



AUDITING STANDARDS

Auditor-General Auditing Standards

February 2023

Contents

Preface	1
Auditor-General Auditing Standards	2
Application and other explanatory material	4
Appendix A – Assurance standards to be applied	18
Appendix B – Types of audits identified in the <i>Auditor-General Act 2009</i>	19
Appendix C – Tabling protocols	20

Preface

The Auditor-General is parliament's independent auditor. The Auditor-General is not subject to direction by any person about the way in which their powers in relation to audit are to be exercised and the priority of audit matters.

The *Auditor-General Act 2009* (the Auditor-General Act) outlines the mandate, establishes the independence, and sets out powers and responsibilities of the Auditor-General and the Queensland Audit Office (QAO).

Following his review of culture and accountability in the Queensland public sector, Professor Coaldrake recommended changes to the Auditor-General Act to strengthen the Auditor-General's independence and mandate. Several of the recommended legislative changes were passed in December 2022 and are reflected in this version of the Auditor-General Auditing Standards. Further legislative changes recommended by Professor Coaldrake will likely occur over the short term. Where appropriate, these changes will be reflected in future updates to these standards.

In this document, the term *public sector* refers to state entities, local governments, and the entities they both control.

The QAO supports the Auditor-General's role and plays a key role in the public sector accountability framework.

The principal role of Auditor-General is to provide independent assurance through parliament to the people of Queensland on the financial management and performance of public sector entities. This is achieved through:

- performing annual financial statement audits of every public sector entity
- for departments, statutory bodies, and local governments, evaluating whether the system of internal controls relating to establishing and keeping accounts is effective in all material respects
- for local government entities, evaluating compliance with the *Local Government Act 2009* and the Local Government Regulation 2012, and auditing the calculations in the annual financial sustainability statements
- auditing the consolidated fund accounts and consolidated whole-of-government financial statements
- auditing the expenditure of ministerial offices
- assessing the efficiency, effectiveness, and economy of public sector services and programs, and making recommendations on how they can better achieve their objectives
- conducting audits of matters of property given by public sector entities to non-public sector entities (known as follow-the-dollar provisions)
- conducting audits into financial administration at the request of parliament, elected members, other integrity offices, and the public
- investigating matters raised about financial waste and mismanagement related to public assets and services
- sharing the insights we gain from our work on best practice across the public sector
- reporting to parliament on matters of significance arising from our audits.

These standards are prepared pursuant to s. 58 of the *Auditor-General Act 2009* and replace those tabled in parliament on 10 December 2019. They apply to all authorised auditors.



Brendan Worrall
Auditor-General
16 February 2023



Auditor-General Auditing Standards

Application of Auditor-General Auditing Standards

The *Auditor-General Act 2009* (the Auditor-General Act) allows for the Auditor-General to conduct an audit in the way the Auditor-General considers most appropriate. The scope of our audit activities and the way we report is guided by these *Auditor-General Auditing Standards*.

These standards apply to all audits undertaken by, or on behalf of, the Auditor-General.

They are the minimum standards to be applied in discharging the Auditor-General's mandate under the Auditor-General Act or other legislation.

The Auditor-General must report to the Legislative Assembly about any occasion of significance where these standards are not applied.

The Auditor-General has a wide mandate to conduct audits. In this document, the term *audits* includes all types of independent assessments (including financial audits and performance audits as defined by Australian auditing standards), review and assurance engagements, and any investigations of matters.

Scope of these standards

These standards set out the general principles to be applied to:

- the conduct of audits, including reviews, assurance engagements, and investigations of matters
- the extent to which auditing standards made by relevant professional or statutory bodies are to be applied in conducting audits
- the selection, engagement, and quality control of the work of contract auditors and their firms
- a decision as to whether an entity is exempt from audit by the Auditor-General.

Operative date and review

These standards apply once tabled in Queensland's Legislative Assembly. They replace those tabled in the Legislative Assembly on 10 December 2019.

QAO will review these standards at least every 3 years from when they were last tabled, or when there is a significant change including changes to legislation and auditing standards.

The conduct of audits

All audits are to be conducted in accordance with the mandate expressed in the Auditor-General Act.

Audits are also to be conducted in accordance with the requirements of standards issued by the Australian Auditing and Assurance Standards Board (AUASB) to the extent these are not inconsistent with the requirements of the Auditor-General Act or other applicable legislation. Further information on the applicable standards is included in [Appendix A](#).

The Auditor-General may conduct audits under the Auditor-General Act that do not directly apply all elements of the standards. The type of reporting associated with these audits will be at their discretion.

Authorised auditors are to adhere to the highest standards of ethical behaviour, to demonstrate professional behaviour and ensure they do not compromise the independence of the Auditor-General.



The selection, engagement, and quality control of the work of contract auditors

The Auditor-General can appoint an appropriately qualified and experienced individual who is not an employee of QAO to be a contract auditor.

When selecting audit work to be performed by contract auditors, the Auditor-General will:

- consider audit risk and whole-of-government reporting requirements
- maintain an appropriate balance between the level of contracted-in assistance and the work performed by QAO in-house staff
- apply Queensland Government procurement policies and achieve value-for-money procurement
- consider matching regional audits with regional contract auditors where appropriate
- consider using co-sourcing arrangements to achieve the appropriate team mix, build skills within our in-house and audit service provider teams, and meet resourcing needs.

When appointing contract auditors, the Auditor-General requires that they:

- have an appropriate level of skills, knowledge, and experience to undertake audits of public sector entities
- maintain appropriate systems of quality management in accordance with relevant professional requirements
- have appropriate controls in place to protect audit information.

Audit exemption – deciding whether an audit is small and low risk

The Auditor-General Act gives the Auditor-General the discretion to exempt public sector entities from being audited by the Auditor-General if they are small *and* low risk.

For a public sector entity to be *small in size*, the consolidated revenue for the financial year under review should be less than \$3,000,000.

In undertaking the assessment of *risk*, the Auditor-General will consider the:

- financial performance and financial position of the entity
- nature of the entity and its operations
- results of audits previously conducted of the entity.

Application and other explanatory material

The standards are to be read in conjunction with the guidance provided in the next section: Application and other explanatory material.

The standards will be supported by audit methodology, toolsets, policies, and guidance authorised by the Auditor-General.



Application and other explanatory material

Application of standards issued by professional and statutory bodies

Standards issued by the AUASB set out the principles and essential procedures to be applied to all assurance audits. The standards include guidance material that helps auditors exercise professional judgement. The application of these standards will enhance audit quality.

Standards issued by the AUASB are legally enforceable for audits and reviews conducted under the *Corporations Act 2001* (the Corporations Act). In undertaking an audit or review under the Corporations Act, the Auditor-General must ensure compliance with the standards but is not limited to considering matters required by either those standards or the Corporations Act.

The standards issued by the AUASB are also applicable to audits and assurance engagements not conducted under the Corporations Act, but are not legally enforceable for such engagements.

The Auditor-General may conduct audits under the Auditor-General Act that do not directly apply all elements of the standards. The type of reporting associated with these audits will be at the discretion of the Auditor-General.

The Accounting Professional and Ethical Standards Board (APESB) is an independent body that sets the code of ethics and professional standards for compliance by audit professionals who are members of CPA Australia, Chartered Accountants Australia and New Zealand (CA ANZ), or the Institute of Public Accountants (IPA). The Auditor-General has established a culture and a system of quality management that ensures compliance with these standards. This includes the application of Auditing 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*.

These standards, along with other standards and guidance issued by the AUASB, are to be adopted for all public sector audits to the extent that they are relevant and are not inconsistent with the requirements of the Auditor-General Act and other legislation that prescribes the Auditor-General's work.

General standards applying to the conduct of audits

The mandate to undertake audits of Queensland public sector entities is derived from the Auditor-General Act. The Act establishes:

- the Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way audit powers are to be exercised
- the legal basis for the Auditor-General accessing audit evidence.

The Auditor-General can report directly to parliament on any matter. The Auditor-General has total discretion over the form and content of reports. This independence is a cornerstone of public sector auditing.

The legislative basis for the specific types of audits that may be conducted under the Auditor-General Act is included in [Appendix B](#) to these standards.

Conduct of audits of public sector entities

Public sector entities are wide ranging and include:

- departments
- local governments
- statutory bodies
- government owned corporations
- controlled and jointly controlled entities.

QAO conducts financial audits and reviews, performance audits, assurance engagements, and investigations of matters on public sector entities. We have developed methodologies to support these types of audits. The application of Australian auditing and assurance standards to our audits is explained in [Appendix A](#).

Financial audits

The Auditor-General must conduct annual audits of the financial statements of all public sector entities and issue independent auditor's reports on those statements.

The primary objective of these audits is to provide independent reasonable assurance to our clients, parliament, and the community that the information contained in the financial statements is in all material respects:

- free of misstatement, whether due to fraud or error
- presented fairly in accordance with applicable accounting standards and legislative requirements.

In accordance with s. 40 of the Auditor-General Act, we also provide limited assurance on whether departments, statutory bodies, and local governments have, in all material respects, effective internal controls relating to establishing and keeping accounts.

Where required by legislation, or where requested by our clients and it is appropriate and efficient for us to do so, we provide reasonable assurance opinions and certifications over grant funding provided to public sector entities. Assurance opinions may be issued in the format required by the grantor.

For local governments, we issue reasonable assurance opinions on whether the council's financial sustainability statement has been accurately calculated.

Additional public sector considerations

In conducting a financial audit, the mandatory requirements of applicable Australian auditing standards are applied. The Auditor-General has developed and maintains a methodology based on the requirements of these standards.

Financial audits also take a qualitative risk-based approach to assessing:

- the probity of matters associated with the stewardship of public sector entities
- the propriety of administrative decisions taken within an audited entity and the associated audit reporting processes
- acts or omissions that have given rise to a waste of public resources
- compliance with relevant Acts, regulations, and government policies.

Audits where no financial statements are prepared

In certain circumstances, some public sector entities may not be required to prepare annual financial statements. An annual audit of the public sector entity is, however, still required by s. 30 of the Auditor-General Act. In these circumstances, the audit involves examining financial systems and transactions, including evaluating compliance with applicable Acts and subordinate legislation.



Application of Auditing Standard ASA 701 Communicating Key Audit Matters

The purpose of Auditing Standard ASA 701 is to mandate the communication of key audit matters in the auditor's report of listed entities. The standard defines key audit matters as 'those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report'. The standard does not have mandatory application to public sector entities.

The Auditor-General may elect to apply ASA 701 to public sector entities. In doing so, the Auditor-General will ensure there is an appropriate framework for identifying the public sector entities to which the standard will be applied. The current framework uses the following criteria to guide which public sector entities will be subject to ASA 701:

- large and complex entities that require significant audit effort and professional judgement
- entities where highly significant matters arose during the audit and an understanding of those matters is of importance to users of the financial report
- entities that are material to the whole of government.

Other financial assurance activities

The Auditor-General may agree to provide other assurance services that are incidental to auditing annual financial statements. This may include undertaking special investigations, providing independent auditor's reports on regulatory statements or assurance reports on controls at service organisations. While these activities are within the Auditor-General's mandate, unless required by legislation these additional activities are undertaken at the discretion of the Auditor-General and only if deemed appropriate in the public interest. Where required by the auditing standards or appropriate for the context of the audit, we issue separate audit engagement letters setting out audit scope, responsibilities, and reporting requirements for these assurance activities.

Anyone with information or concerns about financial mismanagement in Queensland public sector entities can refer matters to the Auditor-General to consider. The QAO will assess the information provided and, if appropriate, investigate the issue with the aim of strengthening and improving public sector performance and accountability. The assessment will consider the most appropriate integrity agency to investigate the matter.

QAO's public sector knowledge and experience allows us to provide insights to key stakeholders on a wide range of issues related to public sector financial management and accountability, accounting standards, and other legislative requirements. Expert advice and insights will be provided where it does not impact on the actual or perceived independence of the Auditor-General.

Performance audits

The Auditor-General has a broad mandate to audit the performance of government service delivery and identify opportunities for the public sector to achieve its objectives more efficiently, economically, or effectively. This gives parliament and the community independent assurance that public money has been used well, and that the entities are delivering public services economically, efficiently, and/or effectively. By reviewing our reports to parliament, the community can assess whether government services are being delivered in a manner that meets their expectations.

The level of audit assurance we provide varies depending on the audit scope, the results of our audit work, and the availability and quality of data.

Performance audits adhere to the AUASB standards on assurance engagements – ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and either ASAE 3500 *Performance Engagements* or ASAE 3100 *Compliance Engagements*. The Auditor-General maintains a methodology based on the requirements of these standards.

The scope of performance audits may include:

- identifying better ways of delivering public services in our audit findings, conclusions, and recommendations
- determining whether the objectives of a public sector entity are being achieved economically, efficiently, and/or effectively, and in compliance with all relevant laws
- reviewing performance measures adopted by public sector entities and assessing whether they are relevant and fairly represent entity performance
- assessing compliance with relevant Acts, regulations, government policies, and other prescribed requirements.

How we select and manage our performance audit program is explained in our forward work plan and forward work plan factsheet. They are available on our website at www.qao.qld.gov.au/audit-program.

Audit investigations

The public and other parties may refer to us matters of financial waste or mismanagement. We publish requests we receive from members of parliament (MPs) and Queensland councillors. We consider these matters for further investigation, in accordance with the following guidelines:

- whether the matter is within the scope of the Auditor-General Act
- whether another entity should investigate the matter
- the level of public interest and the significance of the matter raised
- the sufficiency, source, and nature of the evidence provided
- whether the matter is raised in good faith or appears to be vexatious.

Where a matter meets the above requirements and is investigated further, it may be investigated as part of our annual entity audit or used to identify a potential topic for a future performance audit.

Joint or collaborative audits

The Auditor-General Act permits the Auditor-General to conduct an audit jointly or in collaboration with an Auditor-General of another Australian jurisdiction. The objective of a joint or collaborative audit is to provide enhanced efficiency and consistency in auditing and reporting on areas of common interest.

These audits will generally be conducted as separate audits by each Auditor-General, with the results of the audits shared between Auditors-General to the extent relevant and permitted by governing legislation. The exact nature and scope of the audit to be conducted is at the discretion of each Auditor-General.

Such audits may be undertaken only where a common understanding is reached between the Auditors-General of the relevant jurisdictions in relation to the:

- nature and scope of the audit to be conducted by each Auditor-General
- reporting of results and sharing of information in relation to the audit.

Conduct of audits of non-public sector entities

In addition to audits of public sector entities, the Auditor-General Act also provides for the following audits of non-public sector entities:

- audits conducted on a 'by-arrangement basis' at the request of a minister or public sector entity, where the entity consents to the audit
- audits of matters relating to property that is, or was, held or received by a public sector entity and given to a non-public sector entity (known as follow-the-dollar provisions).



A decision as to whether audits of this nature are to be conducted is at the discretion of the Auditor-General based on an assessment of the public interest.

These audits, where undertaken, are to be conducted in accordance with the requirements of the Auditor-General Act and these standards. In undertaking an audit of a non-public sector entity, the Auditor-General will ensure that the nature and scope of the audit and the rights and responsibilities of parties concerned are adequately communicated to the entity that is subject to the audit.

Other legislation may also include provisions identifying circumstances where the Auditor-General may be requested or required to conduct an audit of a non-public sector entity.

Audit methodology

The Auditor-General maintains an appropriate audit methodology and toolset to ensure all audits are conducted in accordance with the requirements of the Auditor-General Act and these standards.

The approved audit methodology reflects:

- an appropriate focus on public sector accountability, including accountability to the parliament
- adherence to auditing standards
- audit efficiency.

Standards applying to authorised auditors

The Auditor-General will recruit assurance practitioners and appoint contract auditors with the necessary level of accounting and auditing expertise and other specialised skills to enable effective discharge of the responsibilities and stewardship prescribed by the Auditor-General Act.

Authorised auditors are expected to have an expert understanding, commensurate with their role and responsibilities, of:

- the Auditor-General Act
- these standards and Australian auditing and assurance standards
- relevant professional and ethical requirements
- approved QAO audit methodologies
- policies, guidelines, instructions, and expectations of the Auditor-General
- the public sector environment, including legislative requirements.

All audit work will be carried out by assurance practitioners with the appropriate technical qualifications, skills, and proficiency required for undertaking auditing tasks. Subject matter experts who are not assurance practitioners will be given appropriate direction and supervision by the assurance practitioner.

An authorised auditor will maintain an objective approach and an attitude of professional scepticism to matters relating to recognising facts, exercising judgement, and expressing of opinions. An authorised auditor will exercise due care and diligence by complying with these standards and complying with relevant policy, guidance, and instructions in relation to conducting audits in accordance with the requirements of the Auditor-General Act.

Authorised auditors are bound by the confidentiality provisions contained in s. 53 of the Auditor-General Act. It is an offence for authorised auditors to divulge protected information (as defined by the Auditor-General Act) for purposes other than those permitted by the Auditor-General Act.

Authority to issue audit reports

Only the Auditor-General, or an officer officially acting as the Auditor-General, has the authority to table a report in parliament.

The Auditor-General may delegate the authority to sign independent audit reports and issue management letters to audit clients to suitably qualified in-house staff. These staff are referred to as signing officers.

Signing officers fulfil the role of engagement partner per the Australian auditing standards. They may also execute the audit in practice, provide a coaching and mentoring role to new engagement leaders, or provide oversight of the delivery of audits an audit service provider delivers.

Audit service providers are only authorised to issue management letters to clients.

Powers of access

An authorised auditor is entitled, at all reasonable times, to full and free access to all documents and property relevant to the audit. A person must not, without reasonable excuse, fail to comply with a requirement made under this section. This requirement does not apply to non-public sector entities audited under follow-the-dollar provisions.

The Auditor-General Act provides additional powers for obtaining information and evidence related to an audit. Generally, these sections of the Act are only relied on in exceptional circumstances or when other means of seeking co-operation with an entity or person subject to audit have proven unsuccessful.

Data governance

Obtaining information for our audits

We obtain information to support our audit work. This information includes data, documents, and written and verbal representations. We identify the information we require to support our audit and agree with our clients the most efficient and effective methods to obtain that information. Information may be obtained by a request from the audit team or through QAO's data analytics processes.

Information obtained for the purpose of auditing a public sector entity is protected information under the Auditor-General Act. This includes information classified as 'official', 'sensitive', or 'protected' under the Queensland Government Information Security Classification Framework.

Information should only be obtained when required for an audit. The auditor should not request or accept information not required for the audit or, if unable to decline receipt, copies should be appropriately destroyed within a reasonable period.

Original documents are not to be retained by the auditor. Suitable, relevant records are to be made of information and original documents are to be returned to the audit client.

When a different audit service provider undertakes an audit, or an audit changes between an in-house QAO team and an audit service provider, the new audit teams should only obtain the minimum required information from prior year audit files to conduct the current year audit in an efficient and effective manner.

Maintaining and securing data

All information obtained for our audits must be treated appropriately in a safe and secure manner. Information is subject to data governance and confidentiality provisions, in accordance with QAO and Queensland Government policies and guidelines.

The QAO retention and disposal schedule outlines the retention period for information obtained for our audits.



Sharing of audit information

The Auditor-General Act provides for the disclosure of protected information to:

- a parliamentary or portfolio committee
- the Crime and Corruption Commission
- a police officer or an entity responsible for the investigation or prosecution of offences in any jurisdiction
- a court for the purposes of the prosecution of a person for an offence in any jurisdiction
- the Australian Securities and Investments Commission (ASIC)
- the Auditor-General of the Commonwealth or another state when conducting a joint or collaborative audit
- the Treasurer or the department in which the *Financial Accountability Act 2009* is administered (currently Queensland Treasury).

The sharing of information with the Treasurer and Queensland Treasury is allowed through s. 72A of the Auditor-General Act. The Treasurer may use this information only for the purposes of whole-of-government budgeting and monitoring. Local governments are not considered public sector entities for the purpose of s. 72A.

Other legislative provisions, such as a subpoena issued under the *Commissions of Inquiry Act 1950*, may also require the Auditor-General to share information obtained during the course of an audit.

Communication and reporting

Communicating to those charged with governance at audited entities

Effective, regular, and timely communication with those charged with governance is an important part of the audit process. Our financial audit and performance audit methodologies set out the engagement principles and communication that QAO will adopt throughout the audit engagement.

We hold entry meetings to clarify the audit scope and decide on communication protocols.

We share observations, recommendations, or suggestions arising from the conduct of audits with entities throughout the audit in a timely manner. During the audit, we progressively provide formal opportunities to comment on these.

The observations or suggestions may arise out of financial, performance, or other audits that we undertake. Depending on the severity of the finding, these reports may take the form of management letters or draft reports.

We will write to the chief executive, the chair of audit committee, and other relevant individuals to outline the observations or suggestions, and any associated recommendations. We expect the entity to review recommendations we have made, respond to us in writing, and track its implementation of and response to the recommendations.

At the conclusion of each audit, QAO prepares a report to convey the audit results and identify specific matters recommended for inclusion in a report to parliament. The report incorporates the public sector entity's views on the audit findings and conclusions, together with information about management-initiated improvements or remedies. It also documents and explains any disagreements between management and the authorised auditor.

Definition

Those charged with governance – the team of people responsible for overseeing the strategic direction of the organisation and obligations related to the accountability of the entity. This could be the board, or management of the entity if there is no board (such as the director-general).

Management – the person(s) with executive responsibility for the conduct of the entity's operations. For example, management implements the entity's strategic plan.

After considering the matters identified during the audit, the Auditor-General will determine those matters arising from the audit that are significant for inclusion in a report to parliament. The Auditor-General also determines whether any matters arising during an audit are required to be reported to the appropriate minister and Treasurer.

Reports to parliament

The Auditor-General must report on all audits conducted of public sector entities. We leverage our unique position as the auditor of all public sector entities in Queensland to communicate valuable information to parliament.

Not all our reports to parliament are presented in the same format or style. These reports can contain observations and suggestions about anything arising out of our financial or performance audits. We aggregate the results of audits for groups of similar public sector entities, such as local governments or the health sector.

Our reports either provide:

- reasonable assurance – where we have reduced the risk of expressing an incorrect opinion to an acceptably low level
- limited assurance – where we have reduced the risk of expressing an incorrect opinion to an acceptably low level, but where the risk is greater than in a reasonable assurance report
- no assurance – where we do not provide an opinion or conclusion on the subject matter.

Our performance audit reports to parliament make explicit statements about the level of assurance we are providing.

Our reports may also:

- highlight risks and issues that we believe government needs to manage now and in the future
- set out key facts and underlying assumptions, and summarise information that may otherwise be unavailable to parliament
- share insights and learnings from our work across government.

The Auditor-General Act contains details of whom our reports must be given to. We provide relevant extracts, drafts, and final versions of our reports to those charged with governance at the audited entity.

Impacted parties can provide feedback before we table reports in parliament. We issue a proposed report to impacted parties prior to the completion of the audit. Impacted parties have 21 days to send us a written response unless the Auditor-General agrees to a longer time frame. For complex topics, we may also issue a preliminary report prior to the proposed report to make sure we have included relevant context and have produced a balanced report.

Where there is a requirement to table our reports in parliament, we adhere to the tabling protocol in [Appendix C](#).

We ask our audit clients to respond to our recommendations by making clear statements about whether they agree with the recommendation, what they intend to do to address the root cause, and the time frame they expect will be needed to implement their solution. We will either publish their full response with the report to parliament, or a fair summary where the response is long or overly technical.

All audit reports are to be prepared in an objective, factual, and balanced manner.



Financial audits

A matter of significance from a financial audit may include but is not limited to:

- information and explanations relating to modified audit opinions
- an absence of, or breakdown in, internal controls which could lead to unnecessary risks, misappropriation, or material errors
- disregard for prescribed accounting and financial management standards
- substantial mismanagement, waste of resources, or maladministration
- problems which are systemic within a particular entity or across a broader field
- an issue of financial significance (irrespective of whether the matter has been resolved or not)
- an issue about financial performance and sustainability
- a current risk or emerging risks/future challenges
- better practice or proactive innovations by public sector entities
- delays in implementing recommendations to address critical control issues, including aged internal and external audit recommendations.

Performance audits

Each performance audit makes recommendations on how to improve the component of service delivery we have audited. Our findings and recommendations can include insights on best practice. By accepting our recommendations, the entity involved agrees to resolve the gaps in performance we identify and implement improvement opportunities.

Audit recommendations

The Auditor-General has no authority to enforce the adoption of financial and performance audit recommendations relating to matters arising from an audit. This remains the responsibility of entity management, executive government, and, ultimately, parliament.

The Auditor-General will endeavour to work proactively with entities, executive government, and parliament to ensure matters identified are appropriately resolved in a manner which enhances accountability and performance of entities and the public sector in general.

QAO will monitor the adoption of recommendations and report this information to a parliamentary committee or to parliament.

Public interest and commercial-in-confidence

The Auditor-General Act states the procedures for reporting sensitive information. The Auditor-General can consider reporting matters directly to parliamentary committees if it is in the public interest to do so.

Where the Auditor-General considers it would be against the public interest to disclose a matter in a report to parliament, s. 66 of the Auditor-General Act requires the matter to be included in a report to the parliamentary committee.

Public sector entities can request that we do not report commercially confidential information. As the Auditor-General Act does not define *commercial-in-confidence*, QAO may seek legal advice to inform how we report.

Commenting on government policy

Section 37A(5) of the Auditor-General Act states that, when undertaking performance audits, the Auditor-General must not question the merits of policy objectives of the state or a local government.

This provision serves the dual purpose of recognising that it is the prerogative of the government to determine policy while also safeguarding the independence of the Auditor-General.

Government policy is an authoritative statement of the principles that a government sets to define the outcomes or goals of planned actions. Policy objectives are the declared outcomes the government is seeking to achieve through the implementation of government policy.

The restrictions imposed by s. 37A(5) do not prevent the Auditor-General from commenting on whether:

- policies are being implemented as intended and in accordance with the law
- the information and advice provided by the public sector and used in policy development was timely, sufficient, and appropriate
- there have been unintended and/or adverse consequences arising from the pursuit of policy objectives
- there are opportunities for the public sector entity to achieve its policy objectives more economically, efficiently, and effectively.

The restrictions imposed by s. 37A(5) apply to any audit undertaken by the Auditor-General.

We have published a factsheet that further explains how we audit government policy. It is available on our website at www.qao.qld.gov.au/reports-resources/fact-sheets.

Independence and ethical standards

Authorised auditors must be objective, independent, and diligent, and must avoid any possible compromise of independence through any form of conduct which could imply or create an impression of lack of independence. Any potential or actual conflict of interest must be advised to the Auditor-General in a timely manner.

An authorised auditor is expected to adhere to the highest standards of ethical behaviour, having regard to the *Public Sector Ethics Act 1994* and APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board. In addition, authorised auditors must comply with the QAO audit independence framework consisting of the *Code of Conduct For the Queensland Public Service* and other internal policies.

An authorised auditor should not accept or solicit any money, gift, or other benefit from a public sector entity or any parties associated with that entity that could affect audit independence and objectivity. Where a gift is received by an authorised auditor, it must be declared, approved, and reported in accordance with policy directives and prescribed requirements applying to QAO.

In performing an audit, an authorised auditor should be fair and balanced in dealing with the staff of the public sector entity. An authorised auditor should, at all times, maintain a level of conduct which does not detract from the professional standing of QAO and the accounting profession generally. In this context, authorised auditors are required to observe QAO's non-discriminatory work practices and refrain from allowing workplace relationships to adversely affect the performance of official duties.

Quality assurance

The Auditor-General has in place an appropriate quality assurance framework aimed at ensuring the delivery of audit services is of a professionally high and consistent quality.

This framework addresses quality assurance at both the audit and firm level, and is guided by the requirements of:

- ASQM1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements or Related Services Engagements*
- ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*
- APES 325 *Risk Management for Firms*.



An annual program of quality assurance activities is agreed with the Auditor-General. The Audit and Risk Management Committee has oversight of the quality assurance program.

The Auditor-General will appoint an engagement quality reviewer (EQR) for all complex and high-risk financial audits and assurance engagements. Audits will be assessed annually to determine if they are considered complex and high risk.

Complex and high-risk audits and assurance engagements require the support of specialist audit staff and subject matter experts. Engagement leaders will document the requirement to engage with specialists and ensure appropriate specialist skills are allocated to audits. In-house specialist resources are maintained in the areas of technical audit and accounting matters, data analytics, treasury products, and information systems auditing.

QAO has established a technical committee to review and endorse recommendations on complex accounting and audit issues. Engagement leaders are expected to bring all complex issues, including those with whole-of-government implications, to the technical committee.

If a modified audit opinion is proposed for a financial audit, the form and content of the independent audit opinion is reviewed by a modified opinions panel.

Exemptions from audit by the Auditor-General

The Auditor-General can exempt public sector entities from audit by the Auditor-General in certain circumstances. Exemptions will be granted only where, in the Auditor-General's opinion, there are no public interest reasons for the Auditor-General to conduct the audit.

The Auditor-General Act provides 3 circumstances for exemption:

1. Section 30A allows an exemption from audit by the Auditor-General if they are small and low risk. The criteria applied in assessing whether an audit is small and low risk are outlined in the next section.
2. Section 31 allows an exemption from audit by the Auditor-General by regulation. The minister must consult with the Auditor-General about the proposed regulation.
3. Section 32 allows an exemption from audit by the Auditor-General to a range of defined controlled entities. An audit must still be conducted by an auditor approved by the Auditor-General. Exemptions will generally be granted under this section where:
 - the controlled entity is based or has significant operations in a country other than Australia
 - the audit is legally required to be undertaken under a law of a country other than Australia
 - the entity operates in cooperation with or in a corporate group with entities that are exempt.

In all cases where the Auditor-General grants an exemption, the relevant public sector entities are required to:

- implement alternate audit arrangements
- inform us of those arrangements
- provide us with the auditor's independent audit report and any observations arising from the audit.

The granting of exemptions does not prevent the Auditor-General from performing any of the functions or exercising any of the powers identified in the Auditor-General Act in relation to public sector entities.

Criteria for identifying if audits of public sector entities are small in size and low risk – Auditor-General Act s. 30A

Any decision to exempt a public sector entity from audit by the Auditor-General on the basis it is *small* and *low risk* is at the discretion of the Auditor-General.

In determining whether to grant an exemption under s. 30A, the Auditor-General may consider any factors appropriate in the circumstances. This includes any whole-of-government or public interest reasons.

The following criteria are applied in determining whether an audit of a public sector entity is small and low risk for the purpose of s. 30A of the Auditor-General Act.

For an audit of a public sector entity to be considered *small in size*, the consolidated revenue for the financial year under review must be, on average, less than \$3,000,000. Our policy is based on the threshold for annual reporting and audit requirements set by the Australian Charities and Not-for-profits Commission.

In assessing whether an entity is *low risk*, the following factors are considered:

- nature of the entity, its business, and the industry in which it operates
- stability of the entity structure and its key management personnel
- complexity of the entity's financial systems and the appropriateness of internal controls, as considered relevant for the entity
- existence of an appropriate financial reporting framework and complexity of financial reporting requirements applicable to the entity
- extent and complexity of the legal and regulatory environment in which the entity operates
- extent of external interest in the entity and its operations
- financial stability of the entity, including issues impacting on the entity's ability to continue as a going concern
- extent of significant issues previously identified, including matters
 - requiring modification to the independent auditor's report issued on the financial statements
 - not impacting on the independent auditor's report but requiring significant adjustments to the financial statements.

An exemption will only be granted where the Auditor-General is satisfied that the public sector entity has appointed an appropriately qualified auditor to undertake the audit in accordance with the requirements of s. 30A. QAO also requires the auditor to be a registered company auditor.

Other conditions imposed by the Auditor-General Act when granting an exemption include:

- the exempt period must not exceed 3 years, however, more than one notice of exemption can be given
- the public sector entity must give the Auditor-General any requested documents about the audit.

In accordance with the requirements of s. 30A, the Auditor-General may repeal an exemption by written notice given to the public sector entity. An exemption may be repealed where there is a significant change in the assessment of the audit or where issues are identified with the quality of the audit performed by the auditor appointed by the public sector entity.

All public sector entities exempted under s. 30A are listed on the QAO website.

Contract auditors

Section 43 of the Auditor-General Act enables the Auditor-General to appoint an appropriately qualified and experienced individual who is not an employee of QAO to be a contract auditor.

Contract auditors and their staff working on audits on behalf of the Auditor-General should be seen and treated as an extension of the QAO workforce. Their work is subject to:

- oversight by QAO signing officers and QAO contract managers
- quality assurance reviews commissioned by QAO.



Selection of work to be contracted out

The decision to contract out audits or part of an audit is a strategic decision having regard to the overall mandate, the optimum mix of QAO staff and contracted-in assistance, and the suitability of audits for contracting out.

In assessing whether audits are suitable for contracting out, the following factors are considered:

- need to maintain relevant industry and sector knowledge within QAO and audit service providers
- level of risk associated with the audit
- size and significance of the audit in relation to the whole of government or the industry sector
- interrelationships between public sector entities
- sensitivities associated with the entity's operations or information the entity holds
- uniqueness of the audit
- location of the audit and availability of a suitably qualified regional audit service provider
- need to maintain continuity of audit arrangements
- the nature of the professional relationship between the audit service provider and the QAO audit client
- need to access specialist expertise and assistance.

Engagement of contract auditors

Contract auditors are to be partners, directors, or principals of pre-qualified audit service providers. To pre-qualify, the individual partner and their firm must meet and maintain minimum professional standards set by the Auditor-General. These minimum standards include:

- relevant experience to enable them to conduct audits in the public sector
- current registration with relevant and appropriate regulatory bodies (such as registration with CA ANZ or CPA Australia, registration by ASIC as a registered company auditor, and holding a certificate of public practice)
- capacity to conduct audits on behalf of the Auditor-General
- an appropriate audit methodology that complies with the standards issued by the AUASB and these Auditor-General Auditing Standards
- an understanding of additional audit objectives associated with conducting an audit of a public sector entity
- an appropriate system of quality management at both the firm and audit level that meets the requirements of 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*
- maintaining appropriate information management systems to safely secure audit work papers, and having the ability to promptly identify if protected information has been lost, compromised, or stolen
- consenting to and satisfactorily passing a Queensland Police Service criminal history check; contract auditors' staff who work on QAO audits are also required to consent to and satisfactorily pass.

QAO maintains a register of all pre-qualified audit service providers. As part of the pre-qualification process, audit service providers are categorised based on an assessment of the following:

- number of audit partners in the firm
- extent of revenue earned by the firm from assurance activities
- whether the firm is a national firm or part of a network/alliance
- access to technical support and other expertise or specialist knowledge.

Audits selected to be performed by a contract auditor are offered to pre-qualified audit service providers in accordance with approved QAO procurement policies which comply with the Queensland Procurement Policy. A contract auditor must be rotated off the audit after a period of 7 years. The contract may rotate to another pre-qualified partner within the firm for an additional period, up to a maximum of 10 consecutive years with that firm.

Additional matters considered when engaging a person as a contract auditor include:

- actual or potential conflicts of interest
- whether the auditor is of good standing
- entity feedback on past performance.

Quality control of work of contract auditors

Contract auditors have all the powers and responsibilities of an authorised auditor under the Auditor-General Act. All audit work performed by contract auditors on behalf of the Auditor-General is to be undertaken in accordance with these standards. Contract auditors are not authorised to sign audit reports on behalf of the Auditor-General, unless delegated by the Auditor-General.

All audit work undertaken by a contract auditor must also be performed in accordance with the terms and conditions of the contract entered with QAO.

Contract auditors are to maintain their own systems of quality management in accordance with relevant professional and ethical requirements, and ensure these systems are in use for all QAO contract audits.

QAO's Quality Assurance Framework provides for the regular review of contract auditor performance and quality assurance systems implemented by the contract audit firms. Registered contract auditors who cannot demonstrate a continuing satisfactory level of internal quality assurance or performance may have existing contracts terminated and be removed from the register of pre-qualified audit service providers.

All working papers prepared in connection with the contract audit are the property of QAO. They are to be made available to QAO staff for the purposes of undertaking quality reviews and assessing contract auditor performance in accordance with QAO policies. Work papers are public records under the *Public Records Act 2002* and cannot be destroyed/disposed of without the specific authority of the Auditor-General. Any destruction or disposal of work papers must be conducted with reference to QAO's retention and disposal strategy.

Contract auditors are responsible for ensuring staff employed by them comply with these standards when undertaking audit work on behalf of the Auditor-General.

Performing non-assurance services at audit clients

Contract auditors must ensure the Auditor-General is advised of any real or perceived conflicts of interest for audits conducted on behalf of the Auditor-General.

Contract audit firms must not provide other services of any nature to a public sector entity it is engaged to audit during the period of the contract for auditing services, without the Auditor-General's prior approval.

Before requesting approval to undertake non-assurance services at an audit client, contract audit firms should document their:

- own independence checks
- self-assessment against the requirements in APES110 *Code of ethics for professional accountants*
- consideration of the Auditor-General's wider mandate to consider matters of probity, probity, and compliance.



Appendix A – Assurance standards to be applied

Financial audits are conducted in accordance with Australian auditing standards. These standards establish requirements and provide application and other explanatory material on:

- the responsibilities of an auditor when undertaking an audit of a financial report
- the form and content of the auditor's report.

Performance audits that consider economy, efficiency, and/or effectiveness are conducted under ASAE 3500 *Performance Engagements* and ASAE 3000 *Assurance Engagements Other than Audits of Reviews of Historical Information*.

We may undertake audits assessing compliance with legislation in accordance with ASAE 3100 *Compliance Engagements*.

The Auditor-General may conduct audits under the Auditor-General Act that do not directly apply these standards. The Auditor-General will use their discretion over the scope of the audit and associated report content. Examples of these audits are:

- conducting audits into financial administration at the request of the Legislative Assembly
- investigating matters raised about financial waste and mismanagement related to public assets and services
- sharing the insights or learnings from our audit work across government
- evaluating the risks and issues we believe government needs to manage now and in the future
- reports that set out the key facts, underlying assumptions, and summary information to help stakeholders understand complex issues and subjects.

The relevant standards are listed in the following table.

Standard number	Title	Issue date
ASRE 2405	Review of Historical Financial Information Other than a Financial Report	September 2022
ASRE 2415	Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation	March 2021
ASAE 3000	Assurance Engagements Other than Audits or Reviews of Historical Financial Information	September 2022
ASAE 3100	Compliance Engagements	September 2022
ASAE 3150	Assurance Engagements on Controls	September 2022
ASAE 3402	Assurance Reports on Controls at a Service Organisation	September 2022
ASAE 3500	Performance Engagements	September 2022
ASRS 4400	Agreed-Upon Procedures Engagements	December 2022
ASRS 4450	Comfort Letter Engagements	September 2020
APES 215	Forensic Accounting Services	July 2019

Appendix B – Types of audits identified in the *Auditor-General Act 2009*

- s. 35 – Audits at the request of the Legislative Assembly
- s. 36 – By-arrangement basis
- s. 36A – Audits of matters relating to property that is, or was, held or received by a public sector entity and given to a non-public sector entity
- s. 37A – Performance audits of public sector entities
- s. 39 – Audit of the consolidated fund
- s. 40 – Audit of financial statements of public sector entities
- s. 41 – Audit of expenditure of ministerial offices
- s. 42 – Audit of consolidated whole-of-government financial statements
- s. 42A – Joint or collaborative audit.



Appendix C – Tabling protocols

General principle

The Auditor-General aims to table reports to parliament on parliamentary sitting days. Reports may be tabled on a non-sitting day where there are limited or no sitting days within 14 days of finalising a report. The same principle applies during periods of parliamentary recess.

Caretaker period

Queensland holds general state elections on the last Saturday of October every 4 years. Constitutionally, the Governor dissolves the Legislative Assembly and issues a writ 26 days before polling day. The caretaker period begins when the Governor dissolves the Legislative Assembly. The time when the caretaker period ends depends on the outcome of the election.

If a proposed audit report under s. 64 the Auditor-General Act has been issued for comment and responses are received prior to the Legislative Assembly being dissolved, these reports will be tabled during the caretaker period.

If the Legislative Assembly has been dissolved prior to the lapse of the 21-day comment period, these reports will be tabled after the election.

The Auditor-General has ultimate discretion as to when to table reports. An exception to the principles above is that, if the report contains information requested by parliament or of significant public interest, the Auditor-General may elect to table the report as planned.

Reports focusing on local government matters follow the same principles regarding local government elections.

Estimates hearings period

Parliament does not sit during estimates hearings. The Auditor-General will not table an audit report during the estimates hearing period. The estimates hearing period is considered final once the portfolio committee reports are tabled.

An exception to this principle is that, if the report contains information requested by parliament or of a significant public interest, the Auditor-General may elect to table the report.

Significant public interest

Information of significant public interest is a matter of judgement, and the following is a non-exhaustive list of public interest matters which the Auditor-General may consider:

- matters of public concern and importance
- the proper administration of government
- open justice
- public health and safety
- the prevention and detection of crime and fraud
- the economic wellbeing of the state or local government.

Copyright



QUEENSLAND
Prepared under Part 3 Division 3 of the
Auditor-General Act 2009



© The State of Queensland (Queensland Audit Office) 2023.

The Queensland Government supports and encourages the dissemination of its information. The copyright in this publication is licensed under a Creative Commons Attribution (CC BY) 4.0 International licence.

To view this licence visit <https://creativecommons.org/licenses/by/4.0/>

Under this licence you are free, without having to seek permission from QAO, to use this publication in accordance with the licence terms. For permissions beyond the scope of this licence contact copyright@qao.qld.gov.au

Content from this work should be attributed as: The State of Queensland (Queensland Audit Office) Auditor-General Auditing Standards, available under CC BY 4.0 International.

Cover image is a stock image purchased by QAO.





qao.qld.gov.au/reports-resources/reports-parliament
qao.qld.gov.au/contact-us

T: (07) 3149 6000
E: qao@qao.qld.gov.au
W: qao.qld.gov.au
53 Albert Street, Brisbane Qld 4000
PO Box 15396, City East Qld 4000