



Engage



Respect



Inspire



Deliver

Briefing for audit committee chairs

2 May 2023

Agenda

10:25 am

Welcome

10:30 am–10:45 am

Considerations as we approach year end

Michelle Reardon, Assistant Auditor-General

11:15 am–11:25 am

An update on valuations and overview of Queensland Treasury's ESG

advice Charles Strickland, Senior Director

11.25 am–11.50 am

Closing remarks

Brendan Worrall, Auditor-General

11:50 am–12:00 pm

Discussion and questions





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Considerations as we approach year end

Michelle Reardon, Assistant Auditor-General

Measuring our performance

Stakeholder satisfaction

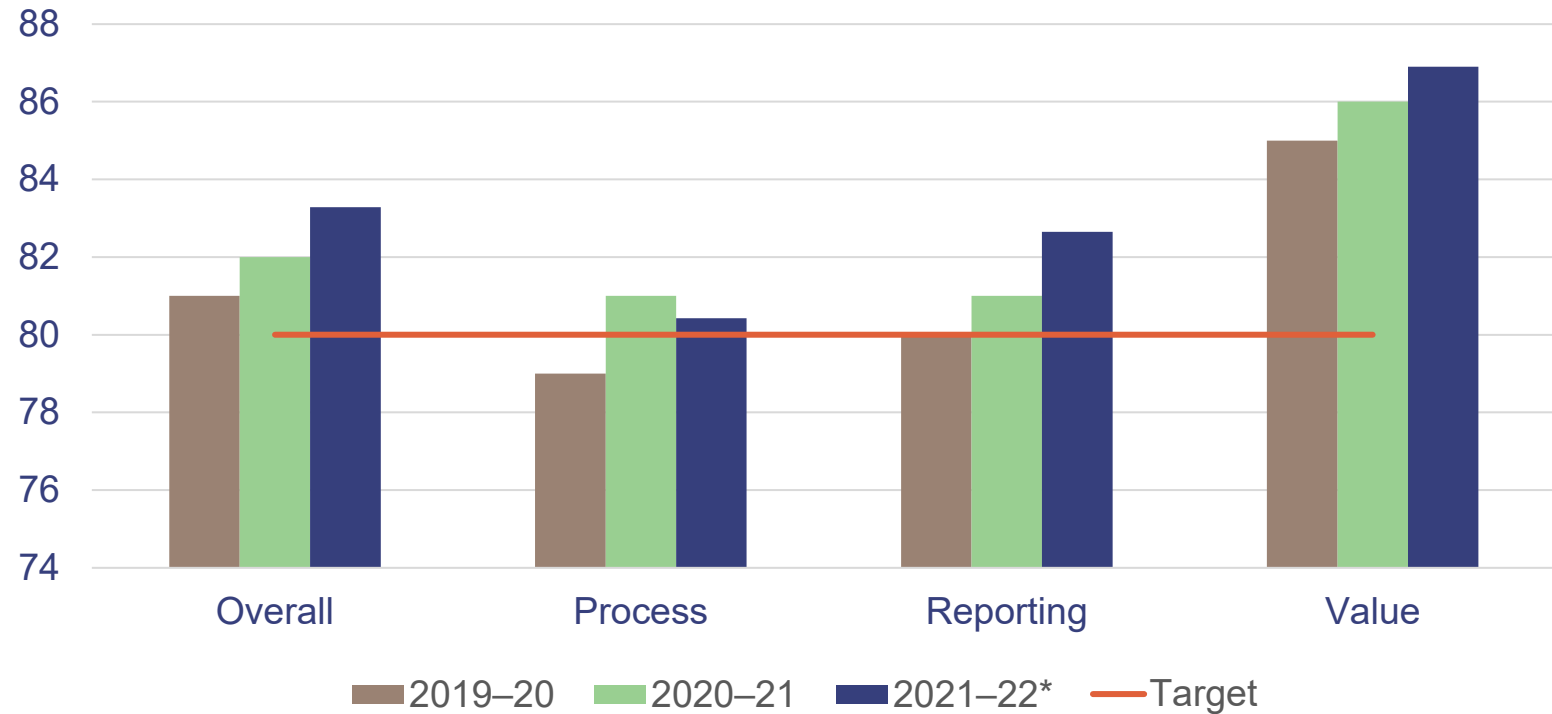
Time to produce reports

Cost of audits and reports

Audit quality

Client feedback on our services

Client survey results 2020 to 2022

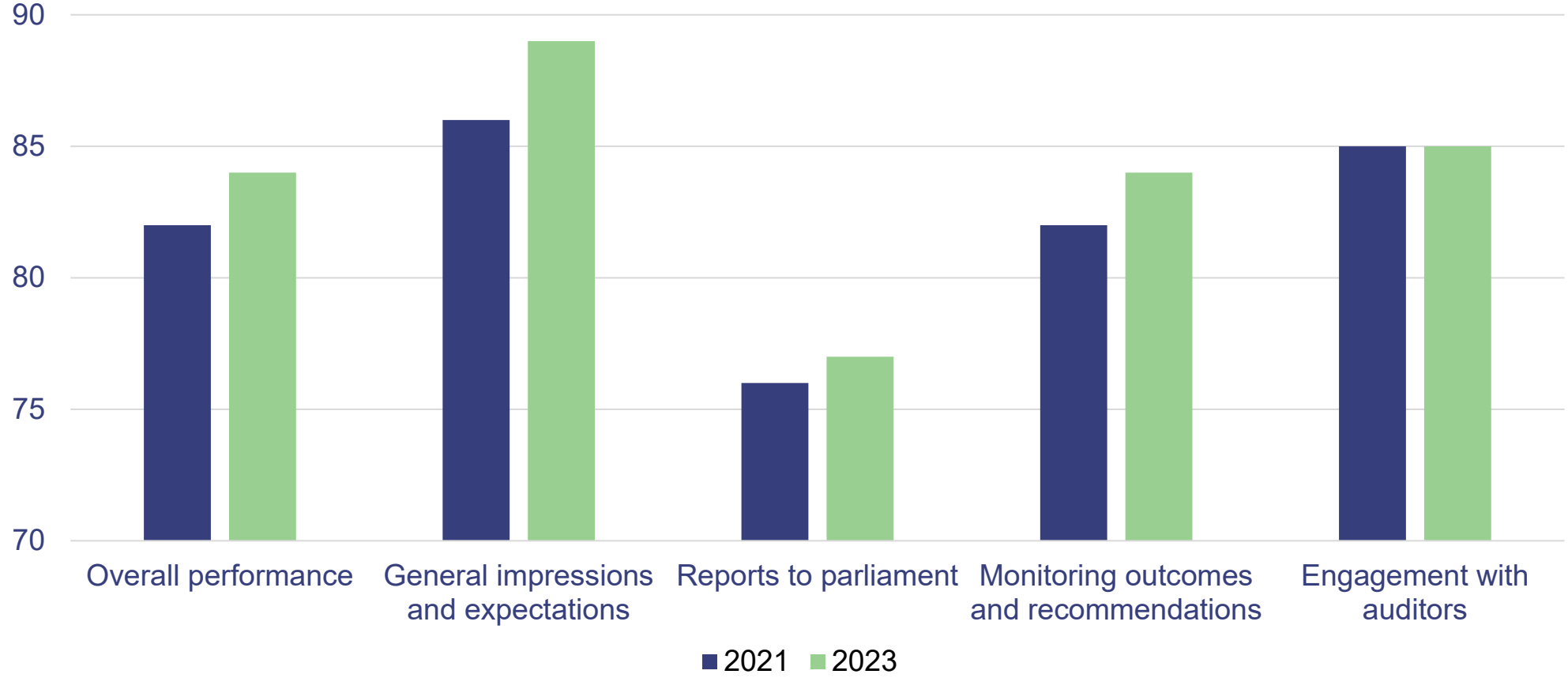


**Rounds 1, 2 & 3 financial audits and rounds 1 & 2 assurance audits*

We asked you how well we meet your expectations, how you value our services and recommendations, how clearly we communicated, how you use our reports and resources, and for your thoughts on our audit processes.

Your feedback on our services

Results of audit committee chair surveys



 We welcome feedback any time



**Your feedback
on our
services**



What is working

- ✓ Communication – pro-active, timely and informative papers.
- ✓ Practical approach to accounting challenges, i.e. flood affected homes resumption program.
- ✓ Technical advice and assistance.



What needs improvement

- ❑ Auditor transitions – ensure key issues/outstanding queries are shared with the incoming auditors.
- ❑ Clarify expectations for auditors attending audit committee meetings, for example preparing papers, sharing insights, promoting discussion on QAO papers.

Our reporting outcomes



- Local government 2022
- Education 2022
- Queensland's regions 2022 (new report)
- Managing Queensland's debt and investments 2022 (new report)
- Implementing machinery of government changes
- Growing ecotourism in Queensland
- Health outcomes for First Nations peoples
- Improving asset management in local government
- Queensland Regional Accommodation Centre (Wellcamp) project

To table by
30 June 2023:





**Factors
impacting
reporting and
internal controls**



COVID-19 pandemic



Staff turnover and vacancies



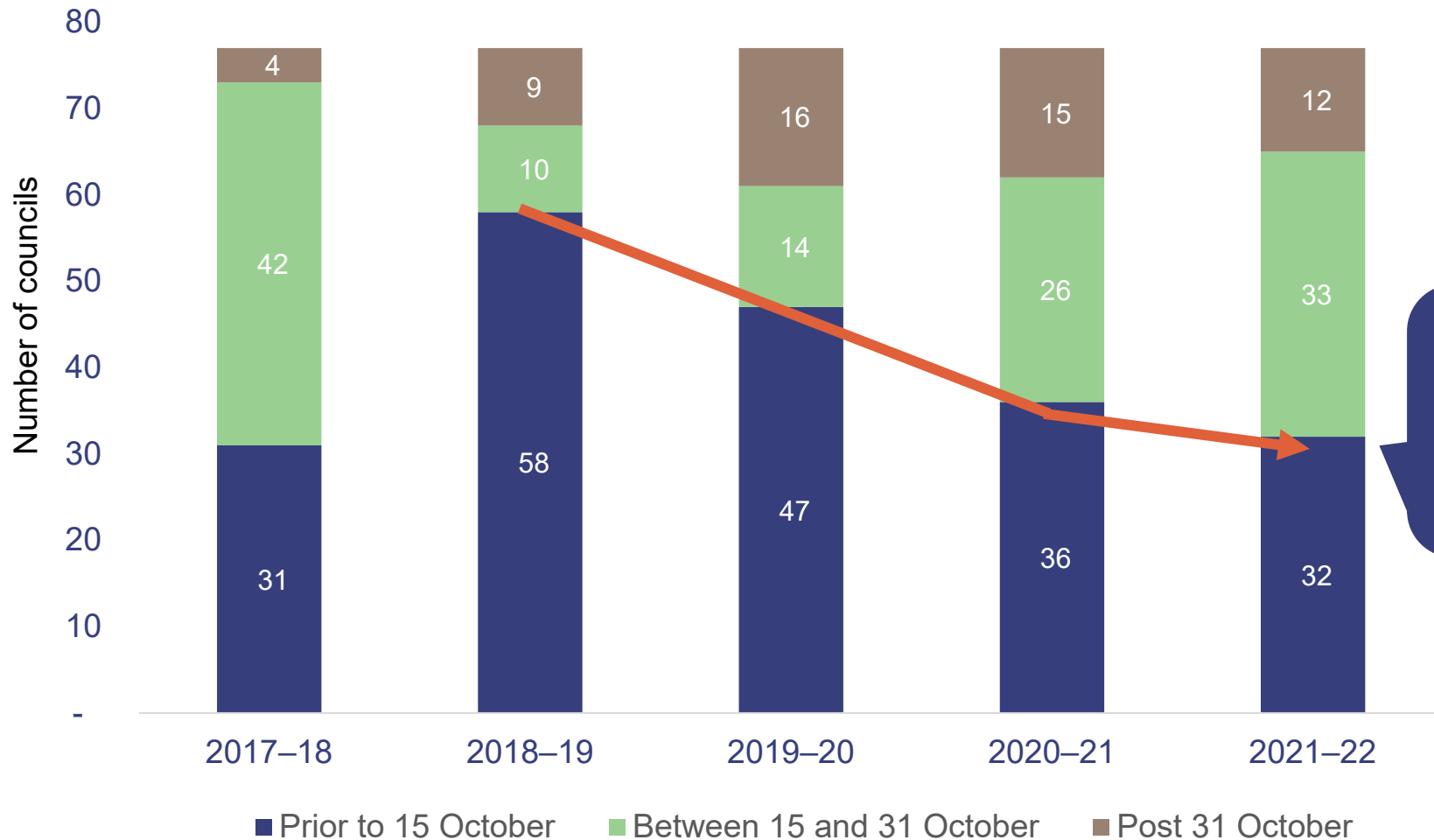
Significant natural disasters



Cyber attacks

Financial statement signing 2022

On average, departments and statutory bodies signed 26 August
➡ one day later than the prior year



Continued decline in the number of councils achieving early certification of financial statements since 2018-19.

Common issues in financial reporting

Prior period errors in accruals and underpayment of wages

Reconciliations not being prepared in a timely manner

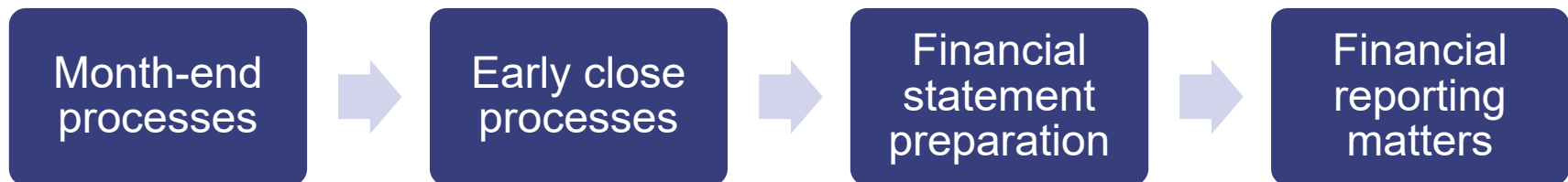
Valuation plans do not address all assets, consider the intervening period, or allow for engagement with valuers

Proforma statements not updated for current year transactions and events

Position papers do not include analysis, alternate positions, or draft disclosures

Financial reporting observations from the last 12 months

Components of our financial statement preparation maturity model





Some insights
from our
recent reports



Multi-agency coordination

- Complex social issues require a designated lead with authority
- Governance arrangements must be clear
- When developing major strategies, entities should work closely with others that have complementary roles



Contract management and procurement practices

- Effective planning includes clearly articulating service need(s)
- Registers help budget for costs, track obligations, reduce variations
- Appropriate systems are needed with training, central documentation, and for managing conflicts of interest



Secure information systems

- Entities are improving their controls, but we continue to find weaknesses, mostly relating to access to systems. This often occurs when entities undergo system upgrades, restructure, or have staff turnover



Timely resolution of internal control deficiencies

- Entities are being exposed to higher risk of operational failure, non-compliance, fraud, or error – audit committees have a key role in monitoring outstanding weaknesses



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An update on valuations and overview of Queensland Treasury's advice on ESG

Charles Strickland, Senior Director

Do I need to undertake a comprehensive revaluation?

Where is my entity on our revaluation program?

What are our risks?

- Labour costs increasing
- Material shortages
- Damage from natural disasters

Quality of our data

- Do we have current, reliable maintenance data?
- Has the public made complaints about asset conditions?
- Is our asset register detailed and complete – componentising assets?

What are my risks now?





Questions to ask your management team on addressing risk through a targeted approach

Approaches (incremental build-up):

Did we have people with the right skills undertake our revaluation?



Indexation (no site visit)

- How do we ensure our asset register is complete and recorded assets exist, what data is used to assess useful lives, why is the index we applied relevant to unit rates?



Desktop

- What data did we use to review unit rates, how current is it, did we undertake sensitivity analysis?
- How can we use internal data better, such as recently completed builds or tender information?



Comprehensive (site visit)

- How extensive was the site visit and what data was captured, measured and used?

How?





**Review
management's
assessment**

Review management's position paper that explains the valuation

- ✓ Objective
- ✓ Scope
- ✓ Qualifications of internal or external staff
- ✓ Materiality thresholds
- ✓ Recent history of valuation movements and approaches
- ✓ Rationale for approach
- ✓ Evidence that asset registers reviewed for completeness, existence, accuracy
- ✓ Sources of internal and external evidence to support variables and assumptions and changes between valuations
- ✓ Outcomes analysis



TCWG and management need to own the paper, even if written by the valuer – update it yearly; don't start from zero

AASB Fair value measurement project (AASB 2022-10/ED320)

Public sector focus + project advisory panel

Starts financial years beginning on or after 1 Jan 2024

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Upcoming
changes to fair
value
measurement

Scope

- Non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows

Restrictions on land for example land under infrastructure

- Roads, schools, hospitals, prisons
- Do you apply discounts to market value for public sector use?

Various issues

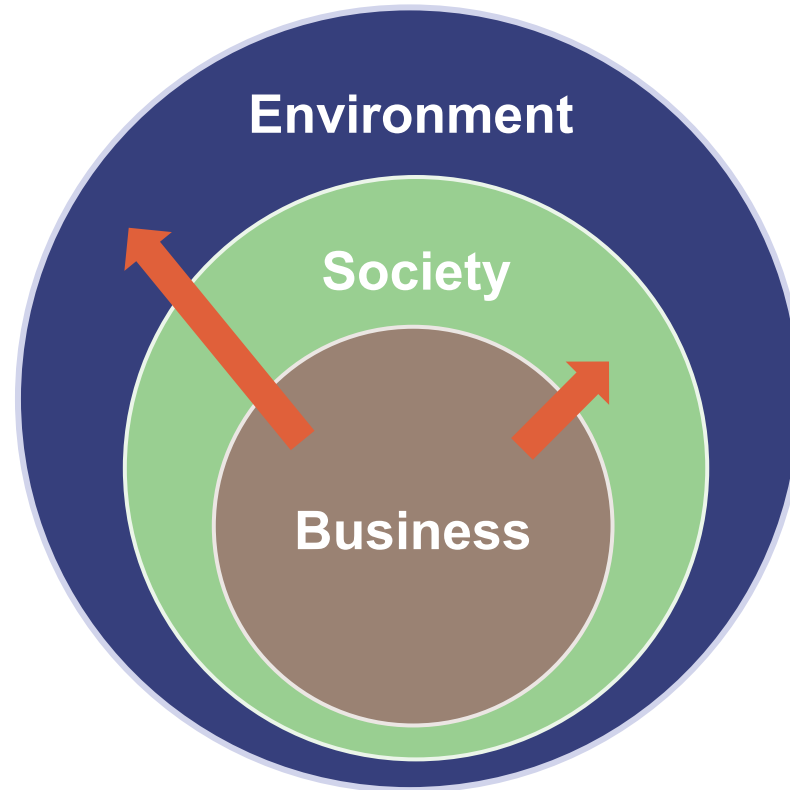
- Market participant assumptions (AASB 13 definition fair value)
- Highest and best use
- Current location
- Greenfield versus brownfield?

Sustainability versus environmental, social and governance (ESG) – is there a difference?

- Treasury manages whole-of-government ESG reporting

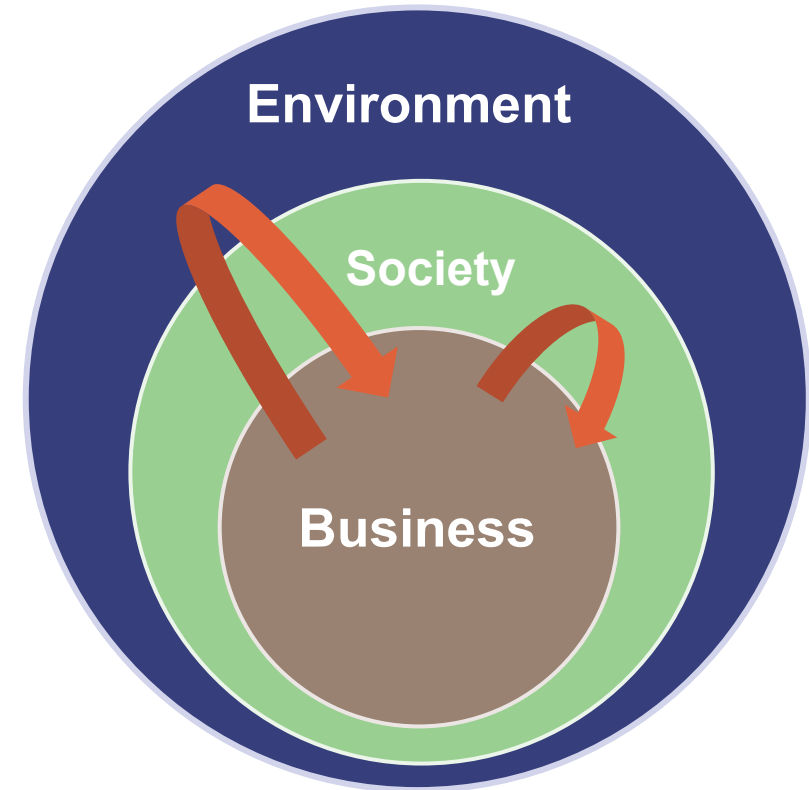
ESG reporting considerations

'INSIDE-OUT' IMPACTS



Sustainability reporting

'OUTSIDE-IN' IMPACTS



ESG disclosures



**The transition
is coming**



The transition to sustainability reporting is underway with the Queensland Sustainability Report

- Treasury will ask agencies to make targeted, focused sustainability disclosures in the future
- Mid-2023 will see more certainty emerge
 - International Sustainability Standards Board (ISSB) finalising S1/S2
 - further public sector discussions with AASB/Commonwealth Treasury
- For-profit agencies should expect earlier application than not-for-profit agencies



Entities have an opportunity now to undertake and/or update climate-risk assessments and embed in their governance reporting process.

What now?

Evaluate

Begin to evaluate **scope 1 and scope 2 emissions** for your agency across your service delivery areas.

Build knowledge

Build **general knowledge** through available training resources (including GHG Protocol concepts/scope 3 emissions) – but remember most are private-sector focused!

Ask

Don't try and fix issues/problems on your own. **Talk to Treasury** – it knows about the issues and is working on solutions.





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Closing remarks

Brendan Worrall, Auditor-General



Legislation changes

Integrity and Other Legislation Amendment Bill 2022

Amendments to the *Auditor-General Act 2009* are aimed at strengthening our independence while providing enhanced accountability to parliament.

We continue to liaise with the working group on the draft legislation

Primary amendments to the *Auditor-General Act 2009*

- Officially recognising the A-G as an Officer of the Parliament – a first in 162 years
- Performance audits of government owned corporations – now included in our forward work plans
- Economics and Governance Committee’s approval of hourly fee rates
- Employing our staff under the *Auditor-General Act 2009*.

The first 2 commenced on 1 March 2023 – others to be proclaimed to commence at a later time.

Broader mandate (non-legislative change)

- Performance audits of lobbying register
- Monitoring how entities measure benefits from contractors and consultants and use of non-disclosure agreements.



Forward work plan 2023–26

Each year, we develop a 3-year plan that outlines our planned audits.

We prioritise our audit activity where we believe our insights can most effectively support entities and have a positive impact.

➔ Includes strategic risks to public service delivery we have identified.

Our audit program

6 focus areas guide our work:

 Technology risk and opportunities

 Sustainable communities and environment

 Governance of government

 Healthy and safe Queenslanders

 Infrastructure investment

 Economic risk and recovery

October 2022 – February 2023
Planning and development

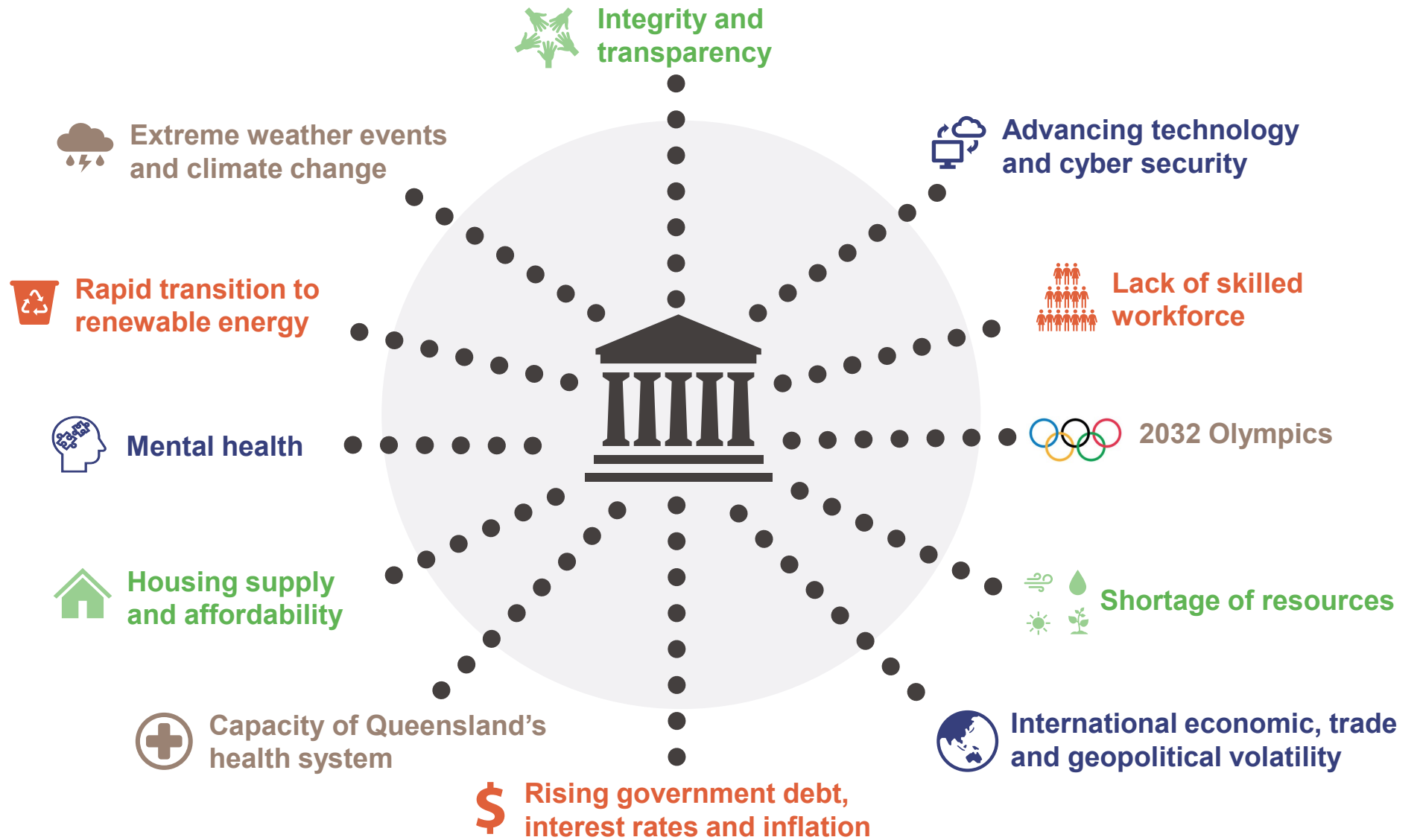
March – April 2023
Consultation

May 2023
Publish plan



Key strategic risks considered

Global and domestic risks impacting on delivery of services by state and local governments



Proposed audit topics and reports

Tabling in 2023–24	Tabling in 2024–25	Tabling in 2025–26	Yearly reports
Community Support and Services Committee			
Diverting young offenders from crime	Ensuring information is protected	Managing third party cyber security risks	
Responding to and recovering from cyber attacks			
Economics and Governance Committee			
Preparing for the Brisbane Olympics	Attracting industries and events	Improving public sector culture	<i>Status of A-G's recommendations</i>
Financial forecasting by the state government	Lobbying in the Queensland Government	Managing consultants and contractors	<i>State entities</i>
			<i>Major projects</i>
			<i>Managing Queensland's debt and investments</i>
Education Employment and Training Committee			
Managing the supply of teachers	Protecting students when online	Managing labour and skill shortages	<i>Education</i>
		Providing digital education	
Health and Environment Committee			
Minimising potentially preventable hospitalisations	Delivery of mental health services	Managing the quality and safety of health services	<i>Health</i>
	Managing waste	Managing Queensland's greenhouse gas emissions	
Legal Affairs and Safety Committee			
Minimising gambling harm	Preventing prisoners from reoffending	Managing volunteer services	
Follow-on audit: Delivering forensic services		Preparing for natural disasters	
State Development and Regional Industries Committee			
Effectiveness of local government audit committees	Managing risk transfer in infrastructure projects		<i>Local government</i>
Managing Queensland's regional water supply	Sustainability of local governments		<i>Queensland's regions</i>
Planning for Queensland's long-term infrastructure investment			
Transport and Resources Committee			
	Disability access to transport	Managing road safety	<i>Energy</i>

Discussion

Presentation slides will be emailed to you and on our website

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

Please answer our quick survey so we can improve our events



● *Queensland*

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