

Financial statements, independent auditor’s report, and performance statement

We continue to operate as a sustainable and contemporary audit practice. The following pages of this report contain the:

- Queensland Audit Office’s financial statements
- Independent auditor’s report from Hall Chadwick
- Queensland Audit Office’s performance statement.

Financial statements and independent auditor's report

Queensland Audit Office Financial Statements For the year ended 30 June 2023

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General Information

These financial statements cover the Queensland Audit Office (QAO) for the 2022-23 financial year. QAO is established under the *Auditor-General Act 2009* to provide independent, valued assurance and insights.

QAO is a not-for-profit entity with the objective to strengthen public sector accountability by providing independent audit services, including reporting to Parliament. QAO is a department for financial reporting purposes (as described in the *Financial Accountability Act 2009*) and is consolidated into the Report on State Finances of the Queensland Government.

The principal place of business is:

Level 13, 53 Albert Street
BRISBANE QLD 4000

For information relating to QAO's financial report please:

- call (07) 3149 6000,
- email enquiries@qao.qld.gov.au
- or visit the QAO's internet site www.qao.qld.gov.au.

Queensland Audit Office
Statement of Comprehensive Income
For the year ended 30 June 2023

	Notes	2023 Actual \$'000	2023 Original Budget \$'000	Budget Variance* \$'000	2022 Actual \$'000
Income from Continuing Operations					
Audit fees	2(i)	42,041	39,094	2,947	39,770
Appropriation revenue for services	2(ii)	7,301	7,301	..	7,003
Other revenue	2(iii)	237	210	27	263
Total Income from Continuing Operations		49,579	46,605	2,974	47,036
Expenses from Continuing Operations					
Employee expenses	3	26,456	27,238	(782)	25,345
Supplies and services	4	21,440	19,189	2,251	19,276
Depreciation and amortisation	8 (b)	34	57	(23)	88
Other expenses	5	467	575	(108)	470
Total Expenses from Continuing Operations		48,397	47,059	1,338	45,179
Total Operating Result from Continuing Operations/Comprehensive Income		1,182	(454)	1,636	1,857

**An explanation of major variances is included at Note 11*

The accompanying notes form part of these statements.

**Queensland Audit Office
Statement of Financial Position
As at 30 June 2023**

	Notes	2023 Actual \$'000	2023 Original Budget \$'000	2023 Budget Variance* \$'000	2022 Actual \$'000
Current Assets					
Cash and cash equivalents	1(d)	11,424	9,954	1,470	9,079
Work in progress	6	2,428	3,357	(929)	2,838
Receivables	7	5,001	3,772	1,229	5,421
Other current assets		612	358	254	882
Total Current Assets		19,465	17,441	2,024	18,220
Non-Current Assets					
Plant and equipment	8(c)(i)	385	115	270	52
Intangible assets	8(c)(ii)	..	..	..	..
Total Non-Current Assets		385	115	270	52
Total Assets		19,850	17,556	2,294	18,272
Current Liabilities - Payables and accruals	9	1,703	1,632	71	1,307
Total Liabilities		1,703	1,632	71	1,307
Net Assets		18,147	15,924	2,223	16,965
Equity					
Contributed equity		5,183	5,183	..	5,183
Accumulated surplus		12,964	10,741	2,223	11,782
Total Equity		18,147	15,924	2,223	16,965

**An explanation of major variances is included at Note 11*

The accompanying notes form part of these statements.

Queensland Audit Office
Statement of Changes in Equity
For the year ended 30 June 2023

	Notes	Accumulated Surplus \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2022		11,782	5,183	16,965
Operating result from continuing operations		1,182	..	1,182
Balance as at 30 June 2023		12,964	5,183	18,147
Balance as at 1 July 2021		9,925	5,183	15,108
Operating result from continuing operations		1,857	..	1,857
Balance as at 30 June 2022		11,782	5,183	16,965

The accompanying notes form part of these statements.

**Queensland Audit Office
Statement of Cash Flows
For the year ended 30 June 2023**

	Notes	2023 Actual \$'000	2023 Original Budget \$'000	2023 Budget Variance* \$'000	2022 Actual \$'000
Cash Flows from Operating Activities					
<i>Inflows:</i>					
Audit fees		42,423	39,239	3,184	37,326
Appropriation revenue for services		7,301	7,301	..	6,993
GST input tax credits from ATO		2,139	3,558	(1,419)	2,078
GST collected from customers		4,261	1,779	2,482	4,316
Other revenue		24	..	24	57
<i>Outflows:</i>					
Employee expenses		(26,185)	(27,137)	952	(25,583)
Supplies and services		(20,708)	(19,188)	(1,520)	(16,711)
GST paid to suppliers		(2,172)	(1,779)	(393)	(1,974)
GST remitted to ATO		(4,129)	(3,513)	(616)	(4,097)
Other expenses		(242)	(365)	123	(265)
Net Cash Provided by / (Used in) Operating Activities	13	2,712	(105)	2,817	2,140
Net Cash used in Investing Activities					
Payments for plant and equipment and intangibles		(367)	(110)	(257)	..
Net increase / (decrease) in cash and cash equivalents		2,345	(215)	2,560	2,140
Cash and cash equivalents at beginning of financial year		9,079	10,169	(1,090)	6,939
Cash and Cash Equivalents at End of Financial Year		11,424	9,954	1,470	9,079

**An explanation of major variances is included at Note 11*

The accompanying notes form part of these statements.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

QAO supports the statutory role and functions of the Auditor-General, who is parliament’s auditor for all state and local government entities. The Auditor-General is fully independent, appointed by the Queensland Governor in Council for a seven-year term. Our work is governed by the *Auditor-General Act 2009* and guided by Australian auditing and accounting standards.

The Auditor-General’s mandate includes annual financial audits and performance audits. We also conduct investigations about financial waste and mismanagement, and report on “better practice” ways that can improve performance and service delivery. The outcomes from our work include:

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

Financial audits are performed on a fee for service basis and account for approximately 85 per cent of QAO’s revenue. To assist in executing our mandate, QAO engages private sector audit firms to undertake around 30 per cent of our work. These contracted firms are agents of the Auditor-General and their services are led and overseen by QAO. The balance of QAO’s revenue comes from parliamentary appropriation.

The parliamentary Economics and Governance Committee provides oversight of the Auditor-General and QAO.

1. Summary of Significant Accounting Policies

Significant accounting policies are shown in the notes to which they relate, except as follows:

(a) Statement of compliance

These general-purpose financial statements have been prepared on an accrual basis, except for the statement of cash flows, and in accordance with:

- section 38 of the Financial and Performance Management Standard 2019
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury’s Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2022.

The historical cost convention is used unless otherwise stated. Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(b) Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is less than \$500, to zero unless disclosure of the full amount is specifically required.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

1. Summary of Significant Accounting Policies (continued)

(c) Taxation

QAO is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Revenues, expenses, and assets are recognised exclusive of GST, except:

- receivables and payables, which include input tax credits and GST payable, and the net amount due to or receivable from the Australian Tax Office (ATO)
- where the amount incurred is not recoverable from the ATO.

The GST components of cash flows arising from investing activities which are recoverable from, or payable to the ATO are included as operating cash flows.

(d) Cash and cash equivalents

Cash assets comprise funds at call with the Commonwealth Bank of Australia.

(e) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(e) Issuance of financial statements

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

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

2. Revenue

QAO charges fees for financial audit services on a full cost recovery basis.

QAO also receives parliamentary appropriation for:

- the position of the Auditor-General
- the conduct of performance audits
- reporting to Parliament on the results of financial and performance audits
- providing advice and assistance to the parliament and central agencies
- preparation of the Forward Work Plan
- investigating matters referred in relation to financial waste and mismanagement.

(i) Audit fees for services to the public sector

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

(ii) Appropriation revenue for services to the parliament

QAO recognises appropriation revenue in the year when the services are performed, which matches the timing of cash transfers made by Queensland Treasury under the *Appropriation (Parliament) Bill 2022*.

	2023 \$'000	2022 \$'000
Revenue		
Budgeted appropriation	7,301	7,014
Queensland Treasury adjustments	..	(11)
Total	7,301	7,003

The adjustment to appropriation from the amount set out in the *Appropriation (2021-2022) Bill 2021* was for Microsoft Core Client Access License (CAL).

(iii) Other Revenue

	2023 \$'000	2022 \$'000
Other revenue		
Storage services received free of charge	214	205
Miscellaneous receipts	23	58
Total	237	263

Miscellaneous receipts consist of amounts recovered from other audit offices for their share of services.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

3. Employee Expenses

	Note	2023 \$'000	2022 \$'000
Employee Benefits			
Wages, salaries and sick leave	3(i)	20,717	19,876
Annual leave levy	3(ii)	2,055	2,070
Long service leave levy	3(ii)	553	500
Employer superannuation contributions		2,903	2,679
Fringe benefits tax		94	84
Total Employee Benefits		26,322	25,209
Employee Related Expenses			
WorkCover Queensland premium		34	38
Employee expenses – other		100	98
Total Employee Related Expenses		134	136
Total		26,456	25,345

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

	2023	2022
Number of employees as at 30 June (based upon the fortnight ending 30 June 2023)	182	179

(a) Employee benefits

Employee benefits include employer superannuation contributions, annual leave and long service leave levies.

Workers' compensation insurance is not included in an employee's total remuneration package and is recognised separately as employee related expenses.

(i) Wages, salaries and sick leave

Wages and salaries are recognised at current salary rates as it is expected any liability will be wholly settled within 12 months of year end. Sick leave is recognised as an expense when the leave is taken.

(ii) Annual leave and long service leave

QAO is a member of the Queensland Government's Annual Leave and Long Service Leave Schemes. QAO pays a levy to these schemes to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. QAO expenses these levies in the period in which they are payable and claims from these schemes quarterly in arrears for amounts paid to employees for leave taken.

QAO does not recognise a provision for annual leave or long service leave as these liabilities are held and disclosed in the Report on State Finances of the Queensland Government pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

3. Employee Expenses (continued)

(iii) Superannuation

Superannuation is provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined (Accumulation) Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan - The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by QAO at the specified rate following completion of the employee's service each pay period. The QAO's obligations are limited to those contributions paid.

(b) Key executive management personnel and remuneration

(i) Key executive management personnel

Details of key executive management personnel are disclosed in accordance with section 3C of the Financial Reporting Requirements for Queensland Government Agencies. Key executive management personnel encompass positions which form part of the Executive Management Group. This group had the authority and responsibility for planning, directing and controlling the activities of the QAO during 2022–23.

Auditor-General – undertakes financial and performance audits of Queensland state and local government entities and provides Parliament with independent assurance of public sector accountability and performance as defined in the *Auditor-General Act 2009*.

Deputy Auditor-General – the statutory role of Deputy Auditor-General is only performed when the Auditor-General is unavailable – the Deputy Auditor-General then acts as Auditor-General.

Assistant Auditors-General – lead and set the strategic direction of client services, parliamentary services and audit practice.

Further information on these positions is in the QAO Annual Report under the Leadership and Governance section.

(ii) Remuneration

The remuneration policy for QAO's key executive management personnel is set by the Queensland Public Sector Commission as provided for under the *Public Sector Act 2008* and the *Auditor-General Act 2009*.

Individual remuneration and other terms of employment are specified in employment contracts.

Remuneration packages comprise the following components:

- short term employee benefits which include:
 - base — salary, incentives, allowances and leave entitlements paid and accrued for the year or for that part of the year during which the employee occupied the specified position
 - non-monetary benefits — car parking and the applicable fringe benefits tax

Queensland Audit Office
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For the year ended 30 June 2023

3. Employee Expenses (continued)

(ii) Remuneration (continued)

- long term employee benefits include long service leave accrued
- post-employment benefits include superannuation contributions
- redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payments in lieu of notice on termination regardless of the reason for termination
- performance bonuses are not paid under the current contracts.

Total fixed remuneration is calculated on a total 'cost' basis and includes the base and non-monetary benefits, long term employee benefits and post-employment benefits.

Position	Name	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Total Remuneration
		Base	Non-Monetary			
		\$'000	\$'000			
1 July 2022 – 30 June 2023						
Auditor-General	B Worrall	483	12	12	56	563
Deputy Auditor-General & Assistant Auditor-General	K Johnson	334	12	7	35	388
Assistant Auditor-General	P Brahman	331	7	7	38	383
Assistant Auditor-General	P Flemming	331	12	7	38	388
Assistant Auditor-General	D Olive	326	12	7	37	382
Assistant Auditor-General (4/10/22 – 30/6/23)	M Reardon	191	6	5	18	220
Assistant Auditor-General (4/10/22 – 30/6/23)	D Brown	218	6	5	20	249
Total 2023						2,573
1 July 2021 – 30 June 2022						
Auditor-General	B Worrall	467	13	11	55	546
Deputy Auditor-General & Assistant Auditor-General	K Johnson	283	13	6	29	331
Assistant Auditor-General	P Brahman	280	13	6	31	330
Assistant Auditor-General	P Flemming	246	13	5	25	289
Assistant Auditor-General	D Olive	236	13	5	23	277
Assistant Auditor-General (1/7/21 – 31/05/22)	R Vagg	258	11	4	22	295
Total 2022						2,068

(iii) Performance payments

No KMP remuneration packages provide for performance or bonus payments.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

3. Employee Expenses (continued)**(iv) Related Party Transactions****Transactions with people or entities related to Key Executive Management Personnel (KMP)**

No transactions with people or entities related to the QAO's KMP were reported for this financial year.

Transactions with other Queensland Government-controlled entities

QAO receives appropriation revenue for the statutory position of Auditor-General and other appropriation funded services (refer Note 2), both of which are provided via Queensland Treasury.

QAO provides audit and assurance services which are paid for directly by public sector entities.

QAO pays work cover premium to WorkCover Queensland as per Note 3.

QAO pays rent and office services to Department of Energy and Public Works as per Note 4.

QAO pays insurance to Queensland Government Insurance Fund (QGIF) and receives storage fees free of charge from Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities, and the Arts as per Note 5.

4. Supplies and Services

	2023	2022
	\$'000	\$'000
Payments to audit service providers	13,130	12,017
Consultants and expert advice	2,363	2,176
Payments to employment agencies for contractor personnel	1,111	594
Rent and office services	1,382	1,698
Information technology and minor office equipment	2,043	1,536
Staff development	239	163
Travel costs	483	300
Bureau charges	189	288
Other administrative costs	500	504
Total	21,440	19,276

5. Other Expenses

	2023	2022
	\$'000	\$'000
Internal audit fees	143	154
External audit fees*	33	33
Insurance premiums – QGIF	65	63
Storage services received free of charge	214	205
Other expenses	12	15
Total	467	470

*Total audit fees due to Hall Chadwick QLD relating to the 2022-23 financial year are \$33,150 (2021-22: \$33,150). Hall Chadwick did not provide any non-audit services.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

6. Work in Progress

Work in progress represents services performed but not yet invoiced and is based on:

- weekly timesheets and hourly rates for each level of staff. The rates are determined by the Auditor-General to provide for cost recovery and approved by the Treasurer
 - costs of work undertaken for QAO by contracted audit firms. The total estimated cost of contracted-out work is agreed in advance of the work commencing, but may be subject to variations as the work proceeds
 - outlays such as travel and accommodation directly incurred in completing the work that are yet to be billed.
- The recoverability of work in progress is regularly reviewed and an allowance for impairment is provided if there is evidence that amounts are not fully recoverable.

As at reporting date, all work in progress is assessed as fully recoverable. The basis of assessment considers:

- no work is disputed by clients
- no unexplained aged work in progress exists
- no amounts are outstanding for entities that no longer exist, and
- good quality credit history, with our clients being state and local government entities.

7. Receivables

	2023	2022
	\$'000	\$'000
Audit fees receivable	4,359	4,757
Annual leave reimbursement	493	487
Long service leave reimbursement	127	177
Other receivables	22	..
Total	5,001	5,421

Receivables are recognised when an invoice is issued and work in progress is reduced accordingly. Invoices are issued periodically, based on milestones or completion of the work. The total estimated cost of audit engagements is communicated in advance of the work commencing but may be subject to variations as the work proceeds. Invoices are due for settlement within 14 days of invoice date.

All receivables are current and expected to be fully collectible based on good credit quality and recent collection history.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

8. Plant and Equipment and Intangible Assets

(a) Acquisition

All plant and equipment and intangible assets are initially recognised and subsequently measured at cost. Cost comprises purchase price plus additional expenditure incurred to maintain the asset in the condition necessary to be used as intended.

Assets are only recognised in the Statement of Financial Position where their initial acquisition costs exceed \$5,000 for plant and equipment and \$100,000 for intangibles. Items costing less than these amounts are included as expenses.

(b) Measurement

Assets are carried at their acquisition cost less accumulated depreciation/amortisation and any accumulated impairment losses. Plant and equipment is depreciated on a straight-line basis to allocate the net cost of each asset, less its estimated remaining value, equally over its estimated useful life.

All intangible assets, including purchased and internally generated software, have finite useful lives and are amortised on a straight-line basis over the period of the expected benefit to QAO.

The depreciation and amortisation rates are:

Asset class	Depreciation rate	Basis	Useful life
Plant and equipment	12.5% to 33.3%	Straight line	3 to 8 years
Intangible assets	Amortisation rate	Basis	Useful life
Software purchased	20% to 33.3%	Straight line	3 to 5 years
Software internally generated	20% to 33.3%	Straight line	3 to 5 years

	2023	2022
	\$'000	\$'000
Depreciation and Amortisation		
Plant and equipment	34	86
Intangibles	..	2
Total	34	88

Queensland Audit Office
Notes to the Financial Statements
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8. Plant and Equipment and Intangible Assets (continued)

(c) Impairment

All plant and equipment and intangible assets are assessed annually for indicators of impairment. If an indicator of possible impairment exists, QAO determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. Impairment losses are recognised immediately in the Statement of Comprehensive Income.

	2023 \$'000	2022 \$'000
(i) Plant and Equipment		
Plant and equipment		
At cost	1,002	997
Accumulated depreciation	(966)	(945)
Total	36	52
Capital work in progress – at cost	349	..
Total	385	52
 <i>Plant and Equipment Reconciliation</i>		
Carrying amount at 1 July 2022	52	138
Acquisitions	18	..
Disposals	(13)	..
Depreciation	(34)	(86)
Accumulated depreciation on disposal	13	..
Acquisitions to capital work in progress	349	..
Carrying amount at 30 June 2023	385	52
	2023 \$'000	2022 \$'000
(ii) Intangible Assets		
Software purchased		
At cost	331	331
Accumulated amortisation	(331)	(331)
Total	..	..
Software internally generated		
At cost	1,968	1,968
Accumulated amortisation	(1,968)	(1,968)
Total	..	..
Intangible Asset Total	..	..
 <i>Intangible Assets Reconciliation</i>		
Carrying amount at 1 July	..	2
Amortisation	..	(2)
Carrying amount at 30 June

Queensland Audit Office
Notes to the Financial Statements
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9. Payables and Accruals

Creditors are recognised on receipt of goods or services ordered and are measured at the agreed purchase or contract price including any applicable trade and other discounts when goods and services ordered are received. Amounts owing are unsecured and are generally settled on 20-day terms.

	2023 \$'000	2022 \$'000
(a) Payables		
Creditors	405	258
GST payable	610	470
GST input tax receivable	(250)	(214)
Net GST payable	360	256
Total	765	514
(b) Accrued Employee Benefits		
Annual leave levy payable	616	612
Long service leave levy payable	158	151
Other employee benefits	164	30
Total	938	793
Total	1,703	1,307

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

10. Commitments for Expenditure

At reporting date QAO had no capital expenditure or operating lease commitments. QAO sub-leases our accommodation through an arrangement with the Department of Energy and Public Works (DEPW). This arrangement is outside the scope of *AASB 16 Leases* as DEPW has substantive substitution rights over the non-specialised, commercial office accommodation we use. There is no lease remediation requirement under this sub-lease.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

11. Budgetary Reporting Disclosures

The QAO's assessment of major budget variances is in accordance with FRR 5C Budgetary Reporting Disclosures.

(i) Explanation of Major Variances – Statement of Comprehensive Income

<i>Audit fees</i>	Audit fees were \$2.947 million above budget because 2021-22 work was carried over into the 2022-23 year due to resource shortages and we performed additional 2022-23 audit work arising from machinery of government changes.
<i>Supplies and services</i>	Supplies and services were \$2.251 million above budget because we had to engage more contract-in resources to deliver our audit work program. Also our costs of protecting systems and storing data have increased significantly.
<i>Employee Expenses</i>	Employee expenses were \$0.782 million below budget due to high staff attrition and delays in finding suitable replacements.

(ii) Explanation of Major Variances – Statement of Financial Position

<i>Cash and Cash Equivalents</i>	Cash was \$1.470 million above budget because we converted work in progress and receivables into cash at an earlier point in time in 2022-23.
<i>Work in Progress</i>	Work in Progress was \$0.929 million less than budget. Management minimised the year end WIP balance through conversion to receivables and cash. This is reflected in higher than planned receivables.
<i>Receivables</i>	Receivables was \$1.229 million above budget as per the explanation above.
<i>Plant and Equipment</i>	Capital purchases were \$0.270 million higher than budget as we had information technology performance issues and needed to purchase replacement on-premise servers earlier than our original plan of 2023-24.

(iii) Explanation of Major Variances – Statement of Cash Flow

<i>Audit Fees</i>	Audit fees received were \$3.184 million more than expected because we did more audit work in 2022-23 reflecting both carry over work from 2021-22 and planned and unplanned work from 2022-23.
<i>Supplies and Services</i>	Supplies and services paid were \$1.520 million more than budgeted because we had to engage more contract in resources to deliver our audit work program. Also our costs of protecting systems and storing data increased significantly.
<i>Employee Expenses</i>	Employee expenses were \$0.952 million less than expected. This was driven by lower than anticipated employee numbers.

Queensland Audit Office
Notes to the Financial Statements
For the year ended 30 June 2023

12. Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position on agreement of the contractual provisions of the financial instrument. QAO has the following categories of financial instruments:

(a) Classification

Financial Assets	Notes	2023 \$'000	2022 \$'000
Cash and cash equivalents (fair value through profit or loss)	1 (d)	11,424	9,079
Work in progress (amortised cost)	6	2,428	2,838
Receivables (amortised cost)	7	5,001	5,421
Total		18,853	17,338
Financial Liabilities - Payables and accrued employee benefits (amortised cost)	9	1,703	1,307

(b) Financial Risk Management

QAO's activities expose it to credit risk and liquidity risk. Financial risk management is implemented pursuant to state government and QAO policies. These policies focus on the financial performance of QAO over the medium term. QAO is predominantly self-funded and sufficient surplus cashflow is required to reinvest in the technology required to deliver our services. QAO aims to record sufficient surpluses over a 2 to 3 year period to allow for this reinvestment. Primary responsibility for the management of financial risk rests with the Executive Management Group, with oversight and monitoring by the Audit and Risk Management Committee.

QAO's bank account is included in the whole-of-government set-off arrangement managed by Queensland Treasury. The overdraft limit of the whole-of-government group is \$300 million. The account does not earn interest on surplus funds, nor is interest charged on overdrawn funds. Interest earned or charged on the aggregate set-off arrangement accrues to the Consolidated Fund of the State.

(c) Credit Risk Exposure

QAO may incur financial loss because of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date is the gross carrying amount of each category of recognised financial asset inclusive of any allowance for impairment.

No collateral is held as security and no credit enhancements relate to the financial assets held by QAO.

In the current financial and prior financial years there has been nil trade receivable write offs and therefore no financial impact of credit risk.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2023

12. Financial Instruments (continued)

(c) Credit Risk Exposure (continued)

No financial assets had their terms renegotiated to prevent them from being past due or impaired and are stated at the carrying amounts as indicated. There were no individually impaired financial assets in the current or previous period.

Receivables	Ageing of Receivables (not impaired)			More than 90 days \$'000	Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	Overdue 61-90 days \$'000		
2023	4,540	447	14	..	5,001
2022	5,380	..	41	..	5,421

(d) Liquidity Risk

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

QAO ensures it has sufficient funds available to meet financial obligations when they fall due by maximising its bank account balance and through an approved corporate card facility with a \$200,000 limit. At year end, \$171,000 (2022: \$171,000) was available in this facility.

As at 30 June 2023, QAO's financial liabilities are all payables and accruals that fall due within 12 months.

(e) Fair Value

The carrying amounts of receivables and payables, which represent the value of the original transactions less any allowance for impairment, are consistent with the fair values of these balances.

13. Reconciliation of Operating Surplus to Net Cash from Operating Activities

	2023 \$'000	2022 \$'000
Operating Surplus	1,182	1,857
Non-cash items included in operating result:		
Depreciation and amortisation expense	34	88
Change in assets and liabilities:		
(Increase) / decrease in work in progress	409	3,108
(Increase) / decrease in receivables	422	(2,652)
(Increase) / decrease in other current assets	270	(220)
Increase / (decrease) in creditors	147	(252)
Increase / (decrease) in accrued employee benefits	145	(110)
Increase / (decrease) in GST payable	103	321
Net Cash provided / (used) by Operating Activities	2,712	2,140

Certificate of the Queensland Audit Office

CERTIFICATE OF THE QUEENSLAND AUDIT OFFICE

These general-purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), s.42 of the Financial and Performance Management Standard 2019 and other prescribed requirements.

In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year ended 30 June 2023 and of its financial position as at the end of that year
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects for financial reporting throughout the reporting period.



Sandi Faddy, CPA
Acting Chief Financial Officer
25 July 2023



Karen Johnson, FCA
Acting Auditor-General
25 July 2023

Independent auditor's report

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Independent Auditor's Report to the Accountable Officer of Queensland Audit Office

Report on the audit of the financial report

Opinion

We have audited the financial report of Queensland Audit Office, which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the certificates given by the Auditor-General of Queensland and the Chief Financial Officer of Queensland Audit Office.

In our opinion, the accompanying financial report:

- (a) gives a true and fair view of the financial position as at 30 June 2023 of the Queensland Audit Office and of its financial performance and cash flows for the year then ended; and
- (b) complies with the Financial Accountability Act 2009, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Queensland Audit Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The Accountable Officer is responsible for the other information. The other information comprises the information included in Queensland Audit Office's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Accountable Officer for the Financial Report

The Accountable Officer of the Queensland Audit Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and is appropriate to meet the requirements of the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2019. This responsibility includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Queensland Audit Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Officer.
- Conclude on the appropriateness of the Accountable Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Queensland Audit Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Queensland Audit Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2023:

- (a) We have received all the information and explanations which we have required; and
- (b) In our opinion, the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects.

Hall Chadwick
M. S. Taylor

Mark Taylor
Director
Hall Chadwick QLD

Dated at Brisbane this 25th day of July, 2023.

Performance statement

Queensland Audit Office Performance statement Year ended 30 June 2023

Performance comparison – actual to target

Service Standards	Notes	Target	Actual	Variance
Effectiveness measures				
Parliament's overall satisfaction with services (per cent)	1	80	97	17 Favourable
Audit clients' overall satisfaction (index points)	1, 2	80	83	3.0 Favourable
Average time to produce reports – financial audits (months)	3, 5	6.0	8.4	2.4 Unfavourable
Average time to produce reports – performance audits (months)	3, 6	9.0	11.9	2.9 Unfavourable
Efficiency measures				
Average life-cycle cost of reports tabled – financial audits (\$'000)	4, 5	130	151	21 Unfavourable
Average life-cycle cost of reports tabled – performance audits (\$'000)	4, 6	395	320	75 Favourable
Average cost of financial audits – State entities (\$'000)	7	80–90	93	3 Unfavourable
Average cost of financial audits – Local government entities (\$'000)	7	70–75	83	8 Unfavourable

These measures are in the 2023–24 Queensland State budget papers.

Notes to and forming part of the performance statement.

Including the explanation of major variances

- QAO's performance is effective when members of parliament and our audit clients value our independent audits and advice. We report on the results of our audits and share our insights and advice to parliament and the entities we audit. We value all feedback we receive as it identifies opportunities for QAO to enhance our relationships with members of parliament and audit clients.

We typically survey members of parliament twice during the parliamentary term (not annually). We previously surveyed members of parliament in 2020–21. Parliament's overall satisfaction with services in 2020–21 was 89 per cent. In 2022–23 satisfaction improved to 97 per cent.
- QAO surveys its public sector and local government audit clients each year. Our audit clients' overall satisfaction is a blended average from surveys of financial audit and performance and assurance audit clients.

The actual result for 2022–23 is slightly higher than the target and reflects our focus on providing our clients with a consistent and seamless QAO experience.

We received positive feedback about the professionalism of our auditors and their knowledge and skills. Clients rated our reporting highly, and agreed they had adequate opportunity to comment on audit findings. Based on the survey results, key improvement opportunities include the timeliness of our audit program and responsiveness to client enquiries; and how we communicate with some clients.
- The Auditor-General must report to parliament annually on each audit performed. We track the time it takes to produce each report to parliament, which contributes positively to prompt action towards the delivery of better public services. Our audits include:

Financial audits. The measure is the average time of all financial audit reports tabled. It calculates the average time taken from our clients' financial year-end date to the tabling date of the report.

Performance audits. The measure is the average time of all performance audit reports tabled. It calculates the average time from when we initiate the audit to the tabling date of the report.

- We also track the life cycle cost of each report to parliament. The cost of reporting to parliament includes internal staff costs and overheads, contractor costs and other direct costs to produce the report.

Financial audits. The measure is the average cost of all financial audit reports tabled within the financial year. The life cycle cost of a report includes the costs to develop the report through to when we table the report.

Performance audits. The measure is the average cost of all performance audit reports tabled within the financial year. We measure the life cycle cost of a report from when we initiate the audit to the tabling date of the report.

- The delay in tabling reports and increased costs reflects the challenges QAO is facing with resources in the current competitive professional labour market. We tabled several new financial audit reports (*Major projects 2022*, *Managing Queensland's Debt and Investments 2022* and *Queensland Regional Accommodation Centre (Wellcamp)*) in 2022–23. These reports on average took longer to prepare.

We also continued to develop maturity models as part of our reporting to help audit clients assess their internal controls. The costs of these models are included in this measure. We updated our risk management maturity model as part of our *Education 2022* report and developed a procure-to-pay maturity model as part of the *Local government 2022* report.

We have listed the actual duration and cost for each report below.

Financial audit report title	Life cycle cost	Duration (months)
Major projects 2022	\$287,476	5.0
Energy 2022	\$114,811	5.3
Health 2022	\$111,018	8.0
State entities 2022	\$122,199	8.5
Managing Queensland's debt and investments 2022	\$70,430	10.9
Local Government 2022	\$226,186	11.7
Education 2022	\$202,568	5.8
Queensland Regional Accommodation Centre (Wellcamp)	\$70,781	12.0
Total	\$1,205,469	67.2
Average (rounded)	\$150,684	8.4
Target	\$130,000	6.0

- The performance audit reports are a mix of detailed performance audits (higher cost) and concise reports (lower cost). The delay in tabling reports reflects the challenges QAO is facing with resources in the current competitive professional labour market.

The timing of performance audits can be impacted by the release of related expert reports. An example of this was the Keeping people safe from domestic and family violence (Report 5: 2022-23). Reporting was postponed and timed to work in with the Women's Safety and Justice Taskforce and the Independent Commission of Inquiry into Queensland Police Service responses to domestic and family violence. Clients also requested additional time to respond to several reports.

Performance and assurance audit report title	Life cycle cost	Duration (months)
Delivering social housing services	\$408,659	10.6
Improving grants management	\$209,201	6.0
Managing Queensland's COVID-19 economic response and recovery	\$326,206	11.5
2022 Status of Auditor-General's recommendations	\$143,301	8.5
Keeping people safe from domestic and family violence	\$547,159	17.4
Managing workforce agility in the Queensland public sector	\$295,086	12.9
Protecting our threatened plants and animals	\$247,206	12.4
Growing ecotourism in Queensland	\$329,677	18.6
Implementing Machinery of Government Changes	\$96,832	7.6
Health outcomes for first nations people	\$598,261	13.2
Total	\$3,201,587	118.6
Average	\$320,159	11.9
Target	\$395,000	9.0

7. We track the cost to perform each financial audit for state and local government entities completed within the financial year. The cost of our audits includes internal staff costs and overheads, contractor costs, and other direct costs. Expressing the target as a range better reflects the nature of audit services and provides better information for understanding QAO's performance.
- It is normal for the scope and total number of opinions to change marginally each year, impacting these results. 414 audit opinions were issued for the year ended 30 June 2023 (2022: 397).
- The cost also reflects the ongoing impact of illness across clients and QAO audit teams which delayed the delivery of financial statements and the finalisation of audits.
- The cost of audits reflects the increase in audit service providers' costs and this target will be revisited in future years to reflect cost increases.