

Queensland Audit Office

Annual Report 2010–11



enhancing
public sector
accountability



Welcome

The Annual Report 2010-11 for the Queensland Audit Office summarises our corporate performance during the financial year and looks ahead to future opportunities and challenges.

We hope that you find this report of interest, and that it provides you with a greater understanding of the purpose and operations of the Queensland Audit Office.

This publication can be accessed online at www.qao.qld.gov.au

Translation and feedback details are listed on the back page of this report.

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Front cover photo: Graduates at QAO Brisbane office.

enhancing public sector accountability

For over 150 years, the office of the Auditor-General of Queensland has continued to audit and monitor financial activity, assuring accountability to both Queensland Parliament and the wider community.

As part of Queensland Audit Office's commitment to providing excellence in enhancing public sector accountability, we strive to provide professional, high quality, value for money auditing assistance to all of our clients by ensuring responsive and high quality service.

Auditor-General of Queensland

September 2011

The Honourable A M Bligh MP
Premier and Minister for Reconstruction
Level 15, Executive Building
100 George Street
BRISBANE QLD 4000

Dear Premier

I am pleased to provide you with the Annual Report 2010-11 for the Queensland Audit Office.

The Annual Report reviews our performance and reports the effort, commitment and achievements of staff during this period. Our corporate performance during 2010-11 is summarised, and challenges and opportunities for the future are identified.

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 accessed at www.qao.qld.gov.au

Yours sincerely



Glenn Poole
Auditor-General of Queensland



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Introduction

The Auditor-General of Queensland undertakes an independent statutory role for Queensland Parliament and takes pride in contributing to the maintenance of high standards of accountability in the public sector.

The Auditor-General is responsible for the annual audits of over 300 clients (including departments, statutory bodies, government owned corporations and local governments). The Auditor-General provides Parliament with reports detailing any significant issues that arise from audits conducted.

Queensland Audit Office supports the role of the Auditor-General in providing Parliament with an independent assessment of the financial management, performance management systems and related activities of public sector entities throughout Queensland.

Message from the Auditor-General



Throughout my seven year term as Auditor-General, QAO has continued to evolve, building on achievements made throughout our 151 year history. Today QAO stands as a respected and highly professional audit practice, recognised for the strength and quality of our audit capacity. We are well positioned to build upon this strong base to ensure that QAO remains sustainable and flexible to meet the changing environment and requirements of the Queensland public sector.

Enhancing our business

During the last twelve months QAO has shown real progress across all areas of our business. Areas such as the contract tender process, resource allocation of our audit teams and internal performance reporting methods are all areas that have seen great advances this year. These achievements have been built around the dedication of QAO staff and the need to continue to evolve in the market place. QAO has continued to recognise possibilities for creating real efficiencies in how we operate as an organisation, and been flexible and proactive in implementing improvements.

The field of technology is a clear indicator of how working practices have developed, and highlight some of the progress that has been made in the last twelve months. QAO continues to harness the benefits of technology to support our auditors and improve efficiencies. Our audit mandate has also recently been expanded through amendments to the *Auditor-General Act 2009*. This important change will significantly improve QAO's ability to enhance public sector accountability. Expanding our audit mandate from the current Performance Management Systems audits to allow for full Performance audits is a major step forward for the office. The strongly favourable responses provided by clients involved in our Performance Management Systems audits this year reflects well on our capacity to accept this new responsibility.

Thanks and acknowledgements

In reflecting upon my term as Auditor-General, I express my thanks to the staff of QAO who have supported me during the last seven years. The significant successes we have achieved would not have been possible without your positive contributions and the completion of our audit program requires the efforts of many teams across the office. I have been greatly assisted and supported by Val Manera (Deputy Auditor-General), David Mills (General Manager-Audit Support) and the Executive Management Group.

Our contract auditors also provide great support in undertaking an important part of the overall audit program. I thank them too for their valuable assistance. I also acknowledge the good relationships of the CEOs and staff of the public sector entities that we audit. The audit process can at times provide a difficult working environment. The constructive engagement that I have experienced with senior executives from our audit clients has enabled some great outcomes to be achieved which have enhanced the effectiveness of the public sector and provided transparency of accountability to Parliament.

I believe that QAO is well positioned to meet the challenges that lie ahead.

Glenn Poole
Auditor-General of Queensland

Our 2010-11 planning overview

Agency planning framework provides the foundation for strategic planning for the stated period.

Queensland Government vision

The Queensland Government's vision for 2020 is for Queensland to be strong, green, smart, healthy and fair, as outlined in *Toward Q2: Tomorrow's Queensland* released on 8 September 2008. Toward Q2 is framed around five ambitions and 10 long-term, measurable targets that address current and future challenges for Queensland.

Our vision

Excellence in enhancing public sector accountability.

Our purpose

To provide Parliament with independent assurance of public sector accountability and performance.

Our service

Independent public sector auditing services and reporting.

Our values

- **People and relationships** – We respect and support each other to set and achieve mutual objectives.
- **Professionalism** – We ensure an open, transparent environment to enhance our independent professional standing.
- **Service to the Queensland community** – We strive to enhance public sector accountability and will actively share better practice.
- **Growing our capability** – We work smarter in a constantly changing environment.

Our objectives

1. Parliament – We meet the needs of Parliament

We will provide independent assurance on the stewardship of public moneys and assets and report to Parliament on audit recommendations, emerging issues and other matters of significance. (Refer to pages 6, 18).

2. Value – We add value to public sector entities

We will deliver high quality audit services and develop strong professional relationships to benefit public sector entities. (Refer to pages 7, 26).

3. Business – Our business is efficient, effective and sustainable

We will build quality systems and procedures and measure and report our business and audit performance. (Refer to pages 8, 36).

4. Capability – Our staff are motivated and capable

We will develop staff to ensure a contemporary, innovative professional service organisation and empower staff to develop and deliver quality services. (Refer to pages 9, 62).

Strategic planning

Agencies develop strategic plans to align service delivery to achieve broader objectives. Strategic plans must cover a period of four years.

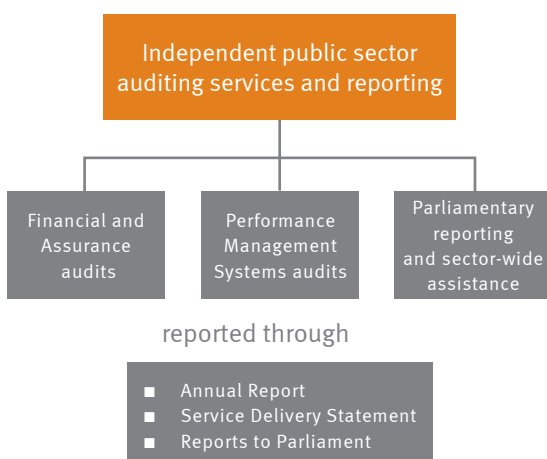
Our Strategic Plan 2010-2014 was launched at a staff seminar on 2 June 2010. This plan is the foundation of our activities, identifies our vision and is supported by four objectives.

These four objectives, together with our strategies, show our path to achieving our vision. This Annual Report 2010-11 is structured around these objectives to assist in the reporting and monitoring of achievements. A summary of activities and achievements are listed against each of the four objectives on pages 6 to 9.

Performance monitoring

We measure our achievements against our Strategic Plan using a suite of Performance Indicators (PIs). Formal reporting against these indicators to the Executive Management Group occurs four times a year. Definitions of the PIs are listed in Appendix 5 of this report. The performance against our PIs over a five year period is included in Appendix 6.

Our service delivery framework



Our performance framework



The year in summary

Objective 1: Parliament – We meet the needs of Parliament.

Performance Indicator: The Parliament and Public Accounts and Public Works Committee (PAPWC) utilise reports from the Auditor-General.

Key achievements for 2010-11

- The majority of recommendations considered by the PAPWC in relation to Auditor-General Reports to Parliament were supported. (Refer to page 24)
- Six Financial and Assurance (F&A) audit reports to Parliament were tabled. (Refer to page 22)
- Five Performance Management Systems (PMS) audit reports to Parliament were tabled. (Refer to page 23)
- As at 30 June 2011, QAO had 316 audit clients, including departments, government owned corporations, statutory bodies, local governments and entities audited by-arrangement. (Details are provided in Appendix 4) and page 21
- The PAPWC ceased to exist in May 2011 and a new structure for Parliamentary Committees was established. (Refer to page 24)

Number of Auditor-General Reports to Parliament tabled in Parliament (Refer to page 132)

2011  11

2010  11

Figure 1 – Objective 1: Performance Indicators (Refer to page 128 and 131 for details)

Performance Indicator	Actual 2009-10	Actual 2010-11	Target 2010-11
Quality			
Audit reports to Parliament completed to the satisfaction of the Parliament and the PAPWC.	Satisfied	Satisfied	Satisfied
Cost			
Average cost per Report to Parliament for F&A reports.	\$107,285	\$101,545	\$105,000
Average cost per PMS audit (including reports to Parliament).	\$423,487	\$358,000	\$350,000
Timeliness			
Average time for reporting F&A audits to Parliament from the date of audit certification.	3 months	3 months	Less than 4 months
Average elapsed time for completion of PMS audits including reporting to Parliament.	7.5 months	6.5 months	Less than 7 months
Number of audit reports to Parliament:			
■ F&A audits.	4	6	4
■ PMS audits.	7	5	7
Percentage of financial statements audited and certified within statutory timeframe where statutory requirements observed by audit clients.	100%	95%	95%

The year in summary

Objective 2: Value – We add value to public sector entities.

Performance Indicator: Our audit clients value our services.

Key achievements for 2010-11

- During the year, 568 independent auditors' opinions were issued on financial statements. (Refer to page 29)
- Six editions of INFORM were published. (Refer to page 34)
- Client surveys were conducted for both F&A and PMS audit divisions. The index points score for F&A decreased slightly across all performance aspects but the overall results remain positive, with most audit clients providing a positive assessment of aspects of their financial audit. PMS audit clients provided positive feedback on most aspects of the audit services provided by QAO. (Refer to page 32)
- Client Information Sessions were held for F&A and PMS audit clients. (Refer to page 33)
- QAO presentations were provided at various regional forums. (Refer to page 33)
- QAO provided input to various Accounting and Auditing Standards and Exposure drafts. (Refer to page 33)

Audit made a valuable contribution by providing a sense of assurance (Refer to page 32)



Figure 2 – Objective 2: Performance Indicators (Refer to page 129 and 131 for details)

Performance Indicators	Actual 2009-10	Actual 2010-11	Target 2010-11
Quality			
Of F&A audits subject to internal and external review, no audits were assessed as unsatisfactory.	0	1	0
Percentage of recommendations agreed by auditees for PMS audits.	100%	94%	95%
Timeliness			
Audit client satisfaction with F&A audit services.	*75 index points	72 index points	85 index points
Audit client satisfaction with PMS audit services.	67 index points	83 index points	75 index points
Audit IPSAM files finalised within 60 days of issuing audit report.	98%	97%	100%

* An index point is a score representing the mean (average), on a 0-100 scale.

The year in summary

Objective 3: Business – Our business is efficient, effective and sustainable.

Performance Indicator: Key business metrics demonstrate efficient use of resources to deliver service requirements.

Key achievements for 2010-11

- A focus on providing greater emphasis on risk management practices. (Refer to page 39)
- Quality assurance reviews were conducted in relation to a total of 29 engagement files covering 9 QAO engagement leaders and 10 contract audit firms. All in-house files were assessed as satisfactory. (Refer to page 50)
- The Operational Performance Review process for the Financial and Assurance Audit Divisions was introduced and refined, tightening and focussing management of this core activity. (Refer to page 40)
- QAO internally staffed 56% of audits, which accounted for 67% of the audit fees charged. (Refer to page 51)
- Improvement of contracting out of audits, with improvements to the internal panel process and framework. This improvement initiative supports the ongoing requirement for Queensland Government on procurement. Improvements continue to be made in systems management and audit management information systems. (Refer to page 50)
- In comparison to other Audit Offices, QAO had the highest per cent of financial audit opinions issued within two months of the balance date (49%). (ACAG average 20%). (Refer to page 52)

Operational costs self-funded through audit fees



Figure 3 – Objective 3: Performance Indicators (Refer to page 130 and 131 for details)

Performance Indicators	Actual 2009-10	Actual 2010-11	Target 2010-11
Operating result			
Revenue against budget.	97.4%	100%	> = YTD budget
Expenditure against budget.	101.7%	98%	< = YTD budget
Percentage of operational costs self-funded through audit fees.	82% ²	88%	85%
Utilisation rate			
Percentage of total paid hours used directly on audit activities against paid hours [ACAG – Chargeable of (available + leave)]. ¹	47%	47%	49%

¹ Definition changed to bring measure in line with the ACAG benchmarking. Prior year has been restated. Published figure was 57%.

² Refer to page 76.

The year in summary

Objective 4: Capability – Our staff are motivated and capable.

Performance Indicator: We have motivated and skilled staff to meet our service expectations.

Key achievements for 2010-11

- With the implementation of the Professional Auditor Skills Scheme (PASS), work commenced on the move from the Administration Officer (AO) classification stream to the Professional Officer (PO) stream. Staff who were able to transition to the PO stream did so on 1 July 2011 and strategies and support continue to be provided to all other staff at these levels. (Refer to page 66)
- We have continued to provide internal and external training to staff on technical and non-technical topics. (Refer to page 66)
- At 30 June 2011, QAO had a workforce of 251 full-time equivalents, which includes temporary, seconded and contracted staff. (Refer to page 64)
- Our recruitment process and graduate intake continue to focus on improving our workforce to ensure that we meet our responsibilities. (Refer to page 66)

Size of workforce FTE at 30 June (Refer to page 68 and 69)



Figure 4 – Objective 4: Performance Indicators (Refer to page 130 and 131 for details)

Performance Indicators	Actual 2009-10	Actual 2010-11	Target 2010-11
Staff turnover rate.	1.36%	0.93% ²	QAO rate less than WACA ¹ (1.54%)
Sick leave taken.	2.49%	2.58% ²	QAO rate less than WACA ¹ (3.23%)
Less than 10% of staff with excessive recreation leave (i.e. over 290 hours).	9%	4.71%	less than 10%

¹ Workforce Analysis and Collection Application (WACA) is based on the whole-of-government Minimum Obligatory Human Resource Information (MOHRI) data for all public sector departments and agencies.

² Quarterly comparison.

Progression of challenges

Our Annual Report for 2009-10 highlighted a number of challenges expected for the reporting period 2010-11. These challenges are listed below. Against each challenge is a reference to actions that have occurred highlighting the progress that has been made over the year.

Key challenges from QAO Annual Report 2009-10	Reference page
Consideration of the recommendations from the <i>Report of the 2010 Strategic Review of the Queensland Audit Office</i> .	Refer to page 14
Continue to improve against Key Performance Indicators.	Refer to page 6-9
To provide excellence in enhancing public sector accountability.	Refer to page 10
Implementation of the <i>Local Government Act 2009</i> . This will affect the way Aboriginal Councils report on their financial statements for 2009-10.	Refer to page 15
Maintain the currency of audit practices through our audit methodology software, IPSAM.	Refer to page 55
Technical accounting and auditing issues in relation to asset sales and water reform.	Refer to page 15
Management of client satisfaction and acceptance of the reasonableness of audit fees.	Refer to page 32
Continue to ensure QAO's staff profile matches the revised portfolio of audits.	Refer to page 51, 68-69
Implementation of a full performance audit mandate, if approved by Parliament.	Refer to page 20
Preparation of a three-year Strategic Audit Plan for PMS audits as recommended in the strategic review.	Refer to page 20
Continue to select audits that focus on the issues most important to legislators and the public, while maintaining the flexibility to respond to emerging issues.	Refer to page 21
Continue staff performance auditing training with other Audit Offices to ensure our audit methodology complies with <i>ASAE 3500 Performance Engagements</i> .	Refer to page 55, 66
Continue to liaise with the Public Accounts and Public Works Committee to discuss reports to Parliament and other issues impacting upon QAO and the public sector.	Refer to page 24
Continue our role in providing value-added advice and guidance to Parliament and other central public sector agencies.	Refer to page 18, 24
Continue to participate in internships, work experience programs, technical training initiatives and our leadership development programs to ensure the continual development of our skill base.	Refer to page 66
Ensure benefits realisation from technological improvements to help generate greater efficiencies and improve the quality of operations.	Refer to page 54
Continue to seek improvements in business systems and operating procedures.	Refer to page 54
Continue to support the Queensland Government's commitment to promote and deliver programs for all equity and diversity target groups.	Refer to page 70
Publish six editions of INFORM and hold Client Information Sessions in 2010-11.	Refer to page 33, 34
Table ten Auditor-General Reports to Parliament in 2010-11.	Refer to page 19, 132
Continue to receive an unqualified opinion on QAO financial statements.	Refer to page 114
Decrease the operating deficit.	Refer to page 76

Retrospective 2004-11

This Annual Report is the seventh and final produced during the term of the current Auditor-General (2004-11). It provides a timely opportunity to reflect upon developments, progress and challenges that have occurred during these seven years.

Background

Throughout this period Queensland Audit Office (QAO) has effectively managed the variety of challenges encountered within the Queensland public sector and has enabled the sector to respond with a range of real improvements. We have worked hard to build strong relationships with the Queensland Parliament and evolved to ensure that the office is strongly positioned as a leading audit practice.

Ongoing improvement

For the Queensland Parliament to be able to hold Executive Government and public sector entities accountable, Parliament requires quality information on performance.

A strategic review of the QAO is undertaken at least every five years. The review provides an independent assessment of the organisation and assists in targeting opportunities for future development. The latest strategic review, completed early in 2010, demonstrated that QAO had satisfactorily responded to the issues raised in the 2004 strategic review and is well equipped to increase our assurance role for Parliament through the extension of the audit mandate in several critical areas. The audit environment continues to increase in complexity and QAO strategies have continued to focus on improving our efficiency, effectiveness and capability.

Changing legislative obligations

In 2004, the *Financial Administration and Audit Act 1977* was the key legislation for financial administration and audit matters.

On 1 July 2009, a new legislative framework for the financial accountability and audit of Queensland public sector entities was introduced with the *Auditor-General Act 2009*. While this Act did not significantly amend the mandate or the powers of the Auditor-General, enhancements were made to reflect the changing environment in which QAO operates.

In 2011, further enhancements were made to the *Auditor-General Act 2009* with key recommendations from the 2010 strategic review being approved. The more significant amendments were:

- Expansion of the audit mandate to include full performance audits, consistent with the approach adopted in most other Australian and international jurisdictions.
- The audit of government financial transactions with third parties via a 'follow the dollar' approach.
- Alternative audit arrangements for some small in size and low risk entities.
- A requirement for the preparation of a three year strategic audit plan for performance audits.

These amendments to the Auditor-General Act 2009 became effective in August 2011.

The Auditor-General's role under a performance audit mandate is to provide an independent opinion on the economy, efficiency and effectiveness of an entity's operations and provide Parliament with an additional level of assurance on the performance of entities in delivering the outcomes required by government. Extending QAO's ability to enhance public sector accountability and bringing the office into line with other Australian Audit Offices is a significant step forward and a major milestone in the history of public sector auditing in Queensland. We have undertaken a number of actions to effectively position QAO to accept this new responsibility and to ensure that we continue to support enhancements to public sector accountability.

Enhancing our reporting to Parliament

The Auditor-General has had a long standing relationship with Parliamentary Committees, primarily with the Public Accounts Committee (or Public Accounts and Public Works Committee).

The 2004 strategic review suggested that there should be an enhanced level of examination of the work of the Auditor-General and the QAO by the Parliamentary Committee on behalf of Parliament, without compromising the independence of the Auditor-General.

The Public Accounts Committee, and then the Public Accounts and Public Works Committee, subsequently reviewed each Performance Management Systems audit report to Parliament tabled by the Auditor-General from 2005 to 2010. The Committee undertook its own more detailed review of a number of the audit reports. In December 2010, the Committee System Review Committee of Parliament recommended that the proposed portfolio committees have access to the expertise and assistance of the Auditor-General to provide briefings or advice in relation to Auditor-General Reports to Parliament and Bills introduced to Parliament. This will introduce a new level of involvement by the Auditor-General and QAO with Parliament.

Between 2004-05 and 2010-11 a total of 60 reports have been tabled in Parliament by the Auditor-General. This includes reports on both Financial and Assurance audits and Performance Management Systems (PMS) audits.

Year	Financial and Assurance audit reports to Parliament	Performance Management Systems audit reports to Parliament	Total
2004-05	2	3	5
2005-06	3	2	5
2006-07	4	5	9
2007-08	6	3	9
2008-09	6	4	10
2009-10	7	4	11
2010-11	5	6	11

QAO has continued to expand both the number and range of its PMS audits. The time taken to complete a PMS audit, while still fulfilling the required objectives, has decreased from an average of 10.25 months prior to 2005, to 6.5 months in 2010-11. QAO currently has the lowest average elapsed time for reporting PMS audits to Parliament compared to all other Audit Offices in Australia. By decreasing the elapsed time for completing a PMS audit, the audit conclusions and recommendations are more relevant and enable any improvement action to be implemented in a timely manner.

During 2010-11, our Information Systems (IS) audit section produced its second Auditor-General Report to Parliament, *Auditor-General Report to Parliament No. 4 for 2011 – Information systems governance and security*. This report built on the results of audits reported in *Auditor-General Report to Parliament No. 7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project*. An IS audit examines the controls within an organisation's information technology environment and evaluates evidence of its information systems, practices and operations. These reports demonstrate the increasing capacity of our IS audit section and the extent of IS audit issues being identified through our audit activity.

Changing auditing standards and ongoing improvements in quality

QAO continually monitors and reviews our quality standards to ensure we achieve a high standard in all aspects of our business.

In 2006 the Accounting Professional and Ethical Standards Board *APES 320 Quality Control for Firms* provided a framework by which accounting and auditing professionals could establish quality control and best practice within their firms. Its introduction provided a perfect opportunity for QAO to review all of its operations in terms of quality assurance practices. The review found QAO had appropriate policies and procedures already in place and only some refinement was required.

QAO's existing audit quality assurance processes were further developed to take into account the requirements for the appointment of the role of an Engagement Quality Control Reviewer (EQCR). This was formally introduced for the 2007-08 audit year for all significant audits. The EQCR role examines issues such as the engagement team's evaluation of QAO's independence in relation to the audit engagement, the identification of significant audit risks and responses to those risks and judgements made particularly with respect to materiality and significant risks.

Regular quality assurance reviews have always been conducted for in-house audits as part of our internal quality processes. These reviews are now conducted by an independent unit within QAO to ensure we have in place an appropriate quality control framework that achieves the requirements of APES 320. Quality control practices and procedures are reviewed at both the audit engagement level and at the entity level. Quality assurance reviews are also conducted for contracted audits, Performance Management Systems audits and cross sector audits.

An important driver of audit quality control is ensuring an appropriate level of involvement from senior audit team members. Procedures have been developed during the last seven years to ensure that this involvement occurs on a regular and systematic basis. A revised risk based resourcing allocation model was implemented so that the time allocated for engagement leaders to devote to their audits was increased for those audits with a relatively greater risk. The strengthening of the Audit Support division has also been designed to provide audit teams with more efficient support, thus maximising the amount of time able to be allocated by them to direct audit activity.

Through the Australasian Council of Auditors-General, QAO led a project to review the ability of all Audit Offices to review their quality assurance arrangements. Audit Offices shared capacity for independent review mechanisms and a checklist was developed to help Audit Offices to assess their compliance with relevant standards.

Enhancing interaction with key stakeholders and clients

In response to strategic review recommendations made in 2004, a program of meetings was established by the Auditor-General with QAO's key stakeholders. These stakeholders included the Premier, Treasurer, Public Accounts and Public Works Committee, heads of the Departments of the Premier and Cabinet and Treasury, Integrity Commissioner, Ombudsman and Chair of the Crime and Misconduct Commission. Meetings with the key stakeholders have enabled information sharing and encouraged a greater understanding of QAO's operations. They have contributed to the acceptance of audit findings and recommendations in reports to Parliament, particularly for those issues with sector-wide implications. On-going consultation has also been undertaken with senior executives of audit clients and their audit committees in relation to audit issues. Formal status reports have been developed to enhance the reporting to audit committees on the progress of annual audits.

Client feedback had traditionally been obtained through an internal process undertaken by QAO audit staff. In 2006, QAO engaged the services of an external research company to conduct an independent survey each year of financial audit clients. The use of an independent, specialist firm enabled QAO to better understand the needs of clients and to improve the audit service provided. An independent research company also enabled clients to provide open and honest feedback through an externally managed process. QAO and other Australian Audit Offices developed a standard set of client feedback questions which allowed QAO to benchmark our client service performance against the other offices and share strategies for improvement. Generally the results from the feedback over the last seven years have been positive with high satisfaction levels recorded.

Streamlining contracting arrangements

Suitably qualified and experienced private sector auditors have continued to be engaged to perform certain audits on a contractual basis on behalf of the Auditor-General. Contract auditors are an important component of our total auditing mix. Due to the number of audits which must be finalised within limited timeframes, the engagement of contract auditors is an essential element in undertaking the audits which comprise the audit mandate. The Auditor-General is responsible for the quality and completeness of contracted audits and that these audits meet QAO's quality standards. Additional quality assurance reviews of contract audit firms have been introduced to ensure firms have appropriate policies and procedures as well as training and development for their audit staff. We also ensure that contract auditors are kept up-to-date on audit issues through mediums such as the QAO Contract Auditors' Extranet and the annual Contract Auditors Workshop.

There are currently 43 firms and 137 audit partners registered as suitable to perform audits on behalf of the Auditor-General. Twenty-seven of these firms currently undertake audits under contract from the Auditor-General. This is a reduction in the number of audit contract firms since 2004 when there were 70 audit firms and 102 partners registered. The reduction has occurred through changes in the profile of audits being contracted to include larger entities and a more rigorous approach to quality assurance.

In 2008, QAO established a Contract Audit Group to manage the audit relationship between QAO and contracted auditors. This group complements the involvement of the Audit Support division in the procurement processes for contracted audits. During 2011, QAO introduced a new structure for categorising our audits and our contract auditors to better align skills, risk and capacity. These developments have been major steps towards improving the quality of contract audit activity and making the process of utilising contract audit resources more efficient and effective for QAO, contracted auditors and audit clients.

Implementation of a new audit methodology

In 2004, the strategic review expressed concern about TeamAsset, QAO's then audit methodology and software, which was due to become unlicensed and unsupported by 2007. QAO adopted a strategy to replace TeamAsset, including an implementation program which would ensure that the replacement platform was in place well before 2007. Following consideration of available commercial audit methodologies, in November 2005, QAO implemented a new public sector focused audit toolset which had been developed in conjunction with the Victorian Auditor-General's Office. The Integrated Public Sector Audit Methodology (IPSAM) was released to staff for use on 2005-06 audits. To date, there have been three releases of IPSAM, with each release bringing new features and refinements to audit processes. The IPSAM framework was used by QAO in 2009 to develop a new system, ASPIRE, to manage and document Performance Management Systems audits.

The use of IPSAM has had many benefits for public sector auditing across Australia through the increased focus on accountability. The system has also allowed audit staff with the ability to easily transition between Audit Offices. After it was successfully implemented by QAO and the Victorian Auditor-General's Office, a number of other Australian Audit Offices explored the capacity of the public sector focus of the toolset to deliver value for their jurisdiction. IPSAM is now licensed by the Tasmanian Audit Office, the Australian Capital Territory Audit Office, South Australian Auditor-General's Department and the Office of the Auditor-General Western Australia.

Improved audit resourcing

In 2005, QAO introduced the eTrack Practice Management System, a software application which provides a centralised information management repository. eTrack contains QAO's register of audits covered by the legislated audit mandate, audit client details and key contacts. It also provides details of private sector audit partners contracted to undertake audits for the Auditor-General.

eTrack is used by QAO as a tool to manage audit jobs and resources, and measure and maximise resource utilisation. eTrack provides the Executive Management Group with an overall picture of productivity and how resources are being utilised. The system is now delivering information required for effective management to ensure that the appropriate mix of QAO staff, contracted auditors and other resources is in place to complete the financial and assurance audit mandate each year.

Building the capability of our staff

QAO is currently one of the larger Audit Offices in Australia. We have continued to ensure that all staff are provided with support and encouragement to excel in their careers.

Since 2004 QAO has grown from an effective FTE workforce of 205 to 251 in 2011. Roles have evolved over the last seven years to more effectively meet the needs of our audit clients and changing market demands. Across QAO we have developed a variety of specialist skills covering areas of audit and non-audit. Through professional recruitment and ongoing development we have built our capabilities to ensure we conduct a broad range of audits of government activities and provide services of real value to our stakeholders and clients. The number of female staff in executive leadership positions (AO8 and above) has increased from four (10%) in 2004-05 to 19 (28%) at 30 June 2011.

Following the examination of options to introduce a more flexible remuneration system that reflects the professional nature of our staff a decision was made during 2011 to implement the Professional Auditor Skills Scheme (PASS). This has involved financial and assurance auditors at the AO6 to AO8 levels with professional accounting qualifications moving from the Administration Officer (AO) salary classification stream to the Professional Officer (PO) stream. Staff who were able to transition to the PO stream did so on 1 July 2011 and strategies and support continue to be provided to all other staff at these levels.

QAO continues to support and enhance its training and development program. The Training Calendar is reviewed each year to ensure that training delivered is directly related to the business requirement. Non-technical training has also been enhanced to support the ongoing need for leadership qualities and management skills. Direct relationships are maintained with various professional bodies to support staff in achieving their professional qualifications.

Sectorwide improvements – impact on QAO

Through our audit activity and recommendations contained in reports to Parliament we aim to enhance public sector performance. Some of the significant gains made in the public sector over the last seven years have also impacted on the audit practices and approach adopted by QAO.

Shared services initiative

The shared services initiative was designed to deliver cost effective corporate services through standardising business processes, consolidating technology and pooling resources and expertise. Since the commencement of the shared services arrangement across Queensland Government, QAO has continued to review the implementation of the shared service standardised solutions for the delivery of finance and human resource services. The scale of the change that has had to occur has meant that it has taken the public sector more time than expected to realise benefits and some original expected benefits have still to be achieved.

From QAO's perspective, the shared services initiative required a shift in the way we traditionally approached a departmental audit. We have continued to adjust our approach in line with changes to the shared services initiative as they have occurred. The shared services environment is one example where the strong relationships that QAO staff have maintained with internal audit has contributed to the successful completion of the audits of the shared service providers and agencies.

Early finalisation of financial statements

Timely financial reporting provides those responsible for governance evidence that a sound system of financial management and governance exists.

In the interests of timely reporting it is important that both auditors and public sector entities frequently consider ways that the financial statement preparation process can be streamlined.

In 2005, the *Financial Administration and Audit Act 1977* required that financial statements of departments and statutory bodies be completed and audited within three months of the end of the financial year.

Within 12 months, Treasury Department had flagged their intention to bring forward financial statement deadlines and in 2007, the Treasurer reduced the statutory timeframes for completing the financial statements including the provision of an audit opinion for departments, statutory bodies and government owned corporations. This deadline was brought forward by four weeks to within two months of the end of the financial year to which the statements relate.

A number of strategies to assist the affected agencies to achieve earlier finalisation were included in several reports to Parliament. An increasing number of entities worked with QAO to carry out early closes. The early close initiatives resulted in case studies being shared by QAO to enable other entities to adopt strategies for success.

To emphasise the importance of adhering to the agreed timeframes for providing quality financial statements for audit, in 2008, the Auditor-General implemented a more formal protocol of agreeing with agency management a date to provide financial statements. This process resulted in an improvement in timeliness and quality of financial statements. The details of the agreed timetables were also shared with Treasury Department to allow them to monitor agency progress and to assist in whole-of-government reporting.

The shortened timeframes have limited the time available to audit the financial statements and issue the auditor's opinion, but the overall benefits from timely financial statements, particularly for public sector accountability through public reporting, have made this change worthwhile.

Conclusion

During the last seven years QAO has demonstrated its capacity to deliver high levels of assurance for Parliament on the financial management accountability of the public sector. These seven years have seen QAO evolve in response to the changing environment to ensure the organisation is well positioned to meet the challenges of the future. The report of the 2010 strategic review confirmed the improvements and increased efficiencies that have been achieved over this period.

The implementation of the expanded audit mandate, approved in August 2011, will provide a new range of challenges. QAO will be able to draw on its experience and recent developments to successfully address these new responsibilities and maintain its ability to enhance public sector accountability.

1 Parliament

We meet the needs of Parliament

We will provide independent assurance on the stewardship of public moneys and assets and report to Parliament on audit recommendations, emerging issues and other matters of significance.

Performance Indicator: The Parliament and Public Accounts and Public Works Committee utilise reports from the Auditor-General.



Overview

To be able to hold Executive Government and public sector entities accountable, Queensland Parliament requires quality information on performance. The role of the Auditor-General is to provide an independent assessment of the financial management of the public sector.

Over the years we have been innovative in response to amendments in legislation and to ensure we remain relevant through changing times. This strong foundation allows us to continue to recommend improvements for the future and assist in the ongoing development of ensuring accountability in the Queensland public sector.

During 2010-11, flooding and cyclones devastated many communities across Queensland. The human cost and affect upon livelihoods and communities is hard to comprehend and in Auditor-General Report to Parliament No. 2 for 2011, sincere sympathies were extended to all who had been affected. Report to Parliament No. 2 for 2011 also contained information to assist local governments in accounting for the impact of natural disasters. Despite losing access to our Brisbane office for two weeks during the flooding, QAO continued to deliver key business operations due to the tremendous efforts of our staff and cooperation of our audit clients.

This section of the Annual Report provides an overview of how we meet the needs of Parliament and details our audit program.

At a glance

Number of Auditor-General Reports to Parliament tabled in Parliament (Refer to page 132)

2011  11

2010  11

Our legislative obligations

Our principal legislation for 2010-11 was the *Auditor-General Act 2009*.

Key legislation

The main objects of the *Auditor-General Act 2009* are as follows:

- To establish the position of the Queensland Auditor-General and the Deputy Auditor-General.
- To establish the Queensland Audit Office (QAO).
- To confer on the Queensland Auditor-General and the QAO the functions and powers necessary to carry out independent audits of the Queensland public sector and related entities.
- To provide for the strategic review of the QAO.
- To provide for the independent audit of the QAO.

Following the recommendations of the *Report of the 2010 Strategic Review of the Queensland Audit Office*, amendments were proposed to the *Auditor-General Act 2009*. The Public Accounts and Public Works Committee (PAPWC) provided a response to the strategic review and its report was tabled in Parliament on March 2011. The PAPWC supported key recommendations of the review, which were approved by Parliament and resulted in amendments to the Act in August 2011.

Key Auditor-General Act 2009 amendments:

- *(Section 38) Performance Audit of Public Sector Entities* – Allow for the conduct of a Performance Audit of public sector entities excluding a government owned corporation.
- *(Section 38A) Preparation of a Strategic Audit Plan* – Auditor-General must prepare a plan of Performance audits and Performance Management System audits proposed to be taken in the next three years.
- *(Section 36A) Auditor-General may conduct Audit of Matters ‘Follow the Dollar’* – Under certain conditions, to undertake audits of non-public sector entities in relation to the effective use of funds provided by government agencies.
- *(Section 30A) Exemption of Public Sector Entities for Audit by Auditor-General under s.30* – Allow for audits that are small in size and low risk of public sector entities to be conducted by an approved auditor appointed by the entity.
- *(Section 42A) Auditor-General may conduct Joint Audit* – Allow QAO to work in conjunction with other Audit Offices and share information, where the Auditor-General reasonably believes there is an interest for the Commonwealth or other State in the audit topic.

Our audit program

Our audits continue to add value to the public sector through reporting to Parliament on a range of matters identified through our audits and through recommendations that improve business operations.

There are two main types of audits performed by QAO:

1. Financial and Assurance (F&A) audits. (Refer to page 22).
2. Performance Management Systems (PMS) audits. (Refer to page 23).

Overview

QAO public sector auditing examines whether public monies are used appropriately, in compliance with relevant legislation, and whether public sector entities have systems in place, which enable them to assess whether their objectives are being achieved economically, efficiently and effectively. Our audits also examine the relevance and appropriateness of public sector entities performance measures. In addition to the audits associated with the provision of an audit opinion on financial statements, environmental scanning is undertaken to identify areas of audit interest and importance for Parliament. Potential audit areas are determined on the basis of criteria that includes risk, materiality, public interest, potential for improvement to accountability and financial management.

Potential audit topics for the year are categorised under four themes:

1. **Financial management** – How public sector entities have implemented the government’s stated financial legislation, policies and guidelines.
2. **Sustainability** – How public sector entities ensure sustainability of environmental, social and economic infrastructure.
3. **Governance** – How public sector entities and their resources are controlled and regulated.
4. **Service delivery** – How government services provided for the benefit of the community are delivered.

Areas of significance

At 30 June 2011, QAO had 316 audit clients. Audits cover departments, government owned corporations, statutory bodies, local governments and audits undertaken by-arrangement between the Auditor-General and the entity. There were 711 reporting and non reporting entities. QAO issued 568 independent auditor opinions on financial statements. A full list of audit clients is provided in Appendix 4. For more details on our audit output, refer to pages 28-30.

Figure 5 – Output measures

Measure	2006-07	2007-08	2008-09	2009-10	2010-11
Number of audit clients	¹	339	329	335	316
Number of public sector entity audits and by-arrangement audits	817	792	747	737	711
Number of independent auditor's opinions	*	720	693	629	568
Number of grant acquittals and other certificates	*	*	150	165	193

¹ Information not available due to introduction of a new differentiation between clients and audits in 2007. Each client may have a number of subsidiary entities and these are also subject to audit.

* Information not collected.

Financial and Assurance

A Financial and Assurance audit is an assessment of financial statements and account keeping methods to ensure they comply with relevant legislation and other prescribed requirements.

Overview

The *Auditor-General Act 2009* requires an audit of the consolidated fund accounts and the financial statements of every Queensland public sector entity each year. The Auditor-General must prepare a report to the legislative assembly on each audit conducted.

F&A audits are broader than just verifying the accuracy of financial statements. They also examine financial systems and transactions and review clients' accounting systems and controls to determine compliance with relevant legislation and other prescribed requirements. QAO audits entities and makes recommendations on ways in which they can improve their financial systems and controls.

The majority of our audit resources are committed to F&A audits, which are undertaken either directly by QAO staff or by authorised contract auditors. Contracted auditors are generally engaged under a three-year contract, with an option for an extension of a further two years.

An integral and growing part of our F&A audit program is computerised Information Systems (IS). The IS audit component examines the governance framework and controls within an organisation's information technology environment and evaluates evidence of its information systems, practices and operations. The assessment of the IS environment will impact on the overall audit approach.

Areas of significance

The average time and cost of reporting to Parliament for F&A audits were within the targets set for the year.

The IS audit program for 2010-11 included various key issues and examined the effectiveness of the arrangements established to achieve the Information and Communication Technology portfolio relating to the Toward Q2 through ICT strategy. This was timely as processes and frameworks were in their initial stages of implementation and the Department of Public Works was considering areas for improvement.

Figure 6 – F&A Output measures

Measure	2006-07	2007-08	2008-09	2009-10	Actual 2010-11	Target 2010-11
Average time for reporting F&A audits to Parliament from the date of audit certification.	*	*	*	3 months	3 months	Less than 4 months
Average cost per Report to Parliament for F&A audit reports.	*	*	*	\$107,285	\$101,545	\$105,000

* Information not collected.

Performance Management Systems

A Performance Management Systems audit may be conducted as a separate audit or as part of another audit (including an audit of another entity).

Overview

The aim of a Performance Management Systems (PMS) audit is to determine whether an entity has appropriate systems in place to enable it to assess if the entity's objectives are being achieved economically, efficiently and effectively. A PMS audit can also extend to an assessment of the relevance and appropriateness of the performance measures of an entity. The entities and issues to be examined are determined by the Auditor-General as part of a rolling future audit program. During 2011, work has commenced on developing a three-year Strategic Audit Plan, to identify areas for potential audit.

PMS audits are carried out in accordance with the *Auditor-General of Queensland Auditing Standards, July 2010*. A key outcome of PMS auditing is the identification of improvements to financial and nonfinancial systems to enhance public sector accountability and performance. It is the responsibility of the management of the entity to implement and maintain the appropriate systems. In conducting a PMS audit, the Auditor-General must have regard to any prescribed requirements relating to the establishment and maintenance of performance management systems.

Areas of significance

The PMS audit program covered a wide range of topics and public sector entities from across Queensland. The average elapsed time for the completion of all PMS audits was 6.5 months, against a target of less than 7 months per audit.

The average cost of a PMS audit, including reporting to Parliament was \$358,000, against our target of \$350,000. This target was revised during the year to take into consideration increases in charge out rates over the last three years and an increase in the number of multi-entity and complex PMS audits being undertaken (The target for 2011-12 is \$400,000).

Figure 7 – PMS Output measures

Measure	2006-07	2007-08	2008-09	2009-10	Actual 2010-11	Target 2010-11
Average elapsed time for completion of PMS audits including reporting to Parliament.	6.3 months	5.9 months	6.8 months	7.5 months	6.5 months	Less than 7 months
Average cost per PMS audit (including reporting to Parliament).	*	\$264,693	\$277,740	\$423,487	\$358,000	\$350,000

* Information not collected.

Parliamentary Committees

In 2010-11, the PAPWC was a statutory committee of the Queensland Parliament, established by the *Parliament of Queensland Act 2001*. Throughout the year the Auditor-General offered to provide briefings to the PAPWC on all audit reports to be tabled in Parliament. These briefings enable the Auditor-General to provide background information and provide members of the Committee with a better appreciation of any significant issues raised in the reports.

The *Parliament of Queensland (Reform and Modernisation) Amendment Act 2011* was assented to on 19 May 2011, restructuring the Parliamentary Committee system and replacing a number of the existing statutory committees. In this restructure, the PAPWC was abolished and its powers and responsibilities vested with the portfolio committees. These committees may consider matters within their portfolio areas, including those relating to public accounts. This change of structure, effective from August 2011 will require different arrangements for the interaction of the Auditor-General with a number of portfolio committees.

QAO may be called upon to provide advice to a committee in relation to an issue being examined or bills introduced to Parliament where we may have expertise through our audit program. To assist with the new relationships with the committees, a code of practice has been established to outline the assistance that the Auditor-General and the QAO is able to provide to the portfolio committees.

Key achievements for 2010-11

- Six Financial and Assurance audit reports to Parliament were tabled.
- Five Performance Management Systems audit reports to Parliament were tabled.
- Our audits covered a wide range of topics and public sector entities from across the State.
- As at 30 June 2011, QAO had 316 audit clients, including departments, government owned corporations, statutory bodies, local governments and entities audited by-arrangement. (Details are provided in Appendix 4).
- During the financial year 568 independent auditors' opinions were issued on financial statements.
- The PAPWC ceased to exist in May 2011, with the *Parliament of Queensland (Reform and Modernisation) Amendment Act 2011*, and a new structure for Parliamentary Committees was established.

Key challenges for 2011-12

- Implementing the changes to the *Auditor-General Act 2009* including the mandate to undertake performance audits, audit financial transactions of third parties receiving public monies via a 'follow the dollar' approach and make alternative audit arrangements if the audit of the public sector entity is small in size and of low risk.
- Finalising of the three-year Strategic Audit Plan provided for under the amended legislation. The plan will identify potential audits from across government activities.
- Implementing recommendations of the *Report of the 2010 Strategic Review of Queensland Audit Office*, as endorsed by the government.
- Dealing with an expected increase in the number of modified auditors' opinions, due to the impact of the natural disasters during 2010-11. QAO will continue to work closely with our clients affected by these events.
- Ensuring all parties to the shared services arrangements are clearly aware of their responsibilities, particularly around the internal control environment.
- Recruitment and appointment of a number of senior executive positions.
- The current Auditor-General will complete his term in December 2011. A new Auditor-General will be appointed under the *Auditor-General Act 2009*.

2 Value

We add value to public sector entities

We will deliver high quality audit services and develop strong professional relationships to benefit public sector entities.

Performance Indicator: Our audit clients value our services.

From left: Darren Brown, QAO Audit Manager; Linda Pitt, Executive Manager, State Library of Queensland and Sadhana Yatapanage, QAO Analyst.



Overview

The Auditor-General's mandate extends beyond the typical private sector external audit of financial statements. Public sector auditing examines whether public monies are used appropriately and in compliance with relevant legislation. Our audits also examine how clients measure and manage their performance.

At QAO, we work closely with our clients to ensure they have the knowledge to enhance audit outcomes and successfully meet their legislative obligations. Our experienced auditors provide expert advice in relation to accounting standards, legislative requirements and accountability issues as well as develop recommendations.

Our audits continue to add value to the public sector through recommendations that improve business operations.

This section of the Annual Report provides details on how we provide quality audit services and develop strong relationships to benefit public sector entities.

At a glance

The survey of 200 F&A audit clients with a year-end date of 30 June 2010 asked respondents to state whether they agree that their organisation was provided with adequate opportunity to comment on audit findings and issues (Refer to page 32)



The survey of PMS audit clients subject to PMS audits asked for respondents to state whether the audit made a valuable contribution by providing a sense of assurance (Refer to page 32)



Number of audit clients



Our core business

The Auditor-General is required to issue an independent auditor's report and express a formal opinion on the financial statements of all public sector entities audited and to report on each audit to the Parliament. The format of the independent auditor's report issued is consistent with the requirements of the Australian Auditing Standards and legislative requirements.

Overview

The audit opinion included in the independent auditor's report will be one or more of the following types:

1. Unmodified auditor's opinion

These opinions are issued where the financial statements provide a true and fair view and the entity has complied with all relevant prescribed requirements. There are no matters to which the readers of the financial statements should be drawn.

2. Emphasis of matter paragraphs and other matter paragraphs

Included in the independent auditor's report to draw attention to a matter presented or disclosed in the financial report that is of such importance that it is fundamental to the understanding of the financial report. The inclusion of an emphasis of matter paragraph or other matter paragraph does not mean a modification to the auditor's opinion.

3. Modified auditor's opinion

The auditor's opinion is modified when the auditor concludes that, based on the audit evidence obtained, the financial report as a whole is not free from material misstatement; or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial report as a whole is free from material misstatement.

There are three different types of modified auditor's opinions that can be issued:

- I. **Qualified auditor's opinion.**
- II. **Adverse opinion.**
- III. **Disclaimer of opinion.**

An explanation of these terms is available in Appendix 9 – Glossary.

Results of our core business

Our audits continue to add value to public sector entities through recommendations that improve their business operations. The results of our audits for the year provide an outline of governance in the public sector.

Overview

A total of 568 independent auditor's opinions were issued on financial statements during 2010-11. For entities for the 2008-09, 2009-10 and 2010-11 financial years, the Auditor-General issued 106 modified opinions (19%). This compares to 107 modified opinions out of 629 independent auditor's opinions issued during 2009-10 (17%).

Modified auditor's opinion



Figure 8 – Most common causes for a modified opinion

	Total
Non-current asset related issues.	29%
Special purpose financial statements.	21%
Going concern issues.	23%

During the year, 21 per cent of the modified opinions related to special purpose statements. This was mainly due to a change in *ASA 800 The Auditor's Report on Special Purpose Audit Engagements*.

As a result of amendments to Australian Auditing Standard *ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*, auditors are now required, as a minimum, to include an emphasis of matter paragraph in independent auditor's reports issued on financial statements prepared in accordance with special purpose frameworks. These amendments were effective for audits of financial reporting periods commencing on or after 1 January 2010.

Audits and statutory deadlines

Entity	Statutory deadline	Legislation
Departments	2 months	<i>Financial and Performance Management Standard 2009</i>
Statutory bodies	2 months	<i>Financial and Performance Management Standard 2009</i>
Local governments	5 months	<i>Local Government (Finance Plans and reporting) Regulation 2010</i>
Government owned corporations	2 months	<i>Government owned corporations Regulation 2004</i>
Companies	Dependent upon size and nature	<i>Corporations Act 2001</i>
Other entities	Various	Various

Different types of public sector entities have specific legislation detailing the statutory deadline for the completion and audit of the financial statements. The date of the provision of the statements must allow sufficient time for the audit of the statements and the report to be completed no later than two months after the end of the financial year to which the statements relate. This statutory deadline applies to all public sector entities except local governments for which, unless the Treasurer, in consultation with the Auditor-General, approves otherwise.

For the year, 568 independent auditors' opinions were issued on financial statements. Of the opinions issued during 2010-11, 353 entities were subject to a statutory deadline for the preparation and audit of the financial statements. Of these entities, 290 met the statutory deadline.

Figure 9 – Audits and statutory deadlines

	Total 2010	Total 2011
Audits with a statutory deadline.	491	353
Client met statutory deadline.	394	290
Client did not meet statutory deadline.	97	63

There were a total of 193 grant acquittals and other audit certificates issued, compared to 165 in the previous year.

Strengthening our relationships

Queensland Parliament

The Auditor-General is available to provide briefings to the PAPWC on all audit reports to be tabled in Parliament. As detailed on page 24, in 2011 the Parliamentary Committee system was restructured. The PAPWC was abolished under this restructure and new committees were introduced. The Auditor-General and QAO may be requested to meet with relevant committees to provide advice and assistance as required.

Maintaining our client relationships

QAO endeavours to undertake preliminary scoping meetings with client entities to gain an understanding of their requirements and improve client relationships. We communicate frequently and pro-actively with clients and work to clearly define audit parameters, expectations and timeframes. Once an audit is nearing completion we provide sufficient opportunities to discuss the audit findings with clients and clarify aspects prior to finalisation of the report.

Greater presence in regional and remote areas

Auditing public sector entities within a State the size of Queensland presents its own challenges. In addition to Auditor-General visits to regional areas, various strategies have been implemented to provide assistance to clients in regional areas. These have included:

- Regional audits conducted by QAO staff.
- Active participation in audit committee meetings and regular meetings with regional clients.
- Participation in regional conferences and forums, and regional presentations by QAO staff.
- Increasing the use of technology to better communicate with our more remote clients.

The Auditor-General and QAO staff also made presentations at a number of external forums in Queensland and nationally.

Value adding audit services

Our public sector experience allows us to provide expert advice on a wide range of issues. Value adding audit services are provided to our clients through focused audits and recommendations for improvement.

Client survey

As part of our commitment to provide value, QAO continues to provide recommendations on how agencies can improve performance and enhance accountability. QAO encourages feedback from our clients to help improve our audit and sector-wide services.

QAO participates with the Audit Offices of New South Wales, Victoria, Western Australia, Tasmania and the Australian National Audit Office in a client feedback benchmarking project. ORIMA Research Pty Ltd is contracted to conduct the client surveys for each Audit Office. Surveys are based on a standard set of questions agreed upon by the participating Audit Offices.

Financial and Assurance audits

A sample of 200 Financial and Assurance audit clients with a year-end date of 30 June 2010 were surveyed. There were 133 responses received (67% response rate). The aggregate index scores decreased slightly across all performance aspects but despite the small declines from last year's results, the overall results remain positive, with most audit clients providing a positive assessment of aspects of their financial audit.

In 2010-11, 75 per cent of financial audit clients provided positive ratings for most service aspects relating to QAO's audit process. Ratings for the value of the financial audit services decreased the most in 2011, after a five-year high in 2010. There were increases in some ratings – for instance, the proportion of audit clients that indicated there was adequate continuity of audit staff on their audit increased to 80 per cent (up from 74%, Round 1 2009-10). However, declines in ratings were particularly centred on aspects related to audit reporting. Audit clients this year were less likely to agree that their organisation was provided with an adequate opportunity to comment on audit findings and issues before the finalisation of the management report (78%, down from 89%) and the management report clearly communicated audit findings and issues (81%, down from 92%). Round 2 of the survey did not occur in January 2011 as scheduled due to Queensland's natural disasters and the attention given by audit clients to reconstruction activities.

Performance Management Systems audits

A client survey was conducted during 2010-11 to assess how our Performance Management Systems (PMS) audit clients subject to a PMS audit viewed our performance. Overall, results indicated a significant improvement on previous years. These improved results confirm that the strategies we have put in place to improve client relationship management are having the desired outcome.

The overall performance for audit processes, reporting and value, during the reporting period, all reversed a downward trend in ratings, and recorded their highest scores since ratings began in 2006. In addition, 86 per cent of respondents agreed or strongly agreed that the PMS audit made a valuable contribution by providing a sense of assurance regarding administration of the audited activity (an increase from 64% in 2009).

Recommendations in the Auditor-General's Report to Parliament are a key method of highlighting important issues from audits. Respondents stated that PMS audit reports flowed logically (67%, an increase from 46% in 2009).

Sector-wide assistance

QAO provides recommendations and ongoing advice on how agencies can improve efficiency and effectiveness. This enables the public sector to enhance accountability and ensure timelier reporting for Parliament and the community.

Client Information Sessions

The Client Information Sessions provide an opportunity for attendees to gain a greater knowledge of financial management working practices, relevant issues, audit activities and processes. During the reporting period the Financial and Assurance (F&A) audits and the Performance Management Systems (PMS) Audit Divisions held separate sessions.

More than 300 individuals from across public sector entities attended our F&A Client Information Sessions on 3 and 10 March 2011. Topics included the importance of external audit to boards and audit committees, accounting for government grants, governance of IT, and accounting for the impact of natural disasters.

On 19 October 2010, the PMS audit division held a Client Information Session attended by more than 100 individuals from various public sector entities. Main topics covered included a discussion on the PMS audit program for 2010-11 and recent reports to Parliament. Operational Performance Reviews were also discussed with a presentation from Queensland Police Service, Operational Performance Review Unit.

Cooperation with Australasian Audit Offices

The Auditor-General of Queensland is a member of the Australasian Council of Auditors-General (ACAG) and contributes to ACAG through submissions to Australian Accounting Standards Board, Auditing and Assurance Standards Board, Parliamentary and other relevant inquiries on accounting and auditing issues, as well as participating in the ACAG Macro Benchmarking project with other Audit Offices. (Refer to pages 52-53).

Through ACAG, QAO has the lead role for the Practice Management Group and is an active participant in the Financial Reporting and Auditing Committee, Quality Assurance Coordinating Committee, IT Audit Group and the Performance Audit Group.

A sub-group of the Australasian Council of Auditors-General is the University Auditors Group. This group aims to encourage a consistent approach to auditing universities across Australia. QAO takes an active role in this group.

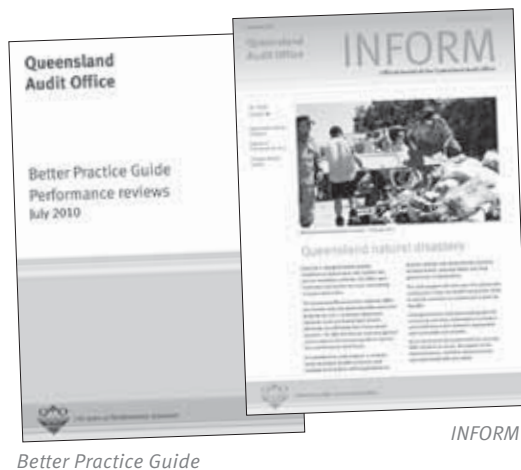
QAO continues to work closely with Audit Offices across Australia to maintain useful connections and facilitate contemporary best practice through shared learnings.

Access our online resources at www.qao.qld.gov.au

Subscribe online to receive the latest information regarding reports to Parliament, Client Information Sessions, industry news and changes in legislation.

Better Practice Guides

These guides are based on our audit findings and provide useful information and guidance on a range of matters to help departments, statutory bodies, government owned corporations and local governments to improve the efficiency and effectiveness of their processes. Topics covered include strategies for financial statement preparation, managing machinery of government changes and risk management.



Better Practice Guide

INFORM

INFORM journal

QAO publish a journal to provide our clients with regular updates and industry related features from across Queensland's public and financial sectors. Six editions of INFORM were distributed during 2010-11.

Online services

The QAO website continues to provide a variety of useful information to our clients, industry and members of the public. During 2010-11 we have begun work to redevelop our online services.

We also maintain an online extranet exclusively for our contract auditors.



www.qao.qld.gov.au

Key achievements for 2010-11

- During the year, 568 independent auditors' opinions were issued on financial statements.
- Six editions of INFORM were published.
- Client surveys were conducted for both F&A and PMS audit divisions.
- Client Information Sessions were held for F&A and PMS audit clients.
- Input to various Accounting and Auditing Standards and Exposure drafts.
- The Auditor-General and QAO staff made presentations at a number of external forums in Queensland and nationally.

Key challenges for 2011-12

- Managing outcomes of the independent client feedback regarding our audits.
- Strengthening our professional relationships with audit clients.
- Redeveloping the QAO website and online systems. A project began in 2011 to redevelop our online services. We aim to introduce a service with improved functionality by June 2012.

3 Business

Our business is efficient, effective and sustainable

We will build quality systems and procedures and measure and report our business and audit performance.

Performance Indicator: Key business metrics demonstrate efficient use of resources to deliver service requirements.



Overview

QAO aims to continue to improve efficiencies and enhance productivity to ensure that we provide cost effective and advanced services both internally to our audit staff and externally to our clients.

During 2010-11, the Audit Support division continued to provide services to assist our auditors in their core functions. The services include efficient and effective information, communication and technology support, practice management through planned resource allocation, human resource management and learning and development.

This section of the Annual Report provides details of our governance and management strategies utilised to improve the effectiveness of our business.

At a glance

Operational costs self-funded through audit fees



Governance framework

Toward Q2: Tomorrow's Queensland – Services for the Community

The Queensland Government has outlined its commitment to delivering improved outcomes for the community in *Toward Q2: Tomorrow's Queensland*. The Queensland Government's vision for 2020 is for Queensland to be strong, green, smart, healthy and fair, as outlined in *Toward Q2*, released on 8 September 2008. *Toward Q2* is framed around five ambitions and 10 long-term, measurable targets that address current and future challenges for Queensland.

Strong: Creating a diverse economy powered by bright ideas

Provide quality audit services and assurance that contribute to creating a diverse Queensland economy.

Green: Protecting our lifestyle and environment

Engage with public sector entities to ensure sustainability of environmental, social and economic infrastructure.

Smart: Delivering world-class education and training

Develop the capability of our staff to deliver quality services, efficiently and effectively.

Healthy: Making Queenslanders Australia's healthiest people

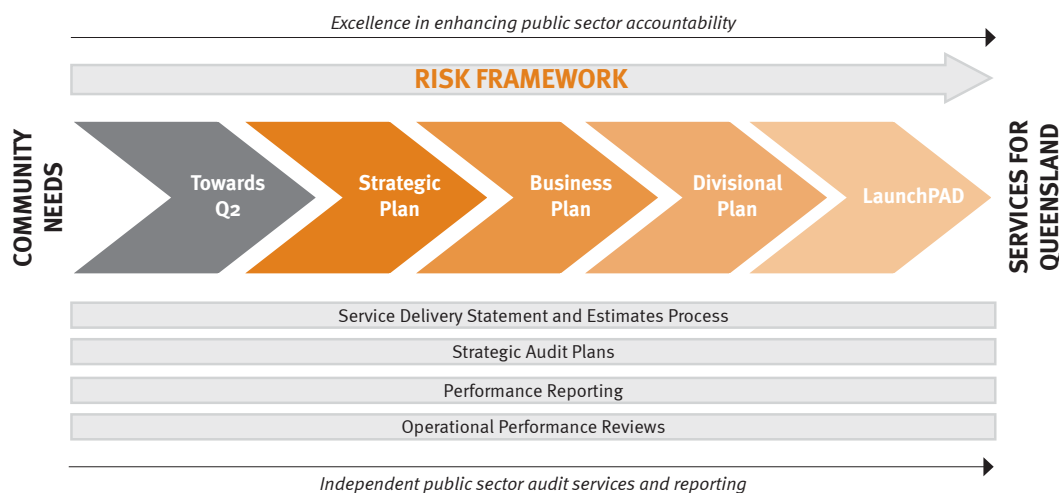
Provide staff with a healthy and supportive working environment.

Fair: Supporting safe and caring community

Review the effectiveness of the delivery of government services for the benefit of the community.

QAO Strategic Plan 2010-11

QAO's strategic planning forms the core of our performance framework. The overall process is displayed below.



The key priorities for QAO are linked to the Toward Q2 ambitions. QAO contributes to the ambitions of Queenslanders through our actions as a public sector entity and the outcomes of our audits by providing Parliament with assurance over the financial management activities of the public sector. (Page 6 details our vision, purpose, service, values and objectives).

Business Plan 2010-11

The Business Plan 2010-11 links to our strategic plan through our four objectives (Refer to page 6 for details on our objectives). The plan lists the operational strategies and how the achievement of these strategies is measured.

Monthly reporting is submitted to and reviewed by the Executive Management Group (EMG). Issues of concern are discussed by the EMG and corrective action taken as required.

Organisational operations

During the reporting period we received \$6.223m in funding from government appropriation. This compares to \$5,970m in 2009-10. Audit fees raised \$38,178m in 2010-11, compared to \$35,585m in 2009-10.

Risk management

In accordance with the *Financial Accountability Act 2009*, QAO maintains a risk framework. It is designed to assist in identifying risks, and to actively guide effective methods of responding to and managing risks. The International Standard *AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines* has also been utilised in developing our risk framework.

The risk framework consists of two interconnected risk registers, strategic and operational. Monitoring and evaluating risks within the risk registers is reported to the EMG and the Audit and Risk Management Committee three times a year. The latest review of the registers indicated that overall, appropriate actions were in place and operating effectively.

The risk framework is reviewed annually and this process has resulted in efficiencies for 2011-12. The risk registers have been streamlined and additional work done to improve the alignment to both the strategic and business plans. QAO's Chief Financial Officer has been appointed as the Risk Champion to assist in interpreting how existing risk management practice and application should evolve in order to support and enable future business operations.

Operational Performance Review

To assist our auditors in delivering audits efficiently, an Operational Performance Review (OPR) process has been implemented during 2010-11. The OPR process is a key element of our planning, governance and performance framework. It has initially been implemented in the Financial and Assurance Audit Divisions with an inaugural annual OPR meeting occurring in October 2010, followed by a mid term review in April 2011.

The OPR panel is chaired by the Auditor-General and meetings provide audit engagement leaders with the opportunity to have regular meetings and engage in rigorous discussion, focussed on improving performance. A comprehensive suite of statistical and qualitative data is used to review the effectiveness of strategies and identify actions to improve performance.

Through the OPR process we aim to be better positioned to identify and respond to emerging trends and issues. We intend to expand the OPR process more deeply into the organisation and include audit managers and other divisions in the near future.

This process has been developed from the Better Practice Guide which was released following the PMS audit reported to Parliament in *Auditor-General Report to Parliament No. 5 for 2010 – Performance Reviews – Using performance information to improve service delivery*.

Auditing of QAO

Internal audit

Internal audit operates under its own Charter and reports directly to the Auditor-General. The Charter is consistent with the *International Standards for the Professional Practice of Internal Auditing* as per the Institute of Internal Auditors.

Internal audit's primary role is to conduct independent and objective assurance activities to assist QAO in accomplishing its objectives and improve the effectiveness of QAO's risk management, control, and governance processes. The scope of the work performed by internal audit is detailed in the approved strategic internal audit plan and the internal audit plan.

The internal audit program is managed by QAO's Head of Internal Audit, (Carolyn Dougherty – B Admin, G Cert Mgt, CPA) and is delivered through contractual arrangement with Hayes Knight (Qld) Pty Ltd. In developing the internal audit work program, consideration was given to QAO's strategic and business plans. The Head of Internal Audit reports to the Auditor-General and the Audit and Risk Management Committee, and has due regard to Treasury Department's *Audit Committee Guidelines – Improving Accountability and Performance (December 2009)*.

The 2011 audit program included a review of the systems, legislative requirements, policies and practices relating to various issues including gifts and benefits, mobile phones, contract audit revenue, and general controls over expenditure. The overall assessment, recommendations and management's responses were reported to the Auditor-General and to the Audit Risk and Management Committee.

External audit

Mr Simon Hancox, Director, Audit and Assurance, with Grant Thornton, was appointed by the Governor in Council as the independent external auditor of QAO. The appointment is for three years commencing 2011.

The audit report of QAO for 2010-11 providing an unqualified opinion, is attached to the financial statements. (Refer to page 114).

Policies

QAO has various administrative policies and procedures in place which are readily available to all staff on our intranet. Business units are continually updating policies based on changes in legislation, directives, standards and guidelines. Policies are publicly available on request.

Committees

QAO committees are an integral part of our governance structure. Each committee provides an annual self-assessment on their performance and reports against their forward working plan.

QAO committees are structured into two areas, dependant upon their area of focus and purpose:

1. Governance committees:

- Executive Management Group.
- Audit and Risk Management Committee.
- Information Steering Committee.

2. Operational committees:

- Executive Staffing Group.
- Women's Leadership Group.
- Workplace Health and Safety Committee.
- Consultative Committee.
- Staff Welfare Committee.

For more information on these committees, please refer to pages 43-47.

Governance committees

Executive Management Group

The Executive Management Group (EMG) is the key strategic group for providing leadership in achieving the objectives and strategies outlined in our strategic plan. The EMG develops and promotes a clear future direction for QAO and supports the Auditor-General in his role as the accountable officer for QAO. EMG members are experienced professionals who continually strive to ensure QAO is forward planning for the benefit of our clients, our business and our people. The composition of the EMG also aims to ensure adequate diversity of input into consideration of strategic issues. EMG profiles are provided on pages 44-45.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) acts in an advisory capacity to the Auditor-General to assist in the effective discharge of prescribed obligations. The ARMC provides independent assurance on the risk, control and compliance frameworks. The ARMC provides external accountability responsibilities as prescribed in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*. The ARMC has observed the terms of its charter and had due regard to Queensland Treasury's Audit Committee Guidelines.

During 2010-11, the ARMC reviewed various areas including business risks, internal and external audit reports and considered the Procurement Audit (2009-10) Management Report, a report undertaken by QAO to examine procurement compliance. In 2011, QAO's Chief Financial Officer was also appointed as the Risk Management Champion to provide greater emphasis on risk management practices. ARMC membership was re-evaluated in 2011 and at 30 June 2011 consisted of Mr Col Colquhoun (Chair), Dr Lyndal Drennan (both external to QAO), Poopalasingam Brahman, John Welsh, Ross Hodson and Anna Rajagopal.

A major focus for the ARMC in 2011-12 is to define its role in relation to the strategic review and to clarify how it will continue to contribute and add value. The ARMC will also monitor the implementation of the recommendations made in the Procurement Audit Report.

Information Steering Committee

The Information Steering Committee (ISC) regularly reports to the EMG.

The Auditor-General continued to develop the Information Steering Committee (ISC) into a key component of the QAO Governance Framework, tightening its focus and adjusting membership. A key outcome of the Corpnet review of QAO's information, communication and technology capabilities was the recommendation that the success of other reform initiatives (e.g. planning and prioritising) was dependent upon there being an ISC with appropriate powers. Accordingly, the Auditor-General established a smaller ISC comprised of QAO officers whose positions have been delegated relevant decision-making authority. The new ISC comprised of David Mills (Chair), Val Manera, Neil Jackson, Damon Olive and Mayus Nath. The Chief Information Officer may attend ISC meetings by invitation.

During 2011 the ISC pursued an agenda of governance reform, policy review and control of key decisions as to IT systems and priorities. The challenges for the ISC during 2011-12 will include embedding the roles of Business Process Owner and Systems Owner, the improvement of the governance arrangements around key business systems and the introduction of metrics to assess user experience of systems. This knowledge is crucial to enhancing our effectiveness and efficiency through a highly mobile workforce.

EMG profiles

Glenn Poole – Auditor-General

B Ec Grad Dip Bus Admin FCPA FCA FAICD

Glenn Poole was appointed as the Auditor-General of Queensland in 2004. Prior to his appointment, he held a number of senior strategy and leadership roles across the Queensland Public Sector including more than 23 years with the Treasury Department.

Glenn is a Fellow of the Institute of Chartered Accountants in Australia, CPA Australia and the Australian Institute of Company Directors.

Glenn's term as Auditor-General will conclude in December 2011.



Val Manera – Deputy Auditor-General

B Com (Acc) FCPA MAICD

Val Manera was appointed at QAO in 1993 and has experience in auditing both nationally and at the State level. He is responsible for the management of the public sector auditing function and undertakes the Engagement Quality Control Review role.

Val is a member of the Australasian Council of Auditors-General Financial Reporting and Auditing Committee.



David Mills – General Manager, Audit Support

BA MPA

David Mills provides corporate and practice management services and assists in reforms to improve QAO's business approach and the Audit Support Division.

Previously, David worked in a range of executive positions within the Queensland Government. David is Chair of the Queensland University of Technology Management School Advisory Board.



Terry Campbell – Assistant Auditor-General, Performance Management Systems audit

MA P Sect Lead

Terry Campbell has extensive experience in governance, risk management and performance management systems as well as information systems audits in both the private and public sectors.

Terry will be responsible for implementing the performance audit mandate at QAO and developing a three year strategic audit plan for performance audits.



Neil Jackson – Assistant Auditor-General, Audit Policy and Quality

B Bus (Acc) Grad Dip Cml Comptg FCPA GAICD CISA

Neil Jackson leads the section responsible for the provision of technical advice and training, audit quality assurance, coordination of reports to Parliament, and support of the audit methodology for QAO.

Neil is a member of the Australian Institute of Company Directors and is an internationally certified information systems auditor. He is actively involved with CPA Australia and a member of CPA Australia Professional Qualifications Advisory Committee.



Paul Shipperley – Assistant Auditor-General, Transport and Development

B Com G Cert Mgt FCPA MIPAA

Paul Shipperley is responsible for QAO's cross sector audit activity and for the audits of Queensland Rail Limited and Treasury Department. Paul also has audit engagement responsibility for the Queensland Reconstruction Authority.

Paul is a member of the Consultative Committee and Secretary of the QAO Alumni.



Poopalasingam Brahman – Assistant Auditor-General, Services and Contracting

B Bus CPA

Brahman is Engagement Leader for the audits of the Department of Health and Department of Public Works. His Division is also responsible for managing the audits undertaken by contract auditors on behalf of the Auditor-General.

In 2010-11, Brahman was responsible for leading the audit of expenditure under the Nation Building – Economic Stimulus Plan.



John Harten – Assistant Auditor-General, Education and Local Government

B Bus (Acc) G Cert Mgt MIPAA FCPA JP (C.Dec)

John Harten is responsible for the audits of Brisbane City Council, QSuper, Queensland Treasury Corporation and Queensland Urban Utilities. John liaises with the Department of Local Government and Planning, and the local government sector.

John is an Engagement Quality Control Reviewer for a number of QAO's high risk audits.



Mayus Nath – Director of Audit, Information Systems

BA (Acc & Comp) CPA MBA

Mayus Nath is responsible for the Information Systems Division and undertakes information systems audits of the Corptech and CITEC client systems and IT network security audits performed across the public sector.

Mayus has extensive experience in managing information systems and auditing teams within the public and private sectors.



Kristin Furber-Burgess – Manager, People and Performance

BA (Journ) MMgt (HR)

Kristin Furber-Burgess has over 10 years experience working in key organisational projects as well as management and leadership roles.

Kristin has extensive experience working in both strategic and operational human resources roles within the Queensland Government.



Operational committees

Executive Staffing Group

The purpose of the Executive Staffing Group (ESG) is to provide a forum for the consideration of staffing issues impacting on operations of the financial audit program. The key role of the ESG is to ensure the effective utilisation of staff allocated across the Financial and Assurance audit program.

During the reporting period the ESG has undertaken the process of determining QAO and contracted out portfolios for 2012, 2013 and 2014. Correctly skilled staff were sourced and the audit teams for the 2011-12 audits determined.

Women's Leadership Group

The Women's Leadership Group (WLG) provides leadership for improving the representation and retention of women in middle and senior management positions. The WLG also assists in the career advancement and development of all staff.

The WLG celebrated International Women's Day by inviting Pamela Pointon, the current Queensland CPA President to speak at a lunch, celebrating the theme of 100 years of women's achievements.

Our 'keeping-in-touch' scheme has continued during 2010-11, and aims to ensure QAO staff on long term leave, such as maternity leave, are kept informed of technical and organisational changes.

Workplace Health and Safety Committee

QAO's Workplace Health and Safety (WH&S) Committee, in conjunction with the WH&S Officer, ensures staff are operating within a safe and healthy work environment as per the *Workplace Health and Safety Act 1995*. Representatives from staff, management and the Staff Welfare Committee continue to promote the wellbeing of staff, fund initiatives and support activities that raise awareness of WH&S. This has included information sessions as part of our induction process for new staff. During 2010-11 QAO continued with various WH&S initiatives including a free influenza vaccination program and charity bike rides. Site visits were also conducted to increase WH&S awareness and education to our staff working at client sites.

Figure 10 – WH&S incidents and associated costs

	2006-07	2007-08	2008-09	2009-10	2010-11
Total number of incidents	3	10	18	12	10
Number of WorkCover Claims	3	6	6	3	4
Cost	\$6,642	\$12,874	\$5,603	\$1,239	* \$14,531

* The higher costs for 2010-11, compared to previous years, are associated to costs of individual claims.

Consultative Committee

The Consultative Committee is a joint staff and management initiative established under the Enterprise Bargaining Agreement (EBA) made between the State Government and Union organisations. The Committee ensures issues outlined in the EBA are progressed in a cooperative manner. During 2010-11 the Committee assisted in various issues including the development of Professional Auditor Skills Scheme, training and reviews on the Audit Support division.

Staff Welfare Committee

The Staff Welfare Committee (SWC) was first introduced in 1958 by Auditor-General Ted Crosser as a means of improving staff morale. Since this date the SWC has continued to represent and promote the well being of staff.

The SWC operates under the auspices of the Queensland Public Sector Union and is comprised of representatives from all employee groups. Staff may refer matters for consideration to the SWC, and if deemed necessary, representations will be made directly to the Consultative Committee and/or the Auditor-General.

During 2010-11, the SWC addressed various concerns raised by staff through both the Consultative Committee and where necessary with the Auditor-General.

Quality assurance

QAO is continually working to make improvements to our audit quality. We conduct various quality assurance activities to ensure we continue to deliver a high quality service to our clients.

Audit quality assurance

QAO aims to continually improve our standards to better meet the needs of the Queensland Parliament and our audit clients. Audit quality assurance covers a combination of factors:

- The efficient delivery of audits that comply with professional standards and prescribed requirements.
- Appropriate, independent auditors' opinions and reports, supported by sufficient and appropriate audit evidence.
- Audit reports that are complete and appropriate to the circumstances.

Independence

QAO has systems in place to safeguard the real and perceived independence and objectivity of staff and contract auditors. All staff and contract auditors are expected to adhere to the highest standards of ethical behaviour, having regard to a Code of Conduct for the Queensland Public Service, the *Public Sector Ethics Act 1994* and *APES 110 Code of Ethics for Professional Accountants*. To safeguard independence, there is a policy of rotating audit staff, usually after a period of no longer than five years with an audit client. The effectiveness of QAO's independence policy is regularly monitored and outcomes reported to the Auditor-General.

All staff complete an independence declaration annually and all contract auditors are required to declare any potential conflicts of interest. A documented assessment of independence is also completed for each audit engagement, and staff must promptly notify the Auditor-General of circumstances that may create a threat to independence.

Contract auditors also have to notify QAO of any situation or perceived situation which could be a conflict of interest.

Monitoring

QAO has a designated Quality Assurance Team to develop and implement an annual quality monitoring program. This program is designed to evaluate quality control processes and practices to obtain reasonable assurance that our systems of quality control are relevant, adequate, operating effectively and are delivering the intended outcomes.

Continuous improvement

Our quality processes provide assurance that our system of quality control is relevant, adequate, operating effectively and complied with in practice.

Findings from our quality monitoring program are reported to the Executive Management Group (EMG). The EMG identify any key learning strategies and implement corrective actions as required.

Quality process

As part of our internal quality processes, QAO conducts quality assurance activities to measure the extent to which quality control frameworks are effective. These processes ensure high quality auditing standards are maintained and assess our compliance with relevant requirements:

- *APES 320 Quality Control for Firms.*
- *ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information.*
- *ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements.*

Quality assurance reviews

In accordance with QAO policy, a sample of our audit files covering both Financial and Assurance audits and Performance Management Systems audits, are selected for internal review each year.

The audit files selected are assessed against various criteria, and the requirements prescribed by the Auditor-General of Queensland Auditing Standards. At the completion of each review the results are communicated to the audit engagement leader and team leader. The overall results of the quality monitoring program are collated and action is taken as required to address any issues identified in relation to individual audit engagements, training and professional development and policies and procedures to improve the quality of our audit practices.

These reviews are conducted as part of our internal quality processes and are aimed at ensuring we have an appropriate quality control framework in place that meets the requirements of APES 320, ASA 220 and ASQC 1.

Engagement Quality Control Review

An Engagement Quality Control Review (EQCR) process is in place for F&A audits. The decision to incorporate the EQCR for an audit is made on the basis of risk to the Auditor-General. This has regard primarily to engagement risk, but also the general history of operations and perceived complexity of the business environment within which an entity is operating. The framework for the appointment of the EQCR is governed by APES 320, ASA 220, and ASQC 1.

The EQCR process provides an objective evaluation before the auditor's report is issued. This review process is, "...designed to provide an objective evaluation, on or before the date of the auditor's report, of the significant judgements the engagement team made and the conclusions it reached in formulating the auditor's report." (ASA 220).

The Deputy Auditor-General undertakes the EQCR role with involvement from an Assistant Auditor-General. EQCR does not replace internal quality reviews of audits.

Contract audit firms

The Auditor-General engages suitably qualified and experienced private sector auditors to perform certain audits on a contractual basis. Contract audit firms are also subject to quality reviews.

Overview

Financial and Assurance (F&A) audits are undertaken either directly by QAO staff or by authorised contract auditors. Contracted auditors are generally engaged under a three-year contract, with an option for an extension of a further two years. Each year we review our resourcing mix to ensure the most appropriate balance of technical expertise for F&A audits.

Ongoing improvements

During 2010-11 QAO developed a new contractor registration framework. The new framework is being progressively implemented with a view to streamlining tender processes and gaining efficiencies for both QAO and contract auditors. As part of the streamlining process QAO has developed a framework to underpin the following principles:

- To provide value for money for contracted audits by providing quality documentation at tender and minimising administrative costs.
- To operate under a process that is transparent, fair and equitable and continue to comply with the Queensland Government's *State Procurement Policy 2010*.
- To continue to ensure that contract auditors have the appropriate level of expertise to perform the audit services required.

Quality review

Our response to quality review findings is to formally advise contract auditors reviewed of findings and to work closely to manage any issues that have arisen from the review process. In close cooperation with the contract auditors, QAO helps to ensure appropriate action plans are put in place to address findings. QAO also develops and delivers specific in-house training and enhances communication with contractors. In accordance with professional auditing standards and QAO policy, contract auditors must maintain their own quality review system. This includes appropriate supervision processes established in their staffing structure. The Audit Policy and Quality section within QAO undertakes a quality review program of contract auditors in a similar manner to the quality assurance for audits completed internally by QAO. Registered contract auditors who cannot demonstrate a satisfactory level of internal quality assurance or performance may have existing contracts terminated and be removed from the list of contract auditors.

Outcomes

During 2010-11, quality assurance reviews were conducted in relation to a total of 29 engagement files covering 9 QAO engagement leaders and 10 contract audit firms.

All in-house files subject to quality reviews during 2010-11 were assessed as satisfactory. Two contract audit firms had quality processes that were assessed as not fully complying with APES 320, ASQC 1 and ASA 220. Action plans have been put in place to address these findings.

Audit resourcing

Careful planning is used to ensure that we are able to effectively and efficiently complete all audit requirements.

Overview

For 2010-11, QAO staffed 56 per cent of audits which accounted for 67 per cent of audit fees. Figure 12 highlights the distribution of resources, by clients, as at 30 June 2011.

Figure 11 – Total resourcing mix of audit clients

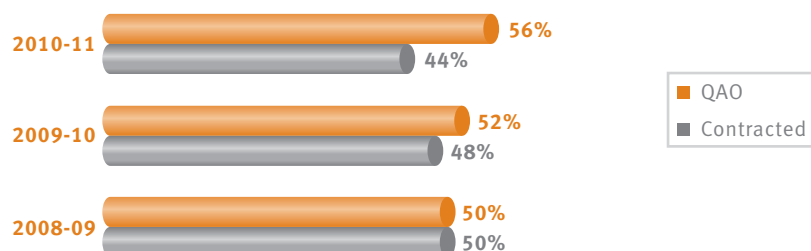
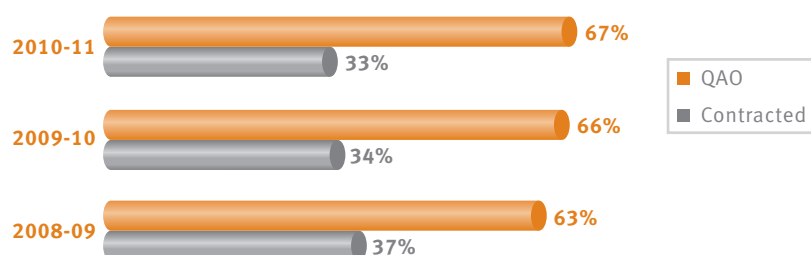


Figure 12 – Resourcing mix of audit clients as at 30 June 2011

Client Type	QAO	Contracted
By-arrangement	100%	0
Departments	100%	0
Government owned corporations	38%	62%
Local governments	21%	79%
Statutory bodies	70%	30%
Joint controlled entities	40%	60%
Total	56%	44%

Figure 13 – Total revenue from audit fees



QAO utilises contract auditors, and each year provides a Contract Auditors Workshop. This year the event was held on Friday 8 April 2011, and was attended by approximately 70 representatives from contract audit firms, registered as audit service providers with QAO. This workshop provided the opportunity to discuss key issues with our contract auditors. Topics included the impact of natural disasters on financial statement presentation, agency operations and audits. There was also a reflection from the Director, Finance and Business Strategy, Toowoomba Regional Council, which was particularly affected by the Queensland floods in January 2011.

Benchmarking

The Australasian Council of Auditors-General (ACAG) was established following the 19th Biennial Conference of Australasian Area Auditors-General in Perth in 1993. ACAG provides consultative arrangements for the structured sharing of pertinent information and intelligence between Auditors-General in a time of increasing complexity and rapid change.

Overview

ACAG supports the development of effective and efficient auditing methods and practices. It represents the collective opinion of the Auditors-General on financial accounting and auditing standards as well as related issues.

All Australian ACAG members participate in a Macro Benchmarking project each year. The project is coordinated by the Office of the Auditor-General for Western Australia and the survey is conducted by ORIMA Research Pty Ltd. The overall purpose of this project is to provide comparable information to Audit Offices on quantitative and qualitative benchmarks, the operations of Audit Offices and specific characteristics of each jurisdiction.

Figure 14 contains a summary of benchmarks included in the survey for 2009-10. The survey was collated in July and August with results as at 30 June 2010. This summary includes average results across all jurisdictions and comparative results to QAO.

In interpreting these figures some allowance needs to be made for different operational environments in jurisdictions. Figures for some of these measures vary from QAO Performance Indicators, due to the different definitions used to calculate the measures.

Key benchmarking results

In comparison to other Audit Offices participating in the survey, there are certain areas of significance for QAO:

- QAO had the highest per cent of financial audit opinions issued within two months of the balance date (49%). The ACAG average was 20 per cent.
- QAO had the lowest staff attrition rate, as a percentage of full-time equivalents (5%). The ACAG average was 11 per cent.

The benchmarking survey for 2010-11 is currently being finalised and is scheduled to be tabled at the ACAG meeting in November 2011.

Figure 14 – Macro Benchmarking project: Comparison of QAO with participating ACAG¹ members

Description	ACAG at 30 June 2010 ¹	QAO at 30 June 2010
Financial and Assurance audits		
Percentage of financial audits fully contracted out	44%	44%
Percentage of total fees charged (or notionally charged) for financial audits accounted for by fully contracted out audits	37%	45%
Percentage of total (whole-of-office) paid hours charged to audit activities	49%	45%
Percentage of total (whole-of-office) paid hours charged to attest audit activities	35%	41%
Percentage of total (whole-of-office) paid hours charged to non-attest audit activities	14%	4%
Percentage of total paid hours of attest audit staff charged to attest audit activities	59%	60%
Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities	51%	54%
Cost per audit hour charged to audit	\$136	\$133
Cost per unit output – State/Commonwealth Financial Opinions	\$66,639	\$66,640
Cost per unit output – Local Government Financial Opinions ²	\$34,844	\$51,040
Performance Management Systems (PMS) audits		
Cost per unit output	\$288,857	\$423,487
Average elapsed time (months)	9.3	7.4
Percentage of recommendations agreed/accepted by auditees	97%	100%
Timeframes for issuing financial opinions		
Less than 2 months	20%	49%
2 months to less than 4 months	60%	26%
4 months or more	20%	25%
Office staffing (FTE)³ – Gender breakdown⁴		
Males	51%	54%
Females	49%	46%
Office staffing (FTE)³ – Number and attrition rate		
Office staffing (full-time equivalent (FTE) number of staff)	146	255
Attrition as a per cent of FTE (permanent staff)	11%	5%
Value of contracted audit work		
Contractors' fees – non-attest audits	\$662,987	\$3,700
Contractors' fees – local government attest audits (average across ACAG total fees)	\$2,457,040	\$4,957,957
Contractors' fees – State/Commonwealth attest audits (average across ACAG total fees)	\$4,189,493	\$7,084,343

1 Australasian Council of Auditor's-General (ACAG) average of participating Audit Offices. All Australian Audit Offices participated.

2 Hours charged to attest audits for local government clients/total hours charged to audit activities.

3 FTE (ACAG) Calculation based on total hours utilised during the financial year.

4 Calculation of % based on average of ACAG total figures.

Improvements in efficiency

In close collaboration across QAO, 2010-11 has seen increased agility through improved functionality and delivery of key support services. These improvements benefit our staff and clients.

Overview

The 2010-11 reporting period has seen continued commitment from the Audit Support division of QAO to improve organisational efficiencies. Advances in technology and capability have been supported through strategic planning and an upgrade of technological infrastructure with a particular focus on capacity management. QAO have achieved a number of advantages in this area during 2010-11 and we aim to ensure both our staff and clients benefit from these improvements and recognise the progress being achieved.

Key technological improvements

Our main office relocation in January 2010 provided the impetus for the accelerated introduction of an extensive range of new office technology to increase staff mobility, connectivity and productivity. The systems and processes were nominated for an IBM Smart Workplace Award.

We continue to upgrade technology to support the organisation to achieve better value for money and create both a physical and virtual working environment that enhances the productivity of our staff. An electronic Accounts Payable process implemented in 2011 provides electronic approval and authorisation of invoices, improving the efficiency and effectiveness of the process.

Improving staff efficiency

The expanded use of wireless cards, laptops, Voice Over Internet Protocol (VOIP) phones and instant messaging, combined with improved collaborative areas have increased the accessibility of auditors to their clients. Technological improvements have helped minimise loss of time in our auditors transferring between audit sites and support the mobility of our business. The next phase of the technology rollout for 2011-12 is to further upgrade equipment and systems used by our field audit staff who are permanently based at client sites. The aim is to introduce more internet based communication and interaction with our clients and stakeholders.

Practice Management

Practice Management provides expertise in resource planning and is the business owner for the practice management system, eTrack. Key activities for the Practice Management team are to effectively plan, monitor and deploy audit resources to ensure short and long term business needs are met and the practice management system evolves to meet ongoing business needs.

eTrack

The key practice management system for QAO is eTrack. This system allows the ability to manage work items, plan resources, bill clients and maintain a centralised repository of clients data.

Improving our audit management information systems

Improvements continue to be made in systems management and core audit management information systems. Audit systems used by QAO are IPSAM, ASPIRE and CASPER.

IPSAM

IPSAM (Integrated Public Sector Audit Methodology) is an audit methodology developed specifically for the public sector. Originally developed by QAO and the Victorian Auditor-General's Office, IPSAM is also used by the Australian Capital Territory Auditor-General's Office, the Tasmanian Audit Office, the Western Australian Office of the Auditor-General and the South Australian Auditor-General's Department.

As a result of a conclusion made in the *Report of the 2010 Strategic Review of the Queensland Audit Office*, a project was undertaken in 2010-11 to capture permanent audit information in IPSAM for all audits. As this project progressed, it became clear that this information could be used internally for QAO audit team briefings, handovers and in preparing briefing notes for clients.

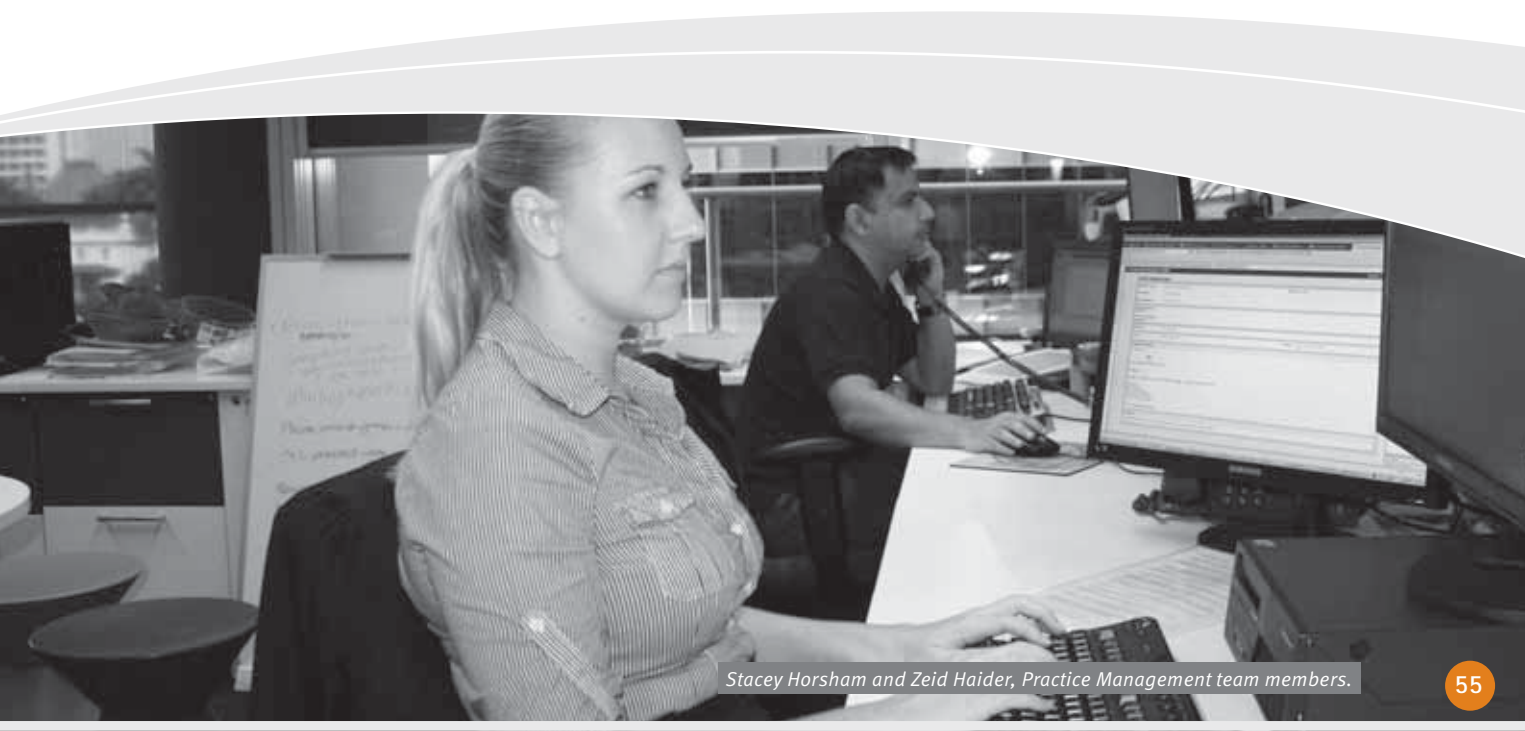
Use of IPSAM has already had distinct benefits for public sector auditing through the increased focus on accountability and transition for audit staff.

ASPIRE

The ASPIRE methodology is used for Performance Management Systems audits and cross sector audits. It is closely related to the IPSAM system which is used for financial audits. During the year, stronger controls, clearer processes and system improvements have achieved greater functionality and closer alignment with the standard *ASAE 3500 Performance Engagements*.

CASPER

The CASPER system provides our contract auditors with a web-based interface that allows the recording of completed work and lodgements of audit deliverables directly into relevant QAO files and systems. CASPER has streamlined various processes such as reducing double entry and paper handling in contracted audits. It delivers a high degree of automation and integration to ensure that allocations of audit work are directed to the responsible managers for approval. CASPER is critical in our contract tendering process as it provides greater efficiencies in the compilation of information about each of the entities included in the tender process.



Stacey Horsham and Zeid Haider, Practice Management team members.

Information management

QAO works hard to ensure full compliance with relevant legislation and to provide ongoing accessibility of information.

Recordkeeping

QAO ensures continued compliance with the *Public Records Act 2002* and supports recordkeeping standards and guidelines issued by lead agencies. Legislation requires QAO to develop and implement plans and procedures to ensure that full and accurate records are created, identified, captured and retained in an accessible and useable format.

During 2010-11, presentations on recordkeeping responsibilities were provided to all new QAO staff members. QAO also issued recordkeeping and business rules to all staff to provide guidance on these areas.

Right to Information

The *Right to Information Act 2009* (RTI Act) implements the commitment of the Queensland Government to provide the community with greater access to information. The RTI Act provides members of the community with the right to seek access to documents held by QAO. Under the legislation, QAO must disclose information, unless on balance, it is contrary to the public interest to do so. The *Auditor-General Act 2009* precludes QAO from disclosing information obtained during an audit, other than to those parties as described under the legislation or in an Auditor-General Report to Parliament.

In accordance with the aim of the legislation to make information more readily available, QAO has implemented a RTI section on our website, which includes a Publication Scheme. A QAO Right to Information Coordinator is also available to discuss any relevant issues.

QAO will continue to adapt its practices and procedures to meet the framework for the release of government information and to comply with legislative requirements.

During 2010-11, no applications for access to QAO documents were received.

Information Privacy

QAO is committed to ensuring that we correctly collect and manage personal information obtained in respect of our audits, business clients and staff, in accordance with the principles in the *Information Privacy Act 2009*. QAO developed a Privacy Plan to assist members of the community with this topic. The Privacy Plan is available on our website. QAO will continue to review and improve its systems and processes to ensure ongoing compliance.

During 2010-11, one application for access to personal information was received.

Complaints management

Our complaints handling policy details necessary processes for receiving and investigating all complaints. We continue to maintain a positive industrial relations environment with only three internal disputes lodged in 2010-11. One case is still active and is being managed through a fair, transparent and equitable process.

Referrals

Each year, we receive referrals or enquiries concerning the actions of public sector entities in managing public resources, wrongdoing or maladministration. These referrals are received from Members of Parliament, the Crime and Misconduct Commission, the general public or client agency management.

Although we investigate all matters referred to us as part of the normal audit process, we are not able to report back directly to the person who referred the matter due to the confidentiality provisions of s.53 of the *Auditor-General Act 2009*. Any significant audit findings are included in an Auditor-General Report to Parliament.

Figure 15 – Details of referrals received during 2010-11

Type of referral/ enquiry	In progress 1 July 2010	Received 2010-11	Finalised 2010-11	Outstanding 30 June 2011
Members of Parliament/ Councillors	0	3	1	2
Crime and Misconduct Commission	1	3	1	3
General public	10	18	22	6
Client agency management	0	1	0	1
TOTAL	11	25	24	12

Public interest disclosures

With the repeal of the *Whistleblowers Protection Act 1994* and the introduction of the *Public Interest Disclosure Act 2010* (PID Act) on 1 January 2011, the way in which public interest disclosures are to be publically reported has changed. From 1 January 2011 agencies are no longer required to report public interest disclosures in Annual Reports.

Under s.61 of the PID Act, the Public Service Commission (PSC) is now responsible for the oversight of public interest disclosures and preparing an Annual Report on the operation of the PID Act. From 1 January 2011 agencies are required to report information about public interest disclosures to the PSC. The Annual Report will be made publicly available after the end of each financial year.

In accordance with s.30 of the *Whistleblowers Protection Act 1994* the status of QAO reporting for the period of 1 July 2010 to 31 December 2010 is shown in Figure 16.

Figure 16 – Details of whistleblowers for the period 1 July 2010 to 31 December 2010

In progress 1 July 2010	Received to 31 Dec 2010	Finalised to 31 Dec 2010
5	2	7

Sustainability

Ongoing changes to economic, environmental and social conditions continue to create an emphasis on sound governance by Queensland Government entities and focus activities on enhancing performance management.

Economic sustainability

The demand for higher quality and broader audit services occurs in an area of escalating business costs and higher environmental responsibilities.

Environmental sustainability

We continue to work to ensure environmental responsibilities are monitored and addressed.

Energy consumption

Our main office is located at 53 Albert Street, Brisbane. This building has been designed to achieve a 4 Green Star – Office Design v2 rating. The design is intended to successfully deliver an environmentally friendly workspace through passive and interactive systems technologies.

Part of the building design includes various devices to actively reduce the consumption of electricity. Such devices include high efficiency air cooled chillers and air conditioning units. Motors for equipment used for air-conditioning and water pumps, light fixtures and room occupant sensing lighting controls all improve efficiency of energy consumed.

Figure 17 – QAO energy consumption

Measure	2007-08	2008-09	2009-10	2010-11
Total KWH per year	239,063	234,502	233,300 ¹	171,711 Est
KWH per m ² per year	107.6	105.5	Central Plaza 1 101.7	N/A*
			53 Albert Street 68.3	65.46

Central Plaza 1 = 2221m²
53 Albert Street = 2623m²
2010-11 annualised results

* QAO relocated from Central Plaza 1 to 53 Albert Street in January 2010.

¹ Figures estimated due to relocation.

Water consumption

Our building design includes various water saving facilities which greatly reduce the demand on mains and stored water. Some of the facilities include rainwater harvesting, re-use of water, low flow amenity fixtures and fire system water re-use.

Emissions

QAO is committed to supporting the Queensland Government's *Toward Q2 – Tomorrow's Queensland* target to cut Queenslanders' greenhouse gas emissions by one third by 2020. This commitment includes the Queensland Government's environmental and climate change strategies, such as the *ClimateQ: toward a greener Queensland* strategy. Current methods of reducing carbon emissions include ensuring all QAO vehicles comply with the Queensland Government commitment to reduce vehicle greenhouse emissions. Although QAO operates a relatively small number of vehicles, greenhouse ratings and carbon emissions are factors considered when assessing replacement fleet vehicles. Travel requirements on our staff are also carefully assessed in balance with audit and client requirements.

Recycling

We have maintained similar levels of paper usage over the last five years, approximately 2,130 reams of paper each year. Around 50 per cent of paper purchased is from a recycled source. QAO continues to recycle paper used through a contract with a local provider.

To ensure we continue to minimise wastage of resources and reduce the need to print documents, QAO continues to develop smart networking options to allow staff to distribute documents electronically and utilise double-sided printing. We also continually reassess mail out requirements and print quantities to ensure efficiencies and minimise waste.

We ensure environmental impacts are considered when outsourcing our regular printed documents. Our reports to Parliament and Annual Report are printed to environmental standards *ISO 14001*. Arrangements with our print supplier ensure we use chlorine and acid free paper sourced from sustainably managed forests.

Social sustainability

As well as providing audit related advice and assistance, QAO are proud of our ongoing support of the community.

Award sponsorship

For over 15 years QAO has been a sponsor of awards for the Queensland University of Technology (QUT) Business School. The awards recognise excellence in scholarship within audit related topics and seek to encourage students to achieve their full potential in their studies. QAO sponsored the following prizes:

1. Bachelor of Business (Accountancy) – Awarded to the student with the best overall performances on their first attempt, in the unit, AYB301 Audit and Assurance.
2. Master of Business (Professional Accounting) or (Professional Accounting Advanced) – Awarded to the student with the best overall performance on their first attempt in the unit AYN411 Audit and Assurance.

Awards were presented at an annual Prize Ceremony held by QUT in June 2011, attended by the QAO Chief Financial Officer. We are proud of our ongoing sponsorship and support.

Charity assistance

Support for the community continued during the year with QAO staff raising over \$1,000 collected through casual dress days. Money was provided to 'Movember', the Premiers Disaster Relief Appeal and Tertiary Place.

Our contribution towards Queensland's recovery

During the natural disasters around Queensland in the Summer of 2010-11, QAO staff assisted in various capacities to support the recovery efforts.

Despite losing access to our Brisbane office for two weeks during the Brisbane floods, we continued to deliver key functions and were able to ensure minimal disruption to our business. Our staff were relocated at various government agencies across Brisbane and in temporary accommodation at 80 George Street, Brisbane, generously provided by Department of Public Works.

QAO provided assistance that included:

- Sending out information packs and letter drops.
- Restoring the 65,000 member volunteer database at Volunteering Queensland, in conjunction with the Public Service Commission.
- Providing assistance with administering the Premier's Disaster Relief Fund, in conjunction with the Department of Communities.



QAO staff supporting recovery efforts – January 2011.

Our staff also assisted with community outreach services in the towns of Cardwell, Mission Beach and Tully. Staff worked closely with the Australian Red Cross and Department of Communities to provide assistance directly to people affected by Cyclone Yasi.

Key achievements for 2010-11

- There was a focus on providing greater emphasis on risk management practices.
- Quality assurance reviews were conducted in relation to a total of 29 engagement files covering 9 QAO engagement leaders and 10 contract audit firms.
- The Operational Performance Review (OPR) process for the Financial and Assurance Audit Divisions was introduced and refined, tightening and focussing management of this core activity, supporting auditors to deliver the audits through OPR. The OPR secretariat is provided by Audit Support staff across business units with the facilitation of the process by the executive team.
- QAO internally staffed 56% of audits, which accounted for 67% of the audit fees charged.
- Improvement to the process for contracting out of audits. The improvement initiatives support the ongoing requirement for Queensland Government on procurement. Improvements continue to be made to the internal panel process, framework and related audit management information systems.
- In comparison to other Audit Offices, QAO had the highest per cent of financial audit opinions issued within two months of the balance date (49%), (ACAG average 20%).

Key challenges for 2011-12


- Upgrading the technology used by our audit staff who are permanently based at client sites. The aim is to introduce more web-based communication and facilitate interaction with our clients and stakeholders.
- Developing a new contractor registration framework. The initial phase, completed in June 2011, will be followed by various activities to improve the tender process to gain efficiencies for both QAO and contract auditors.
- Improving the governance arrangements around audit systems, IPSAM, the practice management system and ASPIRE to enable QAO to support a highly mobile workforce.
- Developing a team to focus on our carbon footprint and tasked with assessing and monitoring our environmental impact.

4 Capability

Our staff are motivated and capable

We will develop staff to ensure a contemporary, innovative professional service organisation and empower staff to develop and deliver quality services.

Performance Indicator: We have motivated and skilled staff to meet our service expectations.



From left: Principal Analysts, David Jones and Colleen Papadopoulos from the Performance Management Systems audit division.

Overview

QAO is one of the larger Audit Offices in Australia. As a professional practice QAO continuously looks at strategies, initiatives and business improvement opportunities to develop our staff. We have a very capable and productive workforce covering various skills and backgrounds. Ensuring the continual development of our staff capability is an important aspect of QAO's strategies.

We continually enhance our skill base to allow us to conduct a broad range of audits, government activities and to provide value-add services to our clients.

This section of the Annual Report contains details regarding our staff structure and highlights proactive strategies to develop our staff skills.

At a glance

Size of workforce FTE at 30 June



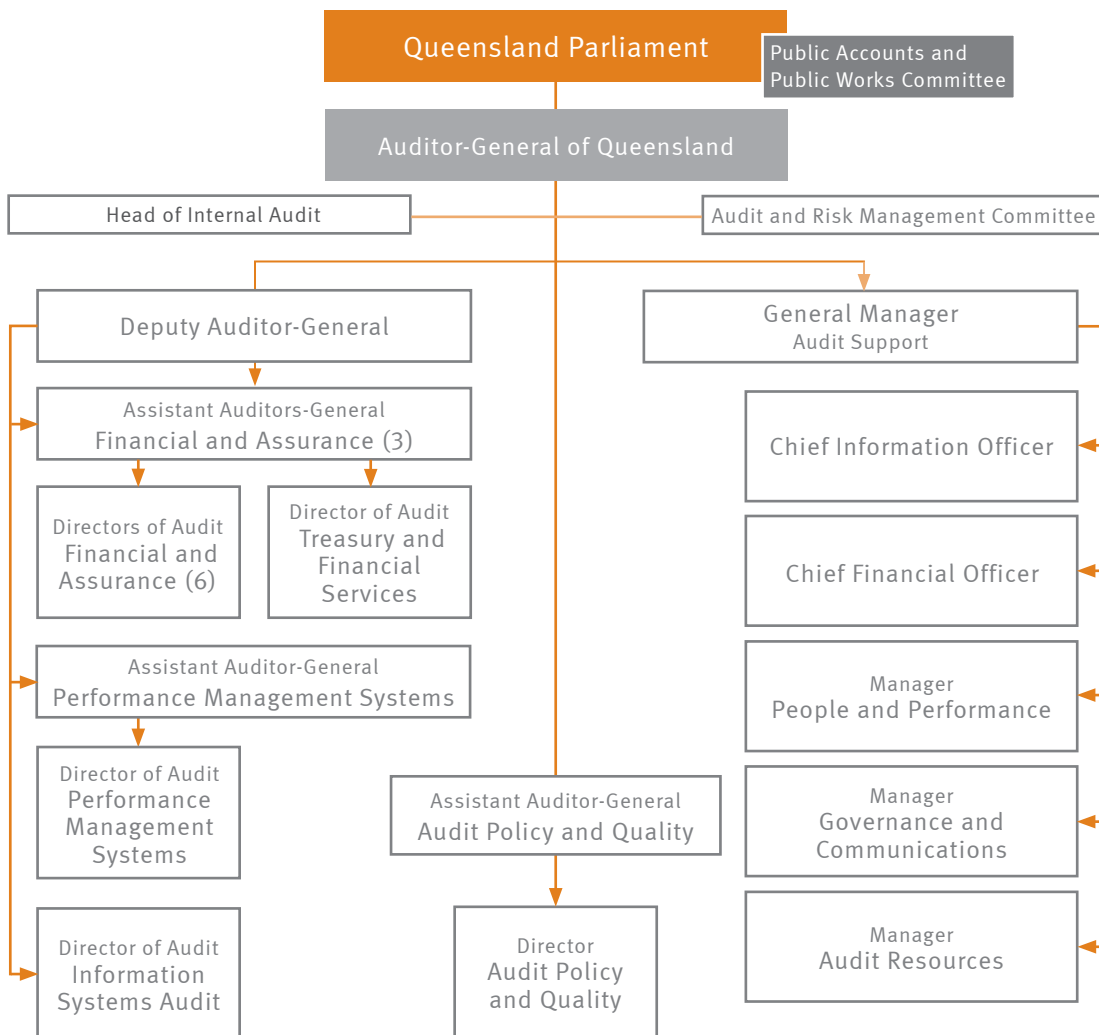
Our capability

At 30 June 2011, QAO had a workforce of 251 full-time employees, which includes temporary, seconded and contracted staff. Our recruitment process and graduate intake continue to focus on improving our workforce to ensure that we meet our responsibilities.

Organisational structure

Our organisational structure highlights our internal configuration as well as our independent relationship with Queensland Parliament and the then Public Accounts and Public Works Committee.

Figure 18 – Organisational structure



Working at QAO

QAO is strongly committed to creating a fair and equitable workforce and providing opportunities for training and development for all our staff across audit, executive, technical and administrative support roles.

Profile

QAO has had a consistent workforce over the last two years. To ensure that the workplace is dynamic and future focused, an Audit Support Review was undertaken in line with recommendations from the *Report of the 2010 Strategic Review of the Queensland Audit Office*.

No employees left QAO as part of voluntary early retirement, or retrenchment during 2010-11. Audit Support employees have been offered packages in the Voluntary Separations Program in July/August 2011. One employee was offered a redundancy during 2010-11. It was identified that the role was no longer required and the person's skills were also no longer needed in the organisation. This redundancy remuneration totalled \$137,197.45 (gross).

Temporary, seconded and contracted employees play a vital role in our organisation and ensure we meet our business and workforce needs. Staff are engaged on a 'needs basis' with a focus on backfilling specialised skills as required.

During 2010-11, 49.8 per cent of our workforce were women, with one increase in the number of women in senior positions (AO7 and above). The Women's Leadership Group has continued to assist in the awareness of workplace initiatives that focus on family and work-life balance.

Staff support

All QAO staff and their families are provided with access to a confidential Employee Assistance Service (EAS). Staff can access EAS if they are experiencing personal or work-related issues.

QAO supports the Queensland Carers Charter as detailed in the *Carers (Recognition) Act 2008*, through the flexible work practices and remote access facilities available to our staff. We ensure staff are provided with relevant information and support as required.

Code of Conduct

Our Code of Conduct is based on the ethics principles and their associated set of values prescribed in the *Public Sector Ethics Act 1994*. All new employees are provided with a copy and are informed during orientation of expectations and behaviours for the workplace.

On 1 June 2011, public sector ethics regulation was amended and became effective with QAO as a signatory to the new whole-of-government Code of Conduct. The Code of Conduct and Ethical Behaviour training for Senior Executive Service, Senior Officers and selected staff was completed by 1 July 2011. Training for remaining staff is being scheduled for September to November 2011.

Our Code of Conduct is available online at www.qao.qld.gov.au

Attraction and retention

As a professional organisation QAO continuously looks at strategies, initiatives and business improvement opportunities to maintain our capable and productive workforce. As a public service agency, QAO offers flexible work practices to staff based on business needs. A number of staff have taken up flexible work practices including telecommuting, part-time and purchased leave arrangements. Limited recruitment processes occurred during 2010-11 due to external impacts and internal business requirements. QAO has actively participated in Careers Fairs, university information events and various professional networking activities to promote QAO as an employer of choice.

Learning and development

QAO has maintained our investment in development and training. The Training Calendar is developed each year to ensure appropriate capability development is provided for all staff. Targeted technical and non-technical training programs are provided for all staff. Technical training is aimed at ensuring our auditors have the technical skill and proficiency to undertake their audits and focuses on accounting and auditing standards, audit tools and methodologies and opportunities identified through quality assurance reviews.

We have continued to provide internal training to staff on technical and non-technical topics. Our recruitment process and graduate intake continue to focus on improving our workforce to ensure that we meet our responsibilities. The QAO GRADtecs program consistently achieves best practice in graduate development and provides participants with a practical curriculum that consists of formal training, on the job learning, peer led forums and personal development activities.

During 2010-11, QAO supported two interns from the Certified Practising Accountants (CPA) Internship Program. Two students from Queensland University of Technology Finance and Accounting Schools were placed for work experience.

In 2004, the strategic review encouraged QAO to investigate a more flexible remuneration system that reflects the professional nature of our staff. In 2010, the strategic review supported the move to implement the Professional Auditor Skill Scheme (PASS). During 2010-11, work commenced on moving from the Administration Officer (AO) classification stream to the Professional Officer (PO) stream. Staff able to transition did so on 1 July 2011 and strategies and support continued to be provided to all other staff.

The Professional Study Group is provided for all staff from across the organisation who are involved in study. The group meets once a month for three hours and enables participants to work together on similar courses, share experiences and assist one another. The group is supported by the Executive Management and is a key component of QAO's Study and Research Assistance Scheme (SARAS).

The Emerging Leaders development program is for all staff between the classification levels of A05 and A07. The program focuses on developing relational, leadership and group skills. Participants progressed key business improvement initiatives as part of two programs delivered between September and December 2010.

All QAO employees participate in regular LaunchPAD performance reviews. These establish annual business goals and development plans to assist in achieving performance outcomes.

QAO staff seminars are held throughout the year to provide all staff with an update on relevant issues. With many of our auditors based permanently at client sites, these seminars also provide an opportunity for all our staff to re-establish internal networks and relationships. Each year we hold around eight seminars and topics range from legislative updates, through to organisational changes and personal reflections. These seminars are an important part of our staff recognition and development.

QAO continues to support the Association Internationale des Etudiants en Sciences Economiques et Commerciales (AIESEC) International Association of Students in Economics and Business placement program. The program is run through various universities worldwide.

During 2010, QAO agreed to participate in the Papua New Guinea (PNG) Australian National Audit Office Twinning Scheme. The key objective of the scheme was to facilitate improvement in the performance of managers from the PNG Auditor-General's Office in their core duties. Managers focussed on identifying improvements to procedures and audit practices.

Staff profiles

The QAO workforce has been fairly stable over the last two years. Graduate intake has decreased due to changing market conditions and internal requirements.

Figure 19 – Staff profile

Profile	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Size of workforce at 30 June – FTE	191.5	205.1	213.4	229.0	215.6	249.0	253.5	251.0
Graduate intake	11	14	24	22	16	15	9	1
Annual turnover	11.76%	12.37%	12.56%	11.66%	20.40%	11.28%	4.59%	8.36%
Audit staff* with post graduate qualifications	22	26	21	21	17	27	27	32

* Does not include Performance Management Systems audit staff.

Figure 20 – Organisational comparisons

Organisational unit	2006-07	2007-08	2008-09	2009-10	2010-11	Total numbers
Public Sector Audit	86%	85%	84%	83%	82%	204 audit staff ¹
Audit Support division	14%	15%	16%	17%	18%	47 audit support staff ¹

¹ Includes PFT, PPT, TFT, TPT, Contractors and Interchange. Does not include LWOP or secondees.

QAO's permanent staff are supported by temporary employees including temporary, casual and contracted in personnel. The percentage of temporary employees in 2010-11 is recorded each quarter. The percentage ranged from 7 per cent to 11 per cent throughout the quarter. The variance in percentage is dependent on the audit cycle.

Staff qualifications

We continue to support and encourage professional development for all staff.

Figure 21 – Professional associations qualifications of QAO audit staff

Professional association	2009-10	2010-11
CPA or Fellow of CPA ¹	79	95 ⁴
CA or Fellow of CA (ICAA) ²	13	16 ⁵
CISA or Fellow of CISA (ISACA) ³	9	11 ⁶

¹ Certified Practising Accountant Australia.

² The Institute of Chartered Accountants.

³ Information Systems Audit and Control Association.

⁴ 52.8% of audit staff (excluding PMS audit division).

⁵ 8.9% of audit staff (excluding PMS audit division).

⁶ 39.9% of audit staff (only includes Information Systems audit and ICT staff).

Staff classifications

Figure 22 – QAO classification comparisons* Total (head count as opposed to FTE)

Classification	Base salary range	2009-10				2010-11				
		Female		Male		Female		Male		
		No.	%	No.	%	No.	%	No.	%	
A02	\$37,730 - \$45,100	4	67	2	33	\$39,504 - \$46,903	7	78	2	22
A03	\$48,197 - \$53,746	23	66	12	34	\$50,125 - \$55,896	14	67	7	33
A04	\$56,989 - \$62,666	20	57	15	43	\$59,270 - \$65,174	26	59	18	41
A05	\$66,045 - \$71,784	16	50	16	50	\$68,688 - \$74,657	16	48	17	52
A06	\$75,778 - \$81,075	17	63	10	37	\$78,811 - \$84,318	18	60	12	40
A07	\$84,792 - \$90,921	24	45	29	55	\$88,184 - \$94,558	25	45	30	55
A08	\$93,944 - \$99,361	14	29	34	71	\$97,702 - \$103,334	13	29	32	71
S02	\$102,671 - \$106,999	1	33	2	67	\$105,239 - \$109,674	0	0	0	0
S01	\$112,192 - \$117,388	3	30	7	70	\$114,996 - \$120,324	2	67	1	33
S0	0	0	0	0	0	\$112,416 - \$123,332	3	27	8	73 ¹
SES2	\$120,304 - \$142,806	1	17	5	83	\$123,311 - \$146,377	1	17	5	83
SES3	\$144,862 - \$168,575	0	0	1	100	\$148,484 - \$172,789	0	0	1	100
CEO	\$269,607 - \$347,134	0	0	1	100	\$311,622 - \$364,708	0	0	1	100
TOTAL		123	48	134	52	TOTAL	125	48	134	52

* All figures relate to substantive positions at 30 June 2011. Figures for 2009-10 have been amended to be consistent. s.122 contracts are not reflected in this table. At 30 June 2011, QAO had three staff on s.122 contracts.

¹ Legislation allows QAO one year from August 2010 to August 2011 to transition officers. Therefore the first year for reporting as S0 is 2011-12.

Equity and diversity

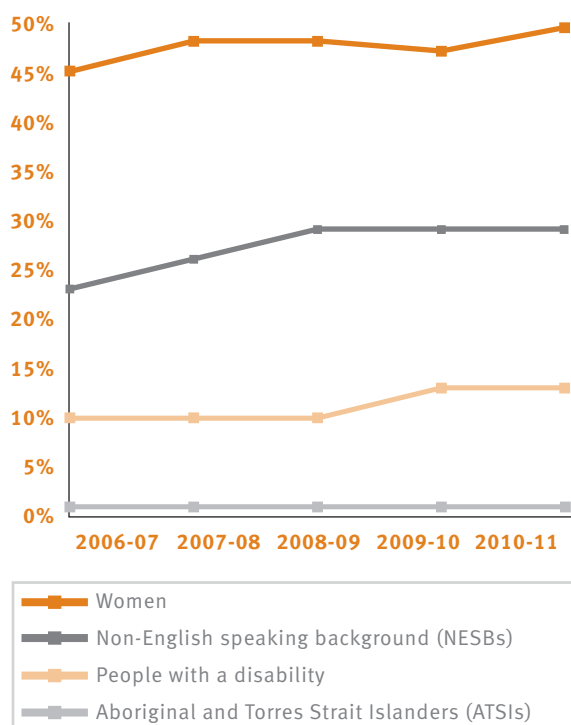
QAO supports the Queensland Government's commitment to promote and deliver programs for all target groups. QAO is committed to ensuring equal opportunities and we support reconciliation through the *Queensland Government Reconciliation Action Plan 2009-12*. We also continue to support the AIESEC student program, cultural awareness and support for people with disabilities through our workplace health and safety and rehabilitation programs.

During 2010-11, 27.9 per cent of our staff identified themselves as being from a non-English speaking background. It has been recognised in the Public Service Commission's EEO Statistical Bulletin 2010, that our workforce was the highest ranking agency in the Queensland Public Service (the average for the Queensland Public Sector is 9.7 per cent).

Figure 23 – Equity and diversity mix in 2011

Women	49.8%
Non-English speaking background (NESBs)	27.9%
People with a disability (PWD)	12.7%
Aboriginal and Torres Strait Islanders (ATSI)	0.8%

Figure 24 – Equity and diversity annual trends



Staff support and recognition

We work to ensure all staff are provided with suitable assistance and appraisal.

Social Club

The QAO Social Club was introduced in 1948. During this time, it has continued to thrive and remains committed to maintaining an active social calendar with a wide range of activities including sporting events, trivia nights and race days. The Social Club is strongly supported by both current and ex-staff, and provides a fun and friendly environment to network and strengthen relationships. The Social Club is self funded through contributions from members, with no official funds provided.

QAO Alumni Association Incorporated

In 2002, QAO established an Alumni Association to cater for the many former staff who continue to have a strong loyalty and affiliation with the organisation. The Alumni currently has 73 members and the President is Mr Ken Fitzgerald.

The Alumni Association Management Committee, which oversees the operations of the Alumni, met three times during 2010-11, and held several events. The current President and Management Committee have continued to foster a collaborative relationship between Alumni members and current QAO staff. All funds are raised from events held throughout the year. No public funds are provided to the Alumni.

Reporting recognition

Our Annual Report 2009-10 received a Silver award from the Australasian Reporting Awards, and was also awarded First prize for Best Other public sector entity from the Institute of Internal Auditors, Queensland public sector Annual Report Awards.

These awards recognise our ongoing drive to achieve excellence in the quality of information provided in our Annual Reports both across Australasia and within Queensland's public sector entities. We are achieving high standards in our reports and strive to continue to improve in all areas of reporting in the future.



From left: People and Performance, Manager, Kristin Furber-Burgess and Principal Advisor, Neva Banks, at a staff seminar in 2011.

Australia Day Awards

The Australia Day Awards are a unique way to celebrate the service, commitment and contribution of our staff.

In January 2011, QAO recognised the achievements and contributions of our staff. This year's awards were presented by Auditor-General, Glenn Poole.

- **Performance** – Bo Jiang provided complex accounting and auditing solutions and established an efficient client strategy in the face of a new revenue system.
- **Innovation** – David Toma developed a new audit strategy within Information Systems (IS). His efforts provided the foundation for the first IS audit Report to Parliament in 2010.
- **Leadership** – Michael Keane displayed effectiveness in adopting QAO values in building positive client relationships and consistency in client interaction.
- **Service & Quality** – The Performance Management Systems (PMS) audit division was recognised for *Auditor-General Report to Parliament No. 5 for 2010*, for handling a diverse range of clients, receiving positive feedback and strengthening client relationships.
- **Special contribution** – Five officers were recognised for their abilities in the successful delivery of the QAO 150th Anniversary events in 2010. Each person brought their own specific skills and worked together to successfully deliver the program of events.



Performance – Bo Jiang.



Innovation – David Toma.



Leadership – Michael Keane.



Service & Quality – From left: Diana Shield, Karen Su, Julie Tann, Terry Campbell and Sadhana Yatapanage, (Absent: Tammy Shao).



Special contribution – From left: Jo-Anne Parolin, Elizabeth Duncan, Alison Wright, James Ashmore and Kaylene Cossart.

Key achievements for 2010-11

- During 2010-11, work commenced on moving from the Administration Officer (AO) classification stream to the Professional Officer (PO) stream. Staff able to transition did so on 1 July 2011 and strategies and support continued to be provided to all other staff.
- We have continued to provide internal and external training to staff on technical and non-technical topics.
- At 30 June 2011, QAO had a workforce of 251 full-time equivalents, which includes temporary, seconded and contracted staff.
- Our recruitment process and graduate intake continue to focus on improving our workforce to ensure that we meet our responsibilities.
- Of our staff, 27.9 per cent identify themselves as being from a non-English speaking background, 49.8 per cent of staff are women.

Key challenges for 2011-12

- Examining ways to improve flexible working practices.
- Facilitating opportunities for staff to improve their qualifications, including the use of the Study and Research Assistance Scheme (SARAS).
- Providing an appropriate level of support to staff to enable all those affected levels to transition to the PO scale through the PASS scheme.
- Ensuring the smooth and effective implementation of the recommendations of the independent review of the Audit Support division.

Financials

Key achievements for 2010-11

- Eighty five per cent of audit fee revenue is generated through client audit fees (up from 83% in 2009-10).
- Operating costs reduced in real dollar terms (up by just 0.2% this year).
- Improved asset to liability ratio of 3.30 in 2010-11 (up from 2.87 in 2009-10).
- An unqualified opinion was provided on QAO's Financial Statements for 2010-11.

Key challenges for 2011-12

- Achieving an unqualified opinion on QAO's Financial Statements.
- Reviewing and benchmarking auditing fees for comparable size and type of client entities.
- Achieving a modest surplus to enable ongoing development of QAO's business systems and human resource capabilities.

Financial summary

Financial results	Notes	2006-07	2007-08	2008-09	2009-10	2010-11
Audit fee revenue	\$m	24.940	30.847	33.794	35.585	38.178
Consolidated fund allocation	\$m	4.938	5.360	5.853	5.970	6.223
Total Revenue	\$m	30.078	36.383	39.843	42.645	44.734
Total expenditure	\$m	29.885	36.151	39.989	43.170 ¹	43.250
Operating surplus (deficit)	\$m	0.193	0.231	(0.146)	(0.525) ¹	1.484
Net assets	\$m	3.090	3.437	4.291	4.766 ¹	6.250
Audit Fee Revenue/Total Revenue	%	83	85	85	83	85
Operating Costs Self Funded through Audit Fees	%	83	85	85	82 ¹	88

¹ Prior year published figures have been amended due to prior year adjustment (Refer to page 82).

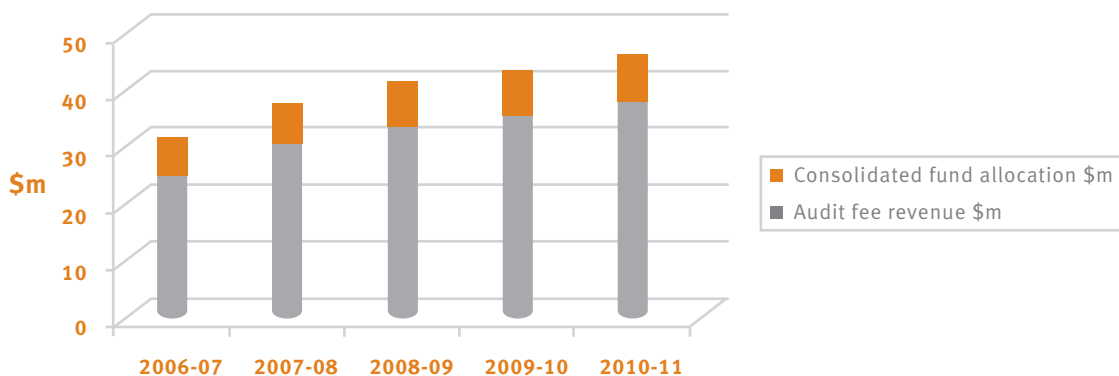
After posting a deficit in 2009-10, it is pleasing to report this year's stronger financial performance and the achievement of a net surplus of \$1.484m. This result has been underpinned by a strong focus on the efficient use of our resources, as evidenced by this year's 2 per cent increase in the level of audit fee revenue as a percentage of total revenue, combined with a reduction in operating costs in real terms.

Revenue

Total revenue for 2010-11 was \$44.734m, an increase of \$2.089m or 5 per cent above the prior year, largely due to higher audit fee revenue (\$2.593m) and appropriation funding (\$0.253M) offset by a reduction in other revenue (-\$0.757m). The 7 per cent increase in audit fees is due to a 3.5 per cent increase in auditor charge out rates effective 1 October 2010 and an increase in overall billable hours, which included one-off final audit engagements following the sale of some government owned assets during the year.

As Queensland Audit Office (QAO) is predominantly funded through audit fees, which are generated by the provision of auditing services by QAO staff and contract auditors, it is pleasing to see the level of audit fee revenue against total revenue has increased to 85 per cent, consistent with 2007-08 and 2008-09.

Figure 25 – Revenue \$m, 2006-07 to 2010-11

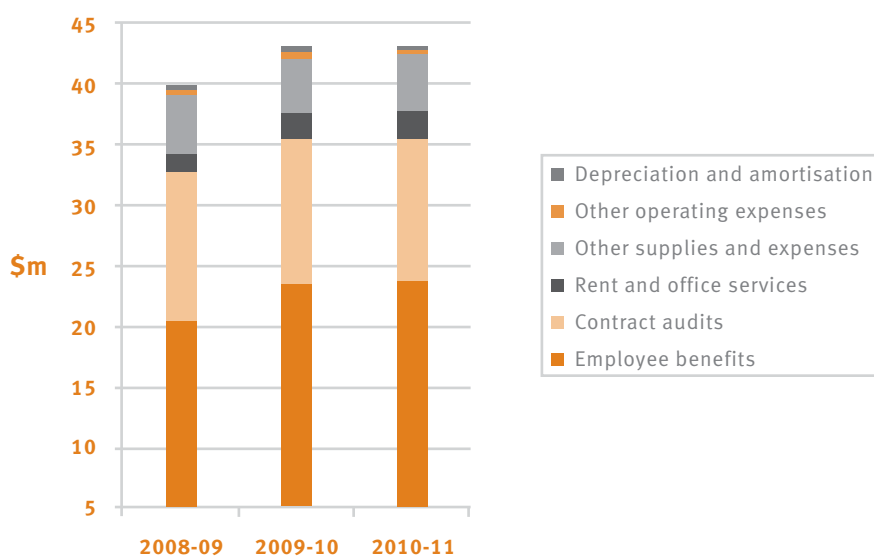


Consolidated revenue funding increased by 4 per cent this year. This funding covers community service obligations to the Parliament including audit effort involved in reporting to Parliament, audits of Performance Management Systems and audit policy and advice provided to Parliament, central agencies and audit clients. Other revenue included storage services received below fair value from the Queensland State Archives and other general recoveries.

Expenditure

As highlighted in Figure 26, the movement in total expenditure of \$43.250m declined in real terms this year with a 0.2 per cent increase. As a professional services' entity, QAO's expenditure is predominantly labour related with employee expenses, agency contractor expenses and payments for contracted out audits representing 86 per cent of total expenditure.

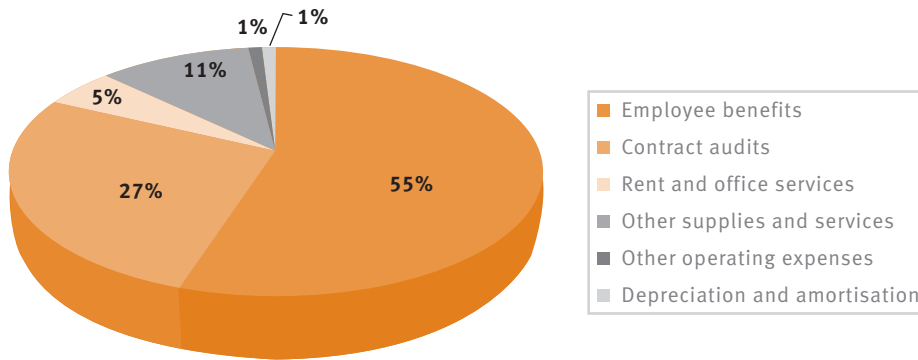
Figure 26 – QAO Operating expenditure \$m, 2008-09 to 2010-11



With lower average staffing levels compared to 2009-10, employee expenses increased slightly by 0.8% or \$0.195m despite Enterprise Bargaining increases in early 2010-11.

Across the more significant categories of supplies and services expenditure, contract audit expenditure decreased by \$0.200m (2%). The major areas of increased supplies and services expenditure were rent and office services, which increased by 13.9 per cent or \$0.329m due to rising costs for office services at 53 Albert Street, Brisbane and the use of agency personnel which increased by 17 per cent or \$0.262m.

Figure 27 – Expenditure by Type (as % of total expenditure \$, 2010-11)



Capital acquisitions

During the year a further \$0.095m was spent on the upgrade of computer hardware and office equipment as part of the ongoing equipment maintenance program.

Assets

At the end of the financial year, assets were valued at \$8.962m, an increase of \$1.652m or 23%. Flowing from this year's operating result, net cash inflows from operating activities of \$0.745m have contributed to an improved assets to liabilities ratio of 3.30 (2010 in 2.87). QAO's current asset (that is, cash and receivables) balances as at 30 June 2011 are significantly higher than in June 2010. This improvement in QAO's financial viability will help to meet longer term working capital requirements for the continued delivery of our audit services.

Liabilities

At 30 June 2011, total liabilities were valued at \$2.712m, or \$0.168m (7%), higher than the prior year. The increase is due to this year's provision for expected future increases in the cost of office accommodation under the current lease agreement (refer to Notes 9 and 17 of the 2010-11 financial statements).

Financial position and outlook

The stronger operating result this year reflects QAO's commitment to improving productivity through better practice management, while at the same time achieving efficiencies within the cost base, particularly back office costs. After posting a deficit in 2009-10, this year's surplus will help position QAO to achieve its strategic priorities by enabling an ongoing program of investment to improve current and future organisational capability.

Chief Finance Officer (CFO) Statement

The Chief Finance Officer for QAO has fulfilled the minimum responsibilities of the role as defined in s.77 (1) (b) of the *Financial Accountability Act 2009* (the Act).

In accordance with s.77 (2) (b) of the Act, the Chief Finance Officer has provided the Accountable Officer, the Auditor-General, with a statement in conformance with s.57 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 2011. This Chief Finance Officer Statement has been presented to QAO's Executive Management Group and the Audit and Risk Management Committee.

Financial statements index

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 accounting purposes, QAO is a department in terms of the *Financial Accountability Act 2009* and is subsequently consolidated into the 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 statement please call (07) 3149 6000, email enquiries@qao.qld.gov.au or visit www.qao.qld.gov.au

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Queensland Audit Office

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Income from Continuing Operations			
Revenue			
Audit fees		38,178	35,585
Departmental services revenue	2	6,223	5,970
Other revenue	3	333	1,090
Total Income from Continuing Operations		44,734	42,645
Expenses from Continuing Operations			
Employee expenses	4	23,704	23,509
Supplies and services *	6	18,870	18,673
Depreciation and amortisation	8	342	459
Finance/borrowing costs		3	17
Other expenses	7	331	512
Total Expenses from Continuing Operations		43,250	43,170
Operating Result from Continuing Operations		1,484	(525)
Total Comprehensive Income		1,484	(525)

The accompanying notes form part of these statements.

* 2009-10 has been restated to incorporate a prior year adjustment. Refer to Note 9 for details.

Queensland Audit Office
Statement of Financial Position
 As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents		549	8
Receivables and work in progress	10	7,598	6,178
Other	11	405	467
Total Current Assets		8,552	6,653
Non Current Assets			
Other financial assets		10	10
Plant and equipment	12	154	137
Intangible assets	13	246	510
Total Non Current Assets		410	657
Total Assets		8,962	7,310
Current Liabilities			
Payables	14	1,450	1,471
Other financial liabilities	15	..	109
Accrued employee benefits	16	749	715
Total Current Liabilities		2,199	2,295
Non Current Liabilities			
Other financial liabilities	15	..	..
Provisions *	17	513	249
Total Non Current Liabilities		513	249
Total Liabilities		2,712	2,544
Net Assets		6,250	4,766
Equity			
Contributed equity		5,183	5,183
Accumulated surplus/(deficit) *		1,067	(417)
Total Equity		6,250	4,766

The accompanying notes form part of these statements.

* 2009-10 has been restated to incorporate a prior year adjustment. Refer to Note 9 for details.

Queensland Audit Office

Statement of Changes in Equity

For the year ended 30 June 2011

	Accumulated Surplus/ (Deficit) 2010 \$'000	Contributed Equity 2010 \$'000	Total 2010 \$'000
Balance as at 1 July 2009	108	4,183	4,291
Operating Result from Continuing Operations as restated	(525)	..	(525)
Transactions with Owners as Owners:			
– Appropriated Equity Injections (refer Note 2)	..	1,000	1,000
Balance as at 30 June 2010	(417)	5,183	4,766
	Accumulated Surplus/ (Deficit) 2011 \$'000	Contributed Equity 2011 \$'000	Total 2011 \$'000
Balance as at 1 July 2010 as reported	(168)	5,183	5,015
Prior Year Adjustment *	(249)	..	(249)
Balance as at 1 July 2010 as restated	(417)	5,183	4,766
Operating Result from Continuing Operations	1,484	..	1,484
Transactions with Owners as Owners:			
– Appropriated Equity Injections (refer Note 2)	..	..	..
Balance as at 30 June 2011	1,067	5,183	6,250

The accompanying notes form part of these statements.

- * The prior year adjustment corrects the amount expensed in prior years in relation to rent paid for QAO accommodation at 53 Albert Street, which was based on payments being expensed as invoiced. This adjustment reflects payments based on fixed incremental annual increases as agreed to within the rental contract being spread evenly across the eight year four month term of occupancy. The correction is required to comply with Australian Accounting Standard AASB 117 *Leases*. The correction is reflected in the financial statements as follows: the total comprehensive income for the 2009-10 year was adjusted by \$248,950 from a loss of \$276,275 to a loss of \$525,225. Refer to Note 9 for details.

Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Audit fees		40,622	39,636
Departmental services receipts		6,223	5,970
Other		121	138
GST input tax credits from ATO		..	..
<i>Outflows:</i>			
Employee expenses		(23,606)	(23,451)
Supplies and services		(20,531)	(21,130)
Finance/borrowing costs		(4)	(18)
Other expenses		(119)	(112)
GST remitted to ATO		(1,961)	(1,579)
Net cash provided by (used in) operating activities	18	745	(546)
Cash flows from investing activities			
<i>Inflows:</i>			
Sale of plant and equipment		..	..
<i>Outflows:</i>			
Payments for plant and equipment		(95)	(80)
Net cash provided by (used in) investing activities		(95)	(80)
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections	2	..	1,000
<i>Outflows:</i>			
Borrowing redemptions		(109)	(207)
Net cash provided by (used in) financing activities		(109)	793
Net increase (decrease) in cash and cash equivalents		541	167
Cash and cash equivalents at beginning of financial year		8	(159)
Cash and cash equivalents at end of financial year		549	8

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 2011

Note reference

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 parliamentary appropriation and audit fees. At the discretion of the Auditor-General, audit services are provided on a fee for service basis. The parliamentary appropriation represents services provided to the Parliament, audit effort involved in reporting to Parliament, audits of performance management systems and audit policy and advice provided to 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 Treasury's Minimum Reporting Requirements for the year ending 30 June 2011, 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 assets, liabilities, equities, revenues and expenses 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.

(d) Revenue

User charges in the form of audit fees are recognised as revenue when time and expenses are recorded against an audit. Audit fees are controlled by QAO where they can be deployed for the achievement of QAO's objectives.

Note reference

(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) 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.

(g) Receivables and Work in Progress

Receivables comprise moneys owed to QAO at the close of the financial year, where an invoice has been issued. Work in progress comprises time and expenses, including contract auditor expenses, for auditing services recognised as performed but not yet invoiced by QAO on all current audits.

The collectability of receivables is assessed at year-end with allowance being made for impairment when necessary. All known bad debts were written off as at 30 June 2011.

Receivables 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.

Terms of settlement is on receipt of invoice.

(h) 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*.

(i) 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. Items with a lesser value are expensed in the year of acquisition.

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

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

(j) 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.

(k) 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.

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

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.

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

Items comprising QAO's technical library are expensed on acquisition.

Note reference

(l) Depreciation of Plant and Equipment and Amortisation of Intangibles (continued)

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%

(m) Leases

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.

(n) 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.

(o) 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.

(p) 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.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

(p) Financial Instruments (continued)

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss
- Receivables – held at amortised cost
- Payables – held at amortised cost
- Borrowings – held at amortised cost.

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument to the net carrying amount of that instrument.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are classified as non-current liabilities to the extent that QAO has an unconditional right to defer settlement until at least 12 months after reporting date.

QAO does not enter transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, QAO holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by QAO are included in Note 22.

(q) 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.

Note reference

(q) Employee Benefits (continued)

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

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, 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.

From 1 July 2008, 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.

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*.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

(q) Employee Benefits (continued)

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan 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 that have authority and responsibility for planning, directing and controlling the activities of QAO during 2010-11.

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.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits
 - Salaries, annual leave, sick leave, allowances paid and provided for the entire year or for that part of the year during which the employee occupied the specified position; and
 - Non-monetary benefits (including fringe benefits tax) including motor vehicle, housing, etc.
- Long term employee benefits
 - Long service leave paid and provided for during the year.
- Post employment benefits
 - Employer superannuation contributions paid and provided for the year.
- Termination benefits
 - Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

QAO does not participate in performance bonus payments.

Note reference

(r) 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 in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) 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.

(t) 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.

(u) Borrowing Costs

All borrowing costs are accounted for on an accrual basis in the Statement of Comprehensive Income using the effective interest method, and are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. No borrowing costs are capitalised.

Borrowing costs are recognised as an expense in the period in which they are incurred. Included are interest on short-term and long-term borrowings.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

(v) Contributed Equity

Non-reciprocal transfers of assets and liabilities 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) Correction of Error

Until 30 June 2010, operating lease rentals were charged to the Statement of Comprehensive Income as incurred. From 1 July 2010, operating lease rentals are spread equally over the lease term, in accordance with AASB 117 *Leases*. The difference in treatment has been applied retrospectively to the inception of the lease for QAO's accommodation in 2009-10, resulting in a prior year adjustment and no material impact on 2008-09 balances. This is disclosed in the Statement of Changes in Equity. For the effect on individual amounts in the Statement of Comprehensive Income and Statement of Financial Position, see Note 9.

(x) 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 Management Certificate.

(y) 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.

(z) 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.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. These statements are not material to the financial statements.

(aa) New and Revised Accounting Standards

QAO did not voluntarily change any of its accounting policies during 2010-11. There are no new or amended Australian Accounting Standards that were applicable for the first time in the 2010-11 financial year that had a significant impact on QAO's financial statements.

Note reference

(aa) New and Revised Accounting Standards (continued)

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 Treasury Department. Consequently, QAO has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. QAO will apply these standards and interpretations in accordance with their respective commencement dates.

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

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 and AASB 134 and Interpretation 13]* becomes effective from reporting periods beginning on or after 1 January 2011. QAO will assess whether any changes are required to its disclosures about credit risk on financial instruments in Note 22.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *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 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127]* become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on QAO are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at either amortised cost or fair value. Given the nature of QAO's financial instruments, this change is not expected to have a material impact on QAO's financial statements.

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 and 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 and 1052]* apply to reporting periods beginning on or after 1 July 2013. 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").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. Treasury Department has advised that its policy decision is to require all departments to adopt tier 1 reporting requirements. In compliance with Treasury's policy which prohibits the early adoption of new or revised accounting standards unless Treasury approval is granted, QAO has not early adopted AASB 1053.

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 2011

Note reference

	2011 \$'000	2010 \$'000
2. Reconciliation of Payments from Consolidated Fund to Departmental Services Revenue Recognised in Statement of Comprehensive Income		
Budgeted departmental services appropriation	6,223	6,045
Lapsed departmental services appropriation	..	(75)
Departmental services revenue recognised in Statement of Comprehensive Income	6,223	5,970
Reconciliation of Payments from Consolidated Fund to Equity Adjustment Recognised in Contributed Equity		
Budgeted equity adjustment appropriation *	..	1,000
Equity adjustment recognised in Contributed Equity	..	1,000

* This represents an equity injection for the refurbishment of leased accommodation.

	2011 \$'000	2010 \$'000
3. Other Revenue		
General recoveries	110	138
Storage services received below fair value from Queensland State Archives	212	64
Impaired debts recovered	11	..
Professional services received below fair value from Department of Public Works	..	329
Reduction of provision for lease refurbishment *	..	559
Total	333	1,090

* This represents the portion of the provision that has lapsed at 30 June 2010 (refer Note 17).

Note reference

	2011 \$'000	2010 \$'000
4. Employee Expenses		
Employee Benefits		
Salaries	17,386	17,285
Employer superannuation contributions *	2,376	2,336
Long service leave levy *	411	346
Annual leave levy *	2,223	2,188
Fringe benefits tax *	88	72
Other employee benefits	86	135
Special payments – ex gratia payment	..	50
Employee Related Expenses		
Payroll tax *	1,104	1,065
Workcover premium *	30	32
Total	23,704	23,509

* Refer to Note 1(q).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2011	2010
Number of employees as at 30 June	251	254

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

5. Key Executive Management Personnel and Remuneration

(a) Key Executive Management Personnel

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (date resigned from position)
Auditor-General	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 2004
Deputy Auditor-General	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 – Audit Support	Provides expert, strategic business advice and operational support to the Auditor-General in relation to the management of QAO operations.	SES3 (s.122) – <i>Public Service Act 2008</i>	Appointed 29 October 2007
Assistant Auditor-General	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 7 December 1998
Assistant Auditor-General	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 16 August 2001

Note reference

(a) Key Executive Management Personnel (continued)

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (date resigned from position)
Assistant Auditor-General	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	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	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
Director of Audit – Information Systems	Leads and manages the delivery of information system audits while providing advice to staff and clients.	SO – Public Service Act 2008	Appointed 28 May 2009
Manager – People and Performance	Leads and manages the delivery of strategic and operational human resource management services.	AO8 – Public Service Act 2008	Appointed 5 February 2009
Chief Financial Officer	Leads and manages the delivery of strategic and operational financial management services.	SO – Public Service Act 2008	Appointed 3 May 2011

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 2011

Note reference

(b) Remuneration

For the 2010-11 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy except for the Manager – People and Performance whose remuneration increased by 4% in accordance with the Enterprise Bargaining Agreement.

Remuneration packages comprise the following components:

- Short term employee benefits which include:
 - Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - 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.
- Termination benefits.

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.

Note reference

1 July 2010 – 30 June 2011

Position (date resigned if applicable)	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	305	42	7	56	..	410
Deputy Auditor-General	175	26	6	29	..	236
General Manager – Audit Support	198	12	11	31	..	252
Assistant Auditor-General	168	12	6	27	..	213
Assistant Auditor-General	147	22	5	27	..	201
Assistant Auditor-General	164	12	5	26	..	207
Assistant Auditor-General	155	12	6	27	..	200
Assistant Auditor-General	161	26	4	25	..	216
Director of Audit – Information Systems	114	4	3	21	..	142
Manager – People and Performance	108	..	4	18	..	130
Chief Financial Officer *	21	..	..	4	..	25

* Chief Financial Officer appointed on 3 May 2011.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

1 July 2009 – 30 June 2010

Position (date resigned if applicable)	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	300	40	8	56	..	404
Deputy Auditor-General	173	35	6	31	..	245
General Manager – Audit Support	179	11	7	31	..	228
Assistant Auditor-General	161	11	6	28	..	206
Assistant Auditor-General	127	34	5	28	..	194
Assistant Auditor-General	158	11	5	26	..	200
Assistant Auditor-General	152	11	6	28	..	197
Assistant Auditor-General	142	30	4	26	..	202
Director of Audit – Information Systems	122	2	3	21	..	148
Manager – People and Performance *						
Chief Financial Officer*						

* These positions were not key executive personnel positions during 2009-10.

Note reference

	2011 \$'000	2010 \$'000
6. Supplies and Services		
Bureau charges	611	618
Information technology and minor office equipment	480	692
Other administrative costs	906	832
Payments to contract auditors	11,832	12,032
Payments to employment agency personnel	1,769	1,507
Rent and office services	2,372	2,043
Staff development	208	307
Travel costs	692	642
Total	18,870	18,673

	2011 \$'000	2010 \$'000
7. Other Expenses		
Internal audit fees	25	27
External audit fees *	21	16
Bad and impaired debts	..	4
Insurance premiums – QGIF	73	72
Professional services received free of charge from Department of Public Works	..	329
Storage services received free of charge from Queensland State Archives	212	64
Total	331	512

* Total external audit fees relating to the 2010-11 financial year are estimated to be \$32,000 (2010: \$17,545). There are no non-audit services included in this amount.

	2011 \$'000	2010 \$'000
8. Depreciation and Amortisation		
Depreciation and amortisation incurred in respect of:		
Plant and equipment	78	195
Intangibles	264	264
Total	342	459

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

9. Correction of Error

Correction of error in accounting for operating lease rental expense

The prior year adjustment corrects the amount expensed during 2009-10 in relation to rent paid for QAO's accommodation at 53 Albert Street, which was based on payments being expensed as invoiced. This adjustment reflects payments based on fixed incremental annual increases as agreed to within the rental contract being spread evenly across the eight year four month term of occupancy which commenced on 1 October 2010. The correction is required to comply with Australian Accounting Standard AASB 117 Leases and the net financial effect of the correction is as follows:

	Provisions \$'000	Total equity \$'000
At 1 July 2010 – as published	..	5,015
Correction	249	(249)
At 1 July 2010 – as restated	249	4,766
		Comprehensive income \$'000
2009-10 – as published		(276)
Correction		(249)
2009-10 – as restated		(525)
	2011 \$'000	2010 \$'000
10. Receivables and Work in Progress		
Audit fee receivables	4,698	3,427
Less: Allowance for impairment	..	12
	4,698	3,415
Work in progress	2,359	2,242
Annual leave reimbursement	473	413
Long service leave reimbursement	68	108
Total	7,598	6,178
Movements in the allowance for impairment		
Balance at beginning of the year	12	11
Amounts written off during the year	..	(3)
Amounts recovered during the year	(12)	(8)
Increase in allowance recognised in the operating result	..	12
Balance at the end of the year	..	12

Note reference

	2011 \$'000	2010 \$'000
11. Other Current Assets		
Prepayments		
Employee expenses	76	160
Supplies and services	329	307
Total	405	467
12. Plant and Equipment		
Plant and equipment		
At cost	694	605
Accumulated depreciation	(540)	(468)
Total	154	137

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

	Plant and Equipment	
	2011 \$'000	2010 \$'000
<i>Plant and Equipment Reconciliation</i>		
Carrying amount at 1 July	137	252
Acquisitions	95	80
Disposals	..	..
Depreciation	(78)	(195)
Carrying amount at 30 June	154	137
13. Intangible Assets		
Software internally generated		
At cost	670	670
Accumulated amortisation	(627)	(515)
	43	155
Software purchased		
At cost	759	759
Accumulated amortisation	(556)	(404)
	203	355
Total	246	510

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

Intangibles Reconciliation

	Internally generated		Purchased		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Carrying amount at 1 July	155	267	355	506	510	773
Acquisitions	..	..	..	..	..	..
Transfer between classes	..	..	..	..	..	..
Amortisation	(112)	(112)	(152)	(151)	(264)	(263)
Carrying amount at 30 June	43	155	203	355	246	510

	2011 \$'000	2010 \$'000
14. Payables		
Creditors	1,222	1,235
GST payable	527	453
GST input tax receivable	(299)	(217)
Net GST payable	228	236
Total	1,450	1,471
15. Other Financial Liabilities		
QTC borrowings	..	109
Represented by:		
Current	..	109
Non-current	..	..
Total	..	109

For the year ended 30 June 2010, all borrowings were with Queensland Treasury Corporation and repayable quarterly in arrears at a rate of 7.21%. This debt was fully repaid on 31 December 2010.

QAO has an approved overdraft facility with Queensland Treasury Corporation with a \$1.5m limit. This facility remained undrawn as at 30 June 2011 and is available for use in the next reporting period.

Note reference

	2011 \$'000	2010 \$'000
16. Accrued Employee Benefits		
Annual leave levy payable	601	603
Long service leave levy payable	107	94
Other employee benefits	41	18
Total	749	715
	2011 \$'000	2010 \$'000
17. Provisions		
Current provisions		
Lease refurbishment *	..	..
Total	..	..
Movements in provision		
Balance at 1 July	..	1,000
Additional provision recognised	..	..
Reduction in provision as a result of payments	..	(441)
Reduction in provision for lease refurbishment	..	(559)
Balance at 30 June	..	..
Non-current provisions		
Lease contract **	513	249
Total	513	249
Movements in provision		
Balance at 1 July	249	..
Additional provision recognised	264	249
Reduction in provision	..	..
Balance at 30 June	513	249

* QAO had an obligation under the previous accommodation lease to restore the tenure to its pre lease condition. This lease obligation expired during 2009-10.

** 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 and the 2009-10 balances adjusted to reflect the change.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

	2011 \$'000	2010 \$'000
18. Reconciliation of Operating Surplus to Net Cash from Operating Activities		
Operating Surplus/(Deficit) *	1,484	(525)
Depreciation and amortisation expense	342	459
Change in assets and liabilities:		
(Increase)/decrease in receivables	(1,420)	471
(Increase)/decrease in other current assets	62	(3)
(Increase)/decrease in deposits	..	(10)
Increase/(decrease) in payables	104	(210)
Increase/(decrease) in accrued employee benefits	(83)	(2)
Increase/(decrease) in GST payable	(8)	25
Increase/(decrease) in provision *	264	(751)
Net cash from operating activities **	745	(546)

* Restated to incorporate prior year adjustment. Refer to Note 9 for details.

** Refer to Note 15 for credit and stand by facility arrangements.

19. Contingencies

QAO had no known contingent assets or liabilities as at 30 June 2011.

	2011 \$'000	2010 \$'000
20. Commitments for Expenditure		
(a) Non-Cancellable Operating Lease		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
Not later than one year	2,088	1,941
Later than one year and not later than five years	9,334	8,679
Later than five years	4,200	6,477
Total	15,622	17,097

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.

Note reference

	2011 \$'000	2010 \$'000
(b) Contract Audits		
Commitments for the payment of future auditing services under contracts in existence at reporting date are inclusive of anticipated GST and are payable as follows:		
Not later than one year	8,972	11,193
Later than one year and not later than five years	4,704	11,449
Later than five years	..	..
Total	13,676	22,642

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

21. Events after the Reporting Date

QAO is a participant in the Queensland Government's Voluntary Separation Program. The ultimate decision as to whether eligible employees are to be offered a Voluntary Separation Package (VSP), the timing of the offer and the separation rests wholly with the Auditor-General. As at 30 June 2011, the Auditor-General had yet to make any formal offers of VSPs to any eligible employee in accordance with the terms specified in the Queensland Public Service Commission's Voluntary Separation Program Handbook (the handbook).

Subsequent to 30 June 2011, a number of formal offers were made by the Auditor-General to eligible employees who have accepted the offers in accordance with the terms specified in the handbook. Acceptance of the formal offer by eligible employees has given rise to an obligating event, in that the employees acceptance of the offer has created a constructive obligation to which QAO has no realistic alternative other than to settle this obligation. Five VSPs have been offered and accepted in accordance with the terms of the handbook. The value of VSPs offered and accepted prior to the date upon which these financial statements have been authorised for issue is \$555,392. This obligation will be settled by QAO in the 2011-12 financial year.

In summary, these accepted offers of VSPs to eligible employees in accordance with the Queensland Government's Voluntary Separation Program, have been / will be calculated based on an employee's substantive appointed level, the separation date and their years of service as follows:

- A base payment of 30 weeks pay.
- A separation payment of three weeks pay for each completed year of service, with a pro-rata payment for an incomplete year of service, up to a maximum of 60 weeks.
- The base payment for part-time employees will be adjusted to reflect the proportion of full-time hours worked by the employee as at separation date.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

- The separation payment for part-time employees will be calculated on three weeks full-time pay per year of full-time equivalent service, with a pro-rata payment for an incomplete year of full-time equivalent service, to a maximum of 60 weeks.
- Employees whose previous employment has been recognised (under the Recognition of Previous Service and Employment Directive) for the purposes of calculating long service entitlement are entitled to a VSP based on previously recognised and current periods of employment.
- Employees whose previous employment has been recognised (under the Recognition of Previous Service and Employment Directive) for the purpose of calculating long service leave entitlement and who have received a redundancy or similar package from their previous employer will be entitled to a VSP based on their current period of employment.

22. 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. All financial risk is managed by the Executive Management Group and monitored by the Audit and Risk Management Committee.

QAO's principal financial instruments are:

- cash assets
- receivables
- payables.

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

Note reference

(b) Categorisation of Financial Instruments

The carrying amounts of QAO's financial assets and financial liabilities by category are:

Category	Notes	2011 \$'000	2010 \$'000
Financial Assets			
Cash		549	8
Receivables	10	5,239	3,936
Total		5,788	3,944
Financial Liabilities			
Payables	14,16	2,199	2,186
QTC Borrowings	15	..	109
Total		2,199	2,295

(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.

The following table represents QAO's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum Exposure to Credit Risk	Notes	2011 \$'000	2010 \$'000
Financial Assets			
Cash		549	8
Receivables	10	5,239	3,936
Total		5,788	3,944

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 clients economic conditions.

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 2011

Note reference

2011 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	4,661	231	102	246	5,240
Total	4,661	231	102	246	5,240

2010 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	3,294	59	496	87	3,936
Total	3,294	59	496	87	3,936

2011 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

2010 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)	12	12
Allowance for Impairment	(12)	(12)
Carrying Amount

Note reference

(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 maximizing funds available in QAO's bank account and through an approved credit facility arrangement. (Refer to Note 15.)

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

	Notes	2011 Payable in			Total
		<1 year \$'000	1-5 years \$'000	>5 years \$'000	\$'000
Financial Liabilities					
Payables	14,16	2,199	..	..	2,199
QTC borrowings		..	..	..	..
Total		2,199	..	..	2,199

	Notes	2010 Payable in			Total
		<1 year \$'000	1-5 years \$'000	>5 years \$'000	\$'000
Financial Liabilities					
Payables	14,16	2,186	..	..	2,186
QTC borrowings		111	..	..	111
Total		2,297	..	..	2,297

The bank overdraft has been deducted in the above analysis as QAO does not consider that there is any material risk that the bank will terminate such facilities.

(e) Market Risk

QAO does not trade in foreign currency and is not exposed to commodity price changes. The borrowing held with the Queensland Treasury Corporation (and fully repaid on 31 December 2010) was a fixed rate loan account and therefore a sensitivity analysis was not conducted. QAO is not exposed to interest rate risk in respect of its cash bank account/overdraft.

Queensland Audit Office

Notes to and forming part of the Financial Statements

For the year ended 30 June 2011

Note reference

Fair Value

The carrying amounts of receivables and payables, less any allowance for impairment, represent fair value at the balance date. The fair value of borrowings is notified by the Queensland Treasury Corporation. It is calculated using discounted cash flow analysis and the effective interest rate (refer Note 15), and is disclosed below.

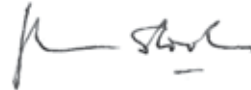
	2011		2010	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Liabilities				
Queensland Treasury Corporation borrowings	109	110
Total	109	110

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 2011 and of the financial position as at the end of that year.



K S BULLOCK FCPA
Chief Financial Officer
24 August 2011



G G POOLE FCPA
Auditor-General of Queensland
24 August 2011



INDEPENDENT AUDIT REPORT

TO THE ACCOUNTABLE OFFICER OF THE QUEENSLAND AUDIT OFFICE

Grant Thornton Audit Pty Ltd
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Report on the Financial Report

I have audited the accompanying financial report of the Queensland Audit Office which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the certificates given by the accountable officer and officer responsible for the financial administration 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 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 applicable 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion of the financial report based on the audit. The audit was conducted in accordance with Australian Auditing Standards which 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 risks of material misstatement in 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 as approved by the Treasurer for application in Queensland.

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

Independence

In conducting my audit, I followed applicable independence requirements of the Australian professional ethical pronouncements.

Audit Opinion

In accordance with the Auditor-General Act 2009:

- a I have received all the information and explanations which I have required: and
- b In my 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 2010 to 30 June 2011 and of the financial position as at the end of that year.

A handwritten signature in dark ink, appearing to read "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in dark ink, appearing to read "S G Hancox".

S G Hancox
Director – Audit & Assurance

Brisbane, Dated 26 August 2011

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Appendix 1 – Budget versus actual results

Table of Material Variances	Budget 2010-11	Actual 2010-11	Variance
	\$'000	\$'000	\$'000
Statement of Comprehensive Income			
User charges	36,255	38,178	1,923
Other Revenue	195	333	138
Employee expenses	24,920	23,704	1,216
Supplies and services	17,211	18,870	(1,659)
Operating Surplus/(Deficit)	-	1,484	1,484
Statement of Financial Position			
Cash assets	168	549	381
Receivables and Work in Progress	6,096	7,498	1,402
Property Plant and Equipment	261	154	(107)
Payables	662	1,450	(788)

User charges: The increase of 5% in actual audit fees against budget largely reflects higher levels of financial and assurance auditing activity (including the final audits of certain public sector entities that were sold by government during the financial year) across both QAO and contracted out audits.

Other revenue: The increase in Other Revenue is due to an increase in State Archives storages services received below fair value and is offset by a compensating increase in the cost of storage services under Supplies and Services.

Employee expenses: The decline of around 5% in Employee Expenses against budget is due to a similar level of reduction in average staffing levels during the year, offset by the increased seasonal use of specialist contracted staff within Supplies and Services expenditure.

Supplies and services: An increase in Supplies and Services against budget was largely due to the increased level of audit activity for contracted audits (and offset by increased User Charges as these costs are passed on in audit fees) combined with an increased use of specialist contractors.

Operating Surplus: The operating result for 2010-11 was a net surplus of \$1.484M against a Nil or balanced budget. This surplus reflects the strong focus this year on achieving more efficient use of QAO's resources, as evidenced by the higher levels of billable activity in the context of a fairly stable cost base.

Cash assets: The increase in cash assets was largely due to the factors underpinning the Operating Surplus (that is, slightly higher revenue against a stable and more efficient cost base) as well as improvements in QAO's client invoicing and debt collection processes.

Receivables and Work in Progress: The increase in Receivables and Work in Progress against budget is due to the timing of financial and assurance auditing activity completed at financial year end, particularly for contracted out auditing services (refer comments under Payables).

Property Plant and Equipment: The slight decrease in property, plant and equipment against budget was due to the re-scheduling of procurement activity to replace minor information and technology equipment. This activity has now been programmed for 2011-12.

Payables: An increase in payables was largely due to timing of final payments at year end, particularly payments for contracted out auditing services. The increased level of contracted auditing services at year end impacts upon the level of both payables and receivables as recovery occurs through client invoicing.

Appendix 2 – Audit Contractor fees

Firm	Location	Contractor	\$	Firm total \$
Crowe Horwath	Brisbane	B Worrall	1,116,817	
		V De Waal	22,730	
WHK NQ	Townsville	D Campbell	612,923	
		R J Dunstan	486,467	
WHK Audit & Assurance	Gold Coast	R Buker	804,961	3,043,898
Deloitte Touche Tohmatsu	Brisbane	C Harris	227,129	
		S Stavrou	959,523	
		T Biggs	834,568	
	Melbourne	J Kidd	21,575		2,042,795
KPMG	Brisbane	J Richards	268,930	
		J Adams	325,525	
		S Guse	99,084	
	Cairns	G Coonan	442,348	1,135,887
Moore Stephens (Queensland) Audit Pty Ltd	Townsville	J Zabala	601,600	
	Brisbane	M McDonald	361,250		962,850
Prosperity Audit Services	Brisbane	M Maybury	422,408	
		P Horne	190,591		612,999
BDO Audit (Qld) Pty Ltd	Brisbane	C Jenkins	255,028	
		D Wright	26,196	
		M Taylor	29,871	
		M Molesworth	121,807	
BDO (Nth Qld)	Cairns	K McCallum	55,413	488,315
WILLIAM BUCK	Brisbane	A Cranstoun	199,683	
		J Latif	189,162	
		M Ayoob	5,000		393,845
Bentleys (Qld) Pty Ltd	Brisbane	P Power	132,576	
		R Forbes	212,779	
		S Douglas	18,601		363,956
Thomas Noble & Russell	Lismore	G Dwyer	160,113	
		K Franey	202,189		362,302
Johnston Rorke	Brisbane	J Evans	352,600	352,600
PricewaterhouseCoopers	Brisbane	C Thomason	260,000	
		T Mahony	30,500		290,500
Pacifica Chartered Accountants	Cairns	P Catterson	281,846	281,846
PGL Financial Services Pty Ltd	Brisbane	L Demichelis	174,181	174,181
GPS Business Services Pty Ltd	Brisbane	G Smith	165,510	165,510
Ernst & Young	Perth	G Lotter	163,540	163,540
Bennett Partners Pty Ltd	Mackay	P Hinton	155,272	155,272
Priestleys Chartered Accountants	Brisbane	B Hiley	55,278	
		K Vivian	97,128		152,406
Merrotts	Brisbane	R Muller	124,027	
		T Zimmermann	8,700		132,727
AAT Accountants Pty Ltd	Brisbane	D Munro	93,970	
		M Wright	22,720		116,690
UHY Haines Norton	Brisbane	D Laarhoven	44,262	
	Melbourne	R Lindner	72,000		116,262
Walsh Accounting	Longreach	L Walsh	112,492	112,492
Ringrose Button Pty Ltd	Longreach	B Ringrose	96,354	96,354
Grant Thornton Audit Pty Ltd	Brisbane	D Carroll	80,569	80,569
Rod Cairns Chartered Accountant	Toowoomba	R Cairns	72,460	72,460
Lawler Hacketts Chartered Accountants	Brisbane	L Murphy	56,365	56,365
Hooper & Co	Toowoomba	A Hooper	36,994	36,994
John Gosper Audit and Assurance Pty Ltd	Toowoomba	J Gosper	32,476	32,476
Focus Professional Group HTA Partners Pty Ltd	Sunshine Coast	A Hertel	8,111	8,111
TOTAL:			12,004,202	12,004,202

Appendix 3 – Compliance information

Overseas travel

The requirement for QAO staff to travel overseas is very limited. During the 2010-11, no overseas travel was undertaken.

Expenditure on consultancies

Expenditure on consultancies for 2010-11 amounted to \$160,825 and is categorised below.

Figure 28 – Consultancy expenditure

Category	\$
Management	121,990
Human Resource Management	18,605
Professional and Technical	20,230
TOTAL	160,825

Included in the Management category are consultancies for business planning and structure reviews of the Audit Support Division while the Professional and Technical category includes a consultancy for the review of procurement processes. The Human Resource Management category includes consultancies for staff related matters.

Audit and Risk Management Committee – External members

The Audit and Risk Management Committee is comprised of QAO staff plus two external members:

- Mr C Colquhoun, \$291 per meeting – up to 4 hours per day.
- Dr L Drennan, \$239 per meeting – up to 4 hours per day.

Appendix 4 – Audit clients

At 30 June 2011, QAO had 316 audit clients and 711 public sector entity audits and by arrangement audits. A full list of our clients is provided in Figure 31, which includes the contract auditor appointed where applicable.

Figure 29 – Number of audit clients as at 30 June 2011

Clients	Total
By-arrangement	5
Departments	19
Government owned corporations	13
Local governments	75
Statutory bodies	170
Joint controlled entities	34
TOTAL	316

Figure 30 – Number of public sector entity audits and by-arrangement audits as at 30 June 2011

Audits	Total
By-arrangement	109
Departments and controlled entities	57
Government owned corporations and controlled entities	91
Joint controlled entities	46
Local governments and controlled entities	130
Statutory bodies and controlled entities	277
Whole-of-government	1
TOTAL	711

Appendix 4 – Audit clients (continued)

Figure 31 – List of audit clients by entity type (contract auditor listed where applicable)

Client	Contract auditor
By-arrangement	
Board of Trustees of the State public sector Superannuation Scheme (QSuper)	
City Super Pty Ltd (As Trustee for BCC Superannuation Plan)	
Dumaresq-Barwon Border Rivers Commission	
Queensland Education Leadership Institute Limited	
Queensland Local Government Superannuation Board (trading as LGsuper)	
Departments	
Department of Communities	
Department of Community Safety	
Department of Education and Training	
Department of Employment, Economic Development and Innovation	
Department of Environment and Resource Management	
Department of Health	
Department of Justice and Attorney-General	
Department of Local Government and Planning	
Department of Police	
Department of Public Works	
Department of the Premier and Cabinet	
Department of Transport and Main Roads	
Electoral Commission of Queensland	
Legislative Assembly and Parliamentary Service	
Office of the Governor	
Office of the Ombudsman	
Public Service Commission	
The Public Trustee of Queensland	
Treasury Department	
Government owned corporations	
CS Energy Limited	
ENERGEX Limited	
Ergon Energy Corporation Limited	T Biggs, Deloitte Touche Tohmatsu
Far North Queensland Ports Corporation Limited (trading as Ports North)	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Gladstone Ports Corporation Limited	B Worrall, Crowe Horwath
North Queensland Bulk Ports Corporation Limited	
Port of Townsville Limited	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
QIC Limited	
Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)	C Harris, Deloitte Touche Tohmatsu
Queensland Rail Limited	
Stanwell Corporation Limited	S Stavrou, Deloitte Touche Tohmatsu
SunWater Limited	M Maybury, Prosperity Audit Services
Tarong Energy Corporation Limited	J Adams, KPMG

Appendix 4 – Audit clients (*continued*)

Local governments	
Aurukun Shire Council	G Coonan, KPMG
Balonne Shire Council	R Buker, WHK Audit & Assurance
Banana Shire Council	M McDonald, Moore Stephens (Queensland) Audit Pty Ltd
Barcaldine Regional Council	W Ringrose, Ringrose Button Pty Ltd
Barcoo Shire Council	W Ringrose, Ringrose Button Pty Ltd
Blackall Tambo Regional Council	
Boulia Shire Council	L Walsh, Walsh Accounting
Brisbane City Council	
Bulloo Shire Council	W Ringrose, Ringrose Button Pty Ltd
Bundaberg Regional Council	S Stavrou, Deloitte Touche Tohmatsu
Burdekin Shire Council	R Dunstan, WHK NQ
Burke Shire Council	D Campbell, WHK NQ
Cairns Regional Council	G Coonan, KPMG
Carpentaria Shire Council	P Catterson, Pacifica Chartered Accountants
Cassowary Coast Regional Council	R Dunstan, WHK NQ
Central Highlands Regional Council	D Campbell, WHK NQ
Charters Towers Regional Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Cherbourg Aboriginal Shire Council	M McDonald, Moore Stephens (Queensland) Audit Pty Ltd
Cloncurry Shire Council	G Coonan, KPMG
Cook Shire Council	
Croydon Shire Council	G Mier, KPMG
Diamantina Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Doomadgee Aboriginal Shire Council	
Esk-Gatton-Laidley Water Board	D Munro, AAT Accountants Pty Ltd
Etheridge Shire Council	D Campbell, WHK NQ
Flinders Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Fraser Coast Regional Council	J Evans, Johnston Rorke
Gladstone Regional Council	P Hinton, Bennett Partners Pty Ltd
Gold Coast City Council	R Buker, WHK Audit & Assurance
Goondiwindi Regional Council	A Hooper, Hooper & Co
Gympie Regional Council	M Maybury, Prosperity Audit Services
Hinchinbrook Shire Council	R Dunstan, WHK NQ
Hope Vale Aboriginal Shire Council	G Coonan, KPMG
Ipswich City Council	R Buker, WHK Audit & Assurance
Isaac Regional Council	L Demichelis, PGL Financial Services Pty Ltd
Kowanyama Aboriginal Shire Council	D Campbell, WHK NQ
Lockhart River Aboriginal Shire Council	P Catterson, Pacifica Chartered Accountants
Lockyer Valley Regional Council	D Munro, AAT Accountants Pty Ltd
Logan City Council	M Power, Bentleys (Qld) Pty Ltd
Longreach Regional Council	L Walsh, Walsh Accounting
Mackay Regional Council	M Power, Bentleys (Qld) Pty Ltd
Mapoon Aboriginal Shire Council	
Maranoa Regional Council	
McKinlay Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Moreton Bay Regional Council	S Stavrou, Deloitte Touche Tohmatsu
Mornington Shire Council	P Catterson, Pacifica Chartered Accountants
Mount Isa City Council	
Murweh Shire Council	R Buker, WHK Audit & Assurance
Napranum Aboriginal Shire Council	
Nogoa River Flood Plain Board	D Campbell, WHK NQ
North Burnett Regional Council	C Jenkins, BDO Audit (QLD) Pty Ltd
Northern Peninsula Area Regional Council	

Appendix 4 – Audit clients (continued)

Palm Island Aboriginal Shire Council	R Dunstan, WHK NQ
Paroo Shire Council	
Pormpuraaw Aboriginal Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Quilpie Shire Council	
Redland City Council	B Worrall, Crowe Horwath
Richmond Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Rockhampton Regional Council	
Scenic Rim Regional Council	S Stavrou, Deloitte Touche Tohmatsu
Somerset Regional Council	S Douglas, Bentleys (Qld) Pty Ltd
South Burnett Regional Council	M McDonald, Moore Stephens (Queensland) Audit Pty Ltd
Southern Downs Regional Council	
Sunshine Coast Regional Council	J Richards, KPMG
Tablelands Regional Council	D Campbell, WHK NQ
Toowoomba Regional Council	R Buker, WHK Audit & Assurance
Torres Shire Council	R Dunstan, WHK NQ
Torres Strait Island Regional Council	
Townsville City Council	
Western Downs Regional Council	
Whitsunday Regional Council	P Hinton, Bennett Partners Pty Ltd
Winton Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Woorabinda Aboriginal Shire Council	D Campbell, WHK NQ
Wujal Wujal Aboriginal Shire Council	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Yarrabah Aboriginal Shire Council	P Catterson, Pacifica Chartered Accountants
Statutory bodies	
Anti Discrimination Commission	
Anzac Day Trust	
Australian Agricultural College Corporation	M Maybury, Prosperity Audit Services
Avondale Water Board	
Babinda Swamp Drainage Board	
Benleith Water Board	
Board of Architects of Queensland	
Board of Professional Engineers of Queensland	
Board of the Queensland Museum	
Board of Trustees of the Brisbane Girls' Grammar School	
Board of Trustees of the Brisbane Grammar School	
Board of Trustees of the Ipswich Girls' Grammar School	M Maybury, Prosperity Audit Services
Board of Trustees of the Ipswich Grammar School	S Douglas, Bentleys (Qld) Pty Ltd
Board of Trustees of the Rockhampton Girls' Grammar School	S Douglas, Bentleys (Qld) Pty Ltd
Board of Trustees of the Rockhampton Grammar School	S Douglas, Bentleys (Qld) Pty Ltd
Board of Trustees of the Toowoomba Grammar School	
Board of Trustees of the Townsville Grammar School	
Bollon South Water Authority	
Bollon West Water Authority	
Bones Knob Water Board	
Boondooma Water Board	
Brigooda Water Board	
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLEAVE)	R Muller, Merrotts
Bundaberg Health Services Foundation	
Burdekin Shire Rivers Improvement Trust	
Cairns River Improvement Trust	

Appendix 4 – Audit clients (*continued*)

Callandoon Water Supply Board	
Cardwell Shire River Improvement Trust	
Central Queensland University	
Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities)	
Chicken Meat Industry Committee	
Clifton Shire River Improvement Trust	
Commission for Children and Young People and Child Guardian	
Condamine Plains Water Board	
Contract Cleaning Industry (Portable Long Service Leave) Authority	R Muller, Merrotts
Coreen Water Board	
Cowley Drainage Board	
Crime and Misconduct Commission	
Crowley Vale Water Board	
Currumbin Bird Sanctuary	G Smith, GPS Business Services
Darling Downs - Moreton Rabbit Board	
Dental Technicians Board of Queensland	
Don River Improvement Trust	
Dundowran-Nikenbah Water Board	
East Deeral Drainage Board	
East Euramo Drainage Board	
Energy and Water Ombudsman Queensland	T Zimmermann, Merrotts
Egun Bore Water Authority	
Family Responsibilities Commission	
Far North Queensland Hospital Foundation	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Fernlee Water Authority	
Gladstone Area Water Board	D Campbell, WHK NQ
Gladstone Economic and Industry Development Board	
Glamorgan Vale Water Board	
Gold Coast Hospital Foundation	
Gold Coast Institute of TAFE	T Mahony, PricewaterhouseCoopers
Grevillea Water Board	
Griffith University	K Franey, Thomas Noble & Russell
Health Quality and Complaints Commission	
Herbert River Improvement Trust	
Ingie Water Authority	
Ipswich Hospital Foundation	B Hiley, Priestleys Chartered Accountants
Ipswich Rivers Improvement Trust	
James Cook University	
Johnstone Shire River Improvement Trust	
Jondaryan Shire River Improvement Trust	
Juandah Water Board	
Kaywanna Bore Water Board	
Kelsey Creek Water Board	
Kooingal Water Board	
Legal Aid Queensland	L Murphy, Lawler Hacketts Chartered Accountants
Legal Practitioners Admissions Board	G Smith, GPS Business Services
Library Board of Queensland	D Munro, AAT Accountants Pty Ltd
Lower Herbert Water Management Authority	
Mackay Hospital Foundation	
Marathon Bore Water Supply Board	
Matthew Road Drainage Board	

Appendix 4 – Audit clients (continued)

Medical Radiation Technologists Board of Queensland	
Merwood Water Board	
Middle Park Bore Water Supply Board	
Motor Accident Insurance Commission	J Latif, William Buck
Mount Isa Water Board	D Campbell, WHK NQ
Mourilyan Drainage Board	
Mt Gravatt Showgrounds Trust	D Munro, AAT Accountants Pty Ltd
Mulgildie Water Board	
Myall Plains Water Authority	
National Trust of Queensland	G Smith, GPS Business Services
Nominal Defendant	J Latif, William Buck
Non-State Schools Accreditation Board	
North Burdekin Water Board	R Dunstan, WHK NQ
Northern SEQ Distributor-Retailer Authority (trading as UNITYWATER)	
Oaky Creek Water Board	
Occupational Therapists Board of Queensland	
Office of Health Practitioner Registration Boards	
Office of the Information Commissioner	
Orchard Creek Drainage Board	
PA Research Foundation	
Palmgrove Water Board	
Pioneer River Improvement Trust	M Power, Bentleys (Qld) Pty Ltd
Pioneer Valley Water Board	M Power, Bentleys (Qld) Pty Ltd
Prince Charles Hospital Foundation Trust	B Hiley, Priestleys Chartered Accountants
Professional Standards Council	
Prostitution Licensing Authority	
QRAA	C Jenkins, BDO Audit (QLD) Pty Ltd
Queensland Art Gallery Board of Trustees	J Latif, William Buck
Queensland Building Services Authority	J Latif, William Buck
Queensland Bulk Water Supply Authority (trading as Seqwater)	
Queensland Bulk Water Transport Authority (trading as LinkWater)	
Queensland College of Teachers	
Queensland Competition Authority	
Queensland Future Growth Corporation	
Queensland Law Society Incorporated	G Smith, GPS Business Services
Queensland Manufactured Water Authority (trading as WaterSecure)	
Queensland Performing Arts Trust	J Latif, William Buck
Queensland Reconstruction Authority	
Queensland Studies Authority	P Horne, Prosperity Audit Services
Queensland Theatre Company	M Wright, AAT Accountants Pty Ltd
Queensland Treasury Corporation	
Queensland University of Technology	B Worrall, Crowe Horwath
Queensland Water Commission	P Horne, Prosperity Audit Services
Redcliffe Hospital Foundation	
Residential Tenancies Authority	J Latif, William Buck
Riversdale-Murray Valley Water Management Board	
Roadvale Water Board	
Royal Brisbane and Women's Hospital Foundation	
Safe Food Production Queensland	M Ayoob, William Buck
Scenic Rim Rivers Improvement Trust	
SEQ Water Grid Manager	

Appendix 4 – Audit clients (*continued*)

Silkwood Drainage Board	
Six Mile Creek Water Supply Board	
Skills Queensland	
Smithfield Drainage Board	
South Bank Corporation	M Maybury, Prosperity Audit Services
South Burdekin Water Board	R Dunstan, WHK NQ
South Maroochy Drainage Board	
Southbank Institute of Technology	
Southern SEQ Distributor-Retailer Authority (trading as Allconnex Water)	
Speech Pathologists Board of Queensland	
Stadiums Queensland	
Stagnant Creek Drainage Board	
Stanthorpe Shire River Improvement Trust	
Sunshine Coast Health Foundation	A Hertel, Focus Professional Group HTA Partners Pty Ltd
Supreme Court Library Committee	L Murphy, Lawler Hacketts Chartered Accountants
Surveyors Board of Queensland	
Taberna Bore Water Board	
The Board of Trustees of Newstead House	
The Council of the Queensland Institute of Medical Research	
The Island Industries Board	D Campbell, WHK NQ
The Prince Charles Hospital Foundation	B Hiley, Priestleys Chartered Accountants
The Royal Children's Hospital Foundation	
The University of Queensland	
Toowoomba Hospital Foundation	J Gosper, John Gosper Audit and Assurance Pty Ltd
Tourism Queensland	B Worrall, Crowe Horwath
Townsville Hospital Foundation	R Dunstan, WHK NQ
TransLink Transit Authority	
Trustees of Parklands Gold Coast	G Dwyer, Thomas Noble & Russell
University of Southern Queensland	
University of the Sunshine Coast	B Worrall, Crowe Horwath
Urban Land Development Authority	
Valuers Registration Board of Queensland	
Wambo Shire River Improvement Trust	
Wanda Creek Drainage Board	
Warwick Shire River Improvement Trust	
Washpool Water Board	
Weengallon Water Authority	
Whitsunday Rivers Improvement Trust	
Woodmillar Water Board	
WorkCover Queensland	S Guse, KPMG
Workers' Compensation Regulatory Authority (Q COMP)	B Worrall, Crowe Horwath
Yambocully Water Board	

Appendix 4 – Audit clients (continued)

Joint controlled entities	
Advance Cairns Limited	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
Central Queensland Local Government Association Inc.	
Central Western Queensland Remote Area Planning and Development Board (RAPAD)	W Ringrose, Ringrose Button Pty Ltd
City North Infrastructure Pty Ltd	
Council of Mayors (South East Queensland) Pty Ltd	
DBCT Holdings Pty Ltd	
Far North Queensland Regional Organisation of Councils	G Coonan, KPMG
Gulf Savannah Development Inc.	D Campbell, WHK NQ
International WaterCentre Pty Ltd	K Franey, Thomas Noble & Russell
Local Government Association of Queensland Ltd	B Worrall, Crowe Horwath
Local Government Infrastructure Services Pty Ltd	
Major Brisbane Festivals Pty Ltd	A Vivian, Priestleys Chartered Accountants
North Queensland Local Government Association	G Coonan, KPMG
Palm Island Community Company Ltd	J Zabala, Moore Stephens (Queensland) Audit Pty Ltd
QMI Solutions Limited	D Laarhoven, UHY Haines Norton
Queensland Chi	
Idren's Medical Research Institute	
Queensland College of Wine Tourism	
Queensland Cyber Infrastructure Foundation Ltd	
Queensland Local Government Mutual Liability Pool (LGM Queensland)	B Worrall, Crowe Horwath
Queensland Local Government Workers Compensation Self-Insurance Scheme (Local Government Workcare)	B Worrall, Crowe Horwath
Queensland Tertiary Admissions Centre Limited	B Worrall, Crowe Horwath
SEQ Distribution Entity (Interim) Pty Ltd	
SEQ Regional Recreational Facilities Pty Ltd	
Services Queensland	B Worrall, Crowe Horwath
South West Queensland Local Government Association	
SPARQ Solutions Pty Ltd	T Biggs, Deloitte Touche Tohmatsu
State Council of River Trusts, Queensland Inc.	
The Grammar Schools of Queensland Association Inc.	Grant Thornton
Townsville Breakwater Entertainment Centre Joint Venture	R Dunstan, WHK NQ
Translational Research Institute Pty Ltd	
Urban Local Government Association of Queensland Inc.	R Buker, WHK Audit & Assurance
Western Queensland Local Government Association	L Walsh, Walsh Accounting
Western Sub Regional Organisation of Councils	R Buker, WHK Audit & Assurance
Wide Bay Burnett Regional Organisation of Councils Inc	J Evans, Johnston Rorke

Appendix 5 – Performance Indicator (PI) definitions

Objective 1 – We meet the needs of Parliament.

1. The Parliament and PAPWC utilise reports from the Auditor-General.

This indicator assesses whether QAO meets the needs of Parliament by measuring Parliament's satisfaction with the Auditor-General's Reports to Parliament. Reports are the core output Parliament receives from QAO. This indicator incorporates a number of measures.

Figure 32 – The Parliament and PAPWC utilise reports from the Auditor-General

Measure	
Quality	
Audit reports to Parliament completed to the satisfaction of the Parliament and the PAPWC.	<p>The Auditor-General offers to brief the PAPWC for each Report to Parliament that is tabled.</p> <p>The Executive Officer is to discuss the outcome of the meetings with the Auditor-General after each meeting.</p> <p>The measure is either satisfied or not satisfied.</p>
Cost	
Average cost per Report to Parliament for Financial and Assurance (F&A) reports.	<p>Costs for each report are recorded progressively and an average calculated at year to date. Printing costs are included.</p> <p>Staffing costs are at charge out rates as opposed to cost.</p> <p>This measure is for reports tabled in the 2010-11 financial year.</p>
Average cost per Performance Management Systems (PMS) audit. (Including reports to Parliament).	<p>Costs for each report are recorded progressively and an average calculated at year to date. Printing costs are not included to ensure consistency with ACAG measures.</p> <p>Staffing costs are at charge out rates as opposed to cost.</p> <p>This measure is for reports tabled in the 2010-11 financial year.</p> <p>ACAG also report on this measure as part of the ACAG benchmarking.</p> <p>From 1 July 2011, this target will increase to \$400,000. Based on the increase in charge out rates and complexity of the audits being undertaken.</p>
Measure	
Timeliness	
Average time for reporting F&A audits to Parliament from the date of audit certification.	<p>Average time for tabling Reports for F&A audits is based on the date of the audit certificate for audits being reported in comparison to when the report was tabled.</p> <p>The QAO target is < 4 months based on 30 June audits signed by August and usually reported by November.</p>
Average elapsed time for completion of PMS audits including reporting to Parliament.	<p>The time taken to complete a PMS audit is calculated from the date the agency is notified in writing of the audit (start time) to the tabling date of the Report to Parliament (finish time).</p> <p>Times for each report are recorded progressively and an average calculated at year to date.</p> <p>ACAG report on this measure as part of the ACAG benchmarking.</p>
Number of audit reports to Parliament: ■ F&A audits. ■ PMS audits.	<p>This measure indicates QAO provides Parliament with timely audit information. The number of reports to Parliament are compared to the target figure set at the beginning of the audit year. The quality of F&A audit and PMS audit reports are measured separately.</p>
Percentage of financial statements audited and certified within statutory timeframe where statutory requirements observed by audit clients.	<p>The purpose of this measure is to indicate whether QAO is completing its audits in a timely fashion. Milestone reporting is performed on a monthly basis.</p>

Appendix 5 – PI definitions (*continued*)

Objective 2 – We add value to public sector entities.

2. Our audit clients value our services.

The purpose of this indicator is to assess the satisfaction of public sector entities with QAO's services.

These have all been covered in the measures in Figure 33.

Figure 33 – Our audit clients value our services

Measure	
Quality	
Of Financial and Assurance audits subject to internal and external review, no audits were assessed as unsatisfactory.	To assess the quality of QAO and Contract Audit Firm processes and selected audit files and evaluate the results of any external peer-reviews. These reviews are reported to EMG on a progressive basis. Results are assessed under three categories namely Better Practice, Satisfactory and Unsatisfactory.
Percentage of recommendations agreed by auditees for PMS audits.	The purpose of this measure is to ascertain auditees' acceptance of audit recommendations.
Timeliness	
Audit client satisfaction with Financial and Assurance audit services.	ORIMA Research Pty Ltd been commissioned to conduct surveys to measure how clients view the effectiveness and quality of QAO services. One measure provided is an audit value index which is the index scores for audit process, audit reporting and audit value.
Audit client satisfaction with Performance Management Systems audit services.	The purpose of this measure is to evaluate client satisfaction pertaining to PMS audit services. ORIMA Research Pty Ltd conducts the surveys for QAO.
Audit IPSAM files finalised within 60 days of issuing audit report.	In accordance with ASA 230, an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.

Appendix 5 – PI definitions (*continued*)

Objective 3 – Our business is efficient, effective and sustainable.

3. Key business metrics demonstrate efficient use of resources to deliver service requirements.

The purpose of this indicator is to assess the efficiency of how QAO runs its business.

This performance indicator will incorporate a number of measures as detailed in Figure 34.

Figure 34 – Key business metrics demonstrate efficient use of resources to deliver service requirements

Measure	
Operating result	
Revenue against budget.	Data (YTD actual and budget) is obtained from the QAO ledger.
Expenditure against budget.	Data (YTD actual and budget) is obtained from the QAO ledger.
Percentage of operational costs self-funded through audit fees.	To calculate a percentage of the total revenue and expenditure from the QAO ledger.
Utilisation rate	
Percentage of total paid hours used directly on audit activities against paid hours. (ACAG – Chargable of available and leave).	The Corporate Performance Report summarises the percentage of chargeable hours as part of the utilisation of hours report. This is the hours that contribute to our services (Financial and Assurance audits, Performance Management Systems audits, Parliamentary reporting and sector-wide assistance). ACAG benchmarking also includes this measure.

Objective 4 – Our staff are motivated and capable.

4. We have motivated and skilled staff to meet our service expectations.

This performance indicator will incorporate a number of measures included in Figure 35.

Figure 35 – We have motivated and skilled staff to meet our service expectations

Measure	
Staff pulse	
Staff turnover rate.	The Queensland Public Service figure is obtained from quarterly reports from the Workforce Analysis Comparison Application (WACA). QAO's rate must not exceed the whole-of-government rate for each quarter. Quarterly comparisons will be based on WACA's previous quarter data.
Sick leave taken.	
Less than 10 per cent of staff with excessive recreation leave (i.e. over 290 hours).	Recreation leave reports run within three days after the end of the quarter.

Appendix 6 – PIs over 5 years

Key Performance Indicator	2006-07	2007-08	2008-09	2009-10	2010-11	Footnotes
Audit reports to Parliament completed to the satisfaction of the Parliament and the PAPWC.	100%	Satisfactory	Satisfied	Satisfied	Satisfied	¹
Average cost per Report to Parliament for F&A reports.	*	*	*	\$107,285	\$101,545	
Average cost per PMS audit (including reports to Parliament)	*	\$264,693	\$277,740	\$423,487	\$358,000	
Average time for reporting F&A audits to Parliament from the date of audit certification.	*	*	*	3 months	3 months	
Average elapsed time for completion of PMS audits including reporting to Parliament.	6.3 mths	5.9 mths	6.8 mths	7.5 mths	6.5 months	
Number of audit Reports to Parliament:						
F&A audits.	9	9	10	11	11	
PMS audits.	5	3	4	4	6	
Financial statements audited and certified within statutory timeframe where statutory requirements observed by audit clients.	4	6	6	7	5	
Financial statements audited and certified within statutory timeframe where statutory requirements observed by audit clients.	100%	100%	99%	100%	95%	¹
Of F&A audits subject to internal and external review, no audits were assessed as unsatisfactory.	*	*	*	0	1	²
Recommendations agreed by auditees for PMS audits.	*	*	*	100%	94%	
Audit client satisfaction with F&A audit services.	*	*	*	75 index points	72 index points	
Audit client satisfaction with PMS audit services.	*	*	*	67 index points	83 index points	
Audit IPSAM files finalised within 60 days of issuing audit report.	*	*	*	98%	97%	
Number of audit clients.	*	339	329	335	317	
Number of public sector entity audits and by-arrangement audits.	817	792	747	737	711	
Number of grant acquittals and other certificates.	*	*	150	165	193	
Revenue against budget.	*	*	*	97.4%	100%	
Expenditure against budget.	*	*	*	101.7%	98.0%	
Operational costs self-funded through audit fees.	83%	85%	85%	82%	88%	³
Total paid hours used directly on audit activities against paid hours [ACAG - Chargeable of (available + leave)]	*	*	*	47%	47%	
Annual staff turnover rate.	11.66%	20.40%	11.28%	4.59%	8.36%	
Less than 10 per cent of staff with excessive recreation leave (i.e. over 290 hours).	*	*	*	9%	4.71%	

* Information not collected.

1. Wording amended in 2010-11.
2. PI changed in 2010-11 from Percentage of audit findings reviewed as appropriate.
3. Prior year published figures have been amended due to prior year adjustment.

Appendix 7 – Publications

Auditor-General Reports to Parliament

Financial and Assurance audit

- *Report No. 8 for 2010 – Results of audits at 31 May 2010.* Tabled 6 July 2010.
- *Report No. 10 for 2010 – Expenditure under the Nation Building – Economic Stimulus Plan at 31 August 2010.* Tabled 27 October 2010.
- *Report No. 13 for 2010 – Results of audits at 31 October 2010.* Tabled 18 November 2010.
- *Report No. 2 for 2011 – Results of local government audits.* Tabled 22 March 2011.
- *Report No. 4 for 2011 – Information systems governance and security.* Tabled 21 June 2011.
- *Report No. 5 for 2011 – Results of audits at 31 May 2011.* Tabled 23 June 2011.

Performance Management Systems audit

- *Report No. 9 for 2010 – Sustainable management of national parks and protected areas.* Tabled 5 October 2010.
- *Report No. 11 for 2010 – Implementation and enforcement of local laws.* Tabled 9 November 2010.
- *Report No. 12 for 2010 – Follow up of 2009 Queensland Health audits.* Tabled 16 November 2010.
- *Report No. 1 for 2011 – Management of offenders subject to supervision in the community.* Tabled 25 February 2011.
- *Report No. 3 for 2011 – Follow up of 2008 audit on administration of grants and funding to community organisations by local government in Queensland.* Tabled 9 June 2011.

INFORM

2010

- Issue 4 – August 2010.
- Issue 5 – October 2010.
- Issue 6 – December 2010.

2011

- Issue 1 – February 2011.
- Issue 2 – April 2011.
- Issue 3 – June 2011.

Access QAO's publications
online at www.qao.qld.gov.au

Annual Report

- Annual Report 2009-10 – Tabled in September 2010.



Appendix 8 – Abbreviations

ACAG	Australasian Council of Auditors-General
AIIESEC	Association Internationale des Etudiants on Sciences Economiques et Commerciales
AO	Administration Officer
APES	Australian Professional and Ethical Standard
APQ	Audit Policy and Quality
ARMC	Audit and Risk Management Committee
ASA	Australian Auditing Standard
ASAE	Australian Standard on Assurance Engagements
ASR	Audit Support Review
ATSI	Aboriginal and Torres Strait Islander
CA	Chartered Accountant
CEO	Chief Executive Officer
CISA	Certified Information Systems Auditor
CPA	Certified Practising Accountant
CP1	Central Plaza One
DET	Department of Education and Training
EAS	Employee Assistance Service
EBA	Enterprise Bargaining Agreement
EMG	Executive Management Group
EQCR	Engagement Quality Control Review
ESG	Executive Staffing Group
F&A	Financial and Assurance
FTE	Full-time equivalent
ICAA	Institute of Chartered Accountants Australia
ICT	Information and Communication Technology
IPAA	Institute of Public Administration Australia
IPSAM	Integrated Public Sector Audit Methodology
IS	Information Systems
ISACA	Information Systems Audit and Control Association
ISC	Information Steering Committee

IT	Information Technology
LWOP	Leave Without Pay
NDRRA	National Disaster Relief and Recovery Arrangements
NESB	Non-English speaking background
OPR	Operational Performance Review
PAPWC	Public Accounts and Public Works Committee
PASS	Professional Auditor Skills Scheme
PFT	Permanent Full-Time
PI	Performance Indicator
PID	Public Interest Disclosure
PMS	Performance Management Systems
PNG	Papua New Guinea
PO	Professional Officer
PPT	Permanent Part-Time
PSC	Public Service Commission
PWD	People with a disability
QAO	Queensland Audit Office
QPSU	Queensland Public Sector Union
QRA	Queensland Reconstruction Authority
QUT	Queensland University of Technology
RTI	Right to Information
SARAS	Study And Research Assistance Scheme
SE	Senior Executive
SEQIPP	South East Queensland Infrastructure Plan and Program
SO	Senior Officer
SSA	Shared Service Agency
SWC	Staff Welfare Committee
TFT	Temporary Full-Time
TPT	Temporary Part-Time
TRI	Translational Research Institute
UAG	University Auditors Group
VOIP	Voice Over Internet Protocol
WACA	Workforce Analysis Comparison Application
WH&S	Workplace Health and Safety
WLG	Women's Leadership Group
YTD	Year To Date

Appendix 9 – Glossary

Adverse opinion: Expressed when the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report.

Audit: An examination of the records, statements, systems, and procedures.

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

Client: A client is defined as either the parent entity of a group of controlled entities (based on the accounting definition of control – AASB127) or a single entity.

Disclaimer of opinion: Expressed when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive. Or, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report.

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 2010 to 30 June 2011.

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.

Index point: A score representing the mean (average) response to a question using a five-point response scale, transformed into a 0-100 point scale. Generally, the higher the index point, the more positive the response.

Management letter: Communication sent to a client outlining various financial information. Details contained may relate to general industry topics or be specific to the client.

Performance reviews: A series of regular, periodic meetings during which executive leaders use data to discuss, examine and analyse with individual unit directors past performance, future performance objectives and overall performance strategies.

Performance Indicator (PI): Objective evidence on the extent of, or progress towards, achievement of a desired outcome.

Qualified auditor's opinion: Expressed when the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive.

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

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Feedback

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Acknowledgments

QAO would like to thank everyone who contributed to the development of the Annual Report 2010-11.

While the Annual Report 2010-11 is collated and designed by the Governance and Communications Team, all areas of QAO are involved in the development of content. The production of the Annual Report would not be possible without the commitment and dedication of all areas of QAO.

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