

Summary

This report supports transparency about how we manage audit quality at the Queensland Audit Office (QAO). It outlines our approach to quality management practices and how we assess risks to audit quality. We report on areas of strength and where we can improve, supporting confidence in our work.

QAO is accountable to the Queensland Parliament as its independent auditor of all public sector and local government entities. We provide financial and performance audits and sustainability assurance, and report results and insights to parliament.

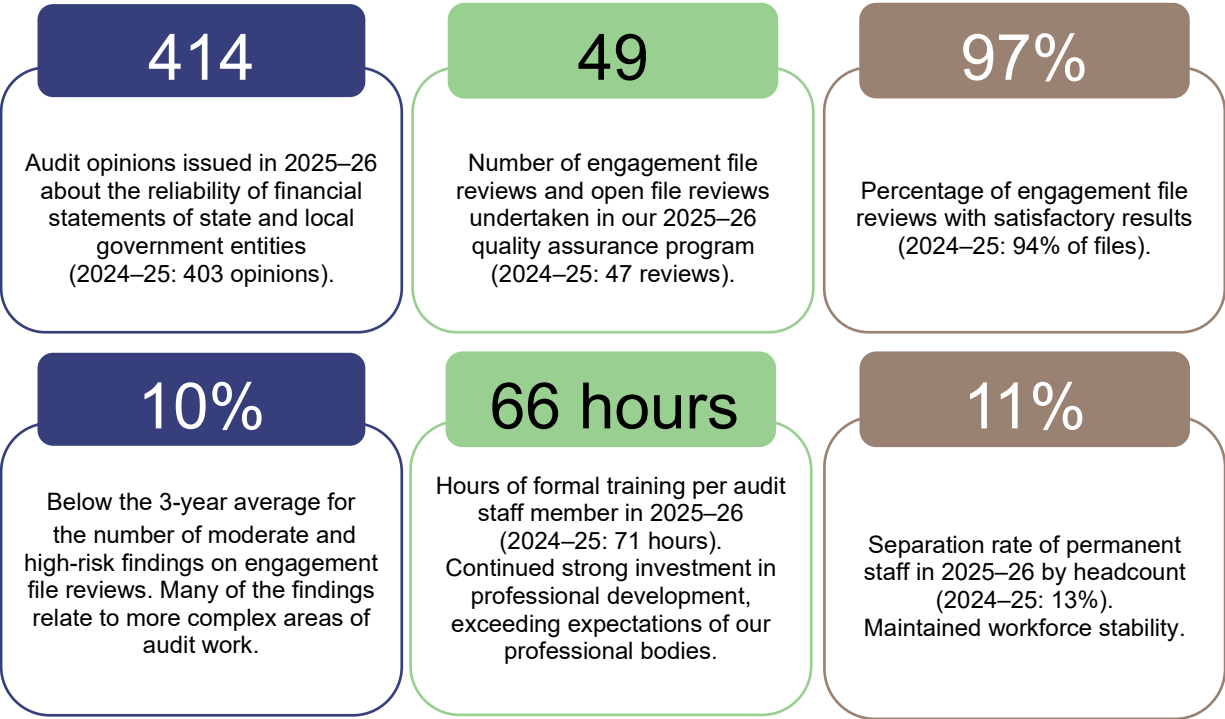
We apply the *Auditor-General Auditing Standards* and other relevant auditing standards to our work. We deliver more than just an audit or assurance report – our work goes to the heart of delivering better public services and focuses on probity and propriety of decision-making, accountability, and value-for-money to the public.

This transparency report covers our audit quality program for the year ended 30 June 2026. We choose to provide this report to:

- explain our quality program and results
- show how we seek to improve our audit and assurance practices
- describe our system of quality management.

The content of this transparency report is guided by the *Corporations Act 2001* for auditors of listed entities. We have voluntarily adopted these requirements in the public sector to demonstrate and support transparency of our audit practices.

Transparency at a glance



Our transparency report also includes 10 audit quality indicators, providing useful quantitative insights into our engagement processes. In 2025–26, we either achieved the target or were within 10 per cent of meeting the target in all of these indicators.



Confidentiality and protecting information

Protecting confidential information remains a core responsibility of QAO. We are committed to continually improving our governance arrangements and practices to maintain the integrity, confidentiality, and security of information entrusted to us. We regularly review and strengthen our internal policies, procedures, and controls to support the secure management of sensitive information.

Section 53 of the *Auditor-General Act 2009* (AG Act), applying to QAO employees and audit service providers (ASPs), imposes significant penalties for the inappropriate disclosure of protected information.

In late 2024–25, we enhanced our contractual requirements with ASPs to require formal acknowledgement of their obligations under the AG Act, and to confirm each audit year that they have not breached these obligations. This year we wrote to certain ASPs to promptly address potential confidentiality matters and seek their written assurances that they had complied with the requirements of the AG Act. Those ASPs confirmed that they had not breached our, or our clients', confidentiality.

Non-assurance services

We prohibit ASPs from delivering non-assurance services to their QAO audit clients without the Auditor-General's approval. We only approve non-assurance services in limited circumstances. ASPs must ensure that the Auditor-General is advised of any real or perceived conflicts of interest in relation to work undertaken on behalf of the Auditor-General. We explain this further in Chapter 2.

Our system of quality management

Our system of quality management is designed to support consistent quality in all audits and assurance engagements. In line with 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* (ASQM 1), we apply a risk-based approach to identify and address risks to achieving quality.

We undertake a root cause analysis of quality issues identified through our monitoring program and for all significant errors identified in our clients' prior financial statements.

Our audit quality program monitors all financial audits, performance audits, and assurance reviews. The results support our conclusion that our system of quality management is functioning effectively. We perform reviews of finalised engagement files, in-progress engagement files (known as open file reviews), and systems of quality management of our ASPs (firm reviews). The results of our monitoring include:

Engagement file reviews



- 11 of the 12 reviewed financial audits that in-house staff performed met our quality expectations. A direct-action plan and review mechanisms were put into place for the unsatisfactory in-house file.
- 17 of the 17 reviewed audits by ASPs were satisfactory.
- 3 of the 3 performance audit files that were reviewed met our quality expectations.

Open file reviews



- 10 in-house open file reviews had an average compliance of 75 per cent (2024–25: 79 per cent) across quality indicators.
- 4 financial audit reviews (3 for ASPs) had minimal remediation action required.
- 3 of the 3 reviews of files for sustainability assurance undertaken for the first time in 2025–26 were rated as satisfactory. We reviewed planning for the assurance engagement. The files demonstrated sound practice but required improvements to the depth of documentation.

Firm reviews



- We assessed aspects of quality management systems at 13 ASPs. We raised 13 recommendations at 4 ASPs and re-raised 3 recommendations at another.
- 1 firm initially included in the firm review program was not reviewed due to a significant change in the partnership and ownership structure. If we continue the relationship with the ASP, we will review the firm in 2026–27.

Quality management and our office

Quality management is a part of everything we do and reflects our commitment to delivering reliable and independent audits. It gives us confidence that our work supports better public services and sound financial management.

Through our quality reviews, we support our people to grow their professional skills and make informed judgements. By focusing on quality, we ensure trust in our reports and the advice we give to parliament and the public sector.

Our *Strategic Plan 2026–2030* outlines our objectives, risks, organisational strategies, and indicators of achievement, aligned to our vision and purpose. The plan is founded on our understanding of the needs and expectations of our clients, our stakeholders, and the broader community. It provides an overarching framework and sets the strategic direction for our operational and workforce planning, forward work plan, and service delivery statement. It guides how we prioritise resources, deliver valued services, and measure our performance.



Trusted and impactful work – We foster trust through products, advice, and engagements that add value. We continue to strengthen our systems and practices to support transparency, clear decision-making, and quality outcomes across all audit activities.



Capable and empowered people – We invest in our people and culture to maintain a workforce that meets our needs. We have embedded a culture of continuous improvement that reflects our values. We provide operating structures and programs that grow the capability of our workforce. We continue to grow our staff by refining training, on-the-job learning, and methodology and guidance, while promoting skills and capability through strong leadership and clear frameworks.



Contemporary, quality audits – We embrace innovation and evolve our systems, tools, and ways of working. Engagement leaders and staff continue to meet high professional standards, demonstrating our commitment to quality. This includes providing them with contemporary, up-to-date methodologies, and our teams applying them consistently and taking responsibility for the outcomes of each engagement. This includes our artificial intelligence (AI) journey, ensuring we have appropriate governance in place before we incorporate it into our systems and practices.

Sustainability assurance engagements

The Australian Government requires large public companies to prepare climate-related financial disclosures and have them assured for the first time for 2025–26. Nine large government companies prepared these reports for 2025–26.

We developed a sustainability methodology that complies with ASSA 5000 *General Requirements for Sustainability Assurance Engagements*. We held several training sessions throughout the year and convened regular working group meetings to build staff capability, support consistent application of the sustainability assurance methodology, and address emerging interpretation and practice issues. We undertook 3 open file reviews. The results indicate compliance with our methodology, and a good understanding of how to deliver the limited assurance conclusion. We used the results to refine our training, methodology and testing templates.

Statement on the effectiveness of our system of quality management

The Australian Securities and Investments Commission (ASIC) Information Sheet 184 summarises the audit transparency report requirements under sections 322 to 332G of the *Corporations Act 2001*. These requirements do not apply to QAO. However, as a public sector equivalent of an audit firm, we choose to adopt them voluntarily where relevant and appropriate to our role.

I have evaluated our system of quality management, and the results provide me with reasonable assurance to conclude that:

- our system of quality management functioned effectively in 2025–26
- in accordance with *Auditor-General Auditing Standards*, which incorporate 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*, we are achieving our quality management objectives, as described in this transparency report.

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



Rachel Vagg
Auditor-General

October 2026

