



TRANSPARENCY REPORT May 2022

Queensland Audit Office

Transparency report

2020–21

As the independent auditor of the Queensland public sector, including local governments, the Queensland Audit Office:

- provides professional audit services, which include our audit opinions on the accuracy and reliability of the financial statements of public sector entities
- provides entities with insights on their financial performance, risk, and internal controls; and on the efficiency, effectiveness, and economy of public service delivery
- produces reports to parliament on the results of our audit work, our insights and advice, and recommendations for improvement
- supports our reports with graphics, tables, and other visualisations, which connect our insights to regions and communities
- conducts investigations into claims of financial waste and mismanagement raised by elected members, state and local government employees, and the public
- shares wider learnings and best practice from our work with state and local government entities, our professional networks, industry, and peers.

We conduct all our audits and reports to parliament under the *Auditor-General Act 2009* (the Act). Our work complies with the *Auditor-General Auditing Standards* and the Australian standards relevant to assurance engagements.

- Financial audit reports summarise the results of our audits of over 400 state and local government entities.
- Performance audit reports cover our evaluation of some, or all, of the entities' efficiency, effectiveness, and economy in providing public services.

Learn more about our publications on our [website](#).



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Contents

Auditor-General’s foreword	1
Report on a page	2
1. Our 2020–21 quality program results and what we learnt	3
2. Our internal quality control system	10
Appendices	19
A. About the Queensland Audit Office	20
B. Remuneration of audit executives	24
C. Our quality assurance team	25
D. Companies audited by QAO	26
E. Quality assurance review ratings and criteria	27
F. ASIC information sheet 184 on audit transparency reports	28
G. Acronyms and abbreviations	30
H. Audit quality measures	31

Auditor-General's foreword

We voluntarily publish a transparency report to provide insight into the way we audit and apply our internal practices, and to demonstrate our commitment to audit quality. QAO is not required to prepare this report, but we choose to do this to tell you about our practices and governance mechanisms and to be consistent with our professional peers. This report provides confidence to parliament, our public sector clients, and the public that we do quality audits.

Our focus at QAO is to deliver quality audits with insightful impacts that meet the expectations and regulatory requirements of our clients. We work hard to ensure our values and culture align with this.

As an organisation, we continue to identify and be responsive to new and revised regulations, standards, and expectations. The 2020–21 financial year has been characterised by:

- responding to continued challenges brought about by the pandemic
- the resourcing challenges of a highly competitive labour market
- improving staff awareness of public sector cyber security risks
- extensive unplanned mid-year machinery of government changes.

Our people are supported by well-designed public sector audit methodologies and technology. In 2021, we moved to fully implement our new audit toolset, and our quality program monitored how well our auditors embraced these changes. By developing a greater suite of standardised templates and innovative workpapers, we have improved the effectiveness and efficiency of audit resources deployed to undertake audit engagements.

A highly skilled workforce that is knowledgeable about public sector issues is important to us and the success of our work. We invest in training our workforce to support excellence, providing an average of 79 hours of professional development per person for our auditors in 2020–21. We try to ensure that everyone has the right capabilities, and that, overall, we have a team with the right skills mix to deliver a quality audit. The implementation of a new performance management tool during the year has enabled us to streamline our employee performance and development processes, and helps our staff plan and progress their careers.

Statement on the effectiveness of our quality control system

The audits we deliver are supported by an effective internal quality control system.

This report describes the quality control framework and the controls that enable my staff to perform audits in accordance with the *Auditor-General Auditing Standards*. My staff are required to adopt the standards issued by the Australian Auditing and Assurance Standards Board (AUASB) to the extent they are consistent with the requirements of the *Auditor-General Act 2009*.

The results of our quality control practice and internal quality assurance program provide me with a reasonable basis to conclude that QAO's system of quality control described in this transparency report is functioning effectively.



Brendan Worrall
Auditor-General

May 2022



Report on a page

As the auditor of all Queensland public sector and local government entities, we are accountable for our services to parliament and the wider community. We provide audit and assurance services and share insights through our reports to parliament. Our financial audits deliver audit opinions on the accuracy and reliability of entities' financial statements. Our performance audits examine government programs to consider if public money is being used well and government is meeting taxpayers' expectations around service delivery.

This transparency report covers the audits we delivered in the financial year ended 30 June 2021, and its content is guided by the *Corporations Act 2001* and regulations. The report explains our quality program and results, and how we seek to improve our audit and assurance practices. The report also describes our internal quality systems.

We set high service standards and maintaining an effective quality control system will ensure we deliver on them.

Our audit quality program monitors all financial, assurance and performance audits. The results provide the support for our conclusion that our internal quality system is effective. We continuously learn from our reviews and implement actions to address areas for improvement.

Our quality results and what we learnt

Our 2020–21 quality program examined the audits of all Queensland Audit Office (QAO) engagement leaders (senior staff members responsible for the performance of audit engagements). We also reviewed a selection of audits that our audit service providers completed. Quality reviews are conducted by experienced auditors who are independent of the work they review.

During this year we completed 28 post-audit and assurance (closed file) quality reviews and 19 live audit engagements. Our quality program revealed satisfactory ratings for 93 per cent of the closed file reviews examined (26 of 28 files), and high-level compliance for the live audit engagement reviews. Two audits (7 per cent) did not meet expected quality standards. We are working with our engagement leaders and audit service providers to develop, implement, and monitor actions to improve future audit quality.

Our quality reviews informed us that we need to improve in the following areas:

- assigning appropriate inherent risk ratings to audit assertions
- ensuring tests of controls and tests of detail are performed as expected
- supervising less experienced staff and reviewing their work in a timely manner.

To address these areas of improvement, we communicated the common quality assurance themes to all audit staff and included them in developing our 2021–22 training program. The introduction of our new audit toolkit has allowed us to develop good, automated reporting to monitor the timely completion and review of audit workpapers.

Our quality culture

Audit quality is delivered through our culture; our values; our people; and our structures, systems, and methods by supporting each other.

Audit quality is the responsibility of all QAO auditors, and we are also guided by independent members of our Audit and Risk Management Committee and Audit Quality Sub-Committee. We have established governance mechanisms that oversee our audit quality practice and culture.

These systems continue to be supported by demonstrated leadership responsibilities for quality, dedication to building capability in staff, focused monitoring, and effective stakeholder interaction.

We have maintained our internal systems of audit quality in 2020–21. We continuously enhance them.



1. Our 2020–21 quality program results and what we learnt

This chapter discusses our annual investment in performing quality assurance reviews. It includes:

- an outline of our 2020–21 program and the scope of the reviews
- a summary of our reviews and their results
- the common themes, findings, and opportunities for how we can improve our internal quality assurance practices.

Chapter snapshot

28 audits were subject to quality review and included files from all engagement leaders and a sample of our audit service providers.

93% of the financial audit files were found to be of a high or good standard.

100% of the assurance and performance audit files were found to be of a high standard.

DEFINITION

An **engagement leader** is a senior staff member who is responsible for the performance of the audit engagement.

When we refer to **assurance engagements**, we mean the audits and reviews that we undertake and these can be either financial audits, performance audits or assurance reviews.

The objective of a **financial audit** is to conclude whether the financial report is free from material misstatement, whether due to fraud or error.

Performance audits assess the principles of economy, effectiveness and efficiency about a defined subject and associated measurement criteria. We undertake these audits to review and evaluate the evidence that supports the criteria and to make recommendations to improve government service delivery.

Assurance reviews assess entities' control environments or their compliance with specific requirements. Either reasonable or limited assurance will be given, depending on the scope of the audit.

Our annual investment in performing quality assurance reviews of audit engagement files

A significant component of our commitment to audit quality is our annual investment in performing quality assurance reviews. The results inform us about the quality of the audit engagements our staff and audit service providers undertake.

An assessment of our review findings informs us about the nature and cause of common themes and identifies where our audit quality is not meeting expectations. This informs our continuous learning and development programs.



What does our quality assurance review program include?

Our quality assurance review program includes reviewing selected audit files of assurance engagements that our appointed engagement leaders undertake. We complete this review annually for all QAO engagement leaders.

The Auditor-General annually approves our quality assurance plan that identifies the engagement files selected for review. The selection process is a matter of judgement, with an emphasis on higher-risk or more complex engagements or on those where engagement issues occurred.

What is the scope of the quality assurance review?

In performing a quality review, the reviewer determines whether the engagement team obtained and documented a sufficient and appropriate level of audit evidence to support the audit opinion, guided by:

- the *Auditor-General Auditing Standards* (which incorporate the Australian auditing standards)
- all other relevant statutory and regulatory frameworks that govern QAO and our clients
- QAO's audit methodology, policies, and procedures.

Not all audit workpapers in an engagement file are examined by the reviewer. Specific areas of an engagement file that may be reviewed include:

- key risks specific to the engagement, including key audit matters (if applicable) and areas of audit focus reported in the external audit plan
- areas of focus established in the annual quality assurance plan, which may include material classes of transactions, balances, and disclosures; specific types of audit procedures (such as substantive audit procedures, tests of control, or tests of detail) and other areas covered in recent training
- evidence to support adequate engagement leader/manager input and review of key judgements and significant matters
- evidence of timely and effective file review by the engagement leader/manager.

Why do we evaluate audit documentation?

We evaluate the evidence documented in our audit files to ensure we have obtained sufficient appropriate audit evidence to support our conclusions.

Audit evidence is evaluated in accordance with the requirements of the Auditing and Assurance Standards Board's *ASA 500 Audit Evidence*. We work on the assumption that if audit work is not documented, the work was not performed.

If evidence is presented to suggest that undocumented work was performed, the quality assurance reviewer applies professional scepticism to these assertions. Testing, analysis, and challenging of estimates and accounting policy choices is not possible without suitable documentation.

Summary of post-audit quality reviews we undertook

 We reviewed **28 completed** audit engagements. Our audit service providers performed 12 of these.

Our closed (post-audit) file inspection program for 2020–21 included reviews of 28 completed financial and performance audit engagements, including 12 financial audits our audit service providers (ASPs) performed.

We conducted closed file reviews on audits of financial reports for the 2019–20 financial year. All QAO staff who are designated as engagement leaders were subject to a review.

The following table summarises the status of planned closed file reviews.

Closed (post-audit) reviews			
Status	QAO	Audit service provider	Total
Financial audit			
Target	12	13	25
Completed [^]	12	12	24
Performance audit			
Target	4	-	4
Completed	4	-	4

Note: [^] One audit service provider was not reviewed due to changes in the contractual terms.

Summary of results of post-audit assurance reviews

Our closed (post-audit) file inspection program highlighted:

- satisfactory ratings for 93 per cent (26/28) of files
- unsatisfactory ratings for 7 per cent (2/28) of files.

Further detail of results across our audits is shown in the table below.

Closed (post-audit) reviews – ratings	
Rating	Number
Financial audit	
Satisfactory with no or minor findings	7
Satisfactory with findings that are more than minor	15
Unsatisfactory	2
Total	24
Performance audit	
Satisfactory with no or minor findings	3
Satisfactory with findings that are more than minor	1
Unsatisfactory	0
Total	4

Characteristics of reviews that lead to an unsatisfactory result

An unsatisfactory rating is assigned when the reviewer concludes that the engagement was not performed in accordance with the *Auditor-General Auditing Standards* (incorporating Australian auditing standards), in that one or more of the following significant deficiencies exists:

- The engagement team did not obtain significant audit evidence and/or perform significant audit procedures that would be expected for relevant assertions at risk related to significant classes of transactions, balances and disclosures, and key audit matters. The deficiencies in audit evidence are so extensive that the reviewer believes a satisfactory rating is inappropriate.
- There are numerous instances where the audit was not performed in accordance with the applicable auditing standards and with audit methodology.



- There is insufficient evidence of engagement leader and engagement manager input into the audit approach and conclusions.
- There is insufficient evidence of timely review by the engagement leader and engagement manager. The lack of timely review is systemic.

We also consider the presentation and disclosures in the financial statements that our audit opinion attaches to. An unsatisfactory result can reflect financial statements that do not conform with the specified financial reporting framework/s in all material respects due to material errors (including situations where the accounting policies the client has adopted are clearly inappropriate or incorrectly applied) and/or because the financial statement disclosures are materially deficient or because the independent auditor's report is inappropriate in the circumstances.

Common audit quality findings and areas for improvement

Closed file reviews

We analyse the findings from our quality assurance reviews for common themes and identify how opportunities to improve audit quality can be achieved in subsequent audits.

Financial audit

Common themes from our findings included:

- risk assessments were well done but some inherent and control risks assessments were not supported by adequate audit evidence
- tests of controls and details were not performed in accordance with approved methodologies, resulting in insufficient audit work
- improvement can be made to the timeliness of file reviews, including engagement quality control reviews (EQCR)
- testing of asset valuations did not effectively address all assertions at risk.

To improve our audit quality, we will:

- communicate common quality assurance themes to all audit staff and audit service providers
- evaluate significant quality themes and focus our 2021–22 training on themes
- examine these themes in our 2021–22 open file review program to evaluate remedial actions
- use improved business intelligence to help us monitor the timely completion and review of audit workpapers.

Assurance and performance audit

Common themes from our findings were that we did not:

- define new reporting principles
- achieve planned delivery time frames and cost budgets.

To improve our audit quality, we will:

- develop reporting guidance to better define the different types of parliamentary reporting outputs
- implement improvements in our monitoring process.

The financial audit common quality themes are consistent across the files in both QAO and our audit service providers. They were also the themes that were noted in our 2019–20 quality reviews. While this is a disappointing result, it reflects that intervention can take more than one year to evidence improvement. The specific responses that we undertook in 2020–21 were:

- integrated methodology training occurred when our new audit toolkit – CaseWare Quest – was implemented. A refresh of audit templates and guidance was undertaken as part of the implementation. This clearly aligns our methodology to our toolkit
- an external review of our learning and development function was performed to determine if changes should be made to the way we deliver and assess training. Recommendations were made to improve on-the-job mentoring and coaching and to better align this on-the-job training with our competency framework. An internal project will commence in early 2022 to implement recommendations
- audit file monitoring reports have been developed to provide data that alerts engagement leaders to where completion of tasks and review is not timely. This includes the monitoring of the engagement quality control review (EQCR)
- our open file reviews consider these themes and allow early intervention.

We will continue to evaluate the effectiveness of the training and methodology responses.



Open file review results and common findings

We perform our program of open file reviews under our annual quality assurance program. Open file reviews of current engagement files provide the audit team with real-time advice about what aspects of the audit approach and documentation to date need to be considered and addressed prior to finalising the audit.

In 2020–21, we conducted open file reviews on 17 financial audit engagements and 2 performance audit engagements. The open file reviews focused on assessing the appropriateness of the risk assessment phase of the audit engagement. Engagement leaders acknowledged the reviews and committed to address feedback before finalising the audit.



We conducted **open file reviews on 17 financial audit engagements and 2 performance audit engagements.**

The following table provides information on the overall results of open file reviews and the identified common strengths and opportunities to improve audit quality.

Open file reviews – results and common findings

Overall results

We examined **31 performance measures for compliance** across 17 financial audit engagement files

45%	42%	13%
High-level of compliance	Non-systemic deficiencies	Systemic deficiencies

Common strengths

- Engagement teams were effective in managing the challenges of implementing the new audit toolset.
- Most aspects of the approach to the planning phase of the audit were consistent with the reviewer’s expectations.

Common opportunities to improve audit quality

Our opportunities include:

- identifying tests of controls for some key activities
- tailoring risk response programs and substantive analytical procedures in a more timely manner
- performing earlier reviews of audit specialists’ work programs to help ensure we have agreed on expectations and planned work is managed effectively and efficiently
- reinforcing the importance of assessing how management experts address the risk of estimation uncertainty in undertaking asset valuations
- improving auditor awareness of the risks relating to payments made by electronic funds transfer (EFT).

Our review program for open file reviews differs each year as we respond to changes in our audit methods and toolkits and consider emerging audit issues. However, we do consider prior year findings and how well they have been addressed in the current year. The 3 improvement issues that we reviewed from the 2019–20 year were:

- indirect controls were not routinely tested, therefore reducing the reliability of some key control tests
- substantive analytical procedures were not designed in accordance with auditing standards
- there were lengthy delays between completion and review of audit workpapers.

Targeted training was undertaken across all these areas. We noted positive improvements across all these audit areas in 2020–21.



We also assess how we and our audit service providers ensure we comply with the quality control standards expected of audit firms in Australia. The main standards that apply to us are:

- Auditing Standard ASQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*
- Accounting Professional and Ethical Standards Board APES 320 *Quality Control for Firms*.

In 2020–21, we assessed how 9 of our audit service providers complied with these standards. We assessed that all complied.

What insights have we learnt from quality assurance results?

The results of our quality assurance reviews inform us about what areas of technical audit we need to invest in to support and improve the capability of audit staff.

Our 2021–22 technical training program is responding to the findings of our 2020–21 open file reviews and includes refresher training or guidance materials on:

- better practice examples of the standardised workpapers we are using with our new toolset
- the decision-making process when considering applying tests of controls
- examples of tests of detail when auditing inputs to the valuation of property, plant, and equipment
- application of our sampling methodology
- assigning inherent risk ratings to audit assertions.

Improving quality assurance practices

Our progress toward implementing audit quality indicators

A transparency report may include audit quality indicators. The Australasian Council of Auditors-General includes indicators in its annual macro benchmarking survey and the measures reported in its survey provide comparable information with other audit offices across Australia.

We are currently developing an established set of measures to better monitor our performance and drive overall improvement in audit quality. Indicative audit quality measures we are considering are shown in Appendix H.

In 2021–22, we will finalise and publish information on audit quality indicators including:

- why measures are considered appropriate, their impact, any limitations, and the results of their application
- measures of our performance against relevant benchmarks (where available and appropriate).

Developing our existing quality assurance practices

Improving our overall audit quality requires us to review our own assurance practices. To do this, we receive feedback on our quality assurance practices from:

- engagement leaders and audit service providers who are under review
- members of QAO's governance committees that monitor audit quality.



From this feedback, we have implemented the following changes to improve our quality assurance practices in 2020–21:

- exchanging letters between the reviewer and engagement leader that define and acknowledge the scope, proposed timing, and results criteria
- producing a revised overall rating scale with specific criteria that supports the quality assurance rating
- publishing an assurance reviewers' guide to better inform reviewers about the principles, processes, and practices in conducting a quality review
- engaging with the QAO learning and development team to develop ways to respond to feedback we receive from audit service providers who are seeking additional training on sector-specific issues.

A new quality management standard ASQM 1 *Quality Management for Firms that perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* takes effect in 2022–23. We are currently identifying any gaps in our current audit quality framework that will require changes in 2022.

A key auditing standard, ASA 315 *Identifying and Assessing the Risks of Material Misstatement*, has been amended and is operative on 15 December 2021. The changes were incorporated into our new audit toolset, and we believe we are well placed to effectively adopt these changes.

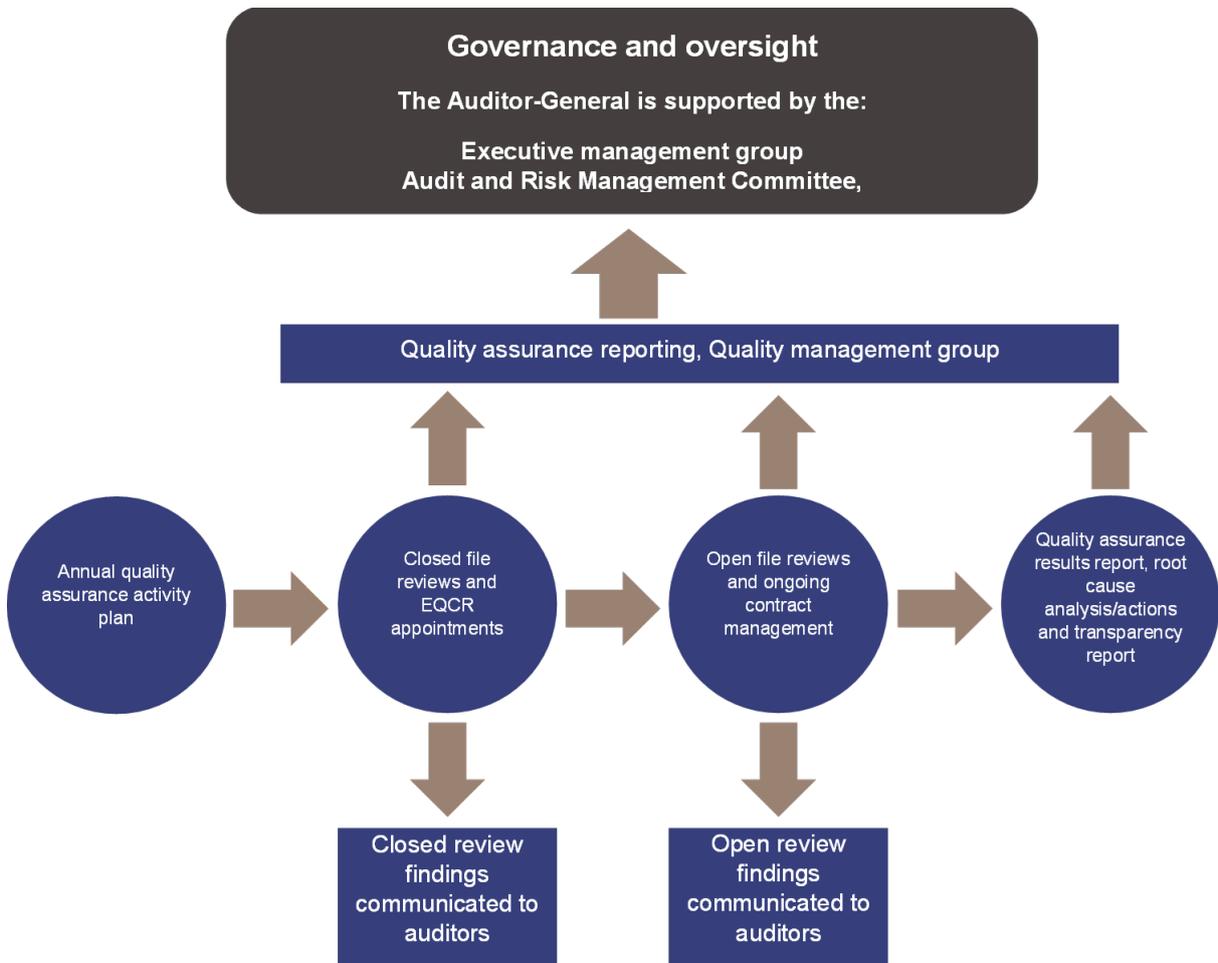


2. Our internal quality control system

This chapter describes the elements of our quality control system, including how we manage:

- leadership responsibilities for quality
- quality risk management
- audit quality framework
- building knowledge, skills, and experience
- standards supported by methodologies and technology
- timely monitoring and action
- interactions with stakeholders.

Leadership responsibilities for quality



Source: Queensland Audit Office.

The *Auditor-General Act 2009* states that the Auditor-General is responsible for all audit work undertaken. The Executive Management Group (EMG), comprising the Auditor-General and Assistant Auditors-General (AAGs), assumes operational responsibility for our system of quality control.

Strong leadership and management are critical to audit quality. The EMG sets the tone for this and communicates our commitment to quality. It promotes an internal culture of integrity, independence, and professionalism, and recognition that quality is essential in performing engagements and issuing appropriate reports.

Our commitment to quality audit practice is promoted in key corporate documents, including our strategic plan, business plan, quality assurance framework, and internal policies and procedures. Further information about our commitment to audit quality is outlined in Appendix A.

Audit file quality is managed by AAGs and senior directors/directors, who act as engagement leaders. QAO staff are appointed to the roles of AAG, and senior director/director based on their audit experience and demonstrated audit ability. Senior directors/directors are the engagement leaders on all audits and are required to demonstrate understanding of our policies and procedures and appropriate quality control. We assess and evaluate the competencies of AAGs and senior directors/directors regularly in line with our performance management framework.

We appoint engagement quality control reviewers (EQCRs) to all high-risk or complex financial audits and assurance reviews, and on all performance audits. AAGs act as EQCRs. They ensure that audit quality is assessed while the audit is occurring and before we issue opinions. They also coach and mentor the audit team to develop its assessments of key audit matters and other areas of significant judgement.

The EQCR review assesses the appropriateness of the audit response to significant risks, areas of judgement, financial statements and disclosures, the audit opinion, and all communications with those charged with governance.

Our audit service providers have established quality frameworks that ensure they comply with professional requirements and our quality expectations. We regularly review the application of their frameworks. Professional bodies and regulators also assess their quality frameworks and audit files. QAO managers have oversight of the work performed by our audit service providers. They regularly engage with the audit service providers to monitor audit progression, stakeholder relationships and emerging audit issues.

Other governance bodies

Several committees have risk and quality responsibilities to oversee and influence our quality outcomes.

The **Audit and Risk Management Committee (ARMC)** is an independent advisory committee to the Auditor-General, comprised of 3 external members, 2 of whom have extensive audit experience in major audit practices. The ARMC provides effective oversight of risk, control, compliance frameworks, and fiscal responsibilities underpinning our corporate governance. This year it met 4 times.

The **Quality Assurance Sub-Committee** of the ARMC provides external advice, guidance, and challenge regarding our audit quality activities. The sub-committee has 3 external members, all of whom have extensive experience in audit and audit quality practices. QAO provides the sub-committee with all information about the application of our audit quality framework and the processes that underpin it. The sub-committee gives objective feedback and advice on how we can continue to improve the quality of our audits.

The **Quality Management Group** consists of 3 AAGs. The group meets quarterly to oversee completion of the quality assurance plan, consider and moderate quality findings, and determine appropriate action plans.

Complex financial audit issues are considered by the **Technical Issues Panel**. This committee includes members of the EMG and the Director—Technical. Issues are discussed by the members before approval by the Assistant Auditor-General—Audit Practice. We consider actions arising from the committee's views in our quality program and incorporate them into our technical training programs.



The **Modified Opinions Panel** reviews proposed audit qualifications, emphasis of matters and key audit matters reporting. The panel also assesses prior period errors reported in client financial statements and a root cause analysis is undertaken where appropriate. This panel consists of the AAGs and the Director—Technical. Qualifications raised on significant public sector entities are escalated to the Auditor-General.

The **Australasian Council of Auditors-General (ACAG)** shares information and intelligence between auditors-general from Australia and some Asia Pacific audit offices.

Quality risk management

We promote a culture of risk awareness and consultation.

Audit quality risk is a component of our operational risk register. Our documentation defines risk events, consequences, and appetite. It also identifies controls or treatments in place to prevent occurrence and/or minimise consequences. The risk owner assesses the effectiveness of controls and determines any additional treatments required to strengthen existing controls. Risk discussions are a standing agenda item at monthly EMG meetings.

One of the key controls to reduce audit quality risk is promoting a culture that learns from our quality findings. We summarise the common themes from our quality assurance reviews and discuss them with our audit teams and audit service providers. We update our methodologies, toolsets, and training materials annually, after considering the themes and any further root cause analysis.

Experienced staff who are independent of the engagement perform the quality assurance reviews.

The performance measures against which our staff are monitored include audit quality. We evaluate all audit staff annually for demonstrating a strong commitment to audit quality and risk management, excellence in client service, development of junior staff, and contribution to broader audit quality initiatives.

Audit quality framework

The 5 attributes of our audit quality framework



Source: Queensland Audit Office.



Our quality assurance framework applies the principles of the Auditing and Assurance Standards Board’s ASQC 1 and ASA 220, and the Accounting Professional and Ethical Standards Board’s APES 320. Consistent with these standards, we have policies and procedures that promote an internal culture that recognises quality as fundamental to our purpose. We constantly monitor and evaluate it.

The EMG is responsible for enhancements to the quality assurance framework. The Assistant Auditor-General—Audit Practice is responsible for implementing enhancements to our quality control framework and monitoring against policies and procedures.

Exhibiting the right values and behaviours

Our expectations about audit quality, independence, objectivity, and professional scepticism are regularly communicated at our team meetings and through our internal policies.

Our culture is expressed by our 4 core values, which set our expectations for performance and behaviour. These values enable us to achieve our vision for better public services through the delivery of audits. We regularly reflect on our culture and ensure our staff are living our values.



Engage

- Collaborating to achieve shared outcomes
- Listening to understand, and communicating clearly and openly
- Being balanced, objective and purposeful



Respect

- Appreciating and caring for others
- Sharing our knowledge and skills
- Recognising achievement



Inspire

- Seeking and sharing better ways of doing things
- Embracing innovation and being progressive
- Encouraging and motivating others



Deliver

- Taking responsibility and being accountable
- Ensuring our work is quality driven and acting with integrity
- Being action oriented and achieving results

Building knowledge, skills, and experience

To deliver a quality audit, we must appoint and train people who are able to apply their experience, values, and professional judgement to support the conclusions in our audit reports.

We strive to maintain a highly competent workforce able to deliver outstanding service and quality to our clients. To do this, we have developed a detailed understanding of the skills and capabilities that individuals require at points in their career, and a structured approach to learning and development.

Our policy requires that sufficient personnel with the technical competence necessary for the work are appointed to each engagement. All staff who undertake financial audits are required to have CPA/CA ANZ qualifications or be studying towards them. Our information technology auditors and data analysts have undertaken additional study in their area of specialisation. Our performance audit specialists have a variety of postgraduate qualifications and have undertaken further training in audit skills and ethics.

Each team assigned to an audit engagement must collectively possess the competencies necessary to complete the engagement. These teams incorporate specialist skills based on the audit risk and complexity. The teams are led by an engagement leader, who is responsible for the delivery of our audit engagements and reports to parliament. Engagement leaders determine the extent of direction, supervision, and review of junior staff.



Engagement leaders hold qualifications, skills, and experience equivalent to the Australian Securities and Investments Commission's (ASIC's) requirements for registration as a registered company auditor. The audit service providers we engage are registered company auditors.

Our recruitment and selection, engagement of audit service providers, and assignment of engagement teams are managed in accordance with specific policies and procedures.

All our staff are periodically assessed for technical competence, work experience, and training. Their capabilities, competence, development, and performance evaluations are managed in accordance with the QAO Technical Competency Framework and policies.

Our learning and development programs focus on targeted learning on both technical and non-technical topics. The courses offered reflect the competency framework and are intended to:

- provide staff with the right skills at the right time to provide both quality outcomes for clients and rewarding career experiences for our people
- keep staff at the forefront of new developments in the accounting, auditing, and regulatory environment
- embed our quality and risk appetite within our culture and leadership.

Training

In 2020–21, we provided 13,050 hours of in-house training. This averages to 79 hours per auditor. Our average training hours per auditor increased this year due to the extensive learning program associated with the full implementation of our new audit toolset. We also took this opportunity to provide refresher training on all key aspects of our financial audit methodology. We also provided training in performance auditing to a wider group of staff. This aligns to our vision of OneQAO, where all staff can competently deliver both audit and assurance products.



We provided an average of **79 hours** of in-house training per auditor.

Our training curriculum prescribes relevant and specific training for all staff and at all levels. Training is delivered through several platforms and involves both online and face-to-face content delivery. We provide technical updates, industry-specific training, e-learning modules, and webinars to give staff access to relevant training on demand.

The training is based on the technical competencies required for each audit role and encompasses:

- current changes to either auditing or accounting standards
- specific areas of audit focus
- internal quality assurance program observations
- using data analytics tools and tailoring to client operations
- audit methodology or transformation initiatives.

We have a valued graduate program. Our graduates receive hands-on experience and comprehensive training. Mentors are assigned to support each graduate, and we hold monthly graduate forums to ensure that professional development occurs in their critical first year.

Our specialist staff are considered as experts in diverse fields, including government policy, treasury products, data analytics, and information systems auditing. We provide additional training to ensure their expertise is current. We engage external consultants to supplement our expertise when required.

Staff are expected to attend their relevant professional body's continuing professional development (CPD) sessions to ensure their skills and knowledge remain relevant and appropriate based on current issues or new developments within their profession. We expect our audit professionals to maintain their professional memberships and participate in a minimum of 20 hours of CPD annually and 120 hours in every 3-year period. Our audit service providers are members of professional bodies and have the same CPD expectations.



Most of our training occurs on-the-job. Senior staff provide less-experienced staff with appropriate coaching and mentoring. Performance evaluations are done after an engagement is completed, and these performance evaluations provide an opportunity to deliver timely feedback to staff around audit quality and further development opportunities. Staff are encouraged to complete targeted training for any gaps identified.

We hold lunchbox sessions and issue alerts to auditors, including our audit service providers, to clarify or communicate aspects of the methodology and developments in financial reporting, or to convey findings from monitoring processes.

Experience

We assign engagement leaders and staff to match their experience and skills to our clients' industries and associated risks.

We identify people with the right skills and experience to deliver on our quality commitments. Our resourcing team forecasts our people requirements and ensures we have sufficient resources available.

Our audit and assurance staff profile is monitored and we believe we have sufficient senior staff involvement in our audits.

Profile of QAO staff	2020–21 Number	2019–20 Number
Assistant Auditors-General	5	5
Engagement leaders	16	17
Audit managers	38	47
Total number of senior staff	59	69
Percentage of senior staff to total audit staff	32%	40%

The number of senior staff involved in the delivery of audit and assurance products has reduced by 10, mainly in the manager level. The reduction in the manager cohort reflected retirements, parental leave, and departures in the last quarter of the financial year. QAO was able to rehire and on-board experienced managers to undertake the 2021 year-end audits and performance audits, despite the resourcing constraints in the current market. The very temporary reduction in managers did not impact audit quality because supervisory responsibilities were reassigned to engagement leaders.

Our audit service providers are engaged under competitive tender processes. We assess the experience and skills of engagement partners and key team members as part of our assessment of their suitability to conduct audits on our behalf.

Standards supported by methodologies and technology

We have prepared audit methodologies to guide the work we undertake in:

- financial audits
- assurance reviews – the Auditing and Assurance Standards Board's ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, GS 007 *Guidance Statement Audit Implications of the Use of Service Organisations for Investment Management Services*, ASAE 3100 *Compliance Engagements*, and ASAE 3150 *Assurance Engagements on Controls*
- performance audits
- investigations into matters of importance.



Our risk-based audit methodology has been developed to ensure compliance with the *Auditor-General Auditing Standards* (which comply with Australian auditing standards). It requires us to develop an understanding of the client's business and risks and apply this to the design and execution of our audits. We adapt our audit methodologies to developments in professional standards and to findings from internal quality control reviews.

Our quality assurance reviews evaluate how well our methodology was applied.

Our audit methodology and evolving toolset

While our audit methodology remained largely unchanged in 2020–21, we took the opportunity to revise our guidance on the minimum audit requirements when auditing less-complex and lower-risk audit engagements.

Although we used 2 audit toolsets to document our audit work in 2020–21, we expect that all financial and performance audits commencing after 1 July 2021 will be documented using one audit toolset, Quest.

Quest is an internally developed audit template based on the CaseWare Audit System. This template was co-developed with CaseWare (Australia and New Zealand) and configured to suit Queensland public sector auditing. Following a successful trial in 2019–20, Quest was used to document nearly all financial audits in 2020–21.

The Quest toolset enables comprehensive planning, performance, documentation, and review of our work in accordance with auditing standards and applicable professional, regulatory, and legal obligations.

The new toolset also provides comprehensive content to ensure we structure our audits to comply with the *Auditor-General Auditing Standards* and our methodology and guidance. Better practice files have been prepared to guide staff in the level of audit documentation that is expected.

Timely monitoring and action

Monitoring of audit progression and file quality

Our audit approach requires us to plan, supervise, and manage our audits so the work performed provides reasonable assurance they comply with our policies and methodologies. The overall supervision of each audit is the responsibility of the engagement leader and includes:

- tracking the progress of the engagement with defined milestones for completion and review
- considering the competence and capabilities of individual members of the engagement team – including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- addressing significant matters arising during the engagement, considering the matters' significance, and modifying the planned approach appropriately
- identifying matters for consultation or consideration by AAGs
- reviewing less-experienced team members – this is performed by a more experienced team member, who considers whether they
 - performed the work in accordance with Australian auditing standards, relevant ethical requirements, and applicable legal and regulatory requirements
 - raised significant matters for further consideration
 - ensured appropriate consultations took place and the resulting conclusions were documented and implemented
 - questioned if there was a need to revise the nature, timing, and extent of work performed
 - ensured the work performed supports the conclusions reached and was appropriately documented



- obtained sufficient and appropriate evidence to support the report
- achieved the objectives of the engagement procedures
- completing and locking down audit files no more than 30 days after the end of the statutory period for issuing the independent auditor’s report on the financial statements.

Engagement leaders are required to ensure there has been timely review of audit working papers. We have a range of business intelligence reporting that helps engagement leaders to monitor this. AAGs meet regularly with engagement leaders to provide oversight of audit delivery.

We have established technical support groups to provide in-depth and expert analysis of accounting issues, reported key audit matters, and modified audit opinions. These groups meet throughout the audit year as required.

Reporting on results

Emerging quality issues are communicated to the EMG as they arise. The overall findings and recommendations resulting from reviews are presented to the EMG and form the basis for future improvement initiatives.

We annually communicate the results of our review program and our ongoing consideration and evaluation of quality control systems to all audit staff and to audit service providers.

Improvement opportunities

Any improvement opportunities identified from the reviews are reported to the EMG at the completion of each review cycle.

Oversight and reporting to leadership

A monthly status report on audit quality is provided to the EMG, which actively oversees the quality function. At the conclusion of the annual cycle, a final report summarising all quality assurance activity for the year is provided to the EMG.

Review team, milestones, and duration of audit quality program

The Assistant Auditor-General—Audit Practice has overall responsibility for the quality assurance review program and is responsible for quality assurance, active oversight of policies and procedures relating to quality assurance, and the effectiveness of training processes in accordance with QAO’s Learning and Development Plan.

We use specialist contractors to help deliver the quality assurance review program.

We develop an annual quality plan that establishes the files selected for current (open) and post-audit (closed) reviews, areas for deeper analysis, the timing of quality reviews, and reporting milestones. Cold review reporting is completed in time for remedial actions to be incorporated into the following year’s audits.

Monitoring audit quality

Monitoring audit quality is an important aspect of identifying emerging risks and opportunities, ensuring standards are being adhered to, and ensuring staff are performing appropriately.

We monitor a range of audit quality indicators that span our culture and values, independence, recruitment, employee performance assessment, audit allocation process, quality assurance, timely reporting, and interaction with stakeholders. We monitor both quantitative and qualitative measures, which are reviewed annually for continuing relevance. The measures are listed in Appendix H.



Effective interactions with stakeholders

Engaging with our stakeholders enables us to better align our business and audit practices with our stakeholders' needs and expectations, helping to drive long-term benefits for QAO and the Queensland public sector. We have many stakeholders, but we primarily define them through our reporting products as:

- parliament
- state and local government entities.

We recognise that effective communication between audit teams, client management teams, audit committees, and boards is critical to excellence in financial reporting. Our communication covers the scope of audits, any threats to independence or objectivity, risk assessment, significant findings, and judgements. Our reports are structured to communicate clear and concise messages and allow readers to quickly understand key findings.

We regularly report the progress of audits and our findings to those charged with governance, including management and audit committees. We do this through informal meetings and through formal presentations of our external audit plans, progress updates, and audit committee meetings. Through our management letters, we share our evaluations of the design and implementation of our clients' systems of internal controls. When identified, we discuss audit differences or errors. We also share insights from our broader work throughout the Queensland public sector.

Those charged with governance can provide a positive influence on the quality of an audit by demonstrating an active interest in the auditor's work and acting when they do not consider that appropriate quality has been provided.



Appendices

A.	About the Queensland Audit Office	20
B.	Remuneration of audit executives	24
C.	Our quality assurance team	25
D.	Companies audited by QAO	26
E.	Quality assurance review ratings and criteria	27
F.	ASIC information sheet 184 on audit transparency reports	28
G.	Acronyms and abbreviations	30
H.	Audit quality measures	31



A. About the Queensland Audit Office

Our audit services

The Queensland Audit Office (QAO) is one of the largest audit practices in Queensland. Each year, we audit all of Queensland's state and local government entities.

QAO provides audit and assurance services and shares insights through our reports to parliament. Our financial audits deliver audit opinions on the accuracy and reliability of entities' financial statements. Our performance audits examine government programs to consider if public money is being used well and government is meeting taxpayers' expectations around service delivery.

In 2020–21, we formed 407 audit opinions about the reliability of financial statements of state and local government entities (2019–20: 397). Our audit service providers performed the audits that delivered 180 (44 per cent) of these opinions (2019–20: 173 or 42 per cent). We recover the costs of our financial audits from audit fees. Financial audit fee revenue totalled \$38.95 million in 2020–21.

Our audits are not just a compliance activity – we make recommendations that strengthen internal controls and improve public sector accountability.

We tabled 18 reports to parliament this financial year. Eight of these were on the combined results of individual financial audits, with the other 10 covering assurance and performance audits. Our performance audit reports evaluate the efficiency, effectiveness, or economy of a wide range of government programs and activities. Our insights and recommendations help entities improve their financial management and service delivery. Our [Forward Work Plan 2021–24](#) sets out the reports we plan to table over the next 3 years. To ensure we align our planned audit activity with our assessment of critical risks and issues facing public service delivery, we also consult with parliament, the executive government, and the broader Queensland community.

In 2020–21, we tabled 2 more reports to parliament than in the prior year, mainly because we paused some of our 2019–20 work during COVID-19 to prevent placing pressure on impacted entities.

The cost of our performance audits and all our reports to parliament is funded through parliamentary appropriations – totalling \$6 million in 2020–21.

Our greatest asset will always be our people. Their skills and commitment are vital to our ability to deliver our vision of better public services. Our workforce comprises 182 full-time equivalents, who are a mix of auditors, specialists, and support team members. Around 33 per cent of our work is delivered in partnership with audit service providers and we value this extension of our workforce.

Our mandate

The *Auditor-General Act 2009* (the Act) governs the powers and functions of the Auditor-General. It provides the legal basis for QAO's access to information, and the freedom to report the findings from our audits. Our audits are conducted in accordance with the *Auditor-General Auditing Standards*. These standards require us to adopt standards issued by the Australian Auditing and Assurance Standards Board to the extent they are consistent with the requirements of the Act.



Strategic review of the Queensland Audit Office

A key accountability measure within the *Auditor-General Act 2009* (the Act) is an independent review of our organisation to be conducted at least every 5 years. The Governor in Council appoints the independent reviewers from outside our organisation and provides them with the terms of reference. The reviewers engage with us, our staff, our clients, and other key stakeholders to understand how well we are operating and fulfilling our mandate.

The *Strategic Review of the Queensland Audit Office 2017* tabled in parliament on 23 March 2017. All recommendations from the review, that do not require legislative change, have been addressed by us.

Our independence practices

The Act promotes the independence from government of the Auditor-General. This is demonstrated in both the conduct of and reporting on our audits. The Auditor-General:

- may conduct an audit in the way they consider appropriate
- is not subject to direction about how they execute or prioritise their audits
- may report observations and suggestions about anything arising from the audit
- is able to table reports in parliament directly through the Speaker.

As an audit practice, we apply standards requiring independence as issued by the Australian Auditing and Assurance Standards Board. These standards require auditors to establish policies and procedures designed to provide reasonable assurance that QAO, its personnel and, where applicable, others subject to independence requirements, maintain independence where required by relevant ethical requirements, laws, and regulations.

Our policies and procedures enable us to:

- communicate our independence requirements to our staff (including our audit service providers)
- identify threats to independence, evaluate whether the identified threats are at an acceptable level, and, if not, address them – by eliminating the circumstances that create the threats and applying safeguards to reduce threats to an acceptable level
- ensure we are notified of breaches of independence requirements, and take appropriate actions to resolve those breaches
- obtain (annually) written confirmation of compliance with policies and procedures on independence from all personnel required to be independent by relevant ethical requirements and applicable legal and regulatory requirements.

Independence

The Auditor-General is an independent officer of parliament; this is embodied within the *Auditor-General Act 2009*. The Auditor-General is required to provide at least an annual declaration of interests to the parliamentary Economics and Governance Committee and to the Integrity Commissioner.

Under the Public Service Commission's policy *Declaration of Interests – Senior Executive Service and Equivalent Employees including Statutory Office Holders*, our AAGs are required to submit an annual declaration of interests to the Auditor-General. AAGs are responsible for fully disclosing their interests that may have a bearing, or be perceived to have a bearing, on their ability to discharge the duties of their office properly and impartially. In 2020–21, all declarations were received and assessed.

In addition, the Assistant Auditor-General—Audit Practice, who acts as the Deputy Auditor-General when required, is required to provide a declaration of interests to the Public Service Commission.



All staff are required to demonstrate objectivity, integrity, and professional behaviour. We have independence policies and procedures to ensure compliance with professional standards, regulations, and ethical conduct; these apply equally to the Auditor-General.

A quality framework usually commences with the decision to accept or continue with a client relationship or specific engagement. The Auditor-General's mandate requires that QAO audits all state public sector entities and local government entities.

On commencing employment with QAO, and annually thereafter, staff complete the independence declaration process. The declaration obtains confirmation from all staff of compliance with QAO policies regarding financial, business, employment, and personal relationships. The most recent annual independence declaration was conducted in May 2021. In addition, all staff involved in an audit engagement are required to confirm independence at both commencement and completion of the engagement. We monitor and consider familiarity threats when assigning QAO staff to audits.

Rotation of key audit staff helps provide a fresh perspective and reduces familiarity and self-interest threats to independence. We maintain a database that tracks auditor involvement on engagements to facilitate succession planning, monitor compliance with rotation requirements, and provide a seamless experience for our clients.

Where an actual or potential conflict of interest is identified, the engagement leader must propose how QAO will manage the issue. The engagement file must contain an approved memo that documents:

- the nature of the issue; the results of consultations between engagement leaders, assistant auditors-general (AAGs), and any others; and the conclusions and the basis for those conclusions
- the safeguards or procedures to be followed to address the issue
- details of any discussions held with stakeholders
- details of any experts or independent consultants proposed as part of the management plan.

Our commitment to independence is reinforced through comprehensive independence policies, procedures, and monitoring.

All QAO staff are to maintain independence and ensure they are free of actual, potential, or perceived conflicts of interest. QAO has controls to ensure independence or conflict of interest concerns are declared and appropriate action taken. Any threats to independence are reported in accordance with our policies and procedures. Manageable threats require the engagement leader to review the proposed safeguards for all staff involved in the audit engagement. Significant threats are managed at a resource allocation level and staff are excluded from audit participation. Compliance with our internal policies is subject to regular review by our audit practice team and our internal auditors. There were no unmanaged independence issues in 2020–21.

QAO staff are always expected to discharge their responsibilities in the public interest and in accordance with our policies and the *Code of Conduct for the Queensland Public Service*. Staff are required to report any charge and/or conviction in writing to the Auditor-General. All staff annually complete a criminal history charges and convictions declaration through the declarations database.

QAO maintains a register of gifts and benefits that records any gifts or benefits received as part of official duties. This is published online to avoid any perception of conflicts of interest or inappropriate influence.



Our commitment to audit quality

Delivering audit quality is critical to achieving our vision, and we undertake a range of activities each year to improve and manage our effectiveness. We support the ASIC's view of audit quality, and we promote to our people that they must:

- achieve the fundamental objective of obtaining reasonable assurance
 - that the financial report as a whole is free from material misstatement
 - when we report on performance of an activity against identified criteria (for example, performance audits)
- ensure material deficiencies detected are addressed with those charged with governance or communicated through the audit report.

A quality audit complies with the *Auditor-General Auditing Standards* and is delivered by independent and ethical auditors.

All our people use their skills and experience to develop a deep understanding of the state and local government public sectors. Throughout the audit process, our people exercise professional scepticism and apply their judgement in a timely manner to resolve audit issues.

One-third (in fee value) of our financial audits are conducted through contract arrangements with audit service providers. Our quality expectations extend to our audit service providers.

In 2020–21, our people delivered 199,000 hours of audit work. In addition, we invested 2,061 hours in performing quality assurance reviews and reporting over the following activities:

- conducting quality assurance on closed and open audit files prepared by QAO engagement leaders and our audit service provider engagement partners
- developing new or amending existing quality assurance programs, policies, and procedures
- developing and delivering technical training arising from quality assurance insights
- implementing methodology updates.

In achieving audit quality, we seek to improve public sector accountability. Our commitment to audit quality is delivered by supporting each other through our culture; values; people; and structures, systems, and methods. We take a constructive and collaborative approach to how we engage with our clients. We know that developing a culture that values quality will result in the right behaviours.

We recognise that audit quality is the responsibility of all QAO auditors, and we acknowledge the leadership and guidance provided to us by independent members of our Audit and Risk Management Committee and Audit Quality Sub-Committee.

Our well-established governance mechanisms oversee and lead our audit quality practice and culture. Our Quality Management Group is led by experienced audit executives who monitor and refine our audit quality approach.

Our system of quality control is built on the *Auditor-General Auditing Standards* and Auditing and Assurance Standards Board ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*.

Each year, we develop comprehensive plans that cover all aspects of quality for our assurance services.



B. Remuneration of audit executives

QAO's key audit executives comprise the leadership team of the Auditor-General and the Assistant Auditors-General.

The remuneration for QAO's key audit executives is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and *Auditor-General Act 2009*. It is publicly disclosed in QAO's annual report.

Individual remuneration and other terms of employment are specified in employment contracts.

Remuneration comprises:

- short-term employee benefits – with monetary benefits being base salary, incentives, allowances and leave entitlements; and non-monetary benefits being car parking and applicable fringe benefits tax
- long-term employee benefits, including long service leave accrued
- post-employment benefits, including superannuation contributions.



C. Our quality assurance team

Our quality assurance team

Our quality assurance (QA) team is led by Ms Karen Johnson. We report on quality assurance to the Executive Management Group (EMG), Quality Management Group, Audit and Risk Management Committee (ARMC) and the Audit Quality Sub-Committee.

Our quality assurance team is primarily comprised of the following members.

QA reviewer	Position	Qualifications and experience
Karen Johnson	Assistant Auditor-General— Audit Practice	B Com, FCA, GAICD 30 years' experience in private and public sector auditing and governance. Karen has been the QAO quality and technical lead since 2015.
David Adams	Director—Audit Practice	B Bus, FCPA 30 years' audit and assurance experience across nearly all significant public sector entities in Queensland. David has directed audit quality since 2018.
Damian Bowdler	Manager	BCom CPA 30 years' experience in public sector auditing, including 7 years' involvement in quality-related work for financial audits at QAO (including performing the annual open and closed file review program, reviewing modified opinion proposals, and undertaking root cause analysis). Damian has been a member of QAO's technical and methodology teams, with a focus on addressing changes in auditing and accounting standards, and issues relating to the measurement of fair value for government infrastructure. Prior to 2013–14, Damian audited public sector entities across all sectors, with a particular emphasis on entities that use Treasury products.
Jessica Saayman	Manager	B.Compt (Hons), M Com (International Accounting), CA (SA), CA (CAANZ), RCA Jessica has 30 years' experience as a qualified accountant/auditor in professional firms and commerce. Since 2018, Jessica has been involved in quality-related work for financial audits at QAO, including performing the annual open and closed file review program. She was Partner Assurance and Advisory Deloitte Touche Tohmatsu: 2014–2017, and Assurance Partner at Grant Thornton, South Africa (Audit and Technical): 2006–2011.



D. Companies audited by QAO

Our mandate includes audits of the following companies that prepare their financial reports under the *Corporations Act 2001*. The following table lists the names of the relevant entities that we audited under Division 3 of Part 2M.3

Client name	Count
Government owned corporation	11
Company controlled by a government owned corporation	3
Company controlled by a department	10
Company controlled by a local government	49
Company controlled by a statutory body	12
Company controlled by multiple public sector entities	3
Total	88

Companies included in the table above (other than government owned corporations and some entities controlled by government owned corporations) are not rated as high-risk audit engagements.

Our quality assurance review program for 2020–21 featured:

- closed file reviews for 3 government owned corporations, one of which was audited by an audit service provider
- an open file review for one entity that is a controlled entity of a government owned corporation.

No audit reports were amended after publication in annual reports.



E. Quality assurance review ratings and criteria

We assign a rating at the conclusion of our quality assurance reviews on closed engagement files.

In 2021, we adopted a binary rating scale of satisfactory or unsatisfactory. The reviewer considers the nature and impact of all identified matters the engagement team has not appropriately addressed (if any), including any mitigating factors, and decides on the overall rating. The cumulative effect of the deficiencies identified are considered to determine whether they collectively result in an overall quality assessment of unsatisfactory.

Professional judgement is applied in arriving at the engagement rating and matters that are insignificant are not considered. Our process affords natural justice to the engagement leader.

The overall evaluation ratings and non-exhaustive criteria are explained in the following table.

Rating/description
<p>Satisfactory</p> <p>Both (i) the audit work performed and (ii) the audit evidence is sufficient to enable an experienced auditor to understand:</p> <ul style="list-style-type: none"> • the nature, timing, and extent of the audit procedures performed to comply with QAO policy, applicable auditing standards, and legal and regulatory requirements • the results of the audit procedures performed, and the audit evidence obtained • significant matters arising during the audit, the conclusions reached, and significant professional judgements made in reaching those conclusions • sufficient and timely engagement leader/engagement manager input and review. <p>Furthermore, the reviewer concludes that:</p> <ul style="list-style-type: none"> • key judgements and conclusions regarding significant auditing, accounting, and disclosure matters are appropriate • sufficient appropriate audit evidence was obtained in accordance with QAO policies, professional standards, and applicable legal and regulatory requirements, including compliance with QAO's audit methodology • the opinion issued is appropriate and supported.
<p>Unsatisfactory</p> <p>The reviewer concluded the engagement was not performed in accordance with <i>Auditor-General Auditing Standards</i> (that incorporate Australian auditing standards, or other relevant statutory or regulatory frameworks), in that one or more of the following significant deficiencies exists:</p> <ul style="list-style-type: none"> • The engagement team did not obtain significant audit evidence and/or perform significant audit procedures that would be expected for relevant assertions at risk related to significant COTABDs and key audit matters. The deficiencies in audit evidence are so extensive the reviewer believes a satisfactory rating is inappropriate. • There are numerous instances where the audit was not performed in all material respects in accordance with the applicable auditing standards and with QAO policy, including independence requirements and applicable legal and regulatory requirements. • There is insufficient evidence of engagement leader and engagement manager input into the audit approach and conclusions over material COTABDs and key audit matters. • There is insufficient evidence of timely review by the engagement leader and engagement manager; the lack of timely review is systemic. • The financial statements do not conform with the specified financial reporting framework/s in all material respects.



F. ASIC information sheet 184 on audit transparency reports

The Australian Securities and Investments Commission (ASIC) published an information sheet (no. 184) that summarises the requirements for audit transparency reports as set out in s322–332G of the *Corporations Act 2001*.

Figures F1 to F3 below assess applicability of these requirements to QAO and where in this report we have addressed the prescribed information, additional information, and voluntary information.

Figure F1
Prescribed information for all auditors that are required to publish transparency reports

What the report must include	Is this relevant to QAO	Where is this acquitted in this transparency report?
a) if the auditor belongs to a network, a description of: <ul style="list-style-type: none"> i. the network ii. the legal arrangements of the network iii. the structural arrangements of the network 	No. QAO does not belong to a network as envisaged by the ASIC requirement We do collaborate on quality assurance programs with other public sector audit offices in Australia	Our mandate – Appendix A
b) a description of the auditor's internal quality control system	Yes	Multiple references to our system of quality control in Chapter 2
c) a statement that sets out the auditor's independence practices in the relevant reporting year	Yes	Independence practices – Appendix A
d) the name of each body that is authorised to review the auditor (for example, ASIC or a professional accounting body) and the date of the most recent review of the auditor conducted by the body	Yes. QAO is subject to an independent strategic review every 5 years per s68–70 <i>Auditor-General Act 2009</i> . The last review was conducted in 2017	Strategic review – Appendix A
e) the names of the relevant bodies in section 322 of the <i>Corporations Act 2001</i> for which the auditor conducted an audit under Div. 3 of Pt 2M.3 in the relevant reporting year	Yes. Section 322 concerns re-lodgement (with ASIC) if financial reports were amended after lodgement of accounts	Appendix D – no reports we issued were amended after their publication in an entity's annual report
f) financial information for the auditor that relates to the relevant reporting year, including: <ul style="list-style-type: none"> i. total revenue ii. revenue relating to audits of financial statements conducted by the auditor and other services provided by the auditor 	Yes	Our audit services – Appendix A

Figure F2
Additional information for audit firms or authorised audit companies that are required to publish transparency reports

For audit firms or authorised audit companies, what the report must also include	Is this relevant to QAO	Where is this acquitted in this transparency report?
a) a description of the firm or companies: I. legal structure II. ownership III. governance structure	Yes	Our mandate – Appendix A Quality governance
b) a statement by the firm’s administrative body or management body (or the company’s board of directors) on the effectiveness of the functioning of the internal quality control system in the relevant reporting year	Yes	Foreword includes a Statement on effectiveness of system of quality control
c) the date on which the firm or company most recently conducted an internal review of its independence compliance	Yes	This occurs annually
d) a statement about the firm or company’s policy on the minimum amount and nature of continuing or other professional education that professional members of an audit team must undertake during the relevant reporting year	Yes	Training
e) information about the basis for remuneration of the firm’s partners or the company’s directors	Yes	Appendix B – Remuneration of Audit Executives

Figure F3
Auditors may voluntarily include additional information about audit quality in a transparency report

For audit firms, what the report may also include	Is this relevant to QAO	Where is this acquitted in this transparency report?
Network policy monitoring	No. QAO is not part of a formal network	N/a
Actions to improve and maintain audit quality	Yes	Chapter 1
Internal indicators of audit quality	Yes	Audit quality indicators – Appendix H
Findings from our inspections	Yes, a fair summary of common findings is reported	Chapter 1
Findings from external reviews	None undertaken in 2020–21 Independent review of new toolset	N/a Not due until the next strategic review of the QAO



G. Acronyms and abbreviations

**Figure G1
Acronyms**

AAG	Assistant Auditor-General
ACAG	Australasian Council of Auditors-General
ARMC	Audit and Risk Management Committee
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
COTABDs	Classes of transactions, balances, and disclosures
COVID-19	Coronavirus 2019
EL	Engagement Leader
EQCR	Engagement Quality Control Review
EMG	Executive Management Group
FTE	Full-time equivalent
KAMs	Key audit matters
QA	Quality assurance
QAO	Queensland Audit Office

**Figure G2
Abbreviations**

APES 320	APES 320 <i>Quality Control for Firms</i>
ASA 220	ASA 220 <i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i>
ASQC 1	ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i>



H. Audit quality measures

Figure H1
Indicative audit quality measures – 2020–21

Audit quality indicator	Unit of measure	Target	2020–21 actual	2019–20 actual
Percentage of auditors who completed annual independence declarations	Per cent	100%	100%	100%
Percentage of auditors who completed annual ethical compliance (8 e-Learning ethics and conduct modules) Note 1	Per cent	100%	96%	100%
Instances of non-compliance with our rotation policy	Number	Nil	Nil	Nil
Ratio of engagement leader hours charged to in-house financial audit work to lower-level audit staff hours	Ratio	8–10%	8%	7%
Percentage of time charged to audits by senior staff – financial audits Note 2	Per cent	15–20%	16%	18%
Percentage of time charged to audits by senior staff – performance audits Notes 2 & 3	Per cent	20–30%	23%	47%
Training hours per FTE audit professional – financial and performance audit Note 4	Hours	60	96	52
Staff workload – average chargeable hours per FTE professional	Hours	1,250	1,361	1,316
Post-audit and assurance quality review program – audit files with no material deficiencies	Per cent	100%	93%	74%
Percentage of FTE staff allocated to audit standards/quality assurance/methods	Per cent	<5%	3%	3%

Note: FTE – full-time equivalent.

Note 1 Four per cent of auditors did not complete relevant e-Learning modules prior to resigning their employment.

Note 2 Senior staff are engagement leaders, engagement quality control reviewers and senior managers.

Note 3 The percentage was abnormally high in 2019–20 due to an organisational restructure and change in delivery/methodology.

Note 4 2020–21 hours included approximately 30 hours of training on our new toolset.

Source: Queensland Audit Office.





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