

INFORM

Official Journal of the Queensland Audit Office



Tugun desalination project construction

IN THIS ISSUE

Client survey feedback

Local Government report

Shared Service Initiative
turning five

Five minutes with ...
John Tipping,
QAO front desk

In the last edition of INFORM, we featured an article on QAO's approach to the audit of the significant infrastructure expenditure currently being undertaken in Queensland.

Work on the audits of four significant projects is nearing completion and we expect to report to Parliament in August.

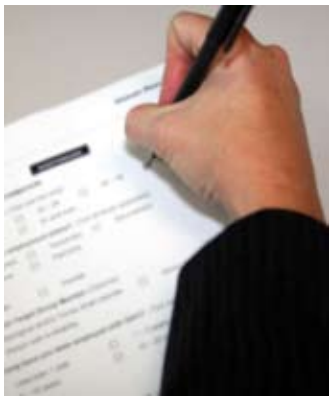
As part of our annual work planning process, consideration is being given to extending our work on Infrastructure

Projects with a particular emphasis on water in 2007-08 as part of the normal financial and compliance audits.

In addition, a Performance Management Systems Audit will be undertaken to determine whether appropriate systems exist to ensure the accuracy and integrity of information and data used to form current and future assumptions in relation to the demand and supply of bulk water across South-East Queensland.

News & Views

Client feedback - what have we done?



We reported the results of phase one of QAO's financial audit client survey in the February edition of INFORM, for clients that had year-ends of 30 June 2006.

While 80% of clients agreed that QAO's financial audit services make a valuable contribution by providing them with a sense of assurance, we identified a number of areas for improvement, specifically —

- communications;
- timeliness; and
- audit fees.

Strategies being progressed by senior management to address the issues raised by clients in the survey include —

- outlining and communicating our client relationship expectations to all QAO staff;
- working towards earlier identification of audits which are to be contracted out;
- following up on why audits are not being completed in a timely manner to identify if there are any systemic reasons for delays;
- bringing forward the client survey process to November to enable any issues arising from the surveys to be addressed in the Client Service Plan developed for the new audit year;

- amending the client feedback questionnaire used at the audit exit interview to prompt open discussion with our clients about the good aspects of the audit and those where we can improve; and
- encouraging more regular communication throughout the audit between QAO and client management to identify and address any issues as they arise.

“... 80% of clients agreed that QAO's financial audit services make a valuable contribution ...”

We would like to thank all of our clients who took the time to complete the survey, and we look forward to implementing these strategies and continuing to improve the audit process and experience for everyone involved.

The second phase of the survey, which began in April and focused on clients who had year-ends other than 30 June, has now been completed and we are currently analysing those results.

News & Views

Spotlight on Local Government

The Auditor-General's first report for 2007 was tabled in Parliament in April, focusing on the results of Local Government Audits for 2005-06.

The overall theme of the report is governance, particularly in the areas of financial management and strategic asset management.

QAO Director of Audit, Michael Hyman says a different focus was placed on this year's report due to the commonality of issues identified in 2005-06 with previous audits.

"We have tended to report the results of local government audits in a similar fashion each year but due to the lack of improvement across the sector we decided to focus more closely on those factors causing the problems rather than simply reporting the end result," he said.

QAO found a common theme to be a lack of quality controls in financial statement reporting underpinned by a lack of sound financial systems.

"The lack of consistent and robust financial management is clearly an issue across the sector, especially when you consider an aggregate deficit of \$290.09m recorded across 68 of the 125 councils for 2005-06.

"This combined with a lack of cohesive systems and quality assurance in financial management and reporting means there are some changes that need to be made across the sector as a priority," said Michael.

The strategic asset management component of the report identifies a need for local government to strategically refocus on overall asset management, with less emphasis on asset valuation as the main driver.

"Going forward, we want to see councils report on their strategies for managing their assets rather than straight out asset valuation, for we believe that if you get the strategic management component right, then logically, reliable asset values will follow," said Michael.

Overall, the Auditor-General reported that he was disappointed with the lack of progress in these key areas, but has committed to assisting local governments by providing advice on how to report and operate on a more strategic level.

"Through workshops and ongoing communication and advice, we feel that local governments can achieve solid financial and asset management outcomes that will ultimately improve their efficiency and effectiveness," says Michael.

To view this Auditor-General's Report to Parliament go to www.qao.qld.gov.au

New standards

The Auditor-General of Queensland Auditing Standards (formerly the QAO Auditing Standards) have been revised and were tabled in the Legislative Assembly on 1 May 2007.

These Standards update and replace those in place since 2003.

The Auditor-General of Queensland Auditing Standards express the minimum standard of audit work expected of authorised auditors undertaking work on behalf of the Auditor-General and will be applied by QAO and contract auditors for all audits conducted in the public sector.

To view the latest Auditor-General of Queensland Auditing Standards go to www.qao.qld.gov.au

Training & Industry

Shared Services Initiative turning five

with John Welsh, Acting Assistant Auditor-General and Ross Schamburg, Director of Audit



In 2002, the Queensland Government introduced the Shared Services Initiative (SSI). Designed to deliver cost-effective corporate services across the government agencies, the initiative encompassed human resources, finance and document and records management functions.

Through standardising business processes, consolidating technology and pooling resources, the Government envisioned more streamlined and efficient service delivery across its budget-funded agencies.

Currently, these services are being provided by six shared service providers (SSPs) who deliver these services across the Queensland Government and employ approximately 5,000 corporate service staff.

Since the introduction of the SSI, QAO has been monitoring its progress and reviewing the work of the SSPs, and how the overall initiative is being implemented and received.

With the current audit of the Shared Services Initiative underway, INFORM talks to QAO Director of Audit Ross Schamburg and Acting Assistant Auditor-General John Welsh about what benefits the initiative is delivering, and what the ongoing challenges are.

INFORM: From an audit perspective, what is the rationale behind Shared Services?

JW: I believe that the SSI has been developed to standardise the finance and human resource (HR) systems and processes across the State's budget funded agencies.



It is envisioned that one HR system and one finance system will service the needs of the 20 or so government agencies as opposed to the previous model where each agency had its own specific systems. There should be some economy of scale benefits to the State as well as some efficiency gains from having one common system and process.

RS: Under the initiative, all agencies will eventually operate under the same financial and HR systems which gives us the ability to assess information system controls across all agencies in a more effective manner. This will streamline audit testing and allow the targeting of audit resources into high risk areas, so from an audit point of view it's a great idea.

A good example is how historically at audit time we have had to have dedicated audit teams embedded in each individual agency - because each agency had a slightly different version of key business systems such as Aurion, Lattice or SAP and their own local procedures and controls around those systems, which needed to be individually audited. So even though we were looking at people with the same award rate, the same enterprise bargaining arrangements and the like, there was no uniform way of reviewing controls holistically across the agencies. What shared services means, is that when it is fully implemented by 2010, there will basically be one computer environment, one SAP finance system, one payroll system across all agencies, so audit can have one team, auditing one system under one program across multiple agencies. This logically should lead to a better security and controls environment, and

more efficient audit practices through the use of generic computer assisted audit tools (CAATs) and standardised audit test programs and data analysis.

INFORM: So as an auditor what do you see as the key challenges for Shared Services?

JW: The key challenge initially was from a whole-of-Government perspective; trying to get all the affected agencies on board in supporting the concept.

Each individual agency has its own nuances, and concerns were expressed as to how this new model would impact their mode of operation particularly in respect to the potential loss of staff, co-location of staff, the impact on the agency's service provision and the perceived loss of control over transaction processing and report production given the agency CEO's were still ultimately accountable for these issues as signing officer to the financial statements.

It has been a challenging process for both the agencies and QAO. The challenge for the SSPs and Corptech is to provide a level of service which meets the needs of the agencies. It is an evolving process and there have certainly been many problems encountered to date for all stakeholders including QAO. QAO have had to restructure audit teams, develop standard audit programs including CAATs, prepare and provide comfort letters between Corptech, the SSPs and agency auditors as well as reassessing the internal QAO communication protocols for these stakeholders. Due to the Financial Administration and Audit Act requirements

relating to confidentiality QAO is limited to what information it can provide to individual clients. This has caused us some angst given that under this SSI model all the clients are closely linked and individual client audit strategies are impacted greatly from what happens at Corptech and SSPs.

RS: One of the Initiative's ongoing challenges has been managing the actual and perceived loss of autonomy in agencies who would like to customise their business systems to better match their individual needs. There are obviously some compromises that had to be made to produce a standard system, and the challenge in that has been identifying the legitimate differences and similarities that exist between the agencies. From an independence point of view, QAO had to be mindful of how much it could contribute to this standardisation process. Some methods of operations have evolved with agencies over the years and these may be hard to part with – so I guess the tension is how important are individual agency differences, and where should the point of compromise lie.

As the process becomes more mature and begins to prove itself, and agencies get more used to managing their business services by contract rather than by command, the initial nervousness some agencies felt about moving to a standard system should dissipate. But obviously there needs to be a lot of ongoing communication and engagement so the key agency players gain a certain level of comfort and confidence around this third party service meeting their current and future business needs.

“The key challenge initially was from a whole-of-Government perspective ...”

Training & Industry

Shared Services Initiative turns five

continued from previous page

“This has forced us to work across the boundaries of individual audits ...”

INFORM: So communication is the key?

JW: Communication as in most walks of life is a key and it is no different with the SSI. How QAO, agency management and agency internal audit communicate reports and progress is vital. All stakeholders need to be informed along the way. Audit issues at Corptech and the SSPs which directly impact on the agencies need to be communicated accurately and in a timely manner. QAO is limited in this regard due to Financial Administration and Audit Act confidentiality requirements. Another form of communication which QAO has strongly recommended is a management assurance letter which should be provided by Corptech and the SSPs to the individual agencies which would provide comfort over their control environment. This form of assurance occurs throughout the private sector, and we understand this is currently being addressed.

INFORM: Did the introduction of the SSI call for a different method of auditing - did you have to reassess your processes?

RS: Much of the auditing of systems which used to occur at individual agencies is now audited at the relevant SSPs or Corptech. This has forced us to work across the boundaries of individual audits to ensure the end-to-end process is covered. Agencies are also currently questioning “What happens if the auditors find issues at Corptech or the SSP – how does that affect me in my agency?” - that sort of thing, and as these questions are raised it naturally drives communication between the parties and calls for more direct lines of accountability.

To ensure that shared service providers are not audited by each agency’s QAO audit team, the QAO staff who audit Corptech and the SSPs issue ‘comfort letters’ to the QAO agency audit teams – so they can place the correct level of assurance on the systems that produce financial and payroll data when assessing the reliability of information in each agency’s financial statements.

JW: We have created a QAO Shared Services Implementation Project team to discuss and address these issues, and share general information about what is going on across the SSI and to identify any emerging issues.

INFORM: The audit for this year is currently underway. Will you be following up on issues you identified last year?

JW: Yes, we are revisiting reported issues from last year, as well as looking at any new or emerging issues.

RS: We have finished the interim stage of the audit, and we’ll provide a report to Parliament on our interim findings that will include a follow up of any areas previously identified as high-risk, and any new areas of audit concern. Of course we’ll also report on business improvement opportunities and mention where the initiative has made progress and is working well.

The Auditor-General Report to Parliament on the Shared Service Initiative will be tabled later this year.

To view the 2006 Report to Parliament visit www.qao.qld.gov.au

News & Views

Session success

The first ever information session on Performance Management Systems Auditing hosted by QAO was a success with more than 150 people from across the Government sector attending.

The session was held in Brisbane in May, and targeted public sector employees involved in strategic planning and performance measurement; governance and risk management; internal audit and evaluation and finance.

Presenters from QAO, the Department of Communities and Disability Services Queensland spoke on a diversity of topics, ranging from analysis of past PMSA Reports to Parliament; audit communication and liaison; audit process and audit client feedback.

Assistant Auditor-General for PMSA, Terry Campbell said the success of the first session was extremely encouraging and confirmed that there is considerable interest in our audits across the sector.

"It was such a positive experience, and it proved not only an opportunity for us to share our knowledge and experience with our clients, but also for us to get some really valuable feedback and suggestions from them," she said.

Clients who attended came from across the sector, representing Departments, GOCs, Statutory Bodies and Commissions.

To be notified of future client information sessions, subscribe to our free notification service on the events section of our website at www.qao.qld.gov.au

Reports tabled

The second Auditor-General Report to Parliament for 2007 was tabled on the 22 May, reporting on the results of Performance Management Systems Audit of management of funding to non-government organisations.

Each year many non-government organisations (NGOs) receive funding through the Queensland government in the form of a grant or subsidy. These NGOs are engaged in a variety of activities from local sporting clubs and arts facilities, to the delivery of many essential social services to the community such as housing, education and health services.

This latest audit examined the frameworks and systems used by the Department of Communities, Department of Child Safety and Disabilities Services Queensland to shape and sustain their relationships with NGOs.

Report No. 1 for 2007 was tabled on 19 April, focusing on the results of Local Government Audits for 2005-06 - see full story on page 3.

INFORM is published by the Queensland Audit Office.

Editor: Sarah McCormack
Designer: Liz Cox
Contributors: John Welsh
Ross Schamburg
Sharon Didlock

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 ...

John Tipping, QAO front desk



When did you join QAO? How did it come about?

I joined QAO in August 1995. It was what I call a piece of good luck as I had resigned from working at the Public Service Club as a Manager after 14 years to open a new club in Brisbane, which unfortunately did not succeed.

Hence I was jobless but word travels fast on the grapevine in Brisbane and one of my old customers, who was an employee of QAO at that time, mentioned that the records and mail section needed someone to fill in for three weeks or so. So I took up the role of delivering internal mail to our auditing offices around town.

My working life prior to working at QAO...

Because of my age this would take 150 pages instead of one, but the short version is... I was born in England where my parents owned two mixed goods shops where I worked from an early age. It was the foundation of a lifetime of working in hospitality and retail positions. Later I had a three year stint in the Royal Air Force Police while also working at the shops and it was not long after that I married and went to work for my father-in-law at a club called the El Dors Club in Windsor that belonged to film star Diana Dors. In 1967 I decided to move to Perth in Australia and over the years ran four different businesses there including a newsagency, a haberdashery shop, a restaurant and a delicatessen, until I moved to Queensland in the early 1980s.

The best thing about my present position...

Being situated at the front desk reception area which means every day I am able to catch up with QAO staff and clients. I particularly like being able to catch up on the news of QAO staff and seeing how they are progressing in their work and family life. I believe that a good relationship between all staff helps to make a good and positive working environment. I also had the honour to

have served on the QAO Social Club Committee for nine years allowing me to catch up with QAO staff and their families at many social outings around Brisbane.

My first job was...

My first job ever was working in my parent's shops as a youngster, selling newspapers and confectionery. My first job at QAO was in the records section as a messenger to our QAO offices around town. It was amazing how many people that I actually knew from working in the Public Service Club so to me, it wasn't only a job, it was also a good way to catch up with existing friends and to make many new ones!

My best career move was...

Without doubt my best career move was coming to QAO. I was of a mature age when I joined, so I was not really interested in climbing the corporate ladder, and this was the first time that I had worked in a non-hospitality environment so it was a real change of pace for me. Working in your own business puts you under pressure all the time and although I always felt that I worked better under stress maybe after having had lifelong experience of this, it was really good to join a larger organisation where I could work as part of a professional team.

The highlight of my working life so far...

Without doubt I would have to say being Floor Manager of the Civic Theatre Restaurant in Perth for three years.

One evening they were short-staffed, so I agreed to fill in as a general helper as a favour to the owner, who I had known for a number of years. During that evening, and probably due to my previous retail experience, I had a feeling that something was wrong with the wine sales and the balancing of money in the bar so I told my friend, who asked me to get more proof, which I did. We discovered that not only were two waiters fiddling money from the business but the manager was in it as well! As a result of my 'detective work' I was offered the job as permanent Floor Manager on the spot!

I was responsible for the bar and floor staff and making sure that a full house of 300 patrons had their drinks and food before the show started. I would also welcome the patrons at the door and escort them to their tables. The first and second courses had to be served before the show commenced at 9.05pm and the desserts and coffee served during the interval – so it had to run like clockwork – quite a balancing act for the floor staff!

Who do you admire and why?

Looking back over the years I always decided on a challenge and went for it without trying to follow the same pattern of another person, so in latter years I do not admire any one person so much as a collective group of people.

These people are our own graduates. Every year I have the opportunity of greeting the new group of graduates who have applied for our undergraduate program as they await their interviews. Some are obviously nervous, some confident, but all full of anticipation that they will succeed in getting a position at our company. These are the young ladies and gentlemen that I admire. I would love to have had the opportunity in my younger days that these young people have now. The excitement in their faces from the time that they start to the following years as they climb the ladders of success never ceases to fill me with admiration.

What does next year hold for me?

Next year will be a big change for me as after 56 years of being a working class man, it will be time for me to retire. How this will affect me I have no idea. Maybe I shall go back to the beginning and go back to school again (no not primary) or join some voluntary charity organisation. Only time will tell, but I hope to continue being a member of the QAO social club so I can keep in touch with all my good friends here.

My personal motto is....

Be kind, helpful and friendly to everyone and by being so, trust I can make a few people happy!