

INFORM

Official Journal of the Queensland Audit Office

What's new for QAO in 2007?

2007 is shaping up to be a busy year for the Queensland Audit Office (QAO), with a number of projects on the go and changes in operations coming to fruition.

Whether it's working with our extended Performance Management Systems Audit (PMSA) mandate (see feature on page four), our new communications channels, or streamlining how we work with our contract auditors, 2007 will be about sharpening our focus on quality.

QAO has a long history of providing quality services and we think it's important to constantly review our performance to maintain and improve the standard of our audit operations. This is especially true as Queensland continues to grow and we operate in an increasingly dynamic environment.

To this end, we have established a new independent quality assurance group within QAO to ensure rigour and objectivity around our practices and processes. This means we can work through quality assurance to monitor and improve our work on an ongoing basis rather than as a separate key performance indicator or as an end-of-audit review.

Because many of our clients' audits are performed by contract auditors

engaged by QAO, we also identified the need to focus this quality assurance on the framework and management of contract auditing.

For the last 12 months we have been revamping the process for firms registered as contract auditors with us. We've reduced the number of contract auditors on our register with the aim of having fewer contract auditors who are doing more QAO work, so they can also specialise in public sector auditing.

This means we can more successfully undertake the whole audit program in line with our expectations and standards.

The next stage in this process is working through the tendering process to appoint the best possible pool of quality contract auditors, which we view not as an end in itself but as an integral part of our quality assurance work.

2007 is about ensuring we continue to provide the best quality service we can to our clients through rigorous and independent reviews that will allow us to build on our strengths and identify opportunities for improvement.

It's going to be a year of hard work for us, and one that we think will yield some great results for our clients.

IN THIS ISSUE

Quality assurance a priority for QAO in 2007

Auditor-General given new powers under extension to PMSA audit mandate

Five minutes with ... Auditor-General Glenn Poole

New look INFORM

After nearly a decade of heralding our audit news and views, we decided it was high time for our INFORM publication to undergo an audit of its own.

You're looking at the results – INFORM will now be published as a bi-monthly, eight-page journal containing regular opinion, training and industry-related

features as well as audit profiles and news and views from across Queensland's public and financial sectors.

We hope you enjoy our new look journal. Drop us a line at Inform@qao.qld.gov.au and let us know your news and views, or if there's anything you would like to see featured in upcoming editions.



Past editions of INFORM



News & Views

Closing time

Early closes could soon be a common process following Treasury Department's notification of a revised timeframe for audited financial statements.

Twenty reporting entities were advised late last year that the completion time for their audit process would be reduced by 30 days to 15 August effective for the 2007-08 reporting period.

Although this process does not yet apply to all entities, the option of early closes has become an appealing opportunity to prepare for the possible shift in financial statement reporting.

Six entities attempted the early close strategy during the 2005-06 period, double the previous year.

QAO Audit Principal, Denis Byram was involved in the successful early close of two entities and said the benefits of this strategy for both QAO and the entities were substantial.

"An early close means time to analyse processes and less pressure in terms of timeframes."

The early close strategy can be broken into two processes; the 'hard' close and the 'soft' close.

The 'hard' close involves rehearsing end-of-year processes as far as possible with the understanding that some processes and balances can only be calculated or completed at the end of the year.

The 'soft' close involves the verification of individual balances by selection, based on a risk evaluation. When the year-end approaches the entity will assess the financials for the remaining months and work undertaken will depend on whether the predictions fall within acceptable levels or not.

By completing the early close process, entities are better placed to identify issues of impact in advance and have the successfully verified figures prior to the deadline.

As a result, the remaining few months can be closed without the mounting pressure of a year's worth of financial statements and can allow more time for activities such as period transactions, account balance analysis and the indexation of asset valuations.

In addition, the timely production of an individual entity's financial statements will contribute to the timely preparation of whole-of-government financial statements.

Denis said the key to a successful early close was dedication by the entity to meeting the outlined financial timetable and communicating its commitment to this process to all areas to be involved with the close.

A Checklist for the Preparation of Financial Statements has been developed by QAO based on experiences of better practice noted at client agencies. This checklist will assist entities considering implementing an early close strategy. For more information visit www.qao.qld.gov.au

"An early close means time to analyse processes and less pressure in terms of timeframes."

News & Views

Clients give the thumbs up!

Results from the first phase of QAO's financial audit client survey of clients with a 30 June 2006 year-end are in, showing a significant improvement in our ratings.

Almost 200 clients rated QAO's audit performance by answering 33 questions about audit process, audit reporting, and the value of the Office's financial statement audit services, which were then compared to 2004-05 results and will be benchmarked against other audit offices.

In the three key areas, our top-line results compared favourably with 2004-05, with the most significant improvement shown in the area of the Auditor-General's Reports to Parliament.

A respective 17.7% and 11.1% increase in client approval (from 2004-05) was recorded for the questions of whether

reports presented audit findings and issues in an accurate manner and in a balanced and fair manner.

Phase two of the financial audit client survey (clients with year-ends other than 30 June) will commence in April 2007.

Snapshot

- 78.5% of clients agreed that QAO's financial audit services make a valuable contribution by providing their organisation with a sense of assurance.
- 91.8% of clients agreed that QAO auditors' interaction with the client's staff during the audit was conducted in a professional manner.
- 43.6% of clients agreed that the QAO audit fees are reasonable and relative to the level of audit activity undertaken.

New website on its way



The new QAO website, due for launch in March

QAO's new website is in the final stages of development and will go live at the end of March.

The new site will offer more streamlined online information and interactive communication for our clients, industry and the general public seeking to find out more about the QAO and public sector auditing in Queensland.

Keep your eye out for the new site over the next few weeks at www.qao.qld.gov.au

Training & Industry

With Assistant Auditor-General, Poopalasingam Brahman

Pushing performance management

What the expansion in the performance management systems audit mandate means for Queensland.

A new era in Queensland public sector auditing was welcomed in with the new year, as the extension of the Auditor-General's mandate over performance management systems audits (PMSAs) came into effect on 1 January 2007.

The extended mandate, approved through amendments to the *Financial Administration and Audit Act 1977*, now enables the Auditor-General to comment on the relevance and fair representation of the measures public sector entities use to manage and report their performance.

QAO has conducted PMSAs across Queensland's public sector since 1993 but legislation had previously allowed us to assess only whether agencies had performance management systems in place, and more specifically, in relation to public reporting of non-financial information, to assess the mechanics of how their data was collected and reported under these systems.

Under the extended mandate we are now able to look at whether the information that agencies are reporting is part of an appropriate and relevant suite of measures that establishes a clear link between what is being measured and what the agency and Government wants to achieve for the Queensland community.

For example, if an agency were to measure water quality in terms of taste, that's valid to a point, but unless they are also measuring it scientifically and looking at its purity, then they would not be painting the full picture or reporting in a way that was meaningful and relevant to stakeholders.

We welcome this enhanced role as it will provide Queensland's taxpayers and Parliament with increased quality assurance over public sector performance information.

In part, the genesis of the change followed the Health Systems Review of September 2005 (the Forster Review), from which the Government proposed this extension of the Auditor-General's mandate to include assessment of measures reported. This extension was seen as complementing the work of the (then) newly formed Service Delivery and Performance Commission, which plays an important role in strengthening the performance management regime in the public sector.



As such a high-profile case as the Health Systems Review demonstrated, there is a need to have measures in place to ask the right questions of Queensland's public sector agencies on an ongoing basis, and identify stresses in the system before they reach crisis point. With this extension in the PMSA mandate, we can now work with agencies to ensure they are capturing the right type of information when measuring performance and applying it to the planning and strategic decision-making processes.

Delivering assurance on the quality of what is being reported can promote robust public discussion on public sector performance and encourage agencies to continue to be responsive and accountable to the needs of the Queensland community. As auditors, it is our role to verify to Parliament and the community that the performance information publicly reported is credible and meaningful.

Having access to this type of information will not mean a lot of unnecessary data will be downloaded to the public, rather that it will drive agencies to work on a strategic level and be more accountable for taxpayer funds.

It will also assist agencies to ensure they have access to relevant performance information in managing their business.

So in real terms, what will the extended mandate mean for the day-to-day business of QAO across Queensland's public sector?

The extended mandate can be implemented during the audit of a public sector entity at the discretion of the Auditor-General, and although it won't change our audit methodology, it can affect the nature and scope of an audit.

Essentially the operational difference our clients will notice is that rather than looking solely at their systems for collection of performance data we may now also look at how that performance data is relevant to managing their operations and whether it fairly represents their performance.

Continued on page 6

“As auditors, it is our role to verify to Parliament and the community that the performance information publicly reported is credible and meaningful.”

Extension to s.80 of the *Financial Administration and Audit Act 1977*

5. The audit may include a review of the public sector entity's performance measures
6. In a report prepared for the audit, the auditor-general may state whether, in the auditor-general's opinion, the performance measures —
 - (a) are relevant and otherwise appropriate, having regard to their purpose; and
 - (b) fairly represent the public sector entity's performance

To view the full legislation go to www.legislation.qld.gov.au

Training & Industry

Pushing performance management

Continued from previous page



Part of the audit approach will be to assess the extent to which entities analyse and use performance information in their monitoring and strategic planning process and ultimately whether they report this information to Parliament in a meaningful way.

We recognise that with increased audit powers comes increased responsibility. The Auditor-General is obliged, under the discretionary nature of the mandate, to identify and show where these key performance management risks lie across the public sector and report these findings in a balanced and responsible manner to Parliament. This is a responsibility we accept, and we welcome the opportunity to work with the Parliament and our audit clients to ensure the public sector is working well.

This extension of our mandate gives agencies and Parliament the opportunity to identify where things are working and where there are opportunities for improvement. Prompting entities to report on both highlights and lowlights ultimately means a more mature and accountable public sector environment.

The last word should go to Auditor-General Glenn Poole, who in a recent report to Parliament said, “The development of mature output measurement and reporting systems takes time and commitment. Accountability for and transparency of public sector performance will not be achieved without persistent and diligent effort by agency senior management. Activity in this area should embrace the notion of ‘What gets measured gets done; and what gets done should be reported, whether or not targets are met.’”

Client guide Selecting relevant and appropriate measures

Are your performance measures -

- SMART – specific, measurable, achievable, relevant, time-framed?
- able to avoid perverse incentives (goal displacement)?
- attributable / a success indicator?
- comparable?
- manageable; and
- verifiable / auditable?

Do they collectively reflect your agency output?

For more information on output performance and measurement reporting go to www.qao.qld.gov.au/publications then go to best practice guides.

News & Views

Findings ready

One of the recommendations to come out of QAO's 2004 Strategic Review was that the Public Accounts Committee (PAC) evaluate our Performance Management Systems Audit (PMSA) reports over a three year period and use this to report on the effectiveness of the PMSA mandate.

The PAC recently looked at how well QAO is using the current PMSA mandate, and reviewed three reports in a public hearing at the end of last year. The committee will present their findings to Parliament early in 2007.

Keep an eye out for more information in upcoming issues of INFORM.

Standards reviewed

In December 2006 the Australian Accounting Standards Board (AASB) reviewed a number of technical issues relating to *AAS 27 Financial Reporting by Local Governments*; *AAS 29 Financial Reporting by Government Departments* and *AAS 31 Financial Reporting by Governments*.

The board made decisions in relation to land under roads; whole-of-government reporting; restructures of administrative arrangements; infrastructure, cultural, community and heritage assets.

The amendments and further information can be found on the AASB website www.aasb.com.au

QAO targets grads

QAO is offering university students an insight into a day in the life of an auditor by hosting two open days next month.

Final-year students are invited to come along and find out about careers in public sector auditing including the QAO GRADtects program, and to use the opportunity to talk to recent graduates about their experiences.

Sessions will be held on the morning of 14 March and the afternoon of 15 March with numbers limited to 30 per session.

If you know of a soon-to-be graduate that would like to find out more about public sector auditing, they can register their interest (including their preferred session time) at qao.recruitment@qao.qld.gov.au

Registrations close on 7 March.

INFORM is published by the Queensland Audit Office.

Editor: Sarah McCormack

Designer: Liz Cox

Contributors: Poopalasingam Brahman
Stephanie Luxmore

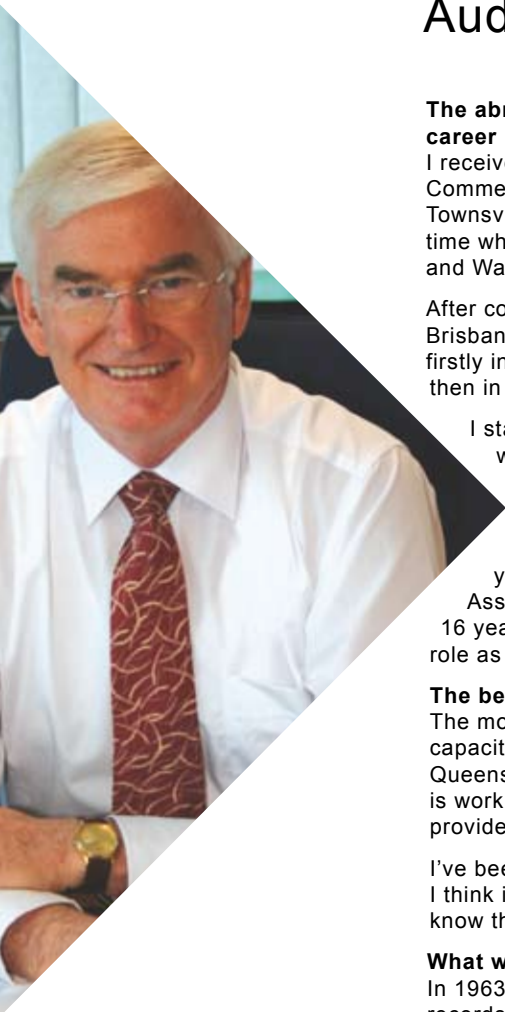
If there's anything you would like to see featured in INFORM or you have an interesting story idea or picture you'd like to contribute, please contact us at Inform@qao.qld.gov.au or on (07) 3405 5003.

This journal is of a general nature only and is not intended to be a substitute for or relied upon for specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in the publication can be accepted.

Copyright protects this publication except for purposes permitted by the Copyright Act, reproduction by whatever means is prohibited without the prior written permission of the Auditor-General of Queensland.

Reference to this document is permitted only with appropriate acknowledgement.

Five minutes with ... Auditor-General Glenn Poole



The abridged version of your career in 150 words or less...

I received my Bachelor of Economics in Commerce from James Cook University in Townsville after ten years of studying part-time whilst working at the (then) Irrigation and Water Supply Commission.

After completing my degree, I moved to Brisbane to work for Treasury Department, firstly in a graduate economist position – and then in a number of roles in the budget area.

I stayed at Treasury for six years, during which I also gained my Graduate Diploma in Business Administration from QUT.

I left the public sector and worked for the Uniting Church for five years, returning to Treasury as Assistant Under-Treasurer for a further 16 years before moving to my current role as Queensland's Auditor-General.

The best thing about my current position is...

The most rewarding thing is having the capacity to provide assurance to the Queensland community that the public sector is working well, while also being able to provide recommendations for improvement.

I've been in the public sector a long time, and I think it's a great place to be, so it's good to know that I am adding value within the sector.

What was your first job?

In 1963 I started as a junior Clerk in the records section at the Irrigation and Water Supply Commission, which gave me a great understanding of how the organisation and public sector worked. I left there in 1976 as an Accounts Clerk and with my Degree.

What was your best career move?

Joining Treasury, because in those days public service promotion was through seniority, and Treasury was one of the few agencies at the time that really recognised a professional qualification and promoted on merit.

What has been the highlight of your career so far?

Being appointed Auditor-General. To be honest, it was one of those positions that I wasn't sure about applying for at first. After much consideration, I did apply as I really felt I had something to offer from my lengthy career in a central agency including

a lot of experience in public sector financial management and accountability.

The Queensland Audit Office has always worked well and been respected throughout the public sector, but I saw some areas that could be enhanced. For example, I felt that coming from outside the Audit Office and with my experience in the public sector, I could help QAO to better understand its environment and in turn be understood.

One area where we are now trying to enhance the understanding between QAO and our clients is through our more regular attendance, as observers, at audit committee meetings.

Professionally, who do you admire and why?

I greatly admire Sir Leo Hielscher, who was the Under Treasurer at Treasury Department when I joined, and is now the Chairman of the Queensland Treasury Corporation.

I admire Sir Leo for a number of reasons including his great leadership; his vision for Queensland; and his impact as a public servant and role model. He set the bar so high that he gave all who worked under him much to aspire to. This challenged us to push ourselves and come up with innovations in many areas - most notably for me, in public policy and operations.

Many people who had the fortune to work under Sir Leo now hold prominent positions across the public and private sectors and this is in no small part to his influence on them professionally.

My most personally rewarding professional moment (outside my current position) was...

The work I did at Treasury that involved significant public policy debate and high-level decision making. In each budget cycle there were many challenges about recommendations for funding for community services such as the Fire, Ambulance, Police and Justice programs. It was tough, but when a decision was made and working, it was very rewarding.

Professionally, in the next year I want to...

Work on maintaining good quality audit services and enhance our quality assurance capacity. I also want to streamline our internal systems, especially the way in which we work with our contract auditors to ensure that all audit clients receive great external audit services.