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Briefing for audit committee chairs

6 December 2018, Queensland Audit Office, Brisbane

Queensland Audit Office

Better public services

Welcome and agenda

10.30 – 11.00 am: Maintaining confidence in public sector reporting

- Key points from 2017- 18 audits
- Role of audit committees

11.00 – 11.30 am: Performance audit update

- Learnings from performance audit reports to parliament
- Audits in progress
- Strategic audit planning

11.30 – 11.45 am: New accounting standards Q&A

11.45 – 12.00 pm: Closing remarks and Q&A

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Maintaining confidence in public sector reporting

Brendan Worrall, Auditor-General

Queensland Audit Office
Better public services

Key points from 2017-18

Timeliness (state sector)

- All departments, statutory bodies and GOCs met timeframes
- Nearly all provided draft statements by due date
- However, majority were only finalised in last three days of August
- Timing of audit committees?

Key points from 2017-18

Quality (state sector)

- No modified opinions issued on financial statements for departments or their controlled entities
- Slight decrease in the quality of the financial statements
  - increase in the level of immaterial adjustments being made
- No material prior year adjustments
- Some significant adjustments from changes in asset accounting policy

Key points from 2017-18

Timeliness and quality local government sector

Signed by 31/8/18—**Four** (2017: Three)

Signed by 30/9/18—**Eight** (2017: Five)

- More councils signed by 30 September than ever before
- Four of 12 councils signed by 30 September were indigenous

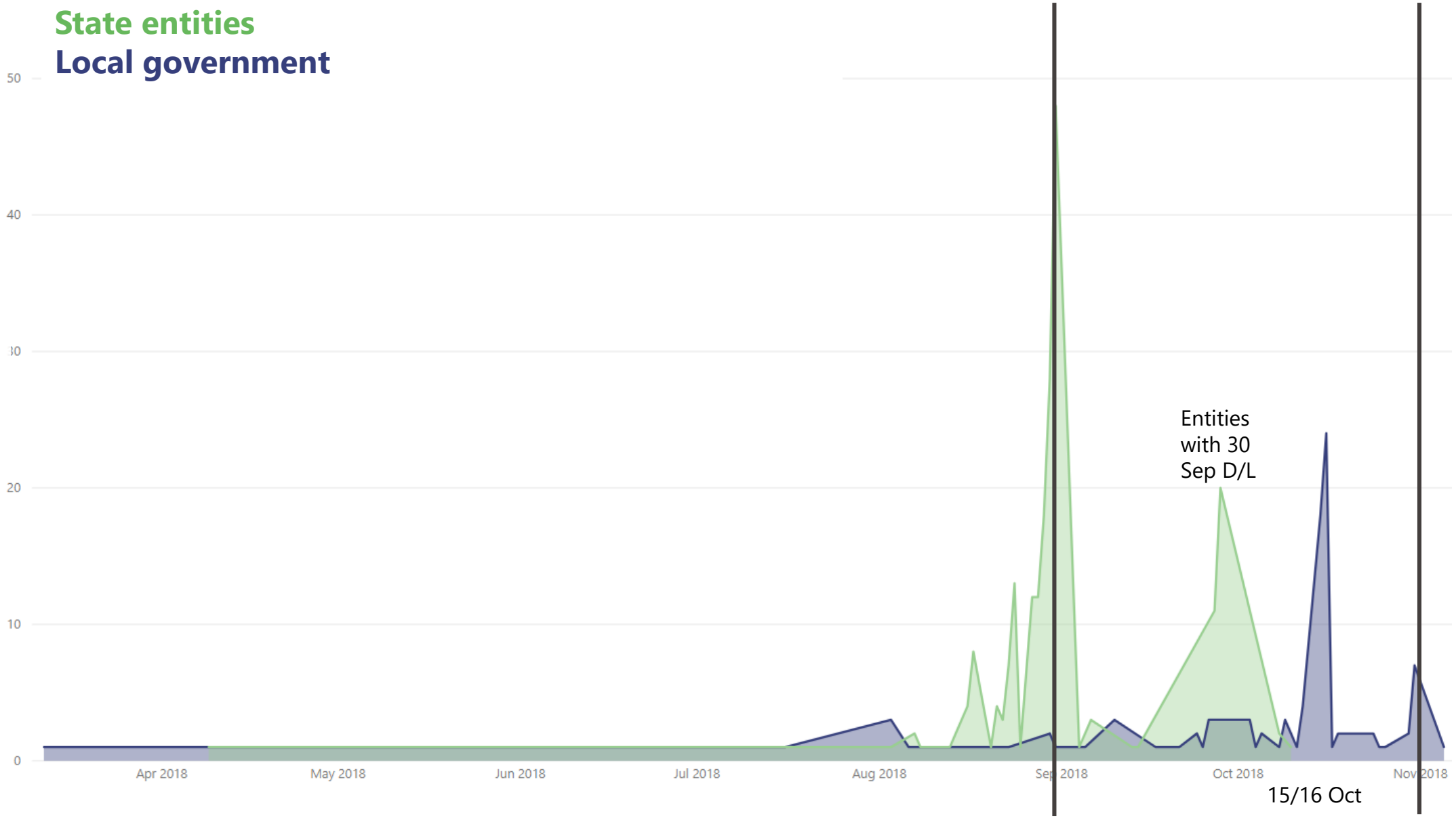
No councils qualified to date

General improvement in financial reporting processes—some room for improvement

We estimate we will probably have a similar number of significant deficiencies across the sector but we don't have a final number yet (2017: 307, 51 per cent of which were re-raised from 2016)

Timeliness

State entities
Local government



Key points for 2018-19

Year end close processes this year (state entities)

- Completing early close processes
- Non-current asset valuations by 31 May or earlier
- Pro forma financial statements by 30 April or earlier
- Resolving known accounting issues by 30 April or earlier
- Concluding all asset stocktakes by 30 June or earlier

Our rating	Year end close process assessment
● Implemented	All key processed were completed by the target date
● Partially implemented	Three key processes were completed within two weeks of the target date
● Not implemented	Less than two key processes were completed within two weeks of the target date

For Local Governments, specific dates to be agreed with individual councils

Other learnings from financial audit reports

Entities should:

- Complete valuation of material non-current assets by 31 March (longer term target)
- Review processes for gathering related party information to ensure appropriateness
- Effective internal controls to eliminate the risk of material misstatement
- Fewer trivial adjustments = faster completion
- Impact of new standards

Tabled reports:

2017-18 results of financial audits
Water: 15 Nov 2018
Energy: 22 Nov 2018
***Transport: 11 Dec 2018**

Last year's reports:

Queensland state government: 2016-17 results of financial audits
Feb 20189

Health: 2016-17 results of financial audits
Feb 2018

Local government: 2016-17 results of financial audits
Mar 2018

Education: 2017 results of financial audits
May 2018

Performance audit reports

Recently tabled performance audit reports

Monitoring and managing ICT projects, 10 Jul 2018

Access to the National Disability Insurance Scheme for people with impaired decision-making capacity, 27 Sep 2018

Delivering shared corporate services in Queensland, 27 Sep 2018

Managing transfers in pharmacy ownership, 28 Sep 2018

Follow-up of bushfire prevention and preparedness, 9 Oct 2018

Delivering coronial services, 18 Oct 2018

Conserving threatened species, 13 Nov 2018

Digitising public hospitals, 4 Dec 2018

www.qao.qld.gov.au/reports-resources/parliament

Role of audit committees

Implementation of recommendations from our reports

Why is there insufficient monitoring or follow-up of our recommendations?

What insights do you need from us to support you?

Organisational culture is key

Do audit committees have a good understanding of their organisations?

QAO attendance at audit committee meetings

A small number of committees do not allow our staff to attend the full briefing—what are the barriers?

We plan to conduct a performance audit on the effectiveness of audit committees in 2019-20

Any areas would you like us to cover?

Q&A

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Performance audit update

Daniele Bird, Deputy Auditor-General

Queensland Audit Office

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Introduction

Insights from recent performance audit reports

- Cross agency collaboration
- Regulatory compliance
- Strategy and performance measures
- Monitoring projects and programs
- Contract management
- Understanding costs

Cross agency collaboration

Achieving effective outcomes is a challenge where contribution by multiple parties is required

- Ensure appropriate governance
- Lead reform in a holistic manner
- Ensure decision making is based on complete data/analysis
- Plan effectively to meet future demands.

NDIS example…a complex program

A funding agreement, clearly defined roles and assurance checks at critical points were needed

Without managing combined responsibilities in an effective manner, any new attempts at service delivery are unlikely to be more successful

National Disability Insurance Scheme (3 May 2018 + 27 Sep 2018)
Delivering coronial services (18 Oct 2018)
Follow-up of bushfire prevention and preparedness (9 Oct 2018)

Regulatory compliance

Many entities are not effectively meeting regulatory compliance requirements

- Understand the intent of the legislation
- Align roles and responsibilities to action that intent
- Identify skills and resources
- Have well-defined processes and policies in place
- Design and implement internal controls that promote accountability and prevent non-compliance
- Use the right tools to support decision making and record keeping.

Managing local government rates and charges (28 Jun 2018)

Managing transfers in pharmacy ownership (28 Sep 2018)

Strategy and performance measures

We are seeing an absence of a strategy or strategic approaches, including performance measures

- Ensure you have current strategies that articulate purpose, priorities, clear actions, measurable targets and intended outcomes
- Support these strategies with clear deliverables, milestones and resources
- Improve transparency on how much the entity spends
- Focus on defining and measuring benefits
- Ensure governance evolves and continues beyond program/project implementation —long term agency commitment.

Delivering shared corporate services in Queensland (27 Sep 2018)

Conserving threatened species (13 Nov 2018)

Monitoring projects/ programs

Better monitoring of major programs/projects is needed, including intervention when they are not going to plan

- Weaknesses with data completeness and accurate controls reduces user confidence
- Keeping programs/projects running while significant policy, structural or legislative changes occur = slow progress and high delivery costs
- Use info from any whole-of-government assurance policies/ processes
- Periodic health checks—an impartial view
- Ensure program/project managers are providing enough information for timely decision-making.

Monitoring and managing ICT projects (10 Jul 2018)

National Disability Insurance Scheme (3 May 2018 + 27 Sep 2018)

Contract management

Contract management—there is a lack of contract registers as a single point of truth

- Agencies must improve their contract registers or contract management systems to ensure a complete and accurate record of all awarded contracts
- Meet all of the mandatory requirements set out by the state and local government

Confidentiality and disclosure of government contracts (20 Feb 2018)

Understanding the costs

To deliver ongoing value, entities need a good understanding of how the improvements they make decrease cost or increase quality of service

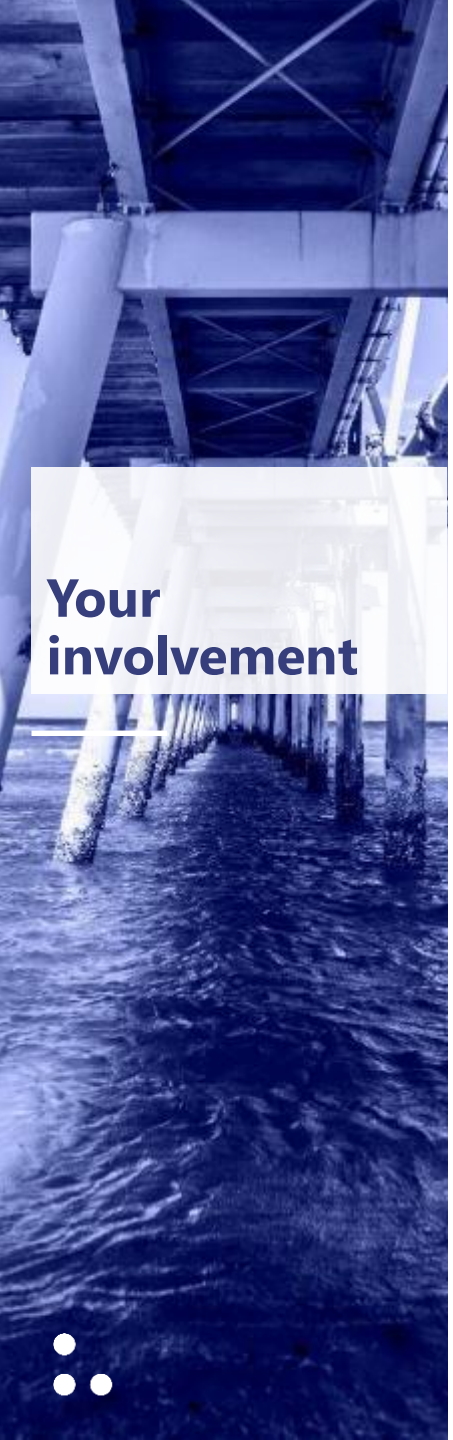
- When customers are charged a fee for the service, it is important to know how that fee is established
- A lack of transparency affects the ability of customers to understand what influences service prices
- All entities should calculate cost estimates for all aspects of proposed services

Monitoring and managing ICT projects (10 Jul 2018)

Delivering shared corporate services in Queensland (27 Sep 2018)

Reports for remainder of FY 2018-19

Name	Tabling Date
Transport: 2017-18 results of financial audits	11 Dec 2018
Managing market-led proposals	13 Dec 2018
How efficient and effective are Queensland's forensic services	Feb 2019
Queensland state government: results of financial audits	Feb 2019
Health: 2017-18 results of financial audits	Feb 2019
Managing consumer food safety in Queensland	Mar 2019 *
Follow-up of Report 12: 2014-15 Oversight of recurrent grants to non- state schools	Feb 2019
Follow-up of Report 11: 2014-15 Maintenance of public schools	Mar 2019
Local government: 2017-18 results of financial audits	Mar 2019
Follow-up of Report 17: 2014-15 Managing child sensitive information	Apr 2019
Education: 2017-18 results of financial audits	May 2019
Managing cyber security risks	Jun 2019



Your involvement

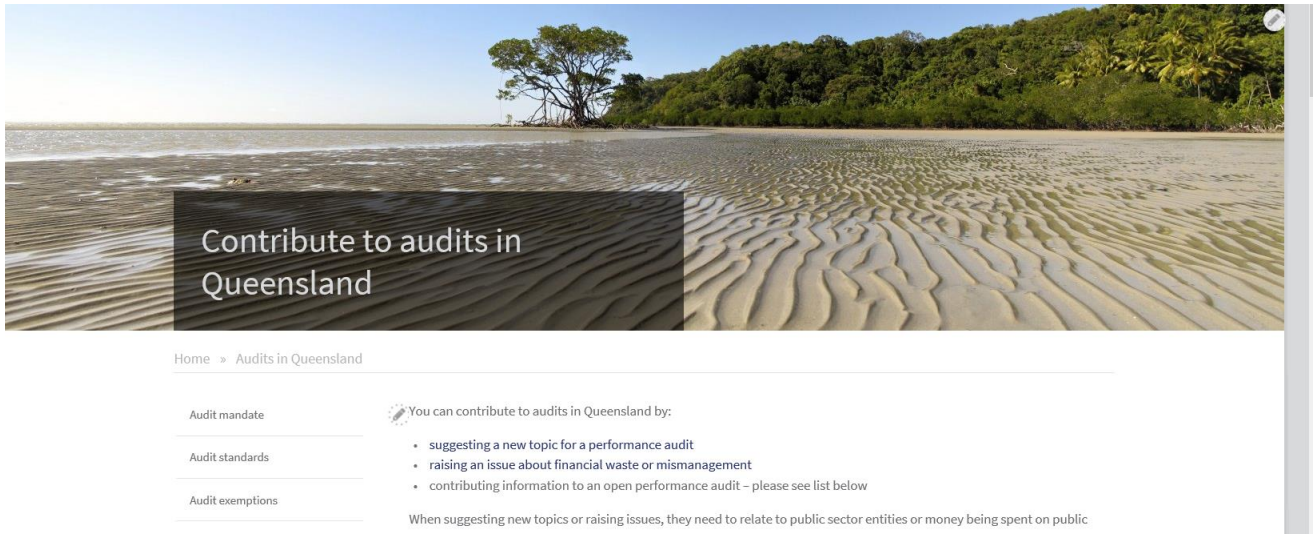
Strategic audit planning

Our process to select and refine our audit program is continuous.

Our next *Strategic Audit Plan 2019-21* is underway.

What topics would you like us to consider for the next three-year plan?

Contribute by contacting me, your QAO engagement leader, or make a confidential submission on our website: www.qao.qld.gov.au/audits/contribute



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New accounting standards Q&A

Karen Johnson, Assistant Auditor-General

Queensland Audit Office

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Standards Q&A

Four new standards

AASB 9 Financial instruments —1 July 2018

AASB 15 Revenue (for profits) —1 July 2018

AASB 15 Revenue + AASB 1058 Income (for NFP)—I July 2019

AASB 16 Leases —1 July 2019

How are you progressing?

Are there any issues we need to assist you on?

New QAO blog

Out now: www.qao.qld.gov.au/blog

- Leases, revenue, financial instruments, FRRs, revised conceptual framework + more
- Checklists
- Identifying fraud hot spots
- Cyber security tips
- Perspectives from a performance audit
- News from QAO

Any topics you'd like us to cover?

Monthly posts—subscribe:
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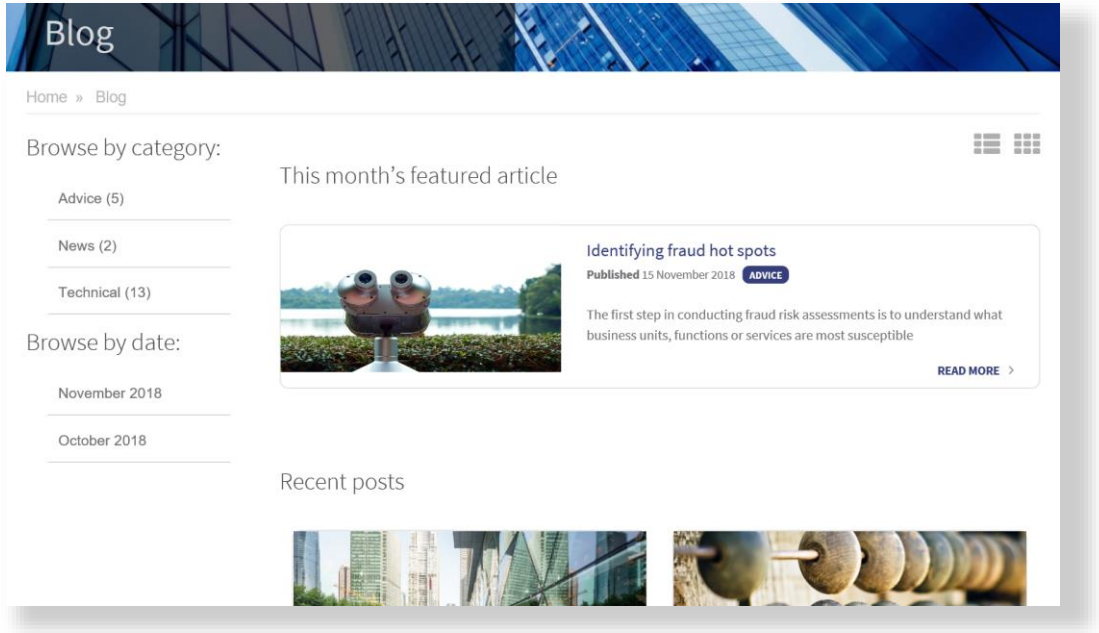
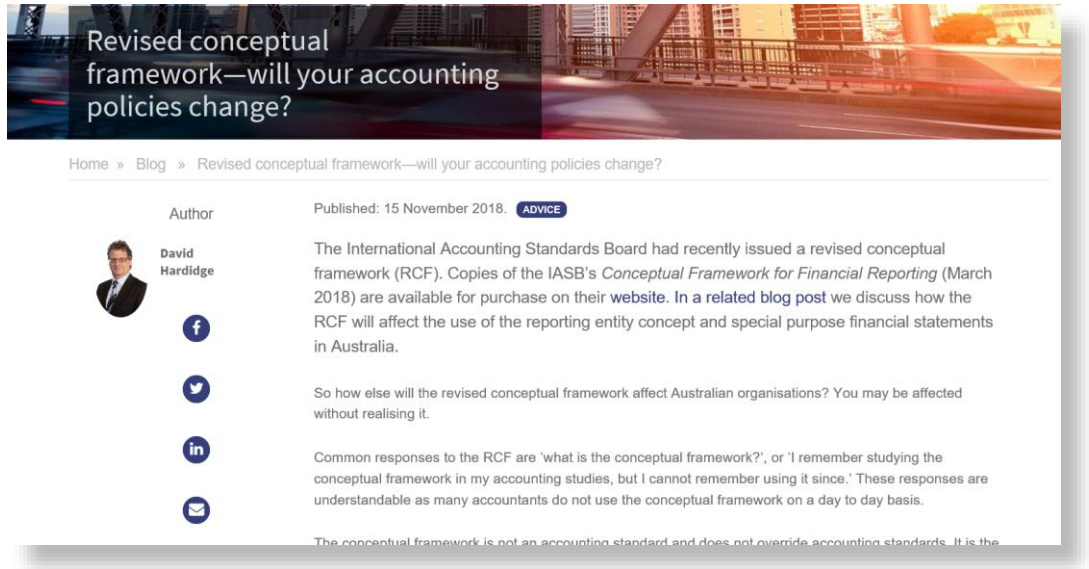
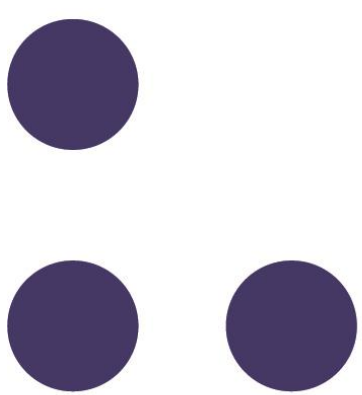




Q&A



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