

Queensland Audit Office

2008 Client Information Session

Tuesday 19 February 2008

80 George Street Conference Facility



Program

- Welcome and key issues
 - Glenn Poole, Auditor-General
- Earlier financial statement deadline
 - Neil Jackson, Assistant Auditor-General
 - Sue Highland, Director – FMB, Queensland Treasury
 - Paul Christensen, Manager – Audit Policy and Quality
- ICT Project Governance Sector Wide Review 2008
 - Ross Schamburg, Director of Audit – Information Systems
- *Morning Tea*

Concurrent sessions

- Local Government session (*All Ords Room*)
 - Local Government reform
 - Accounting for assets
 - Accounting and auditing update
- Department/GOC/Statutory Body session (*this room*)
 - Accounting and auditing update
 - Infrastructure project evaluation
 - Corporate Card review and Shared Services audit

Welcome and key issues

Glenn Poole
Auditor-General

PMSA - Performance reporting

- Departments have not developed clear objectives for each of their outputs
- Minimal alignment between measures reported in strategic and operational plans, MPS and annual reports
- Not possible to form an opinion on whether output performance measures were relevant and appropriate for their purpose

PMSA - Performance reporting

- Requires sufficient information to assess output performance over time and against targets and output objectives
- Need clear objective for each output
- Must enable assessment of whether the quantity, quality, timeliness and cost measures are relevant for the purpose they are intended to achieve
- Clearer public sector guidance is required on the requirements of the performance management framework

PMSA - Risk management

- Some agencies handle operational risk reasonably well but less evidence that strategic risk is effectively managed
- Need for a robust mechanism to identify, assess and manage risk effectively across agencies and the government
- Need for a greater focus on the risks which extend beyond individual agencies

PMSA - Risk management

- Risk management done well can assist with:
 - continuity of service delivery
 - better outcomes in service effectiveness and efficiency
 - a rigorous basis for strategic management through consideration of key elements of risk
 - fewer costly surprises
 - greater openness in decision-making and ongoing management processes
 - greater accountability and improved governance

Other initiatives

- Rigorous quality assurance review program completed
- Engagement Quality Control review role introduced
- Significant improvements made to contracting out processes
- Development of our audit methodology recognised through the Premier's Awards for Excellence
- Increased focus on training and development

Challenges for 2008

- Local government reform process
- Earlier financial reporting timeframes and audit completion
- Reviewing the governance and control environments to address the State's key financial risks
- Major focus on infrastructure projects
- Sector wide audits
- Performance management systems audits

Earlier financial statement deadlines

Neil Jackson

Assistant Auditor-General



Queensland
Government

Earlier Financial Statement Deadlines

Sue Highland

Director

Financial Management Branch

Queensland Treasury

Session Outline

- Need for change
- New requirements - overview
- Agencies in scope
- Working group
- The next step



Queensland
Government

Why???!!!

- Better Practice



Why???!??!

- AASB 1049

New Requirements

- Financial reports due within 2 months
 - Annual Report due within 4 months

New Requirements

- Tridata: key dates
 - **11 Jul** June quarter & Period 13 data
 - **11 Aug** Audit-ready data
 - **15 Aug** Notes and audit ready F/S
 - **29 Aug** Material changes
 - **1 Sep** Audited F/S and WoG package

Contacts: Belinda Fenton: 322 46144 or
Helen Tompkins: 322 46137



Who???

- Departments
- Statutory Bodies
- Government Owned Corporations

Working Group to oversee transition

- Representatives
 - Treasury
 - QAO
 - SSA
 - CorpTech



What's next?

- Annual Reports
 - Revised timeframes



HELP

- Treasury
fmbregistrations@treasury.qld.gov.au
- QAO www.qao.qld.gov.au
- ANAO www.anao.gov.au

Earlier financial statement deadlines

Paul Christensen

Manager – Audit Policy and Quality

Session outline

- Timeframes for audit of financial statements
- Key milestones for agreement
- What are “final” financial statements?
- What other deliverables are required?
- Finalisation of the audit process
- What is the role of Internal Audit?
- What happens if agreed timeframes are not achieved?

Audit timeframes

- Date financial statements to be provided to Auditor-General
- To be formally agreed between the accountable officer/board and Auditor-General
- Timetables to be provided for consideration by the Auditor-General by end of February
- 10 working days between finalisation of the statements and audit certification
- Formal acknowledgement of timeframe from the Auditor-General

Key milestones for agreement

- Date of any early close
- Date initial workpapers available
- Date draft financial statements to be provided by shared service entity to departments
- Date final workpapers to be delivered to audit
- Date final draft financial statements to be delivered to audit
- Date for clearance and certification of statements
- WOG reporting package

Key deliverables

- Date of closure of the general ledger
- Availability of final trial balance
- Completion of key reconciliations
- Draft versions of the financial statements – areas to be completed in each version
- Financial statements of controlled entities
- Information from branches and business units
- Availability of other key supporting workpapers

“Final” draft statements

- Complete and materially correct statements
- Subject only to corrections requested by audit
- May or may not represent statements certified by management
- To be provided to audit under formal covering letter recognising they are the “final” version

Finalisation of the audit process

- Assessment of evidence gathered
- Determine representations to be requested from management
- Consideration of all issues identified and assess their impact on the financial statements
- Determine the appropriate auditor's opinion and recommend certification of report
- Quality assurance process over the audit file

Role of Internal Audit

- Monitoring of progress against agreed timeframes
- Undertaking work on which QAO may be able to rely
- Subject to requirements of *ASA 610 Considering the Work of Internal Audit*
- Assessed in terms of nature, timing and extent of work performed

Role of Internal Audit

- Agreement of timeframes for completion of work by Internal Audit
 - Consistent with timeframes agreed for preparation and audit of the financial report
 - Must allow time for assessment by QAO
- Early agreement of scope of work and extent of testing to be performed

Failure to achieve timeframes

- Achievement in terms of quality as well as timeliness
- May be necessary for QAO to divert resources to other audits
- Auditor-General will be compelled to include an “emphasis of matter” in the auditor’s report

Remember

- Commitment required from all parties to ensure new timeframes can be achieved
- Failing to plan is planning to fail
- Regular monitoring and communication
- Limited room for slippages in agreed timeframes
- The clock is already ticking!

Available on QAO website

- Better Practice Guide – *Strategies for earlier financial statement preparation*
- Checklist – *Financial Statement Preparation*
- Checklist – *CEOs, Boards and Accountable Officers prior to signing Financial Statements*

www.qao.qld.gov.au

(under Publications – Better Practice Guides)

ICT Project Governance Sector Wide Review 2008

Ross Schamburg

Director of Audit – Information Systems

What is happening now

- QAO is performing a sector-wide review of ICT Project Governance
- Covers three major ICT implementations in several public sector agencies
- Looking for common themes in current project governance activities and lessons learnt to inform future projects
- Field work is currently underway
- Findings in A-G Report to Parliament expected to be tabled mid-year

Rationale for review

- Prompted by a scan of public sector environment where:
 - Multiple agencies are currently undertaking or planning major ICT system developments
 - Many current ICT projects:
 - Impact core business
 - Attract multimillion dollar budgets
 - Deal with sensitive information
 - Cross organisational boundaries
 - Common for projects to experience significant variations to scope, timeframes and funding between conception and implementation

ICT project risk factors

- Experience indicates that most major ICT projects are likely to encounter some variations or difficulties
- For example:
 - time delays
 - budget blowouts
 - product selection issues
 - changing scope, legislation, departmental requirements
 - loss of key personnel

ICT project risk factors

- Experience also shown that the projects which successfully manage such problems are highly likely to be using a **robust project governance model** which is:
 - Consistently and rigorously applied
 - Well understood by decision makers and accountable officers
 - Clearly communicated to project participants

Review objectives

- Frameworks to ensure senior management control over the decisions, directions and performance
- Strategies and objectives for the projects are clearly defined, supported and approved
- Processes in place for the employment and monitoring of contractors
- Risk management practices are in place
- Approval, monitoring and assurance practices for project funding and cost recording

Audit criteria

- QAO's audit procedures have been adopted from Prince 2 Project Healthcheck guide
- The audit process will assess whether ICT projects are being conducted in accordance with relevant Acts and mandatory or good practice standards
- Other references used in the development of audit criteria include:
 - *Financial Administration and Audit Act 1977*
 - *Information Standard 18*
 - *Information Standard 2*
 - *Project Management Body of Knowledge (Project Management Institute, UK)*
 - *IT Governance Institute's Control Objectives for Information and related Technology (COBIT)*

Selecting sample projects

- Presence of material project risk factors
- Impact on core business, but not financial systems considered by cyclical QAO financial audit program
- Significant public interest in project
- Complex implementation environment:
 - Third party providers
 - Multiple stakeholders and project sponsors
 - Multi phases spanning several years

1. QPRIME

- Queensland Police Records and Information Management Exchange
- Queensland Police Service
- Replacing over 230 applications by a core integrated policing system solution
- Three phase project over a number of years
- Phase three currently under development

2. Smartcard System

- Translink and Department of Transport
- Major public transport initiative
- System developed, operated and maintained by Cubic Transportation Systems
- Official launch of Smartcard scheduled for late February 2008

3. ICMS

- Integrated Client Management System
- Department of Communities and Department of Child Safety
- Integrated information system to enhance child protection outcomes and case management of youth justice
- Multi-stage project interfacing with several agencies

Summing up

- QAO is performing a sector-wide review of ICT Project Governance
- Covers three major ICT implementations in several public sector agencies
- Looking for common themes in current project governance activities and lessons learnt to inform future projects
- Field work is currently underway
- Findings in A-G Report to Parliament expected to be tabled mid-year

Queensland Audit Office

2008 Client Information Session Concurrent Session 1

Local Government



Program

- Local Government Reform – QAO expectations for 2007-08
 - John Harten, Assistant Auditor-General
- Accounting for Assets
 - Michael Hyman, Director of Audit
- Accounting and Auditing Update
 - Christopher Weh, Audit Manager

Local Government Reform – QAO expectations for 2007-08

John Harten

Assistant Auditor-General

2007 Reform Announcement

- 17 April 2007 – announcement by the state government of a reform of local government in Queensland
- 19 April 2007 – release of Report to Parliament No. 1 for 2007 covering the Results of Local Government Audits for 2005-06
- Project team established
- Liaison with the Department of Local Government, Sport and Recreation, LGAQ and LGAA
- Local Government updates – INFORM magazine
- Ongoing reporting to Parliament
- A new Strategy for contracting out local government audits
- One auditor for merging and new councils

Likely effects on financial reporting

- Merging local governments to prepare general purpose financial statements 1 July 2007 to 14 March 2008
- Financial statements to auditor by 30 June 2008
- Financial statements in short form Annual Report & tabled in new council by 15 September 2008

Likely effects on financial reporting

(cont'd)

- Newly formed Councils to prepare financial statements for the period 15 March 2008 to 30 June 2009
- Unaffected councils will continue to report as at 30 June 2008

2008 financial statements

QAO will still expect

- Business–as–usual
- A robust system for providing quality financial statements supported by cross-referenced working papers
- Suitable staff to be available to answer audit queries
- Provision of the statements to the auditor within the prescribed timeframe

2008 financial statements (cont'd)

- Financial statements are being prepared in accordance with the accounting standards
- In particular AASB116 – Property, Plant and Equipment
- Need to ensure compliance
- Sign off at 14 March 2008 statements to discharge accountability of the merging Council

Probity and propriety issues

Audit scrutiny

- Management of outstanding debts
- Management of employee entitlements
- Different spending patterns
- Security of inventories and attractive items

Beyond 14 March 2008

- Realignment of organisational structures and governance
- Merging of computerised accounting systems
- Realignment of accounting and other policies
- Asset condition assessments & comprehensive revaluations

Accounting for Assets

Michael Hyman
Director of Audit

Session Outline

- Non-current assets
- Water assets
- Transfer of assets – 15 March 2008
- Rates

Non-current assets

- Why do we focus on them?
- Common audit observations
- Consequences
- Accounting requirements
- Auditor-General's expectations

Why do we focus on them?

- Usually most material figure in balance sheet
- Depreciation is significant expense
- Errors will distort financial statements

Common audit observations

- Asset registers not up to date or properly kept
- Residual values not established
- Useful lives not realistic
- Components of complex assets not identified
- Depreciation methodology not appropriate
- Comprehensive valuations not regularly performed
- Whole class of assets not valued at the same time
- Impairment testing poorly documented

Consequences

- Adverse audit comment
- Modified audit opinion
- Inability to effectively manage assets on a whole of life basis

Accounting requirements

- AASB 116 – Property Plant & Equipment
 - Non current assets to be reported at fair value at each balance date
 - Depreciation to reflect the consumption of economic benefit

Auditor-General's expectations

- Letter to all Mayors 1 August 2007
- Accurate and complete documentation to support-
 - Gross value of assets
 - Useful lives and residual values
 - Components of complex assets
 - Calculation of depreciable amount
- Need to be reviewed annually
- Robust accounting processes to ensure completeness, accuracy and existence of assets

Water assets

- Assets taken over by State
- Assets held for resale?
- Continue to depreciate?
- Impairment
- Financial statement disclosure 14 March 2008

Transfer of assets 15 March 2008

- AAS 27 Appendix 2 provides example
- Gain on restructure of local government – one line entry “below the line”
- Note disclosure to analyse assets and liabilities acquired
- Non-current assets at written down values
- Equity/reserves cannot be transferred

Rates

- Rates levied in full in old council
 - Revenue in old council
 - Cash or receivable in new council
- Rates levied in old and new councils
 - Revenue recognised in council where rates were levied
 - no pro rata calculations apply

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Accounting and Auditing Update

Christopher Weh
Audit Manager



Some key standards

- *AASB 7 Financial Instruments – Disclosures*
- *AASB 101 Presentation of Financial Statements*
- *AASB 1051 Land Under Roads*
- *AAS 27 (Amended by AASB 2007-9)*
- *AASB 1052 Disaggregated Disclosures*

AASB 7 *Financial Instruments*

Requirements

- Sensitivity analysis
- Additional disclosure on risks and risk management
- Enhanced disclosure on Financial Instruments

Implications

- Local governments for year ended 30/06/08 & period ended 14/03/08
- Have to restate comparative information
- Affects most entities – instruments such as borrowings, accounts payable and receivable, cash and investments
- Example - see Sunshine Statements from Treasury Website

AASB 101 Presentation of Financial Statements

Requirements

- Amendments to terminologies (titles etc) to align with IASB
- Changes to definition of complete set of financial statements
- Non-owner changes to equity presented separately

Implication

- Reporting periods beginning on or after 1 January 2009
- Early adoption allowed
- Other comprehensive income disclose per component
- Earliest comparative period for retrospective adjustments in statement of financial position

AASB 2007-9 Amendments to AAS arising from the review of AASs 27, 29 and 31

Requirements

- Amendments to existing AASB Standards to replace AASs
- Restructures of Local Governments incorporated in AASB 3 and AASB 5
- AASB 101 provides detailed requirements for line items to be presented on the face of the financial statements and associated notes comparing to the AASs standards
- AASB 116 amended for public sector assets like infrastructure, cultural, community, and heritage assets
- Disclosure of the fair value of goods and services received free of charge extended to local governments (AASB 1004)
- Also amendments to AASB 137, 114, 127 with the incorporation with AASs

AASB 2007-9 Amendments to AAS arising from the review of AASs 27, 29 and 31 (cont'd)

Implications

- Apply to reporting periods beginning on or after 1 July 2008
- Early adoption has to adopt all standards involved with integration of AASs 27, 29, 31,
- Restructure of local governments
 - AASB 3 paragraphs Aus77.1 to Aus77.7 applies to transferee
 - AASB 5 applies to transferor if it results in discontinued operations
- Disclosure of fair value of goods & services received free of charge only
 - Fair value reliably determined & service would have been purchased if they had not been donated

AASB 1051 *Land Under Roads*

Requirements

- Applied to land under roads acquired on or before period ended 14 March 08/ 30 June 08 (first period ending after 31 Dec 07)
- To recognise, continue to, not to or to derecognise as an asset
- Election that is made effective
 - On or before period ended 14 March 08/ 30 June 08 or
 - Final election on the first day of the next financial period
- To disclose accounting policy & nature and net amount of adjustment
- Fair value or deemed cost
- AASB 116 apply after period ended 14 March 08/ 30 June 08
- However

AASB 1051 *Land Under Roads* (cont'd)

- Highly likely that the Department of Local Government, Sport and Recreation will have a central position on the implementation or otherwise of the Standard

AASB 1052 *Disaggregated Disclosure*

Requirements

- Separate disclosure requirements for local governments and departments
 - Financial information by function or activity by local governments
 - Financial information about service costs and achievements by government departments

Implications

- Reporting periods beginning on or after 1 July 2008
- Early adoption has to adopt all standards involved with integration of AASs 27, 29, 31,
- Previously required by AAS 27 paragraphs 86 and 87
- Example – see Note 2 as demonstrated in the Tropical Council model from Department of LGPSR

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2008 Client Information Session Concurrent Session 2

Departments / GOCs / Statutory Bodies



Program

- Accounting and Auditing Update
 - Ken Bourne, Principal Policy Officer
- Infrastructure Project Evaluation
 - Craig Limkin, Audit Manager
- Corporate Card Review & Shared Services Audit
 - John Welsh, Director of Audit

Queensland Audit Office

Accounting and Auditing Update

Ken Bourne

Principal Policy Officer



Session outline

- Changes to accounting standards
- Future developments – AASB 1049
- Other changes for 2007-08

Changes to accounting standards

- AASB 3 Business Combinations
- AASB 101 Presentation of Financial Statements
- AASB 120 Accounting for Government Grants and Disclosure of Government Assistance
- AASB 1004 Contributions
- AASB 1050 Administered Items
- AASB 1051 Land Under Roads
- AASB 1052 Disaggregated Disclosures
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities

Changes to accounting standards

(cont'd)

Implications

- Per Part B of FRRs
 - early adoption permitted provided Qld Treasury permission sought
 - ‘under AASB 108 para 30, where an agency has not applied a new Australian Accounting Standard that has been issued but is not yet effective, disclosure must be made of this fact and any known or reasonably estimable information relevant to the assessment of possible impacts on the agency’s financial report in the initial period of application’

Changes to accounting standards

(cont'd)

- AASs 27, 29, 31 were withdrawn with subsequent:
 - creation of
 - AASB 1050 Administered Items
 - AASB 1051 Land Under Roads
 - AASB 1052 Disaggregated Disclosures
 - AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, 29 and 31
 - AASB 1049 Whole of Govt and General Govt Sector Financial Reporting
 - review of
 - AASB 1004 Contributions
 - Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities

AASB 2007-9 Amendments to AAS arising from the review of AASs 27, 29 and 31

Requirements

- Amendments to existing AASB Standards to replace AASs
- AASB 101 provides detailed requirements for line items to be presented on the face of the financial statements and associated notes comparing to the AASs standards
- AASB 116 amended for public sector assets like infrastructure, cultural, community, and heritage assets
- Disclosure of fair value of goods and services received free of charge extended to local governments (AASB1004)

AASB 2007-9 Amendments to AAS arising from the review of AASs 27, 29 and 31 (cont'd)

Implications

- Apply to reporting periods beginning on or after 1/7/08
- Early adoption has to adopt all standards involved with integration of AASs 27, 29, 31,
- Disclosure of fair value of goods & services received free of charge only
 - Fair value reliably determined & service would have been purchased if they had not been donated

AASB 3 *Business Combinations*

- Operative date 1 July 2008 (due to compilation of amendments)
- Revised due to AASB 2007-9
- Definition of reporting entity extended to include local government, government and government departments – may have greater application to government entities but not MOG changes

AASB 101 Presentation of Financial Statements

Requirements

- Amendments to terminologies (titles etc) to align with IASB
- Changes to definition of complete set of financial stmtnts
- Non-owner changes to equity presented separately

Implication

- Reporting periods beginning on or after 1 January 2009
- Early adoption allowed
- Other comprehensive income disclose per component
- Earliest comparative period for retrospective adjustments in statement of financial position

AASB 101 *Presentation of Financial Statements* (cont'd)

Current AASB 101 Options	Revised AAS 101 Options
<p>Income Statement</p> <p>Statement of recognised income and expense</p> <p>Equity note</p>	<p>One statement approach</p> <p>Statement of comprehensive income</p> <p>Statement of changes in equity</p>
<p>Income Statement</p> <p>Statement of changes in equity</p>	<p>Two statement approach</p> <p>Income Statement</p> <p>Statement of comprehensive income</p> <p>Statement of changes in equity</p>

ASSB 120 Accounting for Government Grants and Disclosure of Government Assistance

- Operative date 1 July 2007
- Revised due to AASB 2007-2, AASB 2007-4
- Only applies to for-profit entities
- Not for profit entities apply AASB 1004 Contributions
- AASB's decision to include options that exist within the IASB standard
- Grants in form of transfer of a non-monetary asset can be recognised at nominal amount
- Grants related to assets can be presented as deduction from carrying amount of related asset
- Grants received and recognised in income statement can be deducted in reporting related expense

AASB 1004 *Contributions*

- Operative date 1 July 2008
- Requirements on contributions from AAS 27, 29, 31 substantively unamended

Implications

- Recognition of contributions other than contributions by owners, contributions of services and disclosure of contributions extended to apply to General Government Sectors (GGSs)

AASB 1004 *Contributions* (cont'd)

- Recognition of nonreciprocal transfers, extended beyond whole-of-government to local government, departments and GGSs
- Recognition and disclosure of contributions of services extended beyond departments to local government, departments, GGSs and whole-of-government
- Disclosure of contributions more detailed than those that applied to government departments
- Restructures of admin arrangements - transfers of resources treated as movements in owner's equity by not-for-profit entities & for-profit departments that are transferees or transferors

AASB 1050 *Administered Items*

- Effective from 1 July 2008
- Supersedes AAS 29 *Financial Reporting by Government Departments*
- Applies to general purpose financial statements of departments
- Implications:
 - administered income and expenses showing each major class & amounts to each departments' activities and amounts not attributable to activities

AASB 1050 *Administered Items*

(cont'd)

Implications:

- administered assets and liabilities showing each major class (AAS 29 encouraged disclosure of information on an activity basis)
- non-department controlled transfers via broad categories of recipients and the amounts
- Apply principles of AASB 1052 Disaggregated Disclosures (AAS 29 did not contain this requirement)
- Report administered income, expenses, assets & liabilities on same basis adopted for recognition of elements of financial statements
- AASB 1050 does not contain disclosure of items collected or distributed on behalf of another entity – AAS 29 encouraged

AASB 1051 *Land Under Roads*

Requirements

- Applied to land under roads acquired on or before period ended 14 March 08 / 30 June 08 (first period ending after 31 Dec 07)
- Election to recognise or not to recognise Land Under Roads providing it meets asset recognition criteria
- First election to be made by 30 June 2008
- Final election to be made by 30 June 2009 for subsequent treatment of land under roads for AASB 116 application
- To disclose accounting policy & nature and net amount of adjustment

AASB 1051 *Land Under Roads*

- Fair value or deemed cost
- Treasury Non-Current Asset Policy
 - Not to be recognised unless it can be reliably measured
 - Treasury must be consulted before any assets can be recognised
- AASs 29 and 31 did not require reassessment of factors to determine recognised amounts, the net amount of the resultant adjustments be made against accumulated surplus / (deficiency)
- Extended requirements to General Government Sectors

AASB 1052 *Disaggregated Disclosure*

Requirements

- Separate disclosure requirements for local governments and departments
- Financial information about service costs and achievements by government departments

Implications

- Reporting periods beginning on or after 1 July 2008
- Early adoption has to adopt all standards involved with integration of AASs 27, 29, 31

AASB 1052 *Disaggregated Disclosures*

(cont'd)

- Disclose identity and purpose of each major activity undertaken during the period
- If not disclosed in or conjunction with financial statements, a summary of the department's objectives
- Expenses and income attributable to each of activities disclosed by major classes of expenses and income
- Financial Statements shall disclose assets and liabilities attributable to each of activities above
- Principles in this Standard applied to satisfy requirements in AASB 1050 Administered Items (AAS 27 and 29 did not contain such reference)

Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities

- Effective from 1 July 2008
- Applies to public sector entity statements that roll up to WOG statements

Implications

- Revised Interpretation does not apply to government controlled not-for-profit entities or for-profit government departments in respect of a restructure of administrative arrangements i.e. MOG changes due to AASB 1004 Contributions
- Establishes criteria for whether transfer of asset/liabilities to wholly owned public sector entities satisfies definition of ‘contributions of owners’ per AASB 1004

Future developments

AASB 1049 Financial Reporting of General Government Sectors by Governments

- Effective from 1 July 2008 & replaces existing WOG reporting standards (AAS 31)

Implications

- Will require WOG and GGS financial reports to be produced on a GAAP / GFS basis
- Qld Treasury presently considering whether these statements are able to be produced by them or if additional information to be supplied by agencies
- QAO are working with Treasury on best way to achieve this

Other changes for 2007-08

- GOCs converting from Statutory GOCs to Company GOCs during 2007-08
- New State Procurement Policy effective 1/1/08 for all agencies
- Updated Treasury Non-Current Asset Policy
- Investment Policy Guidelines – Local Government, Statutory Bodies
- Bill amending the FA&A Act
- Whole-of-Government Risk Management Guidelines

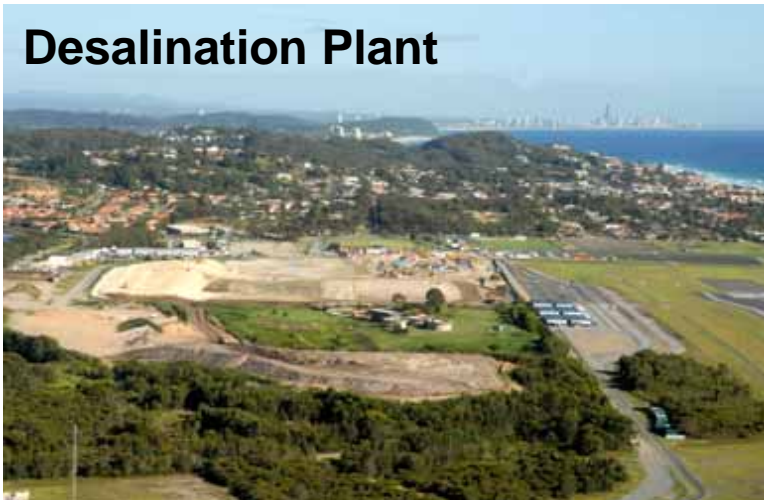
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Infrastructure project evaluation

Craig Limkin
Audit Manager



Project evaluation



Overview

- What is infrastructure project evaluation?
- Why is QAO undertaking infrastructure project evaluation?
- Reporting of project infrastructure evaluation
- Infrastructure project evaluation 2007-08

2006-2007 IPE focus

- Incorrect infrastructure procurement decisions result from ineffective project governance
- Cost overruns result from inaccurate or incomplete procurement planning as a consequence of time constraints in the delivery of projects
- Ineffective project probity controls or conflicts of interest result in fraud or other illegal acts being potentially able to be perpetrated
- Inadequate risk management processes lead to risks not being fully understood at project inception and/or monitored during the life of a project

2006-2007 IPE results

- The results of audit testing indicate that there are issues in relation to:
 - Project governance
 - Transparency and accountability of the infrastructure costs (and related strategies) through all phases of the infrastructure life-cycle
 - Probity and propriety of the procurement process supporting infrastructure projects
 - Consistency with State procurement and infrastructure policies and guidelines
 - Risk management
 - Reporting and communication

2006-2007 IPE results (cont'd)

Table 2.1 Project compliance

Criteria	Tugan Bypass Project	Gateway Upgrade Project	South East Queensland (Gold Coast) Desalination Plant Project	Energex capital program of works
Governance	1	1	3 (2)	1
Transparency and accountability	1	2	3 (2)	2
Probity and propriety	1	1	3 (2)	1
Consistency with legalisation	2	1	3 (2)	2
Risk management	2	2	3 (2)	2
Reporting and communication	2	2	3 (2)	2

Office of Government Commerce (OGC)

- Programme and Project Initiatives including:
 - Prince2
 - Gateway
 - Managing Successful Projects (MSP)
 - Management of Risk (M_o_R)
 - Achieving Excellence in Construction
 - IT Infrastructure Library® (ITIL)
 - National Audit Office (United Kingdom) Efficiency Toolkit (www.nao.org.uk/efficiency/toolkit/)

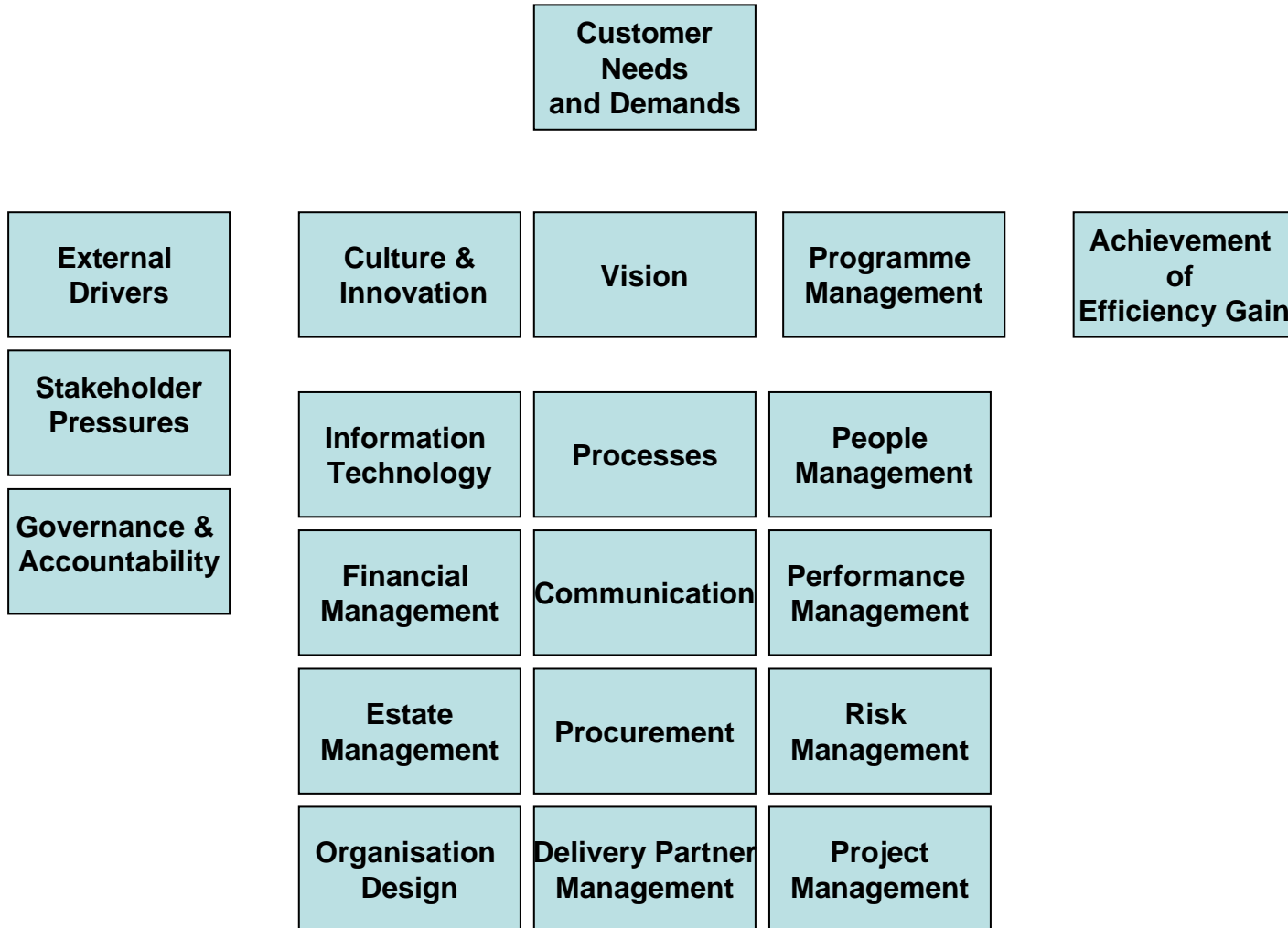
UK National Audit Office

- The efficiency toolkit is:
 - Designed around a broad interpretation of what ‘efficiency’ means
 - For application organisation-wide (as opposed to focused on a specific business process)
 - Helpful in understanding how well the organisation uses its resources in overall terms
 - Relevant to some aspects of effectiveness – i.e. spending money on the right things

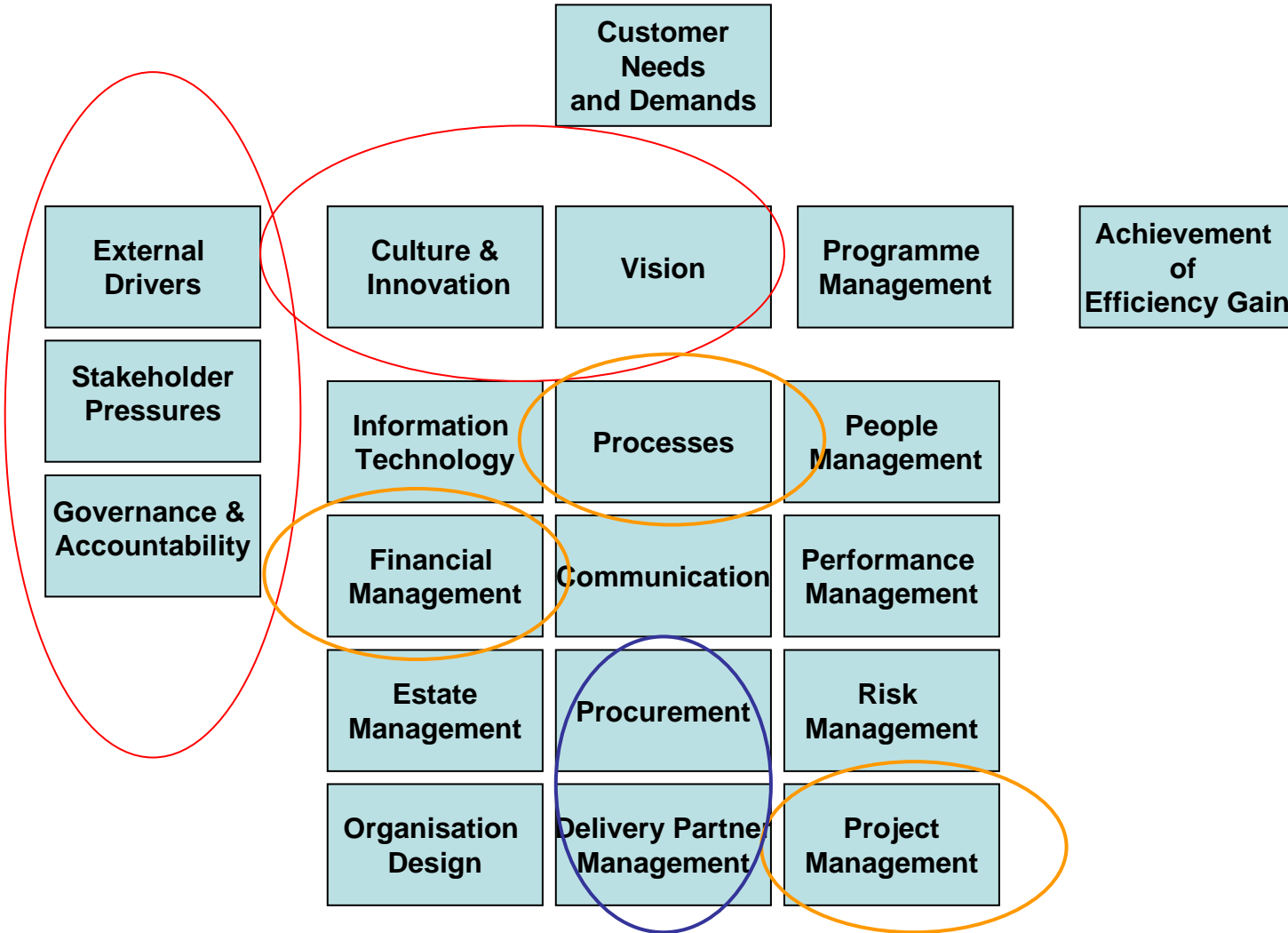
UK National Audit Office

- The purpose of the toolkit is to assess a public sector organisation's approach to achieving efficiency and identify opportunities for efficiency gains and financial impact
- The toolkit is based on the idea that an efficient organisation demonstrates a number of key characteristics. These characteristics are:
 - Common: they will be shared by the majority of efficient organisations
 - Tangible: they can be identified through a structured process of collecting and analysing information about the organisation

Office of Government Commerce (OGC)



Office of Government Commerce (OGC)



Infrastructure project evaluation 2007-08

Project Evaluation Mark I

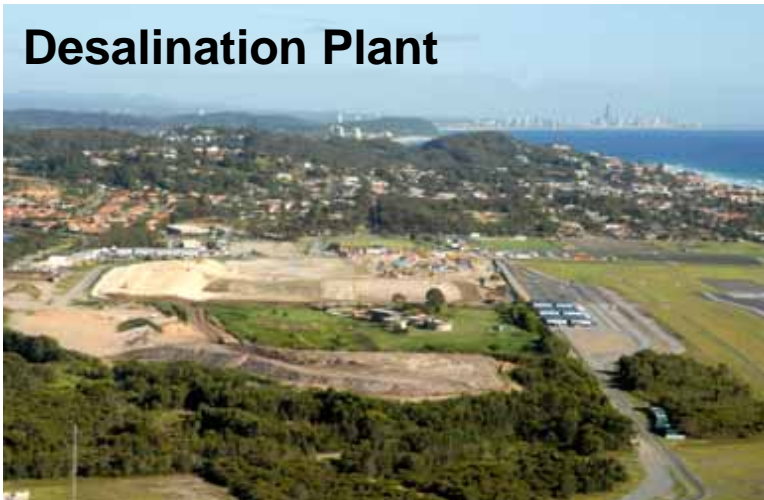
- Desalination Project (budget \$1.125b)
- Gateway Upgrade Project (budget \$1.88b)
- Electricity distribution network upgrade Project (budget \$1.71b)
- Tugun Bypass (\$500m)

Infrastructure project evaluation 2007-08

Project Evaluation Mark II

- Western Corridor Water Recycling Project (budget \$2.6b)
- North – South Bypass Tunnel (budget \$2b)
- Inner Northern Busway Projects (budget \$1.2b)
- Helensvale to Robina, Salisbury to Kuraby Project, Caboolture to Beerburrum to Landsborough Project (budget \$953m)
- Northern Triangle Townsville (\$4.2b)
- Gladstone Port Upgrade (\$4.6b)
- Logan Motorway/Ipswich Motorway Interchange Upgrade (\$659m)
- South Bank Institute of Technology (\$860m)
- Hale Street Bridge (\$210m)

Project evaluation



Queensland Audit Office

Corporate Card Review and Shared Services Audit

John Welsh

Director of Audit





Annual Work Plan

Audit themes –

- Governance
- Financial Management
- Service Delivery
- Infrastructure

Areas of audit emphasis

- Governance
 - ICT Systems Project Governance
- Financial Management
 - Fraud Management Framework
 - Corporate Card
 - Government Employee Housing
- Infrastructure
 - Infrastructure Project Evaluation

Queensland Audit Office

Corporate Card Review

Corporate Card

Objectives –

- General compliance and controls focus
 - Acquittal process
 - Compliance with legislation, guidelines, special agency policies
 - Impact of new Procurement Policy – effective 1/1/08
- Transaction testing

Why do the audit?

Card Statistics

- Last 10 years departmental transactions increased 142K - 800K
- Top nine agencies 20% of cards and 55% of card expenditure
- 1998-99 card expenditure \$40m
- 2006-07 card expenditure \$220m
- Incidence of control weaknesses

Source: Qld Treasury Corporate Card Review, 2007

Corporate Card

Agencies in scope –

- Shared Services Agency - Bureau
- Selected Departments, Government Owned Corporations, Statutory Bodies

Management controls

- Corporate Card Provider Agreement
- Corporate Procurement Plan
- Training in use of Corporate Card

Procedural controls

- Credit Card/Expenditure Policy
- Card Holder Agreements
- Register of Card Holders
- Card Software Interface/Expense Management System

Monitoring controls

- Exception reporting
- Monitoring usage of cards
 - Cards not used
 - Trends in card usage and expenditure

Transaction testing

- Ensuring expenditure for official purposes
- Review of hospitality and entertainment expenditure
- Monthly returns authorised
- No long outstanding reconciliations
- Card holder and agency delegation consistent

Fieldwork and reporting

- For Departments – work may need to be performed at both the SSA - Bureau and the department depending on where the controls are in operation
- Field work to be completed by mid March 2008
- Any issues to be reported to management for a formal response
- Planned to be included in a June Report to Parliament on a consolidated basis

Queensland Audit Office

Shared Services



Report No. 7 for 2006 and Report No. 9 for 2007

- Reported on progress through QAO's eyes
- Challenging and complex environment

Report No. 7 for 2006

Information Systems Controls breakdowns

- User access management
- Change management
- Segregation of duties

Report No. 7 for 2006

Application Controls breakdowns

- Vendor maintenance – authorisation and verification lacking
- Documentation misplaced or not located
- Lack of checks over payroll reconciliations and master file creation
- Lack of timeliness in bank reconciliation preparation
- Inadequate review of payroll validation reports
- Incomplete documentation on employee personal file

Report No. 9 for 2007

- Change in agency audit strategies resulting from control weaknesses identified at various Shared Service Providers including CorpTech – additional testing
- Communication of all audit findings to agencies from the SSPs and CorpTech was in some instances limited and not provided in a timely manner

Report No. 9 for 2007

- Lack of detail in comfort letters provided by management of the SSPs and CorpTech to agencies relating to assurance over the control environment
- Agencies remain accountable for financial systems – 2-way dialogue
- QAO working closely with SSA and CorpTech providing advice in relation to developing a formal management assurance framework certified by internal audit, who will perform testing over the controls
- Treasury review of FA&A Act in relation to control sign-offs

QAO Impact

- QAO restructured for 2007-08 audit year to centralise the SSA audit into one group under the control of one Director and Manager
- Environment complex with different versions of finance and payroll systems still operating
- Legacy systems still operating – transition to new system during any year generally requires double the audit effort