works has undertaken to examine options to address this deficiency.

To make a full assessment of the risks associated with the current levels of disaster recovery preparedness within the end to end processes in the shared services environment, a cross sector information systems audit has been scoped as part of the 2010-11 audit program and the results will be reported in mid 2011.

4.3.4 Segment reporting

In relation to problems identified with the segment reporting function within SAP ECC5, audit recommended that an end to end project team be established to liaise with the agencies affected. Procedures need to be developed and documented to manage these issues.

The Shared Service Agency established a project team that worked with relevant departments to address the issues related to segment reporting. Segment reporting impacted on departments differently depending on the SAP ECC5 configuration, the departmental accounting structure and business rules. The project team identified that two departments required significant work to resolve identified issues. This work proceeded promptly through to 30 June 2010 largely addressing the issues identified and resulted in all affected agencies receiving an unmodified auditor's opinion on their financial statements. Further work has been undertaken by the project teams and monitoring procedures were put in place. As a consequence, there was no additional audit work required.

The Shared Service Agency has system change requests which are pending with CorpTech to improve reporting capability and system control in SAP ECC5. It has also identified revised business rules and procedures which were implemented and documented by 30 June 2010. The general ledger team is performing ongoing regular reviews of the segment reporting suspense accounts and relevant training for the agencies concerned has been provided by the Shared Service Agency.

The Matrix project (SAP ERP6) has identified a number of enhancements which can be made in the new system which will help identify any transactions which create segment imbalances. The segment reporting project team has engaged with client agencies to identify and document the clear end to end roles and responsibilities to deal with segment reporting issues. This issue is ongoing and will need to be closely monitored by both the Shared Service Agency and the affected agencies.

4.3.5 Annual Leave Central Scheme

The audit recommended that various configuration and program fixes needed to be implemented along with the need to develop and document monitoring procedures to manage the Annual Leave Central Scheme. Also, consultation with Treasury Department to seek a more simplified process was to be considered.

The Shared Service Agency established a working party to address the Annual Leave Central Scheme issues, develop reporting solutions and provide an ongoing monitoring process. All identified programming and configuration fixes were completed by CorpTech prior to 30 June 2010.

There have been procedures established in the payroll and general ledger to monitor payroll and reconciliation reports so that any adverse variances are promptly identified and resolved. Shared service management monitors the balances to ensure that balance variations remain under the assessed materiality level for financial statement purposes. There were no significant variances at 30 June 2010 which resulted in all affected agencies receiving an unmodified auditor's opinion on their financial statements.

The Shared Service Agency will meet with Treasury Department once the ongoing costs of the process have been adequately identified. This issue is ongoing and will require regular monitoring to ensure balances are managed appropriately.

4.3.6 Vendor master data approval and maintenance

In Auditor-General Report to Parliament No. 8 for 2010, the audit identified inappropriate roles and responsibilities relating to creation/amendment of customer/vendor master data as part of the new work flow process, eForms. Also, the Shared Service Agency Fraud Control Plan was not documented.

The Shared Service Agency has subsequently established a project team to investigate the issues raised by audit. The eForms Project Director has investigated the issues and has produced a report which provides suggested solutions to the problems. This issue is unresolved and requires engagement between the Shared Service Agency and the individual agencies to implement an acceptable resolution.

The Shared Service Agency Fraud Control Plan has been finalised and is to be presented to senior management for approval. Risks associated with controls over vendor and customer master data have been included in the Shared Service Agency Fraud Risk Register. The audit will review the approved Plan.

4.3.7 Operating level agreements

QAO has reported over a number of years concerns related to the quality and effectiveness of the shared service arrangements operating level agreements across government. The audit identified the need for certified agreements to be implemented with enough detail included to ensure all parties are very clear as to their roles and responsibilities particularly around internal control and deliverables. Consultation will need to be had with agencies to ensure agreements are accurate and an end to end controls process is achieved and understood.

Currently the Shared Service Agency engages with individual agencies in some capacity in an effort to ensure service provision is understood and the operating level agreements are certified annually. Also, in an effort to assist in better defining roles and responsibilities, the Shared Service Agency System Architect project has commenced mapping client services including the production of detailed work instructions which identify specific internal control checkpoints.

Operating level agreements should be a confirmation of processing tasks that have been agreed and tailored to each agency. In order to achieve this, there needs to be a dynamic framework of communication between each party to the shared service environment (CorpTech, Shared Service Agency and the relevant agencies) to capture the changes to processing systems. Issues that should be addressed by shared service forums should include whether original documents are required, document retention and delegations. Such a shared service forum should be the driver of the need for standardisation of processing tasks.

The operating level agreement should then reflect the common understanding of the required processing based on subsidiary documentation of the agreed shared processing tasks. This subsidiary documentation should be reflected in Financial Management Practice Manuals that have been coordinated to reflect the end to end processing.

The key outcomes that need to be achieved for the shared service environment are:

- a framework that provides for an end to end dynamic communication process that captures the constant change in the shared service environment.
- a strategic focus to increase standardisation of processing.
- coordinated end to end financial policy directives that support standardised processes.
- use of detailed tools that map processes and identify cross over control points in processing in the shared service environment.

At present there is no formal framework for a dynamic end to end communication process and additional effort to coordinate the financial policy directives of the parties to the shared service environment is required. The Shared Service Agency has agreed that there is a need to identify key processing controls but this process needs to be jointly undertaken with other parties to the Shared Services environment. The documentation of detailed processes needs to be jointly undertaken with all shared service participants. As detailed above there are key issues that need to be resolved by a properly constituted shared service forum supported by relevant Accountable Officers.

4.3.8 Management assurance framework

A number of improvements were listed for the management assurance framework including:

- provision of a second report which would enable early identification of significant control breakdowns
- significant issues from CITEC need to be reported
- reports could be more tailored to individual agencies in line with their agreed operating level agreements.

The Shared Service Agency has expanded the management assurance framework reporting process to allow for an interim management assurance framework report. The first interim management assurance framework report will be provided in February 2011. The Shared Service Agency will engage with the agencies in relation to feedback from the 2009-2010 management assurance framework report.

The current process enables the Shared Service Agency to provide comment on the internal controls on services provided to clients down to the system level, as well as on issues raised by internal audit in relation to the systems or controls which impact the agency.

The establishment of the Shared Service Assurance Working Group has provided a vehicle for communication between the end to end stakeholders to ensure that the final assurance will encompass all significant issues.

Audit will review the February interim report when issued.

4.3.9 Overall view

As detailed above, all reported issues in Auditor-General Report to Parliament No. 8 for 2010 are being actioned in some capacity. The action taken to date is acknowledged particularly that taken around segment reporting and the Annual Leave Central Scheme which ensured all affected agencies' figures were materially correct at 30 June 2010. It is also noted that all issues have not yet been fully resolved and will require further corrective action in the immediate future.

An issue of continuing concern from a whole of government perspective is the need to ensure a full end to end process controls environment is achieved encompassing CITEC, CorpTech, Shared Service Agency and individual agencies. The lack of a full end to end controls process increases the risk of fraud. The total controls environment needs to be documented with roles and responsibilities clearly identified and agreed with the individual agencies. A robust, detailed operating level agreement would assist in achieving this goal. More importantly however is the need for direct engagement between all affected stakeholders including CorpTech, Shared Service Agency and individual agencies. All agency Accountable Officers need to be part of and support this engagement as they are ultimately responsible for their individual agency control environment.

A response from the Director-General, Department of Public Works on these issues is included in Section 7.1.4.

5 | Accountability

Summary

Background

Accountability is the responsibility of public sector entities to effectively and efficiently conduct operations, comply with applicable laws and report to interested parties.

This section discusses improving accountability through tabling of public sector entities' financial statements in Parliament and enhanced disclosure of executive remuneration. Specific accountability issues relating to individual public sector entities are also discussed as well as the sale of Queensland Government infrastructure assets.

Key findings

- **Tabling of financial statements in Parliament:** Some public sector entities are not required by legislation to table their financial statements in Parliament. Tabling these statements would ensure Parliament is able to monitor and assess the activities and financial performance of all public sector entities, including those that are material in size and with a significant public interest.
- **Disclosure of executive remuneration:** Executive remuneration disclosed in the financial statements for departments provides information in relation to members of the Senior Executive Service only. The remuneration disclosures do not include remuneration paid to employees contracted under s.122 of the *Public Service Act 2008* or employed under other legislation.
- **Sale of Queensland Government infrastructure assets:** On 2 June 2009 the Queensland Government announced its intention to undertake a significant asset sale program expected to occur across a number of financial periods. An update is provided on the specific implications of the sales program on audits undertaken during 2009-10.
- **Department of Infrastructure and Planning – loans to local governments:** Four loans were made by the department to local governments totalling \$14.092m for which there was no evidence of approval for the loans by the Treasurer as required by legislation.
- **Department of Education and Training – formalisation of rental agreement with Southbank Institute of Technology:** The Southbank Institute of Technology's use of the Southbank Education and Training Precinct site has not been formalised through a lease with the Department of Education and Training.

5.1 Tabling of financial statements in Parliament

In Section 3.1 of *Auditor-General Report to Parliament No. 9 for 2008 – Results of audits at 31 October 2008*, the importance of strengthening the accountability link between public sector companies and the Parliament was discussed. One way this link could be strengthened is by requiring all entities to table their financial reports in Parliament. The tabling practices of all State controlled entities and entities engaging the Auditor-General on a by-arrangement basis have been analysed.

Controlled entities are those subject to the control of a public sector entity, as defined by the *Auditor-General Act 2009*. Controlled entities may include companies, funds and other structures that fall within the definition of public sector entities. The Auditor-General also conducts a number of audits on a by-arrangement basis, where a minister or public sector entity asks the Auditor-General to perform an audit of an entity that is not a public sector entity. These entities are in most part companies or trusts, and are required to prepare annual financial statements to satisfy the *Corporations Act 2001* or specific trust deed arrangements. Although not public sector entities in their own right, entities audited on a by-arrangement basis are associated with public sector entities, and in many cases manage public sector funds or are staffed by public servants.

Departments, statutory bodies and government owned corporations are legislatively required to annually prepare financial statements which are audited by the Auditor-General, and to table these statements in Parliament as part of their annual report. This requirement is legislated under the *Financial Accountability Act 2009*, *Financial Management and Performance Standard 2009* and *Government Owned Corporations Regulation 2004*. Local governments are required to prepare an annual report containing audited financial statements and ensure that copies of the annual report are available to the public. Equivalent legislative requirements do not exist for controlled entities or for entities that are audited by the Auditor-General on a by-arrangement basis.

Tabling independently audited and certified financial statements would ensure Parliament and the public are able to monitor and assess the activities and financial performance of all public sector related entities. This is of particular importance for those entities that are material in size and with a significant public interest, but which are neither legislatively nor by policy currently required to table an annual report and audited financial statements. All such entities should be subject to comparable degrees of accountability and scrutiny.

There are 159 entities audited by the Auditor-General that are required to annually prepare financial statements but for which there is no legislative or policy requirement for the financial statements to be tabled in Parliament. These entities represent in excess of \$13b of revenue and \$72b of assets and are generally controlled entities as defined in the *Auditor-General Act 2009* or are those that currently fall within the Auditor-General's by-arrangement audit mandate. Eight of these entities voluntarily table their annual audited financial statements in Parliament. This equates to Parliamentary tabling of \$307m in revenue and \$2.5b in assets (2.35 per cent of revenue and 3.5 per cent of assets).

The absence of a legislative or other policy requirement for full parliamentary tabling for every public sector entity, or those where there is a strong public sector influence and significant funding, results in varying tabling and reporting practices across the sector. The Parliament does not have oversight of all public entity operations and the Parliament's accountability review functions are therefore limited. This results in public sector financial performance not being uniformly scrutinised.

It is acknowledged that 76 of the entities that do not individually table financial statements, include information in parent financial statements, either in parent or consolidated figures or in summary format. This form of reporting presents the Parliament with only limited oversight of the individual entity operations and financial performance. In addition, some of these entities report directly to the public through making annual financial statements available on their websites. This however is not considered an appropriate substitute for the more rigorous public sector accountability which results from Parliamentary tabling.

All public sector related entities should be ultimately accountable to Parliament for the funds managed by them in trust. While company, trust, joint venture and other structures are utilised for a range of benefits to parent agencies, each of these entities should meet the same standards of accountability as their managing agencies. Because of the public funds involved, this requirement should be maintained even though some of these companies would not ordinarily be required to produce financial statements in terms of the *Corporations Act 2001*.

The core principal of public sector entities or those in the public interest being accountable and reporting to Parliament needs to be upheld across the now diverse public sector landscape. Over time, this landscape has changed to include companies, special purpose vehicles and other associated entities and the legislative framework has not adapted to ensure this key principle of Parliamentary reporting is maintained. This matter will continue to be discussed with the Department of Premier and Cabinet and Treasury Department to enable further consideration to be given to the need for changes to the current legislative framework.

In the absence of a legislative requirement, all entities which have audits completed by the Auditor-General should uphold the principles of public sector accountability and voluntarily table their annual financial statements in Parliament. Ultimately each of these entities must be accountable to the Parliament and the broader Queensland community.

A response from the Under Treasurer on this issue is included in Section 7.1.5.

5.2 Disclosure of executive remuneration

Disclosure provisions outlined in Treasury Department's *Financial Reporting Requirements* require the number of senior executives whose total remuneration for the financial year falls within each successive \$20,000 bands commencing at \$100,000, be disclosed within each department's financial statements.

The intent regarding the disclosure of executive remuneration in financial reports of Queensland departments is to provide users with concise, understandable and transparent information regarding remuneration of senior executives.

These minimum disclosure requirements set out in the Treasury Department's *Financial Reporting Requirements* state that executive remuneration disclosures apply to all executives appointed under the *Public Service Act 2008* and classified as senior executive service level 1 (SES1) and above, with remuneration above \$100,000 in the financial year.

With the strict adoption of these minimum provisions by departments, the disclosure of executive remuneration has not generally included disclosure of executive remuneration for those executives who are employed under s.122 of the *Public Service Act 2008* or employed under awards other than the *Public Service Act 2008* who are part of the Senior Executive Service. Five departments disclosed information regarding all senior executives in the department and not just the SES officers as required by the minimum reporting requirements.

While the number of Senior Executive Service appointments has remained stable over the last five years, there has been a continuing increase in the number of s.122 employment contracts which are not generally reported in departmental financial statements. In addition to those employees under s.122 contracts, there are a number of departments employing senior executives who are appointed under legislation other than the *Public Service Act 2008*. These Acts include:

- *Health Services Act 1991*
- *Police Services Administration Act 1990*
- *State Development and Public Works Organisation Act 1971*
- *Fire and Rescue Service Act 1990*
- *Ambulance Service Act 1991*
- *Parliamentary Service Act 1988*
- *Public Trustee Act 1978*.

Discussions have been initiated with the Public Service Commission and Treasury Department regarding expanding the minimum reporting requirements set in the *Financial Reporting Requirements* to incorporate senior executives appointed under contract and those appointed under legislation other than the *Public Service Act 2008*. This enhanced disclosure will demonstrate improved transparency and accountability by providing more accurate information on the remuneration of senior executive employees within the public sector.

Responses from the Under Treasurer and the Senior Executive Officer, Public Service Commission on this issue are included in Section 7.1.6.

5.3 Sale of Queensland Government infrastructure assets

5.3.1 Background

On 2 June 2009 the Queensland Government announced its intention to undertake a significant asset sale program expected to occur across a number of financial periods. This sales program, as progressively announced by the Government, includes:

- a 99 year licence to manage Queensland's forestry plantations
- a 99 year lease of land and infrastructure at the Port of Brisbane
- the sale of QR Limited's coal and commercial freight business through the listing of a new company, QR National Limited on the Australian Securities Exchange
- the tolling rights on the Gateway and Logan Motorways via a franchise agreement of at least 50 years
- a 99 year lease of land and infrastructure at the Abbot Point Coal Terminal.

While each of the initiatives is at different stages of implementation, this program had a significant impact on audits undertaken for the 2009-10 financial year. Apart from the need to audit the complex accounting requirements associated with the sales as reflected in the financial statements of individual entities, QAO's role included review of the governance and probity aspects of the sales program as coordinated by the designated Commercial Transaction Team established within Treasury Department.

Specific implications of the sales program on individual audits undertaken during 2009-10 are detailed in the following sections.

5.3.2 Licence for Queensland forestry plantation assets

The formal process for the licensing of the State's forestry plantation assets commenced in November 2009 with a request for expressions of interest. To progress toward the eventual issuing of the licence it was also necessary to restructure the existing operations undertaken by Forestry Plantations Queensland and Forestry Plantations Queensland Office.

Key actions taken in progressing the sale program included:

- The establishment of Forestry Plantations Queensland Pty Ltd on 8 March 2010 as a wholly owned subsidiary of Forestry Plantations Queensland. As Forestry Plantations Queensland Pty Ltd met the definition of a public sector entity under the *Auditor-General Act 2009*, the Auditor-General was appointed as the auditor of the company for the purposes of the *Corporations Act 2001*.
- The transfer of the majority of employees of Forestry Plantations Queensland and Forestry Plantations Queensland Office on 26 March 2010 to Forestry Plantations Queensland Pty Ltd under a transfer notice issued by the Treasurer and Minister for Employment and Economic Development.
- Entering into a share sale agreement on 18 May 2010 between the State of Queensland, Forestry Plantations Queensland and Hancock Queensland Plantations Pty Ltd for the purchase of the shares in Forestry Plantations Queensland Pty Ltd and the granting of a Plantation Licence to Forestry Plantations Queensland Pty Ltd allowing it to manage, use and sell timber on State Plantation Forests for 99 years for \$613m including the post sale completion adjustments.
- The transfer of Forestry Plantations Queensland's assets and liabilities to Forestry Plantations Queensland Pty Ltd and the residual assets to the Department of Environment and Resource Management on 29 June 2010 via a transfer notice issued by the Treasurer and Minister for Employment and Economic Development.
- Settlement of the share sale agreement occurred on 30 June 2010.

Upon settlement of the share sale agreement, Forestry Plantations Queensland Pty Ltd no longer met the definition a public sector entity for the purposes of the *Auditor-General Act 2009*. Accordingly, the Auditor-General also resigned as the auditor of this company for the purposes of the *Corporations Act 2001*.

While settlement of the share sale agreement occurred on 30 June 2010, a number of post settlement activities were necessary to facilitate the eventual abolition of Forestry Plantations Queensland and Forestry Plantations Queensland Office. To assist in the facilitation of this process the Treasurer, in consultation with the Auditor-General, under the requirements of the *Financial and Performance Management Standard 2009*, granted an extension of time for Forestry Plantations Queensland and Forestry Plantations Queensland Office to provide the financial statements to the Auditor-General. This will allow them to prepare their final financial statements covering the period 1 July 2009 to the date the entities are abolished. As at the date of this report the final financial statements of Forestry Plantations Queensland and Forestry Plantations Queensland Office have not been finalised and audited.

5.3.3 Listing of QR National Limited – sale of coal business

Following conclusion of a scoping study, the Queensland Government announced on 8 December 2009 that:

- the passenger and non-coal businesses (and associated functions) of QR Limited will remain in State ownership
- the coal and the commercial freight businesses of QR Limited will be owned by 'QR National', an entity to be listed on the Australian Securities Exchange.

This reorganisation was effected by transferring out the passenger and non-coal businesses from QR Limited to Queensland Rail Limited, a former subsidiary of QR Limited, with the coal and the commercial freight businesses continuing under QR Limited. Queensland Rail Limited was declared as a government owned corporation under the *Government Owned Corporations Act 1993* and *Government Owned Corporations Regulation 2004* on 1 July 2010.

On 30 June 2010, the majority of assets and operations, including support services, relating to passenger and regional freight activities in Queensland were contributed to Queensland Rail Limited. These transfers were effected via transfer notices issued by the Treasurer and Minister for Employment and Economic Development. In accordance with the transfer notices the related assets were transferred for no consideration and were recorded at their existing book values immediately prior to the transfer.

As the transfers occurred between wholly owned government entities, they were accounted for as contributions by and distributions to owners adjusted against equity with no gains or losses recorded as a result of the transfers. The results of transferred activities were reported in QR Limited's financial statements as discontinued operations.

As part of the process for the sale of the coal and commercial freight businesses, an Investigating Accountant's Report was required and KPMG were appointed by Treasury Department to prepare this report. The Investigating Accountant's Report is separate to the annual financial report prepared by QR Limited under the *Government Owned Corporations Regulation 2004* and audited by the Auditor-General.

In order for the information provided to the Australian Securities Exchange through the Investigating Accountant's Report to be fundamentally in accordance with the statutory accounts, the Auditor-General agreed to audit financial statements which disclosed the current year's results and financial position, and two comparative years.

While QR Limited were legislatively required to have their statutory accounts prepared and audited by 31 August 2010, the Auditor-General was of the opinion that the issue of the independent auditor's report on the statutory financial statements should occur at the same time as the signing and issue of the Investigating Accountant's Report. To achieve this, a timetable for the QR Limited Board and the Auditor-General sign off of the financial statements was agreed which recognised the requirements of the share sale processes.

On 10 September 2010, verbal clearance was provided by audit to QR Limited on their financial statements, however the issue of the independent auditor's opinion did not occur until 6 October 2010 to coincide with the signoff by the Investigating Accountant.

This later issue of the independent auditor's opinion required QR Limited to obtain an extension from the Treasurer for tabling of its Annual Report in terms of the *Government Owned Corporations Regulation 2004*. Additional audit procedures in regard to subsequent events testing were also required to be undertaken between 10 September and 6 October 2010 to gain assurance that no significant events had occurred in the interim that would have a material effect on the financial statement amounts or disclosures.

On 14 September 2010 a new company QR National Limited was created as the listing vehicle of the QR business on the Australian Securities Exchange. In accordance with the share sale process, the pre-registration phase for the sale of shares in QR National Limited commenced on 19 September 2010. On 21 September 2010 QR Limited ceased to be a government owned corporation and the ownership of its shares transferred to QR National Limited.

As QR National Limited is considered to be a public sector entity for the purposes of the *Auditor-General Act 2009*, the Auditor-General was appointed as the initial auditor of the company for the purpose of the *Corporations Act 2001*. The Auditor-General will remain as the auditor while QR National Limited is considered to be a controlled entity of the State Government. QR National Limited's status as a controlled entity will be reassessed after listing and the Auditor-General will resign as the auditor, should the Government no longer control the company.

The shares of QR National Limited were formally offered for sale on 10 October 2010.

5.3.4 Lease of the Port of Brisbane

On 22 April 2010 parties interested in the State Government's divestment of Port of Brisbane operations were requested to submit a written Expression of Interest and an appropriately executed confidentiality deed by no later than 14 June 2010. Suitably qualified parties were invited to submit indicative bids. From the indicative bids received, bidders were shortlisted with those selected invited to undertake due diligence and submit binding bids. It is anticipated that identification of the successful bidder, contract completion and financial close will occur by the end of 2010, subject to market conditions.

In preparation for the divestment of the port operations, certain assets, liabilities and operations were transferred from Port of Brisbane Corporation Limited to other government entities. These included the transfer of:

- Bundaberg Port Corporation to Gladstone Ports Corporation on 1 October 2009
- The land and operations at Northshore Hamilton to the Urban Land Development Authority on 9 April 2010
- The boat harbours at Manly, Scarborough, Cabbage Tree Creek and moorings at Gardens Point to the Department of Transport and Main Roads on 1 June 2010
- other non-port land holdings to the Departments of Environment and Resource Management, Public Works, and Transport and Main Roads on 1 June 2010.

The book value of the net assets transferred under these restructuring arrangements was \$404m.

In preparation for the divestment of assets, liabilities and operations associated with the Port of Brisbane, a new company, Port of Brisbane Pty Ltd, was created on 21 May 2010 as a wholly owned subsidiary of Port of Brisbane Corporation Limited. It is intended that a 99 year lease will be entered between Port of Brisbane Corporation Limited and the successful bidder, together with the sale of Port of Brisbane Pty Ltd to the successful bidder. The State and Port of Brisbane Corporation Limited will retain ownership in the land, channels and infrastructure assets associated with the port. On 1 July 2010 Port of Brisbane Pty Ltd became the operator of the port with assets and employees of Port of Brisbane Corporation transferred to Port of Brisbane Pty Ltd on that date.

As a wholly owned subsidiary of a government owned corporation, Port of Brisbane Pty Ltd is considered to be a public sector entity for the purposes of the *Auditor-General Act 2009* and the Auditor-General was appointed as the initial auditor of the company for the purpose of the *Corporations Act 2001*. Upon sale of Port of Brisbane Pty Ltd, the company will no longer be a public sector entity and the Auditor-General will resign as the auditor of the company upon completion of the sale.

As the sale had not been finalised at the time the independent auditor's report was issued on the Port of Brisbane Corporation Limited annual financial statements, an emphasis of matter paragraph was included highlighting the uncertainty in relation to the final terms and conditions of the proposed lease and the likely impact on the valuation and classification of Port of Brisbane Corporation Limited's assets and liabilities associated with the leasing arrangement.

5.3.5 Future actions in 2010-11

As only limited action had been taken to progress the proposed tolling arrangements for the Gateway and Logan Motorways and the lease of the Abbot Point Coal Terminal, there was no significant impact on the 2009-10 audits of Queensland Motorways Limited and the North Queensland Bulk Ports Corporation Limited. Action taken to progress these leases in accordance with the sales program will be reviewed as part of the 2010-11 financial year audits. QAO will also continue to review sales activities presently being undertaken through to sale completion during 2010-11.

Future reports to Parliament will include updates of the progress of the sales program and activities including a more detailed assessment of the sale program against the *Best Practice Guidelines for the Sale of Material Public Sector Assets* previously issued by QAO.

5.3.6 Conclusion

The commencement of the government's asset sale program has had a significant impact on audits undertaken during the 2009-10 audit year. This has required QAO to commit significant resources to perform its audit functions in terms of both the review of the overall sales program and the annual audits of individual entities impacted by the sales program.

This has provided a number of challenges including:

- Regular liaison with a range of key stakeholders including Treasury Department's Commercial Transaction Team; advisors appointed to assist the Commercial Transaction Team; the Investigating Accountants appointed in relation to the listing of QR National Limited; key personnel of each the individual entities and other accounting advisors engaged by those entities.
- Coordination of effort within QAO including the use of internal specialists and experts to ensure consistent and timely advice is provided to auditors, including contracted auditors, in relation to issues associated with the assets sales.
- The diversion of resources from other audits and our technical division to assist in additional work required to undertake and complete the audits of entities impacted by the sale program.
- Ensuring adequate consideration of issues arising from the asset sales at both the entity and whole of government reporting levels.
- Providing independent, timely and quality advice on complex accounting transactions associated with the restructuring of wholly owned government entities including review of transfer notices and assessing compliance with accounting requirements within *Interpretation 1038 Contributions by Owners to Wholly Owned Public Sector Entities*.

These challenges will continue during the 2010-11 financial year audits.

5.4 Department of Infrastructure and Planning – loans to local governments

Section 87 of the *Financial Accountability Act 2009* requires that departments obtain the Treasurer's approval for all loans made by a department. During the 2009-10 audit of the Department of Infrastructure and Planning, QAO were advised of four loans to local governments totalling \$14.092m in the department's general ledger.

No written documentation could be provided to substantiate the approval of loans by the Treasurer as required by the *Financial Accountability Act 2009*. Further investigation determined that no formal loan agreements between the Department of Infrastructure and Planning and the local governments have been executed. It was also noted that the total loan amounts advanced were \$15.342m, of which \$1.25m has been repaid.

All loans were established prior to transfer of the responsibility for Local Government to the Department of Infrastructure and Planning following the machinery of government changes in March 2009. An amount of \$10m of the total amount advanced was paid in the 2009-10 financial year. Failure to obtain written approval for the loans made represents non-compliance with the prescribed requirements of the *Financial Accountability Act 2009*.

The Department of Infrastructure and Planning have acknowledged the legislative non-compliance and is currently addressing the matter.

5.5 Department of Education and Training – formalisation of rental agreement with Southbank Institute of Technology

Southbank Institute of Technology was established as a statutory TAFE institute under the *Vocational Education, Training and Employment and Other Legislation Amendment Regulation (No. 1) 2008* on 1 April 2008. Prior to this date, the operations of Southbank Institute of Technology formed part of the Department of Employment, Training and the Arts.

In April 2005, the former Department of Employment, Training and the Arts entered into a Public Private Partnership agreement with Axiom Education Queensland Pty Ltd (Axiom) to design, construct, operate, maintain and finance the Southbank Education and Training Precinct for a period of 34 years on departmental land at South Brisbane. Construction work was completed on 31 October 2008 and Southbank Institute of Technology entered the operations phase from this date.

Under the lease arrangements, the State (represented by the department) was required to pay a service payment to Axiom for the operation, maintenance and provision of the precinct. The department entered into a lease with Axiom to provide access to the land upon which the precinct was constructed. The key lease agreements have remained between the department and Axiom.

Since the establishment of Southbank Institute of Technology as a separate TAFE institute on 1 April 2008, a formal rental agreement to sublease the premises from the department has not been formalised. Informal funding and rental payment arrangements have however existed between the two agencies since 1 April 2008, and these have formed the basis of transactions between the two agencies and Axiom since that date. At 30 June 2010, Southbank Institute of Technology's future expenditure commitments under the existing funding and related arrangements for use of the Southbank Education and Training Precinct site were \$315m and included \$21.9m rental expense for the 2009-10 year.

Although a sublease has now been drafted to formalise the contractual obligations between Southbank Institute of Technology and the department, it has not been finalised and certified by both parties. The Auditor-General has urged the department to finalise the sublease for Southbank Institute of Technology's use of the Southbank Education and Training Precinct site.

The Director-General, Department of Education and Training advised on 22 October 2010 that the draft sublease was forwarded to Southbank Institute of Technology for its consideration on 24 September 2010 and negotiations are continuing on the financial impact of the treatment of contractual variations.

6

Status of financial statements

Summary

Background

The *Auditor-General Act 2009* requires the outcome of all audits to be reported to Parliament. This is achieved by providing the status of financial statements at various points in time in Auditor-General Reports to Parliament.

Section 6.1 provides the status of 2009-10 audits, excluding local governments and entities with a 31 December 2010 balance date.

Section 6.2 contains the results of local government entities where 2009-10 financial statements had been finalised by 31 October 2010.

Section 6.3 contains the status of 2008-09 financial statements which have been finalised since *Auditor-General Report to Parliament No. 8 for 2010 – Results of audits at 31 May 2009* was tabled in Parliament on 6 July 2010.

Key results

- Auditors' opinions for 309 departments, statutory bodies, government owned corporations and related entities have been issued for the 2009-10 financial year.
- Auditors' opinions have been issued for 36 local governments.
- Auditors' opinions on the 2009-10 financial statements of 29 public sector entities are yet to be issued. QAO is actively working with the public sector entities involved to ensure financial statements are finalised for audit and these auditors' opinions are issued as soon as practicable.

6.1 Status of 2009-10 financial statements

Auditors' opinions for 309 public sector entities have been issued for the 2009-10 financial year. Unless indicated, these entities had a financial year ending 30 June 2010. As discussed in Section 3.1.1, departments, statutory bodies and government owned corporations were required to have their financial statements completed and audited by 31 August 2010. Public sector companies were required to provide the auditor's report on the financial report, by the earlier of 21 days before the next Annual General Meeting or 31 October 2010.

Figure 6A – Auditors' opinions issued for the 2009-10 financial year

Auditor's opinion key: U=Unmodified opinion E=Emphasis of matter Q=Qualified opinion A=Adverse opinion D=Disclaimer of opinion

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department						
Department of Communities	25.08.2010	31.08.2010	U	✓		
Department of Community Safety	26.08.2010	31.08.2010	U	✓		
Department of Education and Training	27.08.2010	30.08.2010	U	✓		
Department of Employment, Economic Development and Innovation	27.08.2010	31.08.2010	U	✓		
Department of Environment and Resource Management	30.08.2010	31.08.2010	U	✓		
Department of Health	12.08.2010	20.08.2010	Q	✓		
Department of Infrastructure and Planning	20.08.2010	31.08.2010	E	✓		
Department of Justice and Attorney-General	30.08.2010	30.08.2010	U	✓		
Department of Police	27.08.2010	31.08.2010	U	✓		
Department of Public Works	31.08.2010	31.08.2010	U	✓		
Department of the Premier and Cabinet	31.08.2010	02.09.2010	E		✓	

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Department of Transport and Main Roads	30.08.2010	31.08.2010	U	✓		
Electoral Commission of Queensland	16.08.2010	18.08.2010	U	✓		
Forestry Plantations Queensland Office ⁴	Not completed	Not completed				
Legislative Assembly and Parliamentary Service	27.08.2010	31.08.2010	U	✓		
Office of the Governor	09.08.2010	12.08.2010	U	✓		
Office of the Queensland Ombudsman	27.08.2010	30.08.2010	U	✓		
Public Service Commission	30.08.2010	31.08.2010	U	✓		
The Public Trustee of Queensland	19.08.2010	23.08.2010	U	✓		
Treasury Department	25.08.2010	31.08.2010	U	✓		
Departmental agencies						
Department of Communities – Retail Stores	25.08.2010	31.08.2010	U	✓		
Statutory bodies						
Anti Discrimination Commission	12.08.2010	17.08.2010	U	✓		
Anzac Day Trust	06.08.2010	06.08.2010	U	✓		
Australian Agricultural College Corporation	31.08.2010	31.08.2010	U	✓		
Avondale Water Board	30.07.2010	31.08.2010	U	✓		
Babinda Swamp Drainage Board	23.08.2010	31.08.2010	U	✓		
Benleith Water Board	Not completed	Not completed				

⁴ This entity is to be abolished and an extension of time to complete their financial statements has been granted to the date of abolition.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Board of Architects of Queensland	30.08.2010	30.08.2010	U	✓		
Board of Professional Engineers of Queensland	30.08.2010	30.08.2010	U	✓		
Board of the Queensland Museum	30.08.2010	31.08.2010	U	✓		
Bollon South Water Authority	Not completed	Not completed				
Bollon West Water Authority	Not completed	Not completed				
Bones Knob Water Board	26.07.2010	31.08.2010	U	✓		
Boondooma Water Board	24.07.2010	31.08.2010	U	✓		
Brigooda Water Board	18.07.2010	31.08.2010	U	✓		
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	26.08.2010	31.08.2010	E	✓		
Bundaberg Health Services Foundation	31.08.2010	31.08.2010	Q	✓		
Burdekin Shire Rivers Improvement Trust	23.07.2010	10.08.2010	U	✓		
Cairns River Improvement Trust	14.07.2010	31.08.2010	U	✓		
Callandoon Water Supply Board	26.07.2010	31.08.2010	U	✓		
Cardwell Shire River Improvement Trust	23.07.2010	31.08.2010	U	✓		
Central SEQ Distributor – Retail Authority (trading as Queensland Urban Utilities) ⁵	30.08.2010	31.08.2010	E	✓		
Chicken Meat Industry Committee	31.08.2010	31.08.2010	U	✓		
Chiropractors Board of Queensland ⁶	13.09.2010	29.10.2010	E			✓

⁵ This entity's financial year was 3 November 2009 to 30 June 2010.

⁶ This entity was abolished at 1 July 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Clifton Shire River Improvement Trust	29.07.2010	18.08.2010	U	✓		
Commission for Children and Young People and Child Guardian	31.08.2010	31.08.2010	U	✓		
Condamine Plains Water Board	30.07.2010	31.08.2010	U	✓		
Contract Cleaning Industry (Portable Long Service Leave) Authority (trading as QLeave)	26.08.2010	30.08.2010	U	✓		
Coreen Water Board	15.07.2010	31.08.2010	U	✓		
Cowley Drainage Board	28.07.2010	31.08.2010	U	✓		
Crime and Misconduct Commission	27.08.2010	27.08.2010	U	✓		
Crowley Vale Water Board	23.07.2010	31.08.2010	U	✓		
Darling Downs-Moreton Rabbit Board	16.08.2010	20.08.2010	U	✓		
Dental Board of Queensland ⁷	13.09.2010	29.10.2010	E			✓
Dental Technicians and Dental Prosthetists Board of Queensland	27.08.2010	31.08.2010	U	✓		
Don River Improvement Trust	05.08.2010	31.08.2010	U	✓		
Dundowran-Nikenbah Water Board	20.07.2010	31.08.2010	U	✓		
East Deeral Drainage Board	09.08.2010	31.08.2010	U	✓		
East Euramo Drainage Board	24.07.2010	31.08.2010	U	✓		
Eugun Bore Water Authority	27.08.2010	31.08.2010	U	✓		
Family Responsibilities Commission	13.08.2010	19.08.2010	U	✓		

⁷ This entity was abolished at 1 July 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Far North Queensland Hospital Foundation	31.08.2010	31.08.2010	U	✓		
Fernlee Water Authority	Not completed	Not completed				
Forestry Plantations Queensland ⁸	Not completed	Not completed				
Gladstone Area Water Board	31.08.2010	31.08.2010	U	✓		
Gladstone Economic and Industry Development Board	20.08.2010	27.08.2010	U	✓		
Glamorgan Vale Water Board	Not completed	Not completed				
Gold Coast Hospital Foundation	30.08.2010	31.08.2010	Q	✓		
Gold Coast Institute of TAFE	30.08.2010	31.08.2010	U	✓		
Grevillea Water Board	19.07.2010	31.08.2010	U	✓		
Health Quality and Complaints Commission	05.08.2010	16.08.2010	U	✓		
Herbert River Improvement Trust	22.07.2010	31.08.2010	U	✓		
Ingie Water Authority	20.08.2010	31.08.2010	U	✓		
Ipswich Hospital Foundation	16.08.2010	30.08.2010	U	✓		
Ipswich Rivers Improvement Trust	15.07.2010	31.08.2010	U	✓		
Johnstone Shire River Improvement Trust	14.07.2010	31.08.2010	U	✓		
Jondaryan Shire River Improvement Trust	06.08.2010	31.08.2010	U	✓		
Juandah Water Board	20.07.2010	31.08.2010	U	✓		
Kaywana Bore Water Board	Not completed	Not completed				
Kelsey Creek Water Board	09.07.2010	31.08.2010	U	✓		

⁸ This entity is to be abolished and extension of time to complete their financial statements has been granted to the date of abolition.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Kooingal Water Board	Not completed	Not completed				
Legal Aid Queensland	17.08.2010	17.08.2010	U	✓		
Legal Practitioners Admissions Board	27.08.2010	31.08.2010	U	✓		
Library Board of Queensland	19.08.2010	31.08.2010	U	✓		
Lower Herbert Water Management Authority	01.07.2010	31.08.2010	U	✓		
Marathon Bore Water Supply Board	22.07.2010	06.08.2010	U	✓		
Matthews Road Drainage Board	19.08.2010	31.08.2010	U	✓		
Medical Board of Queensland ⁹	15.09.2010	29.10.2010	E			✓
Medical Radiation Technologists Board of Queensland	27.08.2010	31.08.2010	U	✓		
Merlwood Water Board	Not completed	Not completed				
Middle Park Bore Water Supply Board	13.07.2010	17.08.2010	U	✓		
Motor Accident Insurance Commission	26.08.2010	26.08.2010	U	✓		
Mount Isa Water Board	Not completed	Not completed				
Mourilyan Drainage Board	23.07.2010	31.08.2010	U	✓		
Mt Gravatt Showgrounds Trust ¹⁰	29.06.2010	29.06.2010	U	✓		
Mulgildie Water Board	20.07.2010	31.08.2010	U	✓		
Myall Plains Water Authority	04.08.2010	31.08.2010	U	✓		
National Trust of Queensland	31.08.2010	31.08.2010	U	✓		

⁹ This entity was abolished at 1 July 2010.

¹⁰ This entity's financial year was 1 May 2009 to 30 April 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
National Trust of Queensland – Currumbin Wildlife Sanctuary	30.08.2010	30.08.2010	U	✓		
Nominal Defendant	26.08.2010	26.08.2010	U	✓		
Non-State Schools Accreditation Board	24.08.2010	25.08.2010	U	✓		
North Burdekin Water Board	06.10.2010	25.10.2010	Q E			✓
Northern SEQ Distributor – Retail Authority (trading as Unitywater) ¹¹	31.08.2010	03.09.2010	E		✓	
Oaky Creek Water Board	Not completed	Not completed				
Occupational Therapists Board of Queensland	27.08.2010	31.08.2010	U	✓		
Office of Health Practitioner Registration Boards	27.08.2010	31.08.2010	U	✓		
Office of the Energy Ombudsman	30.08.2010	31.08.2010	U	✓		
Office of the Information Commissioner	31.08.2010	31.08.2010	U	✓		
Office of the Medical Board ¹²	21.09.2010	29.10.2010	E			✓
Optometrists Board of Queensland ¹³	13.09.2010	29.10.2010	E			✓
Orchard Creek Drainage Board	24.07.2010	13.08.2010	U	✓		
Osteopaths Board of Queensland ¹⁴	20.09.2010	29.10.2010	E			✓
PA Research Foundation	27.08.2010	01.09.2010	Q		✓	

¹¹ This entity's financial year was 3 November 2009 to 30 June 2010.

¹² This entity was abolished at 1 July 2010.

¹³ This entity was abolished at 1 July 2010.

¹⁴ This entity was abolished at 1 July 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Palmgrove Water Board	Not completed	Not completed				
Parklands Gold Coast Trust	25.08.2010	25.08.2010	U	✓		
Pharmacists Board of Queensland ¹⁵	10.09.2010	29.10.2010	E			✓
Physiotherapists Board of Queensland ¹⁶	15.09.2010	29.10.2010	E			✓
Pioneer River Improvement Trust	25.08.2010	30.08.2010	U	✓		
Pioneer Valley Water Board	17.08.2010	30.08.2010	U	✓		
Podiatrists Board of Queensland ¹⁷	17.09.2010	29.10.2010	E			✓
Professional Standards Council	27.08.2010	30.08.2010	U	✓		
Prostitution Licensing Authority	26.08.2010	27.08.2010	U	✓		
Psychologists Board of Queensland ¹⁸	10.09.2010	29.10.2010	E			✓
QRAA	18.08.2010	18.08.2010	U	✓		
Queensland Art Gallery Board of Trustees	31.08.2010	31.08.2010	U	✓		
Queensland Building Services Authority	25.08.2010	25.08.2010	U	✓		
Queensland Bulk Water Supply Authority (trading as Seqwater)	27.08.2010	31.08.2010	E	✓		
Queensland Bulk Water Transport Authority (trading as LinkWater)	25.08.2010	31.08.2010	E	✓		

¹⁵ This entity was abolished at 1 July 2010.

¹⁶ This entity was abolished at 1 July 2010.

¹⁷ This entity was abolished at 1 July 2010.

¹⁸ This entity was abolished at 1 July 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Queensland Competition Authority	05.08.2010	13.08.2010	U	✓		
Queensland Future Growth Corporation	25.08.2010	31.08.2010	U	✓		
Queensland Institute of Medical Research Trust	31.08.2010	31.08.2010	U	✓		
Queensland Law Society Incorporated	31.08.2010	31.08.2010	U	✓		
Queensland Manufactured Water Authority (trading as WaterSecure)	16.09.2010	20.09.2010	E		✓	
Queensland Nursing Council ¹⁹	Not completed	Not completed				
Queensland Performing Arts Trust	30.08.2010	30.08.2010	U	✓		
Queensland Studies Authority	27.08.2010	31.08.2010	U	✓		
Queensland Treasury Corporation	18.08.2010	20.08.2010	U	✓		
Queensland Water Commission	23.08.2010	25.08.2010	U	✓		
Redcliffe Hospital Foundation	29.08.2010	15.10.2010	Q E			✓
Residential Tenancies Authority	19.08.2010	19.08.2010	U	✓		
Riversdale-Murray Valley Water Management Board	24.07.2010	31.08.2010	U	✓		
Roadvale Water Board	27.07.2010	31.08.2010	U	✓		
Royal Brisbane and Women's Hospital Foundation	31.08.2010	31.08.2010	U	✓		
Safe Food Production Queensland	23.08.2010	24.08.2010	U	✓		
Scenic Rim Rivers Improvement Trust	12.07.2010	31.08.2010	U	✓		
SEQ Water Grid Manager	26.08.2010	30.08.2010	U	✓		

¹⁹ This entity was abolished at 1 July 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Silkwood Drainage Board	09.08.2010	31.08.2010	U	✓		
Six Mile Creek Water Supply Board	26.07.2010	31.08.2010	U	✓		
Smithfield Drainage Board	05.08.2010	31.08.2010	U	✓		
South Bank Corporation	19.08.2010	23.08.2010	U	✓		
South Burdekin Water Board	06.10.2010	25.10.2010	Q E			✓
South Maroochy Drainage Board	Not completed	Not completed				
Southbank Institute of Technology	27.08.2010	30.08.2010	U	✓		
Southern SEQ Distributor – Retail Authority (trading as Allconnex Water) ²⁰	31.08.2010	03.09.2010	E		✓	
Speech Pathologists Board of Queensland	31.08.2010	31.08.2010	U	✓		
Stadiums Queensland	24.08.2010	26.08.2010	U	✓		
Stagnant Creek Drainage Board	24.07.2010	12.08.2010	U	✓		
Stanthorpe Shire River Improvement Trust	30.07.2010	26.08.2010	U	✓		
Sunshine Coast Health Foundation	20.08.2010	20.08.2010	U	✓		
Supreme Court Library Committee	17.08.2010	17.08.2010	U	✓		
Surveyors Board of Queensland	29.07.2010	03.08.2010	U	✓		
Taberna Bore Water Board	20.08.2010	31.08.2010	U	✓		
The Board of Trustees of Newstead House	31.08.2010	31.08.2010	U	✓		

²⁰ This entity's financial year was 3 November 2009 to 30 June 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
The Council of the Queensland Institute of Medical Research	31.08.2010	31.08.2010	U	✓		
The Prince Charles Hospital Foundation	25.08.2010	25.08.2010	U	✓		
The Prince Charles Hospital Foundation Trust	25.08.2010	25.08.2010	U	✓		
The Royal Children's Hospital Foundation	Not completed	Not completed				
Toowoomba Hospital Foundation	26.08.2010	26.08.2010	U	✓		
Tourism Queensland	20.08.2010	27.08.2010	U	✓		
Townsville Hospital Foundation	Not completed	Not completed				
TransLink Transit Authority	13.08.2010	17.08.2010	U	✓		
Urban Land Development Authority	19.08.2010	31.08.2010	U	✓		
Valuers Registration Board of Queensland	31.08.2010	31.08.2010	U	✓		
Wambo Shire River Improvement Trust	06.08.2010	31.08.2010	U	✓		
Wanda Creek Drainage Board	22.07.2010	31.08.2010	U	✓		
Warwick Shire River Improvement Trust	27.07.2010	18.08.2010	U	✓		
Washpool Water Board	27.07.2010	31.08.2010	U	✓		
Weengallon Water Authority	23.07.2010	31.08.2010	U	✓		
Whitsunday Rivers Improvement Trust	04.08.2010	31.08.2010	U	✓		
Woodmillar Water Board	16.07.2010	09.08.2010	U	✓		
WorkCover Queensland	24.08.2010	24.08.2010	U	✓		
Workers' Compensation Regulatory Authority (Q-COMP)	24.08.2010	24.08.2010	U	✓		
Yambocully Water Board	Not completed	Not completed				

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Government owned corporations						
CS Energy Limited ²¹	26.08.2010	31.08.2010	U	✓		
ENERGEX Limited ²²	23.08.2010	26.08.2010	U	✓		
Ergon Energy Corporation Limited ²³	27.08.2010	27.08.2010	U	✓		
Far North Queensland Ports Corporation Limited (trading as Ports North)	27.08.2010	27.08.2010	U	✓		
Gladstone Ports Corporation Limited	27.08.2010	30.08.2010	U	✓		
North Queensland Bulk Ports Corporation Limited	24.08.2010	25.08.2010	U	✓		
Port of Brisbane Corporation Limited	26.08.2010	26.08.2010	E	✓		
Port of Townsville Limited	25.08.2010	25.08.2010	U	✓		
QIC Limited	30.08.2010	31.08.2010	U	✓		
QR Limited ²⁴	06.10.2010	06.10.2010	U			✓
Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland) ²⁵	25.08.2010	25.08.2010	U	✓		
Queensland Rail Limited	25.10.2010	27.10.2010	U			✓
Stanwell Corporation Limited	25.08.2010	25.08.2010	U	✓		

²¹ These consolidated financial statements incorporate subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

²² These consolidated financial statements incorporate subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

²³ These consolidated financial statements incorporate subsidiary which is not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

²⁴ These consolidated financial statements incorporate subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

²⁵ These consolidated financial statements incorporate subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
SunWater Limited	27.08.2010	30.08.2010	E	✓		
Tarong Energy Corporation Limited ²⁶	17.08.2010	17.08.2010	U	✓		
Controlled entities						
Aboriginal Centre for the Performing Arts Pty Ltd	Not completed	Not completed				
Asia Pacific Screen Awards Ltd	20.08.2010	25.08.2010	U	✓		
Australian Agricultural College Employing Office	31.08.2010	31.08.2010	U	✓		
Australian Institute for Commercialisation Limited	19.08.2010	30.08.2010	U	✓		
Australian Water Recycling Centre of Excellence Ltd	26.08.2010	03.09.2010	U		✓	
Aviation Australia Pty Ltd	14.10.2010	15.10.2010	U			✓
Beak Industries Pty Ltd	13.08.2010	16.08.2010	U	✓		
BioPharmaceuticals Australia (Network) Pty Ltd	26.08.2010	30.08.2010	U	✓		
Brisbane Market Corporation Limited	23.09.2010	27.09.2010	U		✓	
Bundaberg Port Corporation Pty Ltd	Not completed	Not completed				
CSI Holdings Pty Ltd	30.08.2010	03.09.2010	U		✓	
Ecofund Queensland Pty Ltd	28.07.2010	02.08.2010	U	✓		
Ergon Energy Queensland Pty Ltd	25.08.2010	25.08.2010	U	✓		
Ergon Energy Telecommunications Pty Ltd	25.08.2010	25.08.2010	U	✓		
Gold Coast Events Co. Pty Ltd	16.09.2010	22.09.2010	U		✓	

²⁶ These consolidated financial statements incorporate subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Gold Coast Events Management Ltd (trading as Queensland Events Gold Coast)	10.08.2010	10.08.2010	U	✓		
Industrial Supplies Office (Queensland) Limited	Not completed	Not completed				
Law Claims Levy Fund	31.08.2010	31.08.2010	U	✓		
Lazy Acres Caravan Park	19.10.2010	21.10.2010	U			✓
Legal Practitioners' Fidelity Guarantee Fund	31.08.2010	31.08.2010	U	✓		
Logan Motorway Company Limited	28.07.2010	03.08.2010	U	✓		
On Track Insurance Pty Ltd	08.10.2010	12.10.2010	U			✓
Pan Pacific Masters Games Ltd	20.08.2010	25.08.2010	U	✓		
Port Motorway Limited	28.07.2010	03.08.2010	U	✓		
QIC Private Capital Pty Ltd	30.08.2010	30.08.2010	U	✓		
QIC Properties Pty Ltd	24.08.2010	30.08.2010	U	✓		
QIC Retail Pty Ltd	30.08.2010	30.08.2010	U	✓		
Queensland Art Gallery Foundation	27.08.2010	31.08.2010	U	✓		
Queensland BioCapital Funds Pty Ltd	30.08.2010	30.08.2010	U	✓		
Queensland Building Services Employing Office	25.08.2010	25.08.2010	U	✓		
Queensland Energy Services Team Pty Ltd	13.08.2010	16.08.2010	U	✓		
Queensland Events Corporation Pty Ltd	19.08.2010	25.08.2010	U	✓		
Queensland Library Foundation	22.07.2010	22.07.2010	U	✓		
Queensland Lottery Corporation Pty Ltd	17.08.2010	19.08.2010	U	✓		
Queensland Motorways Limited	28.07.2010	03.08.2010	U	✓		
Queensland Motorways Management Pty Ltd	28.07.2010	03.08.2010	U	✓		

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Queensland Museum Foundation Trust	31.08.2010	31.08.2010	U	✓		
Queensland Treasury Holdings Pty Ltd	24.08.2010	25.08.2010	U	✓		
Queensland Water Infrastructure Pty Ltd	27.07.2010	28.07.2010	U	✓		
Residential Tenancies Employing Office	19.08.2010	19.08.2010	U	✓		
Screen Queensland Pty Ltd	25.08.2010	25.08.2010	U	✓		
Service Essentials Pty Ltd	13.08.2010	16.08.2010	U	✓		
South Bank Employing Office	20.08.2010	23.08.2010	U	✓		
South East Queensland (Gold Coast) Desalination Company Pty Ltd (trading as Sure Smart Water)	26.08.2010	20.09.2010	E		✓	
South East Queensland Water Corporation Limited	27.08.2010	31.08.2010	U	✓		
Southern Regional Water Pipeline Company Pty Ltd trading as LinkWater Projects)	28.07.2010	30.07.2010	U	✓		
The Gateway Bridge Company Limited	28.07.2010	03.08.2010	U	✓		
The Monte Carlo Caravan Park Trust	Not completed	Not completed				
Tourism Queensland Employing Office	20.08.2010	27.08.2010	U	✓		
TransLink Transit Authority Employing Office	13.08.2010	17.08.2010	U	✓		
Transmax Pty Ltd	12.08.2010	19.08.2010	U	✓		
Transport Holdings Queensland Pty Ltd	07.10.2010	14.10.2010	U			✓
Western Corridor Recycled Water Pty Ltd	26.08.2010	20.09.2010	E		✓	
Woombye Gardens Caravan Park	19.10.2010	21.10.2010	U			✓
WorkCover Employing Office	24.08.2010	24.08.2010	U	✓		
ZeroGen Pty Ltd	13.09.2010	20.09.2010	E		✓	

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Joint controlled entities						
Advance Cairns Limited	14.10.2010	15.10.2010	U			✓
Australia TradeCoast Limited	01.10.2010	08.10.2010	U			✓
City North Infrastructure Pty Ltd	26.07.2010	28.07.2010	U	✓		
DBCT Holdings Pty Ltd	05.08.2010	06.08.2010	U	✓		
Local Government Infrastructure Services Pty Ltd	07.09.2010	08.09.2010	U		✓	
Queensland Children's Medical Research Institute ²⁷	15.09.2010	16.09.2010	U		✓	
Queensland College of Wine Tourism	16.10.2010	22.10.2010	Q			✓
Queensland Tertiary Admissions Centre Limited	24.08.2010	24.08.2010	U	✓		
SPARQ Solutions Pty Ltd	10.08.2010	10.08.2010	U	✓		
State Council of River Trusts' Queensland, Inc.	15.07.2010	31.08.2010	U	✓		
Under trust deed						
State Public Sector Superannuation Scheme (QSuper)	09.09.2010	09.09.2010	U		✓	
By-arrangement audits						
Cairns Convention Centre	27.08.2010	27.08.2010	U	✓		
Canberra Centre (No. 2) Investment Trust	30.08.2010	30.08.2010	U	✓		
Canberra Centre Investment Trust	30.08.2010	29.09.2010	U		✓	
Eastland Shopping Centre Trust	30.08.2010	29.09.2010	U		✓	

²⁷ This entity's financial year was 17 June 2009 to 30 June 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Gold Coast Convention and Exhibition Centre	23.09.2010	27.09.2010	U		✓	
Melton Property Trust	30.08.2010	29.09.2010	U		✓	
Q Invest Limited	14.09.2010	17.09.2010	U		✓	
QIC 80 Collins Street Trust	30.08.2010	30.08.2010	U	✓		
QIC 141 Queen Street Trust	30.08.2010	30.08.2010	U	✓		
QIC Castle Towers Trust	30.08.2010	30.08.2010	U	✓		
QIC Colonial Centre Trust	30.08.2010	29.09.2010	U		✓	
QIC Coomera Trust	30.08.2010	29.09.2010	U		✓	
QIC Finance (Shopping Centre Fund) Pty Ltd	28.09.2010	29.09.2010	U		✓	
QIC Grand Central Trust	30.08.2010	30.08.2010	U	✓		
QIC Helensvale Trust	30.08.2010	29.09.2010	U		✓	
QIC Hi Yield Trust	06.09.2010	29.09.2010	U		✓	
QIC Industrial Trust	30.08.2010	30.08.2010	U	✓		
QIC January 1999 Trust	30.08.2010	29.09.2010	U		✓	
QIC Logan Hyperdome (No. 2) Trust	30.08.2010	29.09.2010	U		✓	
QIC Logan Hyperdome Trust	30.08.2010	29.09.2010	U		✓	
QIC March 2001 Trust	30.08.2010	29.09.2010	U		✓	
QIC MLC Centre Trust	30.08.2010	30.08.2010	U	✓		
QIC Office Property Fund	27.09.2010	29.09.2010	U		✓	
QIC Property Fund	27.09.2010	29.09.2010	U		✓	
QIC Retail (No. 2) Fund	27.09.2010	29.09.2010	U		✓	

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
QIC Ringwood Trust	30.08.2010	29.09.2010	U		✓	
QIC Robina Trust	30.08.2010	29.09.2010	U		✓	
QIC Shopping Centre Fund	30.08.2010	30.08.2010	U	✓		
QIC Westpoint Trust	30.08.2010	30.08.2010	U	✓		
QMI Solutions Limited	Not completed	Not completed				
QSuper Limited	09.09.2010	09.09.2010	U		✓	
Queensland Manufacturing Institute Trust	Not completed	Not completed				
The Cyclone Larry Disaster Relief Fund	Not completed	Not completed				
Watergardens Trust	30.08.2010	29.09.2010	U		✓	
By-arrangement audits – under Trust Deed						
Building and Construction Industry Training Fund (Qld)	01.09.2010	06.09.2010	U		✓	
Disaster Appeals Trust Fund	30.09.2010	05.10.2010	U			✓
Forde Foundation Trust	30.09.2010	05.10.2010	U			✓
Innovis Investments Australia Fund	30.08.2010	30.08.2010	U	✓		
Lady Bowen Trust	30.09.2010	05.10.2010	U			✓
Premier's Disaster Relief Appeal Trust	Not completed	Not completed				
QIC Active Large Companies Fund	30.08.2010	30.08.2010	U	✓		
QIC Active Small Companies Fund	30.08.2010	30.08.2010	U	✓		
QIC Australian Equities Fund	30.08.2010	30.08.2010	U	✓		
QIC Australian Fixed Interest Fund	30.08.2010	30.08.2010	U	✓		
QIC Australian Venture Capital Fund	27.09.2010	29.09.2010	U		✓	

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
QIC Cash Enhanced Fund	30.08.2010	30.08.2010	U	✓		
QIC Cash Fund	30.08.2010	30.08.2010	U	✓		
QIC Emerging Markets Equities Fund	27.09.2010	29.09.2010	U		✓	
QIC GFI Alpha Fund	Not completed	Not completed				
QIC Diversified Fixed Interest Fund	27.09.2010	29.09.2010	U		✓	
QIC Global Credit Fund	27.09.2010	29.09.2010	U		✓	
QIC Global Credit Opportunities Fund	27.09.2010	29.09.2010	U		✓	
QIC Global Strategy Trust No. 1	27.09.2010	29.09.2010	U		✓	
QIC Global Strategy Trust No. 2	27.09.2010	29.09.2010	U		✓	
QIC Global Strategy Trust No. 2A	27.09.2010	29.09.2010	U		✓	
QIC Global Strategy Trust No. 2B	27.09.2010	29.09.2010	U		✓	
QIC Growth Fund	30.08.2010	30.08.2010	U	✓		
QIC Hedged International Equities Fund	Not completed	Not completed				
QIC Implemented Australian Equities Fund	30.08.2010	30.08.2010	U	✓		
QIC International Equities Fund	27.09.2010	29.09.2010	U		✓	
QIC International Equities Small Companies Fund ²⁸	30.08.2010	30.08.2010	U	✓		
QIC Property Securities Fund ²⁹	30.08.2010	30.08.2010	U	✓		
QIC Stable Fund	30.08.2010	30.08.2010	U	✓		

²⁸ This entity's financial year was 1 July 2009 to 5 November 2009.

²⁹ This entity's financial year was 1 July 2009 to 4 December 2009.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
QIC Strategy Fund No. 1	27.09.2010	29.09.2010	U		✓	
QIC Strategy Fund No. 2	27.09.2010	29.09.2010	U		✓	
Queensland Aboriginal & Torres Strait Islander Foundation	30.09.2010	05.10.2010	U			✓
Queensland BioCapital Fund No. 1	30.08.2010	30.08.2010	U	✓		
Queensland BioCapital Fund No. 2	30.08.2010	30.08.2010	U	✓		
Queensland Community Foundation	31.08.2010	31.08.2010	U	✓		
Queensland Investment Trust No. 1	27.09.2010	29.09.2010	U		✓	
Queensland Investment Trust No. 2	27.09.2010	29.09.2010	U		✓	
Queensland Trust for Nature Fund	Not completed	Not completed				
The Public Trustee of Queensland Investment Trusts	30.08.2010	30.08.2010	U	✓		

6.2 Status of local government financial statements

Auditors' opinions for 36 local government entities have been issued for the 2009-10 financial year.

Figure 6B – Auditors' opinions issued for the 2009-10 financial year

Auditor's opinion key: U=Unmodified opinion E=Emphasis of matter Q=Qualified opinion A=Adverse opinion D=Disclaimer of opinion

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Local governments						
Brisbane City Council	26.08.2010	31.08.2010	E	✓		
Cairns Regional Council	06.09.2010	06.09.2010	U		✓	
Goondiwindi Regional Council	04.08.2010	27.08.2010	U	✓		
Isaac Regional Council	15.09.2010	14.10.2010	U			✓
Longreach Regional Council	23.08.2010	29.10.2010	U			✓
Mount Isa City Council	11.10.2010	22.10.2010	U			✓
Quilpie Shire Council	14.09.2010	20.10.2010	U			✓
Rockhampton Regional Council	27.10.2010	29.10.2010	U			✓
Tablelands Regional Council	06.10.2010	06.10.2010	U			✓
Townsville City Council	20.10.2010	22.10.2010	U			✓
Aboriginal Shire councils						
Palm Island Aboriginal Shire Council	09.09.2010	25.10.2010	U			✓
Controlled entities						
Broadbeach Alliance Limited	14.10.2010	20.10.2010	U			✓

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Burdekin Cultural Complex Board Inc. ³⁰	11.06.2010	21.06.2010	U	✓		
Cairns Regional Gallery Limited	20.09.2010	20.09.2010	U		✓	
Connecting Southern Gold Coast Ltd	19.08.2010	26.08.2010	U	✓		
Empire Theatres Pty Ltd	16.08.2010	23.08.2010	U	✓		
Empire Theatres Projects Pty Ltd	16.08.2010	23.08.2010	U	✓		
Ipswich Arts Foundation	15.09.2010	20.09.2010	U		✓	
Ipswich Arts Foundation Trust	29.09.2010	30.09.2010	U		✓	
Mayoress Regional Charity Foundation Limited ³¹	27.10.2010	29.10.2010	U			✓
Outback @ Isa Pty Ltd	04.10.2010	15.10.2010	U			✓
Resolute I.T. Pty Ltd	13.10.2010	13.10.2010	U			✓
Rodeo Capital Pty Ltd	06.10.2010	07.10.2010	U			✓
Surfers Paradise Alliance Limited	18.08.2010	25.08.2010	U	✓		
The Rockhampton Art Gallery Trust	22.09.2010	24.09.2010	Q		✓	
Townsville Breakwater Entertainment Centre Joint Venture	05.10.2010	18.10.2010	U			✓
Jointly controlled entities						
Central Queensland Local Government Association Inc.	30.09.2010	13.10.2010	U			✓

³⁰ This entity's financial year was 1 May 2009 to 30 April 2010.

³¹ This entity's financial year was 21 May 2009 to 30 June 2010.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Central Western Queensland Remote Area Planning and Development Board (Reporting) Ltd	19.10.2010	21.10.2010	U			✓
DDS Unit Trust	13.10.2010	13.10.2010	U			✓
Gulf Savannah Development Inc.	30.09.2010	06.10.2010	U			✓
Local Buy Trading Trust	13.10.2010	25.10.2010	U			✓
Local Government Association of Queensland Inc.	26.10.2010	26.10.2010	U			✓
Palm Island Community Company Ltd	13.10.2010	20.10.2010	U			✓
Prewood Pty Ltd	20.10.2010	20.10.2010	U			✓
Services Queensland	19.10.2010	20.10.2010	U			✓
South West Queensland Local Government Association Inc.	14.10.2010	29.10.2010	U			✓

6.3 Status of 2008-09 financial statements

Auditors' opinions for eight public sector entities have been issued for the 2008-09 financial year since Auditor-General Report to Parliament No. 8 for 2010 was tabled.

Figure 6C – Auditors' opinions issued for 2008-09 financial statements

Auditor's opinion key: U=Unmodified opinion E=Emphasis of matter Q=Qualified opinion A=Adverse opinion D=Disclaimer of opinion

Entity name	Balance date	Financial statements		
		Financial statements signed	Auditor's report signed	Auditor's opinion
Aboriginal Shire Council				
Pompuraaw Aboriginal Shire Council	30.06.2009	14.05.2010	24.06.2010	D E
Audited by arrangement – under trust deed				
Translational Research Institute Trust ³²	31.12.2009	19.03.2010	25.03.2010	U
Controlled entities				
Boonah and District Art Gallery and Library Trust	30.06.2009	21.05.2010	28.06.2010	Q
Boonah and District Performing Arts Centre Trust	30.06.2009	21.05.2010	28.06.2010	Q
Edward River Crocodile Farm Pty Ltd	30.06.2009	10.06.2010	24.06.2010	Q E
Poruma Island Pty Ltd	30.06.2009	Not completed	Not completed	
Jointly controlled entities				
SEQ Distribution Entity (Interim) Pty Ltd	30.06.2009	Currently in liquidation.		
The Grammar School of Queensland Association Inc.	31.12.2009	21.09.2010	21.09.2010	U

³² This entity's financial year was 16 June 2009 to 30 June 2009.

Entity name	Balance date	Financial statements		
		Financial statements signed	Auditor's report signed	Auditor's opinion
Translational Research Institute Pty Ltd	31.12.2009	Dormant company. Did not trade in 2008-09.		
Western Sub Regional Organisation of Councils	30.06.2009	18.05.2010	21.05.2010	U
Local governments				
Torres Strait Island Regional Council	30.06.2009	Not completed	Not completed	
Statutory bodies				
Jondaryan Shire River Improvement Trust ³³	30.06.2009	20.08.2009	28.01.2010	E
Townsville District Hospital Foundation	30.06.2009	12.07.2010	23.07.2010	Q E

³³ Auditor-General Report No. 8 for 2009 Results of audits at 31 May 2010 reported the auditor's opinion issued as unmodified.

7 | Appendices

7.1 Stakeholders' responses

7.1.1 Auditors' opinions issued for public sector entities (Section 2.2.4)

Redcliffe Hospital Foundation response

The Chief Executive Officer, Redcliffe Hospital Foundation provided the following response.

First I would like to point out that as at Nov 2010, the Redcliffe Hospital Foundation is an independent not for profit relatively small and new entity currently with 4 full-time staff, 3 part-time staff, 40 volunteer workers, and a volunteer board of local professionals all dedicated to improving the health of our local community. Established in June 2005 by Dr Boris Chem as a vehicle for deceased patient's bequeaths, the Redcliffe Hospital Foundation has so far raised over \$2 million from the local community to fund projects such as the Foundation Lodge emergency accommodation centre, school based traineeships, education grants, medical equipment and patient comfort needs. Unlike most other hospital foundations it receives no direct or recurrent financial support from the Queensland government whatsoever. This situation necessitates a more entrepreneurial approach to sourcing operational funds than would be the case if we had the benefit of significant income from multistorey car parks, cafes and the like enjoyed by other hospital foundations. It also means we operate within very tight financial constraints and with very limited equipment and personnel resources.

The benefits which have been delivered to the local community and Queensland Health include study and training grants for health staff, emergency accommodation for patient's families, health career training for high school students, vital medical equipment, community preventative health initiatives, morale strengthening activities for patients and staff in our local hospitals and community health centres and by securing Federal seed. funding for the Moreton Bay integrated Care Centre (a Federal Government Super Clinic initiative), the Redcliffe Hospital Foundation will not only deliver a significant asset to the local community, but also reduce the burden on Queensland Health's regional facilities.

Due to our limited resources, the Redcliffe Hospital Foundation relies on advice and expertise of Queensland Government bureaucrats to stay within the guidelines. Where we deviate from these guidelines we expect prompt and clear corrective suggestions. Our resources are significantly consumed raising funds, disbursing assistance and planning significant leaps forward to make a difference to our community, therefore this reliance on Queensland Government support allows both parties to move forward with maximum efficiency. While we do not understand how reporting non-compliance to Parliament actually progresses either our or the Queensland Government's goals, unless it is to be the catalyst for direct assistance for Redcliffe and other hospital foundations, we wish to make the following comments in regard to each of the matters you intend to raise in your report.

Donation revenue

The contract auditor (working for the QAO) has advised us that there is no deficiency in our internal controls to the extent that no matter what we do, while we continue to accept donations, we will receive the qualified audit. While we continue to evaluate our systems and improve controls within the organisation it is hard to understand why the issue of donations continues to be raised as a separate matter when no deficiencies in our controls have been identified. It appears the only way to avoid the qualified audit is to stop accepting donations, which is obviously not an option.

Kabtec

With regard to the Minister's approval for transfer of assets, this requirement (from our point of view) is based on a difference of understanding of the entire Kabtec issue:

- The Redcliffe Hospital Foundation was initially approached by the Department of Housing's Caboolture Community Renewal unit to "auspice" grant funds to construct a Training and Education facility in Caboolture.*
- The facility was ultimately constructed with a grant from the Department of Communities to build a community facility.*
- The land on which the facility was built is leased from the Moreton Bay Regional Council by the Police Citizens Youth Club (PCYC) and has no connection with the Minister for Health.*
- Apart from the grant (which has been acquitted to the Department of Communities) no government funds were applied to the project.*
- No funds relating to the Department of Health have been used to construct the facility.*
- As far as the Foundation is concerned Kabtec Ltd was never a controlled entity and the entity did not fit into any of the categories of controlled entities as listed by the Minister's office.*

Contract with Ray White Constructions:

In 2008 the Redcliffe Hospital Foundation was invited by the Moreton Bay Region General Practice Network to join the University of Queensland School of Medicine and the Moreton Bay Regional Council in a consortium to prepare an application to secure funding for a GP Super Clinic in Redcliffe.

The General Practice Network later withdrew from the consortium leaving the Redcliffe Hospital Foundation to take the lead in pursuing the project, however by that point in time Ray White Constructions had been engaged as construction partners by dint of their commitment to fund the initial architectural plans and preliminary studies for a building to house the clinic, a medical school and other related health services.

The understanding of the Foundation was that there was no compulsion to comply with the State Procurement Policy (SPP) as Ray White constructions were viewed as a partner and the funds being expended were provided by the Federal Government with no State funding involved.

Also the QAO comments and recommendations are based on the fact that the Financial and Performance Management Standard 2009 requires compliance with SPP. However, the most recent documentation on SPP Management appears to indicate that statutory bodies of the size of the Redcliffe Hospital Foundation do not need to comply with the SPP – this is despite the requirement in the Financial and Performance Management Standard 2009. It also lists "Health and Welfare services" as an exclusion.

Emphasis of matter

We agree that at the time of audit it could be construed that that the Foundation's ability to meet its future obligations in relation to the construction contract was dependent on State approval for loan funding and therefore somewhat uncertain. However both Queensland Health and Queensland Treasury were aware of our intention to borrow the necessary funds should our application to the Federal Government's Hospitals and Health Fund for additional funding be unsuccessful.

The Foundation has since secured a further \$5 million (ex GST) in funding from the Department of Health and Ageing and while some borrowing might still be necessary the value of the asset coupled with the projected rental returns negates any doubt, regarding the future of the Foundation as a going concern.'

7.1.2 Department of Public Works – Implementation of QBuild's Ellipse system (Section 4.1)

Department of Public Works response

The Director-General, Department of Public Works provided the following response.

'The Ellipse system commenced implementation prior to the requirement to use the Queensland Government Project Management Methodology (incorporating Prince2). In regard to future information systems project management and governance, the Department of Public Works will manage information system developments and implementation under the Queensland Government Project Management Methodology (incorporating Prince2). As part of this structured project management approach, there will be an appointed Project Board with the appropriate cross-discipline professional experience to oversee the systems implementation. There will also be a requirement to appoint an experienced senior project director and manager/s and the appropriate separation of responsibilities and reporting lines will occur between any supplier and owner project engagement. In addition the requirement to undertake rigorous user acceptance and parallel pay run testing, ensure all appropriate checks have been undertaken and signed off prior to Go-live and confirm business readiness will be reinforced to Project Boards within the Department involved with system implementations.

With respect to the 2009-2010 financial position of QBuild I note the Department was provided an unqualified audit opinion indicating the Queensland Audit Office's acceptance of the completeness and accuracy of the financial statements.

In relation to the identified payroll issues I can confirm that all appropriate action has been taken to ensure all QBuild employees receive their entitlements.'

Treasury Department response

The Under Treasurer provided the following response.

'Treasury will consider the recommendations in the section 'learnings for future agency implementations' for inclusion in the next update of the Financial Accountability Handbook Information Sheets'

7.1.3 Queensland Health Payroll (Section 4.2)

Department of Health response

The Director-General, Department of Health provided the following response.

'I am pleased to provide Queensland Health's response to the matters you intend to include in your forthcoming report to Parliament.

I would like to acknowledge the great work of the payroll staff who have managed to bring the fortnightly processing of the pay back to a level that now resembles business as usual. I would also like to acknowledge the work of line managers who have undertaken work during each roster cycle to ensure that staff are paid. Finally, I would like to acknowledge all the staff of Queensland Health as they have demonstrated a commitment to the organisation and have assisted with stabilising and improving the payroll system.

As you note, the Payroll Stabilisation Project commenced on 19 April 2010 and transitioned to the Payroll Improvement Program on 15 July 2010 which included a formal process to ensure all outstanding and ongoing actions; issues and risks were adopted by the Payroll Improvement Program for inclusion in its program plan. A significant amount of improvement was achieved in the first three months of the project and significant progress has continued to be made following the transition to the Payroll Improvement Program.

The transition of the Payroll Stabilisation Project to the Payroll Improvement Program was undertaken for the following reasons:

- Feedback from Queensland Health staff in districts and payroll services and feedback from unions was strongly negative about the name of the project. As part of the project, forums were held in districts across the state and at these forums, there was a strong sentiment that people did not want the system just stabilised, they wanted it improved. Discussions with stakeholders confirmed that an initiative using the word improvement more accurately reflected the goal of the activities of the project.*
- It was important to move from a project structure and plan that was established in line with KPMG advice as an urgent response to the issues arising from the implementation of the new payroll system, to a more mature program structure and plan.*
- An understanding of the issues and processes of the payroll system had resulted in a predictability of the pay and the performance indicators such as the outstanding adjustments carried forward to the next pay, the number of emergency cash payments, the number of call centre enquiries and the number of people receiving no pay were all trending downwards.*

I would like to provide the following comments in response to each of the key audit findings:

- Inadequate separation of duties between those charged with governance and those responsible for delivering the project outcomes. While the Payroll Stabilisation Project Steering Committee was established as a project governing committee with the Director-General as the Chair, it also included members of the project team. This resulted in a lack of separation of duties between those charged with governance and those responsible for project delivery. This issue has been addressed within the Payroll Improvement Project.*

It is considered that the above recommendation fails to recognise the reality of the crisis response required by Queensland Health based explicitly on KPMG recommendations regarding structure. The Payroll Stabilisation Project was established as a critical and urgent response to the issues associated with the implementation of the new system. The overwhelming motivation in establishing the Payroll Stabilisation Project was to ensure that staff were paid accurately and on time. It was imperative that the right level of skill was directed toward responding to the challenges presented by the new payroll system, As a result, Queensland Health had two Deputy Directors-General involved in the project "doing and governing", While this created a potential risk in relation to separation of duties, the structure was consistent with KPMG advice. The importance of ensuring that Queensland Health staff were paid accurately and on time required all involved staff, including myself, to undertake actions as part of the project. The allocation of two Deputy Directors-General to the project is a demonstration of the importance placed on the project.

It should also be noted that on page 5 of the Auditor-General's Report No 7 for 2010 it clearly recommends that "the current action to stabilise the Queensland Health payroll and rostering systems be continued to ensure Queensland Health employees are paid correctly". This comment does not appear consistent with the current audit finding.

With regards to the current Payroll Improvement Program, the Steering Committee responsible for governing the project has in its terms of reference, the clear provision that the Executive Program Director does not have voting rights in any decisions of the Committee, thus addressing your recommendations.

- *The definition of 'stabilisation' which was essentially the project's success criteria was only established ten days prior to the final Payroll Stabilisation. Project Steering Committee meeting. Project success criteria or acceptance criteria should be established and endorsed by the Steering Committee at the beginning of the project as part of the project management plan. 'Stable' performance was considered to exist when there were declining trends in prior period backlog rollovers and limited variations in the 'number of current period rollovers.*

Again, it is considered that the above recommendation fails to recognise the reality of the crisis response established by Queensland Health which did not allow for project success criteria or acceptance criteria to be planned ahead of the project.

In relation to the issue of stabilisation, Queensland Health requested KPMG to investigate the national and international definitions of stability for a complex, shift based payroll system such as Queensland Health's. No such definitions could be found. As noted, at the time of transition, the payroll system was predictable, and since this time the number of outstanding adjustments carried forward from one roster cycle to the next is equivalent to two to three days of adjustments. Given that the roster cycle ends on a Sunday night, and that to deliver the pay to staff by the following Wednesday requires that the pay run commences on Saturday night, this represents a return to business as usual.

The audit should acknowledge that the correct focus at the beginning of the project should have been, and was, on getting staff paid. It was appropriate that approximately two months after the commencement of the project, effort was directed towards an understanding of stabilisation when the system was responding predictably and all indicators were trending down. As noted above, the transition to the Payroll Improvement Program was a transition of governance, structure and name, the work was continuous and remains ongoing through the Payroll Improvement Program.

- While the number of new payroll incidents being reported and backlog of transactions were declining, there was significant manual processing relating to activities (such as leave application) that are normally automated in other Queensland Government departments. Queensland Health continues to improve these processes and has advised QAO that provision for automating some of these processes will be made as part of the Payroll Improvement Project.

The Payroll Stabilisation Project established the data collection and reporting processes to understand the performance of the pay. I would like to acknowledge the work of the project in establishing the data collection processes, as they were not available from previous payroll Systems. The data collection processes were established rapidly and without them, an understanding of the performance of the system would not be possible.

There is a greater understanding of the input, throughput and output of the payroll system as a result of the project than there has ever been in previous payroll systems. Data collection strategies were implemented to monitor the number of adjustment emails received by payroll, the number of outstanding adjustments at the end of each day and the number of completed rosters. Daily data was also collected from the call centre hotline in relation to number of calls and length of time to answer calls. These data were monitored daily by the project.

- There was no system in place, for payroll processing centre performance reporting.
For example:
 - Forms were completed, signed and emailed or faxed to a central location for data entry into the system. As each email or fax could include one transaction or more than 100 transactions to be processed there was no accurate record of the number of transactions requiring processing.
 - There was no process for recording the number of payroll enquiries that were answered by each of the processing centres. Therefore, there was no method of understanding how the time spent on addressing telephone queries was impacting on the hubs ability to process payroll transactions.

Action is being taken to address these performance reporting issues.

Queensland Health considers this statement does not accurately reflect the range of performance data being collected and monitored.

As stated above, the process to measure the number of emails containing adjustments each day was established by the Payroll Stabilisation Project. Also, the number of outstanding adjustments at the end of each day was measured and monitored by the project.

In addition, the project established one hour teleconference meetings with all District CEOs and Deputy Directors-General to discuss only payroll issues every Monday, Wednesday and Friday of every week. On Tuesday and Thursday of every week, senior project staff held a teleconference with senior payroll staff to discuss issues, inquiries, outstanding adjustments and roster completions.

The data collection mechanisms identified that approximately 4,000 adjustment entails are received every week day totalling approximately 40,000 over a roster period. By monitoring the outstanding adjustments, we are able to determine how many days of outstanding adjustments remain at the end of each roster cycle. For the pay period ending Sunday 17 October 2010, there were approximately 8,500 adjustments carried forward into the next roster cycle. This represents approximately 2 days of adjustments and resembles business as usual.

Significant work has been undertaken to develop a number of performance reporting measures including complaints volume data, backlog/adjustment processing data, confirmed no pays etc and action continues to be taken through the Payroll Improvement Program.

A state-wide call centre was established as part of the project and enquiry calls to this centre were recorded and monitored. The number for the call centre was widely distributed and provided on the department's intranet site.

In response to the Auditor-General's Report, the Queensland Government released a response to the report that contained five key elements:

- *Better payroll model;*
- *Best software system;*
- *Holding IT advisors accountable;*
- *Strengthening Queensland Health Corporate Services; and*
- *The future of CorpTech and Shared Services.*

The implementation of the new payroll operating model developed by KPMG has seen the establishment of personalised service arrangements where staff can schedule an appointment with payroll hubs to address complex pay issues. Also, the distribution of the time and wages reports to allow staff to compare the data in the payroll system with their own shift records has occurred. The Payroll Improvement Program continues the work to ensure staff are paid on time and accurately and the following initiatives are included in the program of work:

- *implementation of the new payroll operating model*
- *implementation of payroll system fixes*
- *redevelopment of the layout and content of payslips*
- *redevelopment of the roster output from the payroll system*
- *changes to the payslip distribution process*
- *implementation of a new web-based payroll portal for the submission of rosters and forms*
- *implementation of software to assist payroll staff analyse staff payroll data to answer queries.*

In providing the above responses, Queensland Health would like it acknowledged that the findings contained within the Auditor-General's Report were prepared some months ago and significant progress been made by Queensland Health which addresses the findings, for example, the Queensland Government's response to the report which contains the five key elements mentioned above.'

7.1.4 Shared Services (Section 4.3)

Department of Public Works response

The Director-General, Department of Public Works provided the following response.

'It is pleasing to note that the Queensland Audit Office (QAO) acknowledges the progress that has been made in respect of the identified issues since the previous report.

The Shared Service Agency and CorpTech continue to work on these issues in close collaboration with QAO and internal audit and regular updates are provided through established audit forums. The Department of Public Works is satisfied with the progress that is being made in each of these areas.

The shared service model for the Queensland Government has been the subject of a recent review commissioned by the Department of the Premier and Cabinet and undertaken by PricewaterhouseCoopers. A copy of the report has been provided to the Department of the Premier and Cabinet and the Government's response to the report's recommendations is currently being considered. This may impact on the model going forward and will need to be further discussed with QAO.

Further updates in terms of specific topic areas identified in the report are provided as follows:

4.3.1 Finance and human resource applications standardisation

The future of the Corporate Solutions Program may be impacted by the recommendations contained in the PricewaterhouseCoopers review of the Shared Services model.

4.3.2 General computer controls

CorpTech is making reasonable progress with its examination of, and remedial action taken on, security issues across all legacy application environments as well as the implementation of its new service management tool, Service Now ITSM. This body of work may also be impacted by the recommendations contained in the PricewaterhouseCoopers review of the Shared Services model.

4.3.3 System disaster recovery

The department will continue to take the opportunity to reassess business continuity planning measures of all shared service elements within the Department of Public Works — CITEC, CorpTech and Shared Service Agency. This work however may be impacted by the recommendations contained in the PricewaterhouseCoopers review of the Shared Services model.

4.3.4 Segment reporting

QAO has indicated that the resolution actions taken by the SSA have now reduced this to a medium risk issue. SSA continues to work to resolve this issue with its client agencies and will agree on a revised completion date with QAO.

4.3.5 Annual Leave Central Scheme

QAO has indicated that the resolution actions taken by the SSA has now reduced this to a medium risk issue. SSA continues to work to resolve this issue with its client agencies and will agree on a revised completion date with QAO.

4.3.6 Vendor master data approval and maintenance

The SSA Fraud Control Plan has now been approved by the Senior Management team (SMT) and will be made available on the SSA website, mySSA.

4.3.7 Operating level agreements

The SSA supports the establishment of a Shared Service Forum as detailed, however, the issues raised and recommendations by the Auditor-General will also be addressed through the quarterly Strategic Directions forums that the SSA convenes with the Heads of Corporate Services and their management teams across all client agencies.

4.3.8 Management assurance framework

SSA has instituted the provision of a second report during the year which would enable the early identification of any significant control issues and timely resolution of these. SSA will rely on agency feedback in relation to these reports to better respond to future specific agency requirements.'

7.1.5 Tabling of financial statements in Parliament (Section 5.1)

Treasury Department response

The Under Treasurer provided the following response.

'Treasury understands that of the 159 entities discussed...99 entities are not Queensland public sector entities. They are audited by the Auditor-General 'by arrangement' and as such Treasury does not have a mandate to set financial reporting requirements. In respect of the approximately 60 Queensland public sector companies, to date it has been considered sufficient and appropriate that public sector companies comply with their counterparts in the private sector. While some companies would be required to prepare financial statements under the Corporations Act 2001, the majority of existing public sector companies would be exempted. In response to comments by the Auditor-General in Report to Parliament No. 9 for 2008 on this matter, Treasury is currently carrying out a comprehensive review of the reporting practices of the public sector companies.'

7.1.6 Disclosure of executive remuneration (Section 5.2)

Public Service Commission response

The Senior Executive Officer, Public Service Commission provided the following response on behalf of the Commission Chief Executive:

'I advise that on 11 October 2010, I had written to the Under Treasurer on this matter and suggested a standard practice of executive remuneration reporting as follows:

- *Total executive remuneration should be reported. This includes superannuable salary, employer superannuation payments, leave loading and the full annual cost of an employer owned motor vehicle, whether or not an actual vehicle for private use is supplied by the Government;*
- *The base threshold for reporting should be the minimum remuneration for SES 2;*
- *Reporting should be in bands of \$10,000 and be on the basis of the number of executives in each reporting band; and*
- *The reporting should apply to all chief executives, senior executives and equivalent level employees engaged under the Public Service Act 2008. This would include officers employed under section 122 employment contracts.'*

Treasury Department response

The Under Treasurer acknowledged the Public Service Commission's response and provided the following response.

'Treasury also notes that the Australian Accounting Standards Board is currently looking at executive remuneration disclosures for the public sector. These disclosures will be required to comply with the Standards. Treasury is currently reviewing the policy with changes to be included in the next version of the Financial Reporting Requirements, expected to be released early in 2011.'

7.2 Types of auditors' opinions

As the independent external auditor for the Queensland Parliament, the Auditor-General issues an independent auditor's report on the financial report of public sector entities. The independent auditor's report provides the people of Queensland, through Parliament, assurance as to the veracity of the financial reporting of public sector entities, including compliance with prescribed requirements. One or more of the following auditor's opinion types may be expressed when issuing independent auditors' reports in respect of the financial report of an entity. The types of auditor's opinion issued are in accordance with Australian Auditing Standard (ASA) ASA 700 *The Auditor's Report on a General Purpose Financial Report* and ASA 701 *Modifications to the Auditor's Report*.

Unmodified auditor's opinion

An unmodified auditor's opinion is an auditor's opinion which has been issued without qualification and has not been modified by the inclusion of an emphasis of matter paragraph (see below).

An unqualified auditor's opinion is issued on financial reports where:

- all of the information and explanations required have been received
- the financial report gives a true and fair view or is presented fairly in accordance with the requirements of the applicable financial reporting framework, and
- in the Auditor-General's opinion, the prescribed requirements of applicable legislation have been complied with in all material respects in relation to the establishment and keeping of accounts.

Modified auditor's opinion

A modified auditor's opinion may be issued either to highlight a matter affecting the financial report or where the auditor is unable to express an unqualified auditor's opinion on the financial report. A modified auditor's opinion is only issued after an auditor has, in a timely fashion, exhausted all reasonable steps to be able to express an unmodified report. There are four types of modified auditors' opinions:

- **Emphasis of matter** is included when the Auditor-General wishes to highlight disclosures made in the notes to the financial statements that more extensively discuss a particular matter impacting on the financial report. An emphasis of matter can accompany either an unqualified opinion or a qualified opinion and is expressly stated to be made 'without qualification' to the auditor's opinion or 'without further qualification' to the auditor's opinion in the case of a qualified opinion.

The most common example of emphasis of matter paragraphs arise where the Auditor-General identifies the existence of significant uncertainty in relation to either an entity's ability to continue as a going concern or judgements used by management in the calculation of complex accounting estimates (e.g. asset fair values or liabilities provided for).

In determining whether an emphasis of matter paragraph will be sufficient without qualification of the auditor's opinion, the Auditor-General takes into account the degree of objective data to support the reasonableness of the accounting estimate and the extent and appropriateness of the disclosures included in the financial report.

- **Qualified opinion** is expressed when the Auditor-General concludes that, except for the effect of a disagreement with those charged with governance, a conflict between applicable financial reporting frameworks or a limitation on scope that is considered material to an element of the financial report, the remainder of the financial report can be relied upon.
- **Adverse opinion** is expressed when the effect of a disagreement between the Auditor-General and the management of an entity or conflict between applicable financial reporting frameworks is so material and pervasive that the Auditor-General concludes that the financial report taken as a whole is misleading or of little use to the addressee of the audit report.
- **Disclaimer of opinion** is expressed when a limitation on the scope of the audit exists that is so material and pervasive that the Auditor-General is unable to express an opinion on the financial report.

7.3 Acronyms

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
CEO	Chief Executive Officer
CFO	Chief Finance Officer
QAO	Queensland Audit Office

7.4 Glossary

Accountability

Responsibility on public sector entities to achieve their objectives, about the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

Audit by arrangement

An audit by the Auditor-General of an entity that is not a public sector entity, conducted at the request of a Minister or a public sector entity and with the consent of the entity.

Audit by arrangement – under trust deed audit

An audit of a trust fund where the Auditor-General is specified as the auditor in the trust deed. A trust fund is not a public sector entity.

Auditor's opinion

Positive written expression within a specified framework indicating the auditor's overall conclusion on the financial report based on audit evidence obtained.

Authorised auditor

The Auditor-General or Deputy Auditor-General, or a member of staff of QAO, or a contract auditor.

Contract auditor

An appropriately qualified individual, who is not a staff member of QAO, appointed by the Auditor-General to undertake audits of public sector entities on his behalf.

Controlled entities

Entities where another public sector entity has control or ownership because of its shareholding.

Effectiveness

The achievement of the objectives or other intended effects of activities at a program or entity level.

Efficiency

The use of resources such that output is optimised for any given set of resource inputs, or input is minimised for any given quantity and quality of output.

Fair value

The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial report

A structured representation of financial information. A financial report usually includes accompanying notes derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period in accordance with a financial reporting framework.

Going concern

An entity is expected to be able to pay its debts as and when they fall due, and continue to operate without any intention or necessity to liquidate or wind up its operations.

Governance

The role of persons charged with the oversight, control and direction of an entity.

High risk issues

Audit findings that pose a significant business or financial risk to the entity and must be addressed as a matter of urgency.

Impairment

When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.

Independent auditor's report

Issued as a result of an audit and contains a clear expression of the auditor's opinion on the entity's financial report.

Moderate risk issues

Audit findings that pose a moderate business or financial risk and should be addressed as a matter of high priority.

Prescribed requirements

Requirements prescribed by an Act or a financial management standard, but do not include the requirements of a financial management practice manual.

Public sector entity

A department, a local government, a statutory body, a government owned entity, an entity controlled by one, or more of a, department, local government, statutory body, government owned corporation or another entity controlled by one or more of a department, local government, statutory body or government owned corporation.

7.5 References

Treasury Department, *Financial Reporting Requirements for Queensland Government agencies*, February 2009.

8

Auditor-General

Reports to Parliament

8.1 Tabled in 2010

Report No.	Subject	Date tabled in Legislative Assembly
1	<i>Auditor-General Report to Parliament No. 1 for 2010</i> <i>Audit of A1 Grand Prix Agreements</i> A Financial and Compliance audit	4 February 2010
2	<i>Auditor-General Report to Parliament No. 2 for 2010</i> <i>Follow-up of selected audits tabled in 2007</i> A Performance Management Systems audit	23 March 2010
3	<i>Auditor-General Report to Parliament No. 3 for 2010</i> <i>Administration of Magistrates Court Services in Queensland</i> A Performance Management Systems audit	13 April 2010
4	<i>Auditor-General Report to Parliament No. 4 for 2010</i> <i>Results of local government audits</i> Financial and Compliance audits	21 April 2010
5	<i>Auditor-General Report to Parliament No. 5 for 2010</i> <i>Performance Reviews – Using performance information to improve service delivery</i> A Performance Management Systems audit	18 May 2010
6	<i>Auditor-General Report to Parliament No. 6 for 2010</i> <i>Using student information to inform teaching and learning</i> A Performance Management Systems audit	20 May 2010
7	<i>Auditor-General Report to Parliament No. 7 for 2010</i> <i>Information systems governance and control, including the Queensland Health Implementation of Continuity Project</i> Financial and Compliance audits	29 June 2010
8	<i>Auditor-General Report to Parliament No. 8 for 2010</i> <i>Results of audits at 31 May 2010</i> Financial and Compliance audits	6 July 2010

Report No.	Subject	Date tabled in Legislative Assembly
9	<i>Auditor-General Report to Parliament No. 9 for 2010</i> <i>Sustainable management of national parks and protected areas</i> A Performance Management Systems audit	5 October 2010
10	<i>Auditor-General Report to Parliament No. 10 for 2010</i> <i>Expenditure under the Nation Building – Economic Stimulus Plan at 31 August 2010</i> A Financial and Compliance audit	27 October 2010
11	<i>Auditor-General Report to Parliament No. 11 for 2010</i> <i>Implementation and enforcement of local laws</i> A Performance Management Systems audit	9 November 2010
12	<i>Auditor-General Report to Parliament No. 12 for 2010</i> <i>Follow up of 2009 health audits</i> A Performance Management Systems audit	16 November 2010
13	<i>Auditor-General Report to Parliament No. 13 for 2010</i> <i>Results of audits at 31 October 2010</i> Financial and Compliance audits	November 2010

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