

Auditor-General of Queensland

Executive Summary

Report to Parliament No. 4 for 2008 Results of Audits as at 31 May 2008



1. Executive summary

1.1 Auditor-General's overview

This report provides details of the results for a number of audits of specific programs, the 2007 financial year audits of universities and grammar schools, the current status of the Shared Service Initiative and other audit results.

It is usual for this Office to select areas of public sector activity for specific audit to determine how well public sector entities are complying with a selection of legislative requirements, government policy and directives from central agencies. For 2007-08, these areas of interest were:

- fraud risk management
- corporate card use and management
- the management of public sector employee housing
- information and communication technology (ICT) project management
- infrastructure project evaluation.

The number of entities audited for each topic varied as did the methods used to collect and analyse information.

The results of fraud risk management and corporate card use and management audits were conducted to provide assurance to Parliament assurance about systems in use to manage these risks and identify any areas which needed improvement.

While a large number of entities were examined through these audits, to ensure the focus is maintained on the issues identified, the entities subjected to audit and the individual results for each entity have not been disclosed. However for all the entities audited, all control breakdowns and recommendations for improvement have been reported to management for appropriate action. The implementation of this action will be monitored through subsequent audit activity.

For the audits of the management of public sector employee housing, ICT project management and infrastructure project evaluation, specific agencies have been chosen for audit and have been reported upon to enhance overall performance and accountability. These

audits identified areas of improvement and for some, where urgent action needs to be taken. Once identified, issues for attention were reported to management for appropriate action. In addition, the entities named were given the opportunity to respond to the issues raised as required by the *Financial Administration and Administration Act 1977* (FA&A Act) and their responses are included in this report.

This report provides Parliament with an update on the current status of the Shared Service Initiative from the 2008-09 interim audits of CorpTech, the Shared Services Agency and other shared service providers. It is encouraging that there is improvement in the management of this initiative with fewer high risk issues being identified. As the Shared Service Initiative impacts on a number of my major audits, I will continue to monitor actions being taken to resolve outstanding issues.

A significant change affecting departments, statutory bodies and government owned corporations this financial year, is the change to financial reporting deadlines from three months to two months after the completion of the financial year. This arose from amendments to the FA&A Act and the *Government Owned Corporations Act 1993* (GOC Act) passed by Parliament in February 2008. I have been working with entities to meet the shortened timeframes for financial statement completion through strategies such as early closes to hasten financial statement preparation and provide more timely audited financial information.

This report also provides an update on the status of all 2006-07 audits which were not finalised at the date of Report No. 9 for 2007. This report includes the results of the 2007 audits of universities and grammar schools and Aboriginal Shire and the Torres Strait Island Council audits not finalised at the time of tabling Report No. 2 for 2008.

A summary of the key audit findings from the report is provided in the following section. Responses provided by the respective entities to issues raised in the report are provided in Section 5.1.

1.2 Summary of key audit findings

Results of compliance audits

Management of public sector employee housing (Section 2.1)

Because employee housing is a valuable State asset contributing to service delivery, I conducted an audit to assess how effectively the Departments of Education, Training and the Arts, Health, Police and Public Works were managing the provision of government employee housing.

Overall I identified a need for improvement in the operation of the whole-of-government management framework and the departmental systems used to manage tenancy and maintenance information. Assessments by the departments of maintenance requirements were not comprehensive, condition assessments were not timely and maintenance backlogs were not effectively managed. Departmental tenancy management systems were also found to be inadequate for three departments and strategic planning for procuring and maintaining employee housing was inadequate.

Whole-of-government management of the State employee housing assets was found to be ineffective with poor information available and appropriate management information systems not being in place. The implementation of the current model for providing and maintaining employee housing needs to be reviewed to ensure adequate systems and processes are developed and utilised.

Fraud risk management (Section 2.2)

The potential for fraud is a key risk for all entities whether in the private or the public sector. My audit assessed the extent to which a selection of 45 public sector entities had implemented an appropriate fraud risk management framework. The results of the audit showed that while fraud continues to present a significant risk to management in their collective stewardship of public sector assets, there has been an improvement in the application of fraud risk management principles across the public sector since the last audit in 2002-03. Twenty-four of the 45 entities had experienced loss from fraud to various degrees. Areas which could be further improved include fraud risk assessment, development of fraud

policies and plans and monitoring activities.

Corporate card use and management (Section 2.3)

Credit cards are used by government as a convenient means of purchasing low value goods and services. I examined controls in place over the use and management of corporate cards at 23 entities and found most have made a concerted effort to implement appropriate policies and procedures.

Eight entities had comprehensive controls in place over the management and use of corporate cards while the remaining fifteen entities were identified as having adequate controls where improvements could be made. None of the entities were considered to have such poor controls in place that corporate cards should not be used.

Over 600 cards across thirteen entities were noted as having not been reconciled to supporting documentation for more than 60 days. Reconciling cards within a reasonable timeframe reduces the risk of unauthorised and inappropriate expenditure. Other control breakdowns identified included seven entities where expenditure transactions were not always supported by adequate documentation and instances where card holders did not always have the appropriate financial delegation to allow them to incur expenditure on their card. While the misuse of the corporate cards would be possible given these control breakdowns, no instances of misuse were noted during the audit.

Information and communication technology (ICT) project management (Section 2.4)

Because of the risks associated with the delivery of large ICT projects currently in progress, I audited three projects to see if appropriate project structures were being used and policies, accountability mechanisms and monitoring practices were in place to achieve the required government outcomes. These projects were the Queensland Police Records and Information Management Exchange (QPRIME), Integrated Client Management System (ICMS) and the Automated Fare Collection System (AFCS).

I found that overall the management of the projects varied across the three projects audited. The Department of Police's Queensland Police Records and Information

Management Exchange (QPRIME) project was found to be generally well managed through the duration of the project with good project management practices in place.

While the Integrated Client Management System (ICMS) project at the Department of Child Safety and Department of Communities and Disability Services Queensland had experienced past project management issues, there was evidence of recent improvements in project controls. These improvements were a result of the implementation of the Queensland Government Project Management Methodology. Significant weaknesses in project management controls were identified for the Automated Fare Collection System (AFCS) project at Translink, a business unit of the Department of Transport.

The key findings identified across all three projects should be considered by other public sector entities involved in the planning and implementation of similar significant ICT projects.

Infrastructure project evaluation (Section 2.5)

With the recent surge in infrastructure related spending in response to pressures from increased population growth in South East Queensland, infrastructure project evaluation has been a topic of audit focus for both 2006-07 and 2007-08. These audits have reviewed the adequacy of the project management frameworks adopted by the entities responsible for this infrastructure expenditure. The audits also examined compliance with infrastructure strategies, plans, charters, frameworks, policies and guidelines.

The results of audit testing indicated that most of the thirteen projects audited in 2007-08 were well managed. However in some cases there was opportunity for improvement of processes and policies.

In the 2006-07 projects, the areas of greatest improvement were reporting, communication and governance. While all entities met the minimum standard for risk management, there continues to be a need for improvement in the updating of risk management documentation and issuing of management plans and risk registers.

I am encouraged by the progress to date in implementing the recommendations made in the audit management letters provided to the individual entities. There have

been some key improvements. Strong coordination and management implementation will ensure that all audit recommendations are addressed in relation to current and future infrastructure projects.

Other audit results

Shared Service Initiative (Section 3.1)

Planning and interim audit work for the Shared Service Initiative has been finalised. All audit findings were reported to senior management for resolution. There has been improvement in controls across the shared services entities with many high risk issues now addressed. This has provided the opportunity for other less critical issues to be identified which also need attention.

2007 University and Grammar School audit results (Section 3.2)

The 2007 audits of universities have been completed and unmodified audit opinions were issued on their financial statements. While modified opinions were issued for some controlled entities of universities, I am satisfied that appropriate governance regimes are in place to maintain their accountability.

Audit opinions on the financial statements of all eight grammar schools were unqualified.

2006-07 Aboriginal Shire Council and Torres Strait Island Council audit results (Section 3.3)

Three Aboriginal Shire Council and two Torres Strait Island Council financial statements have been certified for 2006-07 since Report No. 2 for 2008 was tabled in Parliament on 2 May 2008.

Ratings of Councils' overall level of financial accountability and stewardship of financial resources have been included in Section 3.3.3.

Other 2006-07 audit results (Section 3.4)

At the date of this report, 97 per cent of 2006-07 audits (or 703 of 727 reporting entities) have been finalised (that is, management certified and audited). Financial statements for 24 audits are still outstanding.

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