

These conditions apply in respect of audit services provided by the Queensland Audit Office ("QAO") to our clients

1. Audit services

- 1.1 The nature of QAO's audit services are described in the engagement letter and the annual Client Strategy.
- 1.2 The engagement letter, the relevant annual Client Strategy and these Conditions of Audit Engagement form the entire agreement between QAO and our clients relating to the audit services provided. It replaces and supersedes any previous proposals, correspondence, understandings or other communications whether written or oral.

2. Confidentiality

- 2.1 All information obtained during an audit is deemed protected information by *s.53 of Auditor-General Act 2009 (A-G Act)* unless the information is publicly available.
- 2.2 Protected information can only be disclosed in the circumstances provided for in *s.53 of the A-G Act*.

3. Responsibilities of those charged with governance

Financial reporting

- 3.1 Those charged with governance of the client are responsible for the preparation and fair presentation of the financial report in accordance with the applicable reporting framework.
- 3.2 This responsibility includes:
 - ensuring that the financial report is free from material misstatement, whether due to fraud or error
 - selection and application of appropriate accounting policies
 - ensuring reasonableness of accounting estimates
 - ensuring compliance with prescribed requirements in relation to establishment and keeping of accounts and records.
- 3.3 The financial report prepared for the client must be provided to QAO by an agreed date that allows for the audit of the financial report to be completed within the legislative timeframes.

- 3.4 Where the client controls other entities, the relevant Minister is required to advise the Auditor-General of any newly established controlled entities and entities that are no longer controlled by the client.

Prevention and detection of fraud

- 3.5 The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the client and with management.
- 3.6 These responsibilities include:
 - establishment and maintenance of appropriate policies and procedures
 - establishment and maintenance of a system of internal control
 - safeguarding the client's assets.
- 3.7 Those charged with governance of the client will be required to disclose to QAO their assessment of the risk of fraud and any instances where fraud has been detected or is suspected.

Management representation letter

- 3.8 Representations will be sought from management on matters material to the financial report where other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 3.9 The nature and extent of representations sought will vary from one client to another and from year to year.
- 3.10 Examples of representations sought will include:
 - all financial records, related information and assistance have been made available to QAO
 - an acknowledgement of management's responsibility in relation to internal control, including prevention and detection of fraud
 - confirmation that the effects of all uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report taken as a whole
 - the reasonableness of any judgements or assumptions that have had a material effect on the financial report
 - related party information
 - the ability of the client to continue as a going concern.

4. Responsibilities of QAO

Financial reporting

- 4.1 In terms of the financial management legislation and the *Auditor-General of Queensland Auditing Standards*, QAO's responsibilities include:
- examination of financial systems and transactions, including an evaluation of compliance with applicable prescribed requirements
 - reviewing the probity and propriety of matters associated with the management of public sector entities
 - attestation of financial data and disclosures for the purpose of expressing an opinion on the financial report prepared by the client
 - reporting to Parliament on matters of significance arising from the audit or relating to the Auditor-General's activities.
- 4.2 In addition to the above responsibilities, QAO endeavours to identify business improvement opportunities as part of the audit process. As a result QAO may issue better practice guidelines aimed at enhancing public sector accountability. These are available on QAO's website at www.qao.qld.gov.au.

Independence

- 4.3 The s.8 of the A-G Act establishes Parliament as QAO's primary client and protects the independence of the Auditor-General by requiring that the Auditor-General:
- is not subject to direction about the conduct of audits
 - is responsible for the external audit of all public sector entities and can only be removed by Parliament
 - has the facility to report directly to Parliament.
- 4.4 QAO staff are expected to adhere to the highest standard of ethical behaviour as required by APES 110 Code of Ethics for Professional Accountants. QAO staff will not exert undue or improper influence over any audit and shall conduct themselves at all times in a professional manner. QAO staff are expected at all times to discharge their responsibilities in the public interest.

Prevention and detection of fraud and error

- 4.6 QAO's audit procedures are designed to provide reasonable assurance over the detection of errors or irregularities, including fraud and other illegal acts, material to the financial report.
- 4.7 Due to the inherent limitations of audits performed by QAO, there is an unavoidable risk that some material misstatements of the financial report, as a result of either fraud or error, will not be detected even though the audit is properly planned and performed in accordance with the *Auditor-General of Queensland Auditing Standards*.

Management representation letter

- 4.8 QAO will request from management representations on matters relating to the financial report for which other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 4.9 Failure to provide the representations requested by QAO could directly impact on the auditor's opinion issued on the financial report.

5. Legislative powers of the Auditor-General

- 5.1 Financial management legislation confers a number of powers to the Auditor-General to enable the efficient and effective conduct of audits. These powers include:
- right to access documents and property, at all reasonable times, including those held by external service providers to the client, such as contracted payroll and internal audit functions
 - right to obtain information from client personnel right to verbally examine client staff.
- 5.2 A person must not, without reasonable excuse, fail to comply with a requirement to provide reasonable assistance in relation to the exercise of these powers.

6. Quality assurance

- 6.1 QAO's quality control processes are aimed at ensuring that the delivery of audit services is of a professionally high and consistent quality. QAO's framework for quality assurance is guided by the requirements of APES 320 Quality Control for Firms issued by the Australian Professional and Ethical Standards Board.
- 6.2 Significant audits are assigned an Engagement Quality Control Reviewer to review the professional judgements made by the engagement team and audit conclusions are properly supported by the audit team's work.

7. Electronic presentation and/or filing of financial information

- 7.1 If the client intends to electronically present the financial report and the independent auditor's report on a web site or distribute them via other electronic media including CD Rom, an additional paragraph will be included in the independent auditor's report to reflect the uncertainty in relation to the security of the web site and the potential misuse of any signatures included on the website. Responsibility for the electronic presentation of these reports on your web site is that of those charged with governance of the client and management.



7.2 If the client intends to undertake the electronic filing of information containing or referring to the independent auditor's report with regulators (e.g. ASIC) or other bodies the client agrees to advise QAO of this and to provide us with a complete hard copy of the relevant electronic information on a timely basis. QAO have no obligation to check this information but we can require its removal or amendment or the taking of other appropriate action if we are of the opinion that the information or reference to our report is inconsistent with the report or is inaccurate or misleading in its content or its context.

8. Use of reports

8.1 With the exception of the independent auditor's report and the Auditor-General's Reports to Parliament, any report issued by QAO is provided solely for the client's internal use.

9. Intellectual property

9.1 Intellectual property rights in all of QAO's knowledge, training materials and methodologies utilised in providing audit services or incorporated into a report or other material provided to the client remain vested in QAO.

9.2 The working papers prepared in providing audit services, including electronic documents and files, are the property of QAO and constitute protected information under s.53 of the A-G Act.

9.3 QAO may use or develop software, including spreadsheets, databases and other electronic tools in providing audit services. Where these tools are provided to clients, an acknowledgement is required that:

- they are not the property of the client were developed for QAO purposes and without consideration of any purpose for which the client might use them are made available on an "as is" basis for use only by the client and must not be distributed to, or shared with, any third party
- QAO make no representations or warranties as to the sufficiency or appropriateness of the tools for any purpose for which the client or a third party may use them.

10. Audit fees

10.1 The audit fee for audits conducted by QAO staff is based on the time required to carry out the work, calculated at rates approved by the Treasurer. For audits conducted by a contract auditor, the fee is based on the fee paid to the contract auditor plus a recovery of QAO time spent in establishing and managing the contract and dealing with issues related to the audit.

10.2 Details of the estimated annual audit fee are included in the annual Client Strategy or the engagement letter. Estimated audit fees are based on the following assumptions:

- that the information required for the audit is made available in accordance with the timetables agreed with management
- that the information provided is accurate and with sufficient supporting information to substantiate the financial statements, including the notes to the accounts, and
- that key executives and accounting personnel are available during the audit.

10.3 The estimated fee is indicative only. While every effort is made by QAO to complete all audits in line with the approved strategy and fee, increases in the audit fee are unavoidable if additional business activities or risks are identified during the audit.

10.4 Any change to the audit strategy, such as the identification of significant issues which affect the nature and extent of planned audit procedures, has the potential to impact the estimated audit fee. In situations where the audit fee appears likely to materially vary from the estimate, the client will be notified as soon as the variation is identified, together with reasons for the variation.

10.5 QAO will seek reimbursement for any tax or other charge imposed on QAO now or in the future in relation to any transactions arising in connection with, or as an outcome of the audit engagement including (but not limited to) the Goods and Services Tax or any travel or other expenses incurred in performing the audit.

10.6 The audit fee will be billed progressively on the basis of work completed.

11. Workplace health and safety

11.1 As QAO staff will primarily conduct the audit while on your premises, your attention is drawn to the obligations of employers under the *Workplace Health and Safety Act 1995*. The Act requires employers to ensure the risk of disease or injury from the workplace is minimised for persons coming into the workplace to work.

