Auditor-General of Queensland

Report to Parliament No. 4 for 2008

Results of Audits at 31 May 2008

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July 2008

The Honourable M F Reynolds MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

This report is prepared under Part 6 Division 3 of the *Financial Administration and Audit Act 1977*, and is on the Results of Audits as at 31 May 2008. It is the fourth in the series of Auditor-General's Reports to Parliament for 2008.

In accordance with s.105 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

Glenn Poole
Auditor-General

Contents

Glossary
Frequently used terms and abbreviations

AASB – Australian Accounting Standards Board.

Accountability is a responsibility on public sector entities to achieve their objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

ASIC – Australian Securities and Investment Commission.

Auditor's opinion is a positive written expression within a specified framework indicating the auditor's overall conclusion on the financial report based upon audit evidence obtained. Refer to section 5.2 for types of auditor's opinions issued by the Auditor-General.

Authorised auditor is the Auditor-General or Deputy Auditor-General, or a member of staff of the Queensland Audit Office, or a contract auditor.

By arrangement audit is an audit by the Auditor-General of an entity that is not a public sector entity, which is conducted at the request of a Minister or a public sector entity and with the consent of the entity.

CEO – Chief Executive Officer.

Contract auditor is an appropriately qualified individual who is not a staff member of the Queensland Audit Office who is appointed by the Auditor-General to undertake audits of public sector entities on his behalf.

Cost escalation percentage is the index utilised to take into account inflation and increases in costs in the construction industry expected to occur during the project's construction.

Delegate of the Auditor-General is an authorised auditor to whom the Auditor-General has delegated his powers to sign the independent auditor's report.

Design and construct (DC) strategy is where the project owner contracts with a single entity that is responsible for both design and construction. In turn the contractor may use an external consultant in the design phase or use 'in house' resources.

FA&A Act – *Financial Administration and Audit Act 1977*.

Financial report is a structured representation of the financial information, which ordinarily includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period in accordance with a financial reporting framework.

FMS – *Financial Management Standard 1997*.

GOC – Government owned corporation.

GOC Act – *Government Owned Corporations Act 1993*.

Going concern means an entity is expected to be able to pay its debts as and when they fall due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

Hybrid alliance - Two or more entities undertake to work together on the basis of sharing project risk and reward for the purpose of achieving agreed outcomes based on the principles of good faith and trust and an open book approach toward costs. However, most of the personnel to build the project are alliance personnel who originate from the contracting agent with overall management of the project occurring through a special purpose joint venture vehicle.

Independent auditor's report is issued as a result of an audit and contains a clear expression of the auditor's opinion on the entity's financial report.

LTC – Local Transition Committee established as part of the Local Government reform process.

Office of Government Commerce (OGC) is an office of HM Treasury (UK), responsible for improving value for money by driving up standards and capability in procurement, from commodities buying to the delivery of major capital projects, maximising the effective use of 60% of UK Government spending and a £30 billion property estate.

PAC – the Parliamentary Public Accounts Committee.

Prescribed requirements means requirements prescribed by the *Financial Administration and Audit Act 1977*, another Act or a financial management standard, but do not include the requirements of a financial management practice manual.

Public private partnership (PPP) is an arrangement between an "owner" and a consortium of one or more capital works organisations. In a PPP, the consortium assumes all risks and benefits of the asset being constructed during a specific period of time. At the end of this time the ownership asset reverts back to the owner's control. The consortium is required to fund the project and in return is able to drive revenue from the assets during the specific period of time.

Public sector entity means a department; a local government; a statutory body; an entity that is controlled by one, or more than one, department, local government or statutory body or by a combination of departments, local governments and statutory bodies; or an entity controlled by an entity that is a public sector entity as defined by Schedule 3 of *the Financial Administration and Audit Act 1977*.

QAO – Queensland Audit Office.

Relationship based alliance model includes an interactive team with pain/gain cost and non-cost incentives as "Best for Project" and "Value for Money" as the best option to satisfy the service delivery requirements. The interactive team is involved in the design and developing of the target out-turn cost after selection of the successful tenderer.

SSI – Shared Service Initiative.

Traditional alliance is a commercial legal framework between a department, agency or government-backed organisation as "owner" and one or more private sector parties as the "service provider" or "non-owner" participants for delivering one or more capital works projects

Under trust deed audit is an audit of a trust fund where the Auditor-General is specified as the auditor in the trust deed. A trust fund is not a public sector entity.

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Section 1
Executive summary

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1.1   Auditor-General's overview

This report provides details of the results for a number of audits of specific programs, the 2007 financial year audits of universities and grammar schools, the current status of the Shared Service Initiative and other audit results.

It is usual for this Office to select areas of public sector activity for specific audit to determine how well public sector entities are complying with a selection of legislative requirements, government policy and directives from central agencies. For 2007-08, these areas of interest were:

- fraud risk management

- corporate card use and management

- the management of public sector employee housing

- information and communication technology (ICT) project management

- infrastructure project evaluation.

The number of entities audited for each topic varied as did the methods used to collect and analyse information.

The results of fraud risk management and corporate card use and management audits were conducted to provide assurance to Parliament assurance about systems in use to manage these risks and identify any areas which needed improvement.

While a large number of entities were examined through these audits, to ensure the focus is maintained on the issues identified, the entities subjected to audit and the individual results for each entity have not been disclosed. However for all the entities audited, all control breakdowns and recommendations for improvement have been reported to management for appropriate action. The implementation of this action will be monitored through subsequent audit activity.

For the audits of the management of public sector employee housing, ICT project management and infrastructure project evaluation, specific agencies have been chosen for audit and have been reported upon to enhance overall performance and accountability. These audits identified areas of improvement and for some, where urgent action needs to be taken. Once identified, issues for attention were reported to management for appropriate action. In addition, the entities named were given the opportunity to respond to the issues raised as required by the *Financial Administration and Administration Act 1977* (FA&A Act) and their responses are included in this report.

This report provides Parliament with an update on the current status of the Shared Service Initiative from the 2008-09 interim audits of CorpTech, the Shared Services Agency and other shared service providers. It is encouraging that there is improvement in the management of this initiative with fewer high risk issues being identified. As the Shared Service Initiative impacts on a number of my major audits, I will continue to monitor actions being taken to resolve outstanding issues.

A significant change affecting departments, statutory bodies and government owned corporations this financial year, is the change to financial reporting deadlines from three months to two months after the completion of the financial year. This arose from amendments to the FA&A Act and the *Government Owned Corporations Act 1993* (GOC Act) passed by Parliament in February 2008. I have been working with entities to meet the shortened timeframes for financial statement completion through strategies such as early closes to hasten financial statement preparation and provide more timely audited financial information.

This report also provides an update on the status of all 2006-07 audits which were not finalised at the date of Report No. 9 for 2007. This report includes the results of the 2007 audits of universities and grammar schools and Aboriginal Shire and the Torres Strait Island Council audits not finalised at the time of tabling Report No. 2 for 2008.

A summary of the key audit findings from the report is provided in the following section. Responses provided by the respective entities to issues raised in the report are provided in Section 5.1.

1.2   Summary of key audit findings

Results of compliance audits

Management of public sector employee housing (Section 2.1)

Because employee housing is a valuable State asset contributing to service delivery, I conducted an audit to assess how effectively the Departments of Education, Training and the Arts, Health, Police and Public Works were managing the provision of government employee housing.

Overall I identified a need for improvement in the operation of the whole-of-government management framework and the departmental systems used to manage tenancy and maintenance information. Assessments by the departments of maintenance requirements were not comprehensive, condition assessments were not timely and maintenance backlogs were not effectively managed. Departmental tenancy management systems were also found to be inadequate for three departments and strategic planning for procuring and maintaining employee housing was inadequate.

Whole-of-government management of the State employee housing assets was found to be ineffective with poor information available and appropriate management information systems not being in place. The implementation of the current model for providing and maintaining employee housing needs to be reviewed to ensure adequate systems and processes are developed and utilised.

Fraud risk management (Section 2.2)

The potential for fraud is a key risk for all entities whether in the private or the public sector. My audit assessed the extent to which a selection of 45 public sector entities had implemented an appropriate fraud risk management framework. The results of the audit showed that while fraud continues to present a significant risk to management in their collective stewardship of public sector assets, there has been an improvement in the application of fraud risk management principles across the public sector since the last audit in 2002-03. Twenty-four of the 45 entities had experienced loss from fraud to various degrees. Areas which could be further improved include fraud risk assessment, development of fraud policies and plans and monitoring activities.

Corporate card use and management (Section 2.3)

Credit cards are used by government as a convenient means of purchasing low value goods and services. I examined controls in place over the use and management of corporate cards at 23 entities and found most have made a concerted effort to implement appropriate policies and procedures.

Eight entities had comprehensive controls in place over the management and use of corporate cards while the remaining fifteen entities were identified as having adequate controls where improvements could be made. None of the entities were considered to have such poor controls in place that corporate cards should not be used.

Over 600 cards across thirteen entities were noted as having not been reconciled to supporting documentation for more than 60 days. Reconciling cards within a reasonable timeframe reduces the risk of unauthorised and inappropriate expenditure. Other control breakdowns identified included seven entities where expenditure transactions were not always supported by adequate documentation and instances where card holders did not always have the appropriate financial delegation to allow them to incur expenditure on their card. While the misuse of the corporate cards would be possible given these control breakdowns, no instances of misuse were noted during the audit.

Information and communication technology (ICT) project management (Section 2.4)

Because of the risks associated with the delivery of large ICT projects currently in progress, I audited three projects to see if appropriate project structures were being used and policies, accountability mechanisms and monitoring practices were in place to achieve the required government outcomes. These projects were the Queensland Police Records and Information Management Exchange (QPRIME), Integrated Client Management System (ICMS) and the Automated Fare Collection System (AFCS).

I found that overall the management of the projects varied across the three projects audited. The Department of Police's Queensland Police Records and Information Management Exchange (QPRIME) project was found to be generally well managed through the duration of the project with good project management practices in place.

While the Integrated Client Management System (ICMS) project at the Department of Child Safety and Department of Communities and Disability Services Queensland had experienced past project management issues, there was evidence of recent improvements in project controls. These improvements were a result of the implementation of the Queensland Government Project Management Methodology. Significant weaknesses in project management controls were identified for the Automated Fare Collection System (AFCS) project at Translink, a business unit of the Department of Transport.

The key findings identified across all three projects should be considered by other public sector entities involved in the planning and implementation of similar significant ICT projects.

Infrastructure project evaluation (Section 2.5)

With the recent surge in infrastructure related spending in response to pressures from increased population growth in South East Queensland, infrastructure project evaluation has been a topic of audit focus for both 2006-07 and 2007-08. These audits have reviewed the adequacy of the project management frameworks adopted by the entities responsible for this infrastructure expenditure. The audits also examined compliance with infrastructure strategies, plans, charters, frameworks, policies and guidelines.

The results of audit testing indicated that most of the thirteen projects audited in 2007-08 were well managed. However in some cases there was opportunity for improvement of processes and policies.

In the 2006-07 projects, the areas of greatest improvement were reporting, communication and governance. While all entities met the minimum standard for risk management, there continues to be a need for improvement in the updating of risk management documentation and issuing of management plans and risk registers.

I am encouraged by the progress to date in implementing the recommendations made in the audit management letters provided to the individual entities. There have been some key improvements. Strong coordination and management implementation will ensure that all audit recommendations are addressed in relation to current and future infrastructure projects.

Other audit results

Shared Service Initiative (Section 3.1)

Planning and interim audit work for the Shared Service Initiative has been finalised. All audit findings were reported to senior management for resolution. There has been improvement in controls across the shared services entities with many high risk issues now addressed. This has provided the opportunity for other less critical issues to be identified which also need attention.

2007 University and Grammar School audit results (Section 3.2)

The 2007 audits of universities have been completed and unmodified audit opinions were issued on their financial statements. While modified opinions were issued for some controlled entities of universities, I am satisfied that appropriate governance regimes are in place to maintain their accountability.

Audit opinions on the financial statements of all eight grammar schools were unqualified.

2006-07 Aboriginal Shire Council and Torres Strait Island Council audit results (Section 3.3)

Three Aboriginal Shire Council and two Torres Strait Island Council financial statements have been certified for 2006-07 since Report No. 2 for 2008 was tabled in Parliament on 2 May 2008.

Ratings of Councils' overall level of financial accountability and stewardship of financial resources have been included in Section 3.3.3.

Other 2006-07 audit results (Section 3.4)

At the date of this report, 97 per cent of 2006-07 audits (or 703 of 727 reporting entities) have been finalised (that is, management certified and audited). Financial statements for 24 audits are still outstanding.

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Section 2
Results of compliance audits

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2.1 Management of public sector employee housing

2.1.1 Audit overview

According to the latest available data, the Queensland Government owns approximately 4,355 employee houses and leases a further 280 for the use of government employees who provide government service delivery. These assets have a total capital value of around $963m and are mainly located in rural and remote locations. Departmental employee housing portfolios comprise houses, barracks or motel style accommodation and semi detached units. The Government has also set in place a rationalisation policy to dispose of employee houses in certain larger regional centres where an adequate private rental market exists.

While the majority of office accommodation within the Queensland public sector is managed centrally by the Department of Public Works, a decentralised model for employee housing was approved by the Government in December 1996. Under this model, departments own these houses but are guided by a whole of Government Housing Management Committee (HMC). In February 2007, the Government strengthened the role of the HMC to allow the Committee to develop employee housing policies and report at a whole of Government level on procurement, maintenance and use of employee housing. At the same time, the Government also directed that a review be carried out of the standard of employee housing across government by September 2008.

This audit assessed how effectively four departments are managing government employee housing. These departments were the Department of Education, Training and the Arts; Health; Police and Public Works. Employee housing policies and management frameworks were examined across these departments as well as from a whole of Government level. Asset planning was reviewed as well as how effectively the systems were operating for maintaining assets to an acceptable level to meet the service delivery requirements of the departments subject to audit.

2.1.2 Overall audit findings

The State's employee housing portfolio is a valuable asset that enables government service delivery especially in the rural and remote areas of the State. The results of the audit show the operation of the whole of government management framework and the departmental systems used to manage tenancy and maintenance information need to be improved.

The key findings from the audit were:

- Assessment of maintenance required for employee housing is not comprehensively carried out and condition assessments are not being performed within the required timeframe.
- The backlog of maintenance is not being effectively managed.
- Departmental tenancy management systems are inadequate for three departments. The details contained in these systems are not accurate or complete and are not reconciled to departmental asset registers.
- Strategic planning for procuring and maintaining employee housing is poorly carried out. Plans are either not being prepared or not tabled as required by government policy.

The management information systems used by three departments for managing and maintaining their housing assets need to be improved. These departmental systems are used to provide information for the whole-of-government management of the State housing assets. As a consequence, whole-of-government management of the State housing assets is also ineffective with poor information available and appropriate management information systems not being in place.

The implementation of the current model of providing and maintaining employee housing needs to be reviewed to ensure adequate systems and processes exist so that:

- whole-of-government reporting of procurement, maintenance, use and demand for employee housing information is timely and accurate
- strategic policies for procuring, maintaining and use of employee housing can be developed
- departments are able to manage effectively the procurement, maintenance and use of employee housing
- there is equivalence of housing standards across the various departments' housing portfolios.

A response to these issues has been provided by the Director-General, Department of Public Works on behalf of the four departments audited. This represents a whole-of-government response addressing the key audit findings and is included in Section 5.1.1. The Director-General also advised as part of his response that the Housing Management Committee will be the major whole-of-government forum working to ensure ongoing strong governance of employee housing management across the sector.

2.1.3 Audit scope

The audit covered the four departments with the largest housing portfolios. The housing assets of the departments cover approximately 80 per cent of the total government housing portfolio and consist of a range of accommodation types including houses, barracks, motel style accommodation and semi detached units. The size and value of these departments' housing portfolios as at 2006 are detailed in Table 2.1. It has been necessary to use 2006 data in a number of the following tables as up-to-date consistent information on the size and value of housing portfolios at a whole-of-government level is not available.

Table 2.1 — Departments audited and their employee housing portfolios as at 2006

Department	Housing Assets owned	Value of portfolio ($m)	Housing Assets leased
Education, Training and the Arts	1,528	417	84
Health	550	231	150
Police	734	86	3
Public Works	739	127	0
Total for departments audited	**3,551**	**861**	**237**
Total for Government	**4,355**	**963**	**280**

The audit examined departmental policies, strategic planning, assessment and management of maintenance and tenancy management, and how employee housing is managed at a whole-of-government level.

The key management information systems for departmental employee housing assets including departmental tenancy management systems, departmental asset registers and QBuild's maintenance management systems were reviewed as part of this audit.

To assess how employee housing was being managed, I referred to legislative requirements, government directives and better practice.

2.1.4 Audit results

Asset strategic planning processes

Funding for the purchase and maintenance of the departmental housing portfolio is required to be identified in each department's asset strategic plans submitted as part of the annual departmental budgetary process.

Asset strategic planning provides the framework for good management of departmental assets. It identifies the need for new assets, determines the maintenance required and assesses the appropriateness of existing assets. Planning requirements are set out in government policy guidelines and incorporate the requirement to prepare two documents, the asset strategic plan and the strategic maintenance plan.

The strategic maintenance plan is a subsidiary document identifying departmental requirements for strategic maintenance for input to the asset strategic plan. The asset strategic plan is then incorporated into departmental budgetary processes. Review of these two planning documents disclosed that the departments subject to this audit were at different stages of their preparation of these plans and the supporting assessments required to ensure good management and accountability of the departmental assets. Table 2.2 shows the status of these planning documents.

Table 2.2 — Planning documents prepared for 2007-08

Department	Asset strategic plan prepared for 2007-08	Strategic maintenance plan prepared for 2007-08
Education, Training and the Arts	No	No
Health	Yes	No
Police	No	No
Public Works	Yes	No

It was found that departments had prepared these documents in prior years but these had not been updated for 2007-08.

Under the Maintenance Management Framework (MMF), all departments are required to prepare a strategic maintenance plan that should identify all the planned and unplanned maintenance required. Audit found that the departments were not complying with this requirement and did not always comply with the planning procedures set out in the MMF.

As strategic maintenance plans have not been prepared, there can be no assurance that all preventive maintenance needed to preserve the functionality and life of the dwellings has been identified and has been systematically addressed. If strategic maintenance plans were prepared, they could be used as a basis for developing a more coordinated approach to performing required maintenance.

There is a lack of coordination in carrying out condition assessments where one department's priorities can impact on QBuild's capacity to carry out the planned condition assessments. Additionally, in discussions with senior management of the Department of Public Works, it was disclosed that maintenance is being carried out on a department by department basis rather than being carried out for housing for all departments requiring maintenance in the same area as part of a single program.

Maintenance assessment

Timely maintenance assessment assists in detecting and preventing the gradual deterioration of a department's building assets to ensure these assets continue to support the department's business objectives and service delivery requirements. Generally, for houses, the maintenance required begins to increase when dwellings are ten to 15 years old and rises significantly after 25 years.

The MMF sets out the framework for the operation of housing maintenance. The MMF requires a condition assessment on all Queensland Government buildings every three years. The condition assessment is the primary document used to assess and quantify the maintenance required. The MMF suggests more regular inspections may be required by departments to achieve the required outcomes.

The Department of Health manages its maintenance program internally while QBuild, a business unit of the Department of Public Works, assesses, records and carries out the maintenance for the other three departments' employee housing assets.

For these departments, QBuild maintains the central record of the maintenance requirements for the assets, however the departments use additional internal systems in order to achieve a more complete record of their maintenance requirements. The condition assessment information is recorded in the QBuild maintenance management systems and is the source for subsequent maintenance work that is undertaken. The departments then use the data obtained from the QBuild maintenance management systems to manage any maintenance backlog.

For the amount of maintenance required to be accurately determined, it is essential that a comprehensive schedule of condition assessments is undertaken.

Table 2.3 identifies that the number of houses assessed to date in the current three-year cycle of condition assessment has not achieved a comprehensive review of the employee housing maintenance needs. Departments have indicated that condition assessments are scheduled for 2007-08 and this program is currently being completed.

Table 2.3 — Condition assessments*

Department	No of housing assets assessed			Condition assessment undertaken	Total employee housing portfolio^	Per cent of housing assets assessed
	2005-06	2006-07	2007-08#			
Education, Training and the Arts	450	94	129	673	1,874	36%
Health	0	68	50	118	386	31%
Police	0	3	103	106	759	14%
Public Works	45	3	198	246	740	33%
TOTAL	**495**	**168**	**480**	**1143**	**3759**	**30%**

* Derived from data provided by the Program Maintenance Branch at the Department of Public Works and Department of Health.

 # Condition assessments performed to 31 March 2008.

^ 2008 housing portfolio information has been supplied by the individual departments as up-to-date whole-of-government information is not available.

At 31 March 2008, although there were only three months left of the current three-year cycle, only 30 per cent of the houses had been subject to condition assessments at the departments audited to meet the requirements of the MMF. The remaining 70 per cent of houses would need to be reviewed by 30 June 2008 to satisfy the MMF's requirements.

The Strategic Maintenance Plan should identify all the planned and unplanned maintenance required. Unplanned maintenance is work that requires an asset to be restored to an operational or safe condition. Planned maintenance addresses preventive and statutory maintenance requirements. Maintenance backlogs will not be satisfactorily resolved until departments address preventive maintenance rather than dealing mainly with unplanned maintenance.

The MMF requires that departments allocate sufficient funding in the maintenance budgets to ensure assets are maintained to the required condition. The MMF recommends a minimum funding benchmark standard of one per cent of building asset replacement value. A comparison of the minimum funding benchmark to the annual maintenance budget is shown in Table 2.4.

Table 2.4 — Minimum funding benchmark compared to annual maintenance budget

Department	2006-07 annual maintenance budget ($m)	One per cent of the asset replacement value ($m)
Education, Training and the Arts	5.4	4.2
Health	#	2.3
Police^	2.2	0.9
Public Works*	2	1.3

 # The Department of Health annual maintenance budget was not readily identifiable as it is prepared on a regional basis.

^ The Department of Police received an additional $5.4m in 2006-07 for the Special Housing Maintenance Program.

* The Department of Public Works has received an additional $4m for 2006-07 and 2007-08 to address the maintenance backlog for employee housing.

Table 2.3 shows departments do not have a comprehensive assessment of maintenance requirements for employee housing assets. Table 2.4 shows the amounts being budgeted for maintenance by all departments while meeting the minimum benchmark established by the MMF are insufficient to significantly reduce the backlog shown in Table 2.5.

Maintenance backlog

A maintenance backlog occurs when the department defers maintenance due to other departmental priorities, funding is insufficient to cover the identified maintenance or the service provider is unable to carry out the maintenance work required.

Details of maintenance backlogs were provided by the departments audited. Table 2.5 shows these maintenance backlogs comprised a significant component of the value of each department's asset portfolios.

Table 2.5 — Value of backlog compared to portfolio

Department	Value of portfolio* ($m)	Backlog ($m)	Per cent of portfolio
Education, Training and the Arts	417	37.20	8.9%
Health	231	38.30	16.6%
Police	86	13.20	15.4%
Public Works	127	12.00	9.4%

* 2006 Housing portfolio information used as up-to-date whole-of-government information is not available.

As comprehensive assessments of maintenance requirements for employee housing assets have not been completed as shown in Table 2.3, there is doubt about the completeness and accuracy of the value of the backlogs identified by the departments.

QBuild records all condition assessments and manages the work orders for identified maintenance requirements on their internal management information systems. QBuild's maintenance systems then identify all outstanding work orders to determine the amount of maintenance backlog.

Departments audited also used desktop systems to separately assess and estimate any additional maintenance work required to obtain a more complete picture of their maintenance backlog. However, review by audit of documentation provided by departments to substantiate maintenance backlogs did not provide enough information to support the amount of identified maintenance backlogs.

The supporting evidence for the composition of the maintenance backlog and the priority that each department was using to reduce the various components of backlog was poorly documented. QBuild's maintenance systems do not interface with departmental systems and departments do not have online access to QBuild's systems.

The current levels of funding allocated within the departments to the maintenance of employee housing, while in line with the recommended minimum under the MMF, is not adequately addressing the backlogs. This is having an adverse and compounding effect on the condition of employee housing assets. Employee housing which is in poor condition results in difficulties securing and retaining staff, consequentially affecting the ability to provide services in remote and regional areas.

Tenancy management systems

The tenancy management systems of three of the departments audited could not provide prompt centralised reporting and were based on dated decentralised systems.

The tenancy management systems did not record comprehensive tenancy details nor were they reconciled to departmental asset registers. The departments did not have effective systems in place to ensure the completeness and accuracy of their tenancy records. Departmental tenancy records were not reconciled with the QBuild maintenance management systems. Review of the Department of Public Works tenancy management system disclosed it was operating effectively.

Departmental housing policies

Each department can adopt its own housing policy, if approved by the Government. This allows each department to determine its own policy provisions such as departmental specific rental charges and employee eligibility criteria for government supplied housing.

Only the Department of Education, Training and the Arts had a policy approved by the Government. The employee housing policies of the Department of Public Works and Department of Health were only approved at a departmental level.

The Department of Police's failure to develop and implement a comprehensive employee housing policy was first raised during 1995-06. A new policy was approved by the Department's Board of Management on 26 October 2007. This policy has not been approved by the Government.

From reviewing the four departments' housing policies, it is clear that there is a lack of consistency not only in the requirements of the various policies but also in their application within the departments themselves.

Review of rental rates being charged revealed that they were in accordance with the relevant employee housing policies. The rental rates for employee housing in the policies ranged from houses that were provided free of charge to the levying of full market rent. In order to provide services to some areas of Queensland, departments do not always levy rents to recover the full cost of the housing funding and a range of subsidies for the rents charged are provided by the departments. The audit found that the rent charged varied with the standard of housing.

The government policy requirement for the disposal of employee housing in selected regional centres had been implemented to varying degrees. For example, the Department of Public Works had disposed of all employee houses in the designated regional areas while the Department of Police still retains houses in these areas. The Department of Police is currently reviewing their policy including the rationalisation of houses, with this review to be completed in 2008-09.

Whole-of-government employee housing management processes

From a whole-of-government perspective, the Government first approved the current decentralised model of employee housing ownership under the guidance of a whole-of-government Housing Management Committee (HMC) in December 1996. The role of the HMC was strengthened in February 2007 by requiring the HMC to:

- provide a more directive role

- deliver whole of government strategies to improve procurement, maintenance and employee housing utilisation and oversee mandatory reporting on these functions

- use the data collected for strategic decision making and benchmarking.

The audit identified reporting at a whole-of-government level was not taking place. The four departments have numerous incompatible tenancy and maintenance management systems, making the reporting required by the HMC at a whole-of-government level within a reasonable period difficult and potentially inaccurate.

Departments develop strategies and manage their procurement, maintenance and employee housing utilisation. Review of departmental systems identified that regular reporting of vacancy rates was not occurring at a departmental or at a whole-of-government level. Evidence of effective collating and reporting of unmet demand for housing by entitled government employees on a whole-of-government basis could not be identified. Audit found no evidence of strategies developed by the HMC to improve these functions or report on these issues from a whole of Government perspective.

2.1.5 Review conducted by Department of Health

On 15 May 2008, the Minister for Health announced that a statewide security review conducted by the Department of Health had been completed and maintenance and security problems in departmental staff accommodation identified during the review were being immediately rectified. The review also resulted in broader recommendations which were being fully considered by the Department, including:

- development of minimum standards for staff accommodation

- review of the Department of Health's ongoing ownership and management of staff accommodation with a view to considering the engagement of a third party to undertake this responsibility. In addition, a review should also assess the Department of Health's total accommodation asset base to determine retention, disposal, reinvestment and upgrade strategies

- development of a strategy for ongoing inspection and maintenance.

I note that the Minister has recognised the need to maintain Department of Health's employee houses and has instructed the Director-General to immediately take action.

There is a need for all of the departments including the Department of Health to consider the requirements of the MMF and develop and implement the appropriate plans to ensure that all planned and unplanned maintenance is addressed.

2.2 Fraud risk management

2.2.1 Audit overview

Australian Auditing Standard ASA 240 defines fraud as an "intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage". Global studies reveal that fraud is a key risk within entities and entities should not assume that their current safeguards are adequate.

Audit last examined fraud risk management across the public sector in 2002-03 and the results were included in Section 7.2 of Auditor-General's Report No. 10 for 2002-03. That report noted a high percentage of the entities reviewed had not undertaken a formal assessment of the risk of fraud or did not have satisfactory fraud control policies, procedures and plans in place.

Given the significance of fraud risk and the results of the 2002-03 review, a follow-up audit was performed to assess the extent to which a selection of public sector entities have implemented an appropriate fraud risk management framework.

2.2.2 Overall audit findings

The results of my audit show there has been an improvement in the application of fraud risk management principles across the public sector since 2002-03. However fraud continues to present a significant risk to management in their collective stewardship of public sector assets with 24 of the entities experiencing loss to various degrees from fraud.

Major findings were:

- Fifty-three per cent of the 45 entities audited experienced at least one confirmed fraud incident during the last three years with 24 per cent of entities having had five or more fraud incidents during the same period.
- Sixty per cent of the confirmed fraud incidents recorded during the past three years resulted from poor or overridden internal controls.
- Fifty-five per cent of fraud incidents recorded related to the theft of cash or plant and equipment.
- All entities reviewed have adopted a code of conduct promoting an ethical culture.
- Ninety-one per cent of the entities have systems for reporting fraud either under the *Whistleblower's Protection Act 1994* or anonymous reporting mechanisms.

Areas where entities' fraud management could be improved were identified during the audit and reported to individual entities for corrective action. These areas included:

- Twenty-two per cent of the entities had not undertaken a fraud risk assessment.
- Thirteen per cent of the entities did not have a fraud policy.
- Twenty-nine per cent of the entities did not have a formalised fraud risk management strategy or fraud control plan addressing the prevention, detection and management responses to identified fraud risks.
- Forty-seven per cent of the entities did not have a governance committee in place to monitor risk management activities including fraud management.

The audit also highlighted preventive actions used by entities including pre-employment screening for employees and contractors and use of anonymous reporting mechanisms such as independent reporting hotlines.

All control breakdowns and recommendations for improvement have been reported to management for appropriate action.

2.2.3 Audit scope

The scope of the audit was to assess the extent to which a selection of public sector entities had implemented an appropriate fraud risk management framework. The audit covered 45 entities, including 24 departments, 16 government owned corporations and five statutory bodies.

Areas examined during the audit included systems and processes for identifying and reporting suspected fraud, assessments of fraud risk, fraud control planning and monitoring, fraud risk management policies and procedures and overall responsibility for fraud risk management.

The community expects public sector entities to have high standards of governance and ethical behaviour. Strong corporate values founded on integrity are an important part of effective fraud management. While corporate values may be set out in an entity's policies such as their core values, code of ethics and codes of conduct, management must continually assess their entity's vulnerability to fraud.

2.2.4 Audit results

The following are the principal findings from the audit. Other minor audit findings have been separately referred to respective entities for action.

Identifying and reporting suspected fraud

Instances of fraud

Twenty-four of the entities audited (53 per cent) reported that they had identified instances of fraud in the last three years. Five entities identified that they had more than 20 incidents of fraud over this period as shown in Table 2.6.

Table 2.6 — Number of fraud incidents identified in the last three years

Number of fraud incidents	Number of entities where incidents identified
One incident	2
Between two and five incidents	11
Between five and ten incidents	4
Between ten and 20 incidents	2
Greater than 20 incidents	5

Types of fraud

As shown in Graph 2.1, the most prevalent types of fraud identified over the last three years were the theft of cash, followed by theft of plant and equipment and payroll fraud. This indicates the traditional fraud risk areas of cash and assets still need to be considered by entities when implementing strategies for detecting and preventing fraud.

Graph 2.1 — Means by which frauds were committed in the last three years

Theft of cash — 36%
Theft of plant and equipment — 19%
Payroll fraud — 9%
Fraudulent expense claim — 8%
Theft of inventory — 8%
Fraudulent use of corporate issued credit card — 8%
Provision of fraudulent information — 4%
Benefiting from conflicts of interest or illegal gratuities — 3%
False invoicing — 3%
Electronic Funds Transfer fraud — 1%
Cheque tampering — 1%
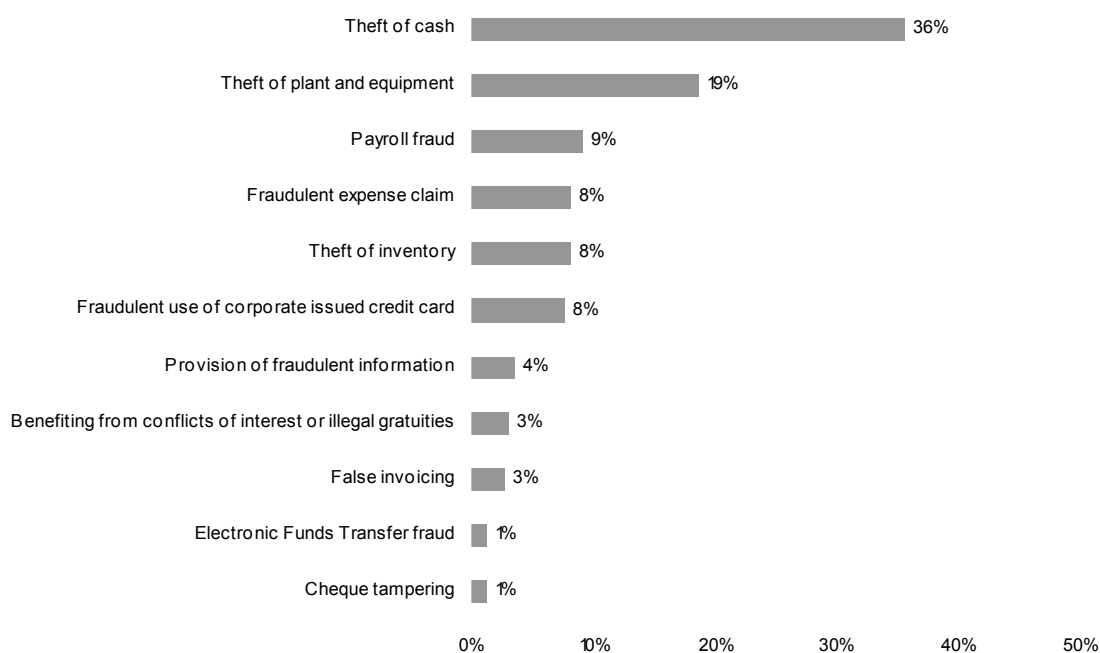
Losses from fraud

Table 2.7 shows that 21 entities (47 per cent) estimated that their losses from fraud incurred within the last three years totalled less than $100,000.

Table 2.7 — Estimated net loss from fraud in the last three years

Estimated net loss from fraud incidents	Number of entities which experienced loss from fraud
Less than $10,000	14
$10,000 to $100,000	7
$100,000 to $500,000	2
$500,000 to $1,000,000	0
Greater than $1,000,000	1

One entity incurred an estimated loss greater than $1m resulting from a fraud in the lodgement of State government taxes. The entity has since recovered approximately 50 per cent of the tax loss and is confident that the full amount will be recovered. None of the estimated losses disclosed in Table 2.7 had a material impact on the respective entity's annual financial statements.

As required by the *Financial Management Standard 1997*, all material losses resulting from fraud were reported to police and recovery action instigated by the entity.

Detecting fraud

Having properly operating internal controls was identified by 55 per cent of the entities audited as the most common method by which fraud is identified. This is shown in Graph 2.2. Internal audit was also seen by 16 per cent of entities as positively contributing to preventing and detecting fraud.
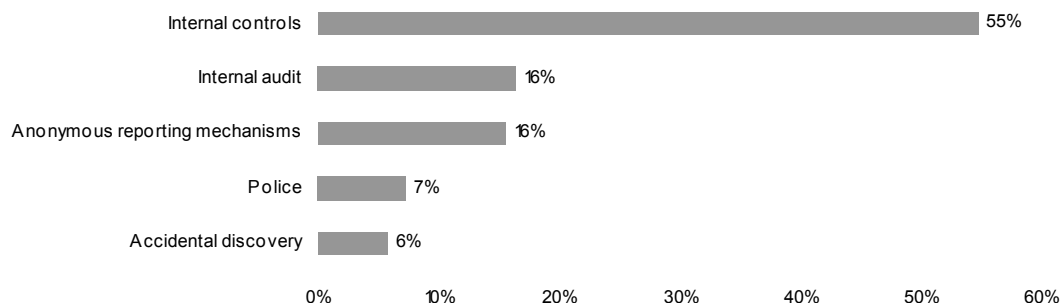
Graph 2.2 — Means by which frauds were identified in the last three years

While internal controls and internal audit were the most common means of identifying fraud, entities should also consider other identification techniques. Frauds may be committed in such a way that more sophisticated computerised interrogation of entities' transactions is needed to detect suspicious transactions or any particular trends or patterns. It was found that the majority of entities used internal audit to perform data analysis techniques across risk areas such as payroll and expenditure.

Causes of fraud

Poor internal controls and the override of internal controls by employees were identified as the main causes contributing to 60 per cent of the frauds identified in the last three years.

Poor ethical culture was also found to be a factor contributing to frauds being committed. However the audit indicated that all entities have implemented approved codes of conduct setting out the standards of conduct required of board members, employees and contractors to achieve the ethical standards expected.

Twelve per cent of the fraud incidents over the last three years related to poor hiring practices. Thirty-six entities audited (80 per cent) perform pre-employment screening for employees and 22 entities (49 per cent) conduct screening for contractors. Better practice is discussed in Table 2.8.

Table 2.8 — Better practice – Pre-employment screening

Pre-employment screening limits fraud perpetrators moving from organisation to organisation and continuing their fraudulent activities in more than one location. Most of the entities audited used a combination of reference and criminal history checking as their pre-employment screening procedures.

Entities that have recognised their employees have greater exposure to potential situations leading to a misuse of official powers or conflicts of duties have improved their pre-employment screening procedures to include psychometric testing and such checking as:

- criminal history checks (through the Department of Police)
- name search for company directorships (through Australian Business Research)
- bankruptcy checks through the National Personal Insolvency Index
- identity checks
- professional qualification checks.

All entities that had experienced fraud had analysed the underlying causes of the frauds committed and amended their controls to attempt to prevent fraud reoccurring.

Reporting fraud

One of the most common ways in which fraud is detected is by observation, investigation and reporting by co-workers. Suitable mechanisms should be available to employees or third parties so they can report suspicious or known illegal or unethical conduct. Options should include systems for reporting concerns through the entity's organisational structure and anonymous reporting channels.

Forty-four of the entities audited (98 per cent) had reporting systems in place for suspected fraud. Of these, 41 entities had systems for reporting either under the *Whistleblower's Protection Act 1994* or management initiated anonymous reporting mechanisms.

Processes should be in place so when suspected frauds are identified, these are reported to the relevant authorities in a reasonable timeframe and appropriate recovery action undertaken.

Only one of the 24 entities reviewed that had encountered incidents of fraud did not have systems in place for allegations of fraud to be recorded, investigated and reported to the person or committee responsible for fraud risk management governance.

Preventing fraud

Assessment of fraud risk

Entities should periodically conduct and document a comprehensive assessment of fraud risks. This assessment should include considering the potential consequences and likelihood of each risk identified, and an evaluation of the risk that their financial report may be materially misstated because of fraud.

Thirty-five entities audited (78 per cent) had conducted an assessment of fraud risk. This was an improvement over 2002-03 audit results when only 43 per cent of the entities performed such an assessment. Thirty-three entities had considered and documented whether their financial report was susceptible to being materially misstated as a result of fraud.

Fraud control planning and monitoring

If the assessment of fraud risk identified any significant risks, a fraud control plan should be developed and reviewed periodically.

Elements of an effective fraud control plan are included in Table 2.9.

Table 2.9 — Better practice – Elements of an effective fraud control plan

An effective fraud control plan should include the following and be regularly reviewed:

- risks identified during the fraud risk assessment phase as well as a measurement of their potential consequences and likelihood

- an assessment of residual fraud risk after considering the effectiveness of internal controls in preventing fraud

- an action plan to mitigate residual fraud risk to an acceptable level including:

  – allocating responsibilities to staff with appropriate skills and available resources

  – timeframes and performance indicators if applicable for implementing the actions.

The fraud control plan should be reviewed and approved by the person or committee responsible for governing fraud risk management. This governance role should extend to monitoring the status of the action plan contained within the fraud control plan against established milestones or other performance indicators.

Thirty-two entities (71 per cent) had formalised a fraud risk management strategy or fraud control plan which addressed the prevention, detection and response to identified fraud risks. Of these, 23 entities had reviewed the plan in the last two years. This is an improvement from 2002-03 when only 26 per cent of entities had an official fraud control plan in place.

Twenty-seven entities (60 per cent) had developed an action plan, while only 21 entities had developed a timetable and allocated responsibility for implementing the strategies recorded in the action plan. Of the 27 entities that had an action plan to mitigate residual fraud risk, 21 entities formally reported on the progress of this plan to a person or committee responsible for governing fraud risk management.

Twenty-four entities (53 per cent) include regular data analysis as a strategy in their fraud control action plan to identify potentially fraudulent transactions that result from internal controls failing or being overridden by employees.

Policies and procedures for fraud risk management

Where warranted by the assessment of fraud risk, fraud risk policies and procedures should be implemented and periodically reviewed to ensure they are still relevant.

Thirty-nine of the entities audited (87 per cent) had addressed fraud risk management with a single policy or with a combination of policies. This is an improvement from 2002-03 when only 43 per cent of entities reviewed had either a single policy or a suite of policies that addressed fraud control issues.

Of the 36 entities that had policies and procedures covering fraud risk management, 23 entities (64 per cent) had reviewed these policies and procedures in the last two years. This is also an improvement from 2002-03 when only 35 per cent of entities had performed a fraud risk assessment.

Allocating overall responsibility for fraud risk management

Where fraud risk is assessed as being significant, overall responsibility for fraud risk management should be allocated to a person or team with appropriate authority and skills, and sufficient time provided to carry out this responsibility. Also a person or committee should be formally assigned accountability for governance of fraud risk management.

Forty entities (89 per cent) had assigned responsibility to an employee or team for fraud risk management, and 24 entities (53 per cent) had a governance committee in place to monitor risk management including fraud. These roles are critical to effective fraud risk management. It needs to rest with a committee or officer with the appropriate authority to ensure action is taken or to redress any lack of action by management.

2.3 Corporate card use and management

2.3.1 Audit overview

At 1 February 2007, approximately 15,276 corporate cards had been issued across the public sector according to Treasury Department's report on the *Queensland Government Corporate Purchasing Card Efficiency Review*.

The review report also stated that an additional 7,376 cards could be issued across Government to improve purchasing efficiency and reduce transaction costs if the percentage of staff holding cards increased to ten per cent of the total number of public sector employees. In 2007, the review noted that the percentage of staff holding cards was already at nine per cent.

Over the past ten years, departmental corporate card transactions have increased from 142,000 to 800,000. In 1998-99, corporate card expenditure totalled $40m, increasing to $180m by 2005-06. The review also noted that nine departments were responsible for 44 per cent of corporate cards on issue and 55 per cent of expenditure incurred through the use of corporate cards.

Currently the card is mainly used for just in time procurement of low value goods and services. The Treasury Department review identified that by using the corporate card, the nominal savings per transaction increased from $19.53 in 1997 to $27.11 in 2007.

The audit of fraud risk management discussed in Section 2.2 of this Report found that corporate credit card fraud was identified by eight per cent of the entities reviewed as a means by which frauds were committed in the last three years. Also there have been six Auditor-General's Reports to Parliament since 1999 identifying various compliance and control issues from corporate card use. Issues raised included inappropriate authorisation levels, misuse of cards, reconciliations not being carried out regularly and inadequate supporting documentation.

Given the potentially large number of cards on issue and past issues raised, I decided that an audit of controls over the use and management of corporate card needed to occur to assist in safeguarding public assets.

2.3.2 Overall audit findings

Of the 23 entities audited, most have made a concerted effort to implement corporate card policies and procedures to ensure compliance with legislative requirements.

The audit found that eight entities had comprehensive controls in place over the management and use of corporate cards while the remaining fifteen entities were identified as having adequate controls where improvements could be implemented. These fifteen entities were considered to have adequate rather than comprehensive controls as they had at least one control which was not operating properly. None of the entities were considered to have such poor controls in place that corporate cards should not be used.

All control breakdowns and recommendations for improvement have been reported to management for appropriate action.

Over 600 cards across thirteen entities were noted as having not been reconciled to supporting documentation for more than 60 days. For two entities, this represented 51 per cent and 27 per cent respectively of the total cards on issue at each of these entities. This is of concern and should be urgently addressed. Reconciling cards within a reasonable timeframe reduces the risk of unauthorised and inappropriate expenditure.

Other control breakdowns identified included:

- Expenditure transactions not always supported by adequate documentation at seven entities. Appropriate documentation is required to support the veracity of all expenditure incurred.

- Card holders not always having the appropriate financial delegation to allow them to incur expenditure on their card at seven entities. Cardholders with inappropriate or no financial delegation should not be able to incur expenditure on the card irrespective of whether there are other approval processes in place. The individual card holder requires the appropriate financial delegation.

Other more isolated issues included:

- Some cardholders having more than one card in their name at three entities. This indicates these entities are not managing the issuing and cancelling of cards effectively.

- The register of card holders was found to have no details of the supervisor's name on record at two entities. This made it difficult to determine who should be reviewing and/or approving the card holders' expenditure transactions. Although it is not a prescribed requirement for the supervisor's name to be recorded, it is considered to be better practice.

- Card holders were found using cards for purposes not clearly specified within each entity's policy at two entities. Clearly outlining the purposes for which cards can be used is necessary to ensure inappropriate expenditure is not incurred.

Some of the findings indicate that responsibility for certain controls needs to be clarified between the entity and the shared service provider. The particular issues have been raised with the relevant entity and provider for resolution.

2.3.3 Audit scope

This audit reviewed the control environment over the use of corporate cards at 23 public sector entities. This number consists of twelve departmental agencies including the Shared Services Agency, one departmental branch office, five government owned corporations and five statutory bodies.

The audit focused on compliance by entities with relevant legislation including the FA&A Act, the FMS, the State Procurement Policy, Treasury Department's *Treasurer's guidelines for the Use of the Queensland Government Corporate Purchasing Card* and their own policies.

The specific areas subject to audit were:

- management controls including corporate card provider agreements, procurement planning and user training

- procedural controls including credit card expenditure policies, card holder agreements, registers of card holders and appropriate card software

- monitoring controls through exception reporting.

I also reviewed specific transactions at the entities audited to confirm policies and procedures were operating as required. Three monthly returns for each of 223 card holders were selected across all entities to verify credit card expenditure.

2.3.4 Audit results

Areas where entities' corporate card use and management could be improved were identified during the audit and reported to individual entities for corrective action. The following are the key results of the audit.

Corporate card provider agreement

Two of the entities audited needed to develop a more robust agreement with their corporate card provider. A comprehensive corporate card provider agreement should be in place between the entity and the corporate card provider. Ideally this should cover the following:

- liability insurance to cover the entity against unauthorised use by the card holder

- the card provider reasonably enforcing expenditure limits and providing reports of any breaches

- prohibition of cash advances

- credit cards being issued only in the entity's name and branded as an entity card

- all benefits such as reward points only accruing to the entity and not the individual card holder

- procedures to deal with disputed transactions.

It was found that all of the departments included in the audit used the standard government agreement with the Commonwealth Bank which is considered better practice.

Corporate procurement plan

The State Procurement Policy requires a strategic corporate procurement plan to be developed. Ten entities' corporate procurement plans (43 per cent) were found to be inadequate or not in existence.

In assessing the entity's need for the use of corporate credit cards, low value expenditure should be analysed (e.g. expenditure under $5,000) and then consideration should be given to how procurement decision making will be devolved to process these low value transactions. This analysis should form part of the corporate procurement plan which should be approved by the CEO and reviewed annually.

Current credit card policy

A robust credit card policy should specify such aspects as to what is considered to be acceptable official expenditure, processes to enable the entity to comply with GST, FBT and privacy legislation and the entity's requirements to enable timely acquittal, reconciliation and coding of corporate card transactions. The policy should be regularly updated.

All but one of the entities audited (96 per cent) had an adequate or comprehensive policy in place. All entities should endeavour to keep these policies up to date and in line with any relevant legislative requirements and better practice.

Formal card holder agreements

One entity did not have an adequate card holder agreement in place. A formal signed card holder agreement requires the holder to comply with any legislative requirements and entity policies. It should require the card holder to identify promptly unauthorised transactions, ensure timely acquittal, reconciliation and transaction coding is performed and be aware of the penalties for any card misuse. It is important that this agreement is set up between the entity and card holder to ensure the rights and responsibilities of all parties are clearly set out and agreed.

Card holder register

A register of card holders details the issue and cancellation dates of the card, supervisors or approvers, transaction and monthly expenditure limits, training undertaken, transaction restrictions or privileges and any adverse use of the card by the holder. Three entities did not have an adequate register of card holders in place.

Formal training program

Four entities audited (17 per cent) had little or no training in place for card users. A formal training program for all card users should be in place explaining lines of accountability and documentation requirements, what constitutes fraud and misuse, penalties for misuse of the entity credit card and procurement principles.

These four entities should implement formal training as a priority to assist in reducing some of the control breakdowns which are currently occurring.

Card software interfaces

The financial institution provides computerised credit card software which interfaces with the entity's expenditure management system. This software assists in the prompt scrutiny and coding of transactions by card holders. It records transactions and approvals, provides periodic reconciliations of transaction to the card holders' supervisor for approval and controls access to the software for both users and administrators.

One entity was not using the financial institution's credit card software interface adequately. Proper use of the software with its interface to the entity's expenditure management system leads to efficiencies in particular by reducing manual procedures.

Exception reporting

Three entities have inadequate exception reporting in place. Exception reporting to management needs to be carried out regularly with prompt action taken including monitoring of expenditure patterns such as amounts, transaction frequency and monitoring of unreconciled card holder accounts or unapproved returns.

Entities should ensure reports are provided to senior management within a reasonable timeframe to allow them to make an informed assessment of corporate card use and expenditure trends and take appropriate action.

Better practice

An example of a better practice entity with mostly comprehensive controls in place is provided in Table 2.10.

Table 2.10 — Better practice – Department of Natural Resources and Water

The Department of Natural Resources and Water has approximately 3,475 FTEs* with 923 cards* on issue. The department is a reasonably large entity with a regional presence.

The audit showed despite its size, number of cards on issue and the impact of regionalisation, the department has been able to meet legislative requirements and better practice in the management and use of corporate card across the State.

Controls the department has established include:

- a comprehensive corporate card provider agreement

- a robust corporate procurement plan which is reflected by the amount of expenditure incurred by the Department on the cards issued.

- an established credit card policy.

- formal training provided to card users.

- agreements with card holders prepared.

- exception reports produced and regularly reviewed by management.

* Queensland Government Corporate Purchasing Card Efficiency Review (Treasury Department) 2007

As part of my audit, I looked at what I consider would be better practice in implementing controls around the use of corporate credit cards. Applicable guidelines are included in Table 2.11.

Table 2.11 — Better practice guidelines

The following guidelines are recommended to all entities to ensure better practice in the use of corporate cards:

- *Treasurer's Guidelines for the Use of the Queensland Government Corporate Purchasing Card* (Treasury Department).

- *General Guidelines for Personal Expenses and the Use of Credit Cards by Public Sector Employees (including Chief Executives and Senior Executives)* (Office of the Public Service Commissioner).

- *Answering the charges:guidelines for using corporate cards (Building Capacity Series No 1)* (Crime and Misconduct Commission).

- *Guidelines for the use of corporate credit cards under GST* (Treasury Department).

- *Better Purchasing Guidelines - Corporate Procurement Planning* (Department of Public Works).

2.4 Information and communications technology (ICT) project management

2.4.1 Audit overview

Good ICT project management ensures that projects are completed on time, within budget, to the required quality and deliver the agreed outcomes.

Since 2005, I have undertaken a number of audits highlighting the importance of good ICT project management. The results of these audits showed that large ICT projects often have difficulties with changes to the project scope, time delays, costs exceeding the original budget, changing user requirements and the loss of key project staff. Organisations with good project management processes deal better with these challenges.

Because of the risks associated with the large ICT projects currently in progress, I audited three projects to determine whether appropriate project structures were used and policies, accountability mechanisms and monitoring practices were in place to achieve the required Government outcomes.

The audit examined whether the projects applied project management principles consistently, particularly in the areas of management structures, management of contractors, risk management, and monitoring and assurance practices.

2.4.2 Overall audit findings

Overall, the maturity of project management varied across the three projects audited.

The Department of Police's Queensland Police Records and Information Management Exchange (QPRIME) project was found to be generally well managed through the duration of the project with good project management practices in place.

While the Integrated Client Management System (ICMS) project at Department of Child Safety and Department of Communities and Disability Services Queensland had experienced past project management issues, there was evidence of recent improvements in project controls. These improvements were a result of the implementation of the Queensland Government Project Management Methodology.

Significant weaknesses in project management controls were identified for the Automated Fare Collection System (AFCS) project at Translink, a business unit of the Department of Transport.

I have provided specific improvement recommendations to the management of all of these projects.

Key findings from the audit were:

- Project management principles were evident in all projects but the structured project management methodologies being used to control projects were being applied to varying degrees.

- All three projects adopted good management structures such as steering committees and project boards. However none of the projects provided adequate training to the members of the projects' management bodies. This training would enhance their consistent understanding of the project management methodology and benefit the overall reporting, monitoring and decision making processes.

- Funding for all these projects was based on the departments making initial submissions to the Government with funds released in each budget cycle after providing a progress and status report. Introducing a review process at the completion of each stage of the project, rather than the annual budget cycle, would provide opportunities for on-going re-assessment of project viability during the course of the project.

- The management and monitoring of contractors' performance varied for each project. Processes for documenting work to be produced by contractors and the regular review of their performance against the work produced needed to be improved for two projects (ICMS and AFCS).

- Project risk management processes were well established and effectively used for two of the projects but processes for the other project (AFCS) needed improvement.

- Practices ensuring the complete and accurate recording of project costs were in place for all three projects however improvement was needed in the quality of the project management documentation for two of the projects (ICMS and AFCS).

- None of the projects had independent quality assurance processes in place throughout the project to ensure that projects were adequately documented with all potential issues identified and addressed in a reasonable timeframe.

Responses to these issues by the respective Directors-General of these departments are included in Section 5.1.2.

2.4.3 Audit scope

The scope of this audit involved a review of the following three projects:

Table 2.12 — Projects audited

Entity	Project and cost	Purpose of project	Timelines
Department of Police	Queensland Police Records and Information Management Exchange (QPRIME) Approximate project cost - $118.25m	Implementation of the policing systems across the organisation	Initiated 2002-03 for implementation as single project to cover all policing functions in June 2006. Project split into three phases in February 2005. Pilot implemented in February 2006. Part one of Phase 2 (crime recording and property management) implemented May 2007. Part two of Phase 2 (criminal justice) to be implemented by October 2008. Phase three deferred with aspects taken up in Part two of Phase 2.
Translink Business unit of the Department of Transport (working in partnership with Queensland Rail, Brisbane City Council and other public transport operators in South East Queensland)	Automated Fare Collection (AFCS) as part of the broader integrating ticketing project Approximate project cost - $97.4m	Implementation of a smartcard system	Current project first proposed in 1997. Decided in December 2001 that delivery was to be in two phases with Stage 2 being a smartcard system across the South East Queensland transport system. Contract was signed in July 2003 for design, build, operation and maintenance of a smartcard system. Currently being implemented across the public transport network.
Department of Child Safety and Department of Communities and Disability Services Queensland	Integrated Client Management System (ICMS) Approximate project cost - $87.6m	Implementation of a system relating to childcare and youth justice	Initial design completed in April 2005 but did not fit business requirements. Alternate development strategy implemented in 2005. Two releases including structured decision making and child protection implemented at ten lead sites in August 2006. State-wide child protection module implemented in March 2007. Child protection module enhanced in August 2007. Enhancements to child protection and youth justice foundation currently being implemented. Future release planned to include the balance of functionality, some carried over from earlier project phases.

These projects are significant in terms of their financial value, their impact on the business of the department and their complex implementation requirements with multiple phases spanning several years. The projects were in various stages of development when audited.

2.4.4 Audit results

Management structures

Structures

Management structures were reviewed to ensure there was adequate senior management control over the decisions, directions and operation of ICT projects and the strategies and objectives for the projects were clearly defined, supported and approved.

All three projects had adopted good management structures such as steering committees and project boards. The QPRIME project was a good example of where management structures were effectively operating as outlined in Table 2.13.

Table 2.13 — Management structures better practice

Better practice example – QPRIME

- The management structure ensured there was adequate senior management control over the decisions, directions and performance of the project.

- The Operations Program Board for QPRIME reported quarterly to the Information Steering Committee, chaired by the Commissioner of Police.

- There was monthly reporting from the Assistant Commissioner ICT to the Operations Program Board.

- Senior management sponsorship, support and direction are recognised internally as one of the critical success factors.

Project management methodology

The selection of an ICT project management methodology should be based on an approved enterprise wide project methodology or the Queensland Government Project and Program Management Methodology.

While the use of some form of a project management methodology was evident for each of the projects, the project management methodologies were applied with varying levels of rigour at different stages of the projects.

For example, four project managers have been involved with the AFCS project since July 2003, each using different project management methodologies. This led to a lack of project continuity and loss of understanding about historical project information such as the original business case and past project plans which were critical to the delivery of the current stage of the project.

Selection of an appropriate project management methodology should be a primary consideration of the steering committee at the commencement of each project.

Training

Providing high level training in the approved project management methodology to members of the project management bodies would enhance their understanding of the process to be used and ensure that the project team were held accountable for the consistent application of the project management methodology during the duration of the project.

It would also contribute to the alignment of outcomes and milestones relevant to organisational priorities across a range of projects. None of the projects had provided this type of training.

Funding

Funding of all these large projects costing approximately $100m and spanning a number of financial years was based on departments making initial submissions to the Government which approved the overall cost estimates in principle. Sponsoring departments also contributed to the funding of each project.

Funds were then released in each budget cycle based on a progress and status report by the sponsoring agencies. This process results in uncertainty about project continuity which in turn creates difficulties in retaining contract employees who may be fundamental to the successful completion of the project.

This funding model could be enhanced by introducing a process based on the duration of the project rather than progress reviews coinciding with the annual budget process. This process should include independent assurance reviews performed at key decision points in the project that examine the progress and likelihood of achieving its objectives and outcomes.

Management of contractors

Performance of specialist work performed by contractors on significant projects can be critical to the project's success. Therefore structured processes which are appropriate to the financial value of the contracts should be in place for employing contractors and reviewing their performance process.

Processes for employing and monitoring of contractors were in place for all three projects but how contractor performance was managed varied between projects.

ICMS implemented formal policies and procedures for contractor management in the later stages of the project but there were still gaps in these policies and procedures. Policies did not discuss the need to specify contractor work to be produced and the dates work is to be produced, the requirement to conduct regular contractor performance reviews or the process for terminating contractors.

For AFCS, controls over documenting work required from contractors and regular performance reviews were not evident in the earlier stages of the project but had improved by the later stages of the project. For both ICMS and AFCS, performance reviews of contractors were only performed when a contract extension was considered.

Project management committees should ensure that appropriate contractor performance processes are in place for significant projects.

Table 2.14 sets out some better practice processes noted at QPRIME.

Table 2.14 — Contractor performance management better practice

Better practice example – QPRIME

The QPRIME project employed a large number of contractors with over 50 per cent of project staff being contractors at the peak period. Better practices being used by QPRIME were:

- The procurement section of the department played an active part in ensuring good practices were consistently applied in the contractor management process.

- Contractors were hired based on the business case for the project. Interviews were held, ensuring that one of the panel members was a permanent staff member of the department.

- When contractors were appointed, project deliverables and scheduled completion dates were included on individual contracts.

- Quarterly performance reviews of contractors in relation to work performed and the results of these reviews were noted on the contractors' files.

Risk management

Risk management practices need to be in place to ensure that the ICT project related risks are identified, properly reported and managed.

While some risk management processes were in place for AFCS such as an established risk log and weekly risks and issues meetings being held with senior management, a number of recommendations were made by audit to improve the overall risk management process. These included developing a risk management plan and processes for identifying risks, assigning risk rankings and recording any mitigating controls.

Audit found that project risk management processes were well established and effectively used for ICMS and QPRIME. These are detailed in Table 2.15.

Table 2.15 — Risk management better practices

> ### *Better practices identified – ICMS and QPRIME*
>
> - Risk logs were established and used effectively.
>
> - Risks to each plan were identified, analysed and acted upon.
>
> - Action taken to address risks was included in meeting minutes and reflected in the risk log.
>
> - All major risks in the business case were entered in the risk log and actioned.
>
> - Risk monitoring was achieved via regular reporting at all levels from team level reporting to Project Board reporting.

Monitoring and assurance practices

Monitoring practices

Monitoring practices to ensure accurate and complete project cost recording for all three projects were well established. Regular reporting and monitoring of project schedules and timelines within each level of the management structure were documented and operated effectively. The better practices used by ICMS have been included in Table 2.16.

Table 2.16 — Monitoring better practice

> ### *Better practice example – ICMS*
>
> - Project cost recording and monitoring was managed separately from the project by the Finance section who liaised with the Project Board in relation to project time and costs estimates.
>
> - There was regular reporting of project status to the Project Board.
>
> - The Project Board reported monthly to the Shared Information Solutions (SIS) steering committee, which provided monthly reports to an information steering committee comprising members from SIS, Department of Communities and Disability Services Queensland and the Department of Child Safety.
>
> - There was quarterly reporting of project status to the Government.

Documentation

It was found that the quality of the composition, integration and timing of project management documentation could be improved for ICMS and AFCS.

The storage of project documentation could also be improved for ICMS and AFCS through enhancing record management practices.

Independent quality assurance

The reporting, monitoring and documentation processes could be improved by independent quality assurance reviews throughout the duration of the project. There were opportunities for improvement in this area for all three projects.

While the department's internal audit section was performing a quality assurance function for ICMS in the earlier phases of the project, there is now no independent quality assurance function. QPRIME also had a Quality Manager for earlier phases of the project but this role ceased to exist in the final stage of the project. There was no evidence of AFCS having an independent quality assurance function at any stage.

It was noted for ICMS that while work for the current version of the system had already progressed through two different releases, the final contract price had not been agreed with the software vendor. This is an issue which would have been identified and brought to management's attention by having an independent quality assurance function.

2.5 Infrastructure project evaluation

2.5.1 Audit overview

With the recent surge in infrastructure related spending in response to pressures from increased population growth in South East Queensland, infrastructure project evaluation has been a topic of audit focus in both 2006-07 and 2007-08. These audits have reviewed the adequacy of the project management frameworks adopted by the entities responsible for the infrastructure expenditure.

Section 2.3 of Report No. 5 for 2007 Results of Audits as at 31 May 2007 tabled in Parliament on 9 August 2007 detailed the results of my infrastructure project evaluation for the year ended 30 June 2007. The report highlighted that it was imperative that entities, particularly the Department of Infrastructure and Planning focus on:

- project governance
- transparency and accountability for the infrastructure costs and related strategies through all phases of the infrastructure life-cycle
- probity and propriety of the procurement process supporting infrastructure project expenditure
- consistency with State procurement and infrastructure policies and guidelines
- risk management
- reporting and communication.

In Report No. 5 for 2007, I also noted that there was a need for greater rigour around the decision making process when determining the best type of entity to deliver the most effective outcome for the government and the community. These matters remain important in the current environment as the capital outlays for 2006-07 were $10.3b, and over the period 2008-2026 are estimated to be $107.45b (originally estimated at $82.45b).

By continuing to undertake audits of compliance with infrastructure strategies, plans, charters, frameworks, policies and guidelines, I am able to provide additional assurance that the processes in place to control the cost of infrastructure activity are appropriately established and comply with applicable requirements.

2.5.2 Overall audit findings

2007-08 audit findings

The results of audit testing indicated that most of the thirteen projects audited in 2007-08 were well managed in terms of the criteria against which they were measured. However in some cases there is opportunity for improvement of processes and policies, specifically relating to:

- the development of the original design and estimates for the projects including the cost escalation percentages utilised. For example, it was noted that the Department of Main Roads, Department of Transport, Department of Infrastructure and Planning, Department of Education, Training and the Arts and Brisbane City Council all utilised different cost escalation percentages in determining the future overall costs of their individual projects. During the period 2007-08, the average cost escalation percentage utilised across all the public sector entities audited was 6.4 per cent. I consider that the Queensland Producer Price Index – General construction as defined by the Australian Bureau of Statistics is an appropriate measure of cost increases for these projects. For 2007-08 that index showed an increase of 12.56 per cent
- the management of shortened design timeframes for some projects which have resulted in additional costs being incurred due to significant scope changes during construction
- the use of less than optimal risk management policies and procedures as defined by the Office of Government Commerce (OGC)
- the lack of a policy document in relation to the decision-making process for the construction strategy, procurement of the construction contract and management and release of contingencies
- the lack of compliance with minimum documentation standards and less than optimal compliance with the *State Procurement Policy* in relation to corporate procurement policies, significant procurement plans and forward procurement schedules

- the adoption of policies related to the use of a project verifier, reporting of project results and post evaluation processes.

I am encouraged by the progress to date in implementing the recommendations made in the audit management letters provided to the individual entities. There have been some key improvements and instances of strong coordination and management plans put into place to ensure that all audit recommendations are addressed in relation to current and future infrastructure projects.

The Department of Infrastructure and Planning's Program Management Office (PMO) has been tasked with the development of various project management methodologies. I note the work that this Department has been undertaking in the last year.

Follow-up of 2007 whole-of-government recommendations

In Report No. 5 for 2007, I recommended:

> To ensure a more consistent approach across government, the Program Management Office (within the Department of Infrastructure) should establish governance, reporting and management frameworks for all new special purpose entities to assist the establishment of appropriate governance mechanisms and compliance with applicable legislation.

I have recently reviewed a draft version of the *Special Purpose Vehicle Governance Framework and Guidelines* prepared by the PMO. I acknowledge that the guidelines constitute a way forward in meeting the challenges associated with the rapid development of major infrastructure projects in Queensland.

Additionally, in Report No. 5 for 2007, I noted that there was no whole-of-government alliance manual similar to the *Public Private Partnership Policy and Value for Money Framework* released by the Department of Infrastructure and Planning. Such an alliance manual would assist consistency in the application of alliance principles across public sector entities. The Department of Infrastructure and Planning has commenced preparation of this framework and intends to have it finalised by 31 December 2008.

Gateway processes

The PMO has identified that the efficient delivery of the State's capital program and particularly South East Queensland Infrastructure Plan and Program (SEQIPP) would be enhanced by the implementation of the United Kingdom's Office of Government Commerce (OGC) Gateway Process (Gateway).

Gateway was developed by the OGC in 2001. It consists of a series of independent reviews (called 'gates') of a program or project prior to key decision points in the program or project lifecycle. Gateway is designed to be applied to the delivery of policy and program initiatives and projects including service delivery, property constructions and IT enabled business change.

Implementing Gateway is a key strategy for improving program and project development and delivery across government. Its purpose is to help public sector entities ensure their investment is well spent, meets business objectives and achieves value for money outcomes. A Gateway process has been implemented by the Commonwealth, Victorian, and New South Wales Governments and Brisbane City Council.

I have carried out an overview of the Gateway Guidebook and supporting documents prepared by the PMO and the process involved in the pilot reviews has been completed. Based on this overview, it is my opinion that a fully implemented Gateway process would be beneficial in ensuring that projects are administered and facilitated in Queensland in accordance with the individual approved business plans.

Responses

Responses from the respective entities reviewed are included in Section 5.1.3. While most of these responses generally are in agreement with the audit findings, I have included additional audit comments in Section 5.1.3 in relation to issues raised in the responses from QR Limited and the South East Queensland (Gold Coast) Desalination Company Pty Ltd.

2.5.3 Audit scope

In determining the scope of the audit, I considered several qualitative and quantitative questions and concluded that the focus of the audit for 2007-08 should be similar to that for 2006-07, but with greater focus on the entire project lifecycle. This expanded scope enabled projects to be audited from original service delivery method selection through the construction phase to the assessment of the realisation of benefits of the completed infrastructure project.

The audit focus for 2007-08 has been on critical water, transport, electricity transmission and other significant projects detailed in the *South East Queensland Infrastructure Plan 2006 – 2026* due to the increase in funding since 2003 in these industry sectors. In this report, to differentiate the different projects and the stage projects are at in terms of review, projects are referred to as 2006-07 projects and 2007-08 projects.

The 2006-07 projects were initially covered in the scope of the infrastructure project evaluation audit reported on in Report No. 5 for 2007. As the project evaluation audits are based on project life-cycles, they can span a number of financial years. Accordingly there was a need to revisit these projects in 2007-08.

The audit of all projects included work done on all project activities up to 31 December 2007.

Each project is unique due to the partners involved, the type of construction and the role of each participating entity. To assist in understanding the issues involved in the delivery of these projects, Table 2.17 provides a summary of each of the projects and the general methodology adopted for delivery in each case.

Table 2.17 – Project details

Project name *(Principal responsibility)*	Project description	Delivery method*	Estimated cost
2006-07 projects			
Tugun Bypass Project *(Department of Main Roads)*	Seven kilometre, six lane motorway-standard road linking Currumbin and Tweed Heads.	Traditional Design and Construct Alliance Strategy with a separate 10 year maintenance contract.	$0.543b
Gateway Bridge Upgrade Project *(Queensland Motorways Limited)*	Duplicating the Gateway Bridge and upgrading 20 kilometres of the Gateway Motorway.	Delivered through a Design, Construct and Maintain Contract.	$1.883b
South East Queensland (Gold Coast) Desalination Plant Project *(South East Queensland (Gold Coast) Desalination Company Pty Ltd)*	To deliver 125 m/l of water each day to the South East Queensland Water Grid to supply both Brisbane and the Gold Coast.	Delivered through a hybrid alliance structure.	$1.209b
ENERGEX capital program of works *(ENERGEX Ltd)*	Upgrade of the ENERGEX electricity distribution network.	Series of individual projects delivered through a traditional design and construction contract. Phases were contracted to different parties In some cases to allow flexible delivery.	$1.2b
2007-08 projects			
Hale Street Link Project *(Brisbane City Council)*	Bridge link between Hale Street and Coronation Drive on the Milton side of the Brisbane River to Cordelia and Merivale Streets.	Relationship alliance contract.	$0.307b
Clem Jones Tunnel Project *(Brisbane City Council)*	Tunnel crossing the Brisbane River from Woolloongabba to Bowen Hills.	Delivered through a Public Private Partnership, with a hand-back period to the Council of 45 years.	$2.088b

Project name (Principal responsibility)	Project description	Delivery method*	Estimated cost
Western Corridor Recycled Water Project (Western Corridor Recycled Water Pty Ltd)	Increasing available water supply by delivering purified recycled water through Advance Water Treatment Plants.	Delivered by five individual traditional alliances based on componentisation to meet delivery timeframes.	$2.493b
Queensland Rail Upgrade Projects (QR Limited)	*Caboolture to Beerburrum to Landsborough project* Track realignment and duplication including upgrade of several stations.	Delivered by a traditional alliance structure.	$0.298b
	Helensvale to Robina project Construction of a third track duplication of the existing single track and construction of additional stations.	Delivered through a Design and Construct Contract.	$0.072b
	Robina to Varsity Lakes project Extension of the existing rail line by 4.1km from Robina to a new station at Varsity Lakes.	Delivered by a traditional alliance structure.	$0.324b
	Salisbury to Kuraby project Third rail track construction from Salisbury to Kuraby and new track and seven new stations from Coopers Plains to Kuraby.	Delivered by a traditional alliance structure for construction phase only.	$0.256b
Gladstone Ports Corporation Coal Upgrade Project (Gladstone Ports Corporation)	Construction of in loading, stockpiling and ship-loading facilities to increase the coal capacity of the port.	Delivered through a combination of traditional alliances and design and construction contracts.	$0.8b
SouthBank Institute of Technology Project (Department of Education, Training and the Arts)	An upgrade of existing facilities and the construction of new facilities for the SouthBank Institute of Technology.	Delivered through a public private partnership with a hand-back period to Department of 30 years.	$0.234b
Inner Northern Busway Project (Department of Transport)	Stage 1 and 2 of the project comprised the construction of the busway from Queen Street to Upper Roma Street.	Delivered through a traditional alliance.	$0.493b
Ipswich/Logan Motorway Upgrade Project (Department of Main Roads)	Upgrade of the Ipswich/Logan Motorway interchange.	Delivered through a traditional alliance.	$0.255b

* Delivery methods are defined in the Glossary of this Report.

In undertaking the audit of the projects, a method of arriving at an assessment against predetermined criteria was needed. In this regard, the OGC has developed several assessment and guidance documents related to procurement, program and project delivery which assist organisations to manage risk related to programs and projects and to assist those who oversee projects so they are delivered on time and within budget.

To assist organisations to obtain the best fit, the OGC developed several frameworks, some of which include the OGC Gateway, OGC Procurement Process, Programmes and Project Documents such as Achieving Excellence in Construction Projects Guide 1 – 11, Procurement Excellence Models, EFQM Excellence Model, Managing Risk with Delivery Partners and OGC's Management of Risk.

These models are intended to help organisations to put in place effective frameworks for making informed decisions about risk, governance, and procurement. The guidance provides an overall route map for risk management, bringing together recommended approaches, checklists and pointers to more detailed sources of advice on tools and techniques. This framework has also been utilised by the United Kingdom's National Audit Office in the development of an Efficiency Toolkit which assists in the preparation of external reports on the adequacy of the governance and risk management frameworks used by individual entities.

Currently there is no prescribed whole-of-government framework for Queensland public sector entities in relation to programme and project management. Therefore, I have utilised the OGC Frameworks and the Efficiency Toolkit to benchmark projects against better practice. This material is based on the significant experience of the OGC in monitoring and reporting on major project delivery.

There are alternative programme and project management frameworks available that entities can adopt in the management of infrastructure projects. However, in my opinion the underlying principles of any programme and project management framework remain the same and therefore there would not been a significant impact on the results of this audit if I had used another framework as the benchmark.

The Efficiency Toolkit enables an organisation to undertake a self-assessment on overall project management. The Toolkit has 19 modules that assist in this assessment and these modules produce a three-tiered rating. During the 2006-07 audit, I identified that there may be scope to provide enhanced feedback to public sector entities in applying these principles and the United Kingdom's National Audit Office toolkit in the Queensland public sector.

As a result, I investigated the potential for some changes to the overall toolkit rating scale. Based on this investigation, I gained the approval of the United Kingdom's Comptroller and Auditor-General to change the scale to a five-tiered rating scale shown in Table 2.18.

The inclusion of ratings 2 and 4 is designed to acknowledge the position of some projects where all of the mandatory elements determined by the OGC are not present, but where the deficiencies are in areas which are not seen by QAO to be essential in the particular environment in which the project is being considered.

Table 2.18 – Rating scale

Rating	Rating description
1	Fully implemented all aspects of best practice as recommended by the OGC.
2	Fully implemented all key and practical aspects of best practice as determined by QAO.
3	Partially implemented all aspects of best practice as recommended by the OGC and additional enhancement opportunities exist to achieve best practice.
4	Improvement opportunities exist to implement best practice as determined by QAO.
5	Significant improvement opportunities exist to implement best practice as determined by the OGC.

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

A rating of a three indicates that an entity is adopting some but not all aspects of best practice. This rating does not indicate that a project is at significant risk of non delivery. However, it does indicate that the project's management of certain components can be improved to ensure that the project is administered and facilitated in accordance with the individual approved business plans.

In my opinion, to ensure a project is delivered efficiently, a public sector entity should be striving to achieve at least a rating of two for all components of project management.

2.5.4 Audit results

Given the change in the ratings scale, project rating information provided in Report No. 5 for 2007 for the 2006-2007 projects has been recast to reflect the results in terms of the five-point rating scale.

The results for 2006-07 included in Table 2.19 represent the revised ratings and also includes the results for the 2007-08 audits of these projects.

Table 2.19 — 2006-07 project results

Criteria	Tugun Bypass Project		Gateway Bridge Upgrade Project		South East Queensland (Gold Coast) Desalination Plant Project (re-evaluated)		ENERGEX capital program of works	
	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08
Governance	1	1	1	1	3	1	1	1
Transparency and accountability	1	1	3	2	3	3	2	2
Probity and propriety	1	1	1	1	3	2	1	1
Consistency with legislation	3	3	1	1	3	2	3	3
Risk management	3	3	2	2	3	3	3	3
Reporting and communication	3	2	3	2	3	3	3	2

In respect of the 2006-07 projects, the area where greatest improvement was noted was in relation to reporting, communication and governance. Although all entities met the minimum standard for risk management, there continues to be areas for improvement particularly into relation to the updating of risks and issuing of management plans and risk registers.

Table 2.20 sets out the results for the projects examined in 2007-08.

Table 2.20 — 2007-08 project compliance

Criteria	Western Corridor Recycled Water Project	Queensland Rail Upgrade Projects	Gladstone Ports Corporation Coal Upgrade Project	Clem Jones Tunnel Project	Hale Street Link Project	SouthBank Institute of Technology Project	Ipswich/ Logan Motorway Upgrade Project	Inner Northern Busway Project
Governance	1	1	1	1	1	1	1	1
Transparency and accountability	2	3	2	1	2	2	1	2
Probity and propriety	1	2	2	2	2	2	1	3
Consistency with legislation	1	3	2	1	1	1	3	3
Risk management	2	4	3	3	3	3	3	3
Reporting and communication	2	3	3	3	3	3	2	3

Comments are provided below about the current status of a number of the individual projects.

South East Queensland (Gold Coast) Desalination Plant project

In Report No. 5 for 2007, I undertook an assessment as at 28 February 2007 and a reassessment of the project at 30 June 2007 against the OGC recommended standards. The reassessment at 30 June 2007 indicated that significant work had been undertaken by management and the newly appointed Board in the short intervening period.

The procedures completed for the period ending 31 December 2007 continue to indicate that the company is putting significant resources into rectifying matters noted previously. However due to competing priorities, the company decided not to implement some prior year's audit recommendations such as rectification of the decision-making to support the appointment of significant subcontractors. This has affected the ratings received by the project in the current audit.

Western Corridor Recycled Water project

This project is being delivered under a traditional alliance structure. As the project is extremely complex, the company decided to enter into different alliances for the five components of the project. Due to this structure, the average of the results of the five alliances and the company (Western Corridor Recycled Water Pty Ltd) has been weighted based on the dollar value of the five alliances to determine an overall rating for the project.

Queensland Rail Upgrade projects

The projects selected included alliance strategies and QR Limited is still developing and tailoring their program and delivery management methodology in this regard. While this was taken into account, I noted the following:

- The current formalised project governance framework including some elements of risk management that are contained in the Project Management Manual, which was approved by senior management for application to all QR Limited projects has not been updated since 2001. In addition, my officers noted areas of non-compliance with this policy in areas of reporting and communication, governance and risk management.

- Non-compliance with the Program Management Methodology which forms part of the QR Limited's Organisational Project Management (OPM) model.

- There is no alliance project manual tailored to the business organisation although alliancing was originally endorsed by the Board in August 2005.

I note that at 31 March 2008, all four projects examined were on schedule and within budget.

Gladstone Ports Corporation (GPC) Coal Upgrade project

The project commenced in February 2005. The Board of GPC appointed a new alliance contractor in February 2006. Given this fact, I have only reviewed procedures completed since the appointment of the new alliance contractor. This change in delivery partner has ensured that the project was completed in accordance with its approved business plan.

SouthBank Institute of Technology project

The Department of Education, Training and the Arts on behalf of the SouthBank Institute of Technology commenced the project in April 2005 and the entity has utilised the *Public Private Partnership Policy and Value for Money Framework* released by the Department of Infrastructure and Planning. This Framework currently does not include all aspects of 'best practice' as recommended by the OGC, however these guidelines are in the process of being updated.

Section 3
Other audit results

3.1 Shared service initiative

3.1.1 Audit overview

The Shared Service Initiative (SSI) consists of three large-scale shared service providers (SSPs):

- the Shared Service Agency (SSA)
- the Queensland Health Shared Service Provider (QHSSP)
- Corporate and Professional Services (CAPS).

Each SSP provides corporate services to a single large department or clusters of departments. The SSRs are supported by shared information and communication technology services provided by CorpTech.

Each SSP is part of a department which provides the mechanisms for employment, funding and accountability. The SSPs for the Department of Health (QHSSP) and the Department of Education, Training and the Arts (CAPS) form part of those two departments. The SSA formed part of Treasury Department until 21 September 2007 when it was transferred to the Department of Public Works.

Since January 2008, CorpTech has been transitioning the Shared Services Solution (SSS) implementation project to IBM, the prime contractor now responsible for the roll out of the standard version of the system to the remaining agencies.

In *Reports No. 5* and *No. 9 for 2007*, I provided an overview of progress in implementing the SSI referring specifically to information systems and application control weaknesses identified across the SSP's and CorpTech. I also referred to the need to develop a formal internal audit certified management assurance framework.

I identified the need to ensure all internal and external audit findings are provided to and discussed with affected stakeholders in a timely manner. I recommended all Chief Executive Officers or Directors-General ensure all service agreements with their SSP adequately cover the effectiveness of the key controls which impact on their own agency.

In his response dated 19 October 2007, the Under Treasurer advised:

> *"CorpTech and providers are proactively working with client agencies to provide greater transparency and comfort over their respective control environments. Projects have been established to implement a controls assurance framework to ensure client requirements are addressed in a cost effective and efficient manner."*

3.1.2 Overall audit findings

Since I last reported in Report No. 9 for 2007, audits of all entities within the SSI have been progressed for the 2007-08 financial year. Planning and interim audit work has been finalised with all findings reported to senior management for resolution.

Overall there has been improvement in controls across the shared services entities with many high risk issues now addressed. This has provided the opportunity for audit to identify other less critical issues which also needed attention. These issues have been referred to respective entities for action.

The SSA audit indicated there has been some improvement in controls, shown by a significant reduction in the number of issues raised with management in comparison with prior years. The number of audit findings to date has halved from last year with no high risk issues yet identified. This improvement may be contributed to the continuity of senior staff performing the processing tasks and the positive influence of the internal control teams involved in the different functional areas.

Issues requiring continued SSA management attention are the lack of documentation and evidence over the creation of and changes to vendors and customers and the lack of regular review of SAP user access profiles.

CorpTech has made progress towards addressing a number of issues raised in prior year audits, resulting in controls improving for some systems. However, there are still some high risk issues which have not been fully addressed.

The change management processes for SSS remained a major concern and audit identified instances where the standard control processes relating to user access management for SSS were not adhered to.

Key change management controls for legacy SAP systems also required further improvement. During prior year audits of the legacy Aurion human resources (HR) system, the issue of security procedures and reporting had been raised with CorpTech. Limited progress in addressing this issue has been made.

In relation to both the Department of Health and DETA SSPs, payroll issues which have been raised in previous years require continued management oversight to ensure the systems and manual processes are operating effectively.

Progress on the development and implementation of the management assurance framework has been noted and is progressing well. It is imperative that both SSA and CorpTech senior management as well as all affected agencies are engaged in this process to ensure all parties understand their responsibilities and the framework meets their needs.

Responses from Treasury Department, Department of Public Works and Department of Education, Training and the Arts are included in Section 5.1.4 in relation to the shared service providers for which these entities are responsible.

3.2   2007 university and grammar school audit results

3.2.1   Results of 2007 university audits

Introduction

Seven universities are constituted within the Queensland public sector:

- Central Queensland University (CQU)
- Griffith University (GU)
- James Cook University (JCU)
- Queensland University of Technology (QUT)
- The University of Queensland (UQ)
- University of Southern Queensland (USQ)
- University of the Sunshine Coast (USC).

These universities are statutory bodies subject to the requirements of the FA&A Act and audited by the Auditor-General. They prepare general purpose financial statements in accordance with Australian Accounting Standards. Additional disclosure requirements are prescribed by the Commonwealth Department of Education, Employment and Workplace Relations.

The universities had a balance date of 31 December 2008. The financial statements were required to be completed and audited by 30 April 2008.

The universities prepare annual reports that include a copy of their audited financial statements. The annual reports are tabled in Parliament by the Minister for Education and Training and the Arts.

In this report, a reference to universities means Queensland public universities.

Audit results

All university audits for 2007 have been completed and unqualified audit opinions were issued on their financial statements. Key financial data for the universities is included in Table 3.1 while fees paid by overseas students is included in Table 3.2.

Table 3.1 — Audited key financial data for universities

	CQU		GU		JCU		QUT	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Total income	249.7	292.1	533.0	480.5*	281.5	238.5*	550.0	503.3
Operating result	(5.5)	21.6	57.6	24.3*	51.6	16.2*	46.8	20.2
Net assets	255.9	238.5	1,042.2	900.9*	606.9	530.9*	949.3	828.1

	UQ		USQ		USC		Total	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2008 $m
Total income	1,049.8	957.8*	176.9	160.1	79.0	66.9	**2,919.9**	**2,699.2**
Operating result	73.1	62.8*	10.3	5.0	8.1	5.6	**242.0**	**155.7**
Net assets	2,169.5	1,790.6*	260.3	233.1	117.4	101.2	**5,401.5**	**4,623.3**

* These figures were adjusted to reflect the voluntary change of accounting policy to adopt Chapter 13 of the Treasury Department's *Non-current Asset Policies for the Queensland Public Sector* and corrections of prior period errors. Details of the adjustments are disclosed in the universities' financial statements.

I am aware that the Minister for Education and Training and the Arts has requested that CQU engage the Queensland Treasury Corporation to perform a financial review of its operations, because of concerns about CQU's budget projections.

While it made an operating loss for 2007 mainly due to a downturn in the number of full fee paying overseas students, other positive factors such as its significant working capital and net assets enabled audit to conclude that CQU's financial statements had been prepared on a going concern basis. I will maintain an oversight of CQU's financial position in future audits.

Table 3.2— Fees paid by overseas students

Entity	2007		2006		2005		2004	
	Fees paid by overseas students $'000	% of total income	Fees paid by overseas students $'000	% of total income	Fees paid by overseas students $'000	% of total income	Fees paid by overseas students $'000	% of total income
CQU	109,385	43.8	144,961	49.6	132,053	45.7	93,520	39.9
GU	103,168	19.4	96,404	20.1	86,631	20.0	73,488	20.0
JCU	23,632	8.4	21,737	9.1	16,313	7.8	15,595	8.3
QUT	75,616	13.7	68,187	13.5	70,334	14.8	72,305	16.6
UQ	124,310	11.8	107,680	11.2	104,116	12.0	88,945	12.1
USQ	25,887	14.6	25,396	15.9	25,172	16.4	20,866	16.7
USC	9,370	11.9	7,910	11.8	6,232	12.3	6,242	15.2
All	**471,368**	**16.1**	**472,275**	**17.5**	**440,851**	**17.8**	**370,961**	**17.5**

Risk management audit

As indicated in Report No. 5 for 2007, the 2007 audits were expanded to include universities' risk exposure in respect of excess capacity of existing infrastructure should overseas student numbers decline. The transnational education audit also covered financial risks associated with strategic alliances and partnerships with local providers and an assessment of risk exposure in dealing with partners delivering higher education offshore.

The results of these audits were positive in that universities in general are addressing risk management in a professional manner and are recognising the special risks involved with revenue from overseas students and providing courses overseas.

Audit results for controlled entities of universities

Under their constituting legislation, universities are empowered to form or participate in ventures that may further their educational objectives. These include companies formed for fundraising and the commercialisation of technology. By their nature, these companies may generate losses for a period of time until the research and development activity results in commercial products that can be licensed or sold, or a decision is made to cease activities. Where there is a going concern issue, the Australian Auditing Standards require me to give a modified audit opinion or include an emphasis of matter relating to each company's ability to continue as a going concern. The type of audit opinion depends on the circumstances in each case. While I issued a range of such opinions on the companies, I am satisfied that appropriate governance regimes are in place to maintain their accountability.

A list of the companies and the status of their audits is included in Section 4 of this report.

3.2.2 Results of 2007 grammar schools audits

Eight public grammar schools are established in Queensland and are located in Brisbane, Ipswich, Toowoomba, Rockhampton and Townsville. While associated with the public sector through the provisions of the *Grammar Schools Act 1975*, the schools operate on a fully commercial basis with limited financial benefit being derived from their being public sector entities.

Audit opinions on the financial statements of all grammar schools were unqualified and details are provided in Section 4 of this report. The schools prepare annual reports that include a copy of their audited financial statements. The annual reports are tabled in Parliament by the Minister for Education and Training and Minister for the Arts.

3.3 2006-07 Aboriginal Shire Council and Torres Strait Island Council audit results

3.3.1 Status of audits

In Report No. 2 for 2008 Results of 2006-07 Audits of Local Governments, including Aboriginal Shire and Torres Strait Island Councils tabled in Parliament on 2 May 2008, I reported on the results of the audits of Aboriginal Shire and Torres Strait Island Councils that had been completed to the date of that report.

At the time of tabling Report No. 2, the financial statements of eight Aboriginal Shire councils, eight Torres Strait Island councils and two controlled entities had been finalised by management and certified by audit, with the financial statements for 19 entities yet to be completed and submitted for audit.

In the previous two years when I have reported on these audits, I have provided an indication of council's performance by providing a rating for each council's overall level of financial accountability and stewardship of financial resources.

This was not included in Report No. 2 for 2008 as the audit of less than half of the entities had been completed at that time. The financial statements of 24 entities including 3 controlled entities have been certified by audit and I am now able to provide a more complete picture of the status of these entities for the 2006-07 financial year.

3.3.2 Audit opinions issued

Aboriginal Shire councils and associated entities

Since Report No. 2 for 2008, I have issued unmodified auditor's opinions for Hope Vale Aboriginal Shire Council and Kowanyama Aboriginal Shire Council for the 2006-07 financial year. Details of these audits are provided in Section 4 of this report.

I have issued one modified auditor's opinion for Doomadgee Aboriginal Shire Council and the reasons are provided in Table 3.3. The different types of auditor's opinions issued are explained further in Section 5.2.

Table 3.3 — 2006-07 modified auditor's opinions for Aboriginal Shire council entities

Entity	Type of modified opinion	Reason for modified opinion
Doomadgee Aboriginal Shire Council	Disclaimer	• Inadequate records to support the disbursement and allocation of expenditure to grant funding projects.
		• Significant uncertainty as to whether Council could pay its debts unless financial support is provided.
		• Inadequate supporting documentation to verify the completeness and accuracy of grants and other contributions of $4.2m.
		• Interest bearing liabilities at 30 June 2007 overstated and retained surplus understated by $250,000.
		• Unable to verify the completeness and accuracy of the value of property, plant and equipment of $23.8m.
		• Inadequate records maintained to enable verification of the completeness and accuracy of rentals and levies of $165,152.
		• Reconciliation of the net deficit to net cash used in operating activities could not be relied upon because of the inclusion of items in the reconciliation which could not be supported.
		• Inadequate records and information to verify the completeness and accuracy of the current and non-current provisions for long service leave totalling $52,615.
		• Council did not maintain adequate financial management policies and procedures during the year.
		• The 2005-06 report was disclaimed and an opinion could not be expressed on the 2006 comparative figures disclosed.
		• The financial impact of these matters could not be practicably quantified due to the absence of reliable evidentiary source documents.

Torres Strait Island councils and associated entities

Since Report No. 2 for 2008, I have issued modified auditor's opinions for Mabuiag Island Council and Seisia Island Council for the 2006-07 financial year.

An emphasis of matter has been included in the auditor's opinion because of the transfer of assets and liabilities due to the amalgamation of these councils into the Torres Strait Regional Council and the Northern Peninsula Area Regional Council respectively. Although these councils ceased as entities on 14 March 2008, their financial statements for 2006-07 were prepared on a basis consistent with a going concern basis to allow the transfer of assets and liabilities to the new councils at the values reported in their balance sheets. Details of these audits have been issued are provided in Section 4 of this Report.

3.3.3 Ratings of performance

In Report No. 3 for 2006 and Report No. 3 for 2007, I assigned a rating for each Council to provide an indication of the overall level of financial accountability and stewardship of financial resources for 2005 and 2006 financial years.

Table 3.4 describes the rating criteria used to rate Councils' performance over these three years.

Table 3.4 — Criteria for rating council performance

Rating	Rating criteria
1	Unqualified audit opinion for 2006-07 and in all years.
2	Modified audit opinion for 2006-07 with no qualification in the previous five years. Unqualified for 2006-07 with one modified audit opinion in the previous five years. Outstanding for 2006-07 and unqualified in previous five years.
3	Modified audit opinion for 2006-07 with one to two modified audit opinions in the previous five years. Outstanding for 2006-07 with one or two modified audit opinions in the previous five years. Unqualified for 2006-07 with two or three modified audit opinions in the previous five years.
4	Modified audit opinion or not yet finalised for 2006-07 with three to four modified audit opinions in the previous five years. Unqualified for 2006-07 with four modified audit opinions in the previous five years.
5	Modified audit opinion in all but one year. Unqualified for 2006-07 with five modified audit opinions in the previous years.
6	Modified audit opinion in all years and not yet finalised for 2006-07.

For the period to 30 June 2007, Tables 3.5 and 3.6 provide a rating for each Aboriginal Shire council and Torres Strait Island council on a scale of 1 to 6 where rating 1 denotes ongoing sound performance while rating 6 indicates generally poor financial management performance. These tables also provide details of the type of audit opinion issued for each Council over the six years since 2001-02.

Table 3.5 — Rating and summary of audit opinions for Aboriginal Shire councils

Council	Rating			Opinion issued					
	2006-07	2005-06	2004-05	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Cherbourg	2	3	3	U	U	U	U	Q	Q
Doomadgee	6	6	6	D	D	D	Q	Q	Q
Hope Vale	3	5	6	U	U	Q	Q	Q	Q
Injinoo	1	2	2	U[1]	U	U	U	U	U
Kowanyama	1	2	2	U	U	U	U	U	U
Lockhart River	6	6	6	Q	Q	D	D	D	Q
Mapoon	3	2	2	NYF	Q	U	U	U	U
Napranum	3	4	5	NYF	Q	U	D	U	Q
New Mapoon	1	1	1	U	U	U	U	U	U
Palm Island	4	4	4	Q	Q	Q	Q	Q	U
Pormpuraaw	6	6	6	NYF	Q	Q	Q	D	Q
Umagico	3	3	3	NYF	U	U	U	U	Q
Woorabinda	4	5	6	U	U	Q	Q	D	Q
Wujal Wujal	4	4	4	Q	Q	Q	Q	U	U
Yarrabah	2	2	2	U	U	U	U	U	Q

U = Unqualified audit opinion Q = Qualified audit opinion D = Disclaimer NYF = Not yet finalised

1 Without qualification to the audit opinion, attention was drawn to Councils amalgamation into the Northern Peninsula – Area Regional Council from 15 March 2008.

Table 3.5 shows the financial statements of four Aboriginal Shire Councils for 2006-07 are not yet finalised. Ratings have been provided for these entities on the basis that it is likely that the audit opinion on the financial statements will be qualified as qualified audit opinions were issued for three of the four Councils in 2005-06.

This indicates a slightly worse result for the sector than last year as seven entities will have been issued with a qualified or disclaimed auditor's opinion in 2006-07 compared to six for 2005-06.

Auditor's opinions are also yet to be issued for the financial statements for two controlled entities of Aboriginal Shire Councils, being Edward River Crocodile Farm Pty Ltd and Lockhart River Aerodrome Company Pty Ltd.

Table 3.6 — Rating and summary of audit opinions for Torres Strait Island councils

Council	Rating			Opinion issued					
	2006-07	2005-06	2004-05	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Badu	4	4	3	NYF	D	Q	Q	Q	U
Bamaga	3	3	2	NYF	Q	Q	U	U	U
Boigu	2	3	3	U	U	U	U	U	Q
Dauan	6	6	6	NYF	Q	Q	Q	Q	Q
Erub	3	2	3	NYF	Q	U	U	Q	U
Hammond	2	3	3	U	U	U	U	U	Q
Iama	1	1	1	U	U	U	U	U	U
Kubin	2	2	2	U	U	U	Q	U	U
Mabuiag	3	4	5	U[1]	U	Q	Q	U	Q
Mer	6	5	5	NYF	D	Q	Q	Q	U
Poruma	1	1	1	U	U	U	U	U	U
Saibai	6	5	5	NYF	D	D	D	D	Q
Seisia	2	3	3	U[2]	U	Q	U	U	U
St Pauls	1	1	1	U	U	U	U	U	U
Ugar	3	3	4	NYF	U	Q	U	U	Q
Warraber	1	1	1	U	U	U	U	U	U
Yorke	4	4	4	U[2]	U	Q	Q	Q	Q

U = Unqualified audit opinion Q = Qualified audit opinion D = Disclaimer NYF = Not yet finalised

1 Without qualification to the audit opinion, attention was drawn to the Council's amalgamation into the Torres Strait Island Regional Council.

2 Without qualification to the audit opinion, attention was drawn to the Council's amalgamation into the Northern Peninsula Area Regional Council from 15 March 2008.

Table 3.6 shows the financial statements of seven Torres Strait Island Councils for 2006-07 are not yet finalised at the date of this report. Ratings have been provided for these entities on the basis that it is likely that the audit opinion on the financial statements will be qualified as qualified audit opinions were issued for six of the seven Councils in 2005-06.

This is also a worse result than last year as it is likely seven entities will be issued with qualified or disclaimed opinions.

3.4 Other 2006-07 audit results

3.4.1 Status of audits

For the 2006-07 audit year there were 808 public sector entities within my mandate, including 81 non-reporting entities. Two reports to Parliament have already been tabled detailing the results of 2006-07 audits:

- Report No. 9 for 2007 – Results of Audits as at 31 October 2007

- Report No. 2 for 2008 – Results of 2006-07 Audits of Local Governments, including Aboriginal Shire and Torres Strait Island Councils (as at 31 March 2008).

At the date of this report, 97 per cent of 2006-07 audits (or 703 reporting entities) have been finalised (that is, management certified and audited) with 24 financial statements for audits still outstanding.

Table 3.7 provides a summary of the audits finalised since Report No. 9 for 2007 and Report No. 2 for 2008.

Table 3.7 — 2006-07 audits finalised since Report No. 2 for 2008 was tabled

Entity type	Total	Completed statements	Incomplete statements	Non-reporting
Aboriginal Shire councils	7	3	4	0
By arrangement audits	4	3	0	1
Controlled entities	138	59	5	74
Departments	1	1	0	0
Joint controlled entities	6	2	1	3
Joint public sector entities	2	1	1	0
Local governments	4	0	4	0
Statutory bodies	27	23	2	2
Torres Strait Island councils	9	2	7	0
Under Trust Deeds	5	4	0	1
Totals	**203**	**98**	**24**	**81**

Details of unfinalised audits are included in Section 3.4.3.

3.4.2 Auditor's opinions issued

Table 3.8 contains details of all modified auditor's opinions which have been issued since Report No. 9 for 2007 on the results of audits as at 31 October 2007. Types of audit opinions are detailed in Section 5.2.

Table 3.8 — 2006-07 modified auditor's opinions

Entity	Type of modified opinion	Reason for modified opinion
Environment and Multiculturalism		
Qld Recreation Areas Management Board	Emphasis of matter	Issued as the Board was abolished as at 26 August 2007. The Environmental Protection Agency is now recording transactions relating to this area and these will form part of the annual financial statements of the Agency.
Health		
Bundaberg Health Services Foundation	Qualified	Unable to express an opinion on whether all donation revenue received by the Foundation has been brought to account and recorded in the Income Statement because the Foundation did not maintain an effective system of internal control over donation income for 2006-07.

Entity	Type of modified opinion	Reason for modified opinion
	Emphasis of matter	Issued as the requirement for the financial statements to be completed and audited within three months of the end of the financial year was not been met by the Board. However, this had no financial effect on the information presented in the financial statements.
Main Roads and Local Government		
Boonah and District Art Gallery and Library Trust Fund	Qualified	Unable to express an opinion on whether all donations and fundraising revenue received by the Trust have been brought to account and recorded in the statements of cash receipts and disbursements because the Trust has determined that it is not practicable to maintain an effective system of internal control over donations and fundraising revenue until initial entry in the accounting records. My report for 2005-06 was also qualified on this basis.
Boonah and District Performing Arts Centre Trust	Qualified	Unable to express an opinion on whether all donations, fundraising and raffles revenue received by the Trust have been brought to account and recorded in the statements of cash receipts and disbursements because the Trust has determined that it is not practicable to maintain an effective system of internal control over donations, fundraising and raffles revenue until initial entry in the accounting records. My report for 2005-06 was also qualified on this basis.
Tourism, Regional Development and Industry		
Department of Tourism, Fair Trading and Wine Industry Development	Emphasis of matter	Issued as the Department was abolished on 30 September 2007. All assets and liabilities were transferred to a number of departments at the values reported in the balance sheet. Accordingly the financial report was prepared on a basis that is consistent with a going concern basis.

A disclaimer of opinion was issued for Doomadgee Aboriginal Shire Council and emphasis of matter references were included in the opinions for Mabuiag Island Council and Seisia Island Council for the 2006-07 financial year. Details of these opinions are contained in Section 3.3.2.

Emphasis of matter references were issued for the entities included in Table 3.9 as the requirement for the financial statements to be completed and audited within three months of the end of the financial year was not been met by the Board. This had no financial effect on the information presented in the financial statements.

Table 3.9 — 2006-07 modified auditor's opinions

Entity	Ministerial portfolio
Legal Practitioners Admissions Board	Attorney-General and Justice and Minister Assisting the Premier in Western Queensland
Bollon South Water Authority	Natural Resources and Water and Minister Assisting the Premier in North Queensland
Merlwood Water Board	Natural Resources and Water and Minister Assisting the Premier in North Queensland

Nineteen modified audit opinions were issued for controlled entities of universities. These are included in Section 4 of this report and the circumstances are discussed in Section 3.2.1.

3.4.3 Unfinalised financial statements

Financial statements for the following entities have not yet been finalised:

Table 3.10 — Unfinalised financial statements

Ministerial Portfolio	Entity	Balance date
Education, Training and the Arts	Brisbane Festival Pty Ltd	31 December 2007
Education, Training and the Arts	Queensland Music Festival	30 September 2007
Main Roads and Local Government	Aurukun Shire Council	30 June 2007
Main Roads and Local Government	Badu Island Council	30 June 2007
Main Roads and Local Government	Bamaga Island Council	30 June 2007
Main Roads and Local Government	Bayan Mayi-Ji Ltd	30 June 2007
Main Roads and Local Government	Belyando Shire Council	30 June 2007
Main Roads and Local Government	Dauan Island Council	30 June 2007
Main Roads and Local Government	Edward River Crocodile Farm Pty Ltd	30 June 2007
Main Roads and Local Government	Erub Island Council	30 June 2007
Main Roads and Local Government	Isis Shire Council	30 June 2007
Main Roads and Local Government	Lockhart River Aerodrome Company Pty Ltd	30 June 2007
Main Roads and Local Government	Mapoon Aboriginal Shire Council	30 June 2007
Main Roads and Local Government	Mer Island Council	30 June 2007
Main Roads and Local Government	Napranum Aboriginal Shire Council	30 June 2007
Main Roads and Local Government	North Queensland Local Government Association	31 December 2007
Main Roads and Local Government	Perry Shire Council	30 June 2007
Main Roads and Local Government	Pompuraaw Aboriginal Shire Council	30 June 2007
Main Roads and Local Government	Saibai Island Council	30 June 2007
Main Roads and Local Government	Ugar Island Council	30 June 2007
Main Roads and Local Government	Umagico Aboriginal Shire Council	30 June 2007
Main Roads and Local Government	Warwick Shire Tourism and Events Pty Ltd	30 June 2007
Natural Resources and Water and Minister assisting the Premier in North Queensland	North Burdekin Water Board	30 June 2007
Natural Resources and Water and Minister assisting the Premier in North Queensland	South Burdekin Water Board	30 June 2007

3.5 Changes to financial reporting timeframes

3.5.1 Background

On 27 February 2008, amendments to the FA&A Act and the GOC Act were passed by Parliament to change the financial reporting deadlines for departments, statutory bodies and government owned corporations from three months to two months after the completion of the financial year.

For some time, I have advocated the early completion of financial statements as I believe this will improve the financial accountability of the public sector to Parliament and the community.

To assist entities to meet these deadlines, I have implemented a number of actions.

3.5.2 Agreement of timetables

Section 40AA of the FA&A Act requires, in the absence of a notice from the Treasurer specifying a later date, the accountable officer to give the financial statements to the Auditor-General by a date agreed between the accountable officer and the Auditor-General. This date must allow the audit of the statements, and the audit report on the statements to be completed no later than the timeframe specified in the Act which is now within two months of the end of the financial year.

To meet the requirement of s.40AA in recent years, informal processes have been used where agreement on timeframes has been made at officer level. This year a more formal protocol has been implemented to emphasise the importance of adhering to agreed timeframes to provide quality financial statements and working papers to audit in sufficient time to allow the audit to be completed.

To be able to agree an appropriate date for the provision of statements to audit, accountable officers were requested to provide in writing a schedule of relevant dates for key milestones. These milestones included dates for the availability of initial and final drafts of workpapers and financial statements for review by audit, audit committee consideration of statements and management and audit certification dates.

To increase the quality of financial statements provided to audit, entities were required to ensure that:

- final draft statements were complete and to a quality that the entity would be prepared to sign and only be subject to minimal adjustment recommendations from audit.

- the final draft be clearly identified and formally provided to audit under cover of advice from the officer responsible for the financial administration or the accountable officer.

At 9 May 2008, 54 agreements (covering 62 entities) had been finalised and approximately 25 agreements (including small and contracted entities) were yet to be finalised.

It was recommended to entities that a process be implemented to monitor progress against the milestones provided to audit so action can be taken promptly to address any problems which could delay audit certification of the statements beyond the legislated deadline.

3.5.3 Strategies to assist in meeting timeframes

During the year, audit liaised with entities to ensure the shortened timeframes for financial statement completion were able to be met through strategies, such as early closes, to hasten financial statement preparation and provide more timely audited financial information. In *Report to Parliament No. 9 for 2007*, key aspects to be considered in developing a strategy for earlier financial statement completion were identified for entities' consideration.

3.5.4 Working group to monitor progress

A joint QAO, Treasury Department and Shared Service Agency working group was formed in December 2007 to monitor the progress of entities in meeting the new timeframes for financial reporting. I have also provided details of agreed timetables to Treasury Department for this purpose.

Two reports to Parliament have previously been tabled detailing the results of 2006-07 audits:

● Report No. 9 for 2007 – Results of Audits as at 31 October 2007

● Report No. 2 for 2008 – Results of 2006-07 Audits of Local Governments, including Aboriginal Shire and Torres Strait Island Councils (as at 31 March 2008).

This Section provides details of the 98 audits finalised since those reports were tabled in Parliament on 14 November 2007 and 17 April 2008 respectively. The following information is provided for each audit:

● entity type

● financial year end

● date the entity signed their 2006-07 financial statements

● date the Auditor-General or his delegate signed the independent auditor's report

● type of auditor's opinion issued by the Auditor-General.

Details of the 24 audits which have not been finalised are also included. All entities listed have a 2007 financial year end.

Key: U=Unmodified Q=Qualified A=Adverse E=Emphasis of matter D=Disclaimer

Attorney-General, Justice and Minister Assisting the Premier in Western Queensland	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Legal Practitioners Admissions Board	Statutory Body	30 June	30.10.2007	12.11.2007	**E**

Education, Training and the Arts	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Aboriginal Centre for the Performing Arts Pty Ltd	Controlled Entity	30 June	26.10.2007	26.10.2007	U
Activetorque Pty Ltd	Controlled Entity	31 December	29.02.2008	17.03.2008	**E**
AHURI Queensland Research Centre Limited	Controlled Entity	30 June	25.10.2007	30.10.2007	U
Annotex Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	**A**
Aussie Colours Pty Ltd	Controlled Entity	31 December	20.02.2008	18.03.2008	U
Australian Agricultural College Corporation	Controlled Entity	30 June	24.09.2007	28.09.2007	U
Australian Canopy Crane Pty Ltd	Controlled Entity	31 December	31.03.2008	31.03.2008	U
Australian International Campuses Pty Ltd	Controlled Entity	31 December	25.03.2008	31.03.2008	U
Australian International Campuses Trust	Controlled Entity	31 December	25.03.2008	31.03.2008	U
Australian Tropical Forest Institute Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Aviation Australia Pty Ltd	Controlled Entity	30 June	11.10.2007	11.10.2007	U
Ballastech Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Bilexys Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Bireme Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	**A**
Board of Trustees of the Brisbane Girls Grammar School	Statutory Body	31 December	04.03.2008	04.03.2008	U
Board of Trustees of the Brisbane Grammar School	Statutory Body	31 December	14.03.2008	14.03.2008	U

Board of Trustees of the Ipswich Boys' Grammar School Centenary Building Fund	Statutory Body	31 December	25.03.2008	27.03.2008	U
Board of Trustees of the Ipswich Grammar School	Statutory Body	31 December	25.03.2008	27.03.2008	U
Board of Trustees of the Rockhampton Girls' Grammar School	Statutory Body	31 December	27.03.2008	31.03.2008	U
Board of Trustees of the Rockhampton Grammar School	Statutory Body	31 December	20.03.2008	31.03.2008	U
Board of Trustees of the Toowoomba Grammar School	Statutory Body	31 December	27.03.2008	27.03.2008	U
Board of Trustees of the Townsville Grammar School	Statutory Body	31 December	27.03.2008	28.03.2008	U
Brisbane Business School Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Brisbane Festival Pty Ltd	Joint Controlled Entity	31 December			
C Management Services Pty Ltd	Controlled Entity	31 December	25.03.2008	31.03.2008	U
Central Queensland University	Statutory Body	31 December	25.03.2008	31.03.2008	U
CILR Pty Ltd	Controlled Entity	31 December	Non-reporting		-
CiTR Pty Ltd	Controlled Entity	31 December	13.03.2008	18.03.2008	U
CQU Travel Centre Pty Ltd	Controlled Entity	31 December	25.03.2008	31.03.2008	U
Creative Industries Precinct Pty Ltd	Controlled Entity	31 December	12.02.2008	12.02.2008	U
Cyclagen Pty Ltd	Controlled Entity	31 December	21.02.2008	17.03.2008	U
Dendright Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	E
Dendrimed Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Diabax Pty Ltd	Controlled Entity	31 December	Non-reporting		-
ElaCor Pty Ltd	Controlled Entity	31 December	22.02.2008	17.03.2008	E
First Investor Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Fluro Therapies Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	E
GeneCo Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Griffith Medical Research Institute Limited	Controlled Entity	31 December	25.03.2008	31.03.2008	U
Griffith University	Statutory Body	31 December	28.03.2008	31.03.2008	U
Health Insitu Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Herdvac Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	A
IMBcom Pty Ltd	Controlled Entity	31 December	12.02.2008	18.03.2008	U
Innovation Centre Sunshine Coast Pty Ltd	Controlled Entity	31 December	13.03.2008	13.03.2008	U
International WaterCentre Pty Ltd	Controlled Entity	31 December	Non-reporting		
James Cook University	Statutory Body	31 December	27.03.2008	28.03.2008	U
JCU Enterprises Pty Ltd	Controlled Entity	31 December	27.03.2008	27.03.2008	U
JCU Uninet Pty Ltd	Controlled Entity	31 December	14.02.2008	21.02.2008	U
JKTech Pty Ltd	Controlled Entity	31 December	18.02.2008	22.02.2008	U
Kalthera Pty Ltd	Controlled Entity	31 December	21.02.2008	17.03.2008	E
LanguageMap Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	A
Leximancer Pty Ltd	Controlled Entity	31 December	20.02.2008	25.03.2008	U
Lucia Publishing Systems Pty Ltd	Controlled Entity	31 December	20.02.2008	18.03.2008	A

Major Brisbane Festivals Pty Ltd	Controlled Entity	31 December	03.04.2008	09.04.2008	U
Med-e-Serv Pty Ltd	Controlled Entity	31 December	11.03.2008	18.03.2008	U
Multi Access Productions Pty Ltd	Controlled Entity	31 December	13.03.2008	13.03.2008	U
Nephrogenix Pty Ltd	Controlled Entity	31 December	22.02.2008	17.03.2008	**E**
Neurotide Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	**A**
Pepfactants Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	**E**
Polyvacc Pty Ltd	Controlled Entity	31 December	21.02.2008	17.03.2008	**E**
Queensland College of Teachers	Statutory Body	31 December	21.02.2008	29.02.2008	U
Queensland Cyber Infrastructure Foundation Ltd	Controlled Entity	31 December	10.04.2008	28.04.2008	U
Queensland Music Festival	Controlled Entity	30 September			
Queensland Theatre Company	Statutory Body	31 December	18.03.2008	18.03.2008	U
Queensland University of Technology	Statutory Body	31 December	27.02.2008	28.02.2008	U
QUT Enterprise Holdings Trust	Controlled Entity	31 December	07.02.2008	07.02.2008	U
Qutbluebox Pty Ltd	Controlled Entity	31 December	04.02.2008	07.02.2008	U
Qutbluebox Trust	Under Trust Deed	31 December	04.02.2008	07.02.2008	U
RRC Company Pty Ltd	Controlled Entity	31 December	22.02.2008	17.03.2008	**E**
Sarv Pty Ltd	Controlled Entity	31 December	13.03.2008	18.03.2008	U
Seno Sano Pty Ltd	Controlled Entity	31 December	30.04.2008	30.04.2008	U
Tenasitech Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	**A**
The Grammar Schools of Queensland Association Inc.	Joint Controlled Entity	31 December	29.04.2008	16.05.2008	U
The University of Queensland	Statutory Body	31 December	13.03.2008	18.03.2008	U
Thrombostat Pty Ltd	Controlled Entity	31 December	Non-reporting		-
UATC Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Unicare (NQ) Limited	Controlled Entity	30 June	23.10.2007	23.10.2007	U
UniHealth (NQ) Limited	Controlled Entity	30.06.2007	23.10.2007	23.10.2007	U
UniQuest Asset Trust	Controlled Entity	31 December	06.03.2008	18.03.2008	U
UniQuest Pty Limited and Controlled Entities	Controlled Entity	31 December	27.02.2008	18.03.2008	U
University of Queensland Foundation Trust	Controlled Entity	31 December	11.03.2008	18.03.2008	U
University of Southern Queensland	Statutory Body	31 December	06.03.2008	06.03.2008	U
University of the Sunshine Coast	Statutory Body	31 December	20.03.2008	20.03.2008	U
UQ Holdings Pty Ltd	Controlled Entity	31 December	13.03.2008	18.03.2008	U
UQ Investment Trust	Controlled Entity	31 December	11.03.2008	18.03.2008	U
UWAT Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Vacquel Pty Ltd	Controlled Entity	31 December	20.02.2008	18.03.2008	**A**
Vascam Pty Ltd	Controlled Entity	31 December	Non-reporting		-
Wave Instruments Pty Limited	Controlled Entity	31 December	20.02.2008	17.03.2008	**E**
Xenimet Pty Ltd	Controlled Entity	31 December	20.02.2008	17.03.2008	**E**
Xerocoat Pty Ltd	Controlled Entity	31 December	Non-reporting		-

Environment and Multiculturalism	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Qld Recreation Areas Management Board	Statutory Body	26 August ●	12.12.2007	17.12.2007	**E**

Health	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Bundaberg Health Services Foundation	Statutory Body	30 June	30.11.2007	10.12.2007	**Q**
Injury Prevention and Control (Australia) Ltd	Joint Controlled Entity	30 June	07.02.2008	07.02.2008	U
Townsville Hospital Foundation	Statutory Body	30 June	28.09.2007	28.09.2007	U

Main Roads and Local Government	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Aurukun Shire Council	Local Government	30 June			
Badu Island Council	Torres Strait Island Council	30 June			
Bamaga Island Council	Torres Strait Island Council	30 June			
Bayan Mayi-Ji Ltd	Controlled Entity	30 June			
Belyando Shire Council	Local Government	30 June			
Boonah and District Art Gallery and Library Trust Fund	Controlled Entity	30 June	07.04.2008	16.04.2008	**Q**
Boonah and District Performing Arts Centre Trust Fund	Controlled Entity	30 June	07.04.2008	16.04.2008	**Q**
Brisbane Bitumen Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Brisbane.Com Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Bulloo Enterprises Trust	Controlled Entity	30 June	Non-reporting		-
Dauan Island Council	Torres Strait Island Council	30 June			
Doomadgee Aboriginal Shire Council	Aboriginal Shire Council	30 June	12.02.2008	04.06.2008	**D**
Edward River Crocodile Farm Pty Ltd	Controlled Entity	30 June			
Erub Island Council	Torres Strait Island Council	30 June			
Gold Coast Motor Events Co.	By Arrangement	31 December	10.03.2008	10.03.2008	U
Hope Vale Aboriginal Shire Council	Aboriginal Shire Council	30 June	26.09.2007	23.05.2008	U
Ipswich City Enterprises Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Isis Shire Council	Local Government	30 June			
Kowanyama Aboriginal Shire Council	Aboriginal Shire Council	30 June	14.04.2008	21.04.2008	U
Lockhart River Aerodrome Company Pty Ltd	Controlled Entity	30 June			
Mabuiag Island Council	Torres Strait Island Council	30 June	30.05.2008	12.06.2008	**E**
Mapoon Aboriginal Shire Council	Aboriginal Shire Council	30 June			
Mer Island Council	Torres Strait Island Council	30 June			

	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Napranum Aboriginal Shire Council	Aboriginal Shire Council	30 June			
North Queensland Local Government Association	Joint Public Sector Entity	31 December			
Nuffield Pty Ltd	Controlled Entity	30 June	Non-reporting		-
OurBrisbane.com Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Perry Shire Council	Local Government	30 June			
Pormpuraaw Aboriginal Shire Council	Aboriginal Shire Council	30 June			
Port Curtis Alliance of Councils	Joint Controlled Entity	30 June	Non-reporting		-
Prevwood Pty Ltd	Joint Controlled Entity	30 June	Non-reporting		-
Redheart Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Riverfestival Brisbane Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Saibai Island Council	Torres Strait Island Council	30 June			
Seisia Island Council	Torres Strait Island Council	30 June	12.10.2007	05.06.2008	**E**
Townsville & Thuringowa Cemetery Trust	Joint Public Sector Entity	31 December	18.04.2008	18.04.2008	**U**
Ugar Island Council	Torres Strait Island Council	30 June			
Umagico Aboriginal Shire Council	Aboriginal Shire Council	30 June			
Warwick Shire Tourism and Events Pty Ltd	Controlled Entity	30 June			

Mines and Energy	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Allgas Pipelines Holdings Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Allgas Pipelines Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Energy Impact Pty Ltd	Controlled Entity	30 June	Non-reporting		-
The Green Energy Corporation Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Mt Millar Wind Farm Pty Ltd	Controlled Entity	30 June	Non-reporting		-
SE CSE Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Starfish Hill Wind Farm Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Swanbank Energy Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Tarong North Pty Ltd	By Arrangement	30 June	Non-reporting		-
Tarong Renewable Energy Pty Ltd	Controlled Entity	30 June	Non-reporting		-
TN Power Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Varnsdorf Pty Ltd	Controlled Entity	30 June	Non-reporting		-
VH Energy Holdings Pty Ltd	Controlled Entity	30 June	Non-reporting		-
VH Finance Pty Ltd	Controlled Entity	30 June	Non-reporting		-
VH Operations Pty Ltd	Controlled Entity	30 June	Non-reporting		-

Natural Resources and Water and Minister Assisting the Premier in North Queensland	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Bollon South Water Authority	Statutory Body	30 June	14.12.2007	16.01.2008	**E**
Dumaresq-Barwon Border Rivers Community	By Arrangement	30 June	Non-reporting		-
Lower Herbert Water Management Authority	Statutory Body	30 June	Non-reporting		-
Marathon Bore Water Supply Bd.	Statutory Body	30 June	Non-reporting		-
Merlwood Water Board	Statutory Body	30 June	19.11.2007	03.12.2007	**E**
North Burdekin Water Board	Statutory Body	30 June			
South Burdekin Water Board	Statutory Body	30 June			

Premier	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Brisbane Convention & Exhibition Centre	Controlled Entity	30 June	Non-reporting		-
Premier's Disaster Relief Appeal Trust	Under Trust Deed	30 June	15.11.2007	13.12.2007	U
Premier's Necessitous Circumstances Relief Appeal Fund	Under Trust Deed	30 June	15.11.2007	13.12.2007	U
The Cyclone Larry Disaster Relief Fund	Under Trust Deed	30 June	15.11.2007	18.12.2007	U

Primary Industries and Fisheries	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Wollemi Australia Pty Ltd	By Arrangement	30 June	07.12.2007	12.12.2007	U

Public Works, Housing and Information and Communication Technology of Queensland	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Monte Carlo Caravan Park Pty Ltd	Controlled Entity	30 June	19.03.2008	19.03.2008	U
The Monte Carlo Caravan Park Trust	Controlled Entity	30 June	19.03.2008	19.03.2008	U

Tourism, Regional Development and Industry	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Department of Tourism, Fair Trading and Wine Industry Development	Department	30 Sept	02.04.2008	10.04.2008	**E**

Transport, Trade, Employment and Industrial Relations	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Australia Western Railroad Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Australian Railroad Group Employment Pty Ltd	Controlled Entity	30 June	Non-reporting		-
AWR Lease Co Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QRNational Holdings Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QRNational West Pty Ltd	Controlled Entity	30 June	Non-reporting		-

Treasurer	Entity Type	Financial year end	Financial statements signed	Auditor's report signed	Auditor's opinion
Canberra Centre Investments Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Eastland Property Holdings Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QPC Investments No. 1 Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Innovis Investments Australia LP	By Arrangement	31 December	31.03.2008	31.03.2008	U
Innovis Investments Pty Ltd	Joint Controlled Entity	30 June	Non-reporting		-
Pacific Echo Pty Limited	Controlled Entity	30 June	Non-reporting		-
QBF No. 1 Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QBF No. 2 Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC (UK) Management Limited	Controlled Entity	30 June	27.08.2007	12.09.2007	U
QIC Asia Real Estate Investments Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Coomera Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Developments Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC General Fund No. 2	Under Trust Deed	30 June	Non-reporting		-
QIC Helensvale Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Hi Yield Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Infrastructure Management Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC International Equities Focus Fund	Under Trust Deed	30 June	Non-reporting		-
QIC International Real Estate Investments Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Logan Hyperdome Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Merry Hill Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC North America Investments Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC North Asia Real Estate Investment Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Office Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Property Investments (Jersey) No. 1 Limited	Controlled Entity	30 June	Non-reporting		-
QIC Property Investments (Jersey) No. 2 Limited	Controlled Entity	30 June	Non-reporting		-
QIC Property Management Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Real Estate Funds Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Real Estate Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Retail (No. 2) Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Ringwood Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Robina Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Toowoomba Pty Ltd	Controlled Entity	30 June	Non-reporting		-
QIC Westpoint Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Sunshine Locos Pty Ltd	Controlled Entity	30 June	Non-reporting		-
Watergardens Pty Limited	Controlled Entity	30 June	Non-reporting		-

5.1 Stakeholders' responses

5.1.1 Management of public sector employee housing (Section 2.1)

On 18 June 2008, the Director-General, Department of Public Works provided the following response on specific issues raised in Section 2.1 on behalf of that Department and the Departments of Education, Training and the Arts; Health and Police:

> *"Assessment of maintenance required for employee housing is not comprehensively carried out and condition assessments are not being performed within the required timeframe.*
>
> *The Cabinet Budget Review Committee's (CBRC) decision in February 2007, included the approval to review the standards across the entire employee housing portfolio. The review is being managed by the Department of Public Works and overseen by the Housing Management Committee (HMC).*
>
> *The review includes the condition assessment of the portfolio with a report of the findings together with recommendations back to Executive Government in September 2008.*
>
> *Subsequent to the first HMC meeting in 28 June 2007, QBuild was commissioned to undertake condition assessments across a selection of employee houses. This review includes the condition assessment of the portfolio based on data from audits undertaken [internally] post July 2006 which represents approximately 45% of the Government's employee housing portfolio. This was to obtain a detailed view of the portfolio and if additional funding for maintenance of employee housing was required, this will be included in the September 2008 submission…*
>
> *…The above process will assist the agencies in ensuring that the entire portfolio is comprehensively assessed in accordance with the Maintenance Management Framework timeframe requirements.*
>
> *The backlog of maintenance is not being effectively managed*
>
> *The abovementioned review will also assist agencies to identify, prioritise and manage deferred maintenance requirements, by establishing comprehensive strategic maintenance plans to address these requirements.*
>
> *However, due to under funding of maintenance across most agencies the level of deferred maintenance has continued to increase. Deferred maintenance cannot be managed effectively without an appropriate injection of funds. This will be detailed in the September 2008 submission.*
>
> *Departmental tenancy management systems are inadequate for three departments. The details contained in these systems are not accurate or complete and are not reconciled to departmental asset registers.*
>
> *The tenancy management system owned by the Department of Public Works (which QAO identified as operating effectively) has been discussed with other house owning agencies. These agencies will review this and other potential systems to assess if they are appropriate to their needs and have the ability to interface effectively with agencies' financial and asset management systems. A whole-of-Government system may then be developed for adoption by all house owning agencies.*
>
> *Strategic Planning for procuring and maintaining employee housing is poorly carried out. Plans are either not being prepared or not tabled as required by government policy.*

To ensure that strategic maintenance planning and asset strategic plans are prepared by all agencies, it has been proposed that a Government Employee Housing Management Framework (the Framework) will be established in consultation with stakeholder agencies. The Framework will provide specific guidance for strategic planning, investment and maintenance of housing assets in accordance with the Capital Works Management Framework and the Maintenance Management Framework.

The management information systems used by three departments for managing and maintaining their housing assets need to be improved. These departmental systems are used to provide information for the whole-of-Government management of the State's employee housing assets. As a consequence, whole-of-Government management of the State housing assets is also ineffective with poor information available and centralised management information systems not being in place.

It is proposed that the management information systems currently used by departments will be assessed against best practice asset management criteria. In consultation with agencies proposed new systems or changes to existing systems may be recommended.

The proposed replacement system for QBuild's MIMS (Ellipse) has the potential to significantly improve the maintenance of employee housing assets across Government. The new system (to be implemented by July 2009) would be available to assist those departments which do not have existing management information systems. The house owning agencies will assess the appropriateness of that system for their application.

Regarding the requirement to review the current model of providing and maintaining employee housing (to ensure adequate systems and processes exist) it is considered the development and effective implementation of the Government Employee Housing Management Framework (the Framework) will address that concern. The following responses are provided against the specific matters raised.

Whole-of-Government reporting of procurement, maintenance, use and demand for employee housing information is not timely and accurate.

In relation to whole-of-Government reporting, it is proposed that the Framework define what departments need to report providing a minimum whole-of-Government level of consistency in reporting across departments. The new Framework will provide the necessary structure and tools for better reporting and data accuracy.

Strategic policies for procuring, maintaining and use of employee housing can be developed.

The Framework will provide guidance on the development of strategic policies relating to employee housing.

Departments are able to manage effectively the procurement, maintenance and use of employee housing.

The Framework will provide best practice guidance on planning for capital investment and procurement, including guidelines for tenancy management. In addition to the proposed Framework, the Department of Public Works is managing two key initiatives which support the effective delivery of employee housing.

The first is that the Department of Public Works is now responsible for the procurement of all projects in the nineteen Meeting Challenges, Making Choices communities in a manner that will ensure that priority outcomes, including employee housing, are achieved for the Government and the community.

The second initiative, is that the Department of Public Works, in consultation with all affected departments, will coordinate resources to bundle agency works to remove peak workloads, competition of resources and obtain better value for money on capital works projects.

There is equivalence of housing standards across the various departments' housing portfolios.

A review of the standards (design functionality) across the entire employee housing portfolio is currently underway by the Department of Public Works (on behalf of the HMC) and due for consideration by CBRC in September 2008. Appropriate standards will be developed to match differing tenant needs such as large families and people with disabilities. The Framework will provide guidance for the implementation of the management practices, processes and standards uniformly across agencies.

In general terms it is considered the Framework, proposed to be monitored by the HMC, will provide the required governance protocols to ensure the effective management of government employee housing.

Specifically, the Framework will:

- *Assist house-owning agencies with the control and management of housing assets based on sound strategic asset management processes and compliance with whole-of-Government policies (eg. MMF).*

- *Improve consistency in housing tenancy management across Government.*

- *Streamline reporting and enhance the ability to efficiently access information for the entire employee housing portfolio.*

- *Improve maintenance service delivery and efficiency.*

- *Ensure the ability of individual agencies to be able to manage their assets to meet their Human Resource needs.*

- *Provide benchmarking which will in turn identify trends across the employee housing portfolio recognising the differences in the nature of the employee housing between agencies and regions within the state.*

- *Provide a platform for the development of whole-of-Government strategies.*

- *Encourage synergies across Government, adoption of best practice and where possible achieve economies of scale.*

- *Improve strategic asset planning to assist in making informed asset/portfolio decisions."*

5.1.2 Information and communication technology (ICT) project management (Section 2.4)

Department of Child Safety, Department of Communities and Disability Services Queensland response

The Directors-General of these departments provided the following response in relation to the ICMS project:

"With respect to your observation regarding project management principles, at the time of your review, the ICMS project was being transitioned to the Queensland Government Project Management Methodology (QGPMM), based on PRINCE-2. A decision supported by advice from Queensland Government Chief Information Office (QGCIO) was made not to retrofit documents but to introduce the QGPMM templates at the beginning of each of the PRINCE-2 project stages. As a result, the department acknowledges the recommendations relating to project management methodology, training and documentation and will address these as agreed to in the management responses.

With respect to your observations regarding certainty of budget allocations to support the delivery of these projects, the department will continue to engage with Treasury and central agencies to seek enhanced processes. This would include the concepts of gating processes for controlling the project funding cycle of large IT projects spanning a number of financial years.

With respect to your recommendations regarding the management of contractors, I agree with your analysis regarding management of contractors for those contractors employed on a time and material basis.

I would like to advise however, that the majority of contractors who work on ICMS are currently employed through a fixed price contract with Microsoft. This allows for greater sharing of risk and a greater accuracy in the specification of requirements and expected deliverables. This generally represents improved value for money and is an alternative best practice model for contractor engagement.

For contractors employed on a time and material basis the department will improve linking between their contract documents and their achievement plans (and associated performance reviews). This will provide formal assessment of their performance in achieving deliverables and ensuring skills and knowledge transfer to ensure maximum benefits from their engagement.

With respect to your observations regarding a lack of independent quality assurance function for ICMS, I wish to advise that independent quality reviews for ICMS are conducted by the Strategic Projects Program Office, Shared Information Solutions (SIS). These assurance functions include Project Gating at the end of each project phase and Project Implementation Reviews. In addition, ICMS receives independent scrutiny through monthly meetings with officers of Treasury, Premier and QGCIO and these central agencies also sit on the cluster's ICT Strategic Program Steering Committee.

With respect to your observation regarding the timing of the contract price being agreed to for ICMS Release 4, I wish to advise that a contract price had been negotiated and a letter of intent signed prior to commencement of work. The detailed contract negotiation had not been finalised at the point of project commencement; however this continued in parallel with the project and the board was fully aware and accepting of the associated risks. The final contracted price was the price agreed to in the letter of intent. I will endeavour to ensure further contracts are finalised prior to contractor commencement.

It is gratifying to note that you consider the ICMS processes for risk management and monitoring project funding constitute best practice and that ICMS has adopted good management structures."

Department of Police response

The Commissioner of Police provided the following response:

"In response to your assessment, the QPS acknowledges the findings from the QAO governance review and the management responses provided are consistent with the Service's position regarding these matters."

Department of Transport response

On 20 June 2008, the Director-General provided the following comments in response to Section 2.4:

*"**Project management methodology - Selection of an appropriate project management methodology should be a primary consideration of the steering committee at the commencement of each project**.*

- *TransLink agrees with this recommendation. The residual elements of the project are being delivered within the Prince2 project management methodology. The Project Management Office will be responsible for ensuring that a consistent methodology is applied to current and future projects. The recommendations will be forwarded to the Project Management Office for consideration.*

Training - Provide high level training in the approved project management methodology to members of the project management bodies.

- *The TransLink leadership team has recently endorsed an induction plan for new members of the leadership team. A review of project boards and subcommittees is scheduled for September 2008. The report recommendations will be raised for discussion during the review of committees in September 2008, with a view to extending the induction program to all board and committee members.*

- *An approach. for delivering project management training across TransLink is currently being developed.*

Funding - The process should include independent assurance reviews performed at key decision points in the project.

- *TransLink agrees with the recommendation. However, TransLink adhered to the funding processes that were in place at the time that this project commenced. The Gateway Review Process was not practiced by the state government at this time. The Department of Infrastructure and Planning is currently implementing the Gateway Review Process in Queensland to assist with delivering the State's infrastructure program. TransLink is involved in a trial of the Gateway Review Process on the Gold Coast Rapid Transit project. TransLink is also delivering the Real Time Passenger Information Project using a gated process.*

The management of contractors — project management committees should ensure appropriate contractor performance processes are in place for significant projects.

- *The report notes that the management of contractors improved by the later stages of the project. TransLink has invested considerable resources in developing the capability of our procurement team. A review of the policies and procedures for the procurement of consultants and contractors has occurred during 2008 and the associated processes have been documented, endorsed by the TransLink Leadership Team, and updated on the TransLink process mapping site –'Linkin'.*

Risk Management - Developing a risk management plan, assigning risk rankings and recording and mitigating controls.

- *The project maintained risk and issue registers for the life of the project. TransLink acknowledges, however that a consolidated risk register was not consistently applied throughout the life cycle of the project. The recommendations have been implemented for the residual elements of the project. A risk register that includes likelihood, impact, and mitigation actions has been implemented.*

- *TransLink has recently allocated considerable time and resources to the development of a risk management framework, and is currently developing risk treatment plans for key strategic risks. Once fully embedded in the organisation this framework will be applied to managing operation and project risks.*

Monitoring and assurance practises.

- *TransLink has actioned a number of the recommendations, including updating our administration procedures manual to include filing system processes. TransLink has also requested custody of files that are located outside of the division.*

Independent quality assurance - There was no evidence of AFCS having an independent quality assurance function at any stage.

- *TransLink had established contract controls between itself and the supplier. These covered a range of documents that were produced by the supplier and reviewed by relevant TransLink officers. In addition to this, variations to the system that were requested by TransLink were documented, and formal responses were received from the supplier.*

- *More specifically, TransLink very strongly pursued quality assurance through an independent testing group and the establishment of a User Acceptance Testing process, which was conducted in addition to the ticketing suppliers testing. TransLink's position is that this testing was to mitigate a critical risk and therefore represents a rigorous quality assurance process."*

5.1.3 Infrastructure project evaluation (Section 2.5)

Responses to Section 2.5 from the Department of Main Roads, Department of Transport, QR Limited, Department of Infrastructure and Planning and South East Queensland (Gold Coast) Desalination Company Pty Ltd are provided below.

The Department of Education, Training and the Arts, Brisbane City Council, Gold Coast City Council, Western Corridor Recycled Water Pty Ltd and ENERGEX Ltd also responded positively in the context of the audit results and ratings for their projects.

Department of Main Roads response

The Director-General, Department of Main Roads provided the following response on 17 June 2008:

"In respect to the matter of cost escalation percentages used for projects, Main Roads made a decision approximately two years ago to adopt a 10% per annum rate for forward estimates of cost. This was based on external assessments of the cost escalation ranges and was considered a practical approach, particularly given the 2007-08 12.56% index result included in your report.

The work undertaken by the Queensland Audit Office to enhance the rating assessment scale by moving from a three-tier scale to a five-tier scale is appreciated. I note the audit result improvement in relation to reporting, communication and governance for the Tugun Bypass Project and the Gateway Upgrade Project and was pleased to see the Ipswich/Logan Motorway Upgrade Project produced a similar high standard.

I note the categories identified for improvement are consistency with legislation and risk management. No legislative breaches were identified in the audit. Policy improvement is being addressed by a Significant Procurement Plan, which is close to finalisation for the Major Projects Office - Program of Works. Significant Procurement Plans are being progressively adopted for individual projects as they are rolled out and the Significant Procurement Plan was in place for Ipswich/Logan Motorway Upgrade Project.

The Corporate Procurement Plan is being reworked in accordance with the changed template developed by the Queensland Government Chief Procurement Office and this is expected to be finalised and delivered by 30 June 2008, in line with whole-of-government requirements.

Risk management is carried out with monthly project review meetings through the Project Management Information System. A full quarterly review of the total risk register is also carried out by management. The project reports that are tabled to the Main Roads Senior Management Group on a monthly basis, also include a section on significant risks. This review cycle is appropriate for the level of risk inherent in the type of projects being undertaken.

I note the overall audit findings, outlined in section 2.5.2 of your Infrastructure Project Evaluation Report. I can advise that Main Roads will work with the Department of Infrastructure and Planning and other agencies, to develop a whole-of-government approach to the five opportunities you have identified for improvement to processes and policies."

Department of Transport response

The Director-General, Department of Transport provided the following response on 20 June 2008:

"On the matter of the infrastructure project evaluation section of your proposed report, I note the audit approach was to compare each of the selected projects to the Office of Government Commerce developed frameworks and the Efficiency Toolkit developed by the United Kingdoms' National Audit Office. I also note you applied a revised rating scale to that in the Efficiency Toolkit.

It was pleasing that the projects in which the department has a significant interest have generally scored well, particularly against the governance, transparency and accountability, and probity and propriety criteria, where some projects are considered to be at or near best practice.

I also note the implementation of all key and practical aspects of best practice, as determined by your office, is essentially meeting best practice in the environment in which Queensland Government infrastructure projects are delivered.

However, I also note the proposed report indicates there are criteria against which there is scope for improvement, particularly risk management and reporting and communication."

QR Limited's response

On 20 June 2008, the Chief Financial Officer provided the response below:

"QR does not fully accept the findings of the Infrastructure Project Evaluation. QR is extremely concerned that this report and its project compliance ratings do not reflect the true reality of QR's overall strong capability and excellent track record in delivering the SEQIP Rail capital program …

QR has demonstrated excellent results to date in delivering the SEQIP Rail program within scope, time and budget and to client / stakeholder satisfaction.

QR has a robust governance and management framework in place and continuous emphasis on innovative and consistent delivery. QR's risk management framework has been reviewed and updated several times in the last few years, with the version February 2008 being current at time of audit. The organisational project management (OPM) model was introduced to QR in 2005 after extensive consultation across QR's businesses. The OPM Model provides guidance on project, program and portfolio management and supports the QR Project Management community to build and maintain capability in these disciplines. Complementary to previously existing documents such as the Project Management Manual, it has been designed to guide future updates of this material and is strongly grounded in both the UK's OGC material as well as other international standards.

QR has - and continues to - engage industry contractual, legal and commercial experts in relation to Alliance delivery. Learnings from these processes are already being incorporated into the review of project management and delivery process documentation.

QR fully supports the activities of the QAO in providing confidence to government that QR has the capability to deliver capital projects. QR is committed to continuous improvement to ensure best-practice in QR's delivery processes and provide value for our clients and stakeholders."

Department of Infrastructure and Planning response

On 17 June 2008, the Coordinator-General provided the following response:

"I note the whole-of-government recommendations, outlined in section 2.5.2 of your report, that you consider should be monitored and actioned by the Department of Infrastructure and Planning (the Department). I advise that the Department will work with the Departments of Main Roads; Transport; Mines and Energy; and Education, Training and the Arts to lead whole-of-government consideration of the five opportunities you have identified.

The Department is committed to ensuring effective delivery of the Government's infrastructure investment and I am encouraged by your support of the Department's role in leading whole-of-government reform through special purpose vehicle (SPV) governance, the Gateway review process and the development of an alliance guideline.

Consistent with the recommendations in your Report No 5 to Parliament for 2007, the Department allocated dedicated resources to undertake the central role of SPV governance and monitoring. I am encouraged by your acknowledgement of the significant progress the Department has made enhancing the governance of its SPVs through the development of the SPV Governance Framework and Toolkit.

I particularly note the revised ratings, in a number of key areas, indicating the Gold Coast Desalination project's improved performance. However, I am concerned that the ratings for 2007-08 are based on the whole-of-life of that project and therefore do not recognise the significant resources allocated, and improvements made, in all assessed areas. I understand that the South East Queensland (Gold Coast) Desalination Company Pty Ltd has also advised a firm belief that any report tabled to Parliament should accurately reflect the current, rather than historic, situation in order to maximise the relevance and usefulness of the findings.

I note that you consider the Gateway Review Process (Gateway) beneficial. The Department has been progressing the implementation of Gateway, initially for high risk infrastructure projects in South East Queensland, To date, the Department has undertaken nine reviews. In addition to the reviews assisting individual projects, lessons learned from Gateway will also drive Government project delivery efficiency.

Also in accordance with Report No 5, the Department has commenced work on developing a guideline for the, consistent application of alliance principles across government, based on existing Victorian Government alliancing guidelines. This will be finalised by 31 December 2008."

South East Queensland (Gold Coast) Desalination Company Pty Ltd's response

The Chairman provided the following response on 6 June 2008:

"The board wishes me to convey two general points to you in relation to the presentation of information in your report.

a.   *We feel that the usefulness of the report to our Shareholders would be enhanced if you were to show the rating for each year as well as the "life" rating. In this way Shareholders could view an authoritative report on the trajectory of the project's performance over time.*

b.   *The company would benefit from an explanation of any specific findings, recommendations and the reasons for the ratings that are given, as this will assist the development of continuing improvement strategies.*

The board is pleased to note that you propose to recognise the hard work that has been undertaken to position our project with a very sound performance rating. We also appreciate the co-operation between officers of both agencies."

The Chief Executive Officer also responded on 17 June 2008:

"Whereas the Company recognises the importance of the work undertaken by the Auditor General and the Queensland Audit Office (QAO) in reviewing this and other essential infrastructure projects underpinning Queensland's continued growth, and is highly supportive of the project evaluation activity, we continue to have a number of reservations. These were originally expressed in our responses to last year's Project Evaluation Report and relate mainly to the process used for the evaluation and information provided to support, or clarify, the findings.

As also stated in our responses to last year's Project Evaluation Report, we firmly believe that any report tabled to Parliament must accurately reflect the current rather than the historic situation in order to maximise the relevance and usefulness of the findings.

Finally, the QAO's evaluation toolkit is based on a United Kingdom standard which is not a prescribed requirement in Australia and as such not widely used or understood. Although we recognise the limited availability of tools available to support this type of work, the UK Audit Office Toolkit clearly has its limitations, and despite strenuous efforts we initiated to familiarise our staff with the toolkit and its workings, believe more formal training by QAO on its application to Project Evaluation is essential to maximise the benefit of the project evaluation activity to all parties.

Notwithstanding the reservations outlined above, we appreciate recognition in your report of the significant progress the Company has made over the last 12 months, and the significant resources we continue to apply in rectifying matters noted in this and previous reports. This will continue until all matters are fully addressed.

With the above in mind we have the following specific comments on the 2008 Infrastructure Project Evaluation Report on the South East Queensland Desalination Project which should be read in conjunction with our initial response from the Company Chairman's dated 6 June 2008:

●   *We feel the sole use 'life of project' rating is of limited value, being overly influenced by historical events rather than the current situation. This is acknowledged in your report which recognises that the Company has been unable to implement some prior year's audit recommendation relating to previous decisions which impact the ratings. Inclusion of a 'current year' rating as well as 'life of project' rating would maximise the value of your report by providing authoritative opinion on the project's performance over time and where efforts for further improvement should be focussed;*

●   *Considering the efforts expended in addressing the prior year's audit recommendations and the substantial progress that the Company has been made over the last year in a number of key areas (specifically Transparency and Accountability, Risk Management and Reporting and Communication), as debriefed by the QAO Project Evaluation Team and inferred in your report, a rating in some areas the same as last year is counter intuitive;*

- *The ratings provided in your report appear to have been finalised prior to receipt of a Project Evaluation Management letter and consequently the Company has not been provided with any opportunity to review the specific observations, implications and recommendations which supported the report ratings;*

- *The Company and its Shareholders would benefit from an explanation of any specific findings, recommendations and the reasons for the ratings as given, as this will assist the development of continuing improvement strategies.*

There is no time for complacency given the importance of this Project and the need to ensure 'value for money' is maximised bearing in mind the considerable investment being made. We look forward to positively working with the QAO in identifying and managing project risks and improving governance and accountability structures to achieve 'best practice' wherever possible.

In the meantime it is worth noting that the Project is on program and well under budget."

Additional audit comment regarding South East Queensland (Gold Coast) Desalination Company Pty Ltd's response

In undertaking the audits of infrastructure projects including the audit of the South East Queensland (Gold Coast) Desalination Plant Project, I have utilised the methodology as it is prescribed, which is on a "life of project" basis. This concept is applicable as the delivery of projects is impacted by decisions made during the life of the project. Any assessment of a project needs to reflect the current performance including the impact of past decisions where subsequent action has not addressed any earlier deficiencies.

I note that there is an increased inherent risk to the project, as the project owners decided not to retrospectively adjust or rectify initial decisions that have had or will continue to have an impact on the project over its life. These decisions have caused management and the Board to focus some of their attention to ensure that any increased level of risk to the project is adequately managed.

5.1.4 Shared Services Initiative (Section 3.1)

Treasury Department response

In relation to the Shared Service Initiative, on 16 June 2008, the Under Treasurer provided the following information in relation to CorpTech:

*"**Change Management Processes – 3.1.2***

CorpTech recognises that the change management process is continuing to mature particularly in relation to tools. However, a change management governance framework (inclusive of Shared Service Provider representation), an end to end change management process flow is supported by detailed procedures and forms has not been completed. It should also be noted that the change management process incorporate both the Shared Service Solution and Legacy environment to ensure a holistic approach is taken to impact assessments and change approvals.

The user access management controls have been addressed and CorpTech is confident with its level of maturity in this are which is supported by a number of completed improvement initiatives…

Management Assurance Framework – 3.1.2

CorpTech is developing an Internal Controls Framework and Controls Assurance Program in partnership with its clients to take effect from 1 July 2008. This forms an important supporting element of improving management assurance activity, and increasing transparency around year end representation (or comfort) letters to clients.

Activities undertaken so far, and leading up to 1 July 2008, are directed at enabling CorpTech to implement a Controls Assurance Program for the period 1 July 2008 to 30 June 2009 to better support agency financial statement reporting requirements. CorpTech clients and external audit have been engaged in this process."

Department of Public Works response

On 18 June 2008, the Director-General responded:

> *"With respect to the Shared Service Initiative, I have responsibility for the Shared Service Agency (SSA). I do not wish to provide any comments in relation to the information you have provided in relation to the SSA."*

Department of Education, Training and the Arts response

On 20 June 2008, the Director-General responded:

> *"There has been improvement in controls in DETA payroll with many high risk issues now addressed. DETA's shared service provider will continue to monitor the progress of this payroll issue, to ensure that the system and manual processes are operating effectively in DETA."*

5.2   Types of auditor's opinions

As the independent external auditor for Queensland's Parliament, I issue independent auditor's reports on the financial reports of all public sector entities. The independent auditor's report provides the people of Queensland, through the Parliament, with assurance as to the veracity of the financial reporting of public sector entities including compliance with prescribed requirements. One of the following auditor's opinion types may be expressed when issuing independent auditor's reports in respect of the financial report of an entity. The auditor's opinion is issued pursuant to Australian Auditing Standard (ASA) ASA 700 *The Auditor's Report on a General Purpose Financial Report and* ASA 701 *Modifications to the Auditor's Report.*

Unmodified auditor's opinion

An unmodified auditor's opinion is an unqualified auditor's opinion that has not been modified by the inclusion of an emphasis of matter paragraph (see below). An unqualified auditor's opinion is issued on financial reports where:

- all of the information and explanations required have been received

- the financial report gives a true and fair view or is presented fairly in accordance with the requirements of the applicable financial reporting framework

- in the Auditor-General's opinion, the prescribed requirements of applicable legislation have been complied with in all material respects in relation to the establishment and keeping of accounts.

Modified auditor's opinion

A modified auditor's opinion may be expressed either to highlight a matter affecting the financial report or where the auditor is unable to express an unqualified auditor's opinion on the financial report. A modified auditor's opinion is only issued after an auditor has, in a timely fashion, exhausted all reasonable steps to be able to express an unmodified opinion. There are four types of modified auditor's opinions:

- **Emphasis of matter** is included when the Auditor-General wishes to highlight disclosures made in the notes to the financial statements that more extensively discuss a particular matter impacting on the financial report. An emphasis of matter can accompany either an unqualified opinion, qualified opinion, disclaimer of opinion or adverse opinion. An emphasis of matter paragraph is expressly stated to be made "without qualification" to the auditor's opinion.

  The most common example of emphasis of matter paragraphs arise where the Auditor-General identifies the existence of significant uncertainty in relation to either an entity's ability to continue as a going concern or judgements used by management in the calculation of complex accounting estimates (e.g. asset fair values or liabilities provided for). In determining whether an emphasis of matter paragraph will be sufficient without qualification of the auditor's opinion, the Auditor-General takes into account the degree of objective data to support the reasonableness of the accounting estimate and the extent and appropriateness of the disclosures included in the financial report.

- **Qualified opinion** is expressed when the Auditor-General concludes that, except for the effect of a disagreement with those charged with governance, a conflict between applicable financial reporting frameworks or a limitation on scope that is considered material to an element of the financial report, the remainder of the financial report can be relied upon.

- **Adverse opinion** is expressed when the effect of a disagreement with those charged with governance or there is a conflict between applicable financial reporting frameworks so material and pervasive that the Auditor-General concludes that the financial report taken as a whole is misleading or of little use to the addressee of the audit report.

- **Disclaimer of opinion** is expressed when a limitation on the scope of the audit exists that is so material and pervasive that the Auditor-General is unable to express an opinion on the financial report.

Section 6
Publications

6.1 Publications

Publication	Date released
Annual Report 2007	October 2007
INFORM	
Issue 3 for 2008	June 2008
Issue 2 for 2008	April 2008
Issue 1 for 2008	February 2008
Guidelines	
Better Practice Guide — Risk Management	October 2007
Checklist for Organisational Change — Managing MOG Changes	September 2006
Checklist — Preparation of Financial Statements	August 2006
Better Practice Guide — Output Performance Measurement and Reporting	February 2006
Better Practice Guide — Strategies for earlier financial statement preparation	December 2005
Other	
Auditor-General of Queensland Auditing Standards	April 2007
Performance Management Systems Audits — An Overview	December 2006

6.2 Auditor-General's Reports to Parliament 2008

Report No.	Subject	Date tabled in the Legislative Assembly
1	Auditor-General's Report No. 1 for 2008 Enhancing Accountability through Annual Reporting A Performance Management Systems Audit	17 April 2008
2	Auditor-General's Report No. 2 for 2008 Results of 2006-07 Audits of Local Governments, including Aboriginal Shire and Torres Strait Island Councils	1 May 2008
3	Auditor-General's Report No. 3 for 2008 Management of Rural Fire Services in Queensland A Performance Management Systems Audit	15 May 2008
4	Auditor-General's Report No. 4 for 2008 Results of Audits as at 31 May 2008	July 2008

Queensland Audit Office publications are available at www.qao.qld.gov.au or by phone on (07) 3405 1100.

Entities subject to significant coverage: