

INFORM

Official Journal of the Queensland Audit Office

ISSN 1834-1179



IN THIS ISSUE

Update on local government reforms

Changes for Indigenous Councils

What is ACAG?

Five minutes with ...
Sandra Heidrich,
Director of Audit
- PMSA

Reports to Parliament

In November three reports to Parliament were tabled, two result from performance management systems audits (PMSA) and one, our main report, on results of audits as at 31 October 2007.

Report to Parliament No. 7 for 2007, Addressing Skills Shortages in Queensland, reported on whether selected departments had suitable frameworks and systems in place to identify and address existing and emerging skills shortages in Queensland.

Report to Parliament No. 8 for 2007, South-East Queensland – Towards a Short-Term Water Balance examined the systems used by the Queensland Water

Commission (QWC) to measure and report to Government and the public on progress toward achieving a short-term water balance by December 2009.

Report to Parliament No. 9 for 2007 contains the results of the 2006-07 financial and compliance audits of departments, statutory bodies and government owned corporations and their controlled entities completed at 31 October 2007. This report also includes details of significant matters from the 2006-07 audits.

Copies of the reports are available from the QAO website at www.qao.qld.gov.au

News & Views



New senior position filled

In October, David Mills commenced at QAO in a newly created senior executive position, General Manager - Operations. The position is responsible for managing the staffing, performance monitoring and other audit support activities that are essential for the efficient operation of QAO.

David's experience and abilities in several public sector agencies will be valuable in assisting with the implementation of the business improvement initiatives that are being undertaken. David holds a BA, Master of Public Administration and is currently undertaking a Master of Business Administration at QUT.

Update on local government reforms

INFORM previously provided an overview of proposed local government reforms arising from the recommendations included in the Report of the Local Government Reform Commission.

Councils are progressing through the reform program agenda with many key milestones achieved including:

- Formation of 34 Local Transition Committees
- An interim CEO appointed for each of the new councils.

On 8 November 2007, the Minister for Main Roads and Local Government announced that the amalgamating councils would cease to exist from midnight on 14 March 2008 with the new councils commencing on 15 March 2008. At this time the Interim CEOs become the acting CEOs of the new councils and will be responsible for all council business until the poll is declared and the councillors appointed.

While a final determination is yet to occur, it is likely that amalgamating councils will be required to prepare and have audited a set of general purpose financial statements up to 14 March 2008. Unaffected councils will continue to prepare accounts for the full year to 30 June 2008. On this basis, QAO has developed a new strategy for the contracting out of local government audits which will provide efficiencies for the councils, contract auditors and QAO.

QAO continues to have input to the reform process through discussions with representatives from the Department of Local Government, Sport and Recreation and other key stakeholders and by providing advice on accounting and audit issues which arise.

Progressive reports on the reform process will continue to be provided in the Auditor-General's Reports to Parliament.

News & Views

Integrated public sector audit methodology (ipsam)

Our ipsam Audit Software Development Project was nominated for the 2007 Premier's Awards for Excellence in Public Sector Management for Innovation and Creativity. These Premier's Awards recognise the outstanding efforts of project teams and work units and encourage improvements, increased productivity and enhanced performance across the public sector.

Ipsam is the product of a two-year collaborative development project with the Victorian Auditor-General's Office. The software provides an electronic solution to document, manage and report the findings of more than 800 financial audits conducted each year by QAO. Specifically developed for the needs of public sector auditors, ipsam delivers a portable solution for our mobile workforce, ensuring high quality audit services. The product is used by Audit Offices in ACT and Tasmania.

The 2007 Premier's Awards received 110 nominations across the eight different award categories, from which the judging panels selected 32 finalists. The ipsam software project was one of three finalists for the Innovation and Creativity award, alongside the Department of Infrastructure for the South-East Queensland Infrastructure Plan, and Department of Primary Industries and Fisheries for Reducing Bycatch through Innovative Research.

While the Department of Infrastructure took out the Innovation and Creativity award, our selection as a finalist was recognition of the hard work and dedication of the Project team and ultimately the quality of the ipsam software product.



LtoR: QAO's ipsam team
Damon Olive, Neil Jackson, David O'Neill, John Adams, Shaun Mayfield and Poopalasingam Brahman.

Training & Industry

Changes for Indigenous Councils

With Michael Booth, Director of Audit and David Adams, Audit Manager



The audit of the Indigenous sector provides a number of challenges for QAO staff and contractors.

Not only do these organisations suffer from the same difficulty in attracting suitably qualified and experienced staff as other remote Councils, but they are required to deliver services over and above those of their counterparts. This includes managing businesses and other enterprise activities which provide a range of benefits to the community including work experience and training, health and human support services, banking and postal services and supermarket and tourist services.

At 30 June 2007, there were 32 Indigenous Councils comprising 17 Torres Strait Island Councils and 15 Aboriginal Shire Councils. "More than a third of these Councils received modified audit opinions for the 2005-06 financial year. As reported in the Auditor-General's Report to Parliament No. 3 for 2007, the issues range across the areas of governance, financial performance, timeliness and quality of financial reporting, debt management, management of enterprises and commercial activities and basic record keeping" said Michael Booth, Director of Audit.

On 27 July 2007, the Report of the Local Government Reform Commission was released. It supported a governance structure tailored for the Torres Strait Island Regional Council (TSIRC) and Northern Peninsula Area Regional

Council (NPARC) which will be formed on the designated changeover day after local government elections scheduled for 15 March 2008. Included in the Commission's Report were recommendations for the ongoing assessment of reform options for the remaining Aboriginal Shire Councils.

The Local Government (Indigenous Regional Councils) Amendment Bill aims to ensure governance in the Torres Strait and Northern Peninsular areas is conducted in an effective, efficient and accountable manner. It will bring the new TSIRC and the NPARC in line, as far as practicable, with other Councils already operating fully under the *Local Government Act 1993* (LGA) while providing specific provisions to recognise the unique Torres Strait Island and Aboriginal cultures and customs.

The governance framework for Indigenous regional councils will be provided by a new chapter of the LGA. The LGA will apply to these entities except to the extent provided in the new chapter in recognition of the unique circumstances of these new Indigenous regional councils.

The TSIRC will be comprised of 15 divisions and a mayor (replacing 15 of the existing 17 Torres Strait Island Councils). The NPARC will be comprised of five divisions and a mayor (replacing two mainland Torres Strait Island Councils, namely Bamaga and Seisia, and the three Aboriginal Councils of Injinoo, New Mapoon and Umagico).



“The reform process will bring accounting and audit challenges for our professional teams. These will include the more onerous accounting requirements of the LGA and Local Government Finance Standard, recognition and valuation of non-current assets (including infrastructure assets for the first time), full accrual accounting for all Councils, management and potential divestment of enterprise activities” said Michael.

QAO will continue its program of senior staff visits to Indigenous Councils throughout the state with visits to Wujal Wujal, Hopevale and Woorabinda to occur before the end of the year. “These visits provide an opportunity for us to discuss first hand the issues as seen by Councillors and CEOs and supplement the knowledge gained directly from audits of Councils conducted by QAO staff. For 2006-07 these included Cherbourg, Lockhart River and Pormpuraaw Aboriginal Shire Councils, and Erub and Saibai Island Councils” said Michael.

We see our role as being much more than the independent auditor for the State Sector. Within the fiscal and independence limits we must work under, there is a strong desire to help Councils that are struggling to achieve an acceptable level of financial management and accountability. We will be working closely with the Councils, other agencies and our contract auditors over the next few years to assist in maximising the benefits from the reform process.

“ QAO will continue its program of senior staff visits to Indigenous Councils ...”

Fast facts

- ▶ At 30 June 2007, there were 32 Indigenous Councils comprising 17 Torres Strait Island Councils and 15 Aboriginal Shire Councils. More than a third of these Councils received modified audit opinions for the 2005-06 financial year.
- ▶ On 27 July 2007, the Report of the Local Government Reform Commission was released endorsing a governance structure tailored for the Torres Strait Island Regional Council (TSIRC) and Northern Peninsula Area Regional Council (NPARC). These councils will be formed on the designated changeover day after local government elections scheduled for 15 March 2008.

Training & Industry

Annual audit planning

Each year QAO's senior management strategically plan our future direction and, after agreeing our broad strategies, prepare an Annual Work Plan to cover our three sub-outputs:

1. Financial and compliance audits
2. Performance management system audits
3. Parliamentary and sector-wide assistance.

The results of client and staff surveys and environmental scanning also feed into this Annual Work Plan.

The plan highlights the work we intend to perform across all work areas within QAO. Sub-output 1 is mainly funded from audit fees and the Consolidated Fund appropriation funds sub-output 2 and sub-output 3.

Achievement of our main output – Independent Public Sector Auditing Services and Reporting is strengthened through a strategic approach to audit planning.

Over the next four years we will focus our audit work on four themes:

- financial management
- infrastructure
- governance
- service delivery.

We are also looking at alternative ways to resource our audit support and practice management activities. Areas which affect how we go about completing our financial and compliance audit program are being reviewed and these include:

- industry specialisation e.g. local governments
- client relationship management
- technical training including the GRADtecs development program
- internal and external research and advice provided during our normal activities particularly where advice is sought on various whole-of-government activities.

Our performance will be monitored through the performance measures in our strategic plan and Ministerial Portfolio Statement. To ensure transparency, the results against these performance measures will be reported in our annual report.

Tenders

QAO is conducting a tender process for 33 packages of audit jobs with a total 30,492 estimated annual hours. The principal packages relate to the new regional local councils and major government agencies whilst the smaller packages relate to arts and showground organisations. Tenders closed on Monday 3 December 2007.

News & Views

Audit fees 2007-08

Under our legislation, we charge an audit fee to recover the full cost of our audits. We base this fee on the time needed to carry out the work, calculated at rates approved by the Treasurer.

Audit fees for our high risk audits will increase in 2007-08 as we have introduced an engagement quality control review role for those audits.

The Australian Professional and Ethical Standards Board required introduction of this review role by 1 July 2007. An engagement quality control review is an objective evaluation of the significant judgements made by the audit team and the conclusions they reached in developing the auditor's report. A suitably qualified person with sufficient and appropriate experience and authority must carry out the review before issuing the auditor's report. The Deputy Auditor-General, Mr Val Manera, is QAO's engagement quality control reviewer for high risk audits.

Introducing this role has resulted in an increase of two per cent in the audit fee. Fees will also increase based on the changes to the hourly charge out rates from 1 November. The increased review will ensure that we continue to deliver our audit services to a high quality professional standard.

What is ACAG?

The Australasian Council of Auditors-General (ACAG) is an association set up by Auditors-General for their common support and to share information between audit offices. ACAG meets several times a year and among their activities are submissions to various public inquiries, and accounting and auditing standards, and the issue of "Statements of Principle" about matters affecting audit. The last meeting was held here at QAO in November.

Currently ACAG members are engaging in a project about quality assurance arrangements. The project has resulted in a governance and audit standards self-assessment and external review framework.

The framework will provide individual Auditors-General, ACAG and external stakeholders with assurance that audit offices are meeting the legal and professional needs for audit quality control and corporate governance.



ACAG members met at QAO in November 2007
LtoR: John Rosier (Executive Director-ACAG), Mike Blake (Tas), Simon O'Neill (SA), Peter Achterstraat (NSW), Colin Murphy (WA), Glenn Poole (Qld) and Des Pearson (Vic).
Absent: Tu Pham (ACT), Ian McPhee (ANAO) and Frank McGuinness (NT).

INFORM is published by the Queensland Audit Office.

Editor: Kaylene Cossart
Designer: Liz Cox
Contributors: Debra Stolz, Julia Briskey, Damon Olive, Sharon Didlock, Terry Campbell, Michael Hyman, Michael Booth, David Adams, Paul Shipperley, Sandra Heidrich.

If there is 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 ...

Sandra Heidrich, Director of Audit - PMSA



When did you join QAO and how did it come about?

I joined the QAO in September 2006. At that time I was looking to acquire new skills and further develop my knowledge of the public sector. The fact that work-life balance is a reality at the QAO was also a significant factor in my decision.

The abridged version of what you did previously?

My journey to the QAO was everything but straightforward.

My first career was as a primary school teacher in my homeland of Switzerland before going back to university and completing a degree in economics and business management. I then joined an American medical technology company and worked in the finance section at their European headquarters for a couple of years. In 1995 I migrated to Australia and held a variety of roles at BNP Paribas, including corporate banking and securities. During that time I completed a Master of Accountancy through distance education.

In 2002 I moved to Brisbane. My first position in the Queensland public sector was management accountant with QBuild before transferring to Sport and Recreation Queensland to take up the role of principal business analyst in their business development and advice unit.

My best career move was ...

Migrating to Australia. It turned out to also be a great lifestyle move.

The best thing about my current position?

I particularly enjoy working on a variety

of topics across the public sector and meeting with a wide range of people. I am also very fortunate to be part of a great team who are passionate about their work.

Another aspect I enjoy in my position is the potential that Performance Management Systems Audits have, through their recommendations, to significantly enhance systems in place. Better systems enable entities to conduct their operations, and achieve their objectives, more economically, efficiently and effectively.

Who do you admire and why?

I admire people who have a vision and are prepared to challenge long established traditions and social conventions; people who stand up to their beliefs and values to achieve their vision while maintaining their integrity. These people make society evolve, they keep ideas moving. I consider Martin Luther King to be such a person.

Professionally in the next year I want to ...

Evolve in my role as Director of Audit and further enhance the quality of our audits.

My personal motto is ...

"On n'est jamais aussi bien servi que par soi-même" which roughly translates into "one is never better served as by oneself". For me this maxim is about taking responsibility: if an issue (whether professional or personal) is truly important to you, if you really want something to happen, then do something about it!