



# Queensland state government: 2017–18 results of financial audits

Report 14: 2018–19

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Your ref:  
Our ref: 12067

28 February 2019

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The Honourable C Pitt MP  
Speaker of the Legislative Assembly  
Parliament House  
BRISBANE QLD 4000

Dear Speaker

**Report to parliament**

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled Queensland state government: 2017–18 results of financial audits (Report 14: 2018–19).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Brendan Worrall".

Brendan Worrall  
Auditor-General

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# Summary

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## Results of our audits

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As at 31 October 2018, we had issued audit opinions on 209 sets of financial statements prepared by Queensland state public sector entities for the 2017–18 financial year.

We issued unmodified opinions on 97.1 per cent of these financial statements. This is consistent with the 2016–17 financial year, when we issued unmodified opinions on 96.4 per cent of these financial statements.

This means that we believe the results and balances reported by these entities can be relied on by readers.

This year, 86.0 per cent of Queensland state public sector entities met their legislated timeframes for financial reporting. This was a slight decrease on 2016–17, when the figure was 87.2 per cent.

The financial statements of all Queensland state public sector entities included in the Queensland Government’s consolidated financial statements were issued unmodified opinions and were completed within legislative timeframes.

However, we believe that opportunities still exist for entities to prepare their financial statements earlier and we encourage them to adopt processes that aid in the early preparation of the financial statements.

This year government departments were impacted by significant machinery of government changes following the state government election in November 2017. We acknowledge the efforts of all impacted government departments who were still able to apply effective financial reporting processes while also dealing with the additional requirements arising from implementing the machinery of government changes. As a result, we did not identify any significant issues with the quality and timeliness of the draft financial statements prepared by government departments.

While no material adjustments were required to departmental financial statements, there was an increase in the number of immaterial adjustments being made. We encourage entities not to make immaterial adjustments as the cost of making the changes often outweighs the benefit. (We consider something is material if its misstatement or omission could affect the decisions of the users of the financial statements.)

We also issued opinions on nine of the 17 outstanding financial statements from previous reporting periods.

We express an **unmodified opinion** when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards.

We express a **modified opinion** when financial statements do not comply with the relevant legislative requirements and Australian accounting standards and are not accurate and reliable.

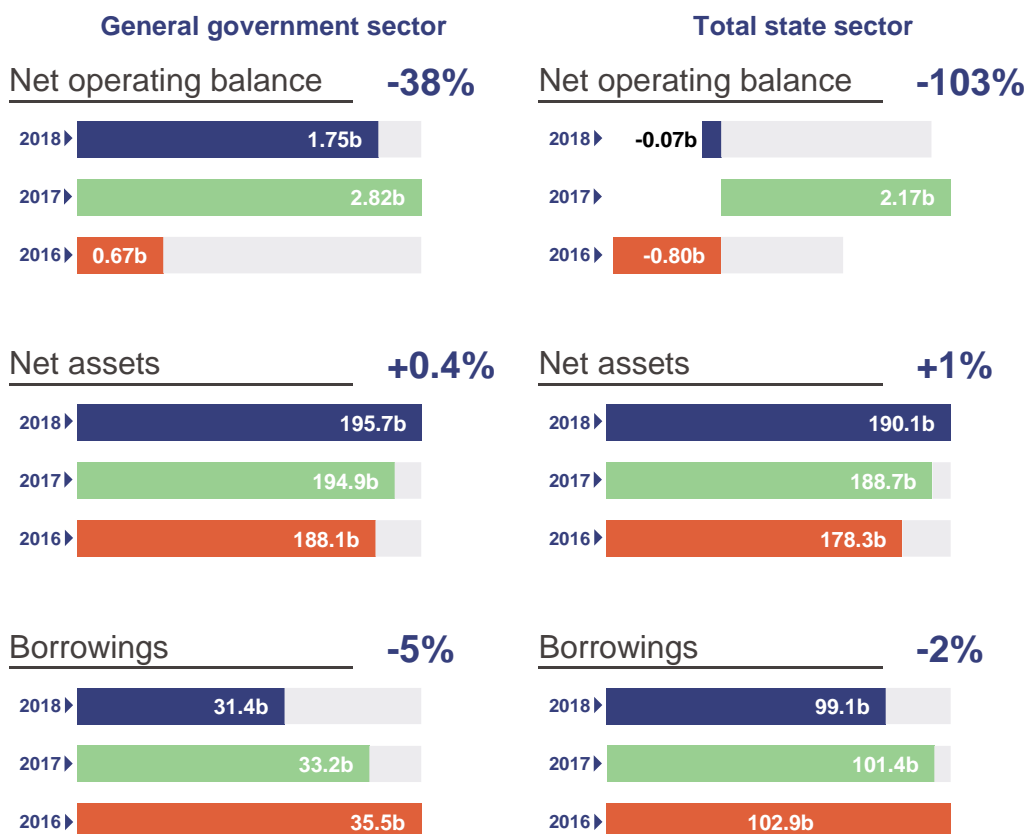


## Financial performance, position and sustainability

Each year, the Treasurer prepares the Queensland Government’s consolidated financial statements to provide a complete view of the performance and position of the state government.

This year, the general government sector (public sector entities that are generally funded by the government and provide services for the collective benefit of the community) reported its fifth consecutive operating surplus (excess of revenue over expenses) while the total state sector (all public sector entities controlled by the state government) reported an operating deficit (expenses were greater than revenues). The results for both sectors were below those reported in the previous year. However, the net assets for both the general government sector and the total state sector remained steady.

**Figure A**  
Whole-of-government 2017–18 financial snapshot



Source: Queensland Audit Office and state government financial statements 2016–17 and 2017–18.

Revenues from taxation, grants, interest income, and royalties increased in 2017–18. Dividend revenue received by the general government sector increased by \$245 million.



Expenses also increased in 2017–18, with the largest rises occurring in employee expenses and other operating expenses. The increase in other operating expenses was related to costs associated with hosting the 2018 Gold Coast Commonwealth Games and with establishing a provision to meet the anticipated costs of Queensland's participation in the National Redress Scheme for people who have experienced institutional child sexual abuse.

Borrowings for both the general government sector and total state sector decreased. This was partly due to the state's cash management arrangement where surplus cash held by government owned corporations is managed at a whole of state level. An increase in available cash surpluses this year was utilised to purchase or replace non-financial assets (without the need to borrow) and reduce government borrowings.

However, government borrowings are expected to increase from 2018–19 to fund the state's \$45.8 billion capital program as announced in the 2018–19 state budget.

## Gold Coast 2018 Commonwealth Games

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The Gold Coast 2018 Commonwealth Games (the games) was the biggest sporting event in Australia in a decade. More than six years of planning, involving three levels of government, culminated in 11 days of sport in April 2018.

We issued an unmodified audit opinion on the special purpose financial report on 11 February 2019 to provide a consolidated view of the financial resources used by the Queensland Government for the games.

The games were delivered within the planned budgeted cost of \$1.507 billion, with \$167 million (11 per cent) of that available for return to the Queensland Government.

## Departmental internal controls

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We assessed the internal control systems of the 21 state government departments as effective. Consequently, we were able to rely on their internal control systems.

This year, we didn't identify any significant deficiencies. We identified 49 control deficiencies, with 51 per cent of them classified as control activity deficiencies. (Control activities relate to the implementation of policies and procedures to prevent or detect errors and to safeguard assets.)

We have reported on these deficiencies to departments, and they have resolved or are on track to resolve them within the agreed timeframes.



# 1. Context

This report covers all entities controlled by the Queensland Government. The total state sector is made up of three sectors: the general government sector, public non-financial corporations, and public financial corporations. These are explained in Figure 1A.

**Figure 1A**  
**Queensland government sectors**

Total state sector			
Sector	General government sector	Public non-financial corporations	Public financial corporations
Services provided	Public services that are for the collective benefit of the community and are financed by way of taxes, fees, and other compulsory charges	Goods and services that are trading, non-regulatory, or non-financial in nature, and are financed by way of the sales of goods and services to consumers	Financial services, which may include central bank functions, savings deposits, investment fund management, and insurance services
Examples of entities	Government departments and hospital and health services	Seqwater, Powerlink Queensland, and Port of Townsville Limited	Queensland Treasury Corporation, Workcover Queensland, and QIC Limited

Source: Queensland Audit Office, adapted from the Australian Bureau of Statistics: *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

The report concentrates on the results at the total state sector and general government sector. A more detailed analysis of the results of our audits for specific industry sectors including health, energy, water and transport are included in separate individual reports.



## 2. Results of our audits

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This chapter delivers the audit opinion results and evaluates the timeliness and quality of reporting.

It also discusses the impact of machinery of government changes on departmental financial reporting processes in the 2017–18 financial year.

### Conclusion

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We issued unmodified audit opinions on 97.1 per cent of the financial statements prepared by Queensland state public sector entities. Readers can rely on the results in these audited financial statements. We issued unmodified opinions for all entities consolidated in the Queensland Government's financial statements, including the departments.

In total, 86.0 per cent of Queensland state public sector entities met their legislative timeframes for financial reporting. This is a slight decrease on the prior year (87.2 per cent). All entities consolidated in the Queensland Government's financial statements met their legislative timeframes.

The Queensland Government's consolidated financial statements were also free from material misstatement. (A misstatement is material if it has the potential to influence the decisions made by users of the financial statements.)

Most government departments have robust year-end close processes allowing them to produce good quality financial statements in a timely manner. However, there was an increase in the number of departments that adjusted their draft financial statements provided to the auditors. There were no material adjustments required to the draft financial statements.

A machinery of government change occurred on 12 December 2017. It was the largest since June 2012 and abolished three departments, created three new departments, and impacted on a further 12 departments. Only six departments were not affected. We acknowledge the efforts of all the impacted departments who were still able to apply effective financial reporting processes in preparing their 2017–18 financial statements despite having to deal with the additional complexities of the machinery of government changes.

Due to the impact of machinery of government changes on 15 of the 21 departments financial statements, we did not assess their year-end close processes for 2017–18.

While all major public sector entities continued to meet their legislative timeframes for financial reporting, we believe opportunities still exist for them to prepare the financial statements earlier. Accordingly, we encourage all entities to continue to adopt and refine strategies that enhance their year-end financial reporting processes.





## Audit opinion results

Figure 2A details the audit opinions we issued (as at 31 October 2018) on the financial statements for Queensland state public sector entities for the 2017–18 financial year.

**Figure 2A**  
**Audit opinions issued for the 2017–18 financial year**

Entity type	Unmodified opinions	Modified opinions	Opinions not yet issued
Departments and controlled entities	42	0	3
Government owned corporations and controlled entities	13	0	0
Statutory bodies and controlled entities	102	7	15
Joint controlled entities	1	0	0
Audited by arrangement	44	0	1
<b>Total</b>	<b>202</b>	<b>7</b>	<b>19</b>

Source: Queensland Audit Office.

By 31 October 2018, we had issued 91.6 per cent of the audit opinions for financial statements requiring an audit for the 2017–18 financial year. At the same time in 2017, it was 94.9 per cent.

We issued unmodified opinions on 97.1 per cent of the 2017–18 financial statements. This is a slight improvement on the prior year (96.4 per cent).

Appendix D lists Queensland state public sector entities and the opinions we issued on their financial statements.

We also issued nine of the 17 audit opinions for financial statements for prior years that were outstanding as at 31 October 2017.

Appendix H lists those entities whose audits are not complete. These entities are small and are not included in the Queensland Government's consolidated financial statements.

## Emphasis of matter

We included emphasis of matter paragraphs with the unmodified audit opinions we issued on 47 sets of financial statements for the 2017–18 financial year (2016–17: 47). We included a further two for financial statements that we finalised for 2016–17. The most common types of emphasis of matter paragraphs included in independent auditor's reports highlighted:

- where entities were allowed to prepare their financial statements using a framework that did not require full compliance with all elements of the Australian accounting standards
- disclosures in the financial statements identifying that entities were wound up (or may soon cease to exist) or had issues relating to their ability to operate as a going concern. (An entity is a going concern if it is expected to be able to pay its debts as and when they fall due.)

An *emphasis of matter* is a paragraph included with an audit opinion to highlight an issue of which the auditor believes the users of the financial statements need to be aware. The inclusion of an emphasis of matter paragraph does not modify the audit opinion.

### Final financial statements for abolished departments

We included emphasis of matter paragraphs with the audit opinions issued on the final financial statements for the three departments abolished on 12 December 2017. These paragraphs drew attention to disclosures in the financial statements which discussed the abolishment of the departments and the impact it had on the financial statements.

For one of the abolished departments we included an additional emphasis of matter paragraph drawing attention to the fact the statements had been reissued following corrections made to the version of the financial statements on which we originally issued an audit opinion.

### Entities preparing special purpose financial statements

This year, we issued audit opinions on 39 sets of special purpose financial statements. Special purpose financial statements are often prepared for controlled entities that are companies or trusts in order to meet the needs of a limited number of users or the trustees' reporting requirements.

The Australian Accounting Standards Board (AASB) is considering removing the ability to prepare special purpose financial statements in future years. Public sector entities currently preparing them should monitor this to consider the impact of any proposed changes.

## Modified opinions

We issue a modified opinion when financial statements do not comply with the relevant legislative requirements or Australian accounting standards. This means parts of the financial statements are not accurate or reliable.

This year, we issued seven modified opinions on financial statements for the 2017–18 financial year (2016–17: eight). Consistent with prior years, these were for small water boards and drainage boards. These small statutory bodies are not included in the Queensland Government's consolidated financial statements.

The main reasons we modified our opinions on these entities related to the existence and measurement of property, plant, and equipment, and a general failure to comply with the accounting standards in preparing the financial statements.



We also issued four modified opinions on financial statements prepared for prior financial years where the audits were only able to be completed during the current year. All these opinions were for audits of small water boards and drainage boards. In Appendix E, we have listed entities where opinions were issued this year on financial statements for prior years.

## Entities exempt from audit by the Auditor-General

The Auditor-General may exempt a Queensland public sector entity from audit (by the Auditor-General) for a financial year. Exempted entities are still required to engage an appropriately qualified person to conduct an audit of their financial statements.

This year, 23 Queensland state public sector entities were exempt from audit by the Auditor-General. We have listed them in Appendix F.

## Entities not preparing financial statements

Not all Queensland public sector entities produce financial statements. This year, 125 entities were not required either by legislation or the accounting standards to prepare financial statements. We have identified them in Appendix G.

## Timeliness of financial reporting

Most Queensland public sector entities have legislative deadlines by which they must complete their financial statement audits. (We have listed these deadlines in Appendix D.) In total, 86.0 per cent of entities met their deadlines. This was a slight decrease on last year (87.2 per cent).

All departments, government owned corporations and major statutory bodies met their legislative timeframes. The entities that did not meet their legislative timeframes were small statutory bodies and controlled entities.

**Figure 2B**  
**Entities that met and missed the legislative timeframes to complete audits for the 2017–18 financial year**

Entity type	Met the timeframe	Missed the timeframe	No legislative timeframes
Departments and controlled entities	40	2	3
Government owned corporations and controlled entities	13	–	–
Statutory bodies and controlled entities	100	23	1
Joint controlled entities	1	–	–
Audited by arrangement	6	1	38
<b>Total</b>	<b>160</b>	<b>26</b>	<b>42</b>

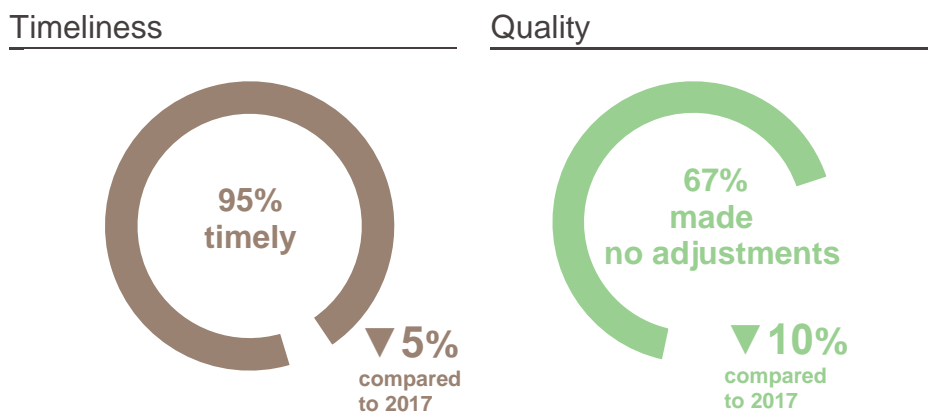
Source: Queensland Audit Office.

## Financial statement preparation

This year, most of the 21 core departments produced timely financial reports in accordance with agreed timeframes. (Core departments are the departments primarily responsible for the majority of services provided within the general government sector. We have listed them under the result summary in Appendix C.)

The quality of the financial reports varied across the core departments, due mainly to the impact of machinery of government changes. Figure 2C highlights our assessment of the timeliness and quality of draft financial statements of the core departments.

**Figure 2C**  
**Timeliness and quality of draft financial statements**



Source: Queensland Audit Office.

Twenty of the 21 departments produced complete draft financial statements by the dates agreed with their auditors. This indicates the departments mostly maintained their commitment to produce timely draft financial statements despite machinery of government changes. One department was late in delivering its draft financial statements due to difficulties in consolidating the financial data of business activities under the machinery of government changes.

However, 18 of the 21 departments only met the legislative deadline for certification of their financial statements by less than three days. This indicates there is still capacity for departments to prepare draft financial statements earlier to improve the timeliness of certification and subsequent tabling of financial statements.

An area of potential improvement is the timing of final audit committee meetings for providing clearance on financial statements. We encourage departments to consider bringing forward the date of these meetings where possible. To facilitate this, we are working with departments to bring forward our audit clearance dates on departmental financial statements. This may also involve auditors receiving quality financial statement workpapers on a progressive basis.

No significant adjustments were required to the draft financial statements prepared by any of the departments. However, seven departments made immaterial adjustments to their draft financial statements. These adjustments were partly due to the year-end challenges associated with machinery of government changes.



We encourage departments not to amend their financial statements for immaterial adjustments. They don't affect a user's understanding of the financial statements but making the changes may impact on the overall timeliness and cost of the financial statement process and increase the risk of preparation errors occurring in the financial statements.

In April 2018, the Under Treasurer wrote to accountable officers of departments strongly encouraging them to implement strategies to aid with the earlier preparation of annual financial statements.

We have previously developed criteria for assessing the effectiveness of year-end financial reporting processes adopted by public sector entities and reported on the results of our assessments for departments. This year we are not reporting on the effectiveness of the year-end reporting processes adopted by departments because of the impact of the machinery of government changes on them. However, we remain committed to working with departments in future years to implement effective processes that enhance the timeliness and quality of their financial reports.

Our criteria for assessing the timeliness and quality of draft financial statements, and examples of important year-end processes, are outlined in Appendix C. We intend to recommence assessing the financial reporting processes adopted by entities against these criteria in 2018–19.

## Key audit matters

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The Australian Auditing and Assurance Standards Board has adopted the international standard *ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report* for audits of entities listed on the Australian stock exchange. We voluntarily adopted this standard, as we believe it will enhance the value of our independent auditor's reports (the reports we issue on financial statements that contain our audit opinions) by providing greater transparency and insights about our audit process.

Key audit matters include areas that, in our professional judgement, pose a higher risk of material misstatement. These matters mostly relate to major events and transactions that occur during the audited period and those areas requiring significant application of judgement and estimation. They do not impact on the audit opinion issued on the financial statements.

In our independent auditor's reports, we reported on why the key audit matters were significant and the procedures we performed to address the matters.

In 2017–18, we included 74 key audit matters in our independent auditor's reports for 49 state public sector entities (2016–17: 61 key audit matters on 44 entities). Of these, 82 per cent related to the valuation of property, plant, and equipment. This compares to over 70 per cent for similar matters in 2016–17.

For many entities, the valuation of property, plant, and equipment is the balance most at risk of material misstatement. This must continue to be an area of focus for management and audit committees in order to ensure accurate reporting.

Figure 2D summarises the key audit matters reported for the 49 public sector entities.

**Figure 2D**  
**Types of key audit matters**

Key audit matter	Departments and controlled entities	Government owned corporations and controlled entities	Statutory bodies and controlled entities	Total
Valuation and depreciation of non-current assets	20	16	24	60
Measurement of provisions	1	2	1	4
Classification and measurement of financial instruments	1	3	–	4
Impairment of financial assets	1	–	–	1
Measurement of land inventories	1	–	–	1
Completeness of revenue	1	–	–	1
Recognition and measurement of revenue	–	2	–	2
Valuation, presentation, and disclosure of investment in long-term assets	–	–	1	1
<b>Total</b>	<b>25</b>	<b>23</b>	<b>26</b>	<b>74</b>

Source: Queensland Audit Office.

## The Queensland Government's consolidated financial statements

The Treasurer prepares the Queensland Government's consolidated financial statements annually. These statements provide a consolidated view of the financial position and performance of the state government.

They are prepared in accordance with the *Financial Accountability Act 2009* and Australian accounting standards including *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.



## Result of our audit

The Queensland Government's consolidated financial statements and the supporting work papers prepared by Queensland Treasury were of an acceptable standard and we did not identify any material errors in the consolidation process.

On 4 December 2018, we issued an unmodified audit opinion on the Queensland Government's 2017–18 consolidated financial statements. This was later than in 2016–17, where we issued an unmodified audit opinion on 20 October 2017.

## Consolidated fund financial report

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The *Financial Accountability Act 2009* requires the Treasurer to keep ledger accounts for the consolidated fund operating and investment accounts. The *Consolidated Fund Financial Report* records amounts received into and paid out of these accounts during the financial year.

## Result of our audit

We issued an unmodified audit opinion on the *Consolidated Fund Financial Report* on 30 August 2018, which was within the legislative deadline of 30 September 2018. Our independent auditor's report included an emphasis of matter paragraph to draw attention to the fact that the report was prepared on a cash basis.

## Public reports of ministerial expenses

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Ministers and assistant ministers of the government have staff and resources to assist them in the performance of their duties. The *Financial Accountability Act 2009* requires the Department of the Premier and Cabinet to prepare a public report of ministerial expenses annually.

The *Opposition Handbook* also requires the Leader of the Opposition to prepare, and have audited, an annual report of expenditure each financial year.

## Results of our audits

We issued unmodified audit opinions on the *Public Report of Ministerial Expenses* and the *Public Report of Office Expenses of the Leader of the Opposition* on 22 August 2018.

Our independent auditor's reports included an emphasis of matter paragraph to draw attention to the fact that these reports are prepared to fulfil the responsibilities of the Premier under the *Financial Accountability Act 2009* and the *Queensland Ministerial Handbook* and of the Leader of the Opposition under the *Opposition Handbook*.

## Impact of machinery of government changes in 2017–18

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The transfers of departmental functions (part or parts of departments) between departments are commonly referred to as machinery of government changes. These changes can have a major impact on the departments and their ability to produce quality financial statements in a timely manner.

On 12 December 2017, the Queensland Government announced several changes to the functions administered by existing departments. Further changes followed on 21 December 2017 and 9 February 2018.

These changes were implemented through Administrative Arrangement Orders made by the Governor in Council, and Public Service Departmental Arrangements Notices issued by the Public Service Commission.

The machinery of government changes included:

- abolishing three departments (Department of Energy and Water Supply (DEWS); Department of National Parks, Sport and Racing (DNPSR); and Department of Science, Information Technology and Innovation (DSITI) and transferring their functions to other departments
- creating three new departments (Department of Child Safety, Youth and Women (DCSYW); Department of Employment, Small Business and Training (DESBT), and Queensland Corrective Services (QCS) and transferring functions to them that had previously been performed by other departments
- redistributing functions between a further 12 existing departments, with seven of the departments renamed.

Only six of the existing departments were not affected by these machinery of government changes.

The transfer of functions between departments can include the transfer of employees, assets and liabilities, information technology (IT) systems and applications, and controlled entities. Machinery of government changes are generally effective from the date of the Administrative Arrangement Orders, as made by the Governor in Council. However, it can take many months (and sometimes years) for the receiving department to fully integrate new functions into the department through the updating of policies, procedures and processes, and the alignment of IT systems.

The implementation of the changes can also impact on the quality and timeliness of financial statement preparation for several reasons, including the movement of key finance staff between departments, changes required to systems, and an inability to access financial information in a timely manner. The following paragraphs discuss the impact of machinery of government changes on the quality and timeliness of the financial statements.

The cost of implementing machinery of government changes can be significant, however, they are not separately accounted for and disclosed in the departmental financial statements. The nature and complexity of some machinery of government may also require implementation costs to be incurred over a number of financial years.

### Assets and liabilities transferred

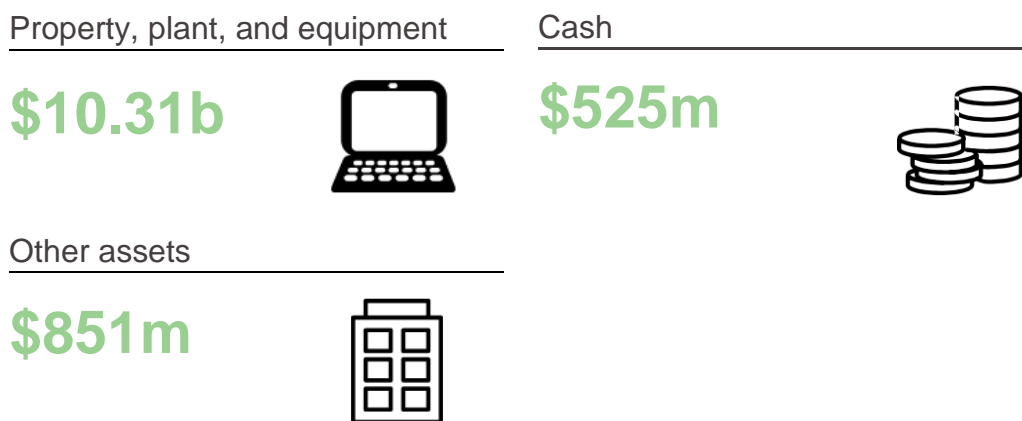
A total of 43 functions and \$10.825 billion in net assets were transferred between departments as part of the machinery of government changes that occurred in 2017–18.





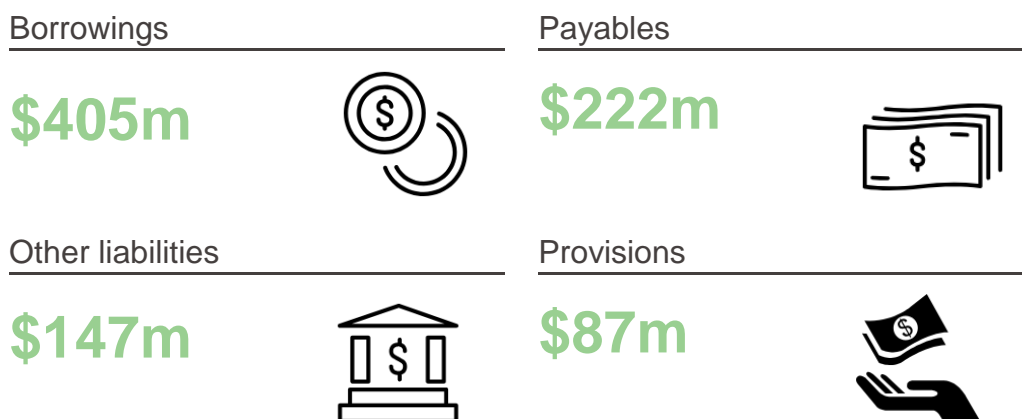
The major assets and liabilities transferred align with the transferred functions and enable each department to deliver the public services associated with the functions they receive.

**Figure 2E**  
**Major assets transferred in the 2017–18 machinery of government changes**



Source: Queensland Audit Office.

**Figure 2F**  
**Major liabilities transferred in the 2017–18 machinery of government changes**



Source: Queensland Audit Office.

The main transfers were:

- \$4.691 billion for Queensland Parks and Wildlife Services. Transferred from the abolished Department of National Parks, Sport and Racing to the Department of Environment and Science
- \$2.567 billion for Corrective Services. Transferred from the Department of Justice and Attorney-General to the new Queensland Corrective Services
- \$1.276 billion for Training and Skills (excluding international education). Transferred from the Department of Education to the new Department of Employment, Small Business and Training.

## Machinery of government transfer forms

Each function transferred under a machinery of government arrangement needs to be supported by a transfer form certified by the accountable officers of both the transferring and receiving departments. The machinery of government transfer forms identify the agreed value of the assets and liabilities transferred between the departments. The transfer of more than one function can be included in a transfer form, provided they involve the same departments.

In 2017–18, the machinery of government changes resulted in the completion of 30 transfer forms confirming the value of assets and liabilities transferred between departments. It is only once these forms are completed that the departments can input the transferred data into their respective general ledgers.

We noted that:

- Ten per cent (three) of the forms were signed within two months of the effective machinery of government date, 43 per cent (13) were signed two to three months after the effective date, and 47 per cent (14) were signed more than three months after the effective date.
- Ten of the transfer forms that took more than three months to finalise were for functions transferred from the three abolished departments. These took an average of 112 days to complete.
- Ninety per cent (27) of transfer forms were duly approved by the accountable officers of the relevant departments. The remaining 10 per cent (three) of forms were signed by either a deputy director-general or a head of finance.
- Six transfer forms were subsequently revised (between May and August 2018) one to three times after the original transfer forms were signed. Most of these revised forms involved new departments, including four transfer forms relating to DESBT, and one form relating to DCSYW, which was revised three times.

Issues with the timely and accurate completion of these forms by departments, can impact on the ability of the relevant to departments to prepare timely and good quality financial statements.

**Figure 2G**  
**Number of revisions/supplementary changes to 2017–18 machinery of government transfer forms**



Source: Queensland Audit Office.



## Impact of machinery of government changes on the financial statement preparation process

As previously mentioned, the machinery of government changes affected the quality of the draft financial statements produced by some of the departments impacted by machinery of government changes. Of the seven departments that made changes to their draft financial statements, as per Figure 2G, six were impacted by machinery of government changes in 2017–18.

Under the *Financial and Performance Management Standard 2009*, departments are required to have their annual financial statements audited by 31 August, two months (62 days) after end of the financial year (30 June).

However, the *Financial and Performance Management Standard* does not specify a timeframe for completing the audit of financial statements for abolished departments. Instead, the department must agree with the Auditor-General a date by which the statements will be given to the auditors. Audit opinions on the final financial statements for all three abolished departments were signed an average of 130 days after the abolishment date.

The additional time required to prepare and audit the final financial statements of these departments reflects the additional complexities associated with preparing and auditing financial statements of entities that have ceased to exist. These complexities include:

- ensuring key financial staff transferred to other departments remain available to prepare the statements
- assigning key responsibilities for oversight and accountability of the process such as review by a relevant audit committee
- identifying who will be responsible for approving the financial statements on behalf of the abolished department.

The final financial statements of abolished departments are important accountability documents in finalising their activities. Accordingly, it is important that appropriate resources and governance arrangements are in place to ensure the financial statements can be prepared, audited and made publicly available in a timely manner.

As mentioned earlier in this chapter the independent auditor's reports issued on the final financial statements for all three abolished departments included emphasis of matter paragraphs drawing attention to the fact the departments had been abolished. In addition, one abolished department had an additional emphasis of matter paragraph included, highlighting that the audited financial statements had been revised and reissued following correction of errors in the original audited financial statements.

## Machinery of government changes in the last 10 years

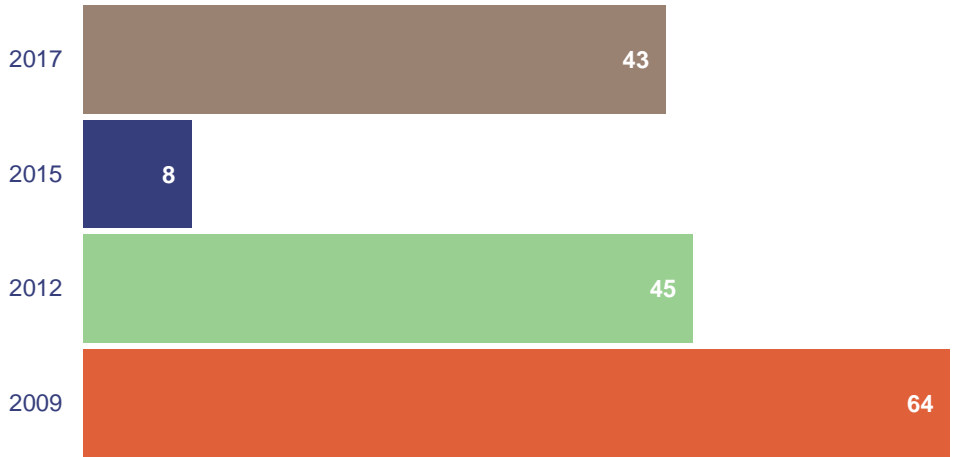
We acknowledge that it is a prerogative of the government of the day to decide how best to organise its executive functions.

Machinery of government changes in the last 10 years have resulted in over 170 functions being transferred between departments, with 15 functions moving between departments up to four times in that period.

Not unexpectedly, the majority of the changes occurred following the Queensland Government general elections held in March 2009, March 2012, January 2015, and November 2017. Figure 2H highlights the number of functions transferred as part of machinery of government changes following each election.

There was a further 13 transfers of functions between departments in years where there was no state election.

**Figure 2H**  
**Number of functions transferred as a result of machinery of government changes following state elections**



Source: Queensland Audit Office.

Some functions are regularly transferred between departments as part of the major machinery of government changes.

As mentioned earlier, 15 functions have been transferred between departments three to four times in the last ten years. Each transfer involved the movement of employees and IT systems between departments.

**Figure 2I**  
**Functions transferred three or four times in the last 10 years**

Three times	Four times
<ul style="list-style-type: none"> <li>• Corrective Services</li> <li>• Energy</li> <li>• Innovation</li> <li>• Queensland Chief Scientist</li> <li>• Racing</li> <li>• Smart Services</li> <li>• Queensland Sport and Recreation</li> <li>• Office of Industrial Relations</li> </ul>	<ul style="list-style-type: none"> <li>• Arts Queensland</li> <li>• Corporate Administration Agency</li> <li>• Employment Policy and Programs</li> <li>• Multicultural Affairs</li> <li>• Infrastructure</li> <li>• Planning</li> <li>• Queensland Government Chief Information Office</li> </ul>

Source: Queensland Audit Office.

The transfer of some functions between departments can be complex, particularly where there are legacy issues from previous transfers and/or the functions being transferred are highly integrated into the department of origin's operations. Where a function being transferred is structured more as a plug and play model, the impact is generally less complex. We acknowledge that through the release in December 2018 of the Issues Paper *A fair and responsive public service for all*, the government is canvassing feedback on ways machinery of government changes can be made to work better.



The following case study provides an example of a function that has been subject to multiple machinery of government changes.

### Case study

#### Transfer of the Office of Industrial Relations

The Office of Industrial Relations (OIR) has an annual budget of approximately \$156 million and has approximately 837 full-time equivalent employees. Its key responsibilities include:

- ensuring work health, electrical safety and industrial relations laws are enforced
- ensuring a fair and efficient workers' compensation scheme that better serves industry and injured workers.

It was first established on 1 March 2001 as the Department of Industrial Relations before it was abolished and merged with the Department of Employment and Training in 2006 to form the Department of Employment and Industrial Relations (DEIR). It has been subject to multiple machinery of government changes in the last 10 years including:

- in 2009 DEIR was abolished and OIR was transferred to the Department of Justice and the Attorney-General
- in 2015 OIR was transferred from the Department of Justice and Attorney-General to Queensland Treasury
- in 2018 OIR was transferred from Queensland Treasury to the Department of Education.

Although OIR has transferred several times, its general ledger and specific IT applications were not fully integrated into the receiving departments' systems.

Despite transferring to Queensland Treasury in 2015, and subsequently to Department of Education, the Department of Justice and the Attorney-General has retained responsibility for recording the financial transactions of OIR and maintaining and supporting its various IT systems and applications (there are over 17 specific applications used to capture and maintain OIRs financial and non-financial information).

On 1 July 2018, Queensland Shared Services established a new separate general ledger for OIR meaning it will no longer have to rely on the Department of Justice and the Attorney-General for the processing and recording of its financial transactions and balances.

Source: Queensland Audit Office.



# 3. Financial position, performance, and sustainability

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This chapter analyses the financial position, performance, and sustainability of the Queensland Government.

The information in the Queensland Government’s financial statements describes its main transactions and economic events for the year. Over time, financial statements also help users to understand the sustainability of the Queensland Government.

Our analysis helps users understand and use the financial statements by clarifying the financial effects of significant transactions and events in 2017–18. We also analyse relevant financial ratios to highlight the Queensland Government’s performance, position and sustainability.

Additionally, our analysis alerts users to future challenges, including existing and emerging risks the government faces.

## Conclusion

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The general government sector comprises public sector entities that provide services for the collective benefit of the community financed by taxes, fees, and charges (for example, government departments and hospital and health services).

The total state sector comprises all public sector entities controlled by the state government including the general government sector, public non-financial corporations (such as Queensland Rail) and public financial corporations (such as the Queensland Treasury Corporation).

The general government sector reported its fifth consecutive net operating surplus (excess of revenue over expenses). The total state sector reported a net operating loss.

The general government sector and the total state sector both reported decreases in their net operating balances (day to day revenue less day to day expenses) this year.

Revenue from taxation, grants, interest income, and royalties all increased in 2017–18.

The government incurred additional expenditure for employee expenses, the hosting of the Gold Coast 2018 Commonwealth Games and in the implementation of a new National Redress Scheme for people who have experienced institutional child sexual abuse (the National Redress Scheme).



The net worth (excess of assets over liabilities) of both the general government sector and total state sector remained steady this year. The state has decreased government borrowings by \$2.2 billion, the third year of reduction after six previous consecutive years of increases. While borrowings have reduced, the state has continued to replace and enhance its infrastructure and other assets above the rate at which they are being consumed (as measured by depreciation).

Liabilities, other than borrowings, have increased this year by \$1.2 billion as a result of the state's commitments under the National Redress Scheme and to the National Injury Insurance Scheme.

The government also has obligations to fund its future commitments for operating leases and has forecast future net cash outflows from its public-private partnership arrangements. (Public-private partnerships are cooperative agreements entered into with private sector entities for the delivery of government services.) Accounting for both operating leases and public-private partnerships will be affected by new accounting standards from the Australian Accounting Standards Board (AASB) to be applied in future years. This may result in additional assets and liabilities being included in the state's balance sheet.

## Understanding financial performance

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The net operating balance for the general government sector was a surplus of \$1.75 billion, which means the government earned more than it incurred in expenses. This is the fifth consecutive year in which the general government sector reported a surplus, and the result was \$1.6 billion higher than projected in the published 2017–18 state budget. Royalty revenue, driven by higher than expected coal prices, and higher than forecast dividends and taxes from increased profitability in government owned corporations in the electricity sector both contributed to the higher than expected result.

The increases in revenue were partially offset by an overall increase in employee expenses and other operating expenses, including expenses incurred in hosting the 2018 Gold Coast Commonwealth Games.

The net operating surplus for the general government sector was supported by \$2.9 billion in dividends and tax equivalent revenue it received from other sectors of government. The dividends and tax equivalents were \$863 million higher than projected in the 2017–18 state budget, contributing to the higher surplus. While the general government sector recognises these dividends and taxes as revenue, they are eliminated in the total state sector because they represent transactions within the total state sector itself.

After eliminating the dividends and tax equivalent revenue, the total state sector recorded a net operating balance deficit of \$73 million compared to a surplus of \$2.2 billion in 2016–17.

### Operating ratio

In examining the financial performance of the general government sector and total state sector, we considered the operating ratio results for the past five years. The operating ratio is the operating result, expressed as a percentage of total revenue.

The operating ratio indicates the government's capacity to meet operating expenses from operating revenue. A positive ratio indicates funds are available for capital expenditure (rather than borrowings) and for reducing liabilities. A positive ratio should be maintained over the medium to longer term to ensure the government remains financially sustainable.

**Figure 3A  
Operating ratio**



Note: GGS—general government sector; TSS—total state sector.

Source: *State government financial statements for 2017–18*.

In 2017–18, the operating ratio for the general government sector was three per cent, down two per cent on last year, and has been consistently positive for the past five years. This means that the general government sector has had the capacity to finance a portion of capital investment and reduce borrowings from the surplus.

The operating ratio for the total state sector also decreased this year but, on average, the ratio has improved over the past five years. However, the negative ratio this year indicates the state may be unable to meet its recurrent expenditure from its revenues and may be unable to finance capital investment from revenue, if this is sustained over the medium to long term.

## Revenue

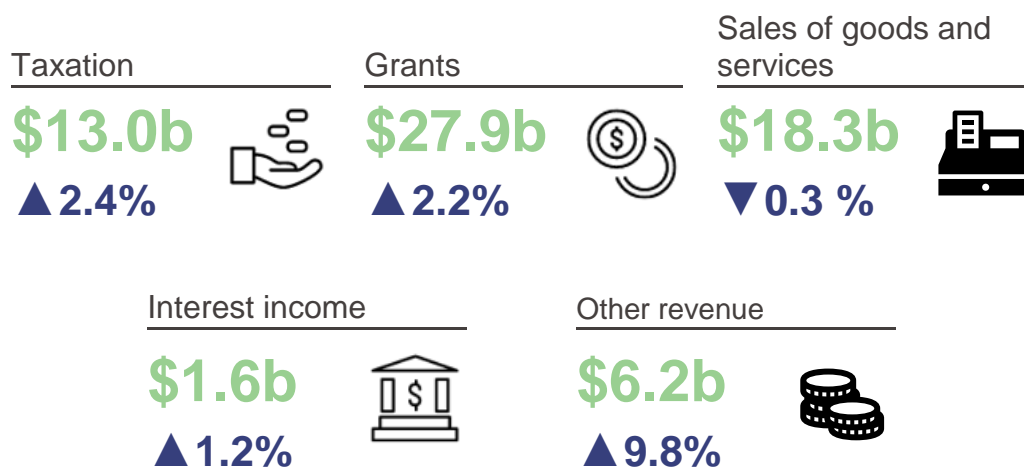
Revenue from transactions increased by \$1.9 billion to \$58.1 billion in the general government sector and by \$1.4 billion to \$67 billion in the total state sector. This represents growth of 3.4 per cent for the general government sector and of 2.2 per cent for the total state sector. State based taxation revenue and royalties have all increased this year reflective of the economic growth of the state of 2.6 per cent for 2017–18.

The Queensland Government has several revenue sources, with taxation, grant revenue, and sales of goods and services making up 82 per cent of total revenue. Some revenue sources, such as Australian Government grants and royalties, are influenced by factors outside of the state government’s economic policies and pricing.





**Figure 3B**  
**Major revenue for the total state sector in 2017–18**



Source: Queensland Audit Office.

## Events and transactions affecting revenue this year

### Commonwealth grants

The amount of grant funding received by the state is dependent on the Australian Government. While the Queensland Government can spend goods and services tax (GST) revenue at its own discretion, other grant funding must be spent to achieve specific objectives such as health, education, and disaster recovery.

This year, the Queensland Government received \$27.6 billion in grants from the Australian Government, which was an increase of \$583 million on 2016–17. GST grant revenue increased by \$1.2 billion due to an increase in the available funding pool and portion available to Queensland.

Specific purpose payments increased by \$519 million, with more funding for health and education services. National partnership payments decreased by \$1.1 billion, mainly due to the timing of National Disaster Relief and Recovery Arrangements funding received in the prior year.

### Taxation revenue

Taxation revenue increased in 2017–18 by \$325 million for the general government sector and \$303 million for the total state sector. The difference relates largely to payroll taxes paid to the general government sector from public corporations.

Tax collections increased for payroll tax, vehicle registration fees, land taxes, gaming taxes and other taxes. However, transfer duty on large business transactions has decreased.

Payroll tax increased by \$211 million, reflecting improved employment conditions across Queensland and activity growth in the construction and mining sectors. Land tax increased by \$100 million, reflecting increases in land values.

## Royalties

The state receives revenues from royalties for the right to extract petroleum, gas, and minerals. Royalties received in 2017–18 were \$4.3 billion, continuing the upward trend of recent years. This year, royalties increased by \$421 million—driven by higher coal prices and export volumes.

## Dividend and income tax

Dividend revenue and income tax revenue received by the general government sector was \$2.9 billion, an increase of \$245 million on 2016–17. Dividend and income tax revenue also exceeded the Queensland budget forecast by \$863 million. The increase is due to increased profitability in the electricity generation sector and stronger returns by WorkCover Queensland.

## New accounting standards—AASB 15 and AASB 1058

AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* will come into effect for not-for-profit government entities for financial years commencing on or after 1 January 2019. Entities need to understand the new accounting requirements and analyse each of their sources of revenue to determine what changes will be required.

The 2017–18 financial statements of all government departments and significant not-for-profit statutory bodies identified that they have begun assessing the impact of these accounting standards. However, most of the entities reported that they were yet to complete their assessment. Some reported that they did not expect the standards to have a material impact on their financial statements.

It is important that all not-for-profit public sector entities complete their impact assessment for these standards as early as possible in the 2018–19 financial year. They need to identify and communicate whether there will be any significant changes in the way their revenue will be recognised in future financial years and any potential implications for budget revenue forecasts.

For some public sector entities, accounting for revenue under these standards will be more complex, will require more judgement than before, and may change the timing of when they can record revenue in their financial statements. However, for departments whose main source of revenue is government appropriation funding, the impact of these new standards is likely to be minimal.

The application of the standards will be more complex for not-for-profit entities with government grants. Currently, grants are recognised as revenue when cash is received. When the new standards apply, the entities may be able to defer the recognition of grant revenue when certain circumstances apply. Deferring the recognition of revenue will result in better alignment in financial statements between the time when revenue is recognised and the incurring of related expenses.

AASB 15 applies to for-profit public sector entities for the first time in 2018–19 and is not expected to be material to the total state sector financial statements. The changes are likely to be material for the financial statements for two government owned corporations—QIC Limited and SunWater Limited.

QIC Limited disclosed in its 2017–18 financial statements that the new standard introduces a higher threshold in recognising variable consideration (such as performance fees on investments managed). As a result, an expected \$41.7 million adjustment will be made to its retained earnings on 1 July 2018. The amount will subsequently be recognised as revenue as the new recognition criteria are met.



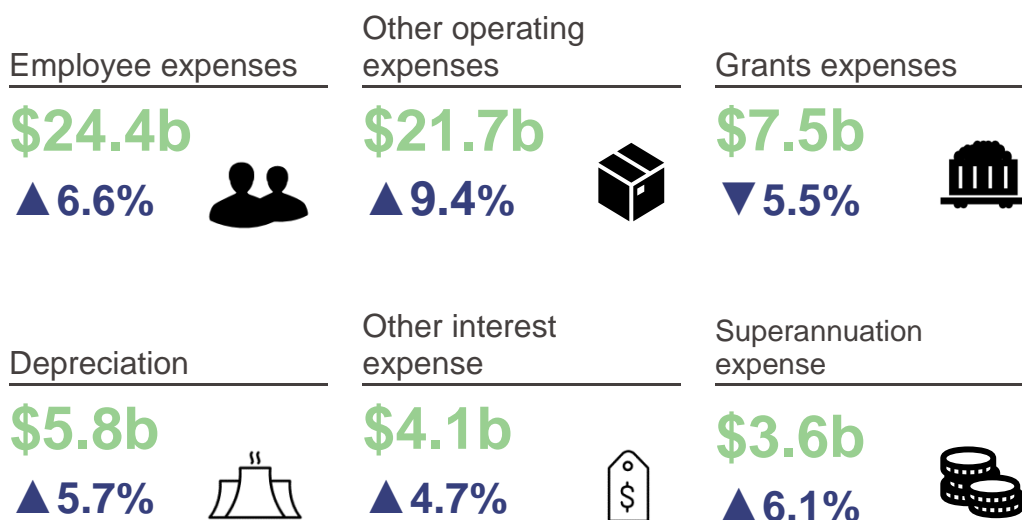
SunWater Limited disclosed that it currently defers revenue to match against future refurbishment and renewal costs on irrigation water supply schemes. It has assessed that this accounting treatment does not meet the requirements of AASB 15. SunWater disclosed that on 1 July 2018 it expects to write-off an amount of \$17.45 million, recognised as a liability as at 30 June 2018, against retained earnings.

## Expenses

Expenses for the general government sector increased by \$3.0 billion to \$56.3 billion and expenses for the total state sector increased by \$3.6 billion to \$67.1 billion. The largest increases were for employee expenses and other operating expenses.

Other operating expenses were affected by the final preparation for and delivery of the Commonwealth Games and by the establishment of a provision for the anticipated costs of Queensland’s participation in the National Redress Scheme.

**Figure 3C**  
Major expenses for the total state sector in 2017–18

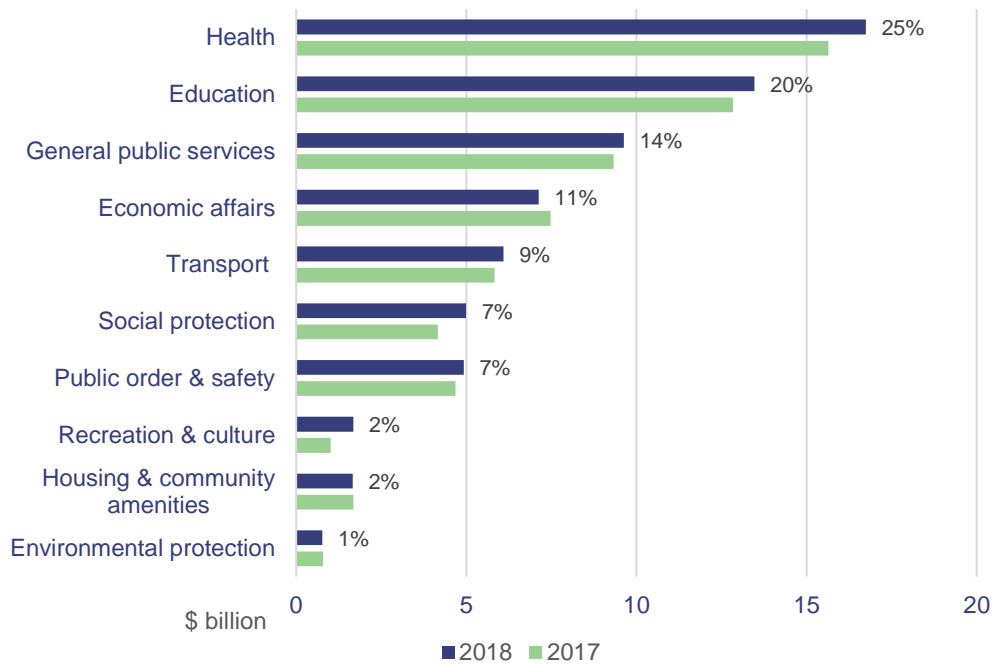


Source: Queensland Audit Office.

### Expenses by function of government

Health and education continue to be the sectors with the highest portion (combined 45 per cent) of total state expenses. Health, social protection, recreation and culture, and education reported the largest increases in spending this year.

**Figure 3D**  
**Total state sector expenses by function**



Source: Queensland Audit Office.

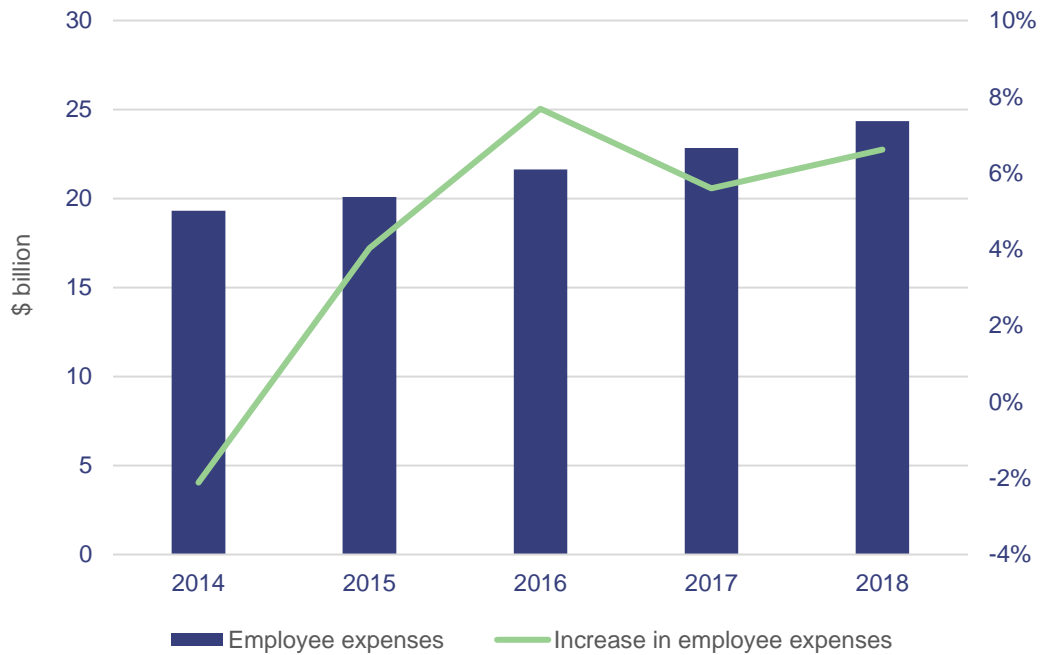
## Events and transactions affecting expenses this year

### Employee and superannuation expenses

Employee and superannuation expenses for the total state sector increased by \$1.7 billion to \$28.0 billion—an increase of 6.6 per cent. Employee expenses for the total state sector increased from \$22.8 billion to \$24.4 billion. Both the number of staff employed by the state, and the average cost of state employees increased. The increases in employee costs mostly relates to the general government sector, rising from \$21.3 billion to \$22.7 billion—an increase of 6.7 per cent.



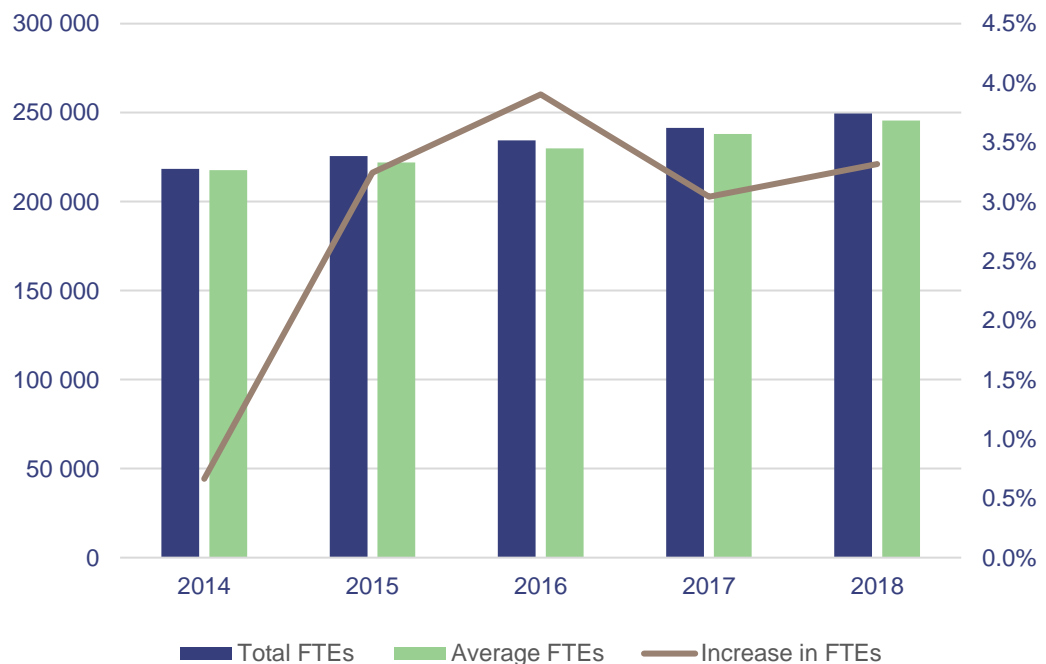
**Figure 3E**  
**Total state sector employee expenses**



Source: Queensland Audit Office.

The Queensland Government’s consolidated financial statements reported a total of 249 525 full-time equivalent (FTE) employees within entities consolidated in the total state sector at 30 June 2018. This was an increase of 3.32 per cent (8 009 FTE) from 30 June 2017. Over the five years from 2014, the number of FTEs has grown by 27 745—an increase of 12.7 per cent. These increases have mostly occurred in the health and education sectors.

**Figure 3F**  
**Total state sector employees**



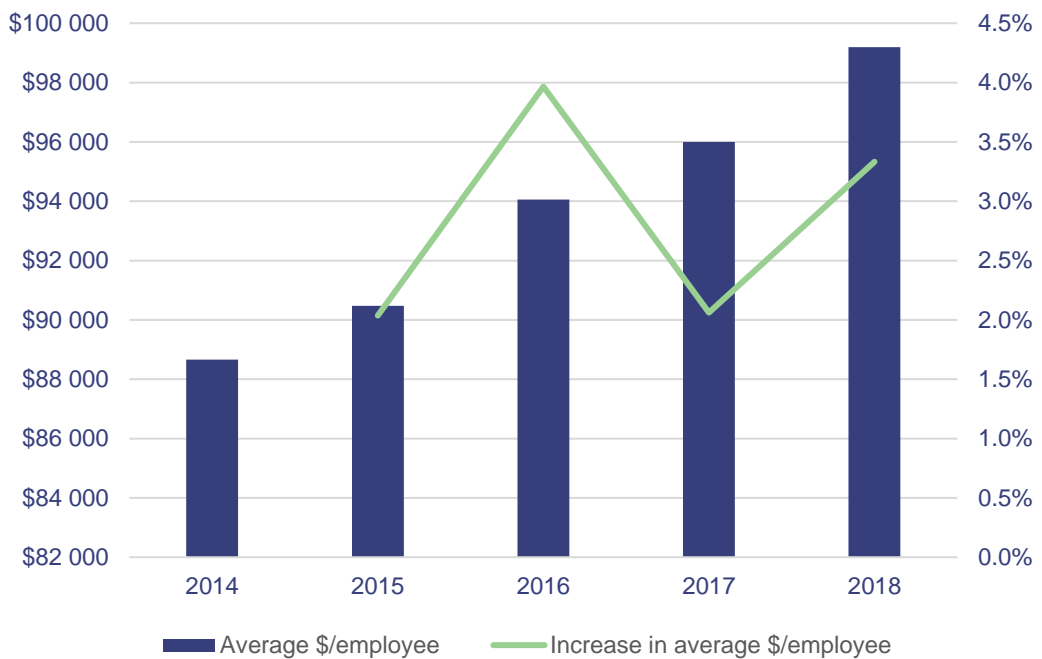
Source: Queensland Audit Office.



The 2016–17 state budget included a new fiscal principle aimed at ensuring overall growth in full-time equivalent (FTE) employees does not exceed population growth, on average over the forward estimates. This year, FTEs grew by 3.18 per cent, and the state expects that employee growth will be contained to population growth of 1.75 per cent over the forward estimates (the four-year period from 2018–19 to 2021–22).

In addition to the increase in FTE employees, the average cost per employee has increased by 3.3 per cent over the previous year. Average cost per FTE has grown from \$88 664 to \$99 197 over the past five years—an increase of 11.9 per cent.

**Figure 3G**  
**Total state sector average cost per employee**



Source: Queensland Audit Office.

### Other operating expenses

In 2017–18, other operating expenses increased by \$1.9 billion for the total state sector and \$1.7 billion for the general government sector.

These increases were largely due to:

- expenses incurred in hosting the 2018 Gold Coast Commonwealth Games (further detail is provided in Chapter 4)
- the introduction of the National Redress Scheme.

The Queensland Government has estimated the total cost for the state’s participation in the National Redress Scheme to be \$494.6 million. This estimate was developed in response to the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse. This amount has been recorded as a provision as at 30 June 2018 and may be remeasured in future years. The National Redress Scheme will run for 10 years and will provide eligible applicants with support through a monetary payment capped at \$150 000, access to counselling and psychological care, and the option to receive a direct personal response from the institution responsible for providing the redress from the state.



## Grants expenses

Grants expenses decreased by \$520 million (6.1 per cent) in the general government sector because:

- the state government paid a one-off Solar Boost Scheme grant in 2016–17
- Commonwealth Financial Assistance Grants were paid early to local governments in 2016–17.

Offsetting these decreases were increases in expenses for the National Disability Insurance Scheme and grants to non-state schools.

## Understanding financial position

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The net worth (excess of assets over liabilities) for both the general government sector and the total state sector remained steady. The general government sector's net worth moved by \$720 million to \$195.7 billion—an increase of 0.3 per cent. The total state sector's net worth moved by \$2.4 billion to \$190.1 billion—an increase of 0.8 per cent.

The largest change in the total state sector's balance sheet was a reduction in borrowings of \$2.2 billion, a decrease of 2.1 per cent. While the government has been able to reduce the level of state debt in recent years, total state debt will commence to rise again from 2018–19. The forecast increase in debt will be used to partially fund the government's \$45.8 billion program to provide infrastructure and capital works across the state over the next four years, as per the 2018–19 state budget.

The government has also budgeted to fund future payouts for liabilities provided for under the National Injury Insurance Scheme and National Redress Scheme. In addition, the state will need to meet its obligations for future expenditure commitments under operating leases, which are not currently recorded as liabilities as at 30 June 2018.

## Assets

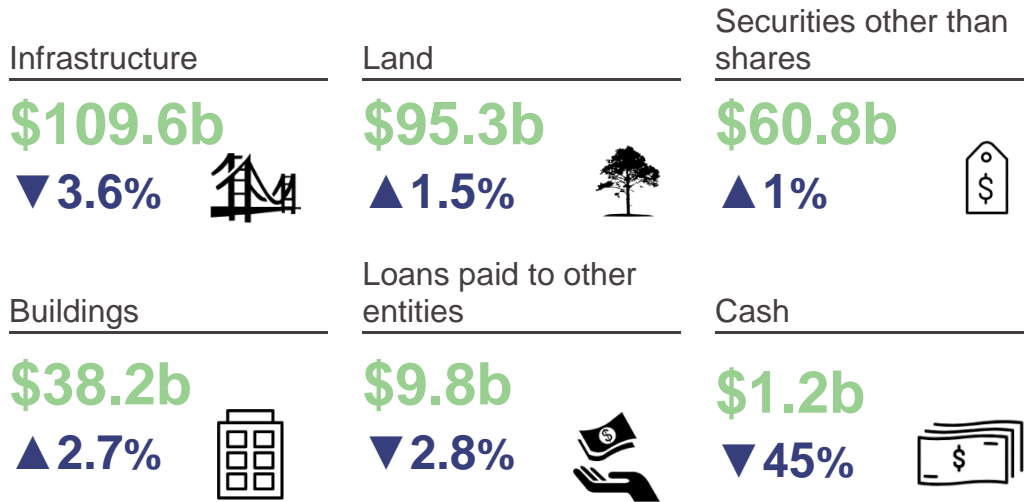
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Assets increased by \$826 million to \$270.7 billion in the general government sector and by \$449 million to \$341.8 billion in the total state sector. These represent increases of less than one per cent for both sectors.

For the general government sector, financial assets (e.g. cash and investments) and non-financial assets (e.g. property, plant and equipment) increased by \$460 million and \$366 million respectively.

For the total state sector financial assets decreased by \$943 million, while non-financial assets increased by \$1.4 billion.

**Figure 3H**  
**Total assets for state sector for 2017–18**



Source: Queensland Audit Office.

## Events and transactions affecting assets this year

### Measuring the value of assets

The Queensland Government is responsible for the stewardship of a large portfolio of assets that includes land, buildings, infrastructure, and heritage and cultural assets. This year, the total value of property, plant, and equipment decreased by \$243 million to \$198.6 billion in the general government sector and increased by \$961 million to \$259.9 billion in the total state sector.

Land, buildings, infrastructure, and heritage and cultural assets must be reported at their fair values (the amount at which the asset could be bought or sold in an arm’s length transaction) in the Queensland Government’s consolidated financial statements. The valuation of these assets by government entities can require significant judgement and estimation due to the specialised nature of the assets and the absence of available market prices for equivalent assets.

Entities often use valuation techniques such as current replacement cost and income approaches to estimate an equivalent market value for the asset. The valuation approach adopted by entities depends on the nature of the assets, how they can be used, and the extent, if any, of observable inputs (for example interest rates) that can be used for valuation purposes.

In 2017–18 we included 60 key audit matters in our independent auditor’s reports regarding the valuation of assets.

The decrease in the value of property, plant, and equipment for the general government sector was mainly attributable to a downward revaluation in the infrastructure assets held by the Department of Transport and Main Roads. The department is planning on replacing assets earlier than previously estimated. As a result, the assets will be used for a shorter period and their value has been decreased accordingly. This was partially offset by amounts spent on capital works during the year and recognised as property, plant, and equipment.

The increase in the value of property, plant, and equipment for the total state sector was mostly attributable to an increase in the value of land, heritage, and cultural assets, and investment in capital works projects.





## Queen's Wharf Brisbane

On 16 November 2015, the Queensland Government entered into contractual arrangements with the Destination Brisbane Consortium (the consortium) to redevelop the Queen's Wharf Precinct in the centre of Brisbane into an integrated resort development. The redevelopment precinct is located between the Brisbane River and George Street, and between Alice and Queen Streets.

The Department of Housing and Public Works is the owner of the majority of land and buildings within the precinct, and the whole site was leased to the consortium from 22 February 2018.

As a result, the way the land and buildings in the precinct are valued has changed this year. The arrangements with the consortium are now considered non-cancellable, and the value of the land and buildings was increased to \$488.8 million (2017: \$258.4 million) to reflect their value under the contract. The value under the contract is calculated based on the expected future income to be received by the state under the arrangement. Previously, the land and buildings were valued using a market approach.

## Increased cash management arrangement

This year the cash and deposits held by the total state sector decreased by \$1.4 billion. This was due to the government more effectively managing cash balances at a whole of state level and using available cash surpluses within its entities to purchase or replace non-financial assets and to reduce government borrowings.

The cash management arrangements allow any surplus cash held by government owned corporations to be made available for use by the general government sector and to contribute to general government sector debt reduction.

This year, advances received by the general government sector from government owned corporations increased by \$939 million to \$2.3 billion at 30 June 2018 (2017: \$1.3 billion) as more government owned corporations joined the cash management scheme. These cash advances are recorded as liabilities by the general government sector as the arrangement allows the government owned corporations to recall cash should their cash flow requirements change. They receive market-based interest on their deposits.

## Future challenges and emerging risks

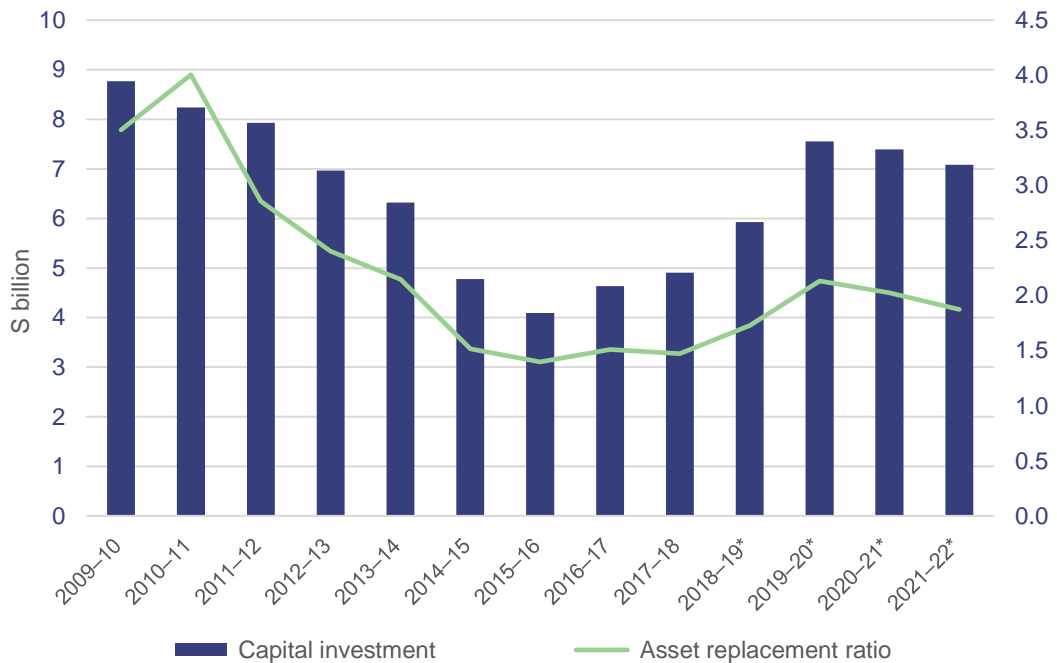
### Infrastructure investment

The Queensland Government allocated \$45.8 billion in the 2018–19 state budget to provide infrastructure and capital works across the state over the next four years. In 2018–19, the capital program is estimated to be \$11.6 billion, an increase of \$1.7 billion on current year capital expenditure. The capital program next year is made up of \$9.9 billion of asset purchases and \$1.7 billion in capital grants to local governments and non-government organisations to be spent on assets. Forty-six per cent of the capital expenditure is forecast to be spent in 2018-19 on transport infrastructure and 21 per cent on energy infrastructure.

We use the asset replacement ratio to compare the rate at which existing assets are being consumed (estimated by depreciation) to amounts spent on renewing or replacing the assets. If the ratio is greater than one, it indicates the state is expanding its asset base.

Figure 3I indicates that asset replacement ratio will improve as the state invests more in infrastructure and capital works in future years.

**Figure 31**  
**Asset replacement adequacy ratio**



\* The figures for 2018–19 onwards have been obtained from the state’s budget papers.

Source: Queensland Audit Office.

### Cross River Rail project

The Cross River Rail project is the construction of a 10.2 km rail line between Dutton Park and Bowen Hills. It includes a 5.9 km tunnel under the Brisbane River and Brisbane central business district, connecting to the northern and southern rail networks. The project’s total cost of delivery is forecast to be \$5.4 billion over the period 2016–17 to 2023–24, and it will be fully funded by Queensland Government.

In 2017–18, the project has progressed to the early works and procurement phase with \$128 million incurred to date at 30 June 2018. In 2018–19, the Queensland Government is expected to spend \$733 million on the project.

### New accounting standard—AASB 9 *Financial Instruments*

AASB 9 will apply for the first time to the Queensland Government’s 2018–19 financial statements. The standard amends current requirements for the classification and measurement of financial assets and liabilities.

The government has reviewed the impact of AASB 9 on the classification and measurement of its financial assets and liabilities and does not expect there to be any significant changes. The total state sector currently measures its major financial assets and liabilities at fair value and will continue to do so under AASB 9.



## Debt and liabilities

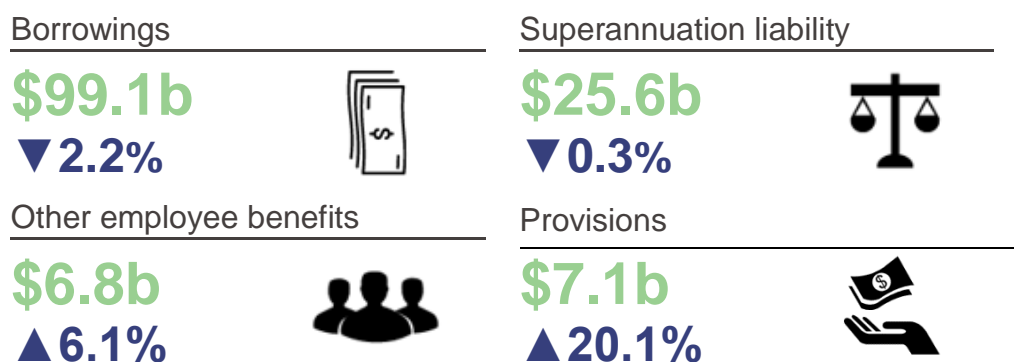
In 2017–18, general government sector liabilities increased by \$106 million to \$74.9 billion and total state sector liabilities decreased by \$974 million to \$151.6 billion.

The overall increase in liabilities for the general government sector stemmed mainly from increases in provisions and from cash advances received from government owned corporations. The increase was partially offset by a reduction in general government sector borrowings.

Cash advances by government owned corporations to the general government sector are eliminated in the total state sector as they represent transactions within the total state sector. The overall decrease in liabilities for the total state sector was primarily the result of lower total state borrowings as at 30 June 2018.

For the general government sector, borrowings represent loans from the Queensland Treasury Corporation (QTC) to entities within the general government sector. For the total state sector, borrowings largely represent amounts borrowed by QTC on behalf of the government.

**Figure 3J**  
**Total state sector liabilities for 2017–18**



Source: Queensland Audit Office.

## Events and transactions affecting debt and equity this year

### Government borrowings and advances

General government sector borrowings decreased by \$1.8 billion to \$31.4 billion. This balance is net of an amount of \$4.6 billion held in a redraw facility with Queensland Treasury Corporation as at 30 June 2018.

For the total state sector, total borrowings decreased by \$2.2 billion due to market value adjustments and repayment of debt during the year.

### Provisions

This year, provisions for the total state sector have increased by \$1.2 billion to \$7.1 billion. This increase is mainly due to a \$411 million increase in the provision for outstanding treatment, care, and support liability under the National Injury Insurance Scheme and approximately \$495 million provided for with the introduction of the National Redress Scheme (for victims of institutional child sexual abuse).

## Superannuation liability

The general government sector holds the superannuation defined benefit obligation for the State Public Sector Superannuation Scheme and Judges' Scheme.

This year, the total state sector's superannuation liability decreased by \$80 million to \$25.6 billion. Queensland Treasury Corporation holds long-term financial assets on behalf of the state to meet the state's future obligations under the defined benefit scheme and other long-term liabilities of the state such as the Queensland Government Insurance Fund. As at 30 June 2018, the fair value of these assets, as reported in the Queensland Treasury Corporation's financial statements, was \$30.5 billion.

The state has a fiscal principle to target full funding of long-term liabilities, including superannuation. At present the superannuation liabilities are fully funded (i.e. the value of the financial assets held by the state are greater than the superannuation liability).

## Debt sustainability ratios

We use debt sustainability ratios to assess the government's ability to finance its policy objectives (that is, delivery of service) against its capacity to repay debt. We use a combination of ratios to assess whether the government's level of debt is sustainable.

The debt to revenue and the interest expense to revenue ratios have decreased in both the general government and total state sectors over the last five years through a combination of increased revenues and lower government debt. This indicates that the government has increased its capacity to meet its debt obligations from the revenue it has generated over this period.

### Debt to revenue ratio

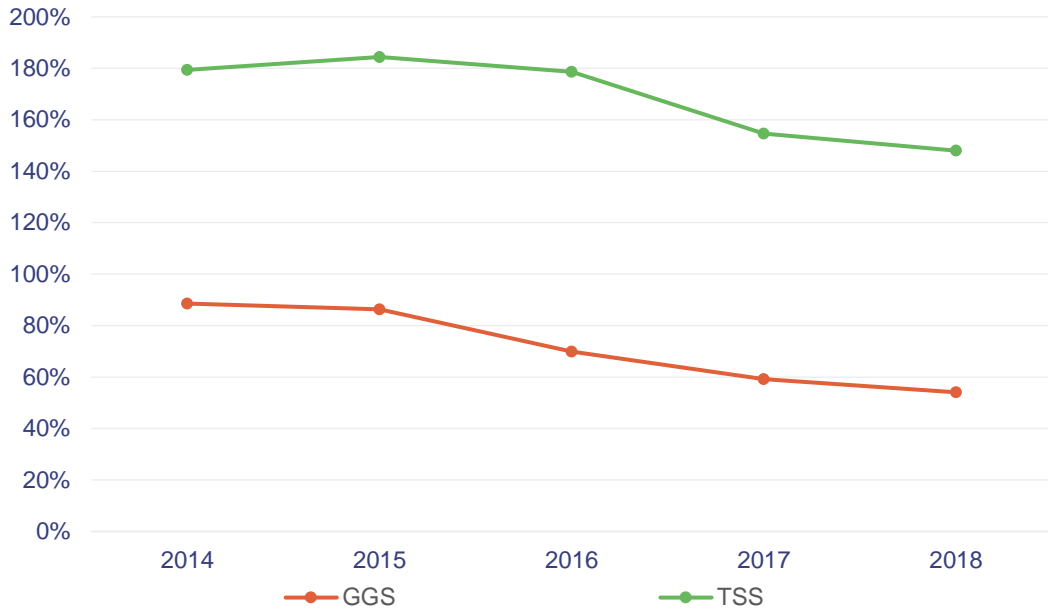
The gross debt to operating revenue ratio is a measure of the state's capacity to repay its debt from its own revenue. One of the government's fiscal principles is to target ongoing reductions in Queensland's level of debt, as measured by the general government sector debt to revenue ratio.

The debt to revenue ratios for both the general government sector and the total state sector have improved (decreased) over the last five years, through the combined effect of higher revenue and lower debt.

The ratio for the total state sector is larger than for the general sector due to the relatively higher debt burden maintained by entities within the public non-financial corporation sector.



**Figure 3K**  
**Debt to revenue ratio for 2017–18**

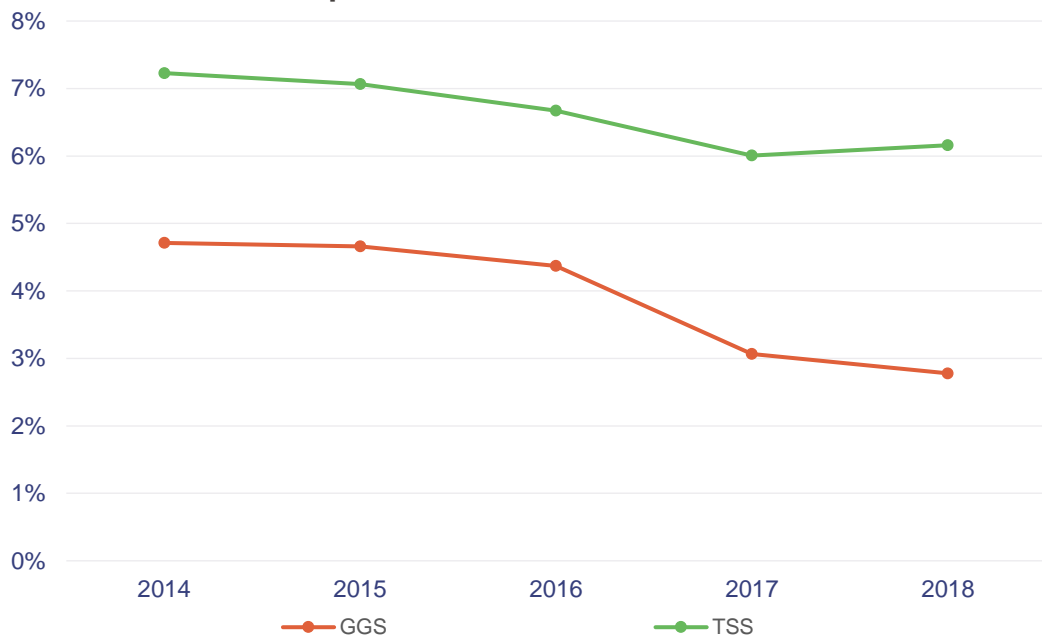


Source: Queensland Audit Office.

### Interest expense to revenue ratio

We use the interest expense to revenue ratio to understand the portion of the budget that needs to be set aside to pay interest on debt. The ratios for both the general government and total state sectors have improved compared to five years ago, through increased revenue and a decrease in interest paid as a result of lower debt.

**Figure 3L**  
**Interest expense to revenue ratio for 2017–18**



Source: Queensland Audit Office.



## Future challenges and emerging risks

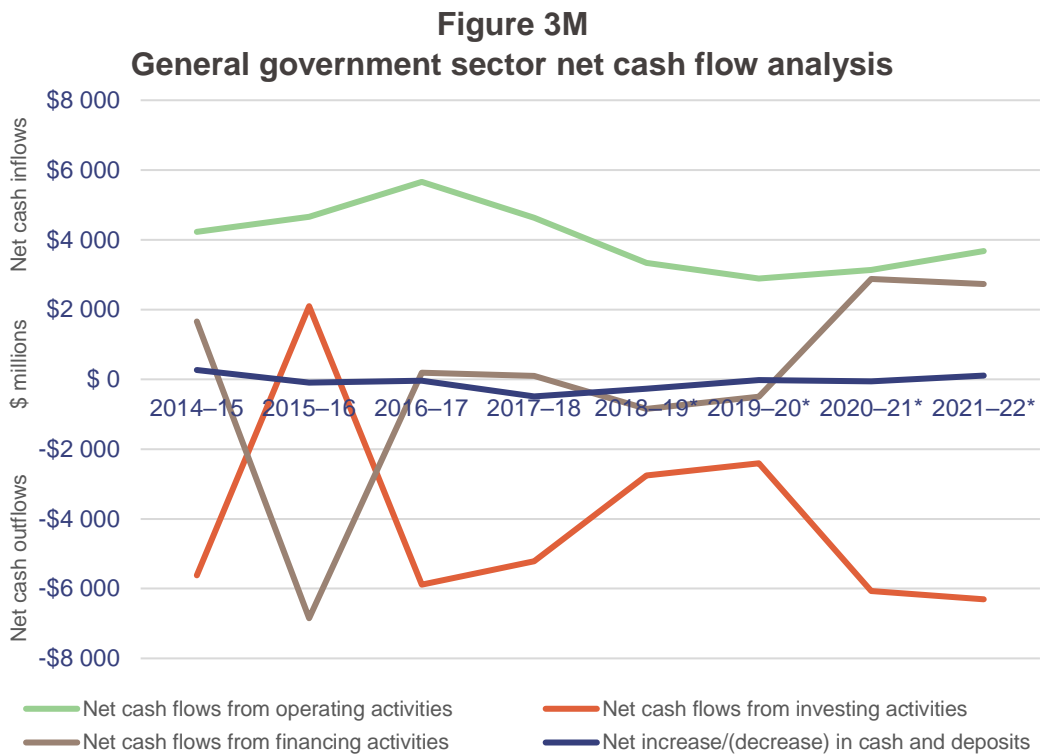
### Increased borrowing requirements in future years

The 2018–19 budget includes a \$45.8 billion capital works program over the next four years. This program will be partly funded through additional borrowings.

Figure 3M shows the state government has forecast that from 2019–20, it will require additional cash from borrowings (represented by net cash inflows from investing activities) to pay for its investment in its capital program (represented by net cash outflows from investing activities).

From a sustainability perspective, the general government sector will continue to receive sufficient cash flows from the revenue it generates to meet its expected operational expenditure requirements (represented by net cash inflows from operating activities).

Figure 3N, however, shows that based on the forecast increase in general government sector debt, the general government sector debt to revenue ratio is also forecast to increase in future years.

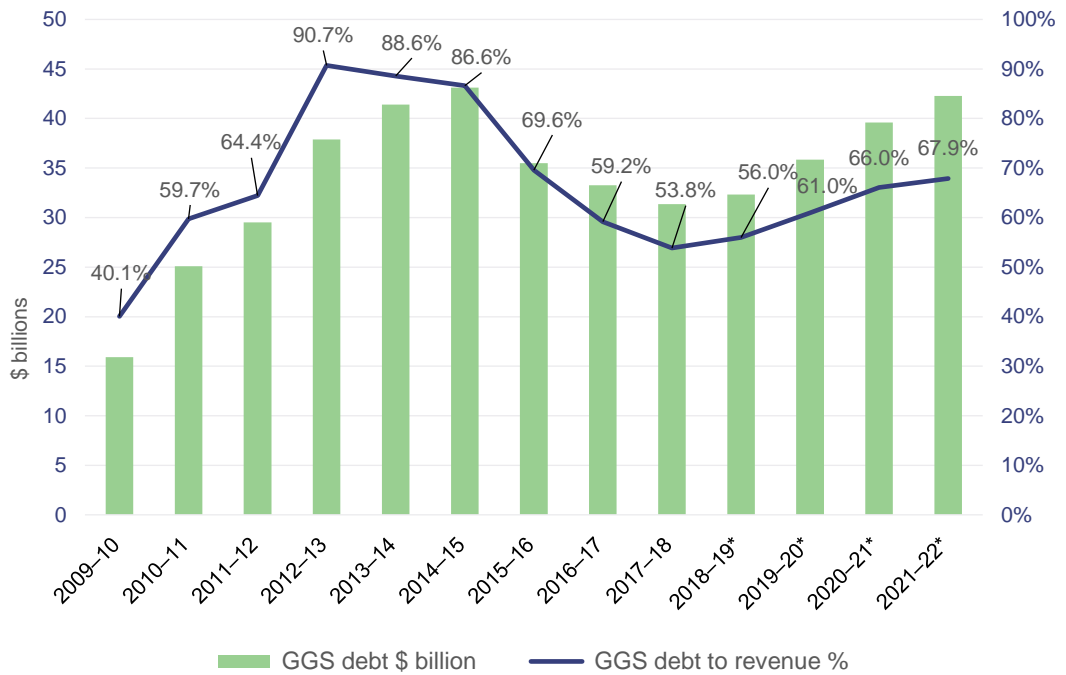


\* The figures for 2018–19 onwards have been obtained from the state’s budget papers.

Source: Queensland Audit Office.



**Figure 3N**  
**General government sector debt forecast**



\* The figures for 2018–19 onwards have been obtained from the state’s budget papers.

Source: Queensland Audit Office.

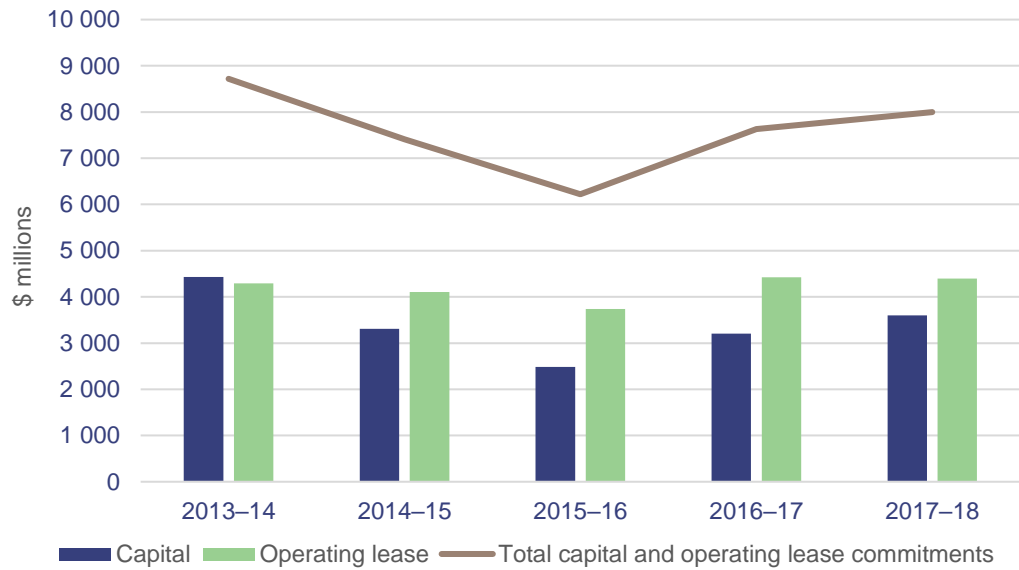
### Future expenditure commitments

In addition to amounts included as liabilities in the statement of financial position, the state government’s financial statements also disclose amounts to be expended in future periods under existing contractual arrangements.

As at 30 June 2018 the total state sector disclosed future expenditure commitments of \$8.0 billion for capital projects and operating leases. These expenditure commitments have increased by 28.6 per cent since 2015–16.



**Figure 30**  
**TSS commitments**

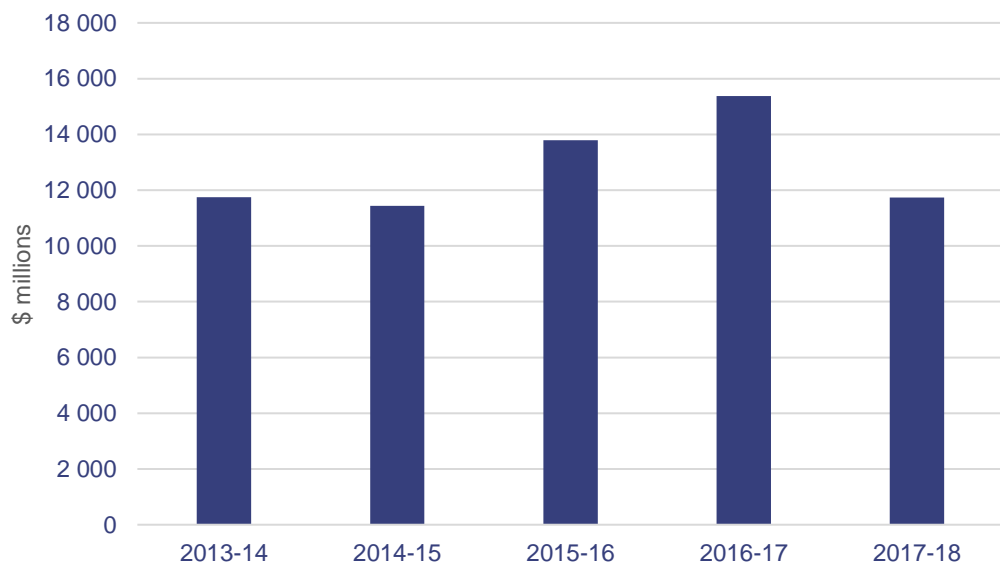


Source: Queensland Audit Office.

In addition to the commitments in Figure 30, on 10 December 2018, the Premier and the Minister for Trade and Minister for Transport and Main Roads announced that the government would spend \$336 million as part of an enhanced rectification plan for Queensland’s New Generation Rollingstock trains.

The state government’s 2017–18 financial statements also disclose estimated future net cash outflows from public-private partnerships of \$11.734 billion.

**Figure 3P**  
**Estimated net cash outflows from PPPs**



Source: Queensland Audit Office.

Upcoming changes to accounting standards may require at least some of these future commitments from operating leases and outflows from public-private partnerships to be included as liabilities in future financial reports. The changes to the standards are discussed in more detail in the following sections.





## New accounting standard—AASB 16 Leases

A single accounting model for lessees will be introduced with AASB 16. This will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases will be removed. (Currently, only finance leases are included in the statement of financial position.)

Under the new standard, lessees will be required to recognise a right-of-use asset at the same amount as the lease liability. The timing of the recognition of expenses will also change, as entities will need to start accounting for depreciation on leased assets and charging interest to reduce the lease liability. Combined, these expenses will be higher at the start of the lease period and reduce as entities repay the lease liability. When calculating lease payments, entities need to consider any changes to the lease (such as increases in rent) and account for these in the calculation.

The state government financial statements disclose that the state has not yet quantified the exact impact of applying AASB16 to its current operating leases. If its current operating lease commitments are included in the statement of financial position at commencement of the standard, the state estimates the increase in lease liabilities would be between \$2.5 billion and \$2.8 billion for the general government sector and between \$3.2 billion and \$3.6 billion for the total state sector. The state would also recognise an asset of an equivalent amount representing the state's right to use the leased assets.

## New accounting standard—AASB 1059 Service Concession Arrangements: Grantors

The new accounting standard AASB 1059 *Service Concession Arrangements: Grantors* applies for reporting periods beginning on or after 1 January 2020. The standard will provide additional guidance on how to account for service concession arrangements granted by public sector entities.

A service concession arrangement is a contract between the government and a private sector entity where the entity has a right to access certain assets to provide public services on behalf of the government and is compensated for providing these services. This may include public–private partnerships previously granted by the Queensland Government.

Under the new standard, the grantor of a service concession arrangement may need to recognise a service concession asset and a corresponding liability, subject to certain conditions being met.

The government will apply the standard for the first time in 2020–21. The government has a number of public-private partnership arrangements in the education (schools), health (hospital and health services), and transport (Airportlink, motorways, and rollingstock) sectors.



The application of AASB 1059 is likely to result in the state including additional assets and liabilities in its statement of financial position. However, it is yet to conclude its detailed analysis and has not determined the likely value of these assets and liabilities at this stage. A preliminary assessment of this standard identifies the following potential future impacts:

- ‘Economic infrastructure arrangements’ (e.g. contracts for the construction and operation of toll roads) are currently not recognised as assets and liabilities in the state balance sheet. Under AASB 1059, some of these arrangements will be brought onto the balance asset for the first time, resulting in a significant increase in assets and liabilities. The impact on the operating statement has not yet been determined.
- ‘Social infrastructure arrangements’ (e.g. contracts for the construction and maintenance of schools) are recognised, in most instances, as lease assets and liabilities. Under AASB 1059, the classification of these assets and liabilities may change for some arrangements. Also, the assets and liabilities may need to be recognised during construction, rather than at the end of construction.



## 4. Gold Coast 2018 Commonwealth Games

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This chapter delivers our audit opinion on the special purpose financial report for the Gold Coast 2018 Commonwealth Games. It also provides analysis to help users understand the main transactions of the games.

### Conclusion

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We issued an unmodified audit opinion on the special purpose financial report on 11 February 2019. Readers can rely on the results in the financial report.

The games were delivered within the budgeted net cost of \$1.507 billion, with \$167 million (11 per cent) of that available for return to the Queensland Government.

### Governance and program management arrangements

---

The Gold Coast 2018 Commonwealth Games (the games) was the biggest sporting event in Australia in a decade. Over six years of planning, involving three levels of government, culminated in 11 days of sport in April 2018.

The delivery of a Commonwealth Games is a complex program of work, with interdependent projects and activities. Many entities were involved in decision-making and in the delivery of each element.

The Department of Innovation, Tourism Industry Development and the Commonwealth Games provided central oversight of program activities and the games budget.

Games partners involved in planning and delivery included:

- Gold Coast 2018 Commonwealth Games Corporation (GOLDOC)
- City of Gold Coast
- Department of State Development, Manufacturing, Infrastructure and Planning
- Department of Transport and Main Roads
- Queensland Police Service
- Queensland Fire and Emergency Services
- Queensland Health, including Queensland Ambulance Service.

Broad responsibility and accountability for games objectives were assigned and agreed between games partners. Roles and responsibilities were refined as detailed planning progressed and any gaps were identified. Games partners escalated risks and issues from their governance committees for communication and coordination with other games partners.

The strength of these processes contributed to the successful delivery of the games.

We assessed that games partners understood their roles and responsibilities in delivering the games. They also established appropriate business processes to capture the delivery costs in their existing financial systems.

## Special purpose financial report

---

The Department of Innovation, Tourism Industry Development and the Commonwealth Games prepared a special purpose financial report for the games. It provides a consolidated view of the financial resources used by the Queensland Government to plan and deliver the event and realise legacy benefits during the games period. (The games period was from 1 January 2012, when GOLDOC was established, until 31 December 2018, when it was dissolved.) The special purpose financial report also reflects contributions from the Australian and local governments. It is the key financial accountability document for the total cost of the games.

The information in the report was accumulated from the audited financial information of the public sector entities involved in delivering the games. The report is in addition to the general purpose financial statements produced by each government agency. Apart from GOLDOC, the financial contribution by agencies to the games is not separately disclosed within each agency's financial statements. As a result, it is not possible for a user to extract data from each agency's financial report to arrive at the consolidated view presented in the special purpose financial report.

While the special purpose financial report has been prepared on an accrual basis, both its format and the accounting policies adopted in its preparation are determined by the preparer of the report—the Office of the Commonwealth Games (within the Department of Innovation, Tourism Industry Development and the Commonwealth Games). Special purpose financial reports are not required to be prepared in accordance with Australian accounting standards. The basis of their preparation is disclosed in the accompanying notes.

We issued an unmodified opinion on the special purpose financial report.

## Statement of net cost against revised games budget

---

The statement of total net cost to the Queensland Government reports the operating expenses, operating revenue, capital expenditure, and capital contributions of the games compared to the revised games budget.

This statement measures the additional funding provided by the Queensland Government for the games over and above normal annual operating expenses. It also measures new capital spending on games infrastructure and facilities over and above that already announced. This is offset by revenue received to arrive at an overall net cost of the games to the Queensland Government.



## What was the revised games budget?

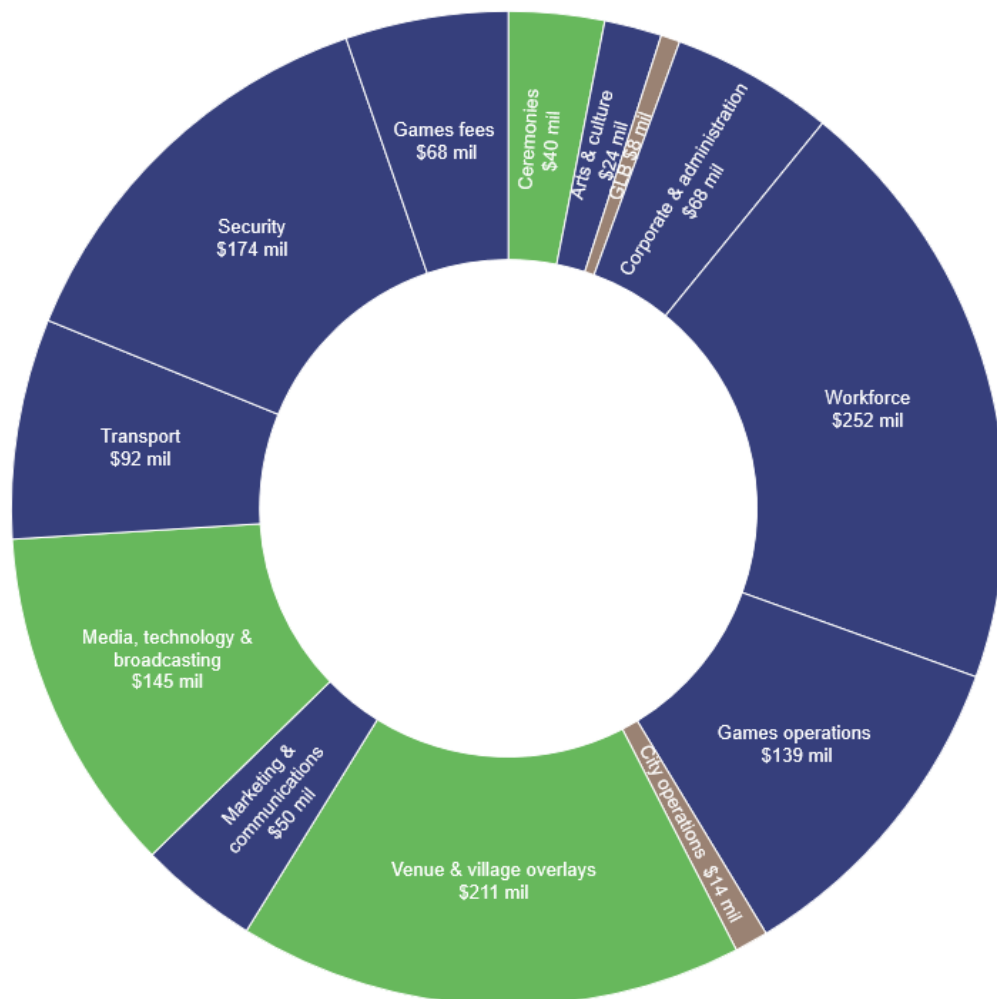
The revised games budget included strategic budget decisions undertaken since the original budget was prepared in 2011 and approved by the Queensland Government during the 2011–12 Mid-Year Fiscal and Economic Review.

The original budgeted net cost of \$1.415 billion was revised to \$1.507 billion, reflecting:

- changes to the cost of the games village, arising from the decision to procure the delivery of the village through a private developer. This reduced the state’s risk associated with the project and upfront capital outlays, but increased total costs over the life of the project
- additional security funding as a result of the Safety and Security Review
- offset by funding contributions from the Australian Government and City of Gold Coast.

## What were the expenses?

**Figure 4A**  
Operating expenses by classification



Note: GLB—Games legacy benefits.

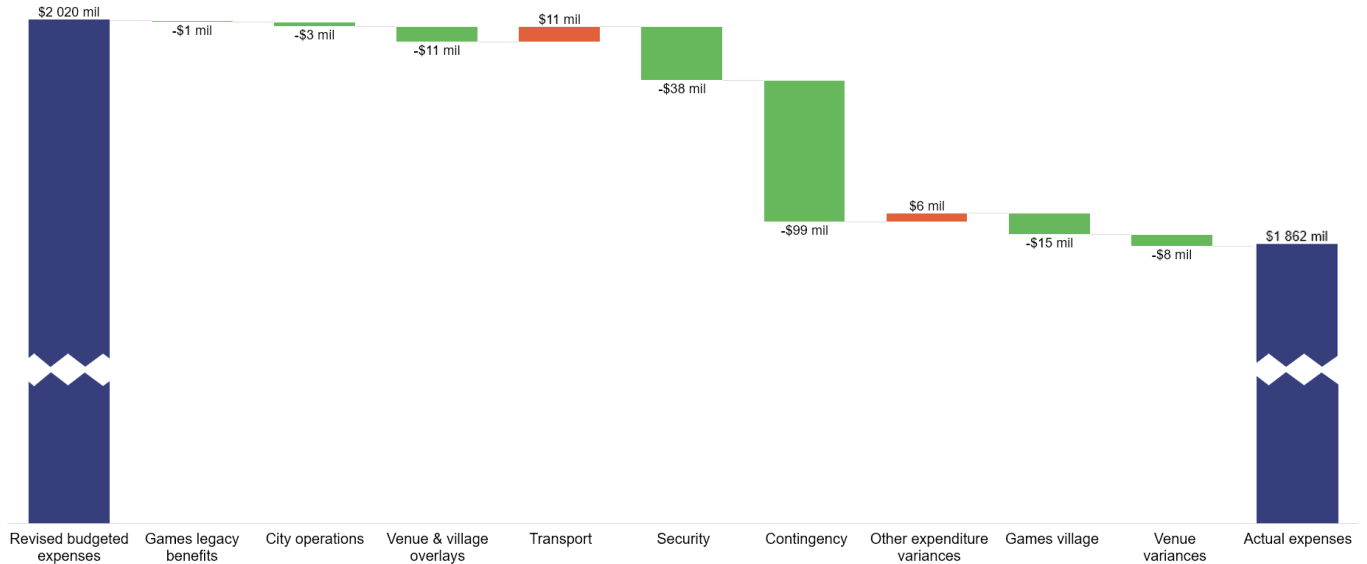
Source: Queensland Audit Office.



The majority of expenses were incurred by GOLDOC during 2017–18 in the lead-up to and delivery of the games in April 2018.

Overall games expenses were under the revised budget by \$158 million, largely due to the detailed planning undertaken by agencies. No significant events occurred during the games that required the use of the state contingency fund.

**Figure 4B**  
**Variiances between revised budget and actual expenses**



Source: Queensland Audit Office.

All games partners had approved operational plans that outlined their involvement in the games supported by detailed schedules. The schedules formed the basis of information that was escalated to governance committees, and in most instances were aligned to a detailed budget.

Games partners allowed for contingencies in their individual budgets. This allowed them to respond appropriately, as information became available that changed the expected cost or scope of games activities, while still delivering within the total revised budget.

The budget and expected cost to complete were closely monitored by games partners, with any applications to access the state contingency fund rigorously assessed.

Those agencies that delivered within budget and were able to return savings to the state:

- performed early detailed planning
- included an allowance for contingency within their individual budgets
- demonstrated strong contract management to ensure procured services were delivered to the required standard and established clear processes with suppliers to manage variations.



## Venues and village

The Department of State Development, Manufacturing, Infrastructure and Planning was responsible for delivering the games venues and village, while GOLDOC was responsible for venue overlays. Practical completion of all 18 venues was achieved by 30 June 2017, within the approved venues budget of \$335 million.

Venue overlays were temporary works and services to meet the requirements of the games, for example, additional seating and fencing.

The timely completion of venues enabled test events to be held to inform preparation and readiness for the games and the transition to overlay works. The Department of State Development, Manufacturing, Infrastructure and Planning implemented strong procurement and project management processes. Its use of guaranteed construction sums was effective in minimising variations and ensuring the venues were delivered on time and within budget.

A guaranteed construction sum may be used in a design and construction contract with a managing contractor. The design, budget and timeframes are agreed between the department and managing contractor prior to signing the contract. The managing contractor is paid fees for each stage, as well as the actual cost of construction, up to the agreed guaranteed construction sum.

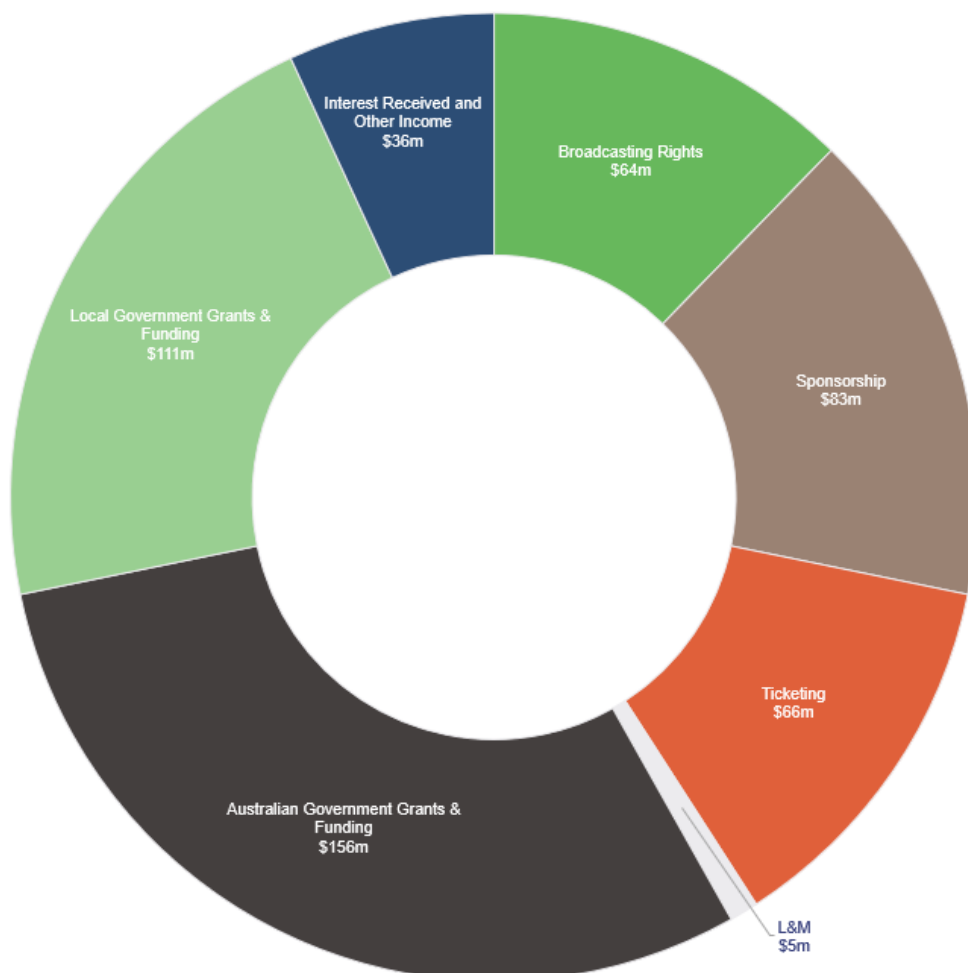
The village was delivered under a development agreement, with the Queensland Government incurring costs associated with:

- contributions to demolition, preparation, and early development works
- games overlay costs
- rental charges for use of the village including prior to the games, to complete overlay works, and after the games to conduct make-good works
- support up to 2027–28 for the transition of the village to its final purpose as a mixed use residential and commercial Health and Knowledge Precinct
- project management costs
- land transfers
- road upgrade to the Smith Street motorway intersection for site access
- parks, roads, sewer, and stormwater infrastructure (that have been handed over to the City of Gold Coast).

The expense recognised to date for the village is \$250 million, which is \$14 million below budget. This includes estimates for expected cash flows up to 2027–28 based on the best available information.

## What were the revenues?

**Figure 4C**  
Revenues by classification



Note: L&M—Licensing and merchandise.

Source: Queensland Audit Office.

The operating revenue budget of \$324 million was exceeded by \$12 million due to:

- interest of \$10 million being earned by GOLDOC over several years. GOLDOC was able to invest surplus funds until required because expenditure was incurred closer to the games than originally budgeted
- asset sales by GOLDOC after the games for \$5 million. These assets were fully expensed during the games and no income was included in the budget
- offset by other revenue streams being below budget—including sponsorship that was \$12 million below budget given challenging market conditions.

Contributions were received from the Australian Government (\$156 million) and City of Gold Coast (\$111 million), including \$186 million to fund venue upgrades and construction.





## Ticketing

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The objective of the ticketing strategy was to ensure the games were affordable for families and to maximise public attendance, while aiming to achieve the revenue budget of \$65 million. Market research and peer review were conducted to ensure all factors were considered before the ticket prices were approved by the GOLDOC Board and released to the public.

The process for determining the number of tickets to be made available for public purchase was based on an assessment of venue capacity and previous Commonwealth Games' experience of the requirements for media, games family, sponsors, and other non-public tickets. As arrangements for temporary seating progressed, the final ticket number was determined and additional seats were made available.

Overall, the revenue received from ticket sales exceeded budget by \$1 million (1.5 per cent).

## Contributions from operating budget

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Where government agencies were responsible for providing business-as-usual services during the games, they funded them from operational budgets. The games budget was prepared on this basis. The anticipated demand for services and the required operational budget were reliant on significant assumptions, including security threat levels and where people were travelling from and staying during the games. As more information became available, the service delivery models and operating budgets were refined.

The main contributions from operating budgets were from:

- Department of Transport and Main Roads
- Queensland Police Service
- City of Gold Coast
- Australian Government.

## Legacy

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The Embracing 2018 Legacy Program was planned to create long-lasting benefits, including:

- delivering GC2018: The Inspiring Games
- enduring jobs and powering economic growth
- accelerating the Gold Coast to a world-class boutique city
- building active, engaged and inclusive communities.

The Department of Innovation, Tourism Industry Development and the Commonwealth Games proposes to report in 2023 on legacy benefits and outcomes over the five years following the games.

The Queensland Audit Office's *Strategic audit plan 2018–21* proposes a future performance audit on the Commonwealth Games legacy in 2020–21. It will assess whether the intended legacy benefits are on track to be realised by the Queensland Government.

# 5. Departmental internal controls

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This chapter assesses the effectiveness of the internal controls designed, implemented, and maintained by departments. We selected the departments, as they are primarily responsible for the majority of the services provided within the general government sector.

Through our analysis, we aim to promote stronger internal control frameworks. We also aim to mitigate financial losses and damage to public sector reputation by initiating effective responses to identified control weaknesses.

## Conclusion

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We determined that the control environments were suitably designed and implemented for each department. Consequently, we were able to rely on their internal control systems.

We did not identify any significant deficiencies (high-risk matters) at the departments relating to internal controls. We identified 49 control deficiencies (low-to moderate-risk matters). The departments have accepted our recommendations and are working on addressing these deficiencies.

This year, we have reported fewer deficiencies to departments in the areas of control environment, risk assessment, and control activities.

Our testing of the controls at the departments did not identify any systemic issues.

## Our audit of internal controls

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We assess internal controls to ensure they are suitably designed to:

- prevent, or detect and correct, material misstatements in the financial report
- achieve compliance with legislative requirements
- use public resources effectively.

Where we identify controls that we plan to rely on, we test how effectively these controls are operating to ensure they are functioning as intended.

We are required to communicate deficiencies in internal controls to management.



## Our rating of internal control deficiencies

Our rating of internal control deficiencies allows management to gauge relative importance and prioritise remedial actions.

We increase the rating from a deficiency to a significant deficiency when:

A *deficiency* arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources.

- we consider immediate remedial action is required
- there is a risk of material misstatement in the financial statements (A misstatement is material if it has the potential to influence the decisions made by users of the financial statements.)
- there is a risk to reputation
- the non-compliance with policies and applicable laws and regulations is significant
- there is potential to cause financial loss including fraud
- management has not taken appropriate, timely action to resolve the deficiency.

### Control deficiencies categorised by COSO component

We categorise internal controls using the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework, which is widely recognised as a benchmark for designing and evaluating internal controls.

The framework identifies five components that need to be present and operating together for a successful internal control system. These components are explained in Appendix I.

Figure 5A shows control deficiencies (categorised by COSO component) reported to departments for the 2017–18 financial year.

**Figure 5A**  
**Summary of internal control deficiencies for the 21 departments**

 <p><b>Control environment</b> <i>Structures, policies, attitudes, and values that influence daily operations</i></p>	 <p><b>Risk assessment</b> <i>Processes for identifying, assessing, and managing risk</i></p>	 <p><b>Control activities</b> <i>Implementation of policies and procedures to prevent or detect errors and safeguard assets</i></p>	 <p><b>Information and communication</b> <i>Systems to capture and communicate information to achieve reliable financial reporting</i></p>	 <p><b>Monitoring activities</b> <i>Oversight of internal controls for existence and effectiveness</i></p>
<p>Eight deficiencies identified</p>	<p>One deficiency identified</p>	<p>Twenty-five deficiencies identified</p>	<p>Twelve deficiencies identified</p>	<p>Three deficiencies identified</p>

Source: Queensland Audit Office, adapted from Committee of the Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework.

## Control activities



**Control activities**

25 deficiencies

We identified 11 deficiencies in general information technology controls in user access and system security. We also identified eight deficiencies in manual control activities relating to authorisations, data validation, and reconciliations. The six other reported related to various different areas.

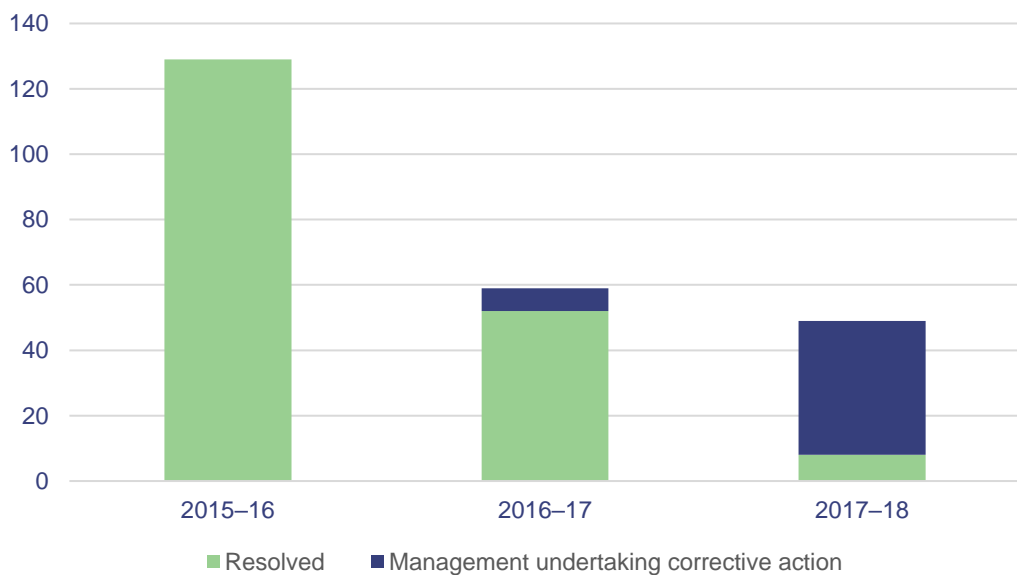
We did not identify any systemic issues at the departments that would indicate the systems of internal control could not be relied upon.

### Status of internal control deficiencies

Management, and those charged with governance, are responsible for the efficient and effective operation of internal controls. An audit committee may be established to assist those charged with governance to obtain assurance over internal control systems. An audit committee is responsible for considering audit findings, management responses to those findings, and the status of audit recommendations.

We have analysed the appropriateness and timeliness of remedial action undertaken to resolve any audit matters we have identified. Figure 5B outlines the status, as at 31 August 2018, of internal control deficiencies reported over the last three years.

**Figure 5B**  
**Status of control issues reported to management over the last three years**



Source: Queensland Audit Office.

Across the departments, there are 47 deficiencies for which management is continuing to undertake corrective action. They include some deficiencies that were reported to management in 2016–17. We identified that some deficiencies are taking up to two years to resolve.

Where corrective action is underway, we urge audit committees to monitor whether management is meeting the agreed milestone dates for all issues that have been reported. Proactive and timely resolution of control deficiencies indicates a strong control environment.



# Appendices

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# A. Full responses from agencies

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As mandated in section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the Premier and Minister for Trade; the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships; Director-General, Department of the Premier and Cabinet; and the Under Treasurer. A copy of the report was also provided to all other ministers and directors-general for their information.

The heads of these agencies are/head of this agency is responsible for the accuracy, fairness and balance of their comments.

This appendix contains their detailed responses to our audit recommendations.



## Comments received from Director-General, Department of Child Safety, Youth and Women



Office of the  
**Director-General**

Department of  
**Child Safety, Youth and Women**

Our reference: CSYW 00668-2019  
Your reference: 12067 Paul Christensen 3149 6038

- 5 FEB 2019

Mr Brendan Worrall  
Auditor-General  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002



Dear Mr Worrall

Thank you for your letter dated 16 January 2019 where you advised the report to parliament, *Queensland state government: 2017-18 results of financial audits*, is nearing completion and thank you for the opportunity to provide comments.

The Department of Child Safety, Youth and Women (DCSYW) received an unmodified audit opinion in relation to its 2017-18 financial statements including "green lights" for timeliness and quality of its financial statement preparation processes.

Your report also makes note (page 15) that machinery of government (MoG) transfer forms were required to be revised with the DCSYW transfer form revised three times between May and August 2018. The report states that "issues with the timely and accurate completion of these forms by departments, can impact on the ability of the relevant to departments to prepare timely and good quality financial statements." In this regard I would like to offer a few comments.

In the 2017-18 financial year, MoG changes established a new DCSYW which took on functions transferred from the Department of Communities, Disability Services and Seniors (DCDSS) and the Department of Justice and Attorney-General (DJAG). These MoG transfers were significant and complex given the size of the departments involved and required substantial management oversight over a lengthy period of time. The overall process was overseen by an internal governance board.

The transfer form was required to be revised three times so as to ensure it reflected the final negotiated position agreed between departments and this did not impact on the ability of DCSYW to prepare timely and good quality financial statements.

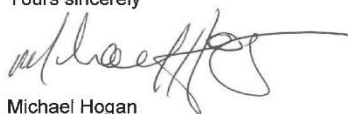
I also note two key audit matters raised for the department. The first related to the valuation of specialised buildings whereby the department continues to manage the valuation process effectively. The second item relates to the measurement of the provision for the National Redress Scheme established as part of Queensland's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse. I am able to report that the department is working with Finity Consulting and the State Actuary to update the measurement of the provision for the 2018-19 financial statements.

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-2-

If you require further information or assistance in relation to this matter, please contact Danny Short, Chief Finance Officer, Department of Child Safety, Youth and Women on telephone 3238 7682.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Hogan', with a long horizontal flourish extending to the right.

Michael Hogan  
**Director-General**





## B. Legislative context

### Framework

Queensland state public sector entities prepare their financial statements in accordance with the following legislative frameworks and reporting deadlines.

Entity type	Legislative framework	Legislated deadline
Departments and statutory bodies	<ul style="list-style-type: none"> <li>• <i>Financial Accountability Act 2009</i></li> <li>• Financial and Performance Management Standard 2009</li> </ul>	31 August 2018
Government owned corporations	<ul style="list-style-type: none"> <li>• <i>Government Owned Corporations Act 1993</i></li> <li>• Government Owned Corporations Regulations 2014</li> <li>• <i>Corporations Act 2001</i></li> <li>• Corporations Regulations 2001</li> </ul>	31 August 2018
Controlled entities that are companies	<ul style="list-style-type: none"> <li>• <i>Corporations Act 2001</i></li> <li>• Corporations Regulations 2001</li> </ul>	31 October 2018
Controlled entities that are charities and not-for-profits	<ul style="list-style-type: none"> <li>• <i>Charities Act 2013</i></li> </ul>	31 December 2018

Source: Queensland Audit Office.

### Accountability requirements

These frameworks identify the minimum requirements applying to key elements of financial accountability including:

- governance
- financial management and performance
- financial reporting.



## Queensland state government financial statements

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Each year, Queensland state public sector entities must table their audited financial statements in parliament.

These statements are used by a broad range of parties including parliamentarians, taxpayers, employees, and users of government services. For these statements to be useful, the information reported must be relevant and accurate.

The Auditor-General's audit opinion on these entities' financial statements assures users that the statements are accurate and in accordance with relevant legislative requirements.

We express an unmodified opinion when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards. We modify our audit opinion when financial statements do not comply with the relevant legislative requirements and Australian accounting standards and as a result, are not accurate and reliable.

Sometimes we include an emphasis of matter in our audit reports to highlight an issue that will help users better understand the financial statements. An emphasis of matter does not change the audit opinion.



## C. Our assessment of financial statement preparation

In assessing the effectiveness of financial statement preparation processes we consider three components—the timeliness of financial statements, the quality of financial statements, and the year-end close process.

We assess the components under the following criteria.

### Timeliness of draft financial statements

We assess the timeliness of draft financial statements by considering whether entities prepare financial statements according to the timetables set by management. This includes providing auditors with the first complete draft of financial statements by the agreed date. A complete draft is one that management is ready to sign and where no material errors or adjustments are expected.

Rating scale	Assessment criteria—timeliness of draft financial statements
● Timely	Acceptable draft financial statements received on or prior to the planned date
● Generally timely	Acceptable draft financial statements received within two days after the planned date
● Not timely	Acceptable draft financial statements received greater than two days after the planned date

### Quality of draft financial statements

We assess the quality of financial statements in terms of adjustments made between the first draft of the financial statements and the final version we receive. This includes adjustments to current year, prior years, and other disclosures. This is an indicator of how effective their review of the financial statements is at identifying and correcting errors.

Rating scale	Assessment criteria—quality of draft financial statements
● No adjustments	No adjustments were required
● No significant adjustments	Immaterial adjustments were required to financial statements
● Significant adjustments	Material adjustments were required to financial statement components

## Result summary

This table summarises our assessment of the financial statement preparation processes across 21 departments for these two components.

Entity	Financial statement preparation	
	Timeliness of draft financial statements	Quality of draft financial statements
Department of Aboriginal and Torres Strait Islander Partnerships	●	●
Department of Agriculture and Fisheries	●	●
Department of Child Safety, Youth and Women	●	●
Department of Communities, Disability Services and Seniors	●	●
Department of Corrective Services	●	●
Department of Education	●	●
Department of Employment, Small Business and Training	●	●
Department of Environment and Science	●	●
Department of Health	●	●
Department of Housing and Public Works	●	●
Department of Innovation, Tourism Industry Development and the Commonwealth Games	●	●
Department of Justice and Attorney-General	●	●
Department of Local Government, Racing and Multicultural Affairs	●	●
Department of Natural Resources, Mines and Energy	●	●
Department of State Development, Manufacturing, Infrastructure and Planning	●	●
Department of the Premier and Cabinet	●	●
Department of Transport and Main Roads	●	●
Public Safety Business Agency	●	●
Queensland Fire and Emergency Services	●	●
Queensland Police Service	●	●
Queensland Treasury	●	●



## Year-end close process

State public sector entities should have a robust year-end close process to enhance the quality and timeliness of the financial reporting processes. In prior years we have assessed processes for year-end financial statement preparation against the following key targets:

- prepare pro-forma financial statements by 30 April
- resolve known accounting issues by 30 April
- complete non-current asset valuations by 31 May
- complete early close processes
- conclude all asset stocktakes by 30 June.

These targets were developed based on advice previously issued by the then Under Treasurer in 2014, and better practice identified in other jurisdictions.

Rating scale	Assessment criteria—year end close process
● Fully implemented	All key processes completed by the target date
● Partially implemented	Three key process completed within two weeks of the target date
● Not implemented	Less than two key processes completed within two weeks of the target date

This year we have not reported our assessment of year-end close processes due to the impact of machinery of government changes on the processes adopted by a number of departments. However, we intend to recommence assessing year-end processes adopted by entities against these criteria in 2018-19.



## D. Audit opinion results

The following tables present the results of our financial statement audits for state public sector entities. The table also identifies the entities that had a key audit matter included in their independent auditor's report.

Key audit matters are those that, in our professional judgement, pose a higher risk of material misstatement. These matters mostly relate to major events and transactions that occur during the period, and to those areas requiring significant accounting judgement and estimation. They do not impact on the audit opinion issued on the financial statements.

The results have been summarised by Queensland ministers and portfolios as set out in Administrative Arrangements Order (No.2) 2018 made by the Governor in Council on 13 December 2018. The Administrative Arrangements Order details, for each minister, the principal responsibilities; the Acts they administer; and the departments, agencies, and office holders.

### Premier and Minister for Trade

Responsibilities include the overall management of Queensland, cabinet, coordination of government communication, policy development, parliamentary counsel, protocol, intergovernmental relations, screen industry development, veterans' affairs, investment facilitation, trade development, and overall public service management.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of the Premier and Cabinet	31.08.2018	31.08.2018	–	Unmodified
Legislative Assembly and Parliamentary Service	31.08.2018	29.08.2018	–	Unmodified
Office of the Governor	31.08.2018	16.08.2018	–	Unmodified
Public Service Commission	31.08.2018	31.08.2018	–	Unmodified
Screen Queensland Pty Ltd	31.10.2018	14.08.2018	–	Unmodified
Trade and Investment Queensland	31.08.2018	29.08.2018	–	Unmodified



## Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships

Responsibilities include the state budget, taxation, economic policy, government owned enterprises, insurance, capital works monitoring, mineral and petroleum royalties, and Aboriginal and Torres Strait Islander cultural heritage, policy, and rights and culture.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Brisbane Port Holdings Pty Ltd	31.10.2018	17.08.2018	–	Unmodified
Community Enterprise Queensland	31.08.2018	24.08.2018	–	Unmodified
Cross River Rail Delivery Authority	31.08.2018	24.08.2018	–	Unmodified
DBCT Holdings Pty Ltd	31.10.2018	17.08.2018	–	Unmodified
Department of Aboriginal and Torres Strait Islander Partnerships	31.08.2018	29.08.2018	Yes	Unmodified
Family Responsibilities Commission	31.08.2018	25.08.2018	–	Unmodified
Motor Accident Insurance Commission	31.08.2018	31.08.2018	–	Unmodified
Nominal Defendant	31.08.2018	31.08.2018	–	Unmodified
QGOF 63G Trust	–	30.08.2018	–	Unmodified
QIC Alternative Beta Fund	–	28.09.2018	–	Unmodified
QIC Alternative Investment Trust	–	27.09.2018	–	Unmodified
QIC Australian Equities Special Purpose Fund	–	30.08.2018	–	Unmodified
QIC Australian Fixed Interest Fund	–	29.08.2018	–	Unmodified
QIC Australian Venture Capital Fund	–	28.09.2018	–	Unmodified
QIC Bond Plus Fund	–	28.09.2018	–	Unmodified
QIC Cash Enhanced Fund	–	29.08.2018	–	Unmodified
QIC Cash Fund	–	29.08.2018	–	Unmodified
QIC Direct Opportunities Fund	–	27.09.2018	–	Unmodified
QIC Diversified Australian Equities Fund	–	28.09.2018	–	Unmodified

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
QIC Diversified Fixed Interest Fund	–	28.09.2018	–	Unmodified
QIC Diversified Infrastructure Fund No. 2	–	27.09.2018	–	Unmodified
QIC GFI Alpha Fund	–	28.09.2018	–	Unmodified
QIC GFI Inflation Plus Fund	–	28.09.2018	–	Unmodified
QIC Global Credit Fund	–	28.09.2018	–	Unmodified
QIC Global Credit Income Fund	–	28.09.2018	–	Unmodified
QIC Global Credit Opportunities Fund	–	30.08.2018	–	Unmodified
QIC Global Strategy Trust No. 2A	–	30.08.2018	–	Unmodified
QIC Government Office Fund No. 1	–	30.08.2018	–	Unmodified
QIC Growth Fund	–	28.09.2018	–	Unmodified
QIC Infrastructure Mandate No. 1 Trust	–	30.08.2018	–	Unmodified
QIC Infrastructure Mandate Trust No. 1A	–	04.09.2018	–	Unmodified
QIC Infrastructure Portfolio No. 1 Trust	–	27.09.2018	–	Unmodified
QIC Infrastructure Portfolio No. 2 Trust	–	28.09.2018	–	Unmodified
QIC International Equities Fund	–	28.09.2018	–	Unmodified
QIC Limited	31.08.2018	30.08.2018	Yes	Unmodified
QIC Liquid Alternatives Fund	–	28.09.2018	–	Unmodified
QIC Private Capital Pty Ltd	31.10.2018	29.08.2018	–	Unmodified
QIC Private Equity Fund No. 1	–	27.09.2018	–	Unmodified
QIC Private Equity Fund No. 2	–	27.09.2018	–	Unmodified
QIC Private Equity Fund No. 3	–	27.09.2018	–	Unmodified
QIC Private Equity Fund No. 5	–	27.09.2018	–	Unmodified
QICP Pty Ltd (previously QIC Properties Pty Ltd)	31.10.2018	29.08.2018	–	Unmodified





Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
QIC Strategy Fund No. 2	–	30.08.2018	–	Unmodified
QIC US Regional Mall Fund No.1	–	27.09.2018	–	Unmodified
QIC US Regional Mall Fund No.2	–	27.09.2018	–	Unmodified
QLQ Real Property Holding Trust	–	27.09.2018	–	Unmodified
Queensland Competition Authority	31.08.2018	17.08.2018	–	Unmodified
Queensland Investment Trust No. 2	–	28.09.2018	–	Unmodified
Queensland Lottery Corporation Pty Ltd	31.10.2018	17.08.2018	–	Unmodified
Queensland Productivity Commission	31.08.2018	27.08.2018	–	Unmodified
Queensland Treasury	31.08.2018	30.08.2018	Yes	Unmodified
Queensland Treasury Corporation	31.08.2018	28.08.2018	Yes	Unmodified
Queensland Treasury Holdings Pty Ltd	31.10.2018	17.08.2018	–	Unmodified
The National Injury Insurance Agency Queensland	31.08.2018	24.08.2018	–	Unmodified



## Minister for State Development, Manufacturing, Infrastructure and Planning

Responsibilities include state development, manufacturing, economic development, urban growth, land use planning, major project impact assessment, programs for priority industry sectors, and the recovery and reconstruction of Queensland following natural disaster events.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Building Queensland	31.08.2018	28.08.2018	–	Unmodified
Department of State Development, Manufacturing, Infrastructure and Planning	31.08.2018	31.08.2018	Yes	Unmodified
Gasfields Commission Queensland	31.08.2018	31.08.2018	–	Unmodified
Queensland Reconstruction Authority	31.08.2018	23.08.2018	–	Unmodified
South Bank Corporation	31.08.2018	24.08.2018	–	Unmodified
South Bank Employing Office	31.08.2018	24.08.2018	–	Unmodified



## Minister for Innovation and Tourism Industry Development and Minister for Commonwealth Games

Responsibilities include the Commonwealth Games; integrated resort developments and global tourism hubs; major events; tourism development and promotion; tourism investment attraction; innovation policy, strategy, and programs; international education; research and development coordination and planning; and the digital economy.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of Innovation, Tourism Industry Development and the Commonwealth Games	31.08.2018	28.08.2018	–	Unmodified
Gold Coast 2018 Commonwealth Games Corporation	31.08.2018	30.08.2018	–	Unmodified
Gold Coast Events Management Ltd (trading as Queensland Events Gold Coast)	31.10.2018	23.08.2018	–	Unmodified
Tourism and Events Queensland	31.08.2018	31.08.2018	–	Unmodified
Tourism and Events Queensland Employing Office	31.08.2018	31.08.2018	–	Unmodified

## Attorney-General and Minister for Justice

Responsibilities include justice administration; courts; registration of births, deaths and marriages; Legal Aid; youth justice; fair trading and consumer protection; incorporation of associations; lotteries, keno and wagering; occupational licensing; registration of charitable and community purpose organisations; and the Public Trustee.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Anti-Discrimination Commission	31.08.2018	23.08.2018	–	Unmodified
Crime and Corruption Commission	31.08.2018	22.08.2018	–	Unmodified
Department of Justice and Attorney-General	31.08.2018	30.08.2018	Yes	Unmodified
Electoral Commission of Queensland	31.08.2018	24.08.2018	–	Unmodified
Forde Foundation Trust Fund	31.12.2018	28.09.2018	–	Unmodified
Gladstone Foundation	31.12.2018	28.09.2018	–	Unmodified
Lady Bowen Trust	31.12.2018	28.09.2018	–	Unmodified
Law Claims Levy Fund	31.08.2018	31.08.2018	–	Unmodified
Legal Aid Queensland	31.08.2018	28.08.2018	–	Unmodified
Legal Practitioners Admissions Board	31.08.2018	31.08.2018	–	Unmodified
Legal Practitioners' Fidelity Guarantee Fund	31.08.2018	31.08.2018	–	Unmodified
Office of the Information Commissioner	31.08.2018	23.08.2018	–	Unmodified
Office of the Ombudsman	31.08.2018	08.08.2018	–	Unmodified
Professional Standards Council	31.08.2018	31.08.2018	–	Unmodified
Public Trustee of Queensland Growth Trust	–	23.08.2018	–	Unmodified
QCF Management Co. Ltd	31.10.2018	28.09.2018	–	Unmodified
Queensland Aboriginal and Torres Strait Islander Foundation	–	28.09.2018	–	Unmodified
Queensland Community Foundation	–	28.09.2018	–	Unmodified
Queensland Family and Child Commission	31.08.2018	31.08.2018	–	Unmodified
Queensland Law Society Incorporated	31.08.2018	31.08.2018	–	Unmodified
The Public Trustee of Queensland	31.08.2018	27.08.2018	–	Unmodified



## Minister for Health and Minister for Ambulance Services

Responsibilities include hospitals, public health, oral health, nursing homes and hostels, Aboriginal and Torres Strait Islander health, community health services, alcohol and drug services, disease surveillance, health rights and promotion, registration of health professionals, and the ambulance service.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Cairns and Hinterland Hospital and Health Service	31.08.2018	29.08.2018	Yes	Unmodified
Central Queensland Hospital and Health Service	31.08.2018	31.08.2018	Yes	Unmodified
Central West Hospital and Health Service	31.08.2018	31.08.2018	Yes	Unmodified
Children's Health Queensland Hospital and Health Service	31.08.2018	29.08.2018	Yes	Unmodified
Children's Hospital Foundation Queensland	31.08.2018	30.08.2018	–	Unmodified
Darling Downs Hospital and Health Service	31.08.2018	30.08.2018	Yes	Unmodified
Department of Health	31.08.2018	29.08.2018	–	Unmodified
Gold Coast Hospital and Health Service	31.08.2018	24.08.2018	Yes	Unmodified
HIV Foundation Queensland	31.08.2018	22.08.2018	–	Unmodified
Mackay Hospital and Health Service	31.08.2018	30.08.2018	Yes	Unmodified
Metro North Hospital and Health Service	31.08.2018	29.08.2018	Yes	Unmodified
Metro South Hospital and Health Service	31.08.2018	24.08.2018	Yes	Unmodified
North West Hospital and Health Service	31.08.2018	29.08.2018	Yes	Unmodified
Office of the Health Ombudsman	31.08.2018	31.08.2018	–	Unmodified
Q-Pharm Pty Ltd	31.10.2018	31.08.2018	–	Unmodified
Queensland Mental Health Commission	31.08.2018	03.08.2018	–	Unmodified

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Royal Brisbane and Women's Hospital Foundation	31.08.2018	28.08.2018	–	Unmodified
South West Hospital and Health Service	31.08.2018	31.08.2018	Yes	Unmodified
Sunshine Coast Hospital and Health Service	31.08.2018	30.08.2018	Yes	Unmodified
The Council of the Queensland Institute of Medical Research	31.08.2018	31.08.2018	–	Unmodified
The Prince Charles Hospital Foundation	31.08.2018	31.08.2018	–	Unmodified
Torres and Cape Hospital and Health Service	31.08.2018	29.08.2018	Yes	Unmodified
Townsville Hospital and Health Service	31.08.2018	30.08.2018	Yes	Unmodified
West Moreton Hospital and Health Service	31.08.2018	13.08.2018	Yes	Unmodified
Wide Bay Hospital and Health Service	31.08.2018	27.08.2018	Yes	Unmodified



## Minister for Education and Minister for Industrial Relations

Responsibilities include state schooling, early childhood education and care, higher education, non-state school funding, industrial relations, employment policies and programs, worker's compensation, and workplace health and safety.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Anzac Day Trust	31.08.2018	30.07.2018	–	Unmodified
Aviation Australia Pty Ltd	31.10.2018	24.08.2018	–	Unmodified
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLEAVE)	31.08.2018	28.08.2018	–	Unmodified
Contract Cleaning Industry (Portable Long Service Leave) Authority	31.08.2018	28.08.2018	–	Unmodified
Department of Education	31.08.2018	27.08.2018	Yes	Unmodified
Non-State Schools Accreditation Board	31.08.2018	07.08.2018	–	Unmodified
Queensland Curriculum and Assessment Authority	31.08.2018	29.08.2018	–	Unmodified
WorkCover Employing Office	31.08.2018	30.08.2018	–	Unmodified
WorkCover Queensland	31.08.2018	31.08.2018	Yes	Unmodified

## Minister for Transport and Main Roads

Responsibilities include land transport and safety, main roads, marine infrastructure, passenger and personalised transport, ports, railways, and transport infrastructure.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of Transport and Main Roads	31.08.2018	29.08.2018	Yes	Unmodified
Far North Queensland Ports Corporation Limited (Ports North)	31.08.2018	30.08.2018	Yes	Unmodified
Gladstone Ports Corporation Limited	31.08.2018	31.08.2018	Yes	Unmodified
Gold Coast Waterways Authority	31.08.2018	07.08.2018	–	Unmodified
North Queensland Bulk Ports Corporation Limited	31.08.2018	24.08.2018	Yes	Unmodified
Port of Townsville Limited	31.08.2018	28.08.2018	Yes	Unmodified
Queensland Rail	31.08.2018	30.08.2.018	Yes	Unmodified
Queensland Rail Limited	31.10.2018	30.08.2018	Yes	Unmodified
Transmax Pty Ltd	31.10.2018	26.10.2018	–	Unmodified





## Minister for Natural Resources, Mines and Energy

Responsibilities include mining and petroleum, mine safety and health, Aboriginal and Torres Strait Islander land interests, land and natural resource management, native title, energy and water utilities, bulk water supply, distribution and retail arrangements, management of water supply emergencies, and regulation of water quality and supply continuity.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Avondale Water Board	31.08.2018	13.08.2018	–	Unmodified
Babinda Swamp Drainage Board	31.08.2018	08.10.2018	–	Unmodified
Bollon West Water Authority	31.08.2018	17.09.2018	–	Disclaimed
Brigooda Water Board	31.08.2018	31.08.2018	–	Qualified
CS Energy Limited	31.08.2018	31.08.2018	Yes	Unmodified
Department of Natural Resources, Mines and Energy	31.08.2018	31.08.2018	Yes	Unmodified
East Deeral Drainage Board	31.08.2018	13.09.2018	–	Disclaimed
Energy and Water Ombudsman Queensland	31.08.2018	16.08.2018	–	Unmodified
Energy Queensland Limited	31.08.2018	23.08.2018	Yes	Unmodified
Ergon Energy Queensland Pty Ltd	31.10.2018	21.08.2018	Yes	Unmodified
Fernlee Water Authority	31.08.2018	17.09.2018	–	Disclaimed
Gladstone Area Water Board	31.08.2018	31.08.2018	–	Unmodified
Glamorgan Vale Water Board	31.08.2018	28.08.2018	–	Unmodified
Ipswich Rivers Improvement Trust	31.08.2018	08.10.2018	–	Unmodified
LMA Support Services Pty Ltd	31.10.2018	23.08.2018	–	Unmodified
Lower Burdekin Water	31.08.2018	30.08.2018	–	Unmodified
Lower Herbert Water Management Authority	31.08.2018	31.08.2018	–	Unmodified
Matthews Road Drainage Board	31.08.2018	14.09.2018	–	Disclaimed
Mount Isa Water Board	31.08.2018	29.08.2018	–	Unmodified

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Orchard Creek and East Euramo Drainage Board	31.08.2018	31.08.2018	–	Unmodified
Qld Electricity Transmission Corp Limited (trading as Powerlink Qld)	31.08.2018	24.08.2018	Yes	Unmodified
Queensland Bulk Water Supply Authority (trading as Seqwater)	31.08.2018	30.08.2018	Yes	Unmodified
Roadvale Water Board	31.08.2018	21.08.2018	–	Unmodified
Silkwood Drainage Board	31.08.2018	06.09.2018	–	Disclaimed
South Maroochy Drainage Board	31.08.2018	10.10.2018	–	Disclaimed
Stanthorpe Shire River Improvement Trust	31.08.2018	31.08.2018	–	Unmodified
Stanwell Corporation Limited	31.08.2018	28.08.2018	Yes	Unmodified
State Council of River Trusts, Queensland Inc.	31.12.2018	14.08.2018	–	Unmodified
SunWater Limited	31.08.2018	28.08.2018	Yes	Unmodified
Valuers Registration Board of Queensland	31.08.2018	23.08.2018	–	Unmodified
Warwick Shire River Improvement Trust	31.08.2018	16.08.2018	–	Unmodified
Yambocully Water Board	31.08.2018	16.08.2018	–	Unmodified



## Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport

Responsibilities include building and plumbing standards, government buildings, homelessness, housing services, licensing and regulation of the Queensland building industry, one stop shop strategy, open data, government information and communication technology policy and planning, shared services system, archives, and sport and recreation.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Board of Architects of Queensland	31.08.2018	31.08.2018	–	Unmodified
Board of Professional Engineers of Queensland	31.08.2018	31.08.2018	–	Unmodified
Cairns Convention Centre	–	31.08.2018	–	Unmodified
Department of Housing and Public Works	31.08.2018	31.08.2018	Yes	Unmodified
Gold Coast Convention and Exhibition Centre	–	10.10.2018	–	Unmodified
Queensland Building and Construction Commission	31.08.2018	29.08.2018	–	Unmodified
Queensland Building and Construction Employing Office	31.08.2018	29.08.2018	–	Unmodified
Residential Tenancies Authority	31.08.2018	31.08.2018	–	Unmodified
Residential Tenancies Employing Office	31.08.2018	31.08.2018	–	Unmodified
Stadiums Queensland	31.08.2018	31.08.2018	–	Unmodified

## Minister for Employment and Small Business and Minister for Training and Skills Development

Responsibilities include employment, vocational education and training, skills and workforce development, small business advocacy, and resilience.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
BCITF (Qld) Limited (trading as Construction Skills Queensland)	31.10.2018	06.09.2018	–	Unmodified
Building and Construction Industry Training Fund (Qld)	–	06.09.2018	–	Unmodified
Department of Employment, Small Business and Training	31.08.2018	31.08.2018	Yes	Unmodified
TAFE Queensland	31.08.2018	30.08.2018	–	Unmodified



## Minister for Environment and the Great Barrier Reef, Minister for Science and Minister for the Arts

Responsibilities include climate change policy, environmental planning and protection policy, the Great Barrier Reef, pollution and waste management, marine and national parks management, science strategy, and the arts.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Board of the Queensland Museum	31.08.2018	31.08.2018	–	Unmodified
Department of Environment and Science	31.08.2018	31.08.2018	Yes	Unmodified
Library Board of Queensland	31.08.2018	27.08.2018	–	Unmodified
Queensland Art Gallery Board of Trustees	31.08.2018	24.08.2018	–	Unmodified
Queensland Library Foundation	31.10.2018	27.08.2018	–	Unmodified
Queensland Museum Foundation Trust	–	31.08.2018	–	Unmodified
Queensland Performing Arts Trust	31.08.2018	17.08.2018	–	Unmodified

## Minister for Police and Minister for Corrective Services

Responsibilities include the police service, adult corrective services, and Queensland Government Air Services.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Prostitution Licensing Authority	31.08.2018	09.08.2018	–	Unmodified
Public Safety Business Agency	31.08.2018	31.08.2018	Yes	Unmodified
Queensland Corrective Services	31.08.2018	31.08.2018	Yes	Unmodified
Queensland Police Service	31.08.2018	30.08.2018	–	Unmodified

## Minister for Communities and Minister for Disability Services and Seniors

Responsibilities include community care, community recovery, community services, disability services, seniors, and social inclusion.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of Communities, Disability Services and Seniors	31.08.2018	31.08.2018	Yes	Unmodified

## Minister for Agricultural Industry Development and Fisheries

Responsibilities include biosecurity, agriculture, animal welfare, food and fibre industry development, rural economic development, and racing integrity.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Darling Downs–Moreton Rabbit Board	31.08.2018	31.08.2018	–	Unmodified
Department of Agriculture and Fisheries	31.08.2018	29.08.2018	Yes	Unmodified
Queensland Agricultural Training Colleges	31.08.2018	31.08.2018	–	Unmodified
Queensland Racing Integrity Commission	31.08.2018	28.08.2018	–	Unmodified
Queensland Rural and Industry Development Authority (QRIDA)	31.08.2018	28.08.2018	–	Unmodified
Safe Food Production Queensland	31.08.2018	31.08.2018	–	Unmodified



## Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs

Responsibilities include local government, multicultural affairs, and racing.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of Local Government, Racing and Multicultural Affairs	31.08.2018	30.08.2018	–	Unmodified
Racing Queensland Board	31.08.2018	21.08.2018	–	Unmodified
Rockhampton Racing Pty Ltd	31.10.2018	17.08.2018	–	Unmodified
Sunshine Coast Racing Pty Ltd	31.10.2018	17.08.2018	–	Unmodified

## Minister for Child Safety, Youth and Women and Minister for the Prevention of Domestic and Family Violence

Responsibilities include adoption, child protective services, working with children check, women's policy, youth affairs and justice, and the prevention of domestic and family violence.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of Child Safety, Youth and Women	31.08.2018	30.08.2018	Yes	Unmodified

## Minister for Fire and Emergency Services

Responsibilities include fire and rescue service, state emergency service, rural fire service, and disaster management.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Office of the Inspector-General of Emergency Management	31.08.2018	24.08.2018	–	Unmodified
Queensland Fire and Emergency Services	31.08.2018	28.08.2018	–	Unmodified

## Abolished departments

The following former departments were abolished on 12 December 2017 under Public Service Departmental Arrangement Notice (No 3) 2017.

Entity	Legislative deadline	Audit certification date	Key audit matter	Audit opinion type
Department of Energy and Water Supply	–	19.04.2018	Yes	Unmodified
Department of National Parks, Sport and Racing	–	09.04.2018	Yes	Unmodified
Department of Science, Information Technology and Innovation	–	04.05.2018	–	Unmodified





## E. Audit opinions issued for prior financial years

Entity	Audit certification date	Audit opinion type
<b>Financial statements from the 2015–16 financial year</b>		
Cairns River Improvement Trust	24.08.2018	Qualified
<b>Financial statements from the 2016–17 financial year</b>		
Babinda Swamp Drainage Board	27.11.2017	Unmodified
Burdekin Shire River Improvement Trust	23.11.2017	Unmodified
Cairns River Improvement Trust	24.08.2018	Unmodified
Cassowary Coast River Improvement Trust	01.12.2017	Unmodified
Ingie Water Authority	18.07.2018	Qualified
Merlwood Water Board	05.03.2018	Disclaimed
Silkwood Drainage Board	17.11.2017	Disclaimed
Whitsunday Rivers Improvement Trust	02.11.2017	Unmodified

## F. Entities exempt from audit by the Auditor-General

Entity	Audit firm	Audit certification date	Audit opinion type
<b>Small in size and low-risk entities under section 30A of the <i>Auditor-General Act 2009</i></b>			
Bundaberg Health Services Foundation	Leverit Audit Pty Ltd	29.08.2018	Unmodified
Far North Queensland Hospital Foundation	BDO	28.08.2018	Unmodified
Gold Coast Hospital Foundation	Dickfos Dunn Adam	10.09.2018	Qualified
Ipswich Hospital Foundation	Ramsey & Associates	29.08.2018	Unmodified
Mackay Hospital Foundation	Brown & Bird	05.09.2018	Unmodified
Mt Gravatt Showgrounds Trust	Ross Spranklin & Co	15.06.2018	Unmodified
PA Research Foundation	KPMG	28.08.2018	Unmodified
Queensland Education Leadership Institute Limited	Grant Thornton	10.10.2018	Unmodified
Queensland Music Festival Pty Ltd	Integrated Audit Services	18.04.2018	Unmodified
Queensland Tertiary Admissions Centre Limited	PKF Hacketts	21.08.2018	Unmodified
Queensland Theatre Company	EY	28.02.2018	Unmodified
Sunshine Coast Health Foundation	Focus Professional Group AH Pty Ltd	21.08.2018	Unmodified
Supreme Court Library Committee	PKF Hacketts	23.08.2018	Unmodified
Surveyors Board of Queensland	PKF Hacketts	26.07.2018	Unmodified
The Board of Trustees of Newstead House	C & N Audit Services	31.08.2018	Unmodified
Toowoomba Hospital Foundation	Tim Davis	13.08.2018	Unmodified
Townsville Hospital Foundation	Coutts Redington Chartered Accountants	30.08.2018	Unmodified



Entity	Audit firm	Audit certification date	Audit opinion type
<b>Foreign-based controlled entities exempt under section 32 of the Auditor-General Act 2009</b>			
Lexon Insurance Pte Ltd	PWC Singapore	28.08.2018	Unmodified
QIC European Investment Services	KPMG	24.08.2018	Unmodified
QIC US Investment Services Inc	KPMG	27.08.2018	Unmodified
QIC US Management Incorporated	KPMG	27.08.2018	Unmodified



## G. Entities not preparing financial reports

The Auditor-General will not issue audit opinions for the following controlled public sector entities for the 2017–18 financial year, as they have not produced a financial report.

When entities are part of a group and secured by a deed of cross guarantee (with other entities in that group agreeing to cover debts), they are not required to prepare financial statements.

Entity	Reason for not preparing financial statements
<b>Controlled entities of CS Energy Limited</b>	
Aberdare Collieries Pty Ltd	Deed of cross guarantee ASIC order
Callide Energy Pty Ltd	Deed of cross guarantee ASIC order
CS Energy Group Holdings Pty Ltd	Dormant
CS Energy Group Operations Holdings Pty Ltd	Dormant
CS Energy Kogan Creek Pty Ltd	Deed of cross guarantee ASIC order
CS Energy Oxyfuel Pty Ltd	Deed of cross guarantee ASIC order
CS Kogan (Australia) Pty Ltd	Deed of cross guarantee ASIC order
Kogan Creek Power Pty Ltd	Deed of cross guarantee ASIC order
Kogan Creek Power Station Pty Ltd	Deed of cross guarantee ASIC order
<b>Controlled entities of Energy Queensland Limited</b>	
Energex Limited	Deed of cross guarantee ASIC order
Ergon Energy Corporation Limited	Deed of cross guarantee ASIC order
Ergon Energy Telecommunications Pty Ltd	Non-reporting
Metering Dynamics Pty Ltd (previously Metering Dynamics Business Support Pty Ltd)	Deed of cross guarantee ASIC order
SPARQ Solutions Pty Ltd	Deed of cross guarantee ASIC order
Varnsdorf Pty Ltd	Dormant
VH Operations Pty Ltd	Dormant
Yurika Pty Ltd (previously Energy Impact Pty Ltd)	Deed of cross guarantee ASIC order



Entity	Reason for not preparing financial statements
<b>Controlled entities of Gladstone Ports Corporation Limited</b>	
Gladstone Marine Pilot Services Pty Ltd	Board of director's determination
Gladstone WICET Operations Pty Ltd	Dormant
<b>Controlled entities of Powerlink</b>	
Harold Street Holdings Pty Ltd	Deed of cross guarantee ASIC order
Powerlink Transmission Services Pty Ltd	Deed of cross guarantee ASIC order
<b>Controlled entities of QIC Limited</b>	
Business Development Fund	Non-reporting
Canberra Centre Investments Pty Ltd	Dormant
Capital Parking Pty Ltd	Non-reporting
Eastland Property Holdings Pty Ltd	Dormant
General Fund No. 2	Dormant
Golden Reef Infrastructure LLC	Non-reporting
Innovis Investments Australia Fund	Non-reporting
Innovis Investments Pty Ltd	Dormant
Martin Place Management Limited	Non-reporting
Pacific Echo Pty Limited	Dormant
QBF No. 1 Pty Ltd	Dormant
QBF No. 2 Pty Ltd	Dormant
QIC (UK) Management Limited	Dormant
QIC Asia Real Estate Investments Pty Ltd	Dormant
QIC Brisbane Airport Infrastructure Trust	Non-reporting
QIC Business Development Fund	Non-reporting
QIC CM Pty Ltd	Dormant
QIC Coomera Pty Ltd	Dormant
QIC CRCHUM Trust	Non-reporting
QIC Developments Pty Ltd	Dormant
QIC Global Infrastructure (US), Inc	Non-reporting
QIC Global Strategy Trust No. 2	Non-reporting
QIC Global Strategy Trust No. 2B	Non-reporting
QIC GP Holding Trust	Dormant

Entity	Reason for not preparing financial statements
QIC GRE Management (US) Inc	Non-reporting
QIC Helensvale Pty Ltd	Dormant
QIC Hi Yield Pty Ltd	Dormant
QIC Infrastructure Management No. 2 Pty Ltd	Non-reporting
QIC Infrastructure Management No. 3 Pty Ltd	Dormant
QIC Infrastructure Management No. 4 Pty Ltd	Dormant
QIC Infrastructure Management Pty Ltd	Non-reporting
QIC Initial Unitholder Pty Ltd	Non-reporting
QIC International Real Estate Investments Pty Ltd	Dormant
QIC Investments No. 1 Pty Ltd	Non-reporting
QIC Investments No. 2 Pty Ltd	Non-reporting
QIC Investments No. 3 Pty Ltd	Non-reporting
QIC Logan Hyperdome (No. 2) Pty Ltd	Dormant
QIC Logan Hyperdome Pty Ltd	Dormant
QIC Merrifield Pty Ltd	Dormant
QIC Merry Hill Pty Ltd	Dormant
QIC Noosa Civic Pty Ltd	Dormant
QIC North America Investments Pty Ltd	Dormant
QIC North Asia Real Estate Investment Pty Ltd	Dormant
QIC NZ Power Trust No. 3	Non-reporting
QIC NZ Power Trust No. 4	Non-reporting
QIC PPP Trust	Non-reporting
QIC Property Management Pty Ltd	Dormant
QIC Real Estate Pty Ltd	Dormant
QIC Retail (No. 2) Pty Ltd	Non-reporting
QIC Retail Pty Ltd	Dormant
QIC Ringwood Pty Ltd	Dormant
QIC Robina Pty Ltd	Dormant
QIC Section 63 Trust	Dormant
QIC Strategy Fund No. 3	Dormant
QIC Tollroad Investment Fund No. 1	Non-reporting



Entity	Reason for not preparing financial statements
QIC Tollroads Fund No. 1	Dormant
QIC Toowoomba Pty Ltd	Dormant
QIC US Infrastructure Fund No. 1	Non-reporting
QIC US Infrastructure Fund No. 2	Non-reporting
QIC US Power Trust No. 1	Non-reporting
QIC US Power Trust No. 2	Non-reporting
QIC US Private Equity LLC	Non-reporting
QIC US Private Equity No 2 LLC	Non-reporting
QIC US Shopping Center Fund No 1 GP LLC	Non-reporting
QIC Westpoint Pty Ltd	Non-reporting
QICP Properties US Inc.	Non-reporting
QLQ Trust No. 2	Non-reporting
QLQ Trust No. 3	Non-reporting
QPC Investments No.1 Pty Ltd	Dormant
Queensland BioCapital Fund No. 1	Non-reporting
Queensland BioCapital Fund No. 2	Non-reporting
Queensland BioCapital Funds Pty Ltd	Dormant
TIF3 Pty Ltd	Dormant
Watergardens Pty Limited	Dormant
<b>Controlled entities of Queensland Bulk Ports Limited</b>	
Mackay Ports Limited	Dormant
Ports Corporation of Queensland Limited	Dormant
<b>Controlled entities of Queensland Rail Limited</b>	
On Track Insurance Pty Ltd	Board of directors' determination
<b>Controlled entities of Stanwell Corporation Limited</b>	
Energy Portfolio 1 Pty Ltd	Dormant
Glen Wilga Coal Pty Ltd	Dormant
Goondi Energy Pty Ltd	Non-reporting
Mica Creek Pty Ltd	Deed of cross guarantee ASIC order
SCL North West Pty Ltd	Deed of cross guarantee ASIC order
Tarong Energy Corporation Pty Ltd	Dormant

<b>Entity</b>	<b>Reason for not preparing financial statements</b>
Tarong Fuel Pty Ltd	Deed of cross guarantee ASIC order
Tarong North Pty Ltd	Non-reporting
TEC Coal Pty Ltd	Deed of cross guarantee ASIC order
TN Power Pty Ltd	Deed of cross guarantee ASIC order
<b>Controlled entities of SunWater Limited</b>	
Burnett Water Pty Ltd	Deed of cross guarantee ASIC order
Eungella Water Pipeline Pty Ltd	Deed of cross guarantee ASIC order
North West Queensland Water Pipeline Pty Ltd	Deed of cross guarantee ASIC order
<b>Other</b>	
Asia Pacific Screen Awards Ltd	Non-reporting
Callandoon Water Supply Board Employing Office	Non-reporting
City North Infrastructure Pty Ltd	Non-reporting
Disaster Appeals Trust Fund	Dormant
genomiQa Pty Ltd	Non-reporting
Glamorgan Vale Water Board Employing Office	Non-reporting
Network Infrastructure Company Pty Ltd	Dormant
Q-Gen Pty Limited	Dormant
Queensland Airport Holdings (Cairns) Pty Ltd	Dormant
Queensland Airport Holdings (Mackay) Pty Ltd	Dormant
Queensland Trade and Investment Office Pty Ltd	Dormant
Sunshine Locos Pty Limited	Dormant
Vaccine Solutions Pty Ltd	Non-reporting
Yambocully Water Board Employing Office	Non-reporting





## H. Audits not finished

The following financial statement audits were not finished as at 31 October 2018. Audits certified prior to the tabling of this report have been noted in the table below.

Entity	Financial year
	<b>2017–18</b>
Aboriginal Centre for the Performing Arts Pty Limited	05.11.2018
Bollon South Water Authority	
Bones Knob Water Board	14.11.2018
Burdekin Shire Rivers Improvement Trust	
Cairns River Improvement Trust	
Callandoon Water Supply Board	
Cassowary Coast River Improvement Trust	
Don River Improvement Trust	14.11.2018
Dumaresq-Barwon Border Rivers Commission	16.11.2018
Eugun Bore Water Authority	
Herbert River Improvement Trust	
Ingie Water Authority	23.11.2018
Kaywanna Bore Water Board	
Premier's Disaster Relief Appeal Fund	13.02.2019
Scenic Rim Rivers Improvement Trust	14.11.2018
Wambo Shire River Improvement Trust	
Whitsunday Rivers Improvement Trust	
	<b>2016–17</b>
Bollon South Water Authority	
Eugun Bore Water Authority	
Herbert River Improvement Trust	
Wambo Shire River Improvement Trust	
	<b>2015–16</b>
Bollon South Water Authority	
Eugun Bore Water Authority	
Herbert River Improvement Trust	
	<b>2014–15</b>
Herbert River Improvement Trust	

# I. Our audit of internal controls

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Internal controls are designed, implemented, and maintained by entities to mitigate risks that may prevent them from achieving reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

In undertaking our audit, we are required under the Australian auditing standards to obtain an understanding of an entity's internal controls relevant to the preparation of the financial report.

We assess internal controls to ensure they are suitably designed to:

- prevent, or detect and correct, material misstatements in the financial report (A misstatement is material if it has the potential to influence the decisions made by users of the financial statements.)
- achieve compliance with legislative requirements
- ensure appropriate use of public resources.

Our assessment determines the nature, timing, and extent of the testing we perform to address the risk of material misstatement in the financial statements.

Where we believe the design and implementation of controls is effective, we select the controls we intend to test further by considering a balance of factors including:

- significance of the related risks
- characteristics of balances, transactions, or disclosures (volume, value, and complexity)
- nature and complexity of the entity's information systems
- whether the design of the controls addresses the risk of material misstatement and facilitates an efficient audit.

Where we identify deficiencies in internal controls, we determine the impact on our audit approach, considering whether additional audit procedures are necessary to address the risk of material misstatement in the financial statements.

Our audit procedures are designed to address the risk of material misstatement, so we can express an opinion on the financial report. We do not express an opinion on the effectiveness of internal controls.

## Internal controls framework

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We categorise internal controls using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework, which is widely recognised as a benchmark for designing and evaluating internal controls.

The framework identifies five components for a successful internal control system. These components are explained in the following paragraphs.



## Control environment



- Cultures and values
- Governance
- Organisational structure
- Policies
- Qualified and skilled people
- Management's integrity and operating style

The control environment is defined as the structures, policies, attitudes, and values that influence day-to-day operations. As the control environment is closely linked to an entity's overarching governance and culture, it is important that the control environment provides a strong foundation for the other components of internal control.

In assessing the design and implementation of the control environment we consider whether:

- those charged with governance are independent, appropriately qualified, experienced, and active in challenging management. This ensures they receive the right information at the right time to enable informed decision-making
- policies and procedures are established and communicated so people with the right qualifications and experiences are recruited, they understand their role in the organisation, and they also understand management's expectations regarding internal controls, financial reporting, and misconduct, including fraud.

## Risk assessment



- Strategic risk assessment
- Financial risk assessment
- Operational risk assessment

Risk assessment relates to management's processes for considering risks that may prevent an entity from achieving its objectives, and how management agrees risks should be identified, assessed, and managed.

To appropriately manage business risks, management can either accept the risk if it is minor

or mitigate the risk to an acceptable level by implementing appropriately designed controls. Management can also eliminate risks entirely by choosing to exit from a risky business venture.

## Control activities



- General information technology controls
- Automated controls
- Manual controls

Control activities are the actions taken to implement policies and procedures in accordance with management directives and ensure identified risks are addressed. These activities operate at all levels and in all functions. They can be designed to prevent or detect errors entering financial systems.

The mix of control activities can be categorised into general information technology controls, automated controls, and manual controls.

## General information technology controls

General information technology controls form the basis of the automated systems control environment. They include controls over information systems security, user access, and system changes. These controls address the risk of unauthorised access and changes to systems and data.

## Automated control activities

Automated controls are embedded within information technology systems. These controls can improve timeliness, availability, and accuracy of information by consistently applying predefined business rules. They enable entities to perform complex calculations when processing large volumes of transactions. They also improve the effectiveness of financial delegations and the segregation of duties.

## Manual control activities

Manual controls contain a human element, which can provide the opportunity to assess the reasonableness and appropriateness of transactions. However, these controls may be less reliable than automated elements as they can be more easily bypassed or overridden. They include activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, and segregation of incompatible duties. Manual controls may be performed with the aid of information technology systems.

## Information and communication



- Non-financial systems
- Financial systems
- Reporting systems

Information and communication controls are the systems used to provide information to employees, and the ways in which responsibilities are communicated.

This aspect of internal control also considers how management generates financial reports, and how these reports are communicated to internal and external parties to support the functioning of internal controls.

## Monitoring activities



- Management supervision
- Self-assessment
- Internal audit

Monitoring activities are the methods management uses to oversee and assess whether internal controls are present and operating effectively. This may be achieved through ongoing supervision, periodic self-assessments, and separate evaluations. Monitoring activities also concern the evaluation and communication of control deficiencies in a timely manner to effect corrective action.

Typically, the internal audit function and an independent audit and risk committee are responsible for implementing controls and resolving control deficiencies. These two functions work together to ensure that internal control deficiencies are identified and then resolved in a timely manner.



# J. Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives of delivering reliable financial reporting, effective and efficient operations, compliance with applicable laws, and reports to interested parties.
Acquisition	Establishing control of an asset, undertaking the risks and receiving the rights to future benefits as would be conferred with ownership, in exchange for the cost of acquisition.
Asset valuation	The process of determining the fair value of an asset.
Audit by arrangement	An audit by the Auditor-General of an entity that is not a public sector entity, conducted at the request of a minister or a public sector entity and with the consent of the entity.
Audit committee	A committee intended to provide assistance to the accountable officer or statutory body in discharging their obligations. Duties and responsibilities can involve oversight of all or a combination of the following: <ul style="list-style-type: none"> <li>▪ effectiveness and reliability of internal controls</li> <li>▪ quality and integrity of accounting and reporting practices</li> <li>▪ effectiveness of performance management</li> <li>▪ legal and regulatory compliance</li> <li>▪ auditor's qualifications and independence</li> <li>▪ performance of the internal audit function and of external auditors.</li> </ul>
<i>Auditor-General Act 2009</i>	An Act of the State of Queensland that establishes the responsibilities of the Auditor-General, the operation of the Queensland Audit Office, the nature and scope of audits to be conducted, and the relationship of the Auditor-General with parliament.
Auditor's opinion	A written expression of an auditor's overall conclusion on a financial report based on audit evidence obtained.
Australian accounting standards	The rules by which financial statements are prepared in Australia. These standards ensure consistency in measuring and reporting on similar transactions.
Australian Accounting Standards Board (AASB)	An Australian Government agency that develops and maintains accounting standards applicable to entities in the private and public sectors of the Australian economy.
Capital expenditure	Expenditure to acquire assets or improve the service potential of existing assets that are capitalised to the balance sheet (which means the cost of the assets can be allocated over the years for which the assets will be in use).

Term	Definition
Control environment	The structures, policies, attitudes and values, that influence daily operations. A component of internal control that provides the foundation for other elements of internal control.
Controlled entity	Entity controlled or owned by one or more public sector entities.
Community service obligations	Government payments to commercial entities to provide services that are not in the entity's commercial interests.
Debt to equity ratio	This ratio shows to what extent an entity is financed by debt. It may also be referred to as the gearing or leverage ratio. It is calculated as total debt divided by contributed equity.
Depreciation	The systematic allocation of an item of property, plant and equipment's capital value as an expense over its expected useful life, to take account of normal usage, obsolescence, or the passage of time.
Discount rate	Interest rate used to calculate the present day value.
Emphasis of matter	A paragraph included with an audit opinion to highlight an issue that the auditor believes the users of the financial statements need to be aware of. The inclusion of an emphasis of matter paragraph does not modify the audit opinion.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.
<i>Financial Accountability Act 2009</i>	An Act of the State of Queensland that establishes accountability for the administration of the state's finances and financial administration of departments and statutory bodies, as well as annual reporting to parliament by departments and statutory bodies.
Financial and Performance Management Standard 2009	Subordinate legislation of the State of Queensland that provides a framework for an accountable officer of a department or a statutory body, to develop and implement systems, practices, and controls for the efficient, effective, and economic financial and performance management of the department or statutory body.
Financial reporting requirements	Queensland's annual financial statement reporting requirements provided to assist departments and statutory bodies in the preparation of their financial statements. The requirements provide updates on new and revised accounting policies and standards, and additional guidance and advice on the application of the policies and standards.
Financial statements	Report on an entity's financial performance over a period of time, and financial position at a point in time, prepared in accordance with a financial reporting framework. It includes a profit and loss statement, balance sheet, cash flow statement, a statement of changes in equity, and accompanying notes disclosing how amounts have been recognised and measured.
Fraud	Any act or omission, including a misrepresentation, that knowingly or recklessly misleads or attempts to mislead a party, in order to obtain a financial or other benefit or to avoid an obligation.



Term	Definition
General government sector	<p>The group of legal entities established by political processes that have legislative, judicial, or executive authority over other institutional units within a given area. The primary function of these agencies is to provide public services that:</p> <ul style="list-style-type: none"> <li>• are non-trading in nature and that are for the collective benefit of the community</li> <li>• are largely financed by way of taxes, fees, and other compulsory charges</li> <li>• involve the transfer or redistribution of income.</li> </ul>
Going concern	An entity is expected to be able to pay its debts as and when they fall due, and to continue to operate without any intention or necessity to liquidate or wind up its operations.
Governance	The arrangements in place at an entity to plan, direct, and control its activities to achieve its strategic and operational goals.
Impairment	When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.
Internal audit	An appraisal activity established or provided as a service to the entity. Its functions include examining, evaluating, and monitoring the adequacy and effectiveness of internal control, and reporting deficiencies to management.
Legislative time frame	In this context, the date prescribed by legislation for a public sector entity to finalise its financial statements or annual report.
Listed entity	An entity whose shares, stock or debt are quoted or listed on a recognised stock exchange or are marketed under the regulations of a recognised stock exchange or other equivalent body.
Management	Those with the executive responsibility for conducting an entity's operations.
Material	An item is material if its misstatement or omission could affect the decisions of the users of the financial statements, or the discharge of accountability by management.
Materiality	This relates to the size or nature of the item or error judged against the circumstances of its omission or misstatement. Information is material if its omission or misstatement could influence the economic decisions of users.
Misstatement	A difference between the amount, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.
Modified audit opinion	A modified opinion is expressed when financial statements do not comply with the relevant legislative requirements and Australian accounting standards and as a result, are not accurate and reliable.

Term	Definition
Net operating balance	Calculated by subtracting the government's total expenses from its total revenue. The net result is designed to show what the government has earned or lost in a given period of time.
Net worth	Total assets less total liabilities.
Non-current assets	An entity's long term investments, where the full value will not be realised within the financial year. These assets are capitalised rather than expensed, meaning that the cost of the asset can be allocated over the number of years for which the asset will be in use, instead of allocating the entire cost to the financial year in which the asset was purchased.
Prior period error	Omissions from, and misstatements in, an entity's financial statements caused by not using or by misusing information that was available or could have been obtained and taken into account in preparing the financial statements.
Public-private partnerships	Cooperative agreements generally entered into with private sector entities for the delivery of government services.
Public sector entity	A department, statutory body, government owned entity, local government, or a controlled entity.
Qualified audit opinion	An opinion issued when the financial statements as a whole comply with relevant accounting standards and legislative requirements, with the exceptions noted in the opinion.  These exceptions could be the effect of a disagreement with those charged with governance, a conflict between applicable financial reporting frameworks, or a limitation on scope that is considered material to an element of the financial report.
Related party	A related party is a person or an entity that is related to the entity that is preparing its financial statements.
Risk management	The systematic identification, analysis, treatment, and allocation of risks. The extent of risk management required will vary depending on the potential effect of the risks.
Service concession arrangement	An arrangement that typically involves an operator in upgrading an asset or constructing the assets used to provide a public service. The operator also operates and maintains the assets for a specified period. Such arrangements are often described as public-private partnerships.
Special purpose financial statements	Financial statements that are designed to meet the financial information needs of a specific group of users.
Surplus	Total revenue exceeds total expenditure resulting in a profit.
Total state sector	Includes all institutional units in the general government sector, public non-financial corporations, and public financial corporations.
Unmodified audit opinion	An unmodified opinion is expressed when financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards.





# Auditor-General reports to parliament

## Reports tabled in 2018–19

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1. **Monitoring and managing ICT projects**  
Tabled July 2018
2. **Access to the National Disability Insurance Scheme for people with impaired decision-making capacity**  
Tabled September 2018
3. **Delivering shared corporate services in Queensland**  
Tabled September 2018
4. **Managing transfers in pharmacy ownership**  
Tabled September 2018
5. **Follow-up of Bushfire prevention and preparedness**  
Tabled October 2018
6. **Delivering coronial services**  
Tabled October 2018
7. **Conserving threatened species**  
Tabled November 2018
8. **Water: 2017–18 results of financial audits**  
Tabled November 2018
9. **Energy: 2017–18 results of financial audits**  
Tabled November 2018
10. **Digitising public hospitals**  
Tabled December 2018
11. **Transport: 2017–18 results of financial audits**  
Tabled December 2018
12. **Market-led proposals**  
Tabled December 2018
13. **Health: 2017–18 results of financial audits**  
Tabled February 2019
14. **Queensland state government: 2017–18 results of financial audits**  
Tabled February 2019

## Report cost

This report cost \$132 000 to produce.

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

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