

Annual report

2015–16



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15 September 2016

The Honourable A Palaszczuk MP
Premier and Minister for the Arts
Level 15, Executive Building
100 George Street
BRISBANE QLD 4000

Dear Premier

I am pleased to present the Queensland Audit Office Annual Report 2015-16 and financial statements.

I certify that this annual report complies with:

- the prescribed requirement of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*
- the detailed requirements set out in the *Annual Report requirements for Queensland Government agencies*.

A checklist outlining the annual report requirements can be found at Appendix E of the report.

Yours sincerely

Anthony Close
Auditor-General (acting)

About this report

This report covers the activities of the Queensland Audit Office (QAO) for the reporting period from 1 July 2015 to 30 June 2016.

The content in this report differs from previous reports as we have applied the integrated reporting framework, as published by the International Integrated Reporting Council, for the first time. We use this framework to better inform our readers of the most important aspects of our organisation, its performance, and our ongoing sustainability.

This report provides a comprehensive view of how QAO operates to create value, reporting against our published strategy and performance measures.

The general purpose financial statements within this report were prepared in accordance with Australian Accounting Standards and Interpretations, the Treasurer's Minimum Reporting Requirements, and other authoritative pronouncements.

There were no significant changes to the accounting policies or the disclosure requirements impacting on the 2015–16 financial year. However, a number of new or revised accounting standards, as disclosed in note 1 of the financial statements, are of relevance and will impact the financial statements for the next financial year and beyond.

This report is available online at www.qao.qld.gov.au/about/ourperformance

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Auditor-General's report

This report reflects the first full year of our vision of *better public services* and I am pleased to see that our clients have responded positively to our advice and recommendations. Our customer satisfaction results have improved and now align with our targets, exceeding them for the first time for parliamentarians. Clearly, we are better managing expectations, collaborating when delivering services, and our people have embraced our organisational values. We will continue to provide trusted independent advice.

We set an ambitious goal of delivering 'world-class' audit to achieve our vision. World-class audit is a hard concept to define, let alone fully realise, but we know pursuing it will translate into better outcomes for our clients. It is a clear signal we have embraced this challenge when our clients and peers ask us about our innovative approaches to selecting performance audit topics and how we use audit analytics.

Looking forward, we will continue to transform our approach to financial auditing, the systems and tools we use, and further use of audit analytics. We will also strengthen our capabilities in performance auditing. This year we gained insights through our inaugural international performance audit conference in Brisbane — IMPACT — with attendees from all Australian jurisdictions and around the world. We also sponsored milestone research on the challenges and solutions facing performance auditing as a profession from the perspective of clients and providers. We will use these insights to provide more public value from our performance audits and contribute to advancing performance auditing as a profession.

A number of themes arose from our reports to parliament this financial year. The underlying challenge for the public sector is obtaining quality information on whether they are efficiently, effectively, and economically achieving their strategic objectives. This, in turn, will improve approaches to procurement, administering grants, management reporting, and investment decisions and the capabilities to realise them; these were all areas for improvement highlighted in our reports. I take this opportunity to thank Andrew Greaves, our 22nd Auditor-General, who has left a positive and enduring impact on both QAO and the public sector.

This year we delivered our financial and performance audit programs mostly on time and more cost-efficiently. Our financial audit program continues to assess the reliability of financial statements from public sector entities and aspects of probity and propriety. We introduced a new measure, 'financial statement material error', to be more transparent about audit quality. Our performance audit program continues to target topics that are important to Queenslanders and provides valuable insights into public sector performance. We also introduced a measure to assess performance audit benefits and provide greater transparency of the financial benefits to Queensland from what we do.

Our audit operations continue to benefit from our modernisation program, which aligns with our strategy to better utilise technology and standardised processes. We have implemented new finance processes supported by a new system, automated our management reporting, refreshed our website, strengthened graduate recruitment, and further improved ICT operations. Looking forward, we will transform human resources, audit workforce planning, and practice management processes for further efficiencies.

But our continued level of achievement is again undermined by the impact caused by our workload and its impact on our people's wellbeing. Whilst we performed in the top 20 per cent of public sector agencies for seven out of ten workplace factors in our latest staff engagement survey, our employees continue to feel challenged by their workload and its impact on their wellbeing. It is strong positive sign of our client focus when the team puts the needs of our clients above their own, but the sustained personal impact on our people continues to concern me. We remain challenged in attracting the right people. While we have implemented strategies to reduce workload impacts and partially addressed some issues within our constraints, the managerial and administrative autonomy from the government of the day required to better align conditions of employment to the ways we work remains elusive. Consequently, our strategy to pursue opportunities to strengthen independence remain as important as ever.

Anthony Close

Auditor-General (acting)

Highlights

1st quintile
among top 20% of public sector agencies for 'organisational leadership' and 'innovation'

strong client satisfaction

81% of MPs
78 IP financial audit clients
77 IP performance audit clients

held inaugural **IMPACT** International Meeting of Performance Audit Critical Thinkers conference to strengthen performance auditing

94%
of our financial auditors are professionally qualified or are working towards their qualifications

16.5%
reduction in the average cost of a financial audit between 2011 and 2015

62 clients engaged and providing data for audit analytics



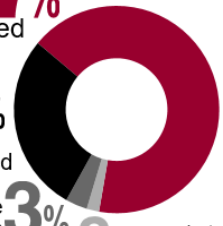
tabled **20** reports to parliament
13 performance audit
7 financial audit



5%
reduction in the average duration of performance audits

review of eight 2013–14 performance audits showed the status of recommendations as

67% fully implemented
28% partially implemented
3% alternate action
2% no substantial action



Organisational overview

The Queensland Audit Office (QAO) is the independent auditor of the Queensland public sector.

We are one of a number of integrity agencies within the Queensland system of government that exist to safeguard the public interest.

Our role and audit mandate is established under legislation — the *Auditor-General Act 2009* — and is considered to be one of the most progressive and contemporary in the world.

To fulfil our role, we conduct financial and performance audits, and report on the results of these audits to parliament.

Our unique position provides us with access to information across the entire public sector, enabling us to better focus our audits and develop unique insights and valuable recommendations for improvement.

Through our financial audits, we evaluate the accuracy and reliability of public sector financial statements. This helps our clients to meet their reporting obligations and provides members of parliament and the public with confidence in the reliability of published financial statements.

Through our performance audits, we use constructive, evidence-based approaches to independently examine the efficiency, effectiveness, and economy of public services. We consult widely each year to develop our performance audit program, so that we can focus our audits on the areas of greatest value to our stakeholders.

As we deliver our services, we identify and share information about good practice and make recommendations that promote accountability and transparency in government, and improve public services.

Our vision is for better public services for all Queenslanders, and we strive to use our unique position and audit mandate to achieve this.

Our organisational strategy supports our vision and has the following key objectives:



Our people are the best in their field, supported by efficient and effective operations



Our services are trusted and valued as independent, authoritative, and timely



Our clients use the information we provide to improve accountability and performance

Each year we review our strategy to ensure that our objectives, risks, and actions are aligned to our vision. Throughout the year, we monitor our operational performance and the delivery of our strategy to ensure that we meet our commitments and achieve our objectives.

Material issues















In this report, we use the concept of materiality to better inform our readers of significant issues that affect our ability to achieve our objectives and create value over the short, medium, and long term.


When reporting material issues, we strive to represent the views of multiple stakeholders including our clients and workforce. We do this by:


- speaking directly with our stakeholders as we deliver our services
- surveying our clients via an independent external provider to develop a clearer understanding of how satisfied they are with our services
- encouraging our employees to participate in the annual public service *Working for Queensland* survey to develop a clearer understanding of how satisfied they are with our workplace
- engaging with our employees during our daily operations, and planning, governance, and risk activities.

For this reporting period, we also considered key matters identified during an international research project conducted jointly by QAO and the Queensland University of Technology (QUT). We commissioned this important project to examine client and service provider perspectives on the challenges and opportunities facing performance auditing.

We address these material issues within this report.

Material issue	Raised by	Impact horizon	Impacted objective
Audit quality and capability	QAO leaders	Ongoing	 
Workload and health	QAO employees	Short-term	
Client fees — cost of financial audits	Financial audit clients	Long-term	
Understanding the client context	Performance audit clients, QUT research	Ongoing	  
Benefits from audit services	QAO leaders	Long-term	
Benefits from audit analytics	QAO leaders	Medium-term	
Data security — handling client data	Financial and performance audit clients	Ongoing	  
Independence and mandate	QAO leaders	Long-term	
Parliamentary funding	QAO leaders	Ongoing	

 Our people

 Our services

 Our clients

Our strategy

Our strategy continues to evolve with us now placing greater emphasis on the positive impact we pursue through our work.

Better public services

We are uniquely positioned to understand public sector issues and examine areas of public sector financial and operational performance. Better public services are achieved when the recommendations we make are implemented and our wider stakeholders are aware of the key issues facing them.

World-class audit

We provide our stakeholders with value for money and actively pursue opportunities to improve how we deliver our financial audit and performance audit services. Our relationships with national and international professional networks and the ongoing investment in our professional services culture are critical to achieving world-class audit.

Our rigorous approach to establishing our annual performance audit program and our audit analytics capability are recent examples of our pursuit of world-class audit.

Independent assurance

As an audit office and an integrity agency, our independence is critical and allows our stakeholders to trust the work we do. It means that our advice and opinions are based on the application of our expertise and professional standards, and are not influenced by external factors.

Our independence also allows us to exercise discretion within our legislation, to determine what work we will do and how we will do it.

Unique insights

Our position allows us to develop unique insights because we work across the entire public sector and are able to access and analyse any information that we require for audit purposes. Our stakeholders benefit from our ability to develop a well-informed, evidence-based perspective on public sector performance.

In support of our vision and purpose, our strategic objectives are that:

- our people are the best in their field
- we deliver services that are trusted and valued
- the information we provide is used by our clients to improve accountability and performance.

Our workforce is critical to us achieving our strategy. Each member of our team either engages directly with our clients, or supports those that do. Our workforce strategy focuses on our capability and capacity, and our professionalism and performance.

VISION

Better public services

World class audit

PURPOSE

Independent assurance

Unique insights

VALUES

Engage with
purpose

Challenge
ourselves

Deliver on our
commitments

Care about
people

OBJECTIVES



Our people are the best in their field, supported by efficient and effective operations



Our services are trusted and valued as independent, authoritative, and timely



Our clients use the information we provide to improve accountability and performance

Our business model

The way we create value is expressed through our business model. It represents the relationship between our organisation's key inputs, activities, outputs, and outcomes.

We engage with our clients to deliver financial audit and performance audit services, investigate issues about financial waste and mismanagement, and provide advice and assistance. These services are the key activities in our business model.

Key inputs to our services:

- our workforce — audit professionals and support staff employed by QAO, professional audit firms that we contract work to, and other subject matter experts that we engage as required
- our ways of working — audit methodologies aligned with professional accounting and audit standards, and modern technology that supports workforce collaboration
- client relationships and information — parliamentary and public sector stakeholders, and the financial and operational performance information relevant to audit planning and conduct
- funding for our services — financial audit services are paid for by public sector entities, and our other services are funded by parliament.

Key outputs from our services:

- financial audit opinions — providing assurance about the accuracy and reliability of public sector entity financial statements
- reports to parliament on the results of financial audits — providing aggregated information about financial performance and issues relevant to whole-of-government or groups within the public sector
- reports to parliament on the results of performance audits — providing performance audit results that examine areas of public sector economy, efficiency, and effectiveness
- good practice — providing awareness and resources to promote better practices within the public sector.

In line with our vision, we look beyond our key outputs to our impact on public services.

Key outcomes we contribute to:

- increasing maturity in public sector financial management and reporting — by engaging with our stakeholders on matters of importance, examining our client's control environments, and identifying systemic issues to be addressed
- maintaining confidence in financial accountability, transparency, and reporting — by providing professional audit services, forming opinions on financial statements and operational performance, and publishing the results of our audits in reports to parliament
- improvements in the economy, efficiency, and effectiveness of public services — by examining our client's financial and operational performance, identifying issues, and providing recommendations for improvement that our clients accept and implement.

Achieving these outcomes results in better public services.



Our performance

We use performance indicators and measures to provide us with ongoing information about the achievement of our strategy and the efficiency and effectiveness of our business model. More information on these measures is available in our performance statement within this report.

Indicator: Our clients increasingly value our relationship and the services we provide

Measure	Units	2011–12 Actual	2012–13 Actual	2013–14 Actual	2014–15 Actual	2015–16 Actual	2015–16 Target
Overall client satisfaction ¹							
Members of parliament ²	%		68		76	81	80
Clients of financial audit services	Index points ³	72	75	76	77	78	80
Clients of performance audit services	Index points ³	73	71	77	68	77	80

1. These measures are provided by an independent third party who surveys our clients. We have seen positive changes in the satisfaction with our services.
2. Members of parliament are not usually surveyed every year. No survey was conducted in 2011–12 and 2013–14.
3. Index points are used to more accurately describe the results when multiple survey factors are combined into a single value or score.

Indicator: Our clients realise benefits from the work that we do

Measure	Units	2011–12 Actual	2012–13 Actual	2013–14 Actual	2014–15 Actual	2015–16 Actual	2015–16 Target
Performance audit recommendations accepted	%	83	100	98	95	99	95
Performance audit recommendations implemented ^{1, 3}	%					67	100
Benefits from performance audits ^{2, 3}	Ratio					>1	>1

1. This measures the extent to which our clients have implemented the recommendations they have previously accepted (as reported by our clients).
2. This measures the extent to which the benefits identified from our performance audits exceed the cost of our program. It is measured as a ratio of benefits to costs.
3. As this is a new measure, there is no prior year information and the approach to measurement and target setting is expected to mature over time.

Indicator: Our people are highly professional, capable, and engaged

Measure	Units	2011–12 Actual	2012–13 Actual	2013–14 Actual	2014–15 Actual	2015–16 Actual	2015–16 Target
Our workforce is viewed by our clients as being professional ¹							
Financial audit services clients	%	90	96	96	96	93	n/a
Performance audit services clients	%	80	100	100	95	100	n/a
Professionally qualified auditors ²	%	67	72	74	69	74	80
Financial statement material error ³	%					3.3	<5.0
Staff engagement ⁴	Quintile		2	3	2	2	1 or 2

1. These measures are provided by an independent third party who surveys our clients. The results are reported within the overall satisfaction results — no separate target has been set.
2. This measures the percentage of our financial audit team who have post-graduate accounting qualifications. A further 20% of auditors are currently working toward their qualification.
3. This is a measure of audit quality, as it measures the extent to which our work is free from error. As this is a new measure, there is no prior year information.
4. This measure is provided from the annual public service *Working for Queensland* survey. It is measured in quintiles, where the 1st quintile represents the top 20% of public sector entities.

Indicator: Our organisation demonstrates ongoing improvements in efficiency and effectiveness

Measure	Units	2011–12 Actual	2012–13 Actual	2013–14 Actual	2014–15 Actual	2015–16 Actual	2015–16 Target
Reports to parliament on the results of financial audits ¹							
Average cost	\$ 000's	149	213	159	185	158	175
Average duration	months	5.4	4.6	5.4	5.3	5.8	5
Reports to parliament on the results of performance audits ²							
Average cost	\$ 000's	363	400	446	334	336	390
Average duration	months	6.6	8.7	8.1	8.7	8.3	<8.0
Average cost of financial audits ³							
State entities	\$ 000's	59	61	72	67	79	60
Local government entities	\$ 000's	76	70	64	68	67	65








1. These results demonstrate an improvement in the average cost, while average duration has moved further from target. Action has been taken to address this issue for 2016–17.
2. These results demonstrate a sustained reduction in average cost and an improvement in average duration.
3. These results demonstrate an increase in the average cost of a financial audit opinion for state entities. A significant factor in this increase was a reduction in the number of audit opinions required while the amount of audit work required remained largely unchanged.


Risks and opportunities


Our goal is to make informed decisions that balance achieving our objectives against actively managing risk to acceptable levels.

Our risk management practices promote conversations across QAO to identify key strategic and operational risks. We monitor these risks and related actions throughout the year at monthly executive and operational governance meetings.

In addition, our Audit and Risk Management Committee has oversight of risk management practices within our organisation and provides independent advice to the Auditor-General about their effectiveness.

Strategic risk	Risk response	Objective that may be impacted
Our key stakeholders question our independence or competence.	<p>We pursue opportunities to achieve greater autonomy, supporting the review of our level of independence under current legislation.</p> <p>We focus on audit quality and the competence and capability of our audit specialists.</p>	 
We do not effectively manage our stakeholders' expectations.	We develop new and better ways to engage with our stakeholders.	 
We do not adapt our services in response to our stakeholders' changing needs.	We listen to our stakeholders and adapt our audit approaches to provide greater value.	 
We do not uphold our professional, ethical, and quality standards.	<p>We monitor our employees' actions and outputs against professional standards and our audit quality standards. All staff declare their independence at both a whole-of-government level and a client level.</p> <p>We actively monitor our audit quality with a program of reviews.</p>	  
We cannot access or develop the capabilities we need.	<p>We focus on identifying and developing the capabilities we need in our workforce.</p> <p>We invest in audit analytics capability.</p>	 
Our operations do not deliver our services efficiently and effectively.	<p>We test our competitiveness against the market and our productivity against our peers.</p> <p>We use new technology and standardised processes to improve our operations.</p>	

 Our people

 Our services

 Our clients

Services to our clients

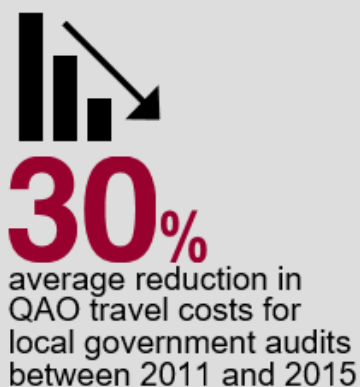
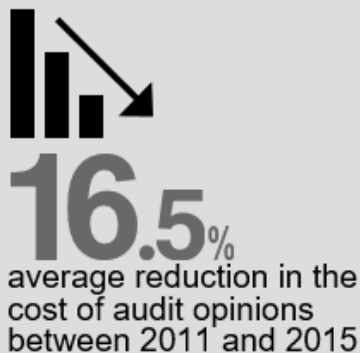
We want our clients to use the information we provide to improve accountability and performance.

Our clients are members of parliament, parliamentary committees, and public sector entities. We also engage directly with public sector Chief Financial Officers and Audit Committee Chairs to share information and contribute to the increasing maturity of public sector financial management and reporting.

This section provides information about the services that we provided to our clients this year, and contains information on the following material issues:

- client fees — cost of financial audits
- understanding the client context
- data security — handling client data
- benefits from audit services
- parliamentary funding.

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THE FACTS



Client fees — cost of financial audits

We focus on keeping the cost of our financial audit services low, as our clients are sensitive to these costs.

Under legislation, we are the independent auditor of the Queensland public sector. This provides our clients with consistency across public sector, enabling comparison and consolidation. However, it also prevents our clients from engaging other auditors and places greater responsibility on us to deliver value-for-money services.

Financial audits are an important part of the public sector accountability framework and ensure that the financial statements of public sector entities can be relied upon to:

- provide a true and fair view of financial position and performance
- explain how an entity earned and spent money
- provide details of what assets and liabilities an entity has.

To be efficient and effective, we maintain:

- a workforce of financial audit professionals with up-to-date knowledge of accounting and auditing standards
- a fit-for-purpose public sector methodology
- an internal network of experts on public sector issues.

To keep the cost of our audits low, we:

- regularly refine our audit methodology to remove unnecessary steps
- constantly review how our audit teams apply our audit methodology
- centrally provide 'audit analytics' to our audit teams using automatically collected and analysed client information
- contract about one third of our work to other audit firms to provide an efficient surge capacity aligned to our audit cycle. We undertake a competitive tender process that also allows us to test the cost of our services against the market
- assign some contracts to regionally-based audit firms to minimise audit team travel costs, which are paid for by our clients as part of the cost of an audit
- continuously improve organisational efficiency to reduce our overheads.

We publicly demonstrate our focus on keeping audit costs low by reporting the average costs of our financial audits, and independently surveying our financial audit clients and reporting their level of satisfaction as part of our performance measures.

Understanding the client context

Our performance audits provide recommendations to our clients to improve government service delivery.

To achieve our vision of better public services, the recommendations we develop must be accepted and implemented by our clients. We recognise that to develop valuable recommendations, we need to engage effectively with our clients to combine our insights with their context and expertise.

Performance audits examine areas of importance to Queensland, providing independent assurance that public resources are used appropriately. We audit government programs to determine if they are delivering on their objectives efficiently, effectively, and economically.

To deliver our performance audit program, we maintain a specialist team of performance auditors who are experienced in applying our methodology in different situations and circumstances.

To develop practical recommendations, we:

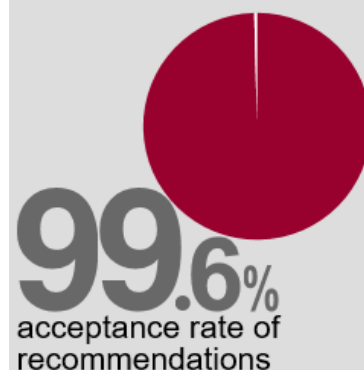
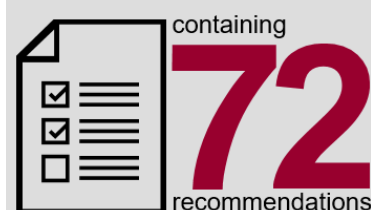
- use our sector-based client engagement model to access relevant expertise within our organisation
- assess the need for external specialist subject matter expertise, during planning for the performance audit
- participate in client induction workshops to improve our understanding of the client context
- engage directly with our clients during the audit to ensure ongoing access to relevant information
- seek feedback from our clients on draft recommendations at multiple points before finalising them.

We publicly demonstrate our focus on developing valuable recommendations by independently surveying our performance audit clients and reporting their level of satisfaction as part of our performance measures.

During 2015–16, our performance audits covered a diverse range of topics:

- the use of traffic cameras to address road safety issues
- agricultural research, development, and extension programs and projects
- the administration of the Royalties for the Regions grant program for councils
- major transport infrastructure projects including the Moreton Bay Rail Program and the Bruce Highway Upgrade Program
- the provision of court reporting and transcription services
- the management of privately owned prisons
- the use of cloud computing across the Queensland public sector
- the efficiency of public hospital operating theatres
- flood resilience of river catchments since 2011 in the Bremer, Lockyer, mid and upper Brisbane river catchments
- access to early childhood education and kindergarten services
- reforms to heavy vehicle road access.

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Data security — handling client data

Data security is a critical issue for our clients.

Under information standards, data owners remain accountable for the appropriate handling of their data even when it is provided to other parties. Our commitment to our clients is that we will manage the data we have in accordance with its security classification, in line with information standards.

Our commitment to our clients is that we will manage the data we have in accordance with information standards.

Information about our clients' financial and operating environment and performance has always been an essential input to audit services.

Advances in technology provide us with opportunities to access and analyse large data sets more easily than ever before. Our pursuit of improvements in audit efficiency and effectiveness has led us to develop an audit analytics capability that:

- uses automated processes for receiving data that our clients previously gave to us via email or on portable storage devices
- uses automated scripting to ensure the data sets are complete and accurate
- applies analytical techniques to common data sets to enable audit teams to focus their effort on investigating statistical outliers
- continuously develops — where the ad hoc analysis on one audit may be of benefit to other audits, it can be added to the set of standard analysis techniques
- maintains client data within a secure environment managed by CITEC, the Queensland government's primary information and communication technology service provider.

Previously, clients would check the appropriateness of the data they were providing prior to sending an email or handing over a portable storage device. By automating the processes for us to receive client data, these checks occur upfront and form part of our ongoing information access arrangements.

We recognise that great care needs to be exercised to ensure that access is only given to the data that is required to deliver our audit services.

We encourage our clients to engage with us about the risks and opportunities relating to data security as we pursue improvements in our audit services.

We apply a variety of security protocols



Benefits from audit services

Our audit services do more than help our clients meet their reporting obligations.

We contribute to better public services by:

- engaging with our stakeholders to identify potential performance audit topics that they consider important
- engaging with our clients to conduct our performance audits, and then developing unique insights and valuable recommendations for their acceptance and implementation
- engaging more broadly with public sector stakeholders to share performance audit insights and wider learnings for them to consider in their own entities
- following up with our clients to understand to what extent previously accepted recommendations have been implemented
- independently surveying our performance audit clients for feedback on our audits for continuous improvement purposes.

Any member of the public can provide us with suggestions for performance audit topics. We evaluate each potential topic against key criteria to develop a performance audit program that:

- focuses on important topics
- leverages our unique position
- demonstrates our independence
- represents the best use of our limited funding.

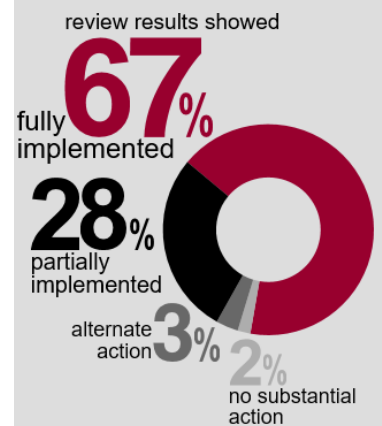
We have introduced two new performance measures to be more transparent about the potential positive impact of our services. These measures are:

- the percentage of performance audit recommendations implemented by public sector entities
- a benefit ratio for our performance audit program.

We explain these measures in our performance statement in this report. As these are new performance measures, we expect our approach to measuring and setting targets to mature over time.

Our aim is for the public sector to realise more benefits from our performance audit program than it costs to deliver it, and for us to demonstrate this clearly through our reporting. To achieve this, we need to work effectively with our clients to identify and agree on the benefits from our services.

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Performance audit highlights

These highlights from our performance audit program demonstrate the breadth of topics we cover and the potential benefits to Queenslanders.

Road safety and the use of traffic cameras

Report 2 from our 2015–16 program

Driver disregard for speed limits and traffic signals is a significant factor in road accidents, hospitalisations, and fatalities. Traffic cameras are one tool used to address this issue. However, it is not uncommon for the public and media to question whether the use of traffic cameras is effective in addressing this issue, and whether they are being used appropriately.

We examined the design and implementation of the Camera Detected Offence Program (CDOP) and how effectively it contributes to road safety outcomes. While we found the program had improved driver behaviours, we identified issues with program governance and implementation, particularly camera site selection, deployment, and infringement issuing and enforcement.

The report has resulted in Queensland Police Services taking action to increase the covert use of traffic cameras to operate at the level already approved by government.

We expect that implementing the CDOP as designed, including deploying the cameras to the right locations and the right time and mode (covert and overt), will, over time, have a positive impact on driver behaviour, and ultimately save lives.

Managing privately-operated prisons

Report 11 from our 2015–16 program

Two of Queensland's high security prisons are privately-operated with a view to achieving significant cost savings to the state. We examined whether these savings are being achieved without compromising the quality of prison services.

Our work confirmed that these private arrangements are realising significant cost savings while providing a level of services commensurate with publically-operated prisons. We noted that health services cost significantly less (about \$4.4 million per annum) in Queensland's two privately-operated prisons compared to the public sector's cost estimates for delivering those services. Our recommendations included identifying better practices and cost-efficiencies in privately-operated prisons, and applying them, as appropriate, to the eight other publicly-operated high security prisons.

We expect that this will result in improvements to publicly-operated prisons, including further cost savings to the state — especially in health services.

Hospital operating theatre efficiency

Report 15 from our 2015–16 program

Hospitals do not use their operating theatres all day, every day. With surgery waiting lists again starting to increase, we examined how well operating theatres in public hospitals are being utilised.

We concluded that operating theatres are currently underutilised, after identifying 18 898 'lost' hours over an 18 month period across the 39 hospitals examined. We made recommendations to improve operating theatre planning, operation, and reporting to support their more efficient use.

Our report prompted the Department of Health to establish a new operating theatre efficiency committee. The committee uses specific performance monitoring measures we developed as part of our audit.

We expect the committee will drive system-wide efficiency improvements in how public hospitals manage their operating theatres.

Our website contains copies of these and other reports to parliament, and also details of performance audits that are planned and in progress. Visit <https://www.qao.qld.gov.au/> for details.

Parliamentary funding

We have two sources of funding — parliamentary funding and fee-for-service.

Public sector entities fund our financial audit program, as all state and local government entities pay us directly for the independent audit of their financial statements.

Parliament funds the position of the Auditor-General and other services through appropriation, including:

- developing and delivering our performance audit program
- preparing and tabling our reports to parliament
- providing advice and assistance to our clients.

We also investigate matters raised about financial waste and mismanagement relating to public services. Where matters are minor and the timing aligns with an existing financial audit, the matter may be easily investigated by the financial audit team as part of their audit. Where matters are more significant, we may add them to our performance audit program.

We manage these two sources of funds separately, as it would be inappropriate for:

- financial audit clients to pay for services that parliament fund
- parliament to pay for financial audits.

Parliamentary funding has not changed significantly over the past five years; however, our services are changing. As we pursue our vision of better public services, we are engaging more with our stakeholders to better focus our performance audit program, develop good practice resources for our clients, and share the outcomes of performance audits with wider audiences.

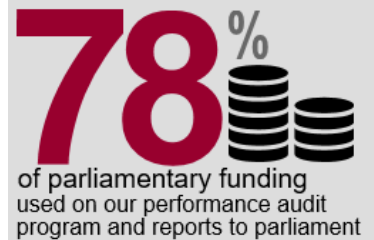
As we continue to do this, less funding will be available to invest in conducting the performance audits themselves. To date, we have pursued efficiencies in performance auditing that have allowed us to do more while still delivering our agreed performance audit program.

Based on these changes, we expect the number of performance audits we can conduct to reduce over time. Although, we would also expect to target topics of greater importance and to deliver outcomes to a broader group of stakeholders — not just those involved in the audits.

We will continue to monitor how we use our parliamentary funding to ensure we get the balance right.

Our 2015–16 allocation of \$6.4 million in parliamentary funding

Service	Amount
Statutory positions	\$0.7m
Results of performance audits reports to parliament (our performance audit program)	\$4.1m
Results of financial audits reports to parliament	\$0.9m
Strategic audit planning	\$0.5m
Managing issues raised about financial waste and mismanagement	\$0.1m
Advice and assistance to parliament	\$0.1m
Total	\$6.4m



Improving our services

We want our services to be trusted and valued as independent, authoritative, and timely.

Accordingly, we continue to invest in audit capabilities, how we engage with our clients, and in audit efficiencies through innovation and risk-based approaches. In keeping with our independent nature, we actively pursue opportunities for greater autonomy to better position us to achieve our vision.

This section provides information about how we are working to improve our services, and contains information on the following material issues:

- audit quality and capability
- benefits from audit analytics
- independence and mandate.

94%

of our financial auditors
are professionally
qualified or are working
towards their qualifications



63

hours of professional
development per
auditor on average

audit specialists
organised into



7
client focused
sector-based teams

3.3% financial
statement material error

Audit quality and capability

We provide specialist financial and performance audit services, and our ability to deliver these services to professional standards is critical.

Through our financial audits, we form opinions about the reliability of public sector entity financial statements. We also examine aspects of probity and propriety.

Through our performance audits, we examine the efficiency, effectiveness, and economy of public services.

For our stakeholders to have confidence in our services, we need to:

- demonstrate compliance with professional accounting and audit requirements
- demonstrate knowledge of the client and sector
- meet agreed commitments to our clients
- keep our work free from error.

We do this by:

- assigning independent, qualified, and experienced professionals to our audits
- ensuring use of compliant, public sector aligned, fit-for-purpose, financial and performance audit methodologies
- investing in audit capabilities through information sharing, training, and professional development
- engaging effectively with our clients, and sharing client and sector knowledge across our workforce
- monitoring quality on audits-in-progress to proactively identify and address issues
- reviewing quality on completed audits to identify areas for improvement
- focusing on audit quality through our internal governance.

For our financial audits, we have introduced a new performance measure to be more transparent about audit quality. The measure is 'financial statement material error' and it is used to report on material errors in prior year financial statements. We monitor the corrections being made and investigate if a change in our future audit approach is required.

Our aim is for our outputs to be of the highest standard. To achieve this, we need to actively manage our financial and performance audit quality and capability, and use information about our performance to inform our internal improvement activities.

Benefits from audit analytics

We are innovating through the use of audit analytics to improve our audit outputs and our audit efficiency.

Our auditors sample information from client data sets each year as part of our process to form an audit opinion. We sample very similar information from one year to the next, across all of our clients.

Due to advances in technology, we can now work with large client data sets. Our strategy is focused on automating how we access and analyse client data. Our aim is to improve our knowledge of client operations to better focus our risk-based testing approach. Our long-term goal is to reduce the total hours required on an audit and increase the level of testing possible, which will reduce the cost to our clients and increase value.

As we progress our strategy, we have observed:

- improvements in audit quality, due to our ability to easily analyse entire data sets and focus on outliers and anomalies
- no negative impact on client fees, due to existing financial audit resources being re-directed toward improved audit analytics
- some client fee reductions and the potential for further reductions in the medium term as we integrate our audit analytics with our financial audit methodology, resulting in more efficient ways of working
- a high level of interest from our clients to examine their own data through the analytical views we have developed.

Our work to date has included:

- establishing a dedicated, specialist audit analytics team and data champions within each of our sectors
- collecting common client data sets with potential to generate audit efficiencies
- identifying a pilot group of clients to test data access principles and processes
- collaborating with our clients to implement automated data access
- developing new ways to combine client data into a single source for analysis
- developing secure technology for receiving, storing, and managing client data
- developing automated scripts that ensure the data sets are complete and accurate before being published for audit use
- selecting the most appropriate software tools for analysing client data
- developing automated dashboards to allow auditors to visualise client data
- training our auditors to interpret standardised dashboard information and to further customise the dashboards to suit individual clients
- integrating audit analytics with our financial audit methodology.

Audit analytics has also been used to more quickly and easily analyse large data sets for our performance audits. This year, most notably:

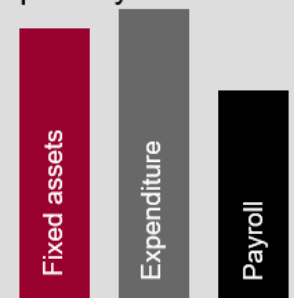
- fraud management in local government
- Queensland public hospital operating theatre efficiency.

We will continue to carefully invest in audit analytics while we can see the potential for improved audit quality or efficiency leading to reductions in client fees.

6 
dedicated QAO
team members

6 
clients involved
to date

focused
on
3
primary data sets:



Finance and
Administration
Committee

QAO

parliamentary oversight
from the Finance and
Administration Committee

2010

previous strategic review completed

2011

legislation expanded to include
performance audit mandate

2016

current strategic review in process

Independence and mandate

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and provides our audit mandate for the Queensland public sector and related entities.

Our independence is critical, and means that we conduct audits in any way we consider appropriate and are not subject to direction from any person about the way we exercise our audit powers.

We are concerned if stakeholders question our independence. We respond by listening carefully to understand their concerns and providing information about our role, mandate, approach, audit standards, and the rationale for our decisions. In our experience, being open and transparent is the most constructive approach to addressing these types of concerns.

We recognise that there are degrees of independence, and in 2013 we contributed to a parliamentary inquiry about how to strengthen the independence of the Auditor-General. In our contribution, we identified potential legislative amendments to:

- strengthen our relationship with the parliament
- improve our administrative and financial autonomy
- respond to changes that impact auditing in a modern world
- resolve minor legislative deficiencies.

This parliamentary inquiry lapsed in early 2015 as a result of a state election being called. The inquiry was re-established in late 2015 under the newly formed parliamentary committee but has now been superseded by our five-year independent strategic review. This review is now in progress and is examining the operations and performance of our organisation.

We look forward to the outcomes of this review and how they may contribute to improving our independence and the services we provide to our clients.

How we operate

We provide professional audit services to public sector entities.

Our challenge is accessing the audit capabilities we need, when we need them, to deliver our services across all our clients, to professional standards and agreed performance expectations.

We focus on this challenge by encouraging our people to be the best in their field, supported by efficient and effective operations.

This section provides information about how we operate and contains information about material issues and additional information required for public sector reporting:

- our people
- our governance
- stakeholder engagement
- workload and health.

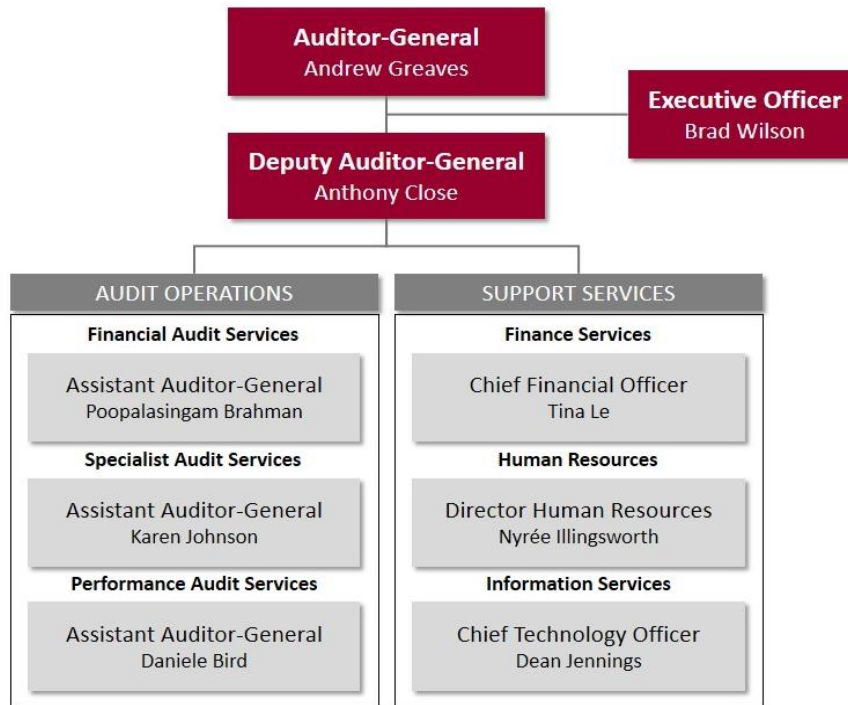
Our people

Our workforce is critical to us achieving our strategy.

The composition of our workforce is designed to meet the service needs of our clients, and our structure provides employees with clear accountability and authority for service delivery.

Each year we determine our workforce needs including employee numbers, audit and other contractors, and the selective use of private audit firms.

Organisational structure as at 30 June 2016



Our audit operations focus on the needs of our clients — delivering our financial audit and performance audit programs and reporting to parliament — noting that in our:

- financial audit program, we supplement our financial audit employees with audit contractors to manage peak workloads and we contract about one third of our effort to private audit firms
- performance audit program, our performance audit employees develop and deliver this program and access specialist consultants on specific audits when we need additional expertise.

Our support services focus on the needs of our workforce — providing financial, people, technology, and information services. We actively manage our support services to ensure we have the right mix of ‘audit to support’ resources to provide value-for-money services to our clients.

1st
quintile
among top 20% of public
sector agencies for
'organisational leadership'
and 'innovation'

199
people

83%
audit operations
17%
support services

48:52
female : male staff

We advocate for a diverse and inclusive workforce, and we promote a professional services culture that is underpinned by four core values. We include these values in our strategy, and they inform how we interact with our stakeholders and within our teams.

Our values are:

<p>We engage with purpose</p> <p>Within QAO, this means:</p> <ul style="list-style-type: none"> • being frank, fair and honest in our dealings • setting clear expectations and managing effectively to them • listening to learn and communicating clearly to inform 	<p>We challenge ourselves</p> <p>Within QAO, this means:</p> <ul style="list-style-type: none"> • questioning the status quo • seeking new knowledge and applying new skills • taking measured risks when trying new things
<p>We deliver on our commitments</p> <p>Within QAO, this means:</p> <ul style="list-style-type: none"> • taking responsibility and holding ourselves accountable • doing the right things and doing things right • understanding before acting 	<p>We care about people</p> <p>Within QAO, this means:</p> <ul style="list-style-type: none"> • demonstrating respect for others and their contribution • considering how our actions affect others • sharing our knowledge and expertise • supporting and celebrating the success of others

We live these values in our organisation by:

- introducing them to new employees through our induction program
- providing ongoing opportunities for all employees to discuss how we demonstrate them day-to-day
- including them as an area of discussion during employee performance reviews
- recognising teams and individuals for exemplary displays of behaviours that support them.

We are committed to our people being the best in their field, and we invest in them by providing:

- study assistance to support ongoing learning
- targeted technical and non-technical development programs for personal and professional growth
- technical competency frameworks that clarify career progression and capability expectations
- clear and continuous feedback to help people perform their work and continue to improve
- secondments between government departments for job variety and skills development.

Our aim is to have a highly engaged workforce where each person's daily experience is to come to work with a sense of purpose, and leave with sense of achievement.

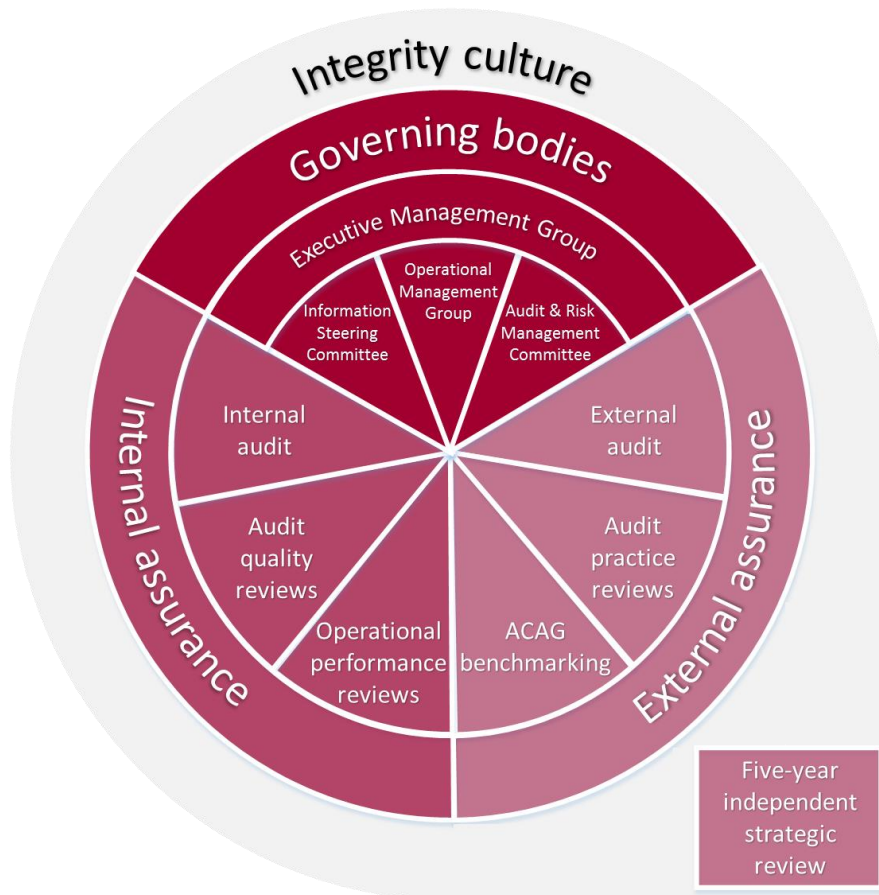


Our governance

Under legislation, the Auditor-General is the Chief Executive Officer of the QAO and is accountable to parliament for its operation and performance.

To support the Auditor-General in fulfilling these accountabilities, we use a variety of internal and external mechanisms to govern and control our organisation. In addition to these mechanisms, our legislation requires the external audit of our annual financial statements and a five-year independent strategic review of our operations and performance.

Key governance and control mechanisms



Our executive leaders set the tone for integrity and governance within QAO, and monitor the operations and performance of our governing bodies and activities related to internal and external assurance.

Key executive management personnel as at 30 June 2016



Andrew Greaves
BEc FCA FCPA
Auditor-General



Anthony Close
BBus FCPA
Deputy Auditor-General



Poopalasingam Brahman
BBus FCPA
Assistant Auditor-General



Karen Johnson
BCom FCA
Assistant Auditor-General



Daniele Bird
BBus CA
Assistant Auditor-General

Table: Description of key governance and control mechanisms

Governance element	Description
Integrity culture	As an integrity agency, we aim to safeguard and promote ethical conduct in line with our commitment to codes of conduct for professional accountants and the public service.
Governing bodies	All governing bodies support the Auditor-General, operate under current charters, and have their effectiveness reviewed annually by their members.
Executive Management Group	Our executive leaders form the Executive Management Group (EMG). EMG sets our strategic direction and leads the achievement of our strategic objectives.
Operational Management Group	Our divisional leaders form the Operational Management Group (OMG). OMG sets our operational plans and priorities, and leads the achievement of our operational objectives.
Information Steering Committee	A selection of executive and divisional leaders form the Information Steering Committee (ISC). ISC maintains alignment between our current and future state enterprise architecture, and our investment in technology.
Audit and Risk Management Committee	The Audit and Risk Management Committee (ARMC) is comprised of three external independent members. ARMC provides advice and assurance to the Auditor-General through their effective oversight of the risk, control, and compliance frameworks and fiscal responsibilities underpinning our corporate governance.
Internal assurance	We use internal assurance mechanisms to monitor key areas of our operations and performance.
Internal audit	Internal audit operates under an approved charter with the head of internal audit reporting to the Auditor-General. Each year, internal audit conducts independent, objective, and risk-based assurance activities based on a program approved by ARMC.
Audit quality reviews	We conduct audit quality assurance reviews on a representative selection of our 'in progress' and 'completed' audits to provide evidence of compliance with our audit practices and identify areas for improvement.
Operational performance reviews	Divisional leaders participate in reviews of their division's performance every six months with the Auditor-General and Deputy Auditor-General, to identify improvement opportunities and corrective actions.
External assurance	We use external assurance mechanisms to provide further assurance on our performance, controls, and compliance.
External audit	Our legislation requires our financial statements to be independently audited each financial year. The Governor in Council appoints an external auditor to conduct this audit. We also engage the auditor to audit our performance statement.
Audit practice reviews	We periodically engage external independent reviewers to examine our organisation and challenge the way we operate and perform in regard to our audit practices. This includes assessing our compliance with professional standards and identifying opportunities for us to improve.
ACAG benchmarking	As a member of the Australasian Council of Auditor-Generals (ACAG), each year we participate in a benchmarking activity that enables audit offices to compare our operational performance across jurisdictions and identify opportunities to improve.
Five-year independent strategic review	Our legislation requires an independent strategic review of QAO to be conducted at least every five years, which includes an evaluation of the Auditor-General's functions and performance. The Governor in Council appoints the reviewer. This review is in progress.

Stakeholder engagement

Our relationship with our stakeholders impacts our ability to achieve our strategy.

When engaging with our stakeholders, we focus on:

- raising awareness about our role and services
- sourcing important topics for our performance audit program
- sharing better practice with and among our clients
- generating greater impacts from our services.

Within audit operations, we organise our audit teams by sectors to improve client engagement and our understanding of their organisations. Our sector-based approach helps us to develop insights and make recommendations that better benefit our clients. These teams are led by sector directors and engage with members of parliament, parliamentary committees, public sector entities, and industry and community groups relevant to their sector.

Sector directors as at 30 June 2016



David Adams
BBus FCPA

Infrastructure



Paul Christensen
BBus LLB FCPA

Central Agencies/
Financial Services



Pat Flemming
BBus GradDip
(Adv Acc) MCom
FCPA

Local Government



Nick George
BBus CPA

Resources



Ross Hodson
BBus Grad Cert
Mgt CPA Ffin

Justice and
Community Services



Damon Olive
BBus FCPA

Health



John Welsh
BBus FCPA
Grad Cert Mgt

Education

A key area where we have improved stakeholder engagement is when preparing our Strategic Audit Plan. This plan contains the performance audit topics we propose to examine over the next three years. When preparing this plan, we seek to engage with all our key stakeholder groups to ensure we focus our performance audits on the topics of greatest importance.

In our role as an integrity organisation we engage with:

- Queensland Government central agencies to promote integrity in financial management and reporting
- other integrity offices to collaborate and maintain service alignment.

In our role as an audit organisation we engage with:

- professional accounting bodies and audit regulators to contribute to accounting and audit related matters
- public sector audit offices in other jurisdictions to collaborate, and benchmark our performance
- private sector audit firms to partner with them to deliver our financial audit services.

We also engage with members of the public, primarily through our website, providing opportunities to suggest new performance audit topics, contribute to current performance audits, or raise issues about financial waste and mismanagement of public resources.

To improve how we engage with our stakeholders, we have focused on improving our written communication by investing in plain language skills. We have also refreshed our website to provide better access to information about us, and to our reports and resources.

81%
overall MP satisfaction

78 IP
overall financial
audit client satisfaction

77 IP
overall performance
audit client satisfaction

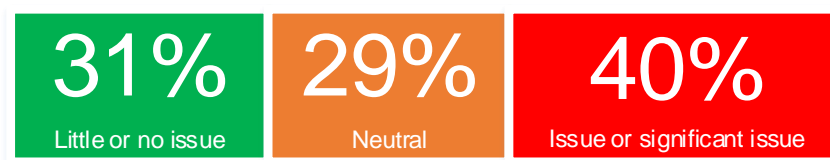
Workload and health

We encourage our employees to participate in the annual public service *Working for Queensland* survey. This year 74 per cent of our employees responded. This is a good response rate, which helps us to clearly identify workplace issues.

This year's survey assessed ten key workplace factors and, overall, we were in the top 20 per cent to 40 per cent of public sector agencies for seven of them.

However, the most concerning insight from this survey is how our employees feel about their workload and the impact it is having on their wellbeing. The survey revealed that a significant proportion of respondents are experiencing issues in this area.

2016 survey result about workload and health



Other responses within the survey provide more detail about this issue, with half of all participants feeling overloaded with work, and about a third expressing:

- feeling burned out
- that they lack work/life balance
- that work is having a negative impact on their health.

These concerns were expressed the strongest by participants from audit operations and are the same concerns from last year's survey. We had previously responded by:

- implementing a strategic workforce plan focusing on employee health and wellbeing, and better matching the demand for our services against the supply of suitably skilled resources
- increasing the number of graduate opportunities within QAO
- initiating continuous recruitment practices to identify suitable audit candidates before vacancies occurred
- investigating measures to address public versus private sector market disparity for senior audit positions
- focusing on workforce management and employee utilisation through our internal governance.

It is clear from the survey results that we need to do more.

Executive leaders received the results of the latest survey in July 2016, and quickly communicated them within our organisation. We expect that issues in attracting the audit capabilities we need continued to negatively impact these results.

Looking forward, we will continue to transform our workforce planning approach by leveraging capabilities available in our new finance system. This will enable us to better measure and manage our workloads. But we acknowledge that this does not solve this critical and sustained issue.

In addition, we will continue to pursue opportunities to strengthen the independence of the Auditor-General, particularly in managerial and administrative autonomy. This will position us to review our working arrangements and better align to a professional audit practice operating in the public sector and increase our attraction.

74%
of employees
participated in the Working
for Queensland survey

1st quintile
among top 20% of public
sector agencies for
'organisational leadership'
and 'innovation'

2nd quintile
among top 40% of public
sector agencies for
'agency engagement'

5th quintile
among bottom 20% of public
sector agencies for
'workload and health'

Financial and performance statements

Because we work in the public interest, funded by the parliament and public sector entities, we focus on providing value-for-money services to our clients.

Our financial objective is to break-even over the medium term — to only recover the cost of providing our services — and we manage any surpluses and deficits over time to achieve this result.

This year we budgeted for a deficit of \$0.748 million.

Our operating result for 2015–16 was a net loss of \$0.311 million, which is a better result than we had budgeted for. Our forecast indicates that we will return to a near break-even position in 2017–18, in line with our financial objective.

We project to remain financially sustainable into the forward estimates — through to the end of 2019–20 as we continue to pursue operational efficiencies. Also, an annual increase of 2.5 per cent to our basic fee rates has been approved to counter increased organisational costs. This increase will apply each year from 1 October 2016 to 1 October 2019.

This section contains:

- our financial statements
- our performance statement
- independent auditor reports from Nexia Australia.

Financial statements

Queensland Audit Office Financial Statements For the year ended 30 June 2016

Contents

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to and forming part of the Financial Statements

Certificate of the Queensland Audit Office

Independent Audit Report

General Information

These financial statements cover the Queensland Audit Office (QAO) for the 2015–16 financial year. QAO is an office established under the *Auditor-General Act 2009* to support the Auditor-General in providing independent public sector auditing services and reporting.

For financial reporting purposes, QAO is a department in terms of the *Financial Accountability Act 2009* and is subsequently consolidated into the Report on State Finances of the Queensland Government.

The head office and principal place of business is:

Level 14, 53 Albert Street
BRISBANE QLD 4000

A description of the nature of QAO's operations and its principal activities is included in the notes to the financial statements.

For information relating to QAO's financial report please call (07) 3149 6000, email enquiries@gao.qld.gov.au or visit the QAO's internet site www.gao.qld.gov.au.

Queensland Audit Office
Statement of Comprehensive Income
Year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income from Continuing Operations			
Audit fees	2(i)	37 146	37 575
Appropriation revenue for services	2(ii)	6 422	6 343
Other revenue	2(iii)	872	756
Total Revenue		44 440	44 674
Other Income – Gain on lease		..	743
Total Income from Continuing Operations		44 440	45 417
Expenses from Continuing Operations			
Employee expenses	3	20 838	20 474
Supplies and services	4	23 189	22 430
Depreciation and amortisation	8	301	150
Other expenses	5	423	516
Total Expenses from Continuing Operations		44 751	43 570
Total Operating Result from Continuing Operations/Comprehensive Income		(311)	1 847

The accompanying notes form part of these statements.

Queensland Audit Office
Statement of Financial Position
As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	1(d)	4 611	4 608
Work in progress	6	3 637	2 030
Receivables	7	1 936	4 616
Other current assets		173	390
Total Current Assets		10 357	11 644
Non-Current Assets			
Plant and equipment	8(c)(a)	403	505
Intangible assets	8(c)(b)	985	50
Other financial assets		10	10
Total Non-Current Assets		1 398	565
Total Assets		11 755	12 209
Current Liabilities - Payables and accruals	9	1 505	1 824
Non-Current Liabilities - Provision for lease	10	242	66
Total Liabilities		1 747	1 890
Net Assets		10 008	10 319
Equity			
Contributed equity		5 183	5 183
Accumulated surplus		4 825	5 136
Total Equity		10 008	10 319

The accompanying notes form part of these statements.

**Queensland Audit Office
Statement of Changes in Equity
for the year ended 30 June 2016**

	Accumulated Surplus \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2015	5 136	5 183	10 319
Operating result from continuing operations	(311)	..	(311)
Balance as at 30 June 2016	4 825	5 183	10 008

	Accumulated Surplus \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2014	3 289	5 183	8 472
Operating result from continuing operations	1 847	..	1 847
Balance as at 30 June 2015	5 136	5 183	10 319

The accompanying notes form part of these statements.

**Queensland Audit Office
Statement of Cash Flows
for the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
<i>Inflows:</i>			
Audit fees		37 907	39 301
Appropriation revenue for services		6 422	6 343
GST input tax credits from ATO		2 349	3 915
GST collected from customers		3 611	2 309
Other revenue		656	366
<i>Outflows:</i>			
Employee expenses		(20 499)	(20 613)
Supplies and services		(23 076)	(22 719)
GST paid to suppliers		(2 394)	(2 337)
GST remitted to ATO		(3 685)	(3 923)
Other expenses		(154)	(162)
Net Cash Provided by Operating Activities	14	1 137	2 480
Net Cash used in Investing Activities – Payments for plant and equipment and intangibles		(1 134)	(419)
Net increase in cash and cash equivalents		3	2 061
Cash and cash equivalents at beginning of financial year		4 608	2 547
Cash and Cash Equivalents at End of Financial Year		4 611	4 608

The accompanying notes form part of these statements.

1. Summary of Significant Accounting Policies

QAO is a not-for-profit entity with the objective to strengthen public sector accountability by providing independent audit services, including reporting to Parliament.

Significant accounting policies are shown in the notes to which they relate, except as follows:

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 42 of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2015.

The historical cost convention is used, unless otherwise stated. This means that assets and liabilities are initially recorded at their fair value and subsequently measured at amortised cost.

(b) Currency and Rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1 000 or, where that amount is less than \$500, to zero unless disclosure of the full amount is specifically required.

(c) Taxation

QAO is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Revenues, expenses and assets are recognised exclusive of GST, except:

- receivables and payables, which include input tax credits and GST payable, and the net amount due to or receivable from the Australian Tax Office (ATO)
- where the amount incurred is not recoverable from the ATO.

The GST components of cash flows arising from investing activities which are recoverable from, or payable to the ATO are included as operating cash flows.

(d) Cash and cash equivalents

Cash assets comprise funds at call with the Commonwealth Bank of Australia.

(e) New and revised accounting standards not yet effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below:

AASB 124 Related Party Disclosures

From reporting periods beginning on or after 1 July 2016, the QAO will need to comply with the requirements of AASB 124 *Related Party Disclosures*. This accounting standard requires a range of disclosures about the remuneration of key management personnel and transactions with related parties/entities. We already comply with the requirements of Queensland Treasury to disclose the remuneration expenses for key management personnel (refer to Note 3(b)). Therefore, the most significant implications of AASB 124 for our financial statements will be new disclosures about any transactions with related parties, including transactions with key management personnel or close members of their families.

1. Summary of Significant Accounting Policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard will become effective from reporting periods beginning on or after 1 January 2018 and contains detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may result in a change to the timing of revenue from the QAO's services, such that some revenue may need to be deferred to a later reporting period to the extent that we have received cash but not met associated obligations.

AASB 16 Leases

This standard will become effective for reporting periods beginning on or after 1 January 2019. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

A lessee measures a right-of-use asset similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion, and presents them in the statement of cash flows applying AASB 107 *Statement of Cash Flows*.

Although QAO anticipates that the adoption of AASB 16 will impact the QAO's financial statements, it is impractical at this stage to provide a reasonable estimate of such impact.

(f) Issuance of financial statements

The financial statements are authorised for issue by the Auditor-General of Queensland and the Chief Financial Officer at the date of signing the Certificate of the Queensland Audit Office.

2. Revenue

QAO charges fees for our financial audit services on a full cost recovery basis.

QAO also receives parliamentary appropriation for:

- the operation of the statutory Office of the Auditor-General
- the conduct of performance audits
- reporting to Parliament on the results of financial and performance audits performed
- providing advice and assistance to the Parliament and central agencies.

(i) Audit fees for services to the public sector

QAO recognises revenue from audit fees when the work is undertaken. This includes audit work completed by contracted audit firms on behalf of QAO.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

2. Revenue (continued)

(ii) Appropriation revenue for services to the Parliament

QAO recognises appropriation revenue in the year when the services are performed, which matches the timing of cash transfers made by Queensland Treasury under the *Appropriation (Parliament) Bill 2015*.

	2016	2015
	\$'000	\$'000
Revenue		
Budgeted departmental services appropriation	6 401	6 486
Queensland Treasury adjustments	21	(143)
Total	6 422	6 343

(iii) Other Revenue

	2016	2015
	\$'000	\$'000
Licence fees	432	487
Storage services received free of charge	201	269
Recovery of costs for Energex Performance Audit report	148	..
Miscellaneous receipts	91	..
Total	872	756

3. Employee Expenses

	2016	2015
	\$'000	\$'000
Employee Benefits		
Wages, salaries and sick leave	16 272	15 510
Annual leave levy	1 815	1 894
Long service leave levy	369	368
Employer superannuation contributions	2 211	2 137
Fringe benefits tax	70	71
Other employee benefits – voluntary early retirement	..	449
Service payment – non-renewal of contract	54	..
Total	20 791	20 429
Employee Related Expenses - WorkCover Queensland premium	47	45
Total	20 838	20 474

The number of employees on a full-time equivalent (FTE) basis under the Minimum Obligatory Human Resource Information (MOHRI) classification methodology is:

	2016	2015
Number of employees as at 30 June	179	189

(a) Employee benefits

Employee benefits include employer superannuation contributions, annual leave levies and long service leave levies.

Workers' compensation insurance is not included in an employee's total remuneration package, and is recognised separately as employee related expenses.

3. Employee Expenses (continued)

(i) Wages, salaries and sick leave

Wages and salaries are recognised at current salary rates as it is expected these liabilities will be wholly settled within 12 months of year end. Sick leave is recognised as an expense when the leave is taken.

(ii) Annual leave and long service leave

QAO is a member of the Queensland Government's Annual Leave and Long Service Leave Schemes. QAO pays a levy to these schemes to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. QAO expenses these levies in the period in which they are payable and claims from these schemes quarterly in arrears for amounts paid to employees for leave taken.

QAO does not recognise a provision for annual leave or long service leave as these liabilities are held and disclosed in the Report on State Finances of the Queensland Government pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(iii) Superannuation

QSuper is the preferred superannuation scheme for Queensland Government. QAO pays employer superannuation contributions at rates determined by the Treasurer on the advice of the State Actuary. QAO expensed contributions in the period in which they are paid or payable and our obligation is limited to our contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held and disclosed in the Report on State Finances of the Queensland Government pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*

(b) Key executive management personnel and remuneration

(i) Key executive management personnel

Details of key executive management personnel are disclosed in accordance with section 3C of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Key executive management personnel encompasses those positions which form part of the Executive Management Group. This group had the authority and responsibility for planning, directing and controlling the activities of the QAO during 2015–16.

Auditor-General – A Greaves (CEO) – under the *Auditor-General Act 2009* provides Parliament with independent assurance of public sector accountability and performance as defined in the *Auditor-General Act 2009*.

Deputy Auditor-General – A Close SES3 (s.122) – under the *Public Service Act 2008* manages the financial and performance audit functions of QAO as well as the non-audit responsibilities as Chief Operating Officer.

Assistant Auditors-General – under the *Public Service Act 2008* lead and set the strategic direction for the delivery of audit services to enhance effective public sector accountability.

Further information on these positions is in the Annual Report under How We Operate section.

(ii) Remuneration

The remuneration policy for QAO's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment are specified in employment contracts.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

3. Employee Expenses (continued)

Remuneration packages comprise the following components:

- Short term employee benefits which include:
 - Base — salary, incentives, allowances and leave entitlements paid and accrued for the year or for that part of the year during which the employee occupied the specified position
 - Non-monetary benefits — car parking and the applicable fringe benefits tax
- Long term employee benefits include long service leave accrued
- Post-employment benefits include superannuation contributions
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payments in lieu of notice on termination regardless of the reason for termination
- Performance bonuses are not paid under the current contracts.

Total fixed remuneration is calculated on a “total cost” basis and includes the base and non-monetary benefits, long term employee benefits and post-employment benefits. Key executives have acted in higher positions during the year to cover leave.

Position (date resigned if applicable)	Name	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Total Remuneration
		Base	Non-Monetary			
		\$'000	\$'000			
1 July 2015 – 30 June 2016						
Auditor-General	A Greaves	410	13	9	44	476
Deputy Auditor-General	A Close	281	13	5	27	326
Assistant Auditor-General	P Brahman	222	13	4	22	261
Assistant Auditor-General	K Johnson	221	13	4	22	260
Assistant Auditor-General	D Bird	258	13	5	27	303
Assistant Auditor-General (Contract ended 14/10/15)	M Booth*	230	5	2	6	243
Total 2016						1 869
1 July 2014 – 30 June 2015						
Auditor-General	A Greaves	410	13	9	44	476
Deputy Auditor-General	A Close	269	13	5	26	313
Assistant Auditor-General	P Brahman	210	13	4	20	247
Assistant Auditor-General	K Johnson	209	13	4	20	246
Assistant Auditor-General (Resigned 02/10/14)	T Campbell*	115	4	1	5	125
Assistant Auditor-General (Appointed 02/02/15)	D Bird	103	4	2	11	120
Assistant Auditor-General	M Booth	197	13	4	19	233
Total 2015						1 760

2015–16: *Total remuneration includes termination benefits of \$35 270 and annual and long service leave entitlements of \$122 201 (2015: \$50 295).

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

4. Supplies and Services

	2016	2015
	\$'000	\$'000
Payment to contract auditors	14 123	13 547
Consultants and expert advice	2 210	2 627
Payments to employment agency personnel	1 964	1 508
Rent and office services	1 860	2 215
Information technology and minor office equipment	1 561	803
Staff development	362	346
Travel costs	443	536
Bureau charges	129	223
Other administrative costs	537	625
Total	23 189	22 430

5. Other Expenses

	2016	2015
	\$'000	\$'000
Internal audit fees	86	137
External audit fees*	58	52
Insurance premiums – QGIF	78	58
Storage services received free of charge	201	269
Total	423	516

* Total audit fees due to Nexia Australia (formerly Hayes Knight Audit (Qld) Pty Ltd) relating to the 2015-16 financial year are \$32 000 (2014-15: \$31 500). Further assurance services in relation to an audit of the Service Delivery Statement - Key Performance Indicators are valued at a cost of \$7 200 (2014-15: \$7 000).

6. Work in Progress

Work in progress represents services performed but not yet invoiced and is based on:

- weekly timesheets and hourly rates for each level of staff. The rates are decided by the Auditor-General to provide for full cost recovery at the beginning of each year and approved by the Treasurer
- costs of work undertaken for QAO by contracted audit firms. The total estimated cost of contracted-out work is agreed in advance of the work commencing, but may be subject to variations as the work proceeds
- outlays such as travel and accommodation directly incurred in completing the work that are yet to be recovered.

The recoverability of work in progress is regularly reviewed and an allowance for impairment is provided if there is evidence that amounts are not fully recoverable.

As at reporting date, all work in progress is assessed as fully recoverable. The bases of our assessment are:

- no dispute by clients
- no unexplained overdue WIP
- no amount outstanding for entities that no longer exist, and
- good quality credit history with the majority of our clients being Government entities.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

7. Receivables

	2016 \$'000	2015 \$'000
Audit fees receivable	1 680	4 048
Annual leave reimbursement	139	351
Long service leave reimbursement	102	216
Other receivables	15	1
Total	1 936	4 616

Receivables represent amounts owed to QAO at year end.

Receivables are recognised when an invoice is issued and work in progress is reduced accordingly. Invoices are issued periodically, based on milestones or final completion of the work. The total estimated cost of audit engagements is communicated in advance of the work commencing, but may be subject to variations as the work proceeds. Invoices are due for settlement within 14 days of invoice date.

All receivables are current and expected to be fully collectible based on good credit quality and recent collection history.

8. Plant and Equipment and Intangible Assets

(a) Acquisition

All plant and equipment and intangible assets are initially recognised and subsequently measured at cost. Cost comprises purchase price plus additional expenditure incurred to maintain the asset in the condition necessary to be used as intended.

Assets are only recognised in the Statement of Financial Position where their initial acquisition costs exceed \$5 000 for plant and equipment and \$100 000 for intangibles. Items costing less than these amounts are included as expenses.

(b) Measurement

Assets are carried at their acquisition cost less accumulated depreciation/amortisation and any accumulated impairment losses. Plant and equipment is depreciated on a straight line basis to allocate the net cost of each asset, less its estimated remaining value, equally over its estimated useful life.

All intangible assets, including purchased and internally generated software, have finite useful lives and are amortised on a straight line basis over the period of the expected benefit to QAO.

The depreciation/amortisation rates are:

Asset class	Depreciation rate	Basis	Useful life
Plant and equipment	16.7% to 33.3%	Straight line	3 to 6 years
Intangible assets	Amortisation rate	Basis	Useful life
Software purchased	12.5% to 20.0%	Straight line	5 to 8 years
Software internally generated	12.5% to 33.3%	Straight line	3 to 8 years

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

8. Plant and Equipment and Intangible Assets (continued)

(c) Impairment

All plant and equipment and intangible assets are assessed annually for indicators of impairment. If an indicator of possible impairment exists, QAO determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. Impairment losses are recognised immediately in the Statement of Comprehensive Income.

	2016	2015
	\$'000	\$'000
(a) Plant and Equipment		
Plant and equipment		
At cost	1 048	884
Accumulated depreciation	(645)	(536)
Total	403	348
Work in progress – at cost	..	157
Total	403	505
 <i>Plant and Equipment Reconciliation</i>		
Carrying amount at 1 July 2015	505	197
Acquisitions	152	261
Disposals	(145)	..
Depreciation	(254)	(110)
Accumulated depreciation on disposal	145	..
Work in progress	..	157
Carrying amount at 30 June 2016	403	505
 (b) Intangible Assets		
Software purchased		
At cost	1 090	759
Accumulated amortisation	(767)	(759)
Total	323	..
Software internally generated		
At cost	790	790
Accumulated amortisation	(780)	(740)
Total	10	50
Work in progress – at cost	652	..
Total	985	50
 <i>Intangible Assets Reconciliation</i>		
Carrying amount at 1 July 2015	50	90
Acquisitions	330	..
Amortisation	(47)	(40)
Work in progress	652	..
Carrying amount at 30 June 2016	985	50

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

9. Payables and Accruals

Creditors are recognised on receipt of goods or services ordered, and are measured at the agreed purchase or contract price including any applicable trade and other discounts when goods and services ordered are received. Amounts owing are unsecured and are generally settled on 30 day terms.

	2016	2015
	\$'000	\$'000
(a) Payables		
Creditors	580	793
GST payable	440	514
GST input tax receivable	(332)	(287)
Net GST payable	108	227
Total	688	1 020
	2016	2015
	\$'000	\$'000
(b) Accrued Employee Benefits		
Annual leave levy payable	413	530
Long service leave levy payable	88	102
Other employee benefits	316	172
Total	817	804
Total	1 505	1 824

10. Provision for Lease

	2016	2015
	\$'000	\$'000
Non-cancellable operating lease	242	66

QAO has a sub-lease for office accommodation. The head lease is with the Department of Housing and Public Works (DHPW). This arrangement is an operating lease as DHPW retains substantially all risks and benefits.

Lease rentals are expensed in the period incurred on a straight line basis over the term of the lease, with the difference between future increases and the amounts due recognised as a provision. Provisions expected to be settled 12 or more months after reporting date are measured at their present value.

Non-cancellable lease commitments are disclosed in Note 11(a).

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

11. Commitments for Expenditure

	2016 \$'000	2015 \$'000
(a) Non-cancellable Operating Lease		
Not later than one year	1 461	1 398
Later than one year and not later than five years	7 597	7 991
More than five years	..	1 067
Total	9 058	10 456
(b) Future Auditing Services Under Contract		
Not later than one year	11 866	14 240
Later than one year and not later than five years	6 129	5 596
Total	17 995	19 836
(c) Other Contracts – Not later than one year		
	847	..
Total	27 900	30 292

All commitments in existence at reporting date are inclusive of non-recoverable GST input tax credits. These commitments have not been recognised as liabilities in the financial statements (except for the provision included in note 10) as services are yet to be performed under these contracts. Audit contracts commencing 2017 are not included above as contracts were not finalised at reporting date.

12. Budget to Actual Comparison

Statement of Comprehensive Income

	Notes	2016 Budget \$'000	2016 Actual \$'000	Variance \$'000	% of 2016 Budget
Income from Continuing Operations					
Audit fees	V1	34 825	37 146	2 321	7%
Appropriation revenue for services		6 401	6 422	21	0%
Other revenue		730	872	142	19%
Total Income from Continuing Operations		41 956	44 440	2 484	6%
Expenses from Continuing Operations					
Employee expenses	V2	21 637	20 838	(799)	(4%)
Supplies and services	V3	20 385	23 189	2 804	14%
Depreciation and amortisation		432	301	(131)	(30%)
Other expenses		250	423	173	69%
Total Expenses from Continuing Operations		42 704	44 751	2 047	5%
Operating Result from Continuing Operations/Comprehensive Income		(748)	(311)	437	(58%)

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

12. Budget to Actual Comparison (continued)

Statement of Financial Position

	Notes	2016 Budget \$'000	2016 Actual \$'000	Variance \$'000	% of 2016 Budget
Current Assets					
Cash and cash equivalents	V4	3 109	4 611	1 502	48%
Work in progress	V5	2 500	3 637	1 137	45%
Receivables	V4	4 198	1 936	(2 262)	(54%)
Other current assets		404	173	(231)	(57%)
Total Current Assets		10 211	10 357	146	1%
Non-Current Assets					
Plant and equipment		587	403	(184)	(31%)
Intangible assets		994	985	(9)	(1%)
Other financial assets		10	10	0	0%
Total Non-Current Assets		1 591	1 398	(193)	(12%)
Total Assets		11 802	11 755	(47)	0%
Current Liabilities - Payables and accruals					
	V4	2 638	1 505	(1 133)	(43%)
Non-Current Liabilities - Provision for lease					
	V6	531	242	289	54%
Total Liabilities		3 169	1 747	(1 422)	(45%)
Net Assets/Total Equity		8 633	10 008	1 375	16%

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

12. Budget to Actual Comparison (continued)

Statement of Cash Flows

	Notes	2016 Budget \$'000	2016 Actual \$'000	Variance \$'000	% of 2016 Budget
Cash Flows from Operating Activities					
<i>Inflows:</i>					
Audit fees	V1	35 041	37 907	2 866	8%
Appropriation revenue for services		6 401	6 422	21	0%
GST input tax credits from ATO	V7	..	2 349	2 349	2 349%
GST collected from customers		3 528	3 611	83	2%
Other revenue		455	656	201	44%
<i>Outflows:</i>					
Employee expenses		(21 493)	(20 499)	994	5%
Supplies and services	V3	(20 377)	(23 076)	(2 699)	13%
GST paid to suppliers		(2 011)	(2 394)	(383)	19%
GST remitted to ATO	V7	(1 517)	(3 685)	(2 168)	143%
Other expenses		(250)	(154)	96	(38%)
Net Cash Provided by/(used in) Operating Activities		(223)	1 137	1 360	(610%)
Net Cash used in Investing Activities – Payments for plant and equipment and intangibles	V8	(1 396)	(1 134)	262	(19%)
Increase/(Decrease) in Cash and Cash Equivalents		(1 619)	3	1 622	(100%)

Explanation of Major Variances

- V1. Actual audit fees were higher than budget mostly due to additional audit service providers recovery (\$1 491 372) and work carried over from 2014–15 (\$781 875). Higher corresponding expenses for audit service providers are included in supplies and services. Refer to variance note V3.
- V2. The variance is due to a lower average number of employees (7 FTEs) than budget as we experienced difficulty in attracting and retaining people with audit capabilities.
- V3. The majority of this variance is attributable to higher expenses for audit service providers (\$1 491 372), and additional seasonal use of contracted-in auditors (\$1 017 397) and other specialist contractors (\$254 141), mostly in line with a higher program of financial audit.
- V4. The actual cash and cash equivalents are higher than expected mainly due to a concerted effort made by management to reduce debtors and creditors to a minimum in preparation for the roll-out of the new Finance system.
- V5. The actual work in progress is higher than budget as customer billings are normally finalised on 30 June, however for the 15-16 Financial year the final billing run was one week earlier to prepare for the roll-out of the new Finance system. This is partially contributed to a decrease in the receivables balance.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

12. Budget to Actual Comparison (continued)

- V6. The variance in non-current provisions for lease is due to the release of deferred lease liability as the new lease agreement was signed after the budget. QAO's accommodation lease payments are recognised and expensed over the full term of the lease.
- V7. The variances are attributable to a change in GST methodology with GST input tax credits from ATO and GST payments remitted to ATO being disclosed separately.
- V8. The decrease in payments to plant and equipment and intangibles are mainly due to timing of ICT work program and lower capital acquisition for the new Finance system.

13. Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position on agreement to the contractual provisions of the financial instrument. The QAO has the following categories of financial instruments:

(a) Classification

Financial Assets	2016 \$'000	2015 \$'000
Cash and cash equivalents (fair value through profit or loss)	4 611	4 608
Work in progress (amortised cost)	3 637	2 030
Receivables (amortised cost)	1 936	4 616
Other financial assets (fair value through profit or loss)	10	10
Total	10 194	11 264
Financial Liabilities - Payables and accrued employee benefits (amortised cost)	1 505	1 824

(b) Financial Risk Management

QAO's activities expose it to credit risk and liquidity risk. Financial risk management is implemented pursuant to Government and QAO policies. These policies focus on the financial performance of QAO over the medium term. Primary responsibility for the management of financial risk rests with the Chief Financial Officer under the authority of the Executive Management Group, with oversight and monitoring by the Audit and Risk Management Committee.

QAO's bank account is included in the whole-of-government set-off arrangement managed by Queensland Treasury. The overdraft limit of the whole-of-government group is \$75 million. The account does not earn interest on surplus funds nor is interest charged on overdrawn funds. Interest earned/charged on the aggregate set-off arrangement accrues to the Consolidated Fund of the State.

(c) Credit Risk Exposure

QAO may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date is the gross carrying amount of each category of recognised financial asset inclusive of any allowance for impairment.

No collateral is held as security and no credit enhancements relate to the financial assets held by QAO.

Queensland Audit Office
Notes to the Financial Statements
for the year ended 30 June 2016

13. Financial Instruments (continued)

No financial assets had their terms renegotiated to prevent them from being past due or impaired and are stated at the carrying amounts as indicated. There were no individually impaired financial assets in the current or previous period.

Receivables	Ageing of Financial Assets (not impaired)				Total Financial Assets \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	Overdue More than 90 days \$'000	
2016	1 936	1 936
2015	4 197	226	47	146	4 616

(d) Liquidity Risk

Liquidity risk refers to the situation where QAO may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

QAO ensures it has sufficient funds available to meet financial obligations when they fall due by maximising its bank account balance and through an approved corporate card facility with a \$200 000 limit. At year end, \$175 000 (2015: \$153 000) was available in this facility.

An approved overdraft facility of \$2 million approved for QAO by the Treasurer was not used during the financial year.

As at 30 June 2016, QAO's financial liabilities are all payable and accruals that fall due within 12 months.

(e) Fair Value

The carrying amounts of receivables and payables, which represent the value of the original transactions less any allowance for impairment, are consistent with the fair values of these balances.

14. Reconciliation of Operating Surplus to Net Cash from Operating Activities

	2016 \$'000	2015 \$'000
Operating Surplus/(Deficit)	(311)	1 847
Non-cash items included in operating result:		
Depreciation and amortisation expense	301	150
Gain on Lease	..	(743)
Services performed for other State Audit Offices	..	19
Change in assets and liabilities:		
(Increase)/decrease in work in progress	(1 607)	1 235
Decrease in receivables	2 680	638
(Increase)/decrease in other current assets	217	(54)
Decrease in payables	(213)	(645)
Increase in accrued employee benefits	13	77
Decrease in GST payable	(119)	(35)
Increase/(decrease) in provision	176	(9)
Net Cash from Operating Activities	1 137	2 480

Certificate of the Queensland Audit Office

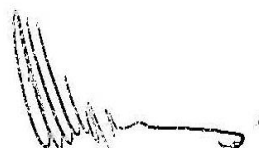
These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), s.42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements.

In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year ended 30 June 2016 and of the financial position as at the end of that year
- (c) these assertions, in all material respects, are based on an appropriate system of internal controls and effective risk management processes for financial reporting throughout the reporting period.



T LE FCPA
Chief Financial Officer
23 August 2016



A GREAVES FCPA, FCA
Auditor-General of Queensland
23 August 2016

Independent Audit Report



Independent Assurance Report To the Accountable Officer of the Queensland Audit Office

We have audited the accompanying financial report of the Queensland Audit Office, which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Auditor-General of Queensland and the Chief Financial Officer of the Queensland Audit Office.

Responsibility of the Accountable Officer for the financial report

The Accountable Officer is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies used and described in Note 1 to the financial report, which form part of the financial report, are appropriate to meet the requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*. This responsibility includes such internal controls as the Accountable Officer determines are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In accordance with the *Auditor-General Act 2009*:

- a. We have received all the information and explanation which we have required; and
- b. In our opinion:
 - i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Queensland Audit Office for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

A M Robertson

A M Robertson
Director

Level 28, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 23 August 2016

Performance statement

Queensland Audit Office Performance Statement For the year ended 30 June 2016

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General Information

This performance statement covers the Queensland Audit Office (QAO) for the 2015–16 financial year. QAO is an office established under the *Auditor-General Act 2009* to support the Auditor-General in providing independent public sector auditing services and reporting.

The head office and principal place of business is:

Level 14, 53 Albert Street
BRISBANE QLD 4000

For information relating to QAO's performance report please call (07) 3149 6000, email enquiries@qao.qld.gov.au or visit the QAO's internet site www.qao.qld.gov.au.

**Queensland Audit Office
Performance Statement
Year ended 30 June 2016**

Performance comparison –actual to target

Service standards	Notes	Target	Actual	Variance	
Service area: Independent Public Sector Auditing					
Service: Reports and Advice to Parliament					
<i>Effectiveness measures</i>					
Parliament's overall satisfaction with services (%)	1	80	81	1	favourable
Audit entities' overall satisfaction with performance audit services (ip)	1	80	77	- 3	unfavourable
Performance audit recommendations implemented by audited entities (%)	2	100	66.7	- 33.3	unfavourable
Benefits from performance audits (benefit-cost ratio)	3	> 1	> 1	Nil	favourable
<i>Efficiency measures</i>					
Reports to parliament on the results of financial audits:	4, 5				
Average cost of reports tabled (\$ 000)		\$175.0	\$158.3	- \$16.7	favourable
Average time taken to produce reports (months)		5.0	5.8	0.8	unfavourable
Reports to parliament on the results of performance audits:	4, 6				
Average cost of reports tabled (\$ 000)		\$390.0	\$336.2	- \$53.8	favourable
Average time taken to produce reports (months)		< 8.0	8.3	0.3	unfavourable
Service: Reports and Advice to the Public Sector					
<i>Effectiveness measures</i>					
Audit entities' overall satisfaction with financial audit services (ip)	1	80	78	- 2	unfavourable
Financial statement material error (%)	7	< 5.0	3.3	- 1.7	favourable
<i>Efficiency measures</i>					
Average cost of financial audits					
State entities (\$ 000)	8, 9	\$60.0	\$79.2	\$19.2	unfavourable
Local government entities (\$ 000)	8, 10	\$65.0	\$67.0	\$2.0	unfavourable

The accompanying notes form part of these statements

Notes to and forming part of the Performance Statement Including the Explanation of Major Variances

1. Actual results are based on opinion surveys issued for the QAO by an independent organisation during 2015-16 to members of the Queensland Parliament and to our financial and performance audit clients within the Queensland public sector.

Results for audit client measures are expressed as 'index points' (ip). This more accurately describes the result when multiple survey factors are combined into a single value or score.

Actual results are within tolerance of our targets.

2. The 'Percentage of performance audit recommendations implemented by audit entities' is a new measure of the impact of our work. Each year we follow-up clients that accepted recommendations from our previous reports, to understand the extent to which our recommendations have been implemented. This replaced our previous measure of the percent of recommendations accepted.

Actual results are based on client responses for eight performance reports that we tabled in 2013-14. Across all clients, there were 204 acceptances of our recommendations – which includes multiple clients accepting the same recommendations to implement within their own entities. Client responses indicate that of the 204 acceptances, 136 (67%) are fully implemented, and a further 57 (28%) are partially implemented.

As a new performance measure, we expect our approach to measuring and setting targets to mature over time. We will review this measure during 2016-17.

3. The 'Benefits from performance audits' is a new measure of the impact of our work. We introduced this measure to provide greater transparency of the financial benefits to Queensland from our work. This measure is reported as a benefit-cost ratio. A value greater than one, indicates that the benefits from our performance audit program are greater than the cost of the program itself.

As a new performance measure, we expect our approach to measuring and setting targets to mature over time. This process will require greater engagement with our clients as we work to improve our transparency.

The actual result reported of 'greater than one' represents our assessment that the financial benefits from our performance audit program is greater than the cost of the program we delivered in 2015-16 (\$4 370 378). The key benefit that supports this assessment is the potential for cost efficiencies in state prisons based on our performance audit into the management of privately operated prisons. This audit:

- reported that Queensland operates 10 high security prisons at a cost of \$443 million per year - two are privately managed, eight are publicly managed
- identified that the operating costs of privately managed prisons are 19% lower than publicly managed prisons
- identified that medical costs alone at the two privately managed prisons would be \$4.4 million per year higher if they were publicly managed
- recommended a cost-benefit analysis be completed of options for delivering medical services more cost-effectively in prisons (which is expected to benefit all publicly managed prisons).

In addition to this, other key financial benefits include:

- potential increased utilisation of public hospital operating theatres based on our performance audit identifying 18 898 'lost' hours over an 18 month period across 39 hospitals examined
- potential reduction in duplicate grant payments based on our follow-up performance audit of grants management for community benefit funds
- potential reduction in overpayments to early childhood providers based on our performance audit into early childhood education identifying payments made for ineligible age children.

4. We track the full lifecycle cost of each report to parliament and the time it takes to produce it. These are important measures of our efficiency.

The cost of our reports include internal staff costs and overheads, consultant costs, and other direct costs. The total cost of all the reports we tabled during the 2015-16 financial year are used in this measure. We report the estimated final cost within each report. Actual costs may vary slightly from this estimate due to work undertaken after tabling.

The timeliness of our reports on the results of financial audits, is measured from the financial year end date of our clients to the tabling date of the report in parliament. For our reports on the results of performance audits, it is measured from the formal initiation of the audit to the tabling date.

5. Overall, our reports on the results of financial audits have been delivered slightly under budget but later than expected. The actual cost for each report are:

Report Title	Lifecycle Cost	Duration (months)
Results of audit: Internal control systems 2014-15	\$161 808	3.9
Hospital and Health Services: 2014-15 financial statements	\$151 219	5.0
State public sector entities: 2014-15 financial statements	\$122 239	5.1
Public non-financial corporations: 2014-15 financial statements	\$230 000	5.1
Queensland state government: 2014-15 financial statements	\$79 052	5.6
Results of audit: local government entities 2014-15	\$233 175	10.8
Results of audit: education sector entities 2015	\$130 394	4.8
Total	\$1 107 887	40.3
Average	\$158 270	5.8

6. Overall, our reports on the results of performance audits have been delivered well under budget but slightly later than expected. The actual costs for each report are:

Report Title	Lifecycle Cost	Duration (months)
Road safety – traffic cameras	\$355 017	12.6
Agricultural research, development of extension programs and projects	\$327 479	6.5
Royalties for the regions	\$407 316	8.4
Major transport infrastructure projects	\$608 833	10.1
Provision of court recording and transcription services	\$301 416	6.8
Management of privately operated prisons	\$216 842	8.4
Follow up: Community benefit funds: grant management	\$65 966	4.5
Cloud Computing	\$349 933	8.5
Financial risk management practices at Energex	\$145 876	7.1
Queensland public hospital operating theatre efficiency	\$510 898	9.2
Flood resilience of river catchments	\$321 387	9.1
Early childhood education	\$431 270	7.5
Heavy vehicle road access reforms	\$328 145	9.4
Total	\$4 370 378	108.1
Average	\$336 182	8.3

7. The 'Financial statement material error' is a new measure of our effectiveness. We introduced this measure to provide greater transparency of the quality of our audit work.

This measure reports where there are material errors in prior year financial statements that we have already provided an audit opinion on, and need to be corrected in the current year. During 2015-16, there were 17 material errors identified that related to the prior year, in which a total of 515 audit opinions had been provided.

This result is favourable against our target, however we aim to have no errors and include information about these errors to inform our internal audit quality improvement activities.

8. We track the full lifecycle cost of each financial audit – for state and local government entities. The cost of our audits include internal staff costs and overheads, contractor costs, and other direct costs. The total cost of all the financial audits we completed during the 2015-16 financial year are used in this measure.

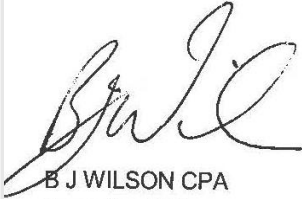
9. Overall, our average cost of financial audits for state entities is 32% above target. The most significant factor impacting this variance is a reduction in the number of opinions we produced. This reduction occurs where entities cease to operate or where we rationalise the number of opinions we produce for a client - providing a single opinion at the parent level rather than individual opinions for each separate entity.

In 2014-15, 367 state entity opinions were produced with 77 (21%) of them not required in 2015-16. The opinions not required, were for smaller audits which had an average cost of \$8 051 in 2014-15. Removing these opinions accounts for most of the variance in our average cost.

10. Overall, our average cost of financial audits for local government entities is within 3% of target. There have been no significant changes in the number of audit opinions produced this year compared to last year.

Certificate of the Queensland Audit Office

We hereby certify that the performance indicators in this statement are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Queensland Audit Office, and fairly represent the performance of the office for the financial year ended 30 June 2016.



B J WILSON CPA
Executive Officer
23 August 2016



A GREAVES FCPA, FCA
Auditor-General of Queensland
23 August 2016

Independent Audit Report



Independent Assurance Report

To the Accountable Officer of the Queensland Audit Office

We have audited the accompanying Performance Statement of the Queensland Audit Office which details the Queensland Audit Office's actual performance of performance indicators against target for the year ended 30 June 2016.

Responsibility of the Accountable Officer for the Performance Statement

The Accountable Officer is responsible for the preparation and fair presentation of the Performance Statement. The accountable officer's responsibility also includes such internal controls as the accountable officer determines are necessary to enable the preparation of the Performance Statement to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Performance Statement based on our audit. We conducted our audit in accordance with *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* which require us to comply with relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether the actual and targeted key performance indicators are not materially misstated on the Performance Statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Performance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Performance Statement, whether due to fraud or error.

Our procedures included, agreeing the targeted key performance indicators to the 2015-16 Queensland State Budget – Service Delivery Statements - Queensland Audit Office document, and agreeing actual performance indicator numbers to source data, systems or documents.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our assurance opinion.

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Inherent Limitations

Because of inherent limitations in the evidence gathering procedures and the Queensland Audit Office's internal controls, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of fraud, error or non-compliance as an audit is not performed continuously throughout the year ended 30 June 2016 and the audit procedures performed are undertaken on a test basis. The assurance conclusion expressed in this report has been formed on the above basis.

Use of Report

This assurance report has been prepared for the Queensland Audit Office in accordance with our engagement letter. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Queensland Audit Office, or for any purpose other than that for which it was prepared.

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion the Performance Statement of the Queensland Audit Office presents a true and fair view, in all material respects, of the targeted performance indicators listed in the 2015-16 Queensland State Budget – Service Delivery Statements - Queensland Audit Office document and the Queensland Audit Office's performance against those performance indicators for the year ended 30 June 2016.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

A M Robertson

**A M Robertson
Director**

Level 28, 10 Eagle Street,
Brisbane, QLD, 4001

Date: 23 August 2016

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Appendix A — Reports to parliament 2015–16

Number	Title	Date tabled in Legislative Assembly
1	Results of audit: Internal control systems 2014–15	July 2015
2	Road safety — traffic cameras	October 2015
3	Agricultural research, development and extension programs and projects	November 2015
4	Royalties for the regions	December 2015
5	Hospital and Health Services: 2014–15 financial statements	December 2015
6	State public sector entities: 2014–15 financial statements	December 2015
7	Public non-financial corporations: 2014–15 financial statements	December 2015
8	Transport infrastructure projects	December 2015
9	Provision of court recording and transcription services	December 2015
10	Queensland state government: 2014–15 financial statements	December 2015
11	Management of privately operated prisons	February 2016
12	Follow up Report 12: 2012–13 Community Benefits Funds: Grant Management	February 2016
13	Cloud computing	February 2016
14	Financial risk management practices at Energex	April 2016
15	Queensland public hospital operating theatre efficiency	April 2016
16	Flood resilience of river catchments	April 2016
17	Results of audit: Local government entities 2014–15	May 2016
18	Results of audit: Education sector entities 2015	May 2016
19	Early childhood education	June 2016
20	Heavy vehicle road access reforms	June 2016

Appendix B — Additional information

This section contains additional information required for annual reporting purposes that is not already contained in the main body of this report. This information is about:

- *Public Sector Ethics Act 1994*
- Audit and Risk Management Committee
- internal audit
- information systems and record keeping
- workforce planning and performance.

Public Sector Ethics Act 1994

We are a signatory to the whole-of-government code of conduct established under the *Public Sector Ethics Act 1994*, and we adhere to the *Public Service Code of Conduct 2011* and a code of ethics for professional accountants.

To proactively safeguard and promote ethical conduct we:

- undertake pre-employment screening on all contractors and employees, including criminal history and reference checks
- require the completion of a comprehensive independence declaration, including details to help us manage any potential conflicts of interest
- train new recruits in public sector ethics and the Public Service Code of Conduct 2011, and provide refresher training on ethical decision making
- promote ourselves as an integrity agency and routinely discuss issues of ethics and integrity among our workforce and clients.

Our internal policies, procedures, and practices align with ethical principles and values.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) provides independent advice and assurance to the Auditor-General in discharging his responsibilities. The ARMC does this through effective oversight of the risk, control, and compliance frameworks and fiscal responsibilities underpinning our corporate governance.

The ARMC has three external independent members and meets at least four times each year.

During 2015–16, the ARMC observed the terms of its charter, reviewing numerous matters including business risks, internal and external audit plans and reports, risk management frameworks and registers, financial statements, and strategic and operational plans. The Chair reports annually to the Auditor-General on ARMC activities and makes recommendations to improve ARMC performance.

Audit and Risk Committee 2015–16

Member	Term	Meetings attended	Remuneration
Mr Bob Grice AO (Chair) FCA HonDPhil	Jun 12–Aug 17	4 of 4	\$6 480
Professor Kerry Jacobs BCom MCom(Hons) PhD FCA FCPA	May 13–Aug 16	4 of 4	\$2 640
Mr Jeff Duthie BBus(IT)	Jul 15–Aug 18	4 of 4	\$2 640
Ms Christine Flynn BA DipEd FAICD	Nov 11–Aug 15	1 of 1	\$660

* All amounts exclude GST and do not include reimbursement of out-of-pocket expenses.

A number of other attendees regularly support the ARMC at its meetings, including our co-sourced internal auditor, Ms Pamela Robertson-Gregg of O'Connor Marsden and Associates, and our external auditor, Ms Ann-Maree Robertson of Nexia Brisbane Audit Pty Ltd.

Internal audit

Internal audit operates under an approved charter, with the head of internal audit reporting directly to the Auditor-General. The charter aligns with *International Standards for the Professional Practice of Internal Auditing* developed by the Institute of Internal Auditors. The primary role of internal audit is to conduct independent, objective, and risk-based assurance activities. This function complies with Treasury's Audit Committee Guidelines.

Mr Brad Wilson, Executive Officer, is the head of internal audit, and develops an internal audit program each year and submits it to the ARMC for approval. During 2015–16, seven internal audits were finalised and one was deferred into 2016–17.

Information systems and record keeping

Effective record keeping is paramount to our successful operation.

During 2015–16, to maintain and improve the efficiency and effectiveness of our information management and record keeping environment, we:

- reviewed our classification of information assets to ensure ongoing compliance with the Queensland Government Information Security Classification Framework, and confirmed that our controls continue to provide appropriate protection from misuse or unintentional disclosure
- continued to review and update information management policies related to information security, records management, and intellectual property, and developed a number of supporting frameworks
- developed and released training material for our new and existing employees about information management policies and frameworks, including specific training for our auditors about the appropriate handling of client information
- conducted regular quality assurance activities, including reviewing the integrity of metadata relevant to electronic records and the availability and accuracy of physical records
- disposed of 2 330 records under the General Retention and Disposal Schedule for Administrative Records (QDAN 249 v.7) and Queensland Audit Office Retention and Disposal Schedule (QDAN 648 v.2)
- commenced a review of our Queensland Audit Office Retention and Disposal Schedule (QDAN 648 v.2) to update the requirements for audit records and include new requirements for the client data we use for audit analytics
- commenced detailed planning for an electronic document and records management solution (for implementing in 2016–17) to move more of our records from physical to digital, and improve our compliance.

Workforce planning and performance

Our strategic workforce plan is focused on our capability and capacity, and our performance and professionalism. Each year, we review our workforce needs during our corporate planning process.

This section includes additional information about our workforce.

Workforce numbers at 30 June 2016

Measure	Value
QAO effective headcount (full time employees, part time employees, and contractors)	199
QAO effective full-time equivalents (expresses headcount as full time only)	191.50
Minimum Obligatory Human Resource Information* — effective headcount	185
Minimum Obligatory Human Resource Information* — effective full-time equivalents	178.76

* MOHRI measures are for public service reporting purposes.

During 2015–16, our separation rate for permanent employees was 15.5%. No redundancy, early retirement, or retrenchment packages were paid.

Over the last few years, we have experienced difficulty in securing the numbers of experienced auditors we need to deliver our services. In response, we have continued to focus on developing our employees, increased our graduate recruitment intake, and supplemented our workforce with contractors.

Continuing to develop our employees has included improving the way we manage performance, investing in our audit and leadership capabilities, better identifying and managing our high potential employees, and ensuring succession plans are in place and clearly communicated to those impacted.

During 2015–16, our employees received, on average, 50.9 hours per person of professional development including workshop attendance, industry presentations, online learning, in-house training, and induction activities for new starters.

We advocate for a diverse and inclusive workforce and we support the *Queensland public sector inclusion and diversity strategy 2015–2020*. We are pleased with the representation of women in our workforce; however, these results are not as strong in senior roles.

Workforce inclusion and diversity at 30 June 2016

Measure	Value
Employees who are women	48.65%
Employees from non-English speaking backgrounds	25.95%
Employees with a disability	2.70%
Employees who identify as Aboriginal or Torres Strait Islanders	0.00%

We provide flexible working arrangements to support our employees to balance work and home commitments. In the public service *Working for Queensland* survey for 2016, 59 per cent of respondents indicated that they use flexible working arrangements.

Use of flexible working arrangements

Option	Percentage of respondents who indicated usage
Flexible work hours	37%
Hot desks	20%
Part-time work	14%
Telecommuting	10%
Leave at half pay	9%
Purchased leave/extended leave	2%
Other	1%

To promote a healthy workforce, we also encourage participation in our health and wellbeing program, which includes flu vaccinations, health and fitness education, resilience training, and training about managing mental health. We also promote our confidential Employee Assistance Program to all employees.

During 2015–16, we made significant improvements to our work health safety system including updates to policies and procedures, and increased awareness and training for employees.

Appendix C — Audit professional service fees

Firms providing financial audit services	Location	2014–15*	2015–16*
Deloitte Touche Tohmatsu	Brisbane	3 235 777	3 336 494
Crowe Horwath	Brisbane	1 396 793	1 639 432
	Townsville	293 574	273 631
KPMG	Brisbane	1 550 604	1 430 070
Grant Thornton Audit Pty Ltd	Cairns	1 192 874	1 136 265
BDO Audit Pty Ltd	Brisbane	313 947	352 115
	Sunshine Coast	220 425	287 560
	Cairns	14 508	284 569
PricewaterhouseCoopers	Brisbane	590 441	679 559
	Cairns	178 925	130 530
William Buck (QLD)	Brisbane	686 873	751 069
Thomas Noble & Russell	Lismore	704 987	626 310
Moore Stephens (Queensland) Audit Pty Ltd	Townsville	336 023	451 397
	Brisbane	141 750	141 068
Pitcher Partners	Brisbane	464 026	574 667
Ernst & Young	Brisbane	772 728	435 772
Altius Accountants and Advisors Pty Ltd	Cairns	263 981	395 528
Bentleys Brisbane (Audit) Pty Ltd	Brisbane	282 535	337 055
Bennett Partners Pty Ltd	Mackay	193 945	255 001
Prosperity Audit Services	Newcastle	324 048	241 038
Lawler Hacketts Audit	Brisbane	93 163	109 138
UHY Haines Norton	Brisbane	102 567	93 448
HLB Mann Judd (SE Qld Partnership)	Brisbane	61 180	68 840
MGI Assurance (South Qld) Pty Ltd	Brisbane	31 108	36 678
Priestleys Chartered Accountants	Brisbane	64 018	36 589
Vincents Audit & Assurances	Brisbane	13 110	21 810
Walsh Accounting	Barcaldine	-	1 000
BG Thebault & ML Conneely	Brisbane	20 400	-
Total		13 544 310	14 126 633

* All amounts represent payments made during the financial year.

Firms providing performance audit services	Location	2014–15*	2015–16*
Arc Consultancy	Brisbane	71 725	136 300
Chappell Dean Pty Ltd	Terrigal	-	72 000
KPMG	Brisbane	69 256	71 376
AGINIC	Brisbane	32 700	65 300
Sustainability Queensland Pty Ltd	Brisbane	52 950	61 500
Arabon Audit & Assurance	Brisbane		57 500
PricewaterhouseCoopers	Sydney	148 143	54 965
Word Map Pty Ltd	Melbourne	13 162	52 722
Bentleys Brisbane (Audit) Pty Ltd	Brisbane	-	52 210
Louise Elisabeth Alexander	Brisbane	-	48 000
Resolutions (Int) Pty Ltd	Brisbane	-	34 303
Syntura Pty Ltd	Brisbane	-	12 000
Writebusiness	Brisbane	9 404	6 300
Vilridge Pty Ltd	Sydney	297 080	5 983
Eva Abal	Brisbane	-	1 383
Roger Jack Shaw	Brisbane	-	922
Synergies Economic Consulting Pty Ltd	Brisbane	57 360	-
Orima Research Pty Ltd	Canberra	24 200	-
Marion Norton	Brisbane	14 560	-
GHD Pty Ltd	Brisbane	4 995	-
Transfield Services (Australia) Pty Ltd	Fremantle	3 690	-
Camcomp Partners Pty Ltd	Melbourne	2 100	-
Rocknotes Consulting	Canberra	1 590	-
Credence Consulting	Brisbane	1 255	7 392
Total		804 170	740 156

* All amounts represent payments made during the financial year.

Appendix D — Performance against our audit office peers

The Australasian Council of Auditors-General (ACAG) accepts membership from an Auditor-General in audit jurisdictions within Australia, New Zealand, Fiji, and Papua New Guinea.

As members, audit office staff within the ACAG group collaborate to share knowledge, benchmark performance, and improve audit practices and services. ACAG also provides a forum for Auditors-General to form a collective opinion on accounting and auditing standards.

Key measures from the 2015–16 benchmarking activity are presented here to allow comparison between our performance and ACAG averages. We have also included 2014–15 results to highlight how each measure has moved from one year to the next.

Comparison of benchmarking results — QAO versus ACAG averages

Measure	Units	ACAG			QAO			QAO vs ACAG
		2014–15	2015–16	Var.	2014–15	2015–16	Var.	2015–16
Staff available hours charged to audits¹								
Financial audit staff	%	74	73	(1)	82	82	-	9
Performance audit staff	%	65	66	1	75	73	(2)	7
All staff	%	60	60	-	65	62	(3)	2
Reports to parliament on the results of performance audits²								
Average cost	\$ 000's	306	292	14	334	336	(2)	(44)
Average duration	months	8.9	9.0	(0.1)	8.7	8.3	0.4	0.7
Financial audits								
Average cost ³								
State entities	\$ 000's	69.6	77.9	(8.3)	76.5	93.9	(17.4)	(16)
Local gov. entities	\$ 000's	44.6	49.8	(5.2)	64.4	74.6	(10.2)	(24.8)
Finalised within 3 months ⁴	%	68	69	1	56	64	8	(5)
Hourly charge to audits ⁵	\$	154	151	3	142	145	(3)	6
Support as a proportion of total audit office⁶								
Full Time Equivalents	%	20	18	2	22	23	(1)	(5)
Total costs	%	15	15	-	17	15	2	-

1. Our overall productivity remains strong against the ACAG average, with our financial audit staff maintaining the high productivity levels of the prior year.
2. We have improved the average duration of our performance audits while the ACAG average has slightly declined. We continued to deliver our performance audits faster, but our average cost is about 15 per cent higher than the ACAG average.
3. Our average cost of a financial audit appears different in ACAG benchmarking results due to it being calculated using financial year data instead of audit lifecycle data. That aside, the 2015–16 result is significantly impacted by a reduction in audit opinions.
4. The timeliness of our financial audits is below the ACAG average, but has improved significantly on the prior year.
5. Our hourly charge to audits remains one of the lowest among ACAG members.
6. Our total support costs have reduced as a proportion of total office costs and are now at the ACAG average. The FTE increase includes people assigned to projects that are improving our operations and audit practices.

Appendix E — Compliance checklist

	Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister	ARRs—section 8	First page in
Accessibility	Table of contents Glossary	ARRs—section 10.1	Third page in p.74
	Public availability	ARRs—section 10.2	Inside front cover
	Interpreter service statement	Queensland Government Language Services Policy ARRs—section 10.3	Inside front cover
	Copyright notice	<i>Copyright Act 1968</i> ARRs—section 10.4	Inside front cover
	Information licensing	QGEA—Information Licensing ARRs—section 10.5	Inside front cover
General information	Introductory information	ARRs—section 11.1	Second page in p.1–4
	Agency role and main functions	ARRs—section 11.2	p.5–8 p.13–18
	Operating environment	ARRs—section 11.3	p.7–8 p.13–18 p.24–29
Non-financial performance	Government’s objectives for the community	ARRs—section 12.1	n/a
	Other whole-of-government plans/specific initiatives	ARRs—section 12.2	n/a
	Agency objectives and performance indicators	ARRs—section 12.3	p.9–10 p.20–23 p.71
	Agency service areas, and service standards	ARRs—section 12.4	p.7–8 p.12–23 p.29
Financial performance	Summary of financial performance	ARRs—section 13.1	p.9–10 p.32 p.71

	Summary of requirement	Basis for requirement	Annual report reference
Governance — management and structure	Organisational structure	ARRs—section 14.1	p.25 p.29
	Executive management	ARRs—section 14.2	p.25 p.27
	Governance bodies	ARRs—section 14.3	p.27–28 p.65–67
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs—section 14.4	p.66
	Queensland public sector values	ARRs—section 14.5	n/a
Governance — risk management and accountability	Risk management	ARRs—section 15.1	p.11
	Audit committee	ARRs—section 15.2	p.27–28 p.66
	Internal audit	ARRs—section 15.3	p.27–28 p.67
	External scrutiny	ARRs—section 15.4	p.27–28
	Information systems and record keeping	ARRs—section 15.5	p.67
Governance — human resources	Workforce planning and performance	ARRs—section 16.1	p.67
	Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs—section 16.2	p.69–70
Open data	Consultancies	ARRs—section 17 ARRs—section 34.1	p.77
	Overseas travel	ARRs—section 17 AARs—section 34.2	p.77
	Queensland Language Services Policy	ARRs—section 17 ARRs—34.3	p.77
Financial statements	Certification of financial statements	FAA—section 62 FPMS—sections 42, 43 and 50 ARRs—section 18.1	p.52
	Independent auditors report	FAA—section 62 FPMS—section 50 ARRs—section 18.2	p.33–34

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

Appendix F — Glossary

Term	Meaning
Audit	This is an official examination and verification of accounts and records, especially of financial accounts.
Audit, financial	Depending on the audit subject (consolidated fund, public sector agency, ministerial expenditure, and whole-of-government financial statements), the Auditor-General must give an opinion as to whether public money was recorded, managed, and protected properly. Usually this involves auditing the <i>financial statements</i> and preparing an <i>audit opinion</i> .
Audit, performance	A performance audit may consider all or any particular activities of a public sector entity and may be conducted as a separate audit or as part of another audit, including an audit of another public sector entity. The audit's object includes deciding whether the objectives of the public sector entity are being achieved economically, efficiently, and effectively, and in compliance with all relevant laws.
Audit mandate	This is the scope of the Auditor-General's authority and powers in terms of the types of audits that may be carried out, the entities subject to audit, and the access to personnel, property, and information. Part 3 of the <i>Auditor-General Act 2009</i> defines the audit mandate.
Audit opinion	An audit opinion will generally address whether the Auditor-General has received all the information and explanations the role requires. It will also generally address whether the Auditor-General considers the financial statements have been properly drawn up and are accurate and compliant with prescribed requirements to give a true and fair view of an entity's financial operations and position.
Auditor-General	In Queensland, the Auditor-General is appointed by the Governor in Council for a fixed, non-renewable term of seven years.
<i>Auditor-General Act 2009</i>	This is the Queensland law that establishes the position of the Queensland Auditor-General and the Queensland Audit Office, confers the functions and powers necessary to carry out independent audits of the Queensland public sector and related entities, provides for the strategic review of the Queensland Audit Office, and provides for the independent audit of the Queensland Audit Office (published at www.legislation.qld.gov.au).
Australian Accounting Standards Board (AASB)	The Australian Accounting Standards Board, an independent, statutory agency established by the Australian Government, develops standards and guidance for preparers of financial statements (see www.aasb.gov.au).
Certification	Certifications complement a financial audit. Some certifications (such as acquittal of minor grant expenditure) are incidental to the financial audit. Other certifications require significantly more resources to be applied and may stand apart from the financial audit process.
<i>Financial Accountability Act 2009</i>	This is the Queensland law that provides for accountability in the administration of the state's finances and financial administration of departments and statutory bodies.

Term	Meaning
Financial statements	<p>The Australian Accounting Standards Board defines financial statements as comprising:</p> <ul style="list-style-type: none"> ▪ a statement of financial position as at the end of the period ▪ a statement of profit or loss and other comprehensive income for the period ▪ a statement of changes in equity for the period ▪ a statement of cash flows for the period ▪ notes, comprising a summary of significant accounting policies and other explanatory information ▪ comparative information in respect of the preceding period.
Full time equivalents (FTE)	<p>This is the total headcount adjusted for the impact of part-time working arrangements.</p>
Headcount	<p>This is the total number of permanent employees, temporary employees, contracted-in and seconded-in resources. It excludes employees seconded-out and on leave without pay.</p>
Index points (ip)	<p>Index points are used to more accurately describe results when multiple survey factors are combined into a single value or score.</p>
Material issues impact horizon	<p>This describes the time period over which our ability to create value may be impacted by a material issue.</p> <p>A short-term impact is within one to two years, and a medium-term impact is within two to five years. Short- and medium-term impacts cover the duration of our strategic plan. A long-term impact is over five years and is beyond our strategic planning horizon.</p>
Minimum Obligatory Human Resource Information (MOHRI) FTE	<p>This is the total number of permanent employees and temporary employees who are either full time or part time. It excludes employment agency or contracted-in resources, and employees seconded-out or on leave without pay for longer than eight weeks.</p>
Parliamentary committees	<p>The <i>Parliament of Queensland (Reform and Modernisation) Amendment Act 2011</i> established portfolio committees to cover all areas of government activity, and examine appropriation bills, other legislation, and public accounts and public works. Parliament generally refers the Auditor-General's reports to a relevant parliamentary committee for review and response.</p>
Public sector entity	<p>The <i>Auditor-General Act 2009</i> defines a public sector entity as a department, a local government, a statutory body, a government-owned corporation or a controlled entity.</p>
Queensland Audit Office (QAO)	<p>The Queensland Audit Office supports the role of the Auditor-General of Queensland in providing parliament with an independent assessment of the financial management activities of public sector entities.</p>
Referrals	<p>Anyone with information or concerns about financial mismanagement in public sector entities in Queensland can refer the matter for consideration, review, and possible investigation by the Auditor-General.</p>
Reports to parliament	<p>Under section 54 of the <i>Auditor-General Act 2009</i>, the Auditor-General may prepare a report on any audit conducted under the Act.</p> <p>The Act requires the Auditor-General to report to the Legislative Assembly on auditing standards, and on audits of the consolidated fund accounts or public sector entities, those requested by the Legislative Assembly, and audits of matters relating to property held by a public sector entity. These reports are published at www.qao.qld.gov.au upon tabling in parliament.</p>
Strategic audit plan	<p>Section 38A of the <i>Auditor-General Act 2009</i> requires the publication of a strategic audit plan of proposed audits over a three-year period, reviewed and updated annually and published at www.qao.qld.gov.au.</p>

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Further information

As required by the *Annual report requirements for Queensland Government agencies*, further information is published online through the Government Open Data website <https://data.qld.gov.au> related to the following:

- consultancies
- overseas travel
- Queensland Language Services Policy
- government bodies.



Linked 

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