

Queensland Audit Office

2012–13 Annual Report



About this report

This annual report summarises the activities and performance of the Queensland Audit Office for 2012–13 against the objectives, strategies and indicators in the strategic plan. As well as reporting on the corporate performance for the past year, the report looks to the year ahead. The cost of preparing this report was \$35 000. This and earlier annual reports are available on our website at www.qao.qld.gov.au and printed copies are available on request.

Accessibility



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

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20 August 2013

The Honourable C Newman MP
Premier
Level 15, Executive Building
100 George Street
BRISBANE QLD 4000

Dear Premier

I am pleased to present the Annual Report 2012-13 and financial statements for the Queensland Audit Office.

I certify that this Annual Report complies with:

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

A checklist outlining the annual reporting requirements can be found at page 105 of this annual report or accessed at www.qao.qld.gov.au

Yours sincerely



Andrew Greaves
Auditor-General

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Auditor-General's message

Those of us who use scarce and finite public resources to deliver services are increasingly urged to do 'more with less'.

This demands innovation and creativity in service delivery methods while maintaining our stewardship over, and accountability for, the public moneys and assets we use.

This year, the Queensland Audit Office has met these challenges and continues to lead by example. We have increased our services to Parliament and reduced our financial audit costs through new ways of doing business, while maintaining the highest standards of transparency and accountability. Our new sector-based organisational structure; our continued focus on the clarity and purpose of our reports; and our growing use of technology in our audits are some of the changes we have made that underpin our success.

This annual report sets out in clear terms, using a comprehensive suite of financial and non-financial performance information, our success in using the funds we have been provided and areas we can continue to improve. In this respect, I am particularly pleased that we have again finalised the preparation and audit of our own financial statements so soon after the end of the financial year, demonstrating that timely reporting is achievable. That we elect also to have audited our non-financial performance indicators from our service delivery statement, serves to further strengthen our own accountability.

Our people are at the core of our continued success and, this year, the staff of QAO has again risen to the challenges posed by our internal re-organisation and the rapidly changing external environment. We recognise that our ability to attract and retain senior experienced staff with the knowledge and skill sets demanded in a time of rapid change, continues to be a major challenge for QAO.

We remain confident that the future promises much for QAO. As we continue to develop closer and more productive relationships with the Parliament and the public sector, we will maintain our focus on investing in smarter technology as an enabler to better leverage the wealth of data we gather each year on all public sector entities. Our aim is to lead in promoting better practice and to help entities deal with their own challenges as they change the way they do business.

Andrew Greaves
Auditor-General

Year in review

2012-13 summary scorecard

Measure	2012-13			2011-12
	Plan	Actual	Variance	Actual
Our services				
Total reports tabled (number)	14	15	1	11
– Results of performance audits	10	11	1	7
– Results of financial audits	4	4	-	4
Audit opinions issued (number)	793	802	11	772
– Financial statements	573	548	(25)	552
– Grant acquittals and other certifications	220	254	34	220
Reports tabled on time (%)	100	50	50	n.a.
– Results of performance audits	100	40	(60)	40
– Results of financial audits	100	80	(20)	80
Financial audit opinions issued on time (%)	95	99	4	95
Parliamentary satisfaction	80	74	(6)	n.a.
Agency satisfaction—performance audits (index points)	75	71	(4)	73
Agency satisfaction—financial audits (index points)	80	76	(4)	72
Our people				
Effective headcount (number)	226	221	(5)	226
Staff satisfaction (% satisfied)	64	60	(4)	64
Unplanned absences (average days per employee)	<9	13.06	4.06	13.52
Permanent separation rate (%)	<15	17.1	1.9	11.73
Staff with post graduate qualifications (%)	80	63.9	(16.1)	60.9
Staff development (hours per employee)	40	52.3	12.3	71.8
Our finances				
Total revenue	43 564	42 314	(1 250)	44 337
Cost of services to the Parliament	6 007	7 506	(1 498)	4 872
– Cost of performance audit reports tabled	4 133	4 964	(831)	3 267
– Cost of financial audit reports tabled	964	1 421	(457)	804
– Advice and assistance to Parliament and referrals	337	303	35	434
– Strategic audit planning	573	819	(246)	367
Total cost of financial audits	37 150	34 606	(2 544)	38 364
Total expenditure	43 749	42 707	1 042	44 199
Operating result (\$ 000)	(185)	(393)	(208)	138
Average charge-out rate (\$/hr)	155.97	156.80	0.83	156.28

Our key achievements

A key operating principle by which we deliver on our business objectives is a focus on our clients, and in this respect:

- we provided more reports, more often, to the Parliament this year across our financial and performance audit mandates:
 - we tabled 15 reports in Parliament, one more than programmed in response to an emerging need throughout the year, without requiring additional appropriation
 - we tabled 14 of the 15 reports in the quarter as we said we would in our strategic audit plan
- acceptance of the recommendations that we provide in our reports to Parliament is now at 100 per cent
- we established better engagement with our parliamentary clients by:
 - providing 37 briefings to parliamentary committees, MPs and the committees' research directors
 - publishing our second, three-year strategic audit plan, further enhancing our approach to selecting performance audit topics against materiality, auditability, likely impact and public interest considerations
- we helped our public sector clients to fulfil their own accountability obligations earlier, by:
 - issuing 548 financial audit opinions, with more opinions issued earlier than in the last year
 - providing 254 certifications of grant acquittals which were requested by our public sector clients in addition to their financial audit opinions, largely to fulfill their responsibilities to the Australian Government
- we continued to promote better practices in the delivery of financial statements by public sector entities with 1 250 significant audit issues raised by our office, compared with 1 360 last year; and we made 2 226 recommendations to improve financial management, of which 90.4 per cent were accepted, compared with 87.1 per cent last year
- we responded to 54 referrals throughout the year from Members of Parliament, the public, the media and public sector entities

We need to deliver client outcomes while maintaining value for money and in this context:

- we further reduced the cost of our financial audits by 7.7 per cent this year through improvements to our audit approach and sourcing strategy, passing these savings on to our audit clients
- we actively pursued efficiency gains in our non-audit functions to reduce our non-audit overheads
- cash reserves were used to supplement the additional outputs in our performance audit program.

Our major challenges

By continuing to listen to our clients through a variety of mechanisms and monitoring our external environment we are addressing our strategic challenges by:

- further strengthening our strategic audit planning processes to better identify future performance audit topics that will have the greatest effect on public sector efficiency, economy and effectiveness
- leveraging our sector-based specialisation and reporting to generate more value for Parliament and our public sector clients
- further improving satisfaction levels with our financial audit services; although better than 2011-12, they were lower than our target
- better smoothing of our audit program timelines for the benefit of our parliamentary clients and managing our workforce load
- continuing to constrain our operating costs; we aim to further improve the economy and efficiency of our operations so that we can remain financially sustainable
- addressing the need for renewal and modernisation of our internal systems and supporting processes to gain further efficiencies and productivity gains
- 'locking in' the improvement in unplanned absences through continued monitoring and local action to support staff and managers.

Our clients

Aligning services

As an integrity organisation providing assurance over the public sector, our primary client for our services is the Queensland Parliament, with oversight over our operations provided by the Finance and Administration Committee.

Additionally, our clients extend to public sector entities subject to audit by our mandate. Figure 1 shows the alignment of our services to the clients that obtain value from them.

Figure 1
Alignment of services to clients

QAO Service	Clients
Performance audits	Queensland Parliament Finance and Administration Committee
Reports on results of financial audits	
Strategic audit planning	Agricultural, Resources and Environment Committee Committee of the Legislative Assembly
Advice and assistance to Parliament	
Referrals	Education and Innovation Committee Ethics Committee Health and Community Services Committee Legal Affairs and Community Safety Committee Parliamentary Crime and Misconduct Committee State Development, Infrastructure and Industry Committee Transport, Housing and Local Government Committee
Financial statement audits	Public sector entities subject to audit by our mandate, including government departments, statutory bodies, government owned corporations, health and hospital services, universities and other educational institutions, local governments, and water authorities Non-public sector entities can be audited on a 'by-arrangement' basis, when asked by a Minister or public sector entity to do so.
Certifications	

For efficiency of our operations, and to leverage our specialisation capabilities, we have clustered our financial statement audit and certification clients into QAO sectors described in Figure 2. In turn, these align also to the scope of the parliamentary committees that we engage with.

Figure 2
Alignment of client sectors to parliamentary committees

Sector	Key clients / portfolios	Parliamentary committee/s
Central agencies	Queensland Treasury and Trade Department of Science, Information Technology and the Arts Department of the Premier and Cabinet Tourism, Events, Small Business and the Commonwealth Games Queensland Shared Services	Ethics Finance and Administration Legislative Assembly
Community Safety	Department of Community Safety Department of Justice and Attorney-General Queensland Police Service Crime and Misconduct Commission	Parliamentary Crime and Misconduct Committee Legal Affairs and Community Safety
Education	Department of Education, Training and Employment Universities Grammar Schools	Education and Innovation
Financial services	QIC Limited QSuper Qld Treasury Corporation Public Trustee of Qld	Finance and Administration
Health and community services	Queensland Health Department of Communities, Child Safety and Disability Services Health and Hospital Services	Health and Community Services
Housing and infrastructure	Department of Housing and Public Works Department of State Development, Infrastructure and Planning Department of Agriculture, Fisheries and Forestry Stadiums Queensland	Agriculture, Resources and Environment Transport, Housing and Local Government State Development, Infrastructure and Industry
Local government	Municipal Councils Council owned and controlled entities	Transport, Housing and Local Government
Resources and energy	Department of Natural Resources and Mines Energy Generators, Transmitters and Distributors Bulk Water and Distributer Retail Entities	Agriculture, Resources and Environment
Transport	Department of Transport and Main Roads Queensland Rail Limited North Qld Bulk Ports Corporation Ltd Department of Environment and Heritage Protection Department of National Parks, Recreation, Sport and Racing	Agriculture, Resources and Environment Transport, Housing and Local Government

Our organisation

The Queensland Audit Office

The Queensland Audit Office (QAO) is an independent body that performs statutory functions for the Parliament, supporting the Auditor General in fulfilling the mandate set out in the *Auditor-General Act 2009*.

We give assurance to the Parliament on the performance and accountability of the public sector through our reports, direct advice and assistance to Members of Parliament.

We add value to the public sector through our recommendations about how entities can make their activities more efficient, economic and effective while maintaining the required standards of accountability and transparency.

QAO comprises the Auditor-General and Deputy Auditor-General (statutory positions established by section 6 of the *Auditor-General Act 2009*) and the staff of the office who are employed under the *Public Service Act 2008*.

The Auditor-General

The Auditor-General, an integrity role attached to the Parliament, is appointed for a maximum seven-year term. The position is not subject to direction about the exercise of audit powers or the priority to be given to audit matters.

The Auditor-General is the external auditor of all Queensland public sector entities and can also 'follow the dollar' and audit entities outside the public sector that receive public funds or assets.

Purpose and objectives

QAO's vision is to be a leader in public sector audit. Our two primary roles are to strengthen public sector accountability and to be a catalyst for its improved performance.

During the year our activities continued to be guided by our Strategic Plan 2012–16. The strategic plan sets out our strategic objectives under four key result areas:

Parliament—We will provide independent assurance and advice to the Parliament about the accountability and performance of the public sector.

Public Sector—We will provide authoritative reporting that is used by the public sector to fulfil its accountability obligations and improve its performance.

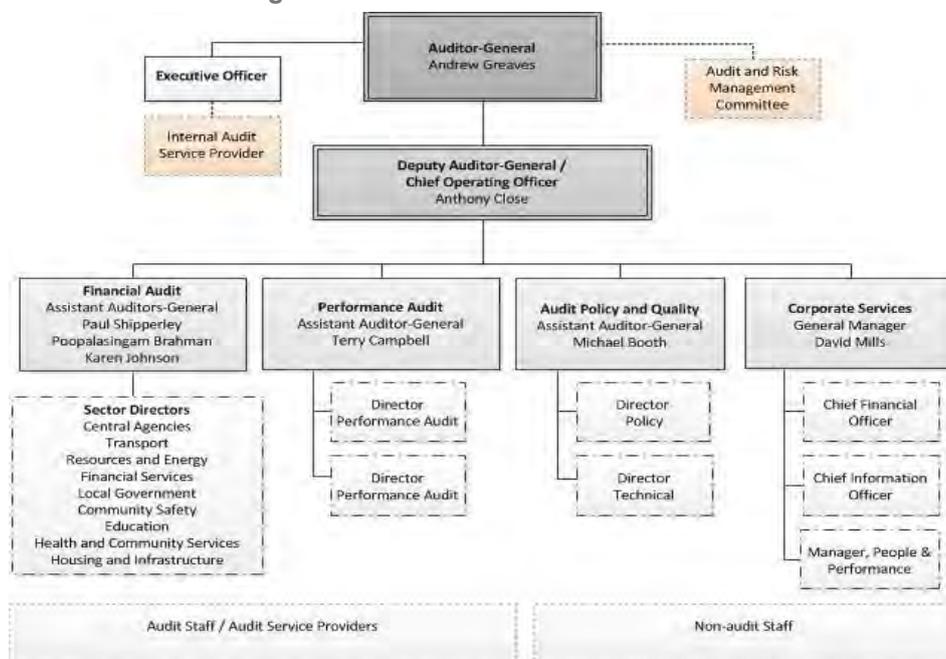
Business—We will deliver efficient and effective support services.

People—We will encourage highly motivated, committed and competent staff.

Organisation structure

Our audit operational structure is aligned to the delivery of our two audit service lines because these represent separate specialised disciplines. Our support services structure separates technical audit support from general corporate support.

Figure 3
Organisation structure at 30 June 2013



This year, we realigned our operations to a sector-based structure and aligned our auditing staff to nine sectors in concert with our parliamentary committees. This more appropriately reflects our client focus and has begun to realise improvements in our products through common approaches and shared understanding. A review of the client composition of the sectors has been undertaken recently and this sector-based structure will be further refined and improved.

To better support the increased use of information services and data in our audits, our Information Services Audit division was brought directly under the control of our Financial Audit division.

We have also focused proactively on maximising the efficiency and effectiveness of our non-audit workforce by allocating non-audit resources into auditing divisions to support business coordination and administration.

Our Audit Policy and Quality division provides professional services such as technical accounting and auditing support, quality assurance and maintenance of audit standards and methodologies. This division also manages relationships with external bodies including parliamentary committees, audit offices in other jurisdictions through Australasian Council of Auditors-General (ACAG) and central agencies of government.

The Corporate Services division provides administrative support for a fee-charging professional services entity within the public sector, including the coordination of corporate governance activities, human resources, information services, records management, communications, and finance and office services.

Governance

Our approach

Our business is governed by our controls assurance framework to drive achievement of our objectives. Our assurance framework consists of five major control components:



Our control environment

Executive Management Group

The purpose of the Executive Management Group (EMG) is to provide leadership to QAO in achieving the objectives and strategies outlined in QAO's strategic plan and to assist the Auditor-General to meet his statutory responsibilities under the *Auditor-General Act 2009*. The EMG meets monthly or more frequently as required by the Auditor-General.

Andrew Greaves BEc FCA FCPA Auditor-General	Andrew has 30 years' experience in public sector external and internal audit at the federal, state and local government levels.
Anthony Close BBusMgt (Acc) Deputy Auditor-General / Chief Operating Officer (commenced 25/3/13)	Anthony has over 20 years' experience in the private and public sectors focused on strategy execution, improving business operations and the delivery of professional services.
Val Manera BCom (Acc) FCPA MAICD Deputy Auditor-General (retiring October 2013)	Val has 40 years' experience in auditing at the federal and state levels. Val commenced long term leave in March 2013.
David Mills BA MPA General Manager, Corporate Services	David has worked in several executive positions within the Queensland public sector. David provides corporate management services and guides QAO's business improvements.
Michael Booth BBus(Acc) GradCertMgt FCPA Assistant Auditor-General	Michael has 30 years' experience in public sector auditing. He leads the Audit Policy and Quality division and is also responsible for oversight of our internal audit function.
Terry Campbell MA P Sect Lead GradCert Assistant Auditor-General	Terry has extensive experience in governance, risk management and systems and private and public sector performance auditing. She is responsible for delivering the performance audit program and developing the three-year strategic audit plan
Paul Shipperley BCom GradCertMgt FCPA Assistant Auditor-General	Paul has more than 35 years' experience in public sector auditing. Paul's sector responsibilities include central agencies, resources and energy and transport.
Poopalasingam Brahman BBus CPA Assistant Auditor-General	Brahman has 25 years' experience in public sector auditing. Brahman's sector responsibilities include health, education and housing and infrastructure.
Karen Johnson BCom FCA MAICD Assistant Auditor-General	Karen has more than 20 years' experience in senior audit and governance roles in the private sector. Karen's sector responsibilities include finance, local government and community safety.

The EMG operates under terms of reference which are available on request and which were last updated in June 2012. The quorum for the EMG is five and must include either the Auditor-General or Deputy Auditor-General / Chief Operating Officer.

During 2012–13, the EMG met 11 times and also conducted separate sessions for strategic planning purposes.

The EMG conducts an annual self-assessment with the objectives of:

- considering and enhancing the group’s effectiveness and performance
- reviewing the currency of the terms of reference
- assessing whether objectives continue to be met.

In 2012–13, the self-assessment was completed in May 2013 and as a result we strengthened the induction process for new EMG members.

Committees

Two committees support the Auditor-General and the EMG:

- the Audit and Risk Management Committee
- the Information Steering Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) assists the Auditor-General by providing advice and assurance in the discharge of his responsibilities through effective oversight of the risk, control and compliance frameworks and fiscal responsibilities underpinning QAO’s corporate governance, as required under the *Auditor-General Act 2009*, the *Financial Accountability Act 2009* and other prescribed legislation.

The ARMC operates under a charter which is available on request and which was last updated in June 2013. The ARMC has due regard to Queensland Treasury and Trade’s *Audit Committee Guidelines: Improving Accountability and Performance* published in June 2012. The ARMC Chair submits a brief report annually to the Auditor-General on ARMC activities for the past year, together with recommendations for improving ARMC performance. The 2012–13 report was submitted to the Auditor-General on 24 June 2013.

The minimum number of ARMC members is three and the quorum is two. During 2012–13, the ARMC comprised four independent external representatives: Mr Col Colquhoun (MBA, MEngSc, BEng Civil) (to November 2012); Mr Bob Grice, AO (FCA, HonDPhil); Ms Christine Flynn (BA, DipEd, FAICD); and Mr Kerry Jacobs (BCom, MCom (Hons) Cant., PhDEdin) (appointed May 2013).

Figure 4 shows the ARMC members during 2012–13, their attendance and their remuneration including costs for the past two years.

Figure 4
Audit and Risk Management Committee

Member	Term	Meetings attended		Remuneration (\$)	
		2012-13	2011-12	2012-13	2011-12
C Colquhoun	Oct 2009–Dec 2012 (Chair to Dec 2012)	2	2	3 054	4 022
R Grice	Jun 2012–Jun 2015 (Chair from Jan 2013)	4	4	6 000	400
L Drennan	March 2008–May 2012	–	–	–	2 639*
C Flynn	Nov 2011–Nov 2014	1	1	2 400	3 000*
K Jacobs	May 2013–May 2016	1	1	1 069	–

All amounts are excluding GST.

*Includes two one-day workshops.

The ARMCs work is supported by a number of regular internal attendees at its meetings including our co-sourced internal auditor, Ms Pamela Robertson-Gregg of O'Connor Marsden and Associates and QAO's external auditor, Mr Simon Hancox of Grant Thornton.

In 2012–13, the ARMC met four times and reviewed numerous matters, including business risks, internal and external audit reports, risk management frameworks, financial statements and the draft strategic plan 2012–16.

Information Steering Committee

The Information Steering Committee (ISC) directs, evaluates and monitors progress against QAO's strategy with respect to Information and Communication Technology (ICT) to ensure effective governance of information projects and to provide advice to the Auditor-General on the effective discharge of related legislation.

Membership of the ISC comprises the General Manager Corporate Services (Chair); the Deputy Auditor-General and Chief Operating Officer; the Assistant Auditor-General, Audit Policy and Quality; an audit Director; and the Director, Information Systems Audit. The Chief Information Officer attends all meetings to represent our ICT operations. The ISC operates under terms of reference which are available on request and which were last updated in May 2011. The quorum for the ISC is three.

During 2012–13, the ISC met on six occasions, reflecting the dynamic needs of the business and the ongoing reform of the information function within QAO.

The ISC revisited the information services strategic plan for 2012–16, confirming and adjusting our focus on efficiency and mobility. The revision of the plan was integrated closely with the development of QAO's strategic plan and business plan.

The ISC has continued the reform of QAO's information policies so we capitalise on the opportunities afforded by technology, while maintaining our position as an exemplar of compliance and security.

Visible ethics and integrity

As an integrity agency, QAO's culture is one with high regard to ethical conduct and probity in all our operations. Our independence from influence and our ability to assess impartially the performance of agencies through the audit process in accordance with the requirements of the *Auditor-General Act 2009* are the cornerstone of QAO's integrity.

Our people adhere to the *Public Service Code of Conduct 2011* and all employees receive training in the code and its application. Refresher courses in the code are conducted annually and are mandatory for all staff.

A comprehensive independence declaration must be completed by new appointees and by all staff annually (or more often as circumstances change) in audit and non-audit work areas. This declaration process includes conflict of interest, criminal history charges and convictions and secondary employment.

Pre-employment screening includes a check on prospective appointees' criminal history. These are completed on all employees, including contractors, prior to commencement.

Aligned planning

Our planning, monitoring and reporting framework complies with whole-of-government requirements including strategic planning, business planning and budgeting.

A strategic plan is developed and updated annually, with a comprehensive review every four years. This year, the strategic plan was reviewed and remained largely unchanged.

The business planning process undertaken in 2012–13 identified a number of significant strategic initiatives and activities that we will actively pursue, including:

- continue to seek avenues to strengthen QAO independence
- further enhancing our engagement with the Parliament
- building better practice capabilities
- enhancing our production processes for reporting to Parliament
- fully embedding our data collection and analysis capability to enhance our audit program
- renewing our supporting IT systems and processes including finance and human resources systems, client and practice management, methodology management and information management.

QAO's service delivery statement (SDS) is part of the annual budget papers for the Department of the Premier and Cabinet. In addition to setting out the approved operating budget each year, this document outlines QAO's planned and estimated actual results against our key performance indicators.

The actual results for the non-financial performance indicators in the SDS have been audited independently by our external auditor. This provides added assurance that this non-financial performance data which is used throughout our annual report is represented fairly.

Our risk management

QAO's risk management framework complies with the *Financial Accountability Act 2009* and is based on the International Standard AS / NZS ISO 31000:2009 *Risk Management – Principles and guidelines*.

We have two interconnected risk registers—strategic and operational—which are reviewed and updated at least three times each year, or as driven by business need.

Effective risk monitoring is achieved through regular reporting to the EMG and to the ARMC.

A review of the risk management approach is planned for early in the 2013–14 year.

This year we also conducted a review of our fraud control plan and have conducted a fresh fraud risk assessment. This assessment of our fraud risk has been integrated into our broader risk management framework.

Specific training in fraud and corruption control forms part of the development program for all staff and refresher courses are planned for the coming year.

Our control activities

QAO has a broad range of internal controls which are described in documented policies and procedures and which cover audit operations, financial management, information management, human resource management and administration as well as an overarching policy on development and maintenance.

In September 2012, the EMG endorsed a rolling review of policies. As such, it was agreed that the General Manager, Corporate Services would report twice annually to the EMG in September and March on review and updating of policies. This approach ensures compliance with the policy review statement which is attached to all revised policies.

Information systems and communications

Recordkeeping

QAO is committed to quality recordkeeping to support decision making. Robust records, information management and security practices are vital to ensure the quality of information. QAO makes sure that it has access to appropriate information and intelligence and that the sensitive information we access to perform our audits is secure.

During 2012–13, a number of activities were undertaken to comply with the provisions of the *Public Records Act 2002* and the recordkeeping standards and guidelines issued by lead agencies. These included:

- ongoing quality assurance checking, including the data integrity of our electronic records management system
- implementing a recordkeeping audit program
- reviewing and approving of QAO's retention and disposal schedule.

In addition to these activities, the information management policies were reviewed and updated including the suite of policies on records management, intellectual property and information security.

Information management personnel continue to focus on educating QAO staff on records management protocol. Presentations on recordkeeping responsibilities are part of our staff induction program. Colleagues are reminded about recordkeeping and other information management requirements through regular communications and at staff seminars held throughout the year.

Balanced scorecard

We use a balanced scorecard of key financial and non-financial performance indicators that are critical to the business, including indicators that compare QAO's performance to other Australian audit offices using benchmark data sourced through ACAG.

The balanced scorecard is adjusted annually to reflect the dynamic nature of business drivers from year to year.

See Appendix 2 for a five-year performance summary of QAO's indicators.

Monitoring and review

Internal review mechanisms

Operational performance reviews

This year we continued with our regular operational performance reviews (OPR) of both audit and non-audit divisions to identify improvements and opportunities in subsequent cycles of the review process.

Each division has a full OPR annually where divisional heads presents on their performance to the Auditor-General and the Deputy Auditor-General. These annual reviews are complemented by four-monthly 'desktop' reviews.

Internal audit

QAO's internal audit operates under its own charter and reports directly to the Auditor-General. The charter aligns with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors.

The primary role of internal audit is to conduct independent, objective and risk-based assurance activities. The scope of the work is set out in the approved strategic internal audit plan 2012–13 to 2014–15 and the detailed internal audit plan for 2012–13.

Mr Michael Booth, Assistant Auditor-General, Audit Policy and Quality, managed the internal audit program during 2012–13. Queensland legislation requires that the head of internal audit is professionally qualified. The program was delivered through a co-sourcing contractual arrangement with O'Connor Marsden & Associates.

In line with its charter, the ARMC oversaw the internal audit program, including the review of report findings and management responses.

The areas audited related to human resources and payroll management; leave management; right to information management; and revenue and work in progress management.

External review mechanisms

ACAG peer review—quality control

As part of QAO's quality assurance framework, an independent review of our operations was conducted by representatives of three other State audit offices using the ACAG quality assurance framework.

The ACAG framework is based on the professional standard APES 320 *Quality Control for Firms*, issued by the Accounting Professional and Ethical Standards Board (APESB) and the auditing standard ASQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, issued by the Auditing and Assurance Standards Board (AUASB).

The review was completed in April and confirmed QAO's overall compliance with APES 320 and ASQC1.

External audit

Mr Simon Hancox, Director, Audit and Assurance, Grant Thornton Audit Pty Ltd was appointed by the Governor-in-Council as the independent external auditor of QAO. The contract specifies that at the conclusion of the 2012–13 financial year, his services may be extended for a period of up to two years

at the discretion of the Department of the Premier and Cabinet. The extension has been initiated and Mr Hancox will continue as QAO's external auditor for the 2013–14 and 2014–15 financial years.

The role of the independent auditor is to conduct an annual financial audit of QAO's financial statements to ensure independence and transparency in reporting our financial practices.

All items raised by the external auditor during 2012–13 have been resolved and recommendations have been fully implemented.

At the ARMC meeting of 22 July 2013, the external auditor presented his year-end report, which identified several low risk areas for improvement. The audited financial reports and performance statement is included in the financial statements section of this report.

This year we directly engaged and paid our external auditor to undertake an audit of the non-financial performance information included in our service delivery statement. By adding to the review opinion provided last year, provided by our external auditor, this provides further assurance to the users of our annual report that this information is reliable and fairly presented.

Our external auditor undertook formal certification of the performance statement as disclosed in the notes to and forming part of the financial statements.

Five-yearly strategic review

An independent strategic review of QAO is undertaken at least every five years. The review provides for an external, independent assessment of QAO's operations and assists in targeting opportunities for future development.

The last strategic review was completed in early 2010, and QAO has finalised 41 of the 44 recommendations raised. The three recommendations outstanding at 30 June 2013 dealt with improving our audit resourcing model, benchmarking of our audit fees and reviewing our remuneration and reward structures.

The recommendation dealing with the benchmarking of our audit fees (recommendation 7(iv)) is progressing through a joint project commissioned by ACAG. We expect to finalise implementing this recommendation by 31 December 2013.

The recommendation dealing with improving our audit resourcing model (recommendation 10(ii)) is being addressed through the development of the three-year sourcing strategy and a workforce plan.

The recommendation about remuneration and reward structures (recommendation 11(i)), previously categorised as 'complete', has been changed to 'in progress' to reflect further work in this area. We expect to finalise implementing this recommendation by 31 December 2013.

Figure 5
Strategic review—progress of recommendations

Status	June 2013	June 2012
Complete	41	42
In progress	3	2
Total	44	44

The next strategic review of our business is due in 2015.

Our services

Services for the Parliament

Performance scorecard

Service Dimension	Measure	2012–13			2011–12
		Plan	Actual	Variance	Actual
Quantity	Reports tabled (number)	14	15	1	11
	Results of performance audits	10	11	1	7
	Results of financial audits	4	4	-	4
Cost	Total cost (\$ 000)¹	6 007	7 506	(1 499)	4 872
	Performance audits	4 133	4 964	(831)	3 267
	Results of financial audits	964	1 421	(457)	804
	Strategic audit planning	573	819	(246)	367
	Advice and assistance to Parliament and referrals	337	302	35	434
Timeliness	Reports tabled on time (%)	100	60	(40)	60
	Results of performance audits	100	40	(60)	40
	Results of financial audits	100	80	(20)	80
Quality	Parliamentary satisfaction²	80	74	(6)	n.a.
	Agency satisfaction – Performance audits (index points)	75	71	4	73
Impact	Performance audit report recommendations accepted (%)	90	100	10	83

1. Last year we reported only on the life cycle cost of the reports tabled in that year. This year we show the full annual cost, to allow a reconciliation with our financial statements. The annual cost is the effort between July and June on all reports. For 2011–12 results of performance audits annual cost consists of \$2,543,281 incurred on tabled reports and \$723,407 for reports in progress at year end. The 2011–12 results of financial audits cost consists of \$595,919 incurred on tabled reports and \$208,655 in work in progress at year end.

2. This indicator was previously “Reports to Parliament completed to the satisfaction of the Parliament and the parliamentary committees”. The wording has been amended for greater clarity. The satisfaction metric has been changed to index points from 2012–13.

Key strategies:

- Strengthen our engagement with the Parliament.
- Achieve greater clarity and purpose in our reporting.
- Undertake collaborative audits with other states and territories and the Commonwealth.
- Identify and address expectation gaps.

Highlights:

- Increased frequency and volume of reporting to, and engagement with, the Parliament
- Positive independent feedback on the clarity of our reports and their usefulness
- First collaborative audit of Homelessness completed
- Seconded to Parliament to assist Committees in better understanding their public accounts role

Types of services provided for the Parliament

Performance audits

Section 37A of the *Auditor-General Act 2009* which governs performance audits, commenced in August 2011. Performance audits provide Parliament and the community with independent assurance that public money has been used wisely and well and that actual results meet Parliament's expectations. Performance audits are funded through appropriation from Queensland Treasury and Trade.

Performance audits do this by assessing whether an entity, program or activity is achieving its objectives economically, efficiently and effectively and is complying with relevant laws. Performance audits do not question the merits of policy objectives—they assess how well the policy objectives are being achieved. These audits are funded by the Parliament, not by the agency being audited.

Reports on the results of financial audits

Section 60 of the *Auditor-General Act 2009* requires that we report at least once each year to the Parliament on the results of the financial audits we undertake for public sector entities.

Strategic audit planning

We are required each year to develop and publish a three-year strategic audit plan, setting out the performance audits we propose to undertake, and to publish this by 30 June each year.

Our strategic audit planning process involves:

- **generating a comprehensive list of potential audit topics** through environmental scanning; from intelligence gathered from external representations, including consultation with relevant government agencies and requests made to us by MPs and the public; and from systemic issues identified during our financial audits
- **analysing and rating these topics** in terms of their financial materiality; economic, social and environmental impact; auditability; and public interest.
- **prioritising topics** by taking into account the time elapsed since any relevant prior audit coverage; and recent and planned coverage by other independent officers and review agencies such as the Queensland Ombudsman, and the Crime and Misconduct Commission.

Advice and assistance to the Parliament

We provide direct advice and assistance to parliamentary committees and individual Members of Parliament. This advice includes making submissions on proposed legislation that has audit implications; and briefing committees on our audit reports referred to them and more broadly on public accounts and estimates.

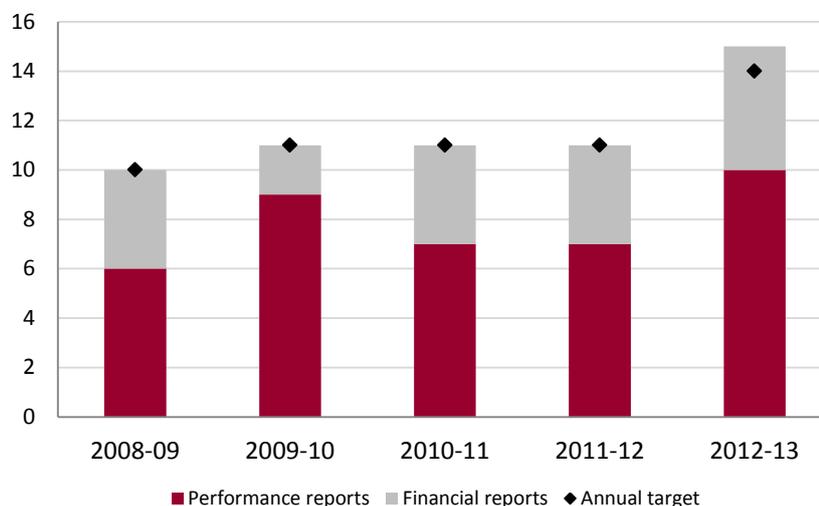
Referrals

Each year, we receive unsolicited information and allegations concerning the actions of public sector entities in managing public resources. We investigate these matters as part of the normal audit process, but we are not able to report back directly to the submitter on what we have found due to the confidentiality provisions of s53 of the *Auditor-General Act 2009*. Any significant audit findings are reported to Parliament.

Quantity of services for the Parliament

In 2012–13 we tabled 15 reports in Parliament across our financial and performance audit mandates—one more than programmed and four more than last year.

Figure 6
Number of reports tabled in Parliament



Performance audits

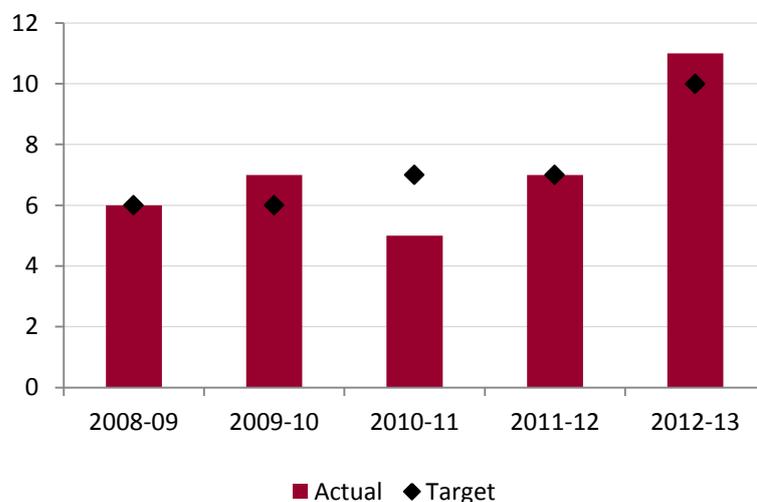
We planned to table ten of these reports this year—nine on the results of performance audits and one report which followed up past audit recommendations from reports tabled in 2010.

We tabled 11 reports—the additional report was on the results of an audit by arrangement into Racing Queensland Ltd (No. 1 of 2012–13) which was, at the time, a non-public sector entity.

One tabled report on the Drink Safe Precincts trial was originally planned for 2013–14. We brought this audit forward after we decided to defer an audit on the management of abandoned mines that we had planned to do during 2012–13. The mines audit was deferred because of a Parliamentary inquiry into the management of abandoned mines. Bringing forward the Drink Safe Precincts trial audit meant we were able to complete that audit within the precinct trial period.

Figure 7 highlights the steady increase over the last five years in the number of performance audit reports being tabled. With the full performance audit mandate from 2011, we have focused on lifting output by maximising the resources we have available to dedicate to performance audits.

Figure 7
No. of performance audit reports tabled each year



Results of financial audits

We planned to table four reports on the results of our financial audits this year:

- one each on the results of our financial audits of state government entities and of local government entities, primarily with 30 June 2012 balance dates
- one for universities and grammar schools, which have 31 December 2012 balance dates
- an interim report on the results of our testing of entities' systems of internal control arising from our 30 June 2013 financial audit process.

While we tabled four reports in total, we did not table the interim controls report as planned. This was still in progress at year end.

We did, however, table an additional report on the results of our financial audit of the whole of government consolidated financial statements (No. 7 of 2012–13). This was necessitated due to the lateness of these statements in 2011–12.

Advice and assistance to Parliament

During the year we provided 16 private briefings to parliamentary committees and MPs. We also briefed the committees' research directors on 16 occasions and held a workshop with committee staff. We also provided five briefings to MPs after our reports were tabled in Parliament.

Strategic audit planning

Our first strategic audit plan, covering 2012–15, was published in September 2012. It was deferred three months due to the timing of the election and subsequent reconstitution of the parliamentary committee system and the government's decision to defer the budget until September.

Our second strategic audit plan for 2013–16, was published on 5 June 2013, in line with legislation.

The plan, covering the full audit mandate including financial and performance audits, was produced in consultation with parliamentary committees and executive management of key government agencies.

Referrals

We received 47 new referrals in 2012–13 and managed 15 referrals continuing from 2011–12. This is a slight increase from previous years. Half of the new referrals were from the general public. We finalised 54 referrals during the year, including all 15 from 2011–12 and 39 of the new referrals.

Figure 8

Number of external referrals received and finalised

Source of referral	In progress at 1/7/12	Received	Finalised	In progress at 30/6/2013
CMC	1	2	2	1
Entity management	-	2	0	2
General public	4	28	29	3
Elected members	8	11	18	1
Public interest disclosure (external to QAO)	2	4	5	1
Total	15	47	54	8

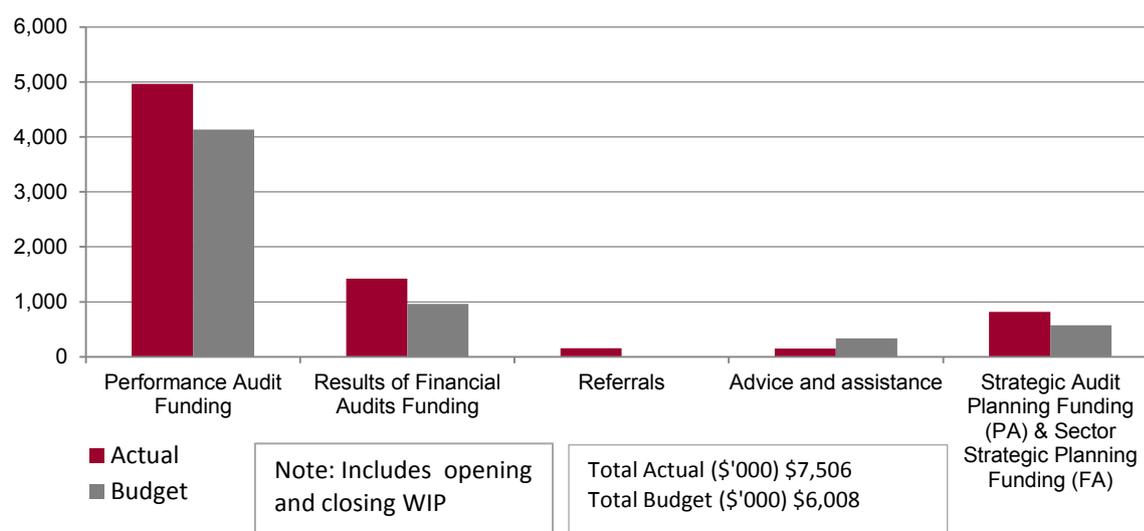
Cost of services for the Parliament

This year, our parliamentary services cost \$7.506 million, which was \$1.498 million more than originally planned. The additional cost was incurred by:

- delivering more reports within the financial year than planned, in response to emerging needs
- our decision to perform an audit on right of private practice in Queensland public hospitals without affecting our 2012–13 audit program in progress at the time
- bringing forward work on future reports to Parliament; the effect of these on our outputs will be reflected in the 2013–14 financial year.

Figure 9

Service cost 2012–13 (\$'000)



Performance audits

The total annual cost for our performance audits was \$4.964 million. This is \$1.697 million (52 per cent) more than in 2011–12 and \$830 822 (20 per cent) more than budgeted.

The large increase in cost applied to performance audits for the year reflects two main factors:

- we delivered one more audit than planned—and four more audits than in 2011–12
- we have more audits in progress, that are more advanced at the end of this year, than we had at the end of 2011–12, with \$2 million of work in progress.

The over-delivery of the number of reports and additional costs resulted in part from requests by the relevant Ministers to undertake a special investigation into Racing Queensland Ltd and into right of private practice in Queensland public hospitals. After considering the public interest in these two matters, we determined to add them to our program, rather than replace an existing audit. The report on the right of private practice arrangements was substantially complete at 30 June 2013 and was tabled on 11 July 2013.

The large increase in the amount of work in progress at year end, compared to 2011–12, reflects our continued efforts to smooth our workload and to better spread our reporting to Parliament across the year.

In addition to tracking our full year costs, we also benchmark the full lifecycle cost of the reports we produce, as many reports commenced in one year are finished in the next.

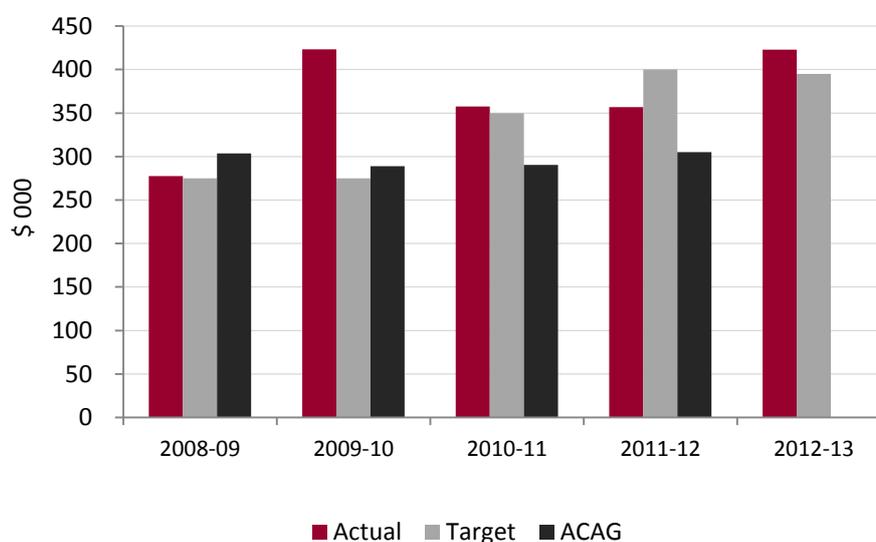
The 11 reports tabled in 2012–13 cost an average of \$400 171 (\$363 326 in 2011–12) which was 1.3 per cent higher than our target average cost of \$395 000. It also exceeds the 2011–12 average of Australian audit offices of \$305 155.

The cost of individual audits ranged from \$87 757 to \$631 959. Six of the eleven reports tabled exceeded their approved budgets. The average budget overrun was 14 per cent.

Of those which exceeded budget, two audits were commenced prior to audit practice changes and required significant additional work to complete. More time than originally budgeted was spent on client engagement, especially through the reporting phase. This additional time was, however, well spent with agencies appreciating that their input was reflected in reports.

Figure 10

Average life cycle cost of performance audit reports tabled



Note: The benchmarking results for 2012–2013 are not yet available so we have compared our results to last year's ACAG results.

Reports on the results of financial audits

The full year cost of our reporting to Parliament on the results of our financial audit activity was \$1 421 000. While this was \$457 000 ahead of plan, this additional cost largely reflects that we have brought forward work on next year's reports and so are better prepared to achieve our timeliness and quantity targets for 2013–14. At year end, we had \$573 000 of work in progress compared to \$209 000 in progress last year.

The combined total life cycle cost of the four reports we tabled during the year was \$852 000, an average of \$213 000 each (\$149 000 in 2011–12), which was lower than our target average cost of \$220 000. The increased cost, compared to last year, arose largely from enhancements to the information content of these reports.

Strategic audit planning

Strategic audit planning incorporates our sector development planning and the production of our strategic audit plan. The cost for sector development planning in 2012–13 was \$429 000, exceeding the budget by \$176 000 (41 per cent). The strategic audit plan for 2013–16 cost \$390 000, exceeding the budget of \$320 000 by \$70 000 (43 per cent). The increased costs were due to our decision to invest in and enhance our topic assessment process and a stronger focus on our stakeholder consultation. Looking forward, we anticipate cost efficiencies as the process matures.

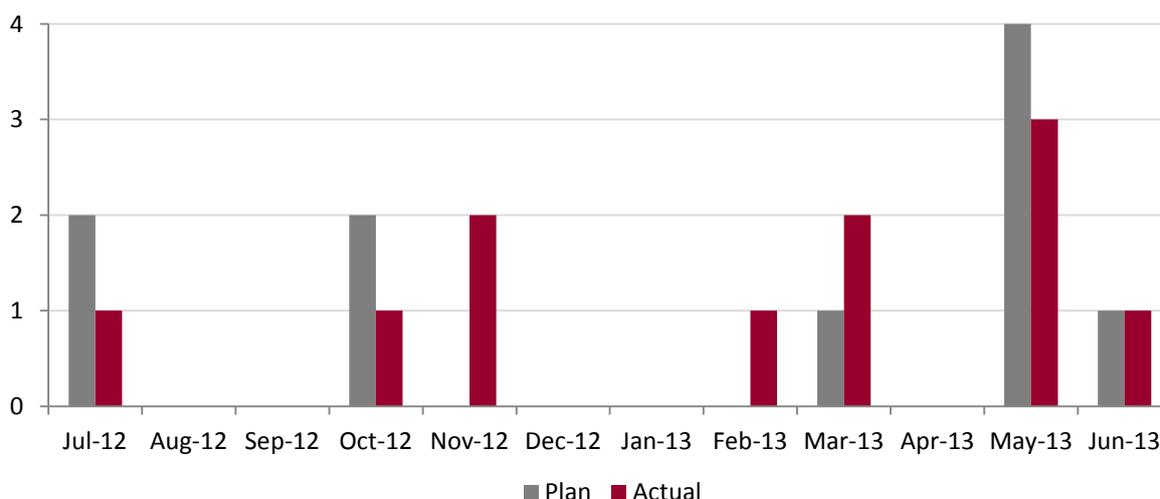
Timeliness of our services for the Parliament

Performance audits

We endeavour to spread our tabling program across the year, so that parliamentary committees and Members do not have to deal with too many reports simultaneously.

In our strategic audit plan 2012–2015, we set out when we expected to table our reports during 2012–13. We planned to table two of the nine performance audits in the second quarter of the year; four in the third quarter; and three in the last quarter. We expected also to table the follow up audit in the second quarter of 2012–13.

Figure 11
Performance audit report tabling pattern



We tabled eight of the ten reports in the quarter we said we would; one report (eHealth) ahead of time; and one report (Maintenance of water infrastructure assets) later than planned. We can however still improve, by tabling the reports in the month we planned. Figure 11 shows how we performed against our monthly targets.

In addition to a 'smooth' tabling program, we have regard to how long our performance audits take. The usefulness of an audit report can be diluted if the audit takes too long. To manage this, we set ourselves a target of no more than seven months' duration, on average, for the elapsed time between the start of an audit and the date the report to Parliament is tabled.

The actual average elapsed time for the eleven performance reports tabled during 2012–13 was 8.7 months, which was above our target of seven months.

It is, however, similar to the 2011–12 average of Australian audit offices of 8.4 months, against which we measure ourselves externally each year.

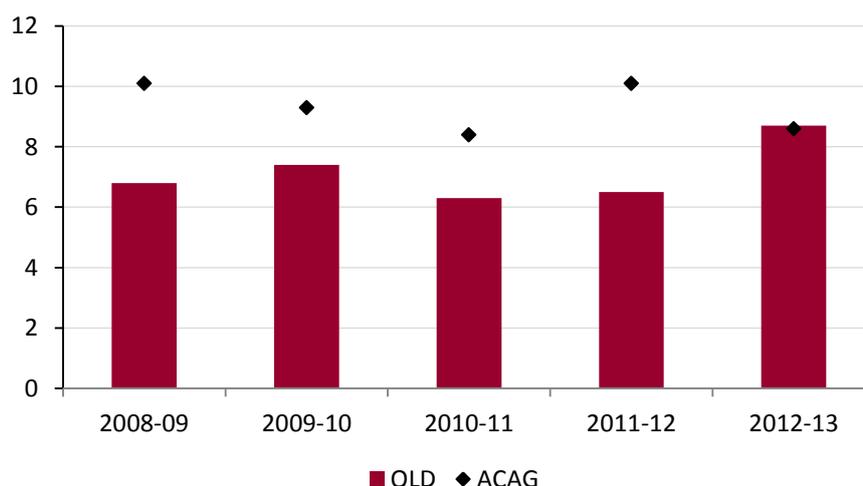
The duration of individual audits ranged from 3.3 months for the Racing Queensland Ltd report, to 16.8 months for the Maintenance of water infrastructure assets audit. This latter audit was temporarily halted to await the results of an independent review that affected its scope.

The increase in average elapsed time was, in part, also by design, due to a step we added into our reporting process. We now offer agencies the opportunity to provide feedback on our preliminary audit findings and conclusions. This affords the opportunity to highlight any perceived misunderstandings, errors of fact or missing context before we finalise and issue the proposed report for their official comment.

This greater engagement with agency management and increased consultation regarding the findings and recommendations prior to finalising the report has been well received by agencies. It has, however, added around one month to the reporting process and, in recognising this, we have amended our target for 2013–14 accordingly.

Figure 12 shows that, while the average duration of our performance audits has increased, it is on par with the external benchmark.

Figure 12
Average elapsed time to complete an audit



Reports on the results of financial audits

We set ourselves a target to table our reports on financial audits within four months of the statutory deadlines set for agencies to finalise their financial statements. For state entities with 30 June balance dates, their deadline for reporting is ordinarily 31 August, so we planned to table our reports on them in Parliament no later than December. The deadline for reporting by local governments is 31 October, so our target tabling month is the following February.

We achieved our target for two of the four reports on results of financial advice that we table in 2012-13. The average elapsed time to table was 4.1 months after the statutory deadline in 2012-13, compared with 3.7 months in 2011-12. Looking forward, we are investing in improved planning and scheduling of our workload and resources to smooth the impact of reports on business operations and to increase our timeliness of reporting.

Advice and assistance to Parliament

QAO aims to be timely in all our services to Parliament, with briefings offered to MPs held the day after tabling where tabled on a parliamentary sitting day. We also brief committees when requested.

Of MPs who responded to QAO's survey, 77 per cent thought QAO provided timely reports and services. Responses showed 46 per cent of MPs reported they had other dealings with QAO during the past year and 92 per cent were satisfied with our responsiveness.

Referrals

All new referrals are acknowledged within one week where possible, with a target of 28 days established to respond further on our proposed action. In 2012-13, 70 per cent of referrals received were actioned or finalised within this target.

Figure 13

Timeliness of responding to external referrals

Source of referral	Action taken within 28 days* (%)
CMC	—
Entity management	100
General public	70
Politicians	50
Public interest disclosure (external to QAO)	83
Total	70

* Measured for new referrals received since 1 July 2012.

Quality of services for the Parliament

Members of Parliament survey

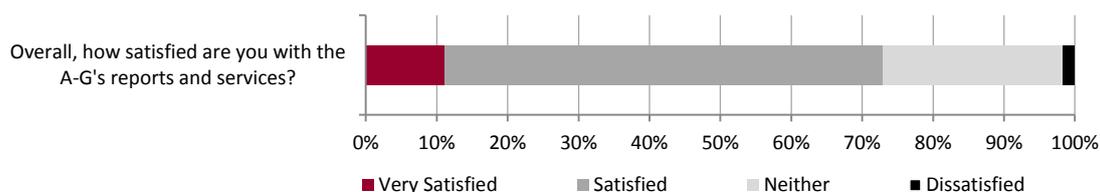
Our key strategic objective is to increase Parliament's use of and reliance on our audit reports and services. To measure how well we are doing this, we conducted our inaugural survey of Members of Parliament (MPs) during 2012-13. We commissioned an independent research company to collect the information from MPs on our behalf to strengthen the objectivity of the survey.

We received feedback from 63 of 89 MPs (71 per cent) which was a high response rate for our first survey of Parliament. Most MPs held favourable views of our reports and services which was an excellent result, with three-quarters satisfied overall (74 per cent satisfied or very satisfied). While this

is below the 80 per cent target we set ourselves, there was a relatively high number of neutral responses received (24 per cent) and only one MP response of dissatisfaction.

As over two-thirds of responses were from new MPs, it was not surprising that around one in four MPs provided neutral responses to many questions and this lowered the overall satisfaction ratings. In response, QAO will target an education campaign to MPs and their research teams to increase awareness of our services.

Figure 14
MP overall satisfaction

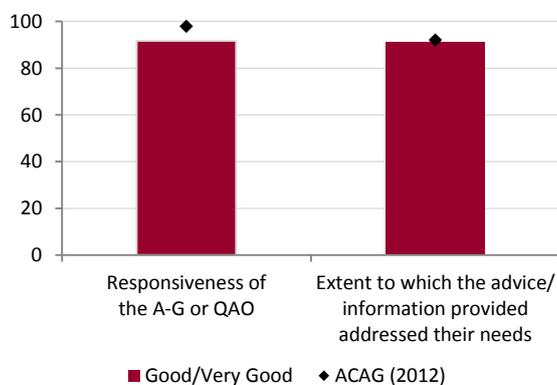


Around half of responding MPs (48 per cent) reported they had dealings with us in the past 12 months, other than reading reports. This was most commonly when we appeared before a parliamentary committee (64 per cent) or they attended briefings on our reports (53 per cent).

MP feedback on their most recent direct dealing with us was very favourable, though slightly below the 2012 ACAG average.

Figure 15

MP satisfaction with advice and assistance



The survey results highlight areas of focus for us as we look to increase Parliament's use of and reliance on audit reports and services. We intend to use these data as a baseline and to continue to survey MPs in our efforts to improve MPs' satisfaction with our reports and services.

We will benchmark our MP survey results against other Australian audit offices. ACAG coordinates an agreed set of questions used by all participating audit offices. The benchmarking results for 2012-13 are not yet available so we have compared our results to last year's ACAG results.

Satisfaction of audited entities

We also survey the entities on which we conduct performance audits. These surveys are conducted independently and use a core set of common questions agreed between Australian Auditors-General, which allows us to benchmark our performance.

The results published in this annual report are drawn from surveys of 23 entities involved in seven performance audits reported to Parliament in 2012–13 and two audits reported in 2011–12.

We have not included the survey results from our most recent performance audit, Enforcement and Collection of Fines (Report 15 for 2012–13) because the survey is in progress. We did not survey entities involved in follow-up audits (Report 2 for 2012–13) because the auditors' involvement with agencies is often very limited during a follow up audit. And we did not survey Racing Queensland Ltd following our 'by-arrangement' audit (Report 1 for 2012–13) because it was not a public sector entity at that time.

Survey results for two audits reported early in the calendar year of 2012 have been included with results for 2012–13 because we changed the reporting period for performance audit surveys in 2012. Until 2011, surveys were collated on a calendar year basis. From 1 July 2012, surveys were collated on a financial year basis. The survey results for those two audits have not been reported previously.

An overall performance index (OPI) is calculated from the survey results to allow us to compare results on the same basis from year to year. The OPI for 2012–13 was 71 index points, consistent with 73 index points in 2011–2012. This is a strong result and shows that respondents were positive, on average, about their experiences.

Compared to 2011–2012, the average rating of audit process quality improved substantially, the average rating of audit reporting quality remained steady and the average audit value rating declined slightly.

Figure 16
Performance audit client satisfaction

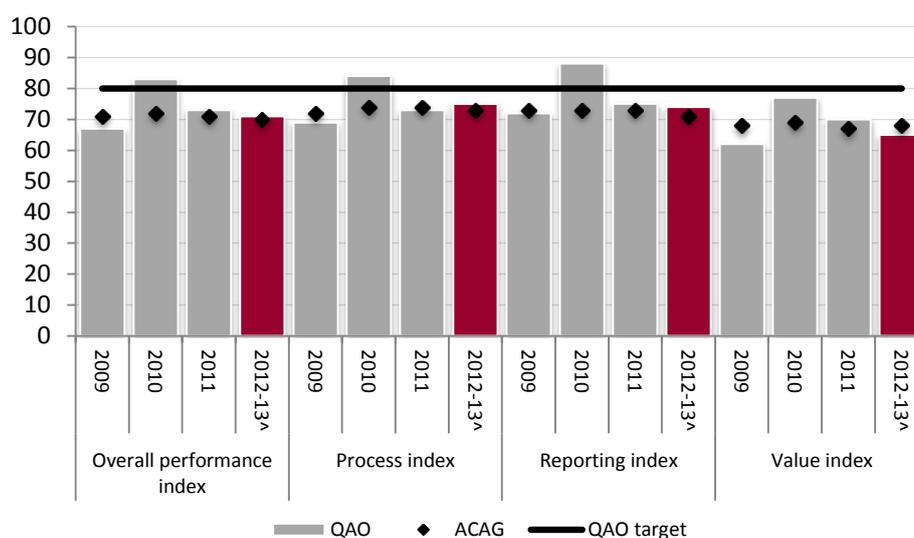
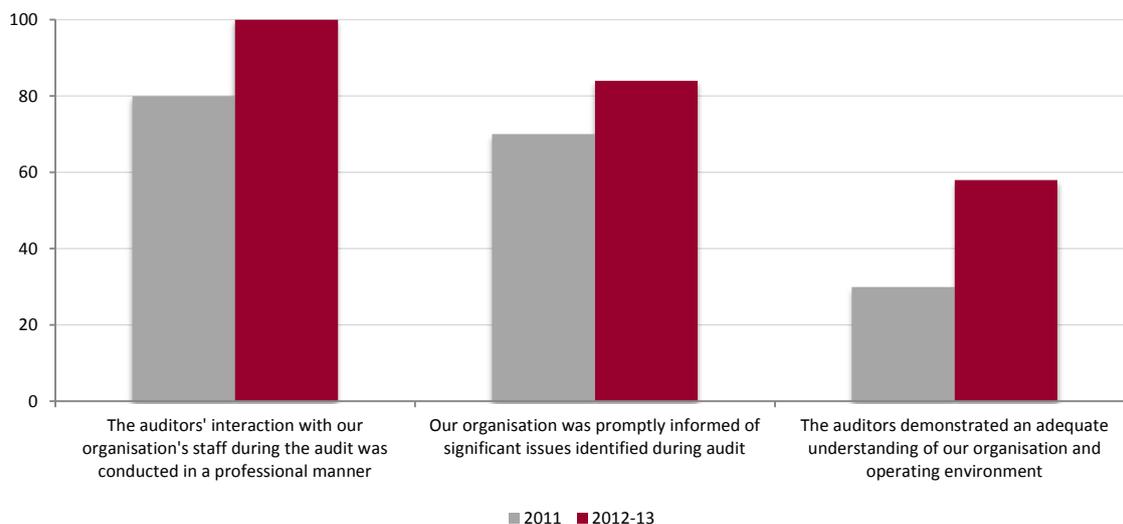


Figure 17 shows the aspects with which performance audit clients were more satisfied this year.

Figure 17
Most improved aspects—PA survey



Fewer clients provided favourable ratings of the clarity, balance or fairness and accuracy of the report to Parliament this year, with an average of 60 per cent responses that were positive compared to 73 per cent in previous years. However, only a few clients rated the reports negatively.

Agencies identified areas for improvement of:

- improving the skill, understanding and conduct of audit staff
- enhancing and increasing the level of communication from auditors
- using a more collaborative approach and placing greater value on client feedback and advice when conducting the audit
- improving audit timeliness and timeframes
- presenting audit findings and issues in a more balanced, fair or accurate manner
- providing more insightful and practical recommendations with greater consideration of financial costs and resources required.

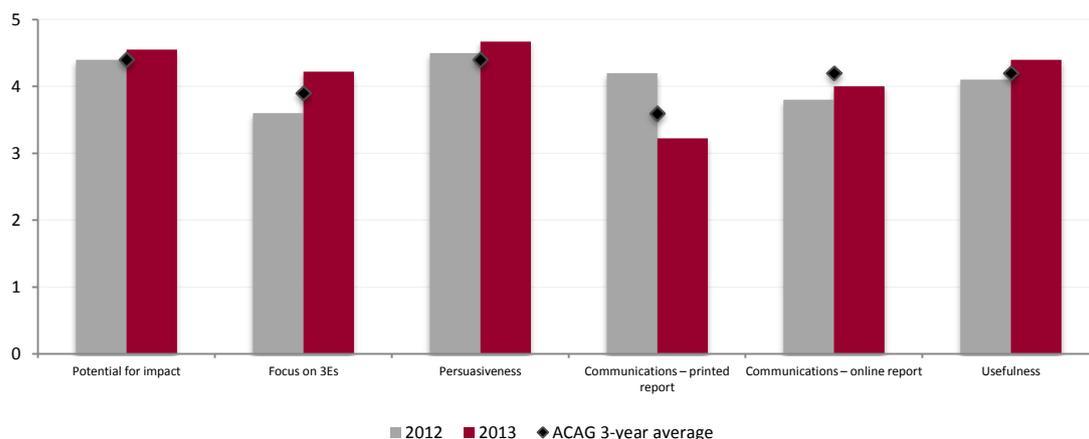
We have made changes to our performance audit practice and methodology to address these issues over time.

External reviews of our reports

We also benchmark the quality of a selection of our reports by having an externally appointed panel of independent experts assess them against six criteria.

Three performance audit reports were reviewed. This year we achieved an average score of 4.2 out of 5, which is an improvement from our last score of 4.1 in 2012. We scored highest on potential impact and persuasiveness of conclusions. There was a decline in our rating for 'communications—print' where the review suggested areas that could be improved, such as including a glossary, audience description and lines of agency reporting. We are reviewing these suggestions for future incorporation.

Figure 18
Performance audit report quality
ACAG peer review results



Our result this year is also better than the ACAG three-year average score of 4.1 obtained from all other participating audit offices.

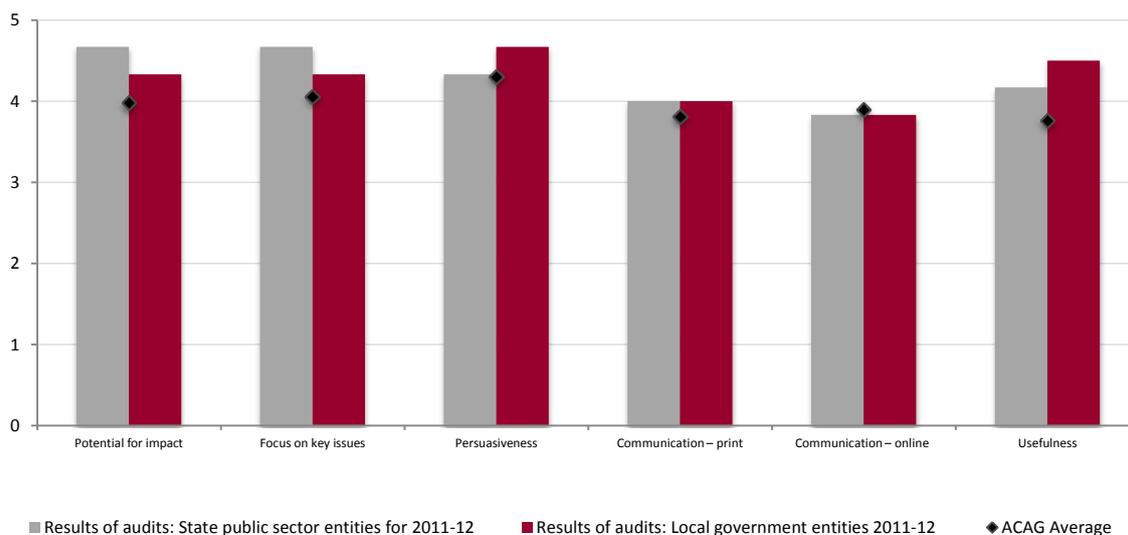
This result confirms that the extra time taken and added cost to improve the readability, relevance and usefulness of our reports has been effective.

For the first time two reports on the results of financial audits were reviewed also this year:

- Report to Parliament 5 : 2012–13 Results of Audit: State public sector entities for 2011–12
- Report to Parliament 10 : 2012–13 Results of audits: Local government entities 2011–12.

We received an average score of 4.3 out of 5 for both reports, which is higher than the ACAG average of 4 for similar reports reviewed. Both reports scored highest for their scope and potential for significant impact and their focus on key issues.

Figure 19
Financial audit report quality
ACAG peer review results



Impact of our services for the Parliament

Use of our reports by the Legislative Assembly

The Auditor-General and our reports were referred to in Parliament by 21 different MPs on 46 separate occasions throughout 2012–13.

MPs referred to our reports, audit findings and recommendations in relation to five bills debated in Parliament during 2012–13 on topics including:

- the Nature Conservation and Other Legislation Amendment Bill
- the Housing and Other Legislation Amendment Bill
- the Queensland Reconstruction Authority Amendment Bill
- the Tourism and Events Queensland Bill
- the Queensland Art Gallery Amendment Bill.

In September 2012, the then Minister for Science, Information Technology, Innovation and the Arts stated that the purpose of the Queensland Art Gallery Amendment Bill was:

'...to provide a clear legal status in response to the Auditor-General's corporate governance concerns...'

The Hon. John Grant, Member for Springwood, when discussing the Housing and Other Legislation Amendment Bill in Parliament on 5 March 2013, commented in relation to the Auditor-General's Report 6 : 2012–13 Implementing the National Partnership Agreement on Homelessness in Queensland, said:

'I found the auditor's report to be surprisingly frank and honest. It really shows the challenges that have existed and the challenges that still exist and are ahead of us.'

Reported as an historic and landmark strategy, the Cultural Precinct Strategy was launched in June 2013 in response to a recommendation in the Auditor-General's Report to Parliament No. 9 for 2011 : Acquisition and public access to the Queensland museum, Art gallery and libraries collections.

Use of our reports by parliamentary committees

The Committee of the Legislative Assembly referred each of the Auditor-General reports tabled during 2012–13 to the responsible parliamentary committees for further examination.

The Education and Innovation Committee tabled two reports during 2012–13 on its review of our reports to Parliament from 2012:

- Our Report 1 : 2012 Improving student attendance was a catalyst for the committee to make further recommendations to the Minister for Education, Training and Employment and the committee undertook to review the issue of student attendance rates in Queensland state schools again in 2014. The committee commended the Auditor-General that this was an important area for a performance audit.
- The committee's examination of Report 3 : 2012 Results of audits: Education sector financial statements for 2011, prompted the Minister to take action so grammar schools resolved issues relating to the disclosure of key executive remuneration before submitting their 2012 annual reports. The Minister also took action in relation to our report about one grammar school's ability to continue as a going concern by asking the Department of Education, Training and Employment to engage a specialist professional to review the school's operations and financial position comprehensively.

The Finance and Administration Committee is considering Report 4 : 2012 Managing employee unplanned absences and Report 5 : 2012 Results of audits—Internal control systems.

Following its examination of our Report 5 : 2012–13 Results of audit: State public sector entities for 2011–12, the Finance and Administration Committee resolved to conduct an inquiry into public sector contract extensions. This inquiry is ongoing and assistance is being provided as to potential lines of inquiry. The committee also resolved to conduct an inquiry into fraud risk management in public sector organisations as a result of Report 9 : 2012–13 Fraud risk management.

Report to Parliament 1 : 2012–13 Racing Queensland Ltd : Audit by arrangement was referred to the Health and Community Services Committee for consideration on 10 July 2012.

In May 2013, the Attorney-General announced the establishment of a Commission of Inquiry into the Queensland racing industry. The terms of the inquiry are to include matters raised in this report. The Queensland All Codes Racing Industry Board replaced Racing Queensland Ltd in May.

Use of our reports by the public sector

Fifty recommendations were made in our 2012–13 performance audit reports to Parliament, all of which were accepted by the entities we audited (100 per cent). This is an increase from the previous years (83 per cent) and exceeds the 2011–12 average of Australian audit offices of 97 per cent.

In 2012–13, we checked on the implementation of recommendations made in three performance management systems audits tabled in 2010. The three reports had a combined total of 23 recommendations; 14 of these recommendations have been implemented fully, eight have been implemented partially and, in one instance, the department took an alternative approach.

Specifically, progress found comprised:

- Report to Parliament No. 3 for 2010: Administration of Magistrates Court Services in Queensland—This audit concluded that the Department of Justice and Attorney-General administered effective Magistrates Court Services in Queensland; the follow up audit found that the department strengthened its planning framework and process and was now better able to identify emerging needs and plan to deliver sustainable justice services
- Report to Parliament No. 6 for 2010: Using student information to inform teaching and learning—This audit concluded that the then Department of Education, Training and Employment had good practices and systems to support staff to analyse student data and use it to inform teaching and learning and identified that these practices were not applied consistently across the regions and the schools; the follow up audit found the department subsequently could measure performance and improvement more clearly and teachers and principals were better equipped to analyse and use the student data to inform literacy and numeracy teaching and learning
- Report to Parliament No. 9 for 2010 : Sustainable management of national parks and protected areas—This audit found that the department had systems in place to conserve the state’s natural and cultural heritage and to manage protected areas, but these systems were not applied consistently across the regions. Two years later, the Department of National Parks, Recreation, Sport and Racing had implemented one of the seven recommendations. Five recommendations had been partially implemented and the department decided on an alternative approach for one recommendation about park management plans.

Over the last 12 months, each of our reports to Parliament on the results of financial audits has emphasised ongoing issues with the quality of the financial statement process across different government sectors.

The Under Treasurer requested that all state departments implement strategies over the next 12 months directed at improving their month-end and year-end financial year reporting processes.

In Report 5 : 2012 Results of audits—Internal control systems, our assessment of the effectiveness of entity fraud prevention strategies identified 11 departments as not having at least two of the six basic elements operating at a level to minimise the risk of fraud occurring.

Since we highlighted this issue across the budget sector, the Crime and Misconduct Commission (CMC) has conducted a series of seminars in which we have participated to improve fraud prevention strategies.

Use of our reports in other jurisdictions

As well as references to our performance audit reports in relation to five Bills debated in Parliament during 2012–13, our audit findings and recommendations have affected change and instigated debate nationally.

- In 2012–13, Auditors-General of six states and territories, including Queensland, and the Auditor-General for Australia agreed to undertake a concurrent audit of the National Partnership Agreement on Homelessness (NPAH). A common audit objective and criteria were developed to support and guide the concurrent audit approach. The seven reports have some consistent findings and help inform a broader understanding of the implementation on the NPAH.
- In May 2013, Report No. 4 : 2012 Managing employee unplanned absence informed debate on the cost of unplanned absence to the Australian Public Service in the Australian Government's Finance and Public Administration Legislation Committee Estimates hearing.

Services for public sector entities

Performance scorecard

Dimension	Measure	2012–13			2011–12
		Plan	Actual	Variance	Actual
Quantity	Audit opinions issued(number)	793	802	11	772
	–Financial statement	573	548	(25)	552
	–Other ¹	220	254	34	220
Cost	Cost of financial audit ² (\$ 000)	37 150	34 606	(2 544)	38 364
Timeliness	Financial audit opinions issued on time (%)	95	99	4	95
Quality	Agency satisfaction (index points)	80	76	(4)	72
	Satisfactory quality reviews (%)	100	80	20	100
Impact	Recommendations accepted (%)	90	90	0	91.4

Notes:

1. 'Other' includes internal controls reports, Commonwealth Government and other grant acquittals, derivative risk statements and ad hoc audit opinions required by regulatory authorities.

2. Includes the cost of any other audit certifications provided. Cost is based upon total QAO expenses (\$42.707 million for 2012–13) less allocated expenses for the statutory Office of the Auditor-General (\$0.595 million for 2012–13) and less the cost of services to parliament (\$7.506 allocated cost for 2012–13).

Strategies

- More timely and open engagement with the public sector.
- Focus on the things that matter and that will make a difference.
- Better leverage our public sector expertise.

Highlights

- continued focus on improving the efficiency and effectiveness of our financial audit services
- reduced total audit fees while maintaining QAO's overall financial viability (noting that QAO's "own source revenue" comes from client audit fees)
- continued to find and recommend improvements to strengthen financial management and accountability in entities.

Types of services for public sector entities

Financial statement audits

Financial audits provide independent assurance to the users of public sector financial statements that those statements are presented fairly and in accordance with Australian Accounting Standards and applicable legislation. Financial audits are funded by a fee for service charged by the Queensland Audit Office to the audited entity.

Financial audits produce two major outputs:

- an audit opinion on the financial statements
- a private report to the governing body of each audited entity on matters arising from the audit.

Our financial audit opinion is attached to the financial statements, and together these are included in each entity's annual report.

In this regard, our service allows public sector entities to fulfil their own accountability obligations to report annually, through their Ministers to the Parliament, on their operations and on their financial performance and position.

Our private reports may include observations and recommendations about the quality of financial reporting processes, strength of internal controls, accounting issues and matters relating to compliance with applicable laws.

Certifications

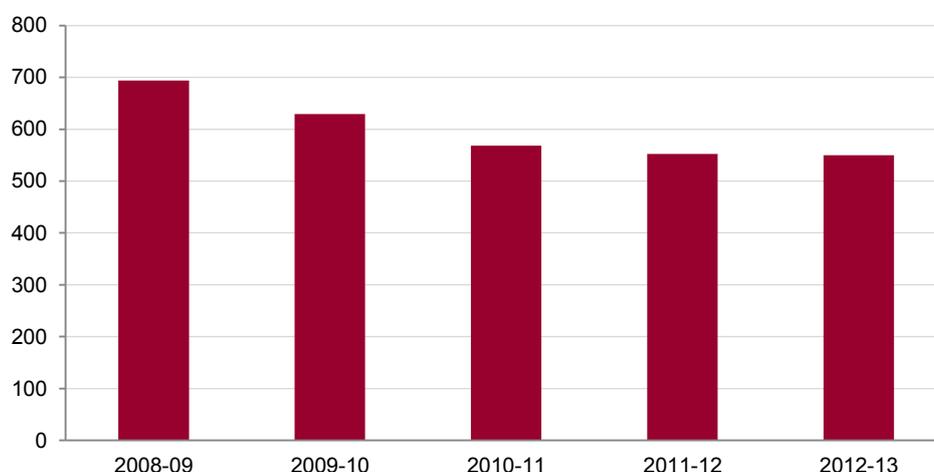
Where requested by our financial audit clients, we also provide certification of grant acquittals as their external auditor (in addition to our audit opinions) to fulfil their responsibilities to the Commonwealth Government.

Quantity of services for public sector entities

Audit opinions issued on financial statements

We issued 548 audit opinions on financial statements in 2012–13.

Figure 20
Number of audit opinions issued



The number issued was 25 fewer opinions than the 573 we expected to issue during 2012–13. The difference was because we expected 14 more new entities to be created by the 2012 change of government, and because 11 audits were unfinished at the financial year end.

Our 2012–13 result (548) and 2011–12 result (552) varied only by four opinions. This was because:

- 37 small proprietary companies elected under the *Corporations Act 2001* not to produce financial statements this year
- 19 entities were wound up and did not require an opinion this year
- two opinions planned to be signed in 2012–13 were signed early in 2011–12
- 50 opinions were issued for new entities
- eight opinions were issued on financial statements from prior years
- seven opinions for 2012–13 were finalised early
- eleven audits were unfinalised at 30 June 2013.

Modified audit opinions

We work closely with our audit clients to avoid, where possible, the need to qualify our audit opinion. This year, we issued 15 qualified opinions (3 per cent) compared to 34 qualified opinions in 2011–12 (6 per cent). The drop in number from 2011–12 resulted from resolution of issues with asset valuations caused by natural disasters.

The 15 qualified opinions this year related to:

- financial statements not being prepared on a 'going concern' basis
- incompleteness of donation revenue
- insufficient internal control systems
- inadequate records to support prior year comparative figures.

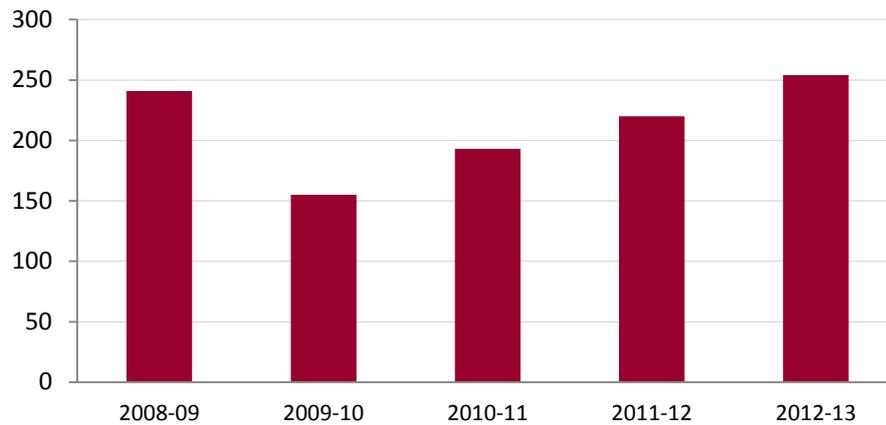
Certifications

While our primary service is to provide an audit opinion on financial statements, we are also requested by entities to provide opinions on aspects of their internal controls over financial reporting and on their finances. This work is a natural complement to the financial audit and is therefore done most efficiently by the external auditor. In many cases, it is a requirement by the funding agency that the external auditor provides the certification.

We issued 254 other audit opinions on internal controls reports, Commonwealth and other grant acquittals, derivative risk statements and regulatory statements.

The number of other audit opinions in 2012–13 increased by 34, due mainly to an increase in the number of opinions to be issued for grants provided to local governments for improving roads and to make repairs under the Natural Disaster Relief and Recovery Arrangements.

Figure 21
Number of certificates issued



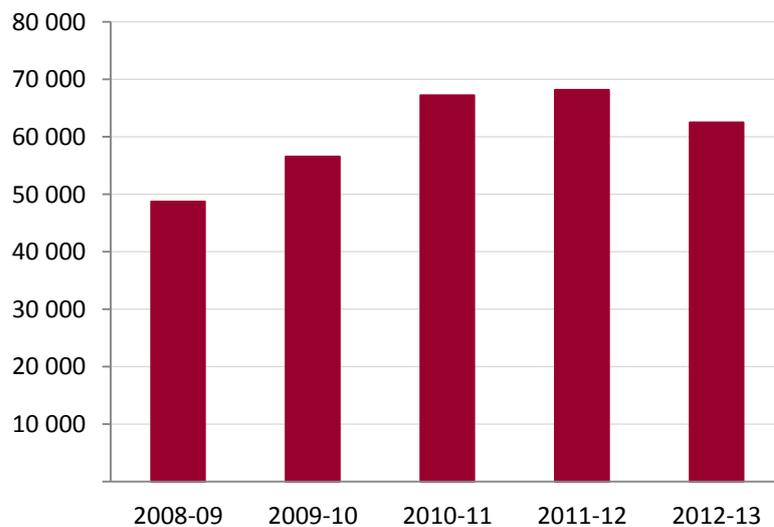
Cost of services for public sector entities

We recover the cost of our financial audits by charging an audit fee directly to our audit clients. We agree the fee with the client at the beginning of the audit and adjust it only if we identify any new risks and issues. We have been able to reduce the overall fees charged to our clients by \$2.690 million compared to 2011–12.

We have achieved this reduction in fees by increasing the efficiency of audit procedures and targeting audit risks better. This has supported a reduction in the average hours spent on each financial audit opinion in 2011–12 of around six per cent. Nevertheless, we are conscious the average cost of our audits remains higher than that of other audit jurisdictions.

The average cost per financial audit opinions fell by 7.7 per cent this year, to \$62 954 per audit opinion; a decrease compared with the actual cost in 2011–12 of \$68 188, but slightly higher than our target cost of \$61 354.

Figure 22
Average cost per audit opinion (\$)



The ACAG benchmark average cost of financial audit opinions for was \$54 098 for 2010–11 (the latest year for which comprehensive data is available). However, this should be considered in some context, as we provide, on average, 60 per cent more additional certifications than other States in a very geographically dispersed environment.

Quality of services for public sector entities

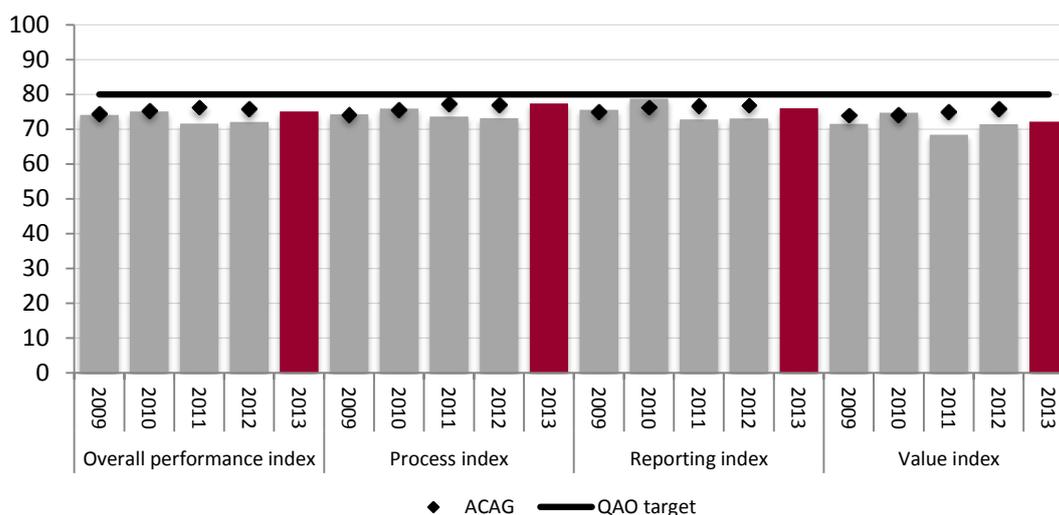
Financial audit client surveys

We measure the quality of our financial audits by surveying our financial audit clients. To ensure the objectivity and transparency of the results, these surveys are conducted on our behalf by an independent research company. This year, we received feedback from 198 financial audit clients (66 per cent response).

Of responding clients, 80 per cent were state government entities, including departments, government owned corporations and statutory bodies; the balance were local government clients.

An overall performance index (OPI) is calculated from the survey results to allow us to compare results on the same basis from year to year.

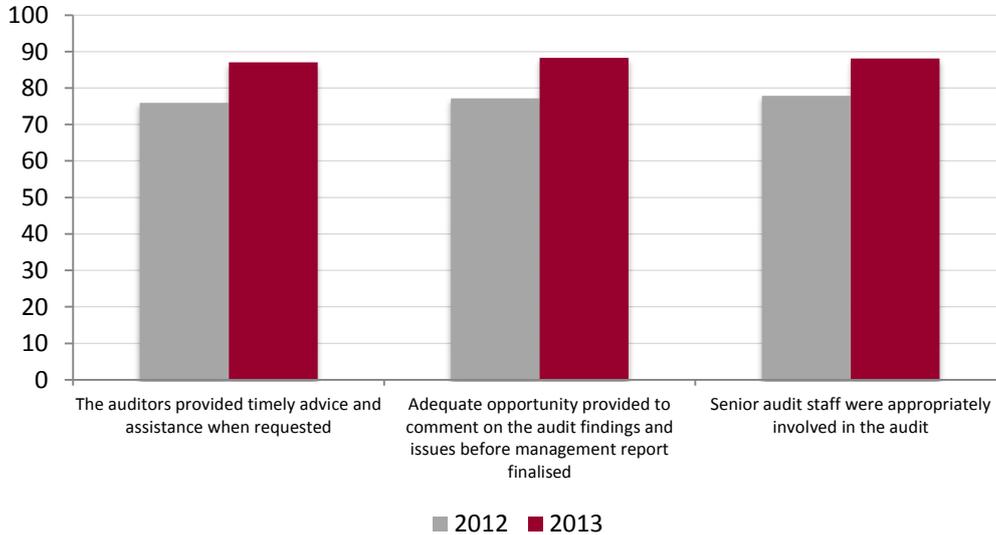
Figure 23
Financial audit client satisfaction



The OPI score for 2012–13 was 76 index points, meaning respondents were generally positive about their experiences with QAO. This is an improvement from 72 index points in 2011–12, driven by strong improvements in audit process quality and audit reporting quality.

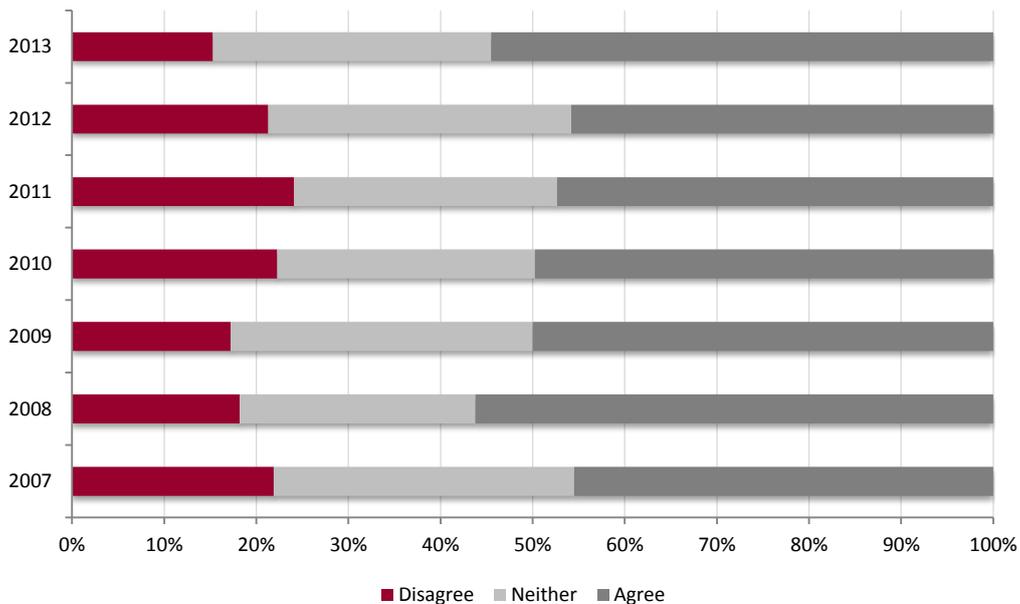
Our financial audit clients were more satisfied this year across all surveyed areas, apart from continuity of auditors. This area declined four percentage points to 80 per cent.

Figure 24
Most improved aspects



Notably, more clients were satisfied this year that our audit fee was reasonable, up eight percentage points to 54 per cent agreement. This is our best result since 2008. Concurrently, dissatisfaction with the audit fee was lower this year than ever before. This year's improvement is reflective of our strategies in recent years to review and rationalise our audit fees.

Figure 25
Audit fee client satisfaction



We benchmark our client survey results against other audit offices. The results of the 2013 client survey benchmarking are not yet available, but when compared with the other five audit offices participating in the 2012 benchmarking, we had the equal lowest OPI score. The highest was 80 index points.

We continue to work on our engagement with our clients and to improve their overall satisfaction with our audits through new our sector-based approach. Our financial audit clients identified areas for improvement in the 2012–13 client survey, including:

- time frames and the timeliness of delivery
- earlier guidance and discussion on audit requirements, processes and findings
- improved efficiency and effectiveness of the audit process
- staff continuity.

Internal quality reviews

QAO's quality control framework is designed to meet the requirements of APES 320, *Quality Control for Firms*, issued by the Accounting Professional and Ethical Standards Board. As part of this framework, we undertake quality assurance reviews on a representative selection of audits.

APES 320 requires an inspection of at least one completed engagement for each engagement partner, on a cyclical basis. QAO examines all engagement leaders over a three-year period.

This year we conducted 40 quality assurance reviews:

- 20 reviews of disclosures in the 2011–12 financial statements of departments
- three file reviews of 2011–12 financial audits performed by in-house staff
- 10 file reviews of 2011–12 financial audits performed by our contracted firms, including quality assessment of the contracted partners
- seven 'live' reviews of planning for 2012–13 financial audits performed by in-house staff.

This compares to 33 quality assurance reviews completed in 2011–12.

All of the in-house performed audits reviewed met the minimum requirements for quality established in the Auditor-General's auditing standards.

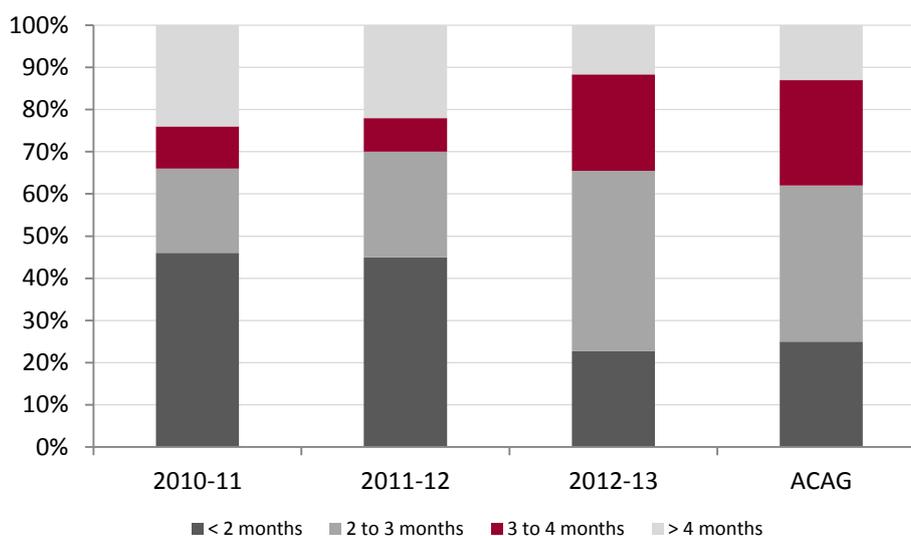
Four of the ten contractor files reviewed did not meet the minimum requirements and have been noted for 'active' reviews of their 2012–13 audit files before the auditor's report is signed.

Timeliness of services for public sector entities

We measure the timeliness of our audit opinions in two key areas: whether we issue our audit opinions within the statutory time frames set by legislation for our clients and how long after each balance date we issue our audit opinions.

We issued 23 per cent of our audit opinions within two months of the balance date and 65 per cent within three months. This compares favourably with the ACAG average of 62 per cent. The greatest improvement this year was in halving the number of opinions we issue more than four months after balance date. This reduced to 12 per cent, down from 22 per cent in 2011–12 and means that more of our clients were able to finalise their annual reports earlier.

Figure 26
Timeliness of opinions issued (%)



Impact of services for public sector entities

During the year, we raised 1 242 significant audit issues (1 363 during 2011–12) in our management letters to executive management of each entity. These issues, which we rated as high or moderate risk, related predominantly to weaknesses in agency internal controls. Of the 1 242 significant issues, 502 (40 per cent) were for the local government sector (474 in 2011–12 or 35 per cent).

We also made 976 recommendations for improvement (1 600 in 2011–12). Of these, 89 per cent were accepted by the client, up from 91.4 per cent in 2011–12. Although our 2011–12 report advised this was 79 per cent, we re-examined the basis on which this was calculated to account for action taken on the issues. This resulted in a new percentage finding. The 2012–13 percentage has been calculated on this adjusted basis.

The majority of unaccepted recommendations (4.3 per cent) relate to governance and monitoring control issues about which resolutions are yet to be agreed.

We followed up the recommendations we made in 2012–13 and found that eight per cent remained unresolved at year end (15.3 per cent for 2011–12). Of these, six per cent were state entities (13.3 per cent in 2011–12) and three per cent were local government entities (two per cent in 2011–12).

These are mainly financial statement issues which were not resolved at the end of the financial year. These issues did not materially affect the balances in the financial statements.

Our people

Our staff

People scorecard

Dimension	Measure	2012–13			2011–12
		Plan	Actual	Variance	Actual
Profile	Effective headcount (number)	226	221	(5)	226
Motivated	Staff satisfaction (% satisfied)	64	60	(4)	64
	Permanent separation rate (%)	<15	17.1	1.9	11.73
Skilled	Staff development (hours per employee)	40	52.3	12.3	71.8
	Staff with post graduate qualifications (%) ¹	80	63.9	(16.1)	60.9
Healthy	Sick leave (average days per employee)	<9	13.06	4.06	13.52*
	Days lost to injury (total)		12.5		34.93

1. Postgraduate, inclusive of CA and CPA accreditation for audit and non-audit staff.

* Change in sick leave figure due to leave applications processed after publication date and refinement in measure.

Strategies

- Focus on training, development and performance management.
- Optimise our use of staff and contracted resources.
- Strengthen our employment practices to engage the required skills.

Highlights

- Met the challenges and delivered on planned activities with a workforce that was smaller than budgeted
- Increased our training offering to employees in turn increasing the number of hours for professional development
- Continued to monitor our sick leave achieved through targeted human resource strategies implemented at the local level

Profile

We consider our workforce profile in three different ways—effective head count, effective full time equivalent (FTE) and Minimum Obligatory Human Resource Information (MOHRI).

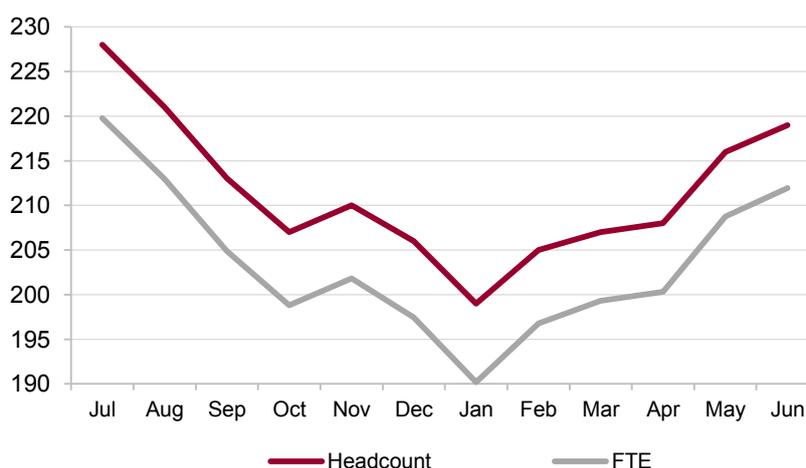
As at 30 June 2013, we had an effective head count of 221. The head count includes staff who are temporary, contracted and seconded ‘in’. It excludes employees seconded ‘out’ and on leave without pay. There were two per cent fewer employees than the target in 2011–12.

Our effective FTE at 30 June 2013 was 213.9, 2.4 employees less than in 2011–12.

Figure 27
Staff numbers at 30 June

Staff	2012–13	2011–12
Effective headcount	221	226
Effective FTE	213.9	216.3
MOHRI FTE	191.2	209.7

Figure 28
Effective workforce at 30 June 2013



Note: The Y-axis minimum scale has been altered to allow identification of monthly movement

We use MOHRI to report our workforce numbers to the Public Service Commission and Queensland Treasury and Trade. Both of these central agencies require MOHRI data as per the Directive 03/13 Workforce Profile Information.

MOHRI includes permanent and temporary employees, who are either full time or part time. MOHRI does not include employment agency or contracted staff, or employees on leave without pay for longer than eight weeks. It also does not include staff seconded to another department or agency.

Through business and workforce strategies, we are changing the way we manage and deliver our work in audit and non-audit divisions. These strategies over the next 12 months will change the workforce profile focusing on the right employees at the right time.

Diversity

QAO supports the Queensland Government's commitment to promote and deliver programs for target groups. We ensure equal opportunities through the Queensland Multicultural Action Plan: 2011–2014 and Queensland Government Reconciliation. QAO continues to perform well in relation to employees from culturally and linguistically diverse backgrounds. In the EEO statistical bulletin published by the Public Service Commission in June 2012, 25.8 per cent QAO staff identified themselves as coming from a non-English speaking background. QAO is the highest ranked Queensland public service agency under diversity.

All equity and diversity measures have remained fairly stable over the last five years.

Figure 29
Target groups at 30 June 2013

Target Group	2012–13	2011–12
Women (%)	46.2	43.4
Non-English speaking background (%)	26.9	19.2
People with a disability (%)	7.9	12.6
Aboriginal and Torres Strait Islanders (%)	0	0.9

Workforce planning

Strategic and business planning has been refined to reflect the changes in the organisation. A foundation Workforce Plan 2012-14 is currently under review to align the workforce with the new business strategies. The plan for 2013-15 will ensure that QAO has suitable, capable and skilled staff to deliver the business outcomes while focusing on the ever changing employment market and public service.

Achievements for the year have included the development of a financial audit sourcing strategy as outlined below; an increase in professional development hours provided to employees as outlined in "Skilled People"; and the use of external recruitment agencies to supplement our pools and support the selection of our Senior and Executive officers.

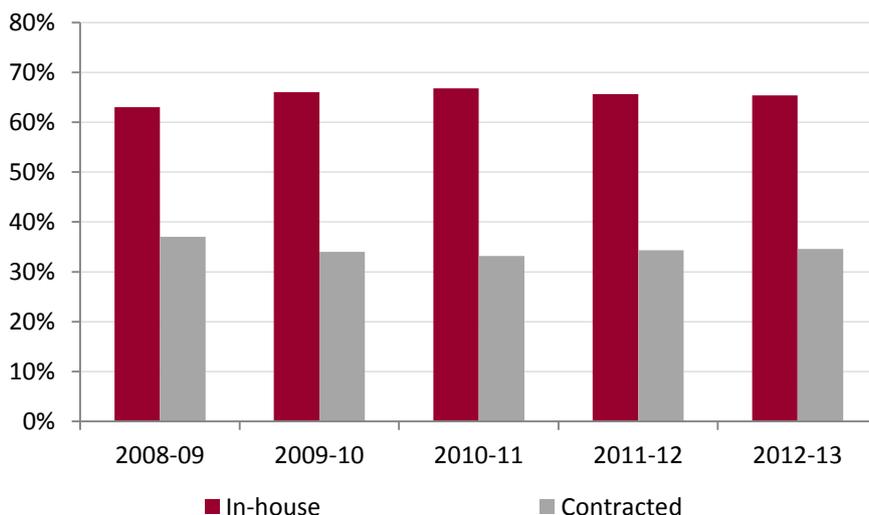
Strategic sourcing

Audit resourcing requires a strategic sourcing strategy using specific sector and industry knowledge and competence. We plan carefully to deliver our financial audit mandate effectively and efficiently through the purchase and supply of the most appropriate mix of in-house and contracted audit service providers.

Financial audits are undertaken either directly by QAO staff or by authorised contract auditors. Each year, we review our resourcing mix to ensure the most appropriate balance of technical expertise.

For 2012–13, QAO staffed 60 per cent of financial audits by number, which accounted for 65 per cent of audit fees. Figure 30 highlights the proportions of total revenue from audit fees derived from in-house staff and contracted-out audits.

Figure 30
Resourcing mix as proportion of financial audit fees



Each year we hold a contract auditors workshop, so our contractors stay informed of our clients' key risks, issues and changes to their operating environment.

This year, the workshop was held in November 2012 and was attended by 54 representatives of contract audit firms registered as audit service providers with QAO. Topics included contractor expectations, quality assurance, sector planning and key issues of different sectors.

Details of contracted audit firms for 2012–13 are listed in Appendix 5: Audit professional services fees.

Looking ahead, we plan to extend our sourcing strategy to our performance audit program and supplement our internal capabilities with external specialist skills as appropriate.

Motivated people

Staff satisfaction

Our staff survey is conducted every two years by an external provider with a staff pulse conducted as needed in the alternate years to track progress against action plans.

A satisfaction index has been created as a general measure of employee satisfaction and comprises a number of key measures relating to leadership, management and supervision. The overall level of employee satisfaction in the 2012 survey exceeded the target and increased from 62 per cent in 2010 to 64 per cent. Workshops were conducted in May 2012 to explore and address the findings of the survey and ensure progress was made on key indicators. All work areas developed action plans which focused on activities for improvement.

In May 2013, a staff pulse survey was conducted. The overall level of satisfaction has decreased from 64 per cent to 60 per cent. The result can be linked to the significant level of change in work practices, reporting structures and organisational systems. This result was expected and strategies are being deployed to address the results.

Attraction and retention

The rate of permanent separation during 2012–13 was 17.1 per cent compared with 11.7 per cent in 2011–12. This has been due largely to organisational change activities which have increased the number of organisation and employee initiated separations.

To ensure that we understand the reasons for the employee initiated separations, exit surveys are conducted with departing employees. A significant number of employees identified a 'better job opportunity' as the influence on their decision to leave QAO. In a number of instances, these opportunities were not within the audit area but in other accounting-related disciplines.

A program of organisation-initiated separations, or redundancies, was implemented during 2012–13. During this period, 13 employees received redundancy packages at a cost of \$820 470. Employees who did not accept an offer of a redundancy were offered case management for a set period of time, where reasonable attempts were made to find alternate employment placement. During this period, two employees were placed in other public service departments and no retrenchments packages were paid. QAO participated in the Voluntary Separation (VSP) during 2011-12. The program ceased during 2011-12 with no employees receiving packages thereafter.

Fewer recruitment activities were undertaken in 2012–13 due to the changes in work practices, reporting structures and organisational systems. During 2012–13, 10 recruitment processes were completed. An ongoing issue has been the limited number of external applicants, especially at the AO4 level and above. A number of our business and workforce planning strategies are focused on the difficulty of attracting suitably qualified and experienced applicants.

In 2012–13, our graduate attraction strategies were successful, comprising targeted activities such as careers fairs, university information events and networking activities to promote QAO as an attractive employer. We also participated in the Queensland public sector graduate portal which is a state-wide graduate recruitment website managed through the Public Service Commission.

The GRADtecs program achieves best practice in graduate development based on graduate industry criteria. It provides participants with a practical curriculum that consists of formal training, on-the-job learning, personal development activities and peer-led forums. Graduates participate in internal and external technical and non-technical training.

Performance management

Our employees participate in a performance, achievement and development process (LaunchPAD). Individual goal plans are linked directly to divisional and business plans. Individual performance is assessed against these business goals and Lominger role competencies.

Skilled people

Qualified workforce

Our investment in both technical and soft skills in our people remains a cornerstone principle. QAO requires professional accreditation for audit staff and encourages other qualifications as an investment in employees' careers. Employees who are studying for a qualification can attend a monthly study group to work together, share experiences and coach one another.

This year, the proportion of all staff with postgraduate qualifications increased from 60.9 per cent to 63.9 per cent. For audit staff this proportion increased to 72.2 per cent as we build toward our internal target of 85 per cent for this cohort.

**Figure 31
Staff qualifications**

Post graduate qualifications (%)	2012–13	2011–12
All staff	63.9	60.9
Audit staff	72.2	67.1

During 2012–13, six graduates and one student from the Queensland University of Technology accounting school work experience placement program started in our GRADtects program. Four graduate auditors from the previous year completed the 2012 program and have been integrated effectively to our audit teams.

Professional development

Our ability to deliver our mandate depends on the capability and skill of our employees. We invest in our employees by providing:

- study assistance
- targeted technical and non-technical development programs
- secondments between government departments.

Technical training focuses on accounting and auditing standards, audit tools, methodologies and development opportunities identified through quality assurance reviews. Technical, non-technical and leadership development is delivered by both in-house and external providers.

In 2012-13, we achieved 52.3 hours professional development against our plan of 40. The increase from our target has been due to the rollout of non-technical organisational training such as Code of Conduct and Plan English training.

Healthy people

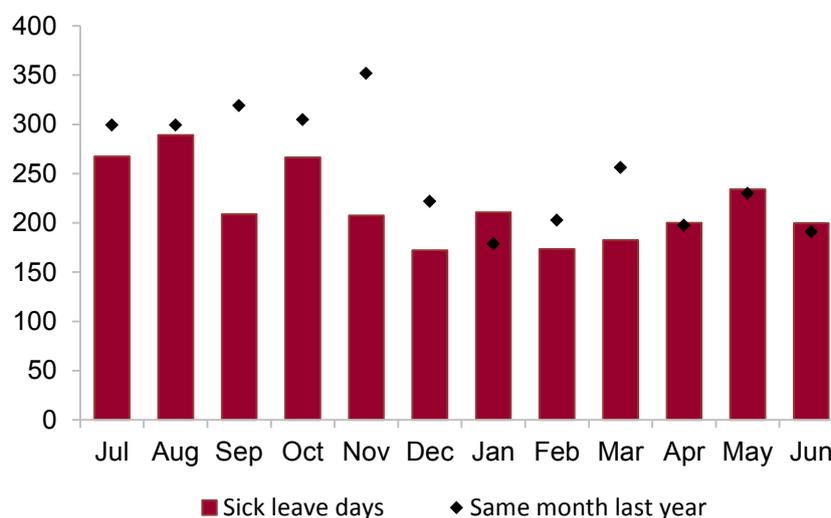
Sick and recreation leave

Sick leave in 2012–13 was 13.06 average days per employee, down from 13.52 in 2011–12.

Our analysis of sick leave data from 2011–12 showed an increasing trend. In February 2012, a targeted effort was made to assist and support both managers and employees in the management of sick leave and other leave types.

During 2012–13, as can be seen from Figure 32, the actions that have been encouraged at the local level have decreased the sick leave taken when compared monthly.

Figure 32
Total sick leave days
July 2012 to June 2013



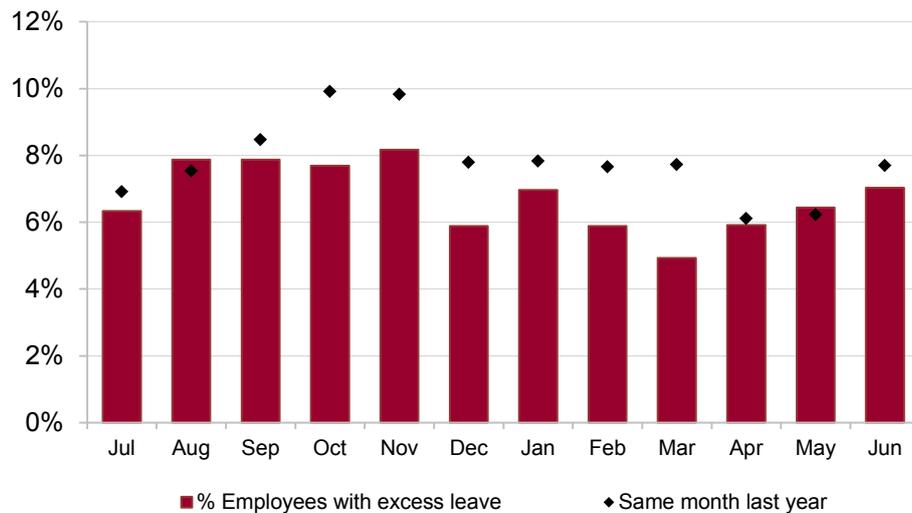
The previous increasing sick leave trend was attributed to more employees taking long term sick leave, our ageing workforce profile and the pace of change both within the office and across the broader public service.

Employees continue to be managed proactively by partnering with the supervisor, employee, treating medical practitioner and QAO's People and Performance team.

As with sick leave, excess recreation leave has also been monitored closely on a monthly basis via internal corporate reporting and through the EMG.

Recreation leave increases in May to September each year as a result of the seasonal audit work cycle and the legislative timeframes for the auditors. During the remaining seven months, recreation leave is monitored closely to ensure employees have appropriate and achievable plans in place to reduce their balances prior to the end of year cycle.

Figure 33
Excess recreation leave
July 2012 to June 2013



Workplace safety

The number of workplace incidents at QAO has remained stable, decreasing by two in 2011–12, to eight reported matters in 2012–13. The number of WorkCover claims has also decreased from 2011–12, with one claim lodged in 2012–13.

We engage a third party provider to undertake formal ergonomic assessments for employees in the workplace and to provide rehabilitation return to work and suitable duties advice for employees requiring assistance.

We work closely with WorkCover and QSuper to provide employees with assistance and early intervention strategies. These early intervention strategies also minimise claims. QAO takes a proactive approach engaging with the teams, managers, employees and medical practitioners when returning employees to the workplace.

Health and wellbeing

To keep employees healthy, we encourage participation in our health and wellbeing program. Initiatives in 2012–13 have included flu vaccinations and healthy heart assessments. There were 82 employees vaccinated for flu this year which was a decrease from 90 in 2011–12.

There were 65 employees who participated in our inaugural healthy heart assessments. Employees were offered a confidential expert consultation with a fully accredited provider who assessed employees' blood glucose, cholesterol blood pressure, waist circumference, physical activity, nutrition and body mass index which provided their risk scores for cardiovascular disease and diabetes.

Work life balance

QAO supports flexible work practices and helps employees to balance their work and home lives. Employees have access to a number of initiatives including reduced / compressed hours, accumulated time (banked time), leave at half pay and purchased leave. We also have arrangements such as telecommuting and part-time work.

As at June 2013, 10.3 per cent of employees undertook formal part time arrangements, a slight decrease from 11.7 per cent in 2011–12.

Code of conduct and public sector ethics

QAO is a signatory to the whole of government code of conduct established under the *Public Sector Ethics Act 1994*. To support the implementation of the new code, education and training has been delivered to 186 employees. The remaining employees are scheduled for training in the near future. The Queensland Ombudsman delivered code of conduct and ethical behaviour training and work is now being started on the development of the online refresher training.

Our strategic plan has been shaped to promote and apply the public sector ethics principles and code. Our internal procedures and practices have regard to ethical principles and values. This is reflected in role descriptions and human resource policies and guidelines such as complaints management. We comply with all reporting and performance management requirements and the ethics priorities are incorporated into our performance, achievement and development (LaunchPAD) plans.

Our finances

Financial sustainability

Financial scorecard (\$ 000)

Item	2012–13			2011-12
	Plan	Actual	Variance	Actual
Audit fee revenue	36.589	35.594	(0.995)	37.601
Consolidated revenue fund	6.600	6.415	(0.185)	6.402
Other revenue	0.375	0.305	(0.070)	0.334
Total revenue	43.564	42.314	(1.250)	44.337
Employee expenses	25.202	22.358	2.844	23.638
Contract audits	11.877	13.095	(1.218)	12.188
Rent and office services	2.431	2.403	0.028	2.302
Other supplies and services	3.855	4.363	(0.508)	5.356
Other operating expenses	0.284	0.363	(0.079)	0.443
Depreciation and amortisation	0.100	0.125	(0.025)	0.272
Total expenditure	43.749	42.707	1.042	44.199
Operating surplus (deficit)	(0.185)	(0.393)	(0.208)	0.138
Total assets	9.044	9.348	0.304	9.356
Total liabilities	2.841	3.353	0.512	2.968
Net assets	6.203	5.995	(0.208)	6.388

Strategic objectives

To ensure our financial sustainability, our goal is to recover costs over the medium term, through the efficient discharge of our mandate, while maintaining funding separation between our two sources of revenue and client outputs.

To achieve this, through our financial framework, we focus on:

- setting competitive client fees
- managing our work in progress within reasonable levels
- collecting our debts and paying our creditors promptly
- monitoring the efficiency of our internal support services.

Highlights

- met our economy and efficiency operational targets for the year
- constrained our total costs, achieving an overall saving of \$1.042 million (2.4 per cent) against our approved budget, while remaining financially sustainable, taking into account our cash reserves
- continued our focus on the cost and efficiency of our services.

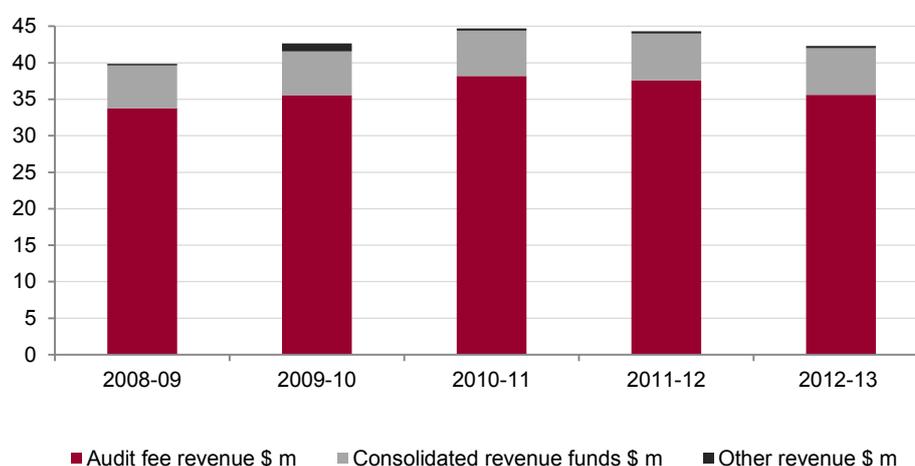
Operating result

We incurred a relatively small net operating deficit for 2012–13 of \$0.393 million, which was expected due to decisions made in relation to emerging audit needs and priorities. The increase from the budgeted operating deficit of \$0.185 million in 2012–13 was due largely to the added cost of external specialists we used on the right of private practice in Queensland public hospitals performance audit. We used cash reserves to maintain our financial viability in the short term. Looking forward in the medium term however, further fee constraint will start to affect our ability to deliver the number of outputs planned.

Revenue

Total revenue for 2012–13 was \$42.314 million, a decrease of \$2.023 million (4.6 per cent) on the prior year, largely due to a fall in audit fee revenue of \$2.007 million (5.3 per cent). This was partially offset by a minor increase in appropriation funding and other revenue.

Figure 34
Revenue 2008–09 to 2012–13



Compared with the published budget in the 2012-13 service delivery statement, audit fee revenue was lower by \$0.995 million (2.7 per cent).

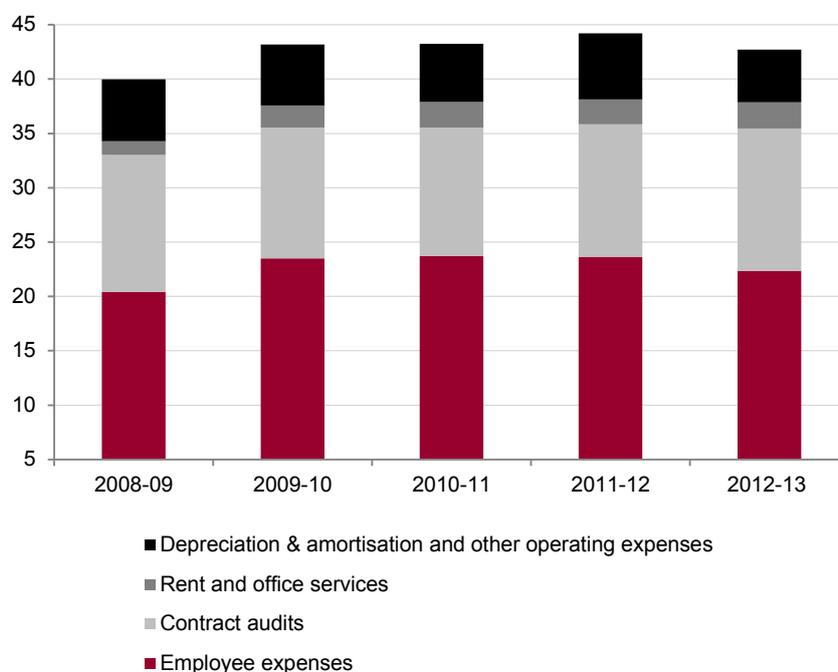
Consolidated revenue funding increased this year by 0.2 per cent or \$0.013 million to \$6.415 million. This funding supports the operations of the statutory Office of the Auditor-General, the conduct of performance audits and services to the Parliament, including formal reports and advice and assistance.

Other revenue included storage services received below fair value from the Queensland State Archives and other general recoveries.

Expenditure

Overall, total operating expenses decreased this year by \$1.492 million or 3.4 per cent (\$42.707 million, compared with \$44.199 million in 2011–12).

Figure 35
Operating expenditure (\$ million)
2008–09 to 2012–13



Our expenditure is predominantly labour-related; being employee expenses, agency contractor expenses and payments for contracted out audits representing 86 per cent of total expenditure.

This year, the decline in employee expenses of \$1.280 million (5.4 per cent) and the decrease in supplies and services expenses (excluding payments to contract auditors) of \$0.892 million were offset by an increased investment in contracted out audits (up by \$0.907 million to \$13.095 million or 7.4 per cent).

The decline in employee expenses was achieved by reducing staffing across both audit and non-audit staff, and allowed enterprise bargaining increases of \$0.085 million for senior staff and a further \$0.821 million in one-off payments for voluntary retirement to be fully absorbed.

Across the other significant categories of supplies and services expenditure, spending on employment agency personnel, although higher than budgeted, decreased on the prior year by \$0.294 million (18 per cent). While our rent and office services increased 4.4 per cent this year, as costs are averaged over the full lease term, the amount of rent expense recognised was the same as in the prior year.

Depreciation and amortisation costs also declined in 2012–13 with many existing assets fully depreciated or amortised.

Financial position

Assets and liabilities

QAO's major assets are generated by our professional staff and are largely represented by our current assets, comprising the bank account balance and accounts receivable for services performed, including our work in progress. Our current assets remain strong at \$9.067 million through our focus on managing our working capital by reducing our average debtor days.

At the end of the financial year, total assets were valued at \$9.348 million, a slight decrease of \$0.008 million. This is due to an increase in cash assets of \$1.224 million and non-current assets of \$0.101 million, offset by decreases in receivables and work in progress of \$1.260 million.

At 30 June 2013, total liabilities were valued at \$3.353 million, \$0.385 million (13 per cent) higher than in 2011–12. This increase is largely a timing issue, reflecting the higher level of services performed by contract auditors as at 30 June 2013.

Economy of operations

The fees we charge for our financial audit services and the cost of our parliamentary services take account of the full costs of our operations—both the direct costs of audit staff and audit contractors, and indirect costs including support staff, office accommodation and systems.

We use the full costs of our operations to establish an hourly charge out rate for our auditors. In turn, this rate is applied to expected audit effort to arrive at audit fee and cost estimates.

Tracking our hourly charge out rate over time indicates how well we control the cost of our inputs and is a proxy measure of the economy of our operations.

We have not increased our scheduled hourly charge out rates since 1 October 2011. Our actual average hourly charge out rate for parliamentary and audit services increased only slightly from \$156.28 to \$156.62 (0.2 per cent) compared with 2011–12.

Measure	2012–13			2011–12
	Plan	Actual	Variance	Actual
Average charge out rate (\$/hr)	155.97	156.80	0.83	156.28
Actual to budget cost (ratio)	1.00	0.976	(0.024)	0.974

Efficiency of operations

Our efficiency is measured by the rate at which we convert our inputs into outputs. The primary proxy measure we use for this considers the proportion of paid staff hours that are directly charged to providing parliamentary and audit services.

This measure is affected by the productivity of our audit operations staff, and also by the ratio of audit to non-audit staff, as the latter do not charge time directly to audit services.

The proportion of staff hours charged to parliamentary and audit services across QAO remained commensurate with last year at 49.4 per cent (49.7 per cent in 2011–12).

Measure (%)	2012–13			2011–12
	Plan	Actual	Variance	Actual
Total hours charged	50.0	49.4	(0.6)	49.7
Available hours charged	60.5	59.8	(0.7)	60.3

The number of Corporate Services Division staff as a proportion of QAO's total workforce staffing level reduced to 16 per cent as at 30 June 2013. Our target range is between 15 to 18 per cent.

To be more efficient and to give greater assurance on our management of contracts for services, we have developed a Contract Management System (CMS). We spend approximately \$13 million per annum, most of which is on long term contracts (up to five years) with private audit firms. The system has proven effective in supporting the change from a centralised management of contracted audits to managing those audits within the appropriate sector audit team.

With a highly mobile workforce, we refined our work practices and rationalised the deployment of our mobile communication technology. This allowed for better access and achieved an annual recurrent saving of at least \$150 000 from 2013–14.

Financial sustainability

The following ratios give an insight into our financial health and demonstrate we are managing our financial risks. We do not compute a capital replacement ratio as we do not have any significant non-current property, plant and equipment balances.

Net income ratio

Net income ratio measures our ability to meet operating expenses through operating revenue (net operating result to total revenue percentage).

Measure (%)	2008–09	2009–10	2010–11	2011–12	2012–13		Five year
	Actual	Actual	Actual	Actual	Plan	Actual	Average
Net income ratio	(0.4%)	(1.2%)	3.3%	0.3%	(0.4%)	(0.9%)	0.2%

A positive ratio indicates a surplus or profit for the year, while a persistent negative ratio (indicating a deficit) can be concerning. As a not-for-profit entity, our long term average target is zero (that is, break-even). Periodically, we need small surpluses (as occurred in 2010–11) to set aside funds to invest in our human capital and for future asset replacement.

This year, we posted a small deficit of 0.9 per cent; however, the five year average remains zero, indicating an average break even five-year performance.

Current ratio

Current ratio measures our ability to pay our short term liabilities using short term assets (current assets / current liabilities).

Measure (%)	2008–09	2009–10	2010–11	2011–12	2012–13		Five year
	Actual	Actual	Actual	Actual	Plan	Actual	Average
Current ratio	1.90	2.90	3.89	4.04	4.25	3.54	3.3

A current ratio of two or more is desirable, making it less likely that we will experience short term cash flow problems so our business will remain financially sustainable.

Our current and average ratios show we have a relatively strong ability to repay our short term obligations with our available short term funds. This ratio includes the setting aside of funds into a long term provision for the payment of future known rent increases under our lease agreement.

Own-source revenue ratio

Own source revenue ratio measures the proportional reliance on revenue from financial auditing fees (fee revenue / total revenue as a percentage).

Measure (%)	2008-09	2009-10	2010-11	2011-12	2012-13		Five year
	Actual	Actual	Actual	Actual	Plan	Actual	Average
Own source revenue ratio	85	83	88	85	84	83	85

Our financial audit services must be self-reliant through charging fees to the entities to which we provide our audit opinions. This 'own sourced' revenue ratio shows that we have significant autonomy and an enhanced capacity to manage directly our own financial sustainability.

Chief Financial Officer's statement

The Chief Financial Officer (CFO) for QAO has fulfilled the minimum responsibilities of the role as defined in s77(1)(b) of the *Financial Accountability Act 2009*.

In accordance with s77(2)(b) of the Act, the CFO has provided the accountable officer— the Auditor-General—with a statement, in conformance with s57 of the Financial and Performance Management Standard 2009, attesting to the financial internal controls of QAO operating efficiently, effectively and economically for the financial year ended 30 June 2013. This CFO's statement has been presented to the Executive Management Group and the Audit and Risk Management Committee.

Financial statements

QAO FINANCIAL REPORT

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Certificate of the Queensland Audit Office

Independent Audit Report

General Information

These financial statements cover the Queensland Audit Office (QAO). The QAO is an office established under the *Auditor-General Act 2009* to support the Auditor-General in providing independent public sector auditing services and reporting.

For financial reporting purposes, QAO is a department in terms of the *Financial Accountability Act 2009* and is subsequently consolidated into the Queensland whole of government financial report.

The head office and principal place of business is:
Level 14, 53 Albert Street
BRISBANE QLD 4000

A description of the nature of the QAO's operations and its principal activities is included in the notes to the financial statements.

For information in relation to QAO's financial report please call (07) 3149 6000, email enquiries@gao.qld.gov.au or visit the QAO's internet site www.qao.qld.gov.au.

Queensland Audit Office	Notes	2013 \$'000	2012 \$'000
<i>Statement of Comprehensive Income for the year ended 30 June 2013</i>			
Income from Continuing Operations			
Revenue			
Audit fees		35 594	37 601
Departmental services revenue	2	6 415	6 402
Other revenue	3	304	334
Total Revenue		42 313	44 337
Gains	4	1	..
Total Income from Continuing Operations		42 314	44 337
Expenses from Continuing Operations			
Employee expenses	5	22 358	23 638
Supplies and services	7	19 861	19 846
Depreciation and amortisation	8	125	272
Finance/borrowing costs		1	1
Other expenses	9	362	442
Total Expenses from Continuing Operations		42 707	44 199
Operating Result from Continuing Operations		(393)	138
Other Comprehensive Income		..	..
Total Comprehensive Income		(393)	138

The accompanying notes form part of these statements.

Queensland Audit Office		Notes	2013	2012
<i>Statement of Financial Position</i>			\$'000	\$'000
<i>as at 30 June 2013</i>				
Current Assets				
Cash and cash equivalents			2 267	1 043
Receivables and work in progress	10		6 441	7 701
Other	11		359	432
Total Current Assets			9 067	9 176
Non Current Assets				
Other financial assets			10	10
Plant and equipment	12		151	119
Intangible assets	13		120	51
Total Non Current Assets			281	180
Total Assets			9 348	9 356
Current Liabilities				
Payables	14		1 891	1 494
Accrued employee benefits	15		670	779
Total Current Liabilities			2 561	2 273
Non Current Liabilities				
Provisions	16		792	695
Total Non Current Liabilities			792	695
Total Liabilities			3 353	2 968
Net Assets			5 995	6 388
Equity				
Contributed equity			5 183	5 183
Accumulated surplus/(deficit)			812	1 205
Total Equity			5 995	6 388

The accompanying notes form part of these statements.

Queensland Audit Office
Statement of Changes in Equity
for the year ended 30 June 2013

	Accumulated Surplus/ (Deficit) \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2011	1 067	5 183	6 250
Operating Result from Continuing Operations	138	..	138
Transactions with Owners as Owners:			
– Appropriated Equity Injections (refer Note 2)	..	..	..
Balance as at 30 June 2012	1 205	5 183	6 388
	Accumulated Surplus/ (Deficit) \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2012	1 205	5 183	6 388
Operating Result from Continuing Operations	(393)	..	(393)
Transactions with Owners as Owners:			
– Appropriated Equity Injections (refer Note 2)	..	..	..
Balance as at 30 June 2013	812	5 183	5 995

The accompanying notes form part of these statements.

Queensland Audit Office <i>Statement of Cash Flows</i> for the year ended 30 June 2013	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Audit fees		40 263	41 388
Departmental services receipts		6 415	6 402
Other		143	118
GST input tax credits from ATO			..
<i>Outflows:</i>			
Employee expenses		(22 313)	(23 638)
Supplies and services		(21 203)	(21 539)
Finance/borrowing costs		(1)	(1)
Other expenses		(200)	(227)
GST remitted to ATO		(1 654)	(1 967)
Net cash provided by (used in) operating activities	17	1 450	536
Cash flows from investing activities			
<i>Inflows:</i>			
Sale of plant and equipment		1	-
<i>Outflows:</i>			
Payments for plant and equipment and intangibles		(227)	(42)
Net cash provided by (used in) investing activities		(226)	(42)
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections	2	-	..
<i>Outflows:</i>			
Borrowing redemptions			..
Net cash provided by (used in) financing activities		..	..
Net increase (decrease) in cash and cash equivalents		1 224	494
Cash and cash equivalents at beginning of financial year		1 043	549
Cash and cash equivalents at end of financial year		2 267	1 043

The accompanying notes form part of these statements.

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

Objectives and Principal Activities of the QAO

Note 1	Summary of Significant Accounting Policies
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Objectives and Principal Activities of QAO

The objective of QAO is to promote excellence in public sector accountability by providing independent audit services and reports to the Parliament and the community.

QAO is funded by audit fees and departmental services revenue. At the discretion of the Auditor-General, audit services are provided on a fee for service basis. The parliamentary appropriation provides funding for services to the Parliament including:

- the operation of the statutory Office of the Auditor-General
- the conduct of performance audits
- reporting to Parliament on the results of financial and performance audits performed
- providing audit policy and advice to the Parliament, central agencies and audit clients.

1. Summary of Significant Accounting Policies

(a) Statement of Compliance

QAO has prepared these financial statements in compliance with s.42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2013, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, QAO has applied those requirements applicable to not-for-profit entities, as QAO is a not-for-profit department. Except where stated, the historical cost convention is used.

(b) The Reporting Entity

The financial statements include the value of all revenue, expenses, assets, liabilities and equities, of QAO. QAO has no controlled entities.

(c) Major Departmental Services of QAO

QAO has one service "Independent Public Sector Auditing Services and Reporting". The purpose of this service is to enhance accountability by independently auditing and reporting whether public moneys and resources have been properly accounted for and administered by all entities within the audit mandate.

Therefore, a Statement of Comprehensive Income and Statement of Financial Position by Major Departmental Services are not presented in this financial report.

(d) Audit Fees

Audit fees are recognised as revenue on delivery of service to the client and includes contractor audit expenses for auditing services performed.

(e) Departmental Services Revenue

Appropriations provided under the Annual Appropriation Act are recognised as revenue when received. QAO is not responsible for administering any resources, which it does not control, on a whole of government basis.

(f) Special Payments

Special payments include ex gratia expenditure and other expenditure that QAO is not contractually or legally obligated to make to other parties. In compliance with *Financial and Performance Management Standard 2009*, a register is maintained setting out details of all special payments greater than \$5 000. The total of all special payments, if any, (including those of \$5 000 or less) is disclosed separately with Other Expenses (Note 9). Descriptions of the nature of the special payments are only provided for those greater than \$5 000.

(g) Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June.

QAO has an approved overdraft facility with Queensland Treasury and Trade with a \$2m limit at 30 June 2013 which remained undrawn at that date.

QAO's bank account is grouped within the whole-of-government set-off arrangement managed by Queensland Treasury and Trade and does not earn interest on surplus funds or is charged interest on overdrawn funds. Interest earned/charged on the aggregate set-off arrangement accrues to the Consolidated Fund. As part of QAO's bank account grouping arrangements, a \$75m overdraft facility exists. This is shared with the whole-of-government.

(h) Receivables and Work in Progress

Receivables represent amounts owed to QAO at the close of the financial year, where an invoice has been issued while work in progress represents audit fees accrued for services delivered but not yet invoiced.

Receivables and work in progress are recognised at their carrying amounts less any allowance for impairment. An allowance for impairment is recognised when collection of the full carrying amount is no longer probable.

(h) Receivables and Work in Progress (continued)

The collectability of receivables is assessed periodically and at year end with allowance being made for impairment when necessary. All known bad debts were written off as at 30 June 2013.

Settlement on these accounts is required within 14 days from invoice date.

(i) Acquisitions of Assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use. However, any training costs are expensed as incurred.

Assets acquired at no cost, or for nominal consideration, are recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(j) Plant and Equipment

All items of plant and equipment with a cost or other value equal to or in excess of \$5 000 are recognised as assets for financial reporting purposes in the year of acquisition in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. Items with a lesser value are expensed in the year of acquisition.

(k) Intangibles

Intangible assets with a cost or other value greater than \$100 000 are recognised in the financial statements as assets, items with a lesser value being expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life. The residual value is zero for all of QAO's intangible assets.

It has been determined that there is not an active market for any of QAO's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Purchased Software

The purchase cost of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to QAO, namely five years.

Internally Generated Software

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the development of computer software have been capitalised and are amortised on a straight line basis over the period of expected benefit to QAO, namely six years.

(l) Impairment of Non-Current Assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. 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.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

As QAO only controls assets which are carried at cost, any impairment loss is recognised immediately in the Statement of Comprehensive Income.

(m) Depreciation of Plant and Equipment and Amortisation of Intangibles

In accordance with AASB 116 *Property, Plant and Equipment*, depreciation methods and useful lives and, where applicable, residual values are reviewed annually and adjusted where assessed appropriate.

Plant and equipment is depreciated on a straight line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life.

Assets under construction (work in progress) are not depreciated until they reach service delivery capacity. That is when the asset is available for use and is operating in the manner intended by management.

All intangible assets of QAO have finite useful lives and are amortised on a straight-line basis.

For each class of asset the following depreciation/amortisation rates were used:

Class	Depreciation Rate
Plant and equipment	17%-33.3%
Intangibles	Amortisation Rate
Software purchased	20%
Software internally generated	17%

(n) Leases

A distinction is made between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

QAO has operating leases for office accommodation and motor vehicles. Operating lease payments, including any contingent rentals, are expensed in the period they are incurred, using a straight line basis over the period of the lease as this represents the pattern of benefits derived.

QAO has no finance leases.

(o) Payables

Creditors are recognised upon receipt of goods and services ordered and are measured at the agreed purchase/contract price gross of applicable trade and other discounts. Amounts owing are unsecured and are settled on commercial terms.

(p) Provisions

Provisions are recorded when QAO has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

This provision represents the requirement to provide for known future increases relating to QAO's lease of its premises. It has been recognised on a straight line basis over the term of the lease which will expire in 2018 (refer Note 16).

(q) Financial Instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when QAO becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents – held at fair value through profit or loss
- Receivables and work in progress – held at amortised cost
- Other financial assets

Financial Liabilities

- Payables and accrued employee benefits – held at amortised cost

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 20.

Queensland Audit Office
*Notes to and forming part of the Financial Statements
for the year ended 30 June 2013*

(r) Employee Benefits

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, Salaries and Sick Leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual Leave

Under the Queensland Government's Annual Leave Central Scheme (ALCS), a levy is made on QAO to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

No provision for annual leave has been recognised in QAO's financial statements as the liability 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*.

Long Service Leave

Under the Queensland Government's Long Service Leave Scheme, a levy is made on QAO to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

(r) Employee Benefits (continued)

No provision for long service leave is recognised in the financial statements, the liability being 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*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. QAO's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. 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*.

Key Executive Management Personnel and Remuneration

The key executive management personnel includes those positions which form part of the Executive Management Group which has the authority and responsibility for planning, directing and controlling the activities of QAO during 2012-13.

The remuneration policy for QAO's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for benefits including motor vehicles. Refer to Note 6 for the disclosures on key management personnel and remuneration.

QAO does not participate in performance bonus payment schemes.

(s) Taxation

QAO is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by QAO. GST credits receivable from, and GST payable to the Australian Tax Office (ATO), are recognised. (Refer Note 14.)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are shown inclusive of GST. Cash flows are presented on a gross basis. The GST component of investing and financing activities are disclosed as operating cash flows.

(t) Services Received Free of Charge or For Nominal Value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and the fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense. The value of designated accommodation at permanent audit sites has not been recognised as the fair value of the contributed services cannot be reliably measured.

(u) Insurance

QAO's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund (QGIF), premiums being paid on a risk assessment basis. In addition, premiums are paid to WorkCover Queensland in respect of its obligation for employee compensation.

(v) Contributed Equity

Non-reciprocal transfers of assets and liabilities, if any, between wholly-owned Queensland State Public Sector entities are adjusted to 'Contributed Equity' in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(w) Issuance of Financial Statements

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

(x) Accounting Estimates and Judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement note:

- Provisions (Note 16)

(y) Rounding and Comparatives

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

(y) Rounding and Comparatives (continued)

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Where comparative information has been restated such restatements are not material and would not be required to be disclosed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(z) New and Revised Accounting Standards

QAO did not voluntarily change any of its accounting policies during 2012-13. Australian Accounting Standard changes applicable for the first time for 2012-13 have had minimal effect on QAO's financial statements.

QAO is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from the Queensland Treasury and Trade. QAO has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. QAO applies these standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impact of new or amended Australian accounting standards with future commencement dates are set out below.

		Reporting periods beginning on / after
AASB 13	<i>Fair Value Measurement</i> This standard sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. This change is not expected to have a material impact on QAO's financial statements.	1 January 2013
AASB 9 & AASB 2010-7	<i>Financial Instruments (December 2010) Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127)</i> The impact of these standards is that they change the requirements for the classification, measurement and disclosures associated with financial assets in that they will be more simply classified according to whether they are measured at amortised cost or fair value. Given the nature of QAO's financial statements, this change is not expected to have a material impact on QAO's financial statements.	1 January 2015

Queensland Audit Office
 Notes to and forming part of the Financial Statements
 for the year ended 30 June 2013

(z) New and Revised Accounting Standards (continued)

		Reporting periods beginning on / after
AASB 119	<p><i>Employee Benefits.</i> This is a revised version of AASB 119 and is generally to be applied retrospectively. While the revised standard clarifies the concept of 'termination benefits' and the recognition criteria for liabilities for termination benefits will be different, these revisions are expected to have limited, if any, impact on QAO. QAO is a member of the Queensland Government central schemes for annual leave and long service leave and the employer liability is held by the central scheme. Similarly, QAO only contributes to the QSuper defined benefit plan and the corresponding QSuper employer benefit obligation is held by the State.</p>	1 January 2013
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i> AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as 'tier 1'), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as 'tier 2'). Queensland Treasury and Trade has advised that its policy decision is to require all departments to adopt tier 1 reporting requirements. This change is not expected to have a material impact on QAO's financial statements.</p>	1 July 2013
AASB1055	<p><i>Budgetary Reporting</i> This standard requires that the original budgeted statements published in the Queensland Government Budget Service Delivery Statements are included in the financial statements. The budgeted statements will need to be presented consistently with the corresponding (actual) financial statements and will be accompanied by explanations of major variances between the actual amount and the corresponding budgeted financial statements.</p>	1 July 2014

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable, or have no material impact on QAO.

Queensland Audit Office
 Notes to and forming part of the Financial Statements
 for the year ended 30 June 2013

	2013 \$'000	2012 \$'000
2. Reconciliation of Payments from Consolidated Fund to Departmental Services Revenue Recognised in Statement of Comprehensive Income		
Budgeted departmental services appropriation	6 600	6 402
Lapsed departmental services appropriation	(185)	-
Departmental services revenue recognised in Statement of Comprehensive Income	6 415	6 402
Reconciliation of Payments from Consolidated Fund to Equity Adjustment Recognised in Contributed Equity		
Budgeted equity adjustment appropriation	-	-
Equity adjustment recognised in Contributed Equity	-	-
3. Other Revenue		
General recoveries	143	119
Storage services received below fair value from Queensland State Archives (refer note 9)	161	215
Total	304	334
4. Gains		
Gain on sale of plant and equipment	1	-
	1	-

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

	2013	2012
	\$'000	\$'000
5. Employee Expenses		
Employee Benefits		
Salaries	15 806	16 776
Employer superannuation contributions *	2 215	2 343
Long service leave levy *	375	396
Annual leave levy *	1 986	2 158
Fringe benefits tax *	75	82
Other employee benefits – voluntary separation program		555
Other employee benefits – voluntary early retirement	821	24
Service payment – non-renewal of contract		149
Employee Related Expenses		
Payroll tax *	1 057	1 124
Workcover premium *	23	31
Total	22 358	23 638

* Refer to Note 1(r)

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

	2013	2012
Number of employees as at 30 June	191	210

Queensland Audit Office
 Notes to and forming part of the Financial Statements
 for the year ended 30 June 2013

6. Key Executive Management Personnel and Remuneration

(a) Key Executive Management Personnel

Position	Name	Responsibilities	Current Incumbents	
			Contract classification and appointment authority	Date appointed to position (date resigned from position)
Auditor-General	A Greaves	Provides Parliament with independent assurance of public sector accountability and performance as defined in <i>Auditor-General Act 2009</i> .	CEO – <i>Auditor-General Act 2009</i>	Appointed 17 December 2011
Deputy Auditor-General	A Close	Manages the financial and performance audit functions of QAO as well as the non-audit responsibilities as Chief Operating Officer.	SES4 (s.122) – <i>Public Service Act 2008</i>	Appointed 25 March 2013
Deputy Auditor-General	V Manera*	Manages the overall audit function of QAO while advising the Auditor-General on matters of audit policy and practice.	SES3 – <i>Public Service Act 2008</i>	Appointed 18 October 1993
General Manager – Corporate Services	D Mills	Provides expert, strategic business advice and operational/corporate support to the Deputy Auditor-General in relation to the management of QAO operations.	SES2 – <i>Public Service Act 2008</i>	Appointed 29 October 2007
Assistant Auditor-General	P Shipperley	Leads and sets the strategic direction for the delivery of audit services to enhance effective public sector accountability.	SES2 – <i>Public Service Act 2008</i>	Appointed 3 December 1998

Queensland Audit Office
 Notes to and forming part of the Financial Statements
 for the year ended 30 June 2013

(a) Key Executive Management Personnel (continued)

Position	Name	Responsibilities	Current Incumbents	
			Contract classification and appointment authority	Date appointed to position (date resigned from position)
Assistant Auditor-General	P Brahman	Leads and sets the strategic direction for the delivery of audit services to enhance effective public sector accountability.	SES2 — Public Service Act 2008	Appointed 16 August 2001
Assistant Auditor-General	K Johnson	Leads and sets the strategic direction for the delivery of audit services to enhance effective public sector accountability.	SES2 — Public Service Act 2008	Appointed 30 January 2012
Assistant Auditor-General	N Jackson	Leads and sets the strategic direction for the delivery of audit services to enhance effective public sector accountability.	SES2 — Public Service Act 2008	Appointed 7 May 1998
Assistant Auditor-General	T Campbell	Leads and sets the strategic direction for the delivery of audit services to enhance effective public sector accountability.	SES2 — Public Service Act 2008	Separated 20 July 2012
Assistant Auditor-General	M Booth	Leads and sets the strategic direction for the delivery of audit services to enhance effective public sector accountability.	SES2 — Public Service Act 2008	Appointed 22 March 2007
Assistant Auditor-General				Appointed 15 October 2011

* Currently on long term leave prior to separation on 18 October 2013.

Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

(b) Remuneration

For the 2012-13 year, remuneration of key executive management personnel increased by 2.2% in accordance with government policy.

Remuneration packages comprise the following components:

- Short term employee benefits which include:
 - Base – consisting of base salary, allowances and leave entitlements paid and accrued for the entire year or for that part of the year during which the employee occupied the specified position. Non-monetary benefits – consisting of provision of vehicle and fringe benefits tax applicable to the benefits including car parking.
- 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 contracts in place.

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

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

(b) Remuneration (continued)

1 July 2012 – 30 June 2013

Position (date resigned if applicable)	Name	Short Term Employee Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration \$'000
		Base \$'000	Non-Monetary Benefits \$'000				
Auditor-General	A Greaves	351	40	8	58	..	457
Deputy Auditor-General	A Close	63	2	1	9	..	75
Deputy Auditor-General	V Manera	222	10	5	33	..	270
General Manager – Corporate Services	D Mills	199	12	4	34	..	249
Assistant Auditor-General	P Shipperley	186	12	4	28	..	230
Assistant Auditor-General	P Brahman	187	12	4	27	..	230
Assistant Auditor-General	K Johnson	187	12	4	27	..	230
Assistant Auditor-General (20.07.12)	N Jackson	45	..	..	2	..	47
Assistant Auditor-General	T Campbell	186	12	4	28	..	230
Assistant Auditor-General	M Booth	176	12	4	23	..	215

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

(b) Remuneration (continued)

1 July 2011 – 30 June 2012

Position (date resigned if applicable)	Name	Short Term Employee Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration \$'000
		Base \$'000	Non-Monetary Benefits \$'000				
Auditor-General	A Greaves	183	17	4	31	..	235
Auditor-General (16.12.11)	G Poole	247	25	4	32	..	308
Deputy Auditor-General	V Manera	211	13	4	33	..	261
General Manager – Audit Support	D Mills	208	13	4	33	..	258
Assistant Auditor-General	N Jackson	182	5	4	28	..	219
Assistant Auditor-General	P Shipperley	182	16	4	28	..	230
Assistant Auditor-General	P Brahman	184	13	4	26	..	227
Assistant Auditor-General (15.08.11)	J Harten	31	4	0	3	149	187
Assistant Auditor-General	K Johnson	90	6	2	13	..	111
Assistant Auditor-General	T Campbell	177	13	4	27	..	221
Assistant Auditor-General	M Booth	155	7	3	23	..	188

These comparatives have been adjusted to incorporate the change in the calculation of short and long term employee benefits in accordance with the Financial Reporting Requirements issued by Queensland Treasury and Trade.

Queensland Audit Office
*Notes to and forming part of the Financial Statements
for the year ended 30 June 2013*

	2013 \$'000	2012 \$'000
7. Supplies and Services		
Bureau charges	473	582
Information technology and minor office equipment	525	1 126
Other administrative costs	1 114	969
Payments to contract auditors	13 095	12 188
Payments to employment agency personnel	1 361	1 655
Rent and office services *	2 403	2 302
Staff development	204	286
Travel costs	686	738
Total	19 861	19 846

* The value of designated accommodation at permanent audit sites has not been recognised as the fair value of the contributed service cannot be reliably measured.

	2013 \$'000	2012 \$'000
8. Depreciation and Amortisation		
Depreciation and amortisation incurred in respect of:		
Plant and equipment	74	77
Intangibles	51	195
Total	125	272

9. Other Expenses		
Internal audit fees	80	34
External audit fees *	31	44
Bad and impaired debts	5	73
Insurance premiums – QGIF	85	76
Storage services received free of charge from Queensland State Archives (refer note 3)	161	215
Total	362	442

* Total audit fees paid to Grant Thornton Australia relating to the 2012-13 financial year are \$35 300 (2011-12: \$33 600). Further assurance services in relation to an audit of the Service Delivery Statement - Key Performance Indicators are valued at a cost of \$7 000 (2011-12: \$3 500 review only). There are no non-assurance services included in these amounts.

Queensland Audit Office
*Notes to and forming part of the Financial Statements
for the year ended 30 June 2013*

	2013 \$'000	2012 \$'000
10. Receivables and Work in Progress		
Audit fee receivables	2 608	4 242
Less: Allowance for impairment		..
	2 608	4 242
Work in progress	3 340	2 810
Annual leave reimbursement	379	404
Long service leave reimbursement	114	202
Other receivables	..	43
Total	6 441	7 701
<i>Movements in the allowance for impairment</i>		
Balance at beginning of the year	..	..
Amounts written off during the year	..	..
Amounts recovered during the year	..	..
Increase in allowance recognised in the operating result	..	..
Balance at the end of the year	..	..
11. Other Current Assets		
Prepayments		
Employee expenses		..
Supplies and services	359	432
Total	359	432
12. Plant and Equipment		
Plant and equipment		
At cost	704	645
Accumulated depreciation	(553)	(526)
Total	151	119

Plant and equipment is valued at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Accounting Policies for the Queensland Public Sector*.

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

12. Plant and Equipment (continued)		
	2013	2012
	\$'000	\$'000
<i>Plant and Equipment Reconciliation</i>		
Carrying amount at 1 July	119	154
Acquisitions	106	42
Disposals		..
Depreciation	(74)	(77)
Carrying amount at 30 June	<u>151</u>	<u>119</u>

13. Intangible Assets		
Software internally generated		
At cost	670	670
Accumulated amortisation	(670)	(670)
Software purchased		
At cost	759	759
Accumulated amortisation	(759)	(708)
		51
Work in progress		
At cost	120	..
Total	<u>120</u>	<u>51</u>

Intangibles Reconciliation

	Internally Generated		Purchased		Work in Progress		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Carrying amount at 1 July		43	51	203			51	246
Acquisitions		..			120		120	..
Transfer between classes					
Amortisation		(43)	(51)	(152)			(51)	(195)
Carrying amount at 30 June	51	120	..	120	51

Queensland Audit Office
 Notes to and forming part of the Financial Statements
 for the year ended 30 June 2013

	2013 \$'000	2012 \$'000
14. Payables		
Creditors	1 854	1 362
GST payable	292	391
GST input tax receivable	(255)	(259)
Net GST payable	37	132
Total	1 891	1 494
15. Accrued Employee Benefits		
Annual leave levy payable	540	551
Long service leave levy payable	98	105
Taxation expenses	19	112
Other employee benefits	13	11
Total	670	779
16. Provisions		
Non-current provisions		
Lease contract *	792	695
Total	792	695
Movements in provision		
Balance at 1 July	695	513
Additional provision recognised	97	182
Reduction in provision	-	-
Balance at 30 June	792	695

* The provision for lease contracts reflects a requirement to provide for known future increases in operating lease rentals for the lease of QAO's premises. The provision was introduced in 2010-11.

Queensland Audit Office
*Notes to and forming part of the Financial Statements
for the year ended 30 June 2013*

	2013	2012
	\$'000	\$'000
17. Reconciliation of Operating Surplus to Net Cash from Operating Activities		
Operating Surplus/(Deficit)	(393)	138
Depreciation and amortisation expense	125	272
Gain on sale plant and equipment	(1)	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	1 260	(103)
(Increase)/decrease in other current assets	73	(27)
Increase/(decrease) in payables	476	(27)
Increase/(decrease) in accrued employee benefits	(92)	196
Increase/(decrease) in GST payable	(95)	(95)
Increase/(decrease) in provision	97	182
Net cash from operating activities	1 450	536

18. Contingencies

QAO had no known contingent assets or liabilities as at 30 June 2013.

	2013	2012
	\$'000	\$'000
19. Commitments for Expenditure		
(a) Non-Cancellable Operating Lease		
Commitments under operating leases at reporting date are inclusive of GST and are payable as follows:		
Not later than one year	2 280	2 182
Later than one year and not later than five years	9 072	9 754
Later than five years	-	1 598
Total	11 352	13 534

Operating leases commitments relate to QAO's office accommodation with a lease term of eight years four months, with an option to extend for a further five years. The operating lease contract contains a market review clause in the event that QAO exercises its option to renew.

Queensland Audit Office
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

	2013 \$'000	2012 \$'000
(b) Contract Audits		
Commitments for the payment of future auditing services under contracts in existence at reporting date are inclusive of GST and are payable as follows:		
Not later than one year	12 144	10 156
Later than one year and not later than five years	15 751	5 895
Later than five years		
Total	27 895	16 051

These commitments have not been recognised as liabilities in the financial statements as services are yet to be performed under the contracts.

20. Financial Instruments

(a) Financial Risk Management

QAO's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk. Financial risk management is implemented pursuant to Government and QAO policy. These policies focus on the financial performance of QAO. Primary responsibility for the management of financial risk rests with the Chief Financial Officer under the authority of the Executive Management Group with oversight and monitoring by the Audit and Risk Management Committee.

QAO's principal financial instruments are:

- cash assets
- receivables and work in progress
- payables and accrued employee benefits.

Details of significant accounting policies and methods used with respect to each class of financial instrument are disclosed in Note 1(q).

(b) Categorisation of Financial Instruments

QAO has the following categories of financial assets and financial liabilities:

Category	Notes	2013 \$'000	2012 \$'000
Financial Assets			
Cash		2 267	1 043
Receivables and work in progress	10	6 441	7 701
Other financial assets		10	10
Total		8 718	8 754
Financial Liabilities			
Payables and accrued employee benefits	14,15	2 561	2 273
Total		2 561	2 273

(c) Credit Risk Exposure

Credit risk exposure refers to the situation where QAO may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment.

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

Exposure to credit risk is monitored on a regular basis. The method for calculating any provisional impairment for risk is based on past experience and current and expected changes in client's economic conditions.

As disclosed under Note 1(g), QAO is not exposed to credit risk at balance date in respect of its cash assets.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated. Ageing of past due or impaired financial instruments are disclosed in the following tables.

Queensland Audit Office
*Notes to and forming part of the Financial Statements
for the year ended 30 June 2013*

2013 Financial Assets Past Due But Not Impaired

	Less than 30 days	30-60 days	Overdue 61-90 days	More than 90 days	Total Financial Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	2 828	144	129	..	3 101
Total	2 828	144	129	..	3 101

2012 Financial Assets Past Due But Not Impaired

	Less than 30 days	30-60 days	Overdue 61-90 days	More than 90 days	Total Financial Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	3 907	470	101	413	4 891
Total	3 907	470	101	413	4 891

2013 Individually Impaired Financial Assets

	Less than 30 days	30-60 days	Overdue 61-90 days	More than 90 days	Total Financial Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables (gross)
Allowance for Impairment
Carrying Amount

2012 Individually Impaired Financial Assets

	Less than 30 days	30-60 days	Overdue 61-90 days	More than 90 days	Total Financial Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables (gross)
Allowance for Impairment
Carrying Amount

(d) Liquidity Risk

Liquidity risk refers to the situation where QAO may encounter difficulty in meeting obligations associated with financial liabilities.

QAO manages any liquidity risk by ensuring it has sufficient funds available to meet employee and supplier obligations. This is achieved through maximising funds available in QAO's bank account and through an approved credit facility arrangement. (Refer to Note 1(g).)

The following table sets out the liquidity risk of financial liabilities held by QAO.

	Notes	2013 Payable in			Total
		<1 year	1-5 years	>5 years	
		\$'000	\$'000	\$'000	\$'000
Financial Liabilities					
Payables and accrued employee benefits	14,15	2 561	..	..	2 561
Total		2 561	..	..	2 561

	Notes	2012 Payable in			Total
		<1 year	1-5 years	>5 years	
		\$'000	\$'000	\$'000	\$'000
Financial Liabilities					
Payables and accrued employee benefits	14,15	2 273	..	..	2 273
Total		2 273	..	..	2 273

(e) Market Risk

QAO does not trade in foreign currency and is not exposed to commodity price changes or interest rate risk in respect of its cash bank account.

Fair Value

The carrying amounts of receivables and payables, less any allowance for impairment, represent fair value at the balance date.

21. Events after the Reporting Date

No events have occurred after balance date that should be brought to account or noted in this financial report.

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), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year ended 30 June 2013 and of the financial position as at the end of that year.



K S BULLOCK FCPA
Chief Financial Officer
23 July 2013



A GREAVES FCA, FCPA
Auditor-General of Queensland
23 July 2013

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

We have audited the accompanying financial report of Queensland Audit Office, which comprises the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Auditor-General of Queensland and the Chief Financial Officer of the Queensland Audit Office.

The Accountable Officer's Responsibility for the financial report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2009, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Australian Auditing Standards. These standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In accordance with the Auditor-General Act 2009:

- (a) We have received all the information and explanations which we have required; and
- (b) in our opinion:
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S G Hancox
Partner - Audit & Assurance

Brisbane, 23 July 2013

APPENDIX 1:

PERFORMANCE STATEMENT

PERFORMANCE STATEMENT

Year Ended 30 June 2013 Service Delivery Statement

Item	Service standards	2012-13 Actual	2012-13 Target/best
Service Area: Independent public sector auditing services and reporting			
Financial Audits			
1	Audit client satisfaction with financial audit services (index points) ¹	75	80
2	Percentage of quality assurance reviews that substantively comply with auditing standards ²	90%	100%
3	Percentage of financial statements audited and certified within statutory timeframe where statutory requirements observed by audit clients ³	99%	95%
4	Average cost per report to Parliament for financial audits	\$0.213 million	\$0.220 million
5	Average time for reporting financial audits to Parliament from the statutory deadline for audit certification ⁴	2.9 months	< 4 months
6	Percentage of operational costs self-funded through audit fees	83%	85%
Performance Audits			
7	Average time to complete performance audits including reporting to Parliament ⁵	8.7 months	< 7 months
8	Average cost per performance audit	\$0.400 million	\$0.395 million
9	Audit client satisfaction with performance audit services (index points) ⁶	71	75

¹ Audit client satisfaction with financial audit services is based on the Overall Performance Index for Financial Audit. This score represents the average result over a number of performance questions using an externally conducted Australasian Council of Auditors-General (ACAG) survey. This survey was conducted over three rounds between October 2012 and April 2013 and therefore predominantly relates to client perceptions of audits conducted for the 2011-12 audit year.

² A number of contracted out audit engagements that were subject to review did not meet the minimum requirements of the Auditor-General of Queensland Auditing Standards.

³ This percentage only includes where the time frame was not met where it was QAO's responsibility. It excludes where the clients did not meet the statutory deadline.

⁴ The actual result is the adjusted statutory deadline date to tabling date. Note that that statutory deadline date was extended by 1 month for all Departments and Statutory Bodies.

⁵ Actual result is measured from the initiation to tabling date for each performance audit, added together and divided by the number of performance audits.

⁶ Audit client satisfaction with performance audit services is based on the Overall Performance Index for Performance Audit and show the average result over a number of performance questions from an externally conducted ACAG survey, the 2012-13 Performance Audit Client Survey. The results reflect feedback from clients as provided during the 2012 calendar and 2012-13 financial years.

Item	Service standards	2012-13 Actual	2012-13 Target/est.
<i>Parliamentary Services</i>			
10	Reports to Parliament completed to the satisfaction of the Parliament and the Parliamentary Committees ⁷	Satisfied 74%	Satisfied
<i>Other Measures</i>			
Number of reports to Parliament:			
11	Financial audit	4	4
12	Performance audit	11	10

Source: Queensland Audit Office

⁷ This result is based upon on an external ACAG survey of members of Parliamentary conducted between February and April 2013 which measures the average of MP ratings for responses to the question, "Overall, how satisfied are you with the Auditor Generals reports and services?"

Certification of Performance Statement

For the year ended 30 June 2013

I hereby certify that the performance indicators in this Statement are based on proper records, are relevant and appropriate for assisting users to assess Queensland Audit Office's performance, and fairly represent the performance on the office for the financial year ended 30 June 2013.



K S BULLOCK FCPA
Chief Financial Officer
2 August 2013



A GREAVES FCA, FCPA
Auditor-General of Queensland
2 August 2013

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**Independent Assurance Report
To the Accountable Officer of the Queensland Audit Office**

We have audited the accompanying Performance Statement of the Queensland Audit Office which details the Queensland Audit Office's actual performance of performance indicators against target for the year ended 30 June 2013.

Responsibility of the accountable officer for the Performance Statement

The accountable officer is responsible for the preparation and fair presentation of the Performance Statement. The accountable officer's responsibility also includes such internal controls as the accountable officer determines are necessary to enable the preparation of the Performance Statement to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Performance Statement based on our audit. We conducted our audit in accordance with ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information which require us to comply with relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether the actual and targeted key performance indicators are not materially misstated on the Performance Statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Performance Statement, whether due to fraud or error.

Our procedures included; agreeing the targeted key performance indicators to the 2012-13 Queensland State Budget - Service Delivery Statements - Queensland Audit Office document; and agreeing actual performance indicator numbers to source data, systems or documents.

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

Inherent Limitations

Because of inherent limitations in the evidence gathering procedures and the Queensland Audit Office's internal controls, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of fraud, error or non-compliance as an audit is not performed continuously throughout the year ended 30 June 2013 and the audit procedures performed are undertaken on a test basis. The assurance conclusion expressed in this report has been formed on the above basis.

Use of Report

This assurance report has been prepared for the Queensland Audit Office in accordance with our engagement letter. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Queensland Audit Office, or for any purpose other than that for which it was prepared.

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Assurance Opinion

In our opinion the Performance Statement of the Queensland Audit Office presents a true and fair view, in all material respects, of the targeted performance indicators listed in the 2012-13 Queensland State Budget – Service Delivery Statements – Queensland Audit Office document and the Queensland Audit Office's performance against those performance indicators for the year ended 30 June 2013.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S G Hancox
Partner - Audit & Assurance

Brisbane, 2 August 2013

APPENDIX 2:

FIVE YEAR PERFORMANCE SUMMARY

Service area: Independent public sector auditing services and reporting

Service standards	2008–09	2009–10	2010–11	2011–12	2012–13 Target	2012–13 Actual	Note
Financial audits							
Audit client satisfaction with financial audit services (index points)	*	75	72	72	80	75	1
Percentage of quality assurance reviews that substantively comply with auditing standards	*	100	100	100	100	90	5
Percentage of financial statements audited and certified within statutory time frame where statutory requirements observed by audit clients	99	100	95	95	95	99	5
Average cost per report to Parliament for financial audits (\$ million)	*	0.107	0.102	0.149	0.220	0.213	2,5
Average time for reporting financial audits to Parliament from the statutory deadline for audit certification (months)	*	3	3	3.7	<4	2.9	5
Percentage of operational costs self-funded through audit fees	85	82	88	85	85	83	5
Performance audits							
Average time to complete performance audits including reporting to Parliament (months)	6.8	7.5	6.5	6.6	<7	8.7	5
Average cost per performance audit (\$ million)	0.278	0.423	0.358	0.363	0.395	0.400	2,5
Audit client satisfaction with performance audit services (index points)	*	67	83	73	75	71	1
Parliamentary services							
Reports to Parliament completed to the satisfaction of the Parliament and the parliamentary committees	Satisfied	Satisfied	Satisfied	Satisfied	Satisfied	Satisfied	3.5

Service standards	2008–09	2009–10	2010–11	2011–12	2012–13 Target	2012–13 Actual	Note
Level of parliamentary satisfaction (index points)	*	*	*	*	*	74	4.5
Other measures							
Number of reports to Parliament:	10	11	11	11	14	15	5
—Financial audit	4	4	6	4	4	4	
—Performance audit	6	7	5	7	10	11	

Source: Queensland Audit Office

Notes:

1. Index points allow performance to be measured using a combination of factors.
2. The average cost of financial audit reports is reducing as QAO will be producing more, lower cost reports on key industry sectors than in previous years. In contrast, the average cost of performance audits is increasing due to the higher level of complexity and risk associated with the conduct of full performance audits.
3. Indicator and satisfaction metric amended. See Note 4.
4. This indicator was previously “Reports to Parliament completed to the satisfaction of the Parliament and the parliamentary committees”. The wording has been amended for greater clarity. The satisfaction metric has been changed to index points for 2013-14 and was also measured in this way in the 2012–13 survey.
5. QAO Balanced scorecard indicator.

APPENDIX 3:

BUDGET VERSUS ACTUAL RESULTS

Income statement	Actual 2012-13	Budget 2012-13	Variance
Income			
Services revenue	35 594	36 589	(995)
Departmental services revenue (appropriations)	6 415	6 600	(185)
Other revenue	304	375	(71)
Expenses			
Employee expenses	22 358	25 202	(2 844)
Supplies and services	19 861	18 163	(1 698)
Operating surplus / (deficit) statement of financial position	(393)	(185)	(208)

Balance Sheet	Actual 2012-13	Budget 2012-13	Variance
Current assets			
Cash assets	2 267	1 364	903
Receivables and work in progress	6 441	7 020	(579)
Other	359	329	30
Non-current assets			
Property, plant and equipment	151	220	(69)
Intangibles	120	101	19
Other	10	10	-
Total assets	9 348	9 044	304
Current liabilities			
Payables	1 891	1 171	158
Accrued employee benefits	670	878	(208)
Non-current liabilities			
Provisions	792	792	-
Total liabilities	3 353	2 841	512
Equity	5 995	6 203	(208)

Source: For consistency across this report, budget figures and category alignment are taken from the 2012-13 service delivery statement with comparative actuals aligned from the 2012-13 financial statements which differ slightly in category alignment to the financial report.

Notes

Services revenue

The 2.7 per cent decline in actual audit fees against budget largely reflects efficiencies in the delivery of financial and assurance audit services through lower employee costs compared with 2011-12.

Departmental services revenue (appropriations)

The 2.8 per cent shortfall in appropriations revenue was due to Department of Treasury and Trade adjustments relating to enterprise bargaining and Microsoft central licensing.

Employee expenses

The 11.3 per cent decline in employee expenses against budget is due to lower staffing levels during the year and the government decision not to approve an anticipated wage increase, offset by one-off voluntary redundancy payments.

Supplies and services

A 9.35 per cent increase in supplies and services against budget was largely due to higher than budgeted contracted out audit costs (up by \$0.942 million) and contracted-in agency staff to meet seasonal demand for services to be performed.

Operating surplus

The operating result for 2012–13 was a net deficit of \$0.393 million against budgeted deficit of \$0.185 million. With less than 1 per cent growth in our appropriation funding, the operating result reflects the strong focus this year on achieving more efficient use of QAO's resources, as evidenced by the sizeable savings achieved in our audit fees and further efficiencies in our cost base, most notably our employee expenses.

Cash assets

The increase in cash assets was largely due to the implementation of milestone billing and audit work cycles being brought forward. This needs to be considered alongside the decrease in receivables at year end.

Receivables and work in progress

The decrease in Receivables and Work in Progress against budget is due to the progression of milestone billing as mentioned above.

Property plant and equipment

The decrease in property, plant and equipment against budget was due to the re-scheduling of procurement activity to replace minor information and technology equipment which has now been deferred until 2012–13. While QAO undertook a triennial replacement of the full network of office computers this year, these costs were expensed in accordance with Queensland Treasury's financial reporting requirements.

Payables

The decrease in payables was largely due to the timing of tax remittances. Both GST and FBT were remitted before 30 June.

APPENDIX 4:

AUDIT REPORTS TO PARLIAMENT

Results of financial audits

Results of audits: State public sector entities for 2011–12

Report to Parliament 5 : 2012–13

Tabled 27 November 2012

The report discusses the nature and type of audit opinions issued, the timeliness of the financial statements, the quality of financial reporting processes, significant transactions and events, and future reporting risks by each ministerial portfolio. The summary of the report discusses the effect of these issues across these sectors as well as systemic financial management issues including public private partnerships, maintenance of infrastructure assets and contract extensions.

Results of audit: Queensland state government financial statements 2011–12

Report to Parliament 7 : 2012–13

Tabled 5 March 2013

This report summarises the results of our audit of the financial statements for the State of Queensland.

The audit opinion issued on the financial statements was unqualified. Two accounting matters were identified by Queensland Treasury and Trade that required adjustments before the statements were finalised. These did not affect the overall audit opinion but did have a positive effect on the General Government Sector's overall financial position.

Four key ratios derived from the state government financial statements over the past five years show a decline in the state's financial sustainability.

Results of audits: Local government entities 2011–2012

Report to Parliament 10 : 2012–13

Tabled 16 April 2013

This sector-specific report summarises the results of our 2011–12 financial audits of local governments and the entities they control.

There was a reduction in the number of qualified audit opinions for the sector reflecting the resolution of a number of accounting issues relating to the 2011 natural disasters.

A major challenge this year for councils inexperienced in managing large capital works projects is completing the volume of outstanding restoration work within the time frames required by the Natural Disaster Relief and Recovery Arrangements. Not completing the works by the required date may reduce the Commonwealth contribution and result in these costs having to be met by the respective councils.

Results of audits: Education sector entities 2012

Report to Parliament 11 : 2012–13

Tabled 30 April 2013

This report summarises the results of our audits of universities and grammar schools, and their controlled entities.

Audit opinions for all grammar schools were qualified in 2011–12 because they did not disclose the remuneration of all their key management personnel. This issue have been resolved. All universities and grammar schools received unqualified audit opinions.

Systemic issues with internal control were also reported, as was an analysis of financial sustainability.

Results of performance audits

The 11 performance audits tabled during the year comprises nine performance audits, one performance audit by arrangement and one follow-up review.

Racing Queensland Limited: Audit by arrangement

Report to Parliament 1 : 2012–13

Tabled 10 July 2012

This reported the results of the audit undertaken in accordance with section 36(1) of the *Auditor-General Act 2009*. The audit was requested by the Deputy Premier and then Minister for Racing of Racing Queensland Limited under the provisions of section 60 of the *Racing Act 2002*.

Follow up of 2010 audit recommendations

Report to Parliament 2 : 2012–13

Tabled 30 October 2012

This follow up audit report examined the extent of implementation of the audit recommendations made in the three reports. It also identified further areas for improvement.

- Report to Parliament No. 3 for 2010—Administration of Magistrates Court Services in Queensland
- Report to Parliament No. 6 for 2010—Using student information to inform teaching and learning
- Report to Parliament No. 9 for 2010—Sustainable management of national parks and protected areas

These three 2010 reports to Parliament were the result of performance management systems audits, in accordance with the audit mandate in effect at the time.

Tourism industry growth and development

Report to Parliament 3 : 2012–13

Tabled 27 November 2012

This audit assessed whether Queensland's tourism development framework effectively meets the government's growth agenda. It reviewed whether:

- the strategies and plans are contributing to the growth and development of the tourism industry
- there was adequate governance to guide the implementation of the tourism framework
- outputs and outcomes are adequately monitored and reported.

Queensland Health - eHealth Program

Report to Parliament 4 : 2012–13

Tabled 27 November 2012

This audit was undertaken to determine whether the eHealth Program is being implemented as intended, and is achieving its planned outcomes and realising expected benefits.

Implementing the National Partnership Agreement on Homelessness in Queensland

Report to Parliament 6 : 2012–13

Tabled 12 February 2013

The audit assessed whether the Queensland Government is meeting its obligations under the agreement and whether this is making a difference for homeless people. This audit was undertaken concurrently with other audit offices in Australia.

Online service delivery

Report to Parliament 8 : 2012–13

Tabled 19 March 2013

This audit assessed whether government has optimised its use of information technology for the delivery of services online. In particular, the audit considered:

- the extent to which technology is used to deliver government services
- how available, reliable and secure are online services
- the cost of online services.

Fraud risk management

Report to Parliament 9 : 2012–13

Tabled 19 March 2013

The audit assessed the appropriateness of fraud risk management policies and procedures; quality and implementation of fraud control plans, including fraud risk assessments and cost effectiveness of the controls designed to prevent fraud and to detect and respond to potential and actual fraud incidents. Fraud risk assessments were undertaken at three government entities using forensic data techniques.

Community Benefit Funds—Grants Management

Report to Parliament 12 : 2012–13

Tabled 21 May 2013

This audit assessed the effectiveness of the management framework of the Gambling and Casino Community Benefit Funds, whether grants were made in compliance with legislation and guidelines and whether the grants provided by the funds were spent for the purposes approved.

Drink Safe Precincts trial

Report to Parliament 13 : 2012–13

Tabled 21 May 2013

The audit examined whether the Drink Safe Precinct trials have been effective in reducing alcohol-related violence and improving community safety.

Maintenance of water infrastructure assets

Report to Parliament 14 : 2012–13

Tabled 4 June 2013

The audit assessed whether Queensland's water infrastructure assets are being effectively managed and maintained, to contribute to a secure and sustainable water supply and meet agreed levels of service.

Enforcement and collection of parking infringement fines

Report to Parliament 15 : 2012–13

Tabled 28 June 2013

This audit examined whether local governments are enforcing and managing parking infringements equitably and efficiently.

APPENDIX 5:

AUDIT PROFESSIONAL SERVICES FEES

Firms providing financial audit professional services	Location	2012–13	2011–12
Crowe Horwath	Brisbane	1 161 619	1 055 627
	Townsville	1 113 618	1 063 746
	Gold Coast	542 637	653 093
	Toowoomba	151 125	29 324
Deloitte Touche Tohmatsu	Brisbane	2 404 795	2 125 255
KPMG	Brisbane	1 211 712	1 152 410
	Cairns	791 044	337 916
Moore Stephens (Queensland) Audit Pty Ltd	Townsville	554 638	681 311
	Brisbane	365 746	193 050
PricewaterhouseCoopers	Brisbane	599 733	417 778
	Townsville	256 193	29 000
Bentleys Brisbane (Audit) Pty Ltd	Brisbane	559 360	416 818
Prosperity Audit Services	Newcastle	526 760	609 300
Thomas Noble & Russell	Lismore	429 944	237 048
Pitcher Partner	Brisbane	489 803	299 700
William Buck (QLD)	Brisbane	375 604	302 671
BDO Audit Pty Ltd	Brisbane	365 373	384 412
Ernst & Young	Brisbane	181 712	-
Bennett Partners Pty Ltd	Mackay	238 120	275 190
GPS Independent Audit Specialists	Brisbane		150 450
UHY Haines Norton	Brisbane	99 107	-
PGL Financial Services	Brisbane	89 528	246 451
Walsh Accounting	Barcaldine	82 148	69 930
AAT Accountants Pty Ltd	Brisbane	65 130	137 994
HLB Mann Judd (SE Qld Partnership)	Brisbane	59 092	17 000
Priestleys Chartered Accountants	Brisbane	49 945	49 873
PKF	Brisbane	26 720	-
MSI Taylor Audit Services Pty Ltd	Brisbane	19 430	14 861
Altius Accountants and Advisors Pty Ltd	Cairns	17 043	-
Audit Solutions Qld	Toowoomba	16 150	-
Energy Edge Pty Ltd	Brisbane	12 500	10 000
Focus Professional Group	Cotton Tree	5 223	7 526
Total		12 988 974	11 357 270

Firms providing performance audit professional services	Location	2012–13	2011–12
KPMG	Brisbane	381 764	-
Ernst & Young	Brisbane	131 632	-
Paul Tridgell Pty Ltd	Brisbane	30 685	-
Griffith University	Brisbane	8 100	-
Queensland University of Technology	Brisbane	545	-
Vilridge Pty Ltd	Brisbane	22 000	-
Work Futures Australia Pty Ltd	Brisbane	1 710	-
Total		576 437	-

APPENDIX 6:

COMPLIANCE CHECKLIST

	Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister	ARRs – section 8	Letter of compliance
Accessibility	Table of contents	ARRs – section 10.1	Table of contents p.107
	Glossary		
	Public availability	ARRs – section 10.2	Inside cover
	Interpreter service statement	Queensland Government Language Services Policy ARRs – section 10.3	Inside cover
	Copyright notice	Copyright Act 1968 ARRs – section 10.4	Inside cover
	Information licensing	Queensland Government Enterprise Architecture – Information licensing ARRs – section 10.5	Inside cover
General information	Introductory information	ARRs – section 11.1	p.7
	Agency role and main functions	ARRs – section 11.2	p.7
	Operating environment	ARRs – section 11.3	p.7
	Machinery of Government changes	ARRs – section 11.4	N/A
Non-financial performance	Government objectives for the community	ARRs – section 12.1	N/A
	Other whole-of-government plans / specific initiatives	ARRs – section 12.2	N/A
	Agency objectives and performance indicators	ARRs – section 12.3	p.7
	Agency service areas, service standards and other measures	ARRs – section 12.4	p.7
Financial performance	Summary of financial performance	ARRs – section 13.1	p.49
	Chief Finance Officer (CFO) statement	ARRs – section 13.2	p.54
Governance – management and structure	Organisational structure	ARRs – section 14.1	p.8
	Executive management	ARRs – section 14.2	p.9
	Related entities	ARRs – section 14.3	N/A
	Boards and committees	ARRs – section 14.4	p.10
	<i>Public Sector Ethics Act 1994</i>	Public Sector Ethics Act 1994 (section 23 and Schedule) ARRs – section 14.5	p.48
Governance – risk management and accountability	Risk management	ARRs – section 15.1	p.12
	External Scrutiny	ARRs – section 15.2	p.14
	Audit committee	ARRs – section 15.3	p.10
	Internal Audit	ARRs – section 15.4	p.14
	Public Sector Renewal Program	ARRs – section 15.5	N/A

	Summary of requirement	Basis for requirement	Annual report reference
	Information systems and recordkeeping	ARRs – section 15.7	p.13
Governance – human resources	Workforce planning, attraction and retention and performance	ARRs – section 16.1	p.44
	Early retirement, redundancy and retrenchment	Directive No.11/12 Early Retirement, Redundancy and Retrenchment ARRs – section 16.2	p.44
	Voluntary Separation Program	ARRs – section 16.3	p.44
Open Data	Open Data	ARRs – section 17	Inside back cover
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	p.87
	Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 18.2	p.88
	Remuneration disclosures	Financial Reporting Requirements for Queensland Government Agencies ARRs – section 18.3	p.75

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual report requirements for Queensland Government agencies.*

APPENDIX 7:

GLOSSARY OF TERMS

Audit

An examination of the records, statements, systems, and procedures of an organisation.

Best practice

A method for accomplishing a business function process or outcome/result that is considered to be superior to all other known methods.

External audit

A formal, independent review of an organisation's financial statements, records, transactions, or operations.

Financial year

The financial year we are reporting on in this annual report is the period from 01 July 2012 to 30 June 2013.

Governance

The process by which decisions are taken and implemented, organisations are controlled and managed to achieve their objectives, and the process by which organisations are directed, reviewed and held to account.

Key performance indicator

Objective evidence on the extent of, or progress towards, achievement of a desired outcome.

Vision

A statement that embraces the desired future towards which the organisation is working.

For further information

As required by Department of the Premier and Cabinet guidelines, QAO has compiled mandatory information on the following topics:

- Consultancies
- Overseas travel
- Queensland multicultural policy - Queensland Multicultural Action Plan: 2011–14

and made it available online at www.qao.qld.gov.au

