Queensland Audit Office

Results of audit: State public sector entities for 2012–13

Report to Parliament 11 : 2013–14

Queensland Audit Office

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QUEENSLAND

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Queensland Audit Office

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The Honourable F Simpson MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Madam Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled Results of audit: State public sector entities for 2012–13.

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

Yours sincerely

Andrew Greaves
Auditor-General

Contents

Summary

All state public sector entities must report on their financial activities annually and have them audited. This provides assurance that public monies are being managed responsibly.

This report to Parliament presents the results of financial audits of 2012–13 public sector financial statements. Specifically, it relates to state government departments, statutory bodies, government owned corporations and the entities they control.

We also report separately on particular sectors: most recently, these include energy and water entities, hospitals and health services, universities and grammar schools and local government.

Conclusions

Overall, the 2012–13 financial statements of most state public sector entities were timely, of good quality and reliable, with all departments meeting the 31 August legislated deadline.

This compares favourably to 2011–12, where the completion of financial statements for all departments was significantly affected by the machinery of government change that occurred following the state election in March 2012.

The improvement in timeliness was matched by an improvement in the quality of processes to prepare financial statements: from five departments requiring further improvement in 2011–12 to all being rated as satisfactory in 2012–13, although with some specific areas of improvement identified.

However, in terms of the Under Treasurer's strategies for earlier financial statement preparation, it is significant that only one department would have been able to meet these requirements had they applied now.

The exceptions to the overall favourable trends are small water board entities where, at the time of writing, 15 entities have been issued modified audit opinions and 56 have not met the legislated deadline to have their financial statements certified; including 31 which are yet to finalise their statements. These poor results are predominantly due to most of the water boards now having to prepare general purpose financial statements for the first time and not having the requisite skills to perform the task.

Of the 15 modified audit opinions issued in 2012–13 for water boards, 13 were disclaimers of opinion which means that they were unable to provide sufficient evidence to support the existence of their non-current assets. There were also issues relating to the measurement and accounting of assets in accordance with the relevant accounting standard. The remaining two modified audit opinions were qualifications relating to the lack of evidence to support the valuation of non-current assets in accordance with AASB116 *Property Plant and Equipment*. There were also issues relating to the lack of recognition in their financial statements of goods and services received below fair value.

Key findings

Status of financial statements

Figure A
Opinions issued

Entity type	Total	Unmodified	Issued with emphasis of matter	Qualified	Disclaimer	Opinion not yet issued
Departments and controlled entities	47	40	3	—	—	4
Government owned corporations and controlled entities	13	12	1	—	—	—
Joint controlled entities	6	5	1	—	—	—
Statutory bodies and controlled entities	157	79	32	2	13	31
Audited by arrangement	95	13	81	—	—	1
Total	**318**	**149**	**118**	**2**	**13**	**36**

Source: QAO

Audit opinions

At reporting date, audit opinions were issued for 282 (88.6 per cent) of the 318 state public sector entities that are required to prepare them.

We issued 267 (94.7 per cent) unmodified opinions for the 282 completed financial statements, confirming that these were prepared according to the requirements of legislation and relevant accounting standards.

This is a decline from 2011–12, where 331 of 347 entities (95.4 per cent) had audit opinions issued and 329 (99.4 per cent) unmodified audit opinions were issued against the 331 completed financial statements.

Disclaimer of opinions

In 2012–13, 13 disclaimer opinions were issued (4.6 per cent), compared to none in 2011–12, against the following entities:

- Avondale Water Board
- Benleith Water Board
- Bollon West Water Authority
- Boondooma Water Board
- Brigooda Water Board
- Fernlee Water Authority
- Grevillea Water Board
- Kelsey Creek Water Board
- Mulgildie Water Board
- Six Mile Creek Water Supply Board
- South Maroochy Drainage Board
- Washpool Water Board
- Woodmillar Water Board.

Previously, category 2 water bodies prepared cash-based special purpose financial statements under an exemption approved by the Treasurer from selected provisions of the Financial and Performance Management Standard 2009 (FPMS). This exemption ended in 2011–12 and new exemptions from the preparation of general purpose financial statements were provided to only 16 of the 67 small water entities in 2012–13. Other exemptions from selected sections of the FPMS were also granted to a number of the other small water entities; however, these exemptions did not exclude the need to prepare general purpose financial statements.

Qualifications

Two qualified audit opinions were issued in 2012–13 for Burdekin Shire Rivers Improvement Trust and Scenic Rim Rivers Improvement Trust, similar to 2011–12 where two qualified audit opinions were issued out of 347 financial statements.

Burdekin Shire Rivers Improvement Trust's financial statements received a qualified audit opinion as the Trust did not have sufficient evidence to demonstrate that its non-current assets were valued in accordance with AASB 116 *Property Plant and Equipment*. Scenic Rim Rivers Improvement Trust received a qualified audit opinion as the Trust received goods and services below fair value which were not brought to account. The Trust could not demonstrate it had accounted for all goods and services provided to it.

Emphasis of matter paragraphs

Emphases of matter were included in 118 audit opinions (41.8 per cent) issued for completed financial statements, compared to 167 (50.4 per cent) issued in 2011–12.

Emphases of matter were included to highlight that 23 entities had been or may be wound up; five had issues relating to their abilities to operate as going concerns; and 94 were preparing special purpose financial statements. Four entities had two emphases of matter with their opinion.

The decrease in the number of emphases of matter from 2011–12 to 2012–13 is mainly due to the increase in financial statements that have not yet been finalised, particularly water boards, and will result in qualifications or disclaimers when audit opinions are provided.

Timeliness of financial statements

The relevance and usefulness of an entity's annual report is enhanced, and accountability more effective, where reports are available to the community within close proximity to the end of the financial year.

Not all entities have a legislated deadline to complete their financial statements. Of the 196 that do, 128 (65.3 per cent) had their financial statements certified by management and audit opinion issued by the legislated date, compared to 190 of 247 (76.9 per cent) in 2011–12.

The worst performing group for timely financial statement certification and issue of audit opinions was statutory bodies: only 81 of 146 statutory bodies (55.4 per cent) met the two-month legislated deadline. This compares poorly to 2011–12, when 109 of 156 (69.9 per cent) met the deadline.

Of the 65 statutory bodies that did not meet the two-month legislated deadline, 56 were river improvement trusts and category 2 water authorities. These entities were required to prepare general purpose financial statements in 2012–13 for the first time.

Timeliness of reporting by departments has improved. All 26 departments, including the 20 core departments, met the 31 August 2013 legislative deadline for 2012–13. The uncertainty caused in 2011–12 by machinery of government changes to departmental responsibilities no longer existed in 2012–13.

For government owned corporations, there has been an improvement in financial statement timeliness. All six financial statements were certified within the two-month legislated deadline, compared to five of the six (83 per cent) in 2011–12.

For controlled entities which are public sector companies, 14 of 18 (77.8 per cent) were certified by the 31 October 2013 deadline legislated under the *Corporations Act 2001*, compared to 44 of 53 (83 per cent) in 2011–12.

Quality of financial reporting process

Process to prepare financial statements

The quality of an entity's financial reporting can be enhanced when state public sector entities have processes to prepare financial statements that are planned and managed well.

We assessed the 27 most material public sector entities—the 20 core departments and seven other entities—against better practice as detailed in Appendix B of this report, to determine if their processes were satisfactory or needed improvement. These entities were chosen for their significance to their individual portfolios and financial importance to the state.

Overall, the processes to prepare financial statements of these 27 entities were satisfactory, although some specific areas of improvement were identified, including the need for:

- consistent quality review by senior staff of financial statements and supporting work papers
- early pro forma statements to be provided to audit
- well documented analytical review of the financial statements be provided to audit.

Preparedness for implementation of Under Treasurer's strategies

In February 2013, the Under Treasurer provided departments with strategies to aid with the earlier preparation of annual financial statements and encouraged their implementation. These strategies are shown in Figure B.

Figure B
Under Treasurer strategies for earlier financial statement preparation

Strategies	Requirement
On a monthly basis (with management review and endorsement)	• perform variance analysis with meaningful explanations • ensure all bank and other key reconciliations are prepared, issues resolved and approved • report on contingent assets and liabilities • identify and outline strategies to address new and emerging financial risks and pressure points
From 2014, endeavour to have:	• prepared pro forma financial statements by 30 April which include comparative information and updated accounting policy notes • resolved accounting issues by 30 April for all one off, complex or significant transactions and changes in accounting policies or estimations • complete all asset stocktakes by 30 April
In the longer term:	• have non-current asset revaluations completed by 31 March • utilise the internal audit function in the annual financial statement preparation process • appoint independent members to the department's audit committee, ideally so that at least half of the members are independent

Source: Queensland Treasury and Trade

As part of our quality assessment of the process to prepare financial statements, we investigated whether the 20 core departments had implemented these requirements. Figure C shows the overall results.

Figure C
Entities currently able to meet Under Treasurer requirements

Strategies	Met	Partly met	Did not meet	Not applicable
Monthly reporting processes	12	8	0	0
Completion of asset valuations	6	5	8	1
Preparing pro forma statements	16	4	0	0
Resolution of accounting issues	12	8	0	0
Completion of all asset stocktakes	20	0	0	0
Internal audit involvement in financial statement preparation	7	4	9	0

Source: QAO

All departments had well established strategies in place for preparing pro forma statements and completing asset stocktakes and were reasonably well prepared for monthly reporting processes and resolving accounting issues early.

To enable earlier finalisation of the financial statements, departments should present draft pro forma statements and accounting policy notes to audit committees and external audit for review and agreement at an early stage, well in advance of year-end. While all departments prepared pro forma statements and provided them for audit review before the balance date, few departments in 2012–13 met the 30 April date proposed by the Under Treasurer.

Eight of the 19 departments (42 per cent) required to complete asset valuations did not currently have valuations or indexing completed by the end of March 2013; however, 11 entities were achieving this well ahead of the requirement to have processes in place to enable April 2014 valuations for the 2014–15 financial year.

Seven of 20 departments (35 per cent) involved internal audit in the preparation of their financial statements. The Under Treasurer suggested this involvement could include reviewing the entire financial statements, looking at material balances or transactions, reviewing the pro forma financial statements or overseeing the process to prepare financial statements.

It can be beneficial for internal audit to be involved in conducting quality assurance processes. The involvement of internal audit can bring independence into the process to prepare financial statements, but will only be of benefit if those involved have sufficient understanding and knowledge of the technical requirements and the processes of the entities.

Accuracy

Accuracy is a direct measure of quality and is assessed through the frequency and size of errors in the draft financial statements. All errors identified during the audit process are raised with an entity; where errors are material, adjustments are requested and any material errors must be corrected for an unmodified audit opinion to be issued.

Broadly, there are two types of adjustments:

- financial statement adjustments—changes to the amounts being reported
- disclosure adjustments—changes to the commentary or financial note disclosure within the financial statements.

Before audit review, the draft financial statements should be subject to quality checks by the entity to be assured that they are materially complete, in accordance with management's understanding of the entity's operations for the year, comply with accounting requirements and are ready for audit.

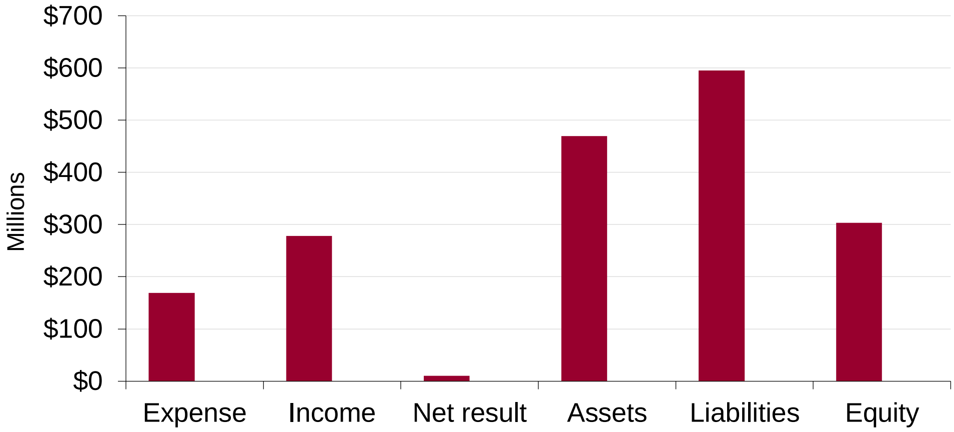
Financial statement adjustments

Ideally, each entity prepares one set of financial statements and no adjustments are made or required after the financial statements are provided for audit. Of the 27 entities assessed, nine departments and one government owned corporation did not achieve this with their 2012–13 financial statements.

Adjustments initiated by management or arising from audit examination for these ten entities totalled $1 824.1 million, compared to $793.3 million in adjustments in 2011–12 in nine departments and two government owned corporations. The significant increase can be partially explained by prior year errors resulting from the machinery of government changes as well as management identifying many more material adjustments after the initial version of statements was provided to audit.

Of the nine departments in 2012–13 with material financial statement adjustments, five had no adjustments in 2011–12. Five departments with adjustments in 2011–12 had improved their processes and had no material financial statement adjustments in 2012–13.

Figure D
2012–13 adjustments by financial statement component ($ m)



Source: QAO

The main material financial statement adjustments were to balance sheet items:

- $469.6 million to assets
- $594.6 million to liabilities
- $303.4 million to equity.

In addition to changes in the reported amounts, significant changes were required to the financial statements' notes for four departments so that the disclosures reflected each entity's policies more fully and accurately. These included changes to:

- explain events occurring during the 2012–13 financial year and opening balance adjustments
- explain movements in account balances
- include certain required disclosures
- update incomplete information.

Reference to comments

In accordance with section 64 of the *Auditor-General Act 2009*, sections of this report were provided to relevant entities with a request for comments. The entities' views have been considered and are represented to the extent relevant and warranted in preparing this report.

A number of entities advised that they did not see the necessity to respond as they were in agreement with the detail reported.

A fair summary of the comments received are included in Appendix A of this report.

1 Context

1.1 Sector responsibilities

1.1.1 Scope of report

This report covers 223 state government public sector entities with 30 June 2013 balance dates.

We also report on the results of the audits of a further 95 entities which are not public sector entities. These audits are by arrangement and are for controlled companies or trusts.

1.1.2 Legislative framework

The Auditor-General of Queensland, supported by the Queensland Audit Office, is responsible for providing Parliament with independent assurance of the financial statements of public sector entities to enhance public sector accountability. Assurance is delivered through financial audits of each of these entities that provides our audit opinions and also through reports to Parliament on the results of our financial audits.

This report to Parliament relates to the results of financial audits of 2012–13 public sector financial statements. Specifically, it relates to state government departments, statutory bodies, government owned corporations and the entities they control.

These public sector entities prepare their financial statements and annual reports under:

- the Financial and Performance Management Standard 2009 (FPMS)—departments and statutory bodies
- Government Owned Corporations Regulation 2004 (GOC Regulation)—government owned corporations
- Corporations Act—controlled entities which are public companies.

1.1.3 Legislated deadlines

The FPMS requires departments and statutory bodies in this report to have their financial statements finalised and audited no later than two months after the end of the financial year to which the statements relate; that is, by 31 August 2013. This is also the deadline for government owned corporations, as required by the GOC Regulation.

Annual reports of departments and statutory bodies must be tabled in Parliament by the appropriate Minister no later than three months after the end of the financial year. The Minister may extend the tabling period for the annual report by notice given to the department or the statutory body.

The Corporations Act requires the majority of controlled entities of departments, statutory bodies and government owned corporations to issue their annual reports no later than four months after the end of the financial year.

Queensland Treasury and Trade requires annual reports of controlled entities of departments and statutory bodies to be tabled in Parliament.

1.1.4 Accountability requirements

The FAA requires accountable officers and statutory bodies to:

- achieve reasonable value for money by ensuring the operations of the department or statutory body are carried out efficiently, effectively and economically
- establish and maintain appropriate systems of internal control and risk management
- establish and keep funds and accounts in compliance with the prescribed requirements
- ensure annual financial statements are prepared, certified and tabled in Parliament in accordance with the prescribed requirements
- undertake planning and budgeting for the accountable officer's department or the statutory body that is appropriate to the size of the department or statutory body
- perform other functions conferred on the accountable officers or statutory bodies under the FAA or the FPMS.

Accountable officers and statutory bodies are also required by the FAA to:

- prepare annual financial statements for the department or statutory body in accordance with the prescribed requirements
- certify on the statements whether the statements comply in all material respects with the prescribed requirements in relation to the establishment and keeping of accounts
- have the statements audited as required under the *Auditor-General Act 2009*
- include the statements in the annual report of the department or statutory body.

Government owned corporations are required to meet these same financial statement requirements by the *Government Owned Corporations Act 1993.*

1.2 Audit responsibilities

Section 40 of the Audit Act requires the Auditor-General to audit the annual financial statements of all public sector entities and to prepare an auditor's report about the financial statements.

The auditor's report, which includes the audit opinion, provides assurance about the reliability of the financial report, including compliance with legislative requirements. In accordance with Australian Auditing Standards, one or more of the following audit opinion types may be issued:

- Unmodified opinions are issued where the financial statements comply with relevant accounting standards and prescribed requirements.
- A qualification is issued when the financial statements as a whole comply with relevant accounting standards and legislative requirements, with the exceptions noted in the opinion.
- An adverse opinion is issued when the financial statements as a whole do not comply with relevant accounting standards and legislative requirements.
- A disclaimer of opinion is issued when the auditor is unable to express an opinion as to whether the financial statements comply with relevant accounting standards and legislative requirements.

An emphasis of matter may be included with the 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 does not modify the audit opinion.

The Audit Act requires that a copy of the certified statements and the auditor's report are provided to the chief executive officer and the appropriate Minister after the audit opinion has been issued.

The Audit Act also requires the Auditor-General to prepare a report to Parliament on each audit conducted. The report must state whether or not the audit has been finished and that the financial statements have been audited. It must include details of significant deficiencies where financial management functions were not performed adequately and properly and of any actions taken to improve deficiencies reported in previous reports. This report satisfies these requirements.

1.3 Report structure

The report is structured as follows:

- Chapters 2 to 21 discuss the results of audits by ministerial portfolio and any significant events or issues affecting the financial results of the portfolio entities.
- Appendix A contains responses or a fair summary of responses received from entities commenting on this report.
- Appendix B summarises better practices for preparation of financial statements.
- Appendix C contains a glossary of terms used.

2 Legislative Assembly of Queensland

In brief

Background

The Legislative Assembly of Queensland consists of 89 Members of Parliament who discharge a range of legislative and constituency responsibilities. The parliamentary service provides administrative and support services to the Legislative Assembly.

Key findings

- We issued an unmodified audit opinion for the financial statements of the Legislative Assembly of Queensland.
- We assessed the preparation processes for the financial statements of the Legislative Assembly of Queensland as satisfactory. Their statements were accurate with no material financial statement or significant note disclosure adjustments identified.

2.1 Background

The Legislative Assembly of Queensland consists of 89 Members of Parliament who discharge a range of legislative and constituency responsibilities. The parliamentary service provides administrative and support services to the Legislative Assembly. These services include a range of advisory, information and community engagement services to assist the Parliament, its committees and Members to fulfill their responsibilities and engage with the community.

Figure 2A shows key financial information for this department.

Figure 2A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Legislative Assembly of Queensland	81.9	81.5	277.5	9.4

Source: QAO

2.2 Audit results

The financial statements of the Legislative Assembly of Queensland were unmodified, the same as in 2011–12, confirming that the financial statements were prepared according to the requirements of legislation and relevant accounting standards.

An unmodified audit opinion was also issued for the statement for public disclosure of expenditure of the Office of the Speaker of the Legislative Assembly. An emphasis of matter was included with the audit opinion to draw attention to the fact that these are special purpose financial statements, not general purpose.

2.3 Timeliness and quality

Management and audit certified the financial statements of the Legislative Assembly of Queensland within the two-month legislated deadline, as occurred in 2011–12.

For the last two years, when assessed against the better practice for preparation of financial statements as detailed in Appendix B, the Legislative Assembly of Queensland's processes were found to be satisfactory. It prepared pro forma financial statements early and provided them to us for assurance. It had a good review process, appropriate supporting documentation and competent staff preparing its financial statements.

No material financial statement adjustments or significant changes to note disclosures were required to the financial statements by either management or audit.

2.4 Status of opinions

2.4.1 Financial statement opinions

Figure 2B shows the 2012–13 audit opinion issued for this portfolio.

Figure 2B
2012–13 audit opinions

Audit	Part of SGFS**	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department						
Legislative Assembly of Queensland	Y	30.08.2013	30.08.2013	U	31.08.2013	✓

**SGFS State Government Financial Statements which are the audited consolidated state government financial statements included as part of the Report on State Finances tabled in Parliament by the Treasurer. The SGFS contains insights into the financial performance of the total state sector (TSS) and the general government sector (GGS), their positions at the end of the year and the factors affecting the financial sustainability of the state. The GGS represents public sector entities (such as state government departments, statutory bodies and commercial businesses they control) funded mainly by appropriations. Appropriations are monies provided to entities by the Parliament to fund the delivery of services. The TSS comprises the GGS entities, as well as public financial corporations (PFCs) and public non-financial corporations (PNFCs). PFCs and PNFCs are entities funded mainly through their own sourced revenues, rather than by appropriations

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's' financial information is included in the State Government Financial Statements.

Source: QAO

2.4.2 Other opinions 2012–13

Figure 2C
Other opinions issued for 2012–13

Audit	Period	Financial statements signed	Opinion issued	Opinion
Statement for public disclosure of expenditure of the Office of the Speaker of the Legislative Assembly	01.07.2012 to 30.06.2013	26.08.2013	28.08.2013	E

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Source: QAO

3 Aboriginal and Torres Strait Islander and Multicultural Affairs and Assisting the Premier

In brief

Background

This ministerial portfolio is responsible for Aboriginal and Torres Strait Islander policy, rights and culture; multicultural affairs; and assisting the Premier with public service industrial relations.

It consists of three public sector entities—Department of Aboriginal and Torres Strait Islander and Multicultural Affairs, the Family Responsibilities Commission and the Island Industries Board.

Key findings

- We issued unmodified audit opinions for the financial statements of the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs, the Family Responsibilities Commission and the Island Industries Board.
- We included an emphasis of matter with the audit opinion issued for the Family Responsibilities Commission, due to going concern issues.
- The financial statements of all three entities were certified within the legislated deadline.

3.1 Background

This portfolio is responsible for Aboriginal and Torres Strait Islander policy, rights and culture; multicultural affairs; and assisting the Premier with public service industrial relations.

The portfolio consists of three public sector entities required to prepare financial statements. The financial year end date for the Island Industries Board was 31 January 2013 and was 30 June 2013 for the other two entities.

Figure 3A shows key financial information for these entities.

Figure 3A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Aboriginal and Torres Strait Islander and Multicultural Affairs*	126.6	123.5	56.7	15.9
Family Responsibilities Commission	3.5	3.5	1.4	0.3
Island Industries Board	39.1	36.6	33.7	4.7
Portfolio total	**169.2**	**163.6**	**91.8**	**20.9**

* Amounts include controlled and administered amounts.

Source: QAO

3.2 Audit results

We issued unmodified audit opinions for the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs (DATSIMA), the Family Responsibilities Commission and the Island Industries Board, the same as in 2011–12, confirming that the financial statements were prepared according to the requirements of legislation and relevant accounting standards.

While the audit opinion for the Family Responsibilities Commission was not modified, we included an emphasis of matter with the opinion. Under the *Family Responsibilities Commission Act 2008*, the Commission's operations were to cease on 1 January 2014. As this date had not been amended under the Act at the time the audit opinion was issued, there was uncertainty over the Commission's ability to continue as a going concern. This issue has now been resolved with a Bill introduced into Parliament amending the Act to extend the operations of the Commission by 12 months to 1 January 2015.

3.3 Timeliness

Management and audit certified the financial statements of DATSIMA by the 31 August legislated deadline. This was an improvement on 2011–12 when machinery of government changes affected the department's financial statement process and delayed the issue of the audit opinion until 4 October 2012.

The financial statements of the Family Responsibilities Commission and the Island Industries Board were certified within the two-month legislated deadline, as occurred in 2011–12.

3.4 Quality

3.4.1 Process to prepare financial statements

DATSIMA has resolved issues identified in 2011–12 when we assessed its process to prepare financial statements against the better practice detailed in Appendix B. At that time, we reported that its process needed improvement as the financial statements were prepared by another department, a preparation plan was not in place, materiality was not defined and some work papers—such as the aged debtors' listings specific to the department—were not readily available.

In 2012–13, DATSIMA prepared its own financial statements and its process was assessed as satisfactory due to:

- a plan outlining the processes, resources, milestones, oversight and quality assurance practices required to prepare the financial statements was provided to audit in May 2013
- all working papers presented to audit to support the reported balances were reviewed and certified by an independent responsible officer.

3.4.2 Material adjustments

In 2012–13, as shown in Figure 3B, eight adjustments, originating from management and audit totalling $4.89 million ($6.4 million in 2011–12), were made prior to audit certification. Of the eight adjustments, the most significant was an incorrect disclosure of the loss on disposal of property, plant and equipment totalling $1.6 million. There were no significant changes required to note disclosures.

Figure 3B
Changes to DATSIMA's financial statements prior to audit certification

Changes	Income	Expenses	Net result	Assets	Liabilities	Equity
$ m	1.65	2.44	0	0.01	0.77	0.02
No.	1	4	0	1	1	1

Source: QAO

3.5 Status of opinions

3.5.1 Financial statement opinions

Figure 3C shows 2012–13 audit opinions issued for this portfolio.

Figure 3C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department						
Department of Aboriginal and Torres Strait Islander and Multicultural Affairs	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
Statutory bodies						
Family Responsibilities Commission	—	07.08.2013	15.08.2013	E	31.08.2013	✓
Island Industries Board^	—	15.03.2013	26.03.2013	U	31.03.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

^ The financial year of the Island Industries Board was 1 February 2012 to 31 January 2013.

Source: QAO

4 Agriculture, Fisheries and Forestry

In brief

Background

This ministerial portfolio is responsible for agriculture, fisheries, forestry and biosecurity. Seven public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued unmodified audit opinions for all seven entities.
- The financial statements of the Department of Agriculture, Fisheries and Forestry were certified within the two-month legislated deadline. There was an improvement in the process to prepare the department's financial statements.
- The financial statements of three statutory bodies were certified within the two-month legislated deadline—one fewer than in 2011–12.
- The Australian Agricultural College Corporation (AACC), the Australian Agricultural College Employing Office (AACEO) and the Chicken Meat Industry Committee did not meet their legislated deadline of 31 August 2013.

4.1 Background

This portfolio is responsible for agriculture, fisheries, forestry—including food and fibre production—and biosecurity which includes plant and animal disease protection, exotic pest management and animal welfare.

The portfolio consists of seven public sector entities required to produce financial statements, the same number as in 2011–12. Figure 4A shows key financial information for these entities.

Figure 4A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Agriculture, Fisheries and Forestry*	450.3	458.1	483.6	69.5
Australian Agricultural College Corporation	21.9	25.9	107.4	3.5
Australian Agricultural College Employing Office	12.5	12.5	2.1	2.1
QRAA	118.7	108.5	444.2	152.0
Safe Food Production Queensland	6.5	6.4	5.4	2.2
Other portfolio entities (in aggregate)	1.6	1.5	8.6	0.3
Portfolio total	**611.5**	**612.9**	**1 051.3**	**229.6**

* Amounts include controlled and administered amounts.

Source: QAO

4.2 Audit results

We issued unmodified audit opinions for all seven entities, the same as in 2011–12.

In 2011–12, we included an emphasis of matter with the audit opinions for the Australian Agricultural College Corporation (AACC) and the Australian Agricultural College Employing Office (AACEO), due to going concern issues. These issues have now been resolved as action is being taken to address both entities' viability.

4.3 Timeliness

Management and audit certified the financial statements of the Department of Agriculture, Fisheries and Forestry (DAFF) within the two-month legislated deadline. In 2011–12, the Treasurer granted DAFF a one-month extension to certify its financial statements due to machinery of government changes. The financial statements were then certified within the three-month deadline.

In 2012–13, management and audit certified the financial statements of three of the six statutory bodies within the legislated deadline—one fewer than in 2011–12. The AACC, AACEO and the Chicken Meat Industry Committee did not meet their legislated deadline of 31 August 2013.

4.4 Quality

4.4.1 Process to prepare financial statements

In 2011–12, DAFF’s process to prepare financial statements needed improvement. There was no independent review of documentation, data or financial statements before being provided for audit. Better documented planning and the implementation of a rigorous quality assurance process were required.

In 2012–13, when assessed against the better practice detailed in Appendix B, DAFF’s processes were found to be satisfactory. DAFF prepared a plan and met process milestones identified in the plan. An independent officer reviewed all information in the financial statements.

4.4.2 Material adjustments

There has been significant improvement in the accuracy of the department's financial statements. In 2011–12, adjustments totalling $40.3 million were made to DAFF’s draft financial statements before an audit opinion could be issued. There were no material adjustments or significant changes to disclosures required to DAFF”s financial statements in 2012–13.

4.5 Status of opinions

4.5.1 Financial statement opinions 2012–13

Figure 4B shows 2012–13 audit opinions issued for this portfolio.

Figure 4B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Department			
DAFF	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
			Statutory bodies			
AACC	Y	02.09.2013	03.09.2013	U	31.08.2013	×
AACEO	—	02.09.2013	03.09.2013	U	31.08.2013	×
Chicken Meat Industry Committee	—	29.08.2013	03.09.2013	U	31.08.2013	×
Darling Downs—Moreton Rabbit Board	—	26.08.2013	30.08.2013	U	31.08.2013	✓
QRAA	Y	29.08.2013	30.08.2013	U	31.08.2013	✓
Safe Food Production Queensland	—	16.08.2013	20.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity’s financial information is included in the State Government Financial Statements.

Source: QAO

4.5.2 Financial statement opinions 2011–12

Figure 4C shows 2011–12 audit opinions issued since Report 5 for 2012–13 Results of audit: State public sector entities for 2011-12 was tabled in Parliament in November 2012. Consequently, these opinions have not previously been reported.

The 2011–12 financial statements of the AACC and the AACEO did not meet the 31 August 2012 legislated deadline and were finalised and audit opinions issued in December 2012. This was more than three months after the deadline.

We included emphases of matter with the audit opinions issued for these entities due to going concern issues.

Figure 4C
2011–12 audit opinions not previously reported

Audit	Type	Financial statements signed	Opinion issued	Opinion
AACC	Statutory body	04.12.2012	13.12.2012	E
AACEO	Statutory body	04.12.2012	13.12.2012	E

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Source: QAO

5 Justice and Attorney-General

In brief

Background

This portfolio is responsible for all activities related to courts and justice, fair trading, gaming and workers' compensation.

This portfolio comprises 27 public sector entities required to produce financial statements.

Key findings

- We issued 27 unmodified audit opinions. All finalised financial statements were certified within their legislated deadline.
- The processes to prepare financial statements for the Department of Justice and Attorney-General, Public Trustee of Queensland and WorkCover Queensland were satisfactory.
- During 2012–13, two transfers of property for the Brisbane Supreme and District Courts occurred between the Department of Justice and Attorney-General and the Department of Housing and Public Works.

5.1 Background

This portfolio is responsible for justice administration; courts and tribunals; registration of births, deaths and marriages; criminal justice reform; elections; Justices of the Peace: law reform; Legal Aid; Public Trustee; occupational licensing; Golden Casket; casinos; machine gaming; liquor licensing; fair trading and consumer protection; workplace health and safety; electrical safety; youth justice; and workers' compensation.

The portfolio consists of 27 public sector entities required to produce financial statements in 2012–13 (listed in Figure 5B), including the WorkCover Employing Office, which was not reported in 2011–12. Figure 5A shows key financial information for the larger entities in this portfolio.

Figure 5A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Justice and Attorney-General*	1 131.8	1 009.3	1 790.5	264.2
Electoral Commission of Queensland*	22.9	22.9	6.4	0.9
Office of the Ombudsman	7.5	7.5	1.8	1.0
The Public Trustee of Queensland*	97.7	85.3	740.3	568.40
Anti-Discrimination Commission	5.2	5.2	2.6	1.0
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLEAVE)	205.9	145.5	776.7	565.0
Crime and Misconduct Commission	50.8	50.0	24.4	9.6
Legal Aid Queensland	113.4	109.3	58.2	24.9
Office of the Information Commissioner	6.2	5.7	2.4	0.4
WorkCover Queensland	1 979.5	1 245.3	3 850.9	2 796.5
Workers' Compensation Regulatory Authority (Q-COMP)	33.3	35.6	10.8	3.9
Other portfolio entities (in aggregate)^	234.5	141.2	794.2	122.0
Portfolio total	**3 888.7**	**2 862.8**	**8 059.2**	**4 357.8**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

5.2 Audit results

We issued all 27 (100 per cent) audit opinions, compared with 24 of 27 (88 per cent) audit opinions at the same time in 2011–12. All 27 audit opinions were unmodified, confirming that the financial statements were prepared according to the requirements of legislation and relevant accounting standards.

5.3 Timeliness

We issued all required audit opinions within the required deadline in 2012–13, the same as done in 2011–12.

The financial statements of the Department of Justice and Attorney-General (DJAG) were certified within the two-month legislated deadline. This is an earlier result than 2011–12 when, as a result of machinery of government changes, the department was granted and met a one-month extension by the Treasurer.

5.4 Quality

5.4.1 Financial statement preparation process

The financial statement processes of three of the portfolio's significant entities were assessed against the better practice detailed in Appendix B for the second year. The processes of all entities were found to be satisfactory again in 2012–13:

- DJAG had an effective team that prepared the financial statements. The team provided a high quality analytical review of the financial statements for the audit committee.
- The quality of data and documentation provided by the Public Trustee of Queensland to QAO had improved considerably when compared to 2011–12.
- WorkCover Queensland’s financial reporting staff were assessed as competent which contributed to the good quality of the financial statements and assisted the audit.

5.4.2 Material adjustments

No material amount or note disclosure adjustments were made to the financial statements for DJAG and the Public Trustee of Queensland for 2012–13. This was an improvement from 2011–12 when:

- DJAG had $9 million in adjustments to financial statements and one significant reclassification change
- the Public Trustee of Queensland had $0.2 million in adjustments to financial statements and note disclosures reclassifying $287 million.

No adjustments or disclosure enhancements were made to either the 2011–12 or 2012–13 financial statements of WorkCover Queensland.

5.5 Significant financial issues

5.5.1 Property transfers

The Queen Elizabeth II Supreme and District Courts opened on 3 August 2012, replacing the existing Brisbane Supreme and District Courts; the old court house complex ceased operations on 27 August 2012. The valuation of this complex depended on the future use of the site and, once agreed, there was to be an inter-agency property asset transfer between DJAG and the Department of Housing and Public Works (DHPW). During 2012–13, independent valuations determined the value.

Land on which the new Queen Elizabeth II Supreme and District Courts were built was transferred from DHPW to DJAG at a value of $36.5 million. Land and buildings associated with the old Brisbane Supreme and District Courts, which had a written down value of $90.7 million in DJAG's books at 30 June 2012, were transferred to DHPW from DJAG for the land value of $50 million.

5.6 Status of opinions

5.6.1 Financial statement opinions 2012–13

Figure 5B shows 2012–13 audit opinions issued for this portfolio.

Figure 5B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Departments						
Department of Justice and Attorney-General	Y	29.08.2013	29.08.2013	U	31.08.2013	✓
Electoral Commission of Queensland	Y	20.08.2013	22.08.2013	U	31.08.2013	✓
Office of the Ombudsman	Y	23.08.2013	26.08.2013	U	31.08.2013	✓
The Public Trustee of Queensland	Y	28.08.2013	28.08.2013	U	31.08.2013	✓
Audited by arrangement						
Forde Foundation Trust Fund	—	18.10.2013	25.10.2013	U	None	—
Gladstone Foundation	—	18.10.2013	25.10.2013	U	None	—
Lady Bowen Trust	—	18.10.2013	25.10.2013	U	None	—
Public Trustee of Queensland Investment Funds	—	23.08.2013	26.08.2013	U	None	—
QCF Management Co. Ltd	—	18.11.2013	25.11.2013	U	None	—
Queensland Aboriginal & Torres Strait Islander Foundation	—	18.10.2013	25.10.2013	U	None	—
Queensland Community Foundation	—	18.10.2013	25.10.2013	U	None	—

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Statutory bodies and controlled entities			
Anti-Discrimination Commission	Y	09.08.2013	13.08.2013	U	31.08.2013	✓
Anzac Day Trust	—	08.08.2013	08.08.2013	U	31.08.2013	✓
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLEAVE)	—	30.08.2013	30.08.2013	U	31.08.2013	✓
Contract Cleaning Industry (Portable Long Service Leave) Authority	—	27.08.2013	30.08.2013	U	31.08.2013	✓
Crime and Misconduct Commission	Y	26.08.2013	28.08.2013	U	31.08.2013	✓
Legal Aid Queensland	Y	22.08.2013	23.08.2013	U	31.08.2013	✓
Legal Practitioners Admissions Board	—	30.08.2013	30.08.2013	U	31.08.2013	✓
Office of the Information Commissioner	Y	02.08.2013	06.08.2013	U	31.08.2013	✓
Professional Standards Council	—	28.08.2013	29.08.2013	U	31.08.2013	✓
Queensland Law Society Incorporated	—	30.08.2013	30.08.2013	U	31.08.2013	✓
• Law Claims Levy Fund	—	30.08.2013	30.08.2013	U	None	—
• Legal Practitioners Fidelity Guarantee Fund	—	30.08.2013	30.08.2013	U	None	—
Supreme Court Library Committee#	—	29.08.2013	29.08.2013	U	31.08.2013	✓
WorkCover Queensland	Y	27.08.2013	28.08.2013	U	31.08.2013	✓
WorkCover Employing Office	—	27.08.2013	28.08.2013	U	31.08.2013	✓
Workers' Compensation Regulatory Authority (trading as Q-COMP)	Y	15.08.2013	19.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

Supreme Court Library Committee was exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*.

Source: QAO

5.6.2 Financial statement opinions 2011–12

Figure 5C shows 2011–12 audit opinions issued after Report 5 for 2012–13 Results of audit: State public sector entities for 2011–12 was tabled in Parliament in November 2012. Consequently, these opinions have not previously been reported. These entities did not have a legislated deadline by which to finalise their 2011–12 financial statements.

Figure 5C
2011–12 audit opinions not previously reported

Audit	Type	Financial statements signed	Opinion issued	Opinion
Disaster Appeals Trust Fund	Audited by arrangement	21.11.2012	26.11.2012	U
Forde Foundation Trust Fund	Audited by arrangement	21.11.2012	26.11.2012	U
QCF Management Co. Ltd	Audited by arrangement	05.03.2013	12.03.2013	U

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Source: QAO

6 Communities, Child Safety and Disability Services

In brief

Background

This ministerial portfolio is responsible for child protection and family-related services; home and community care; homelessness; seniors; social inclusion; women's policy; and youth affairs.

Two public sector entities required to produce financial statements make up this portfolio: the Department of Communities, Child Safety and Disability Services and the Commission for Children and Young People and Child Guardian.

Key findings

- We issued unmodified audit opinions for financial statements of the Department of Communities, Child Safety and Disability Services and the Commission for Children and Young People and Child Guardian.
- The financial statements of both entities were certified within the legislated deadline.
- The process to prepare the department's financial statements improved from 2011–12 and is now satisfactory.
- The government's response to the Queensland Child Protection Commission of Inquiry report is yet to be released but is likely to affect the future operations of the Commission for Children and Young People and Child Guardian.
- The implementation of the National Disability Insurance Scheme will affect the future business operations and expenditure budget of the department as services provided by the state transfer to the Australian Government.

6.1 Background

This portfolio is responsible for child protection services; adoption; carers; community recovery and services; disability services; home and community care; homelessness; seniors; social inclusion; women's policy; and youth affairs.

The portfolio consists of two public sector entities required to produce financial statements, being the Department of Communities, Child Safety and Disability Services (DCCSDS) and the Commission for Children and Young People and Child Guardian (CCYPCG)—the same as in 2011–12. Figure 6A shows key financial information for these entities.

Figure 6A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
DCCSDS*	2 761.2	2 797.0	583.7	214.1
CCYPCG	46.4	42.5	20.5	7.8
Portfolio total	**2 807.6**	**2 839.5**	**604.2**	**221.9**

* Amounts include controlled and administered amounts.

Source: QAO

The final report of the Queensland Child Protection Commission of Inquiry was presented to the Premier on 28 June 2013. In its report, the Commission of Inquiry considered that there is no longer a need for the CCYPCG to be retained in its current form. The government's response to the Commission of Inquiry report is expected to be released during 2013–14 and may have a significant effect on the future operations of the CCYPCG.

6.2 Audit results

We issued unmodified audit opinions for both entities, confirming that the financial statements were prepared according to the requirements of legislation and relevant accounting standards. This is the same result for these entities as in 2011–12.

6.3 Timeliness

Management and audit certified the financial statements of DCCSDS within the two-month legislated deadline. This is an improvement from 2011–12 when DCCSDS was granted a one-month extension to the deadline as it was affected by machinery of government changes.

Management and audit certified the financial statements of the CCYPCG within the two-month legislated deadline, as occurred in 2011–12.

6.4 Quality

6.4.1 Process to prepare financial statements

In 2011–12, the process to prepare the financial statements of DCCSDS needed improvement when assessed against the better practice detailed in Appendix B. The process was difficult and time consuming because of the complexities associated with the machinery of government transfers. Documentation initially supplied to audit was not sufficient to support certain material amounts in the financial statements.

In 2012–13, these issues were resolved. The process had improved and was assessed as satisfactory.

6.4.2 Material adjustments

In 2011–12, adjustments totalling $78.1 million were made to the financial statements of DCCSCS, mainly affecting the statement of financial position. In 2012–13, four adjustments totalling $96.6 million were made to the financial statements prior to audit certification.

Figure 6B
Changes to DCCSDS's financial statements prior to audit certification

Changes	Income	Expenses	Assets	Liabilities	Equity
$ m	0	6.3	48.3	42.0	0
No.	0	1	2	1	0

Source: QAO

An adjustment of $6.3 million was made to the amount of receivables from the Queensland Reconstruction Authority. This amount was a prior year cost and should have been reversed to recognise only the revenue on approval of the claim and receipt of the cash. The other adjustment of $42.0 million was a material reclassification error as the bank overdraft was disclosed as a negative cash balance rather than being correctly disclosed as a current liability. There were no significant changes required to note disclosures.

6.5 Significant financial issues

6.5.1 National Disability Insurance Scheme

The Queensland and Australian Governments signed an agreement on 8 May 2013 to implement the National Disability Insurance Scheme (NDIS), jointly funded by both governments. A federal agency, DisabilityCare Australia will control access to the NDIS, manage the funds and approve payment of individual disability care and support packages.

Eligible Queenslanders with a disability will start entering the NDIS from 1 July 2016 with full implementation by 1 July 2019.

In 2012–13, DCCSDS spent $970 million (56 per cent of total grants payments or 38 per cent of total controlled expenditure) on disability care and support services. The implementation of the NDIS will have a significant effect on the future business operations and expenditure budget of DCCSDS as responsibilities for disability services transition to DisabilityCare Australia.

6.6 Status of opinions

6.6.1 Financial statement opinions

Figure 6C shows 2012–13 audit opinions issued for this portfolio.

Figure 6C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department						
DCCSDS	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
Statutory body						
CCYPCG	—	23.08.2013	27.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

Source: QAO

7 Deputy Premier, State Development, Infrastructure and Planning

In brief

Background

This portfolio is responsible for economic and regional development; major project delivery; government land management; and infrastructure and planning.

Eight public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued five unmodified audit opinions.
- We included emphases of matter with the audit opinions of South Bank Corporation, South Bank Employing Office and Urban Land Development Authority as these entities have been or potentially will be wound up.
- There was a significant improvement in the process to prepare financial statements in 2012–13. We assessed the process as satisfactory after needing improvement in 2011-12.
- The Department of State Development, Infrastructure and Planning (DSDIP) did not have a rigorous quality assurance process in 2011–12 which is evident by the number and value of prior period adjustments made in 2012–13.
- DSDIP is selling down its Mary Valley property portfolio. There were 35 properties sold in 2012–13 at a loss of $1.9 million, following revaluation decrements of $231 million recorded in previous financial years.

7.1 Background

This ministerial portfolio is responsible for driving economic development in Queensland through the functions of the Coordinator-General; economic and regional development; major project delivery; government land management; and infrastructure and planning.

Responsibility for the reconstruction of Queensland following statewide flooding and cyclone events overseen by the Queensland Reconstruction Authority transferred to the portfolio of the Minister for Local Government, Community Recovery and Resilience on 1 March 2013.

The portfolio consists of eight public sector entities required to produce financial statements (detailed in Figure 7C).

Figure 7A shows key financial information for these entities.

Figure 7A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of State Development, Infrastructure and Planning*	916.4	926.1	1 525.3	391.3
South Bank Corporation	87.4	108.0	709.5	42.1
Other portfolio entities (in aggregate)	143.1	245.0	18.9	6.9
Portfolio total	**1 146.9**	**1 279.1**	**2 253.7**	**440.3**

* Amounts include controlled and administered amounts.

Source: QAO

Management of the South Bank Parklands transferred on 1 July 2013 from South Bank Corporation to the Brisbane City Council. City Parkland Transition Services Pty Ltd (CPTS), a fully owned subsidiary of Brisbane City Council, now manages the parklands. The assets remain the property of the state. The South Bank Corporation may be wound up but the timing of this is uncertain.

City North Infrastructure Pty Ltd (CNI) was responsible for overseeing procurement of the Airport Link, Northern Busway (Windsor to Kedron) and Airport Roundabout Upgrade projects on behalf of the state. Construction of these projects is now complete and CNI ceased operating on 30 April 2013. Queensland Treasury Holdings Pty Ltd retained ownership of CNI through its liquidation process and Projects Queensland assumed CNI's contract management function. CNI will be deregistered.

Urban Land Development Authority (ULDA) was abolished on 31 January 2013. Consequently, 2011–12 financial statements were not prepared and the financial statements cover a 19-month period from 1 July 2011. All ULDA's assets and liabilities were transferred to Economic Development Queensland.

7.2 Audit results

We issued unmodified audit opinions for the portfolio's eight entities.

As occurred in 2011–12, we included emphases of matter in the unmodified audit opinions of South Bank Corporation and South Bank Employing Office, because both entities may be wound up.

We included an emphasis of matter in the unmodified audit opinion of the ULDA as it was abolished during the year. Emphases of matter were included for the Australian Institute of Commercialisation Limited relating to a potential future wind up and Queensland Manufacturing Institute Trust relating to special purpose financial statements being prepared.

7.3 Timeliness

Management and audit certified the financial statements of the Department of State Development, Infrastructure and Planning (DSDIP) within the two-month legislated deadline. This was an improvement from 2011–12 when the financial statement process was affected by machinery of government changes and the financial statements were not certified until 1 November 2012.

Management and audit certified the financial statements of South Bank Corporation and South Bank Employing Office by the legislated deadline. Neither entity met the deadline in 2011–12, due to going concern issues. These issues have been resolved.

7.4 Quality

7.4.1 Process to prepare financial statements

When assessed against the better practice detailed in Appendix B in 2011–12, the process to prepare the financial statements of DSDIP needed improvement. There was not a documented planning process or a rigorous quality assurance process.

There was a significant improvement in the process to prepare financial statements in 2012–13 and we assessed the process as satisfactory, due to comprehensive planning by management and pro forma statements provided in May 2013. Although not complete, these gave QAO the opportunity to provide early feedback.

7.4.2 Material adjustments

Figure 7B shows 20 adjustments totalling $278.05 million were made to the financial statements prior to audit certification in 2012–13.

Figure 7B
Changes to DSDIP's financial statements prior to audit certification

Changes	Income	Expenses	Net result	Assets	Liabilities	Equity
$ m	8.38	1.38	0	200.81	8.13	59.4
No.	3	1	0	6	2	8

Source: QAO

Material adjustments included:

- $89.69 million reclassified from non-current assets held for sale to inventories, due to mapping issues
- a transfer of $14.80 million from accumulated deficit to contributed equity
- an income elimination of $0.69 million recorded incorrectly
- ten prior period adjustments disclosed as prior period errors and adjusted against 2012–13 opening balances:
  - $20.50 million in adjustment to contributed equity and property, plant and equipment
  - $6.00 million in unearned revenue incorrectly recorded
  - $1.01 million in interest on finance leases wrongly recorded on a cash basis
  - $2.13 million in erroneous machinery of government transfers to another department.

DSDIP did not have a rigorous quality assurance process for the 2011–12 financial statements which was evident by the number and value of prior period adjustments made in 2012–13.

Disclosure adjustments

The more significant note disclosure adjustments made in 2012–13 were to:

- the statement of cash flows and reconciliation note, with figures in the note only being finalised on 30 August 2013
- executive remuneration—significant changes made included additional positions, changes to dates, disclosure of performance bonus information and changes to amounts
- property, plant and equipment—changes made to ensure the valuation disclosures correctly reflected the 2012–13 valuation process and results and additional lines included in the movements' reconciliation to reflect the transfers from and within property, plant and equipment totalling $3.86 million
- controlled entities—changes made to show the current status of controlled entities; all controlled entities were deregistered during 2012–13
- contingencies—disclosure of native title claims removed and subsequently included.

The number of financial statements adjustments and significant changes to note disclosures shows that processes to ensure the accuracy of financial statements still need to improve.

7.5 Significant financial issues

7.5.1 Mary Valley properties

At 30 June 2013, DSDIP held 1 342 land and building assets in the Mary Valley region. These assets were recorded at fair value in DSDIP's balance sheet. Fair value was determined at 30 June 2013 by applying indices reflecting actual sales in the Mary Valley and Gympie region, provided by an independent valuer. Indices were not applied to properties larger than 40 hectares because of the limited number of sales. The fair value of these assets at 30 June 2013 was $181.8 million, with a revaluation decrement of $1.5 million recorded for the year.

The Mary Valley Economic Development Strategy was introduced in July 2012. The strategy's objective is to maximise economic development opportunities across the whole of the Mary Valley. The sales program means DSDIP will sell down its Mary Valley property portfolio over an initial two-year timeline. In 2012–13, DSDIP opened the Mary Valley economic development office, secured four economic development signings, launched the Tenant Purchase Scheme and sold approximately 35 properties. These were sold at a loss of $1.9 million, following revaluation decrements of $231 million recorded in previous financial years.

7.6 Status of opinions

7.6.1 Financial statement opinions

Figure 7C shows 2012–13 audit opinions issued for this portfolio.

Figure 7C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department and controlled entities						
DSDIP	Y	30.08.2013	30.08.2013	U	31.08.2013	✓
Australian Institute for Commercialisation Limited	—	19.11.2013	26.11.2013	E	31.10.2013	×
Jointly controlled entity						
CNI	—	28.08.2013	30.08.2013	U	None	—
QMI Solutions Limited	—	19.11.2013	26.11.2013	U	31.10.2013	×
Statutory bodies						
South Bank Corporation	Y	22.08.2013	27.08.2013	E	31.08.2013	✓
South Bank Employing Office	Y	22.08.2013	27.08.2013	E	31.08.2013	✓
ULDA^	Y	16.05.2013	24.05.2013	E	None	—
Audited by arrangement						
Queensland Manufacturing Institute Trust	—	19.11.2013	26.11.2013	E*	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

^ The financial year for Urban Land Development Authority was a 19 month period from 1 July 2011 to 31 January 2013.

* An emphasis of matter was issued to alert financial statement users that special purpose financial statements were prepared.

Source: QAO

7.6.2 Financial statement opinions 2011-12

Figure 7D shows audit opinions subsequently issued for 2011–12 after Report 5 for 2012–13 Results of audit: State public sector entities for 2011-12 was tabled in Parliament in November 2012. Consequently, these opinions have not previously been reported.

Figure 7D
2011–12 audit opinions not previously reported

Audit	Entity type	Financial statements signed	Opinion issued	Opinion
Australian Institute for Commercialisation Limited	Departmental controlled entity	14.11.2012	19.11.2012	E
QMI Solutions Limited	Jointly controlled entity	14.11.2012	20.11.2012	U
Queensland Manufacturing Institute Trust	Audited by arrangement	14.11.2012	19.11.2012	E

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Source: QAO

The 2011–12 financial statements of the Australian Institute for Commercialisation Limited did not meet the 31 October 2012 legislated deadline. These statements were finalised on 19 November 2012. We included an emphasis of matter with the audit opinion to alert users of the financial statements that the company was being wound up and was no longer a going concern.

We issued an unmodified opinion for QMI Solutions Limited. We included an emphasis of matter with the audit opinion issued for Queensland Manufacturing Institute Trust to alert users of the financial statements to the fact that special purpose financial statements were prepared.

8 Education, Training and Employment

In brief

Background

This ministerial portfolio is responsible for state schooling; early childhood education and care regulation; non-state school accreditation, regulation and funding; teacher registration; higher education; vocational education and training; skilled and business migration for Queensland; and employment programs.

Eleven public sector entities required to produce financial statements at 30 June 2013 make up this portfolio.

University and grammar school financial years end at 31 December and the results of their audits are reported separately to Parliament.

Key findings

- We issued 11 unmodified audit opinions.
- Management and audit certified all finalised financial statements within the legislated deadline.
- The process to prepare financial statements for the Department of Education, Training and Employment (DETE) was satisfactory.
- No material adjustments or significant changes to note disclosures were required to DETE's financial statements, the same as in 2011–12.
- Schools have been given greater autonomy in maintenance decision making. This has the potential to improve the value for money that schools gain from maintenance spending and to accelerate the reduction in the maintenance backlog.
- The establishment of independent public schools (IPS) may cause potential financial risks due to an increasingly decentralised structure; for example, increased risk of ineffective and inconsistent monitoring of controls by senior management. The financial policies and procedures of DETE will still apply to IPS.
- DETE has entered into a series of long term, public/private partnerships (PPPs) to construct seven schools and the Southbank Education and Training Precinct. Contracts entered to date have included unfunded components in excess of $580 million over the life of the agreements. A further 10 new schools to be built under the PPP model are in the early procurement stage.

8.1 Background

This portfolio is responsible for state schooling, early childhood education and care regulation, non-state school accreditation, regulation and funding, teacher registration, higher education, vocational education and training, skilled and business migration for Queensland and employment programs.

The portfolio consists of 11 public sector entities required to produce financial statements (shown in Figure 8G), excluding universities and grammar schools. The results of university and grammar school audits are reported in a separate report to Parliament. Figure 8A shows key financial information for this portfolio.

Figure 8A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Education, Training and Employment^*	12 571.8	10 741.3	18 482.7	950.7
Gold Coast Institute of TAFE	72.0	71.0	122.9	16.0
Southbank Institute of Technology	108.6	102.1	48.8	27.7
Other portfolio entities (in aggregate)	139.7	136.7	188.2	59.6
Portfolio total	**12 892.1**	**11 051.1**	**18 842.6**	**1 054**

^ Includes 11 Technical and Further Education (TAFE) colleges reported in the financial statement of the Department of Education, Training and Employment.

* Amounts include controlled and administered amounts.

Source: QAO

8.2 Audit results

We issued unmodified audit opinions for the Department of Education, Training and Employment (DETE) and the other ten entities which make up the portfolio.

We included emphases of matter with the unmodified audit opinions of Gold Coast Institute of TAFE, Southbank Institute of Technology and Skills Queensland as the institutes were abolished on 1 July 2013 and Skills Queensland was abolished on 22 November 2013.

8.3 Timeliness

Management and audit certified the financial statements of DETE and the ten other entities in this portfolio within the legislated deadline.

8.4 Quality

8.4.1 Process to prepare financial statements

The process to prepare the financial statements for DETE was assessed against the better practice detailed in Appendix B in each of the past two years and was found to be satisfactory. Good financial reporting practices by DETE included:

- developing early plans for year end financial reporting
- submitting pro forma financial statements to audit by the agreed date
- having suitably experienced staff involved in financial report preparation
- preparing appropriate supporting documentation for all significant amounts and key financial statement disclosures.

8.4.2 Material adjustments

There were no material adjustments to DETE's financial statements from the first set provided to audit to the final certified version—the same as in 2011–12.

No significant changes were required to disclosures in notes to the 2011–12 financial statements. For 2012–13, disclosure adjustments not affecting the operating result or financial position were made to the draft financial statements, including:

- events that clarified the nature and implications of changes to the *TAFE Queensland Act 2013* and the Vocational Education, Training and Employment (Skills Queensland) And Another Amendment Bill 2013 introduced into Parliament after balance date
- machinery of government changes affecting DETE
- changes in key management personnel at the Gold Coast and Southbank Institutes and Skills Queensland.

8.5 Significant financial issues

8.5.1 Schools infrastructure

As at 30 June 2013, DETE had total assets valued at $18.48 billion, of which property, plant and equipment for schools represents $16.1 billion (87 per cent of total assets). As the delivery of school services is DETE's primary service, it is important that DETE has processes in place to ensure it has sufficient capital infrastructure for schools to deliver these services.

Surplus school assets

Where the Minister determines that schools are to be closed, these assets are reclassified as held for sale at their estimated recoverable amount less the cost of sale and disclosed separately in the financial statements from the remaining property plant and equipment.

The 2012–13 financial statements identify $18.9 million of assets held for sale, comprising 20 schools valued at $8.45 million, as well as five high-value TAFE assets valued at $9.7 million and other assets valued at $750 000.

Schools may become surplus to need for a number of internal and or external reasons, most notably the changing demographics of the local community reducing the demand for local schools in a particular area. As a result, it is important that the department regularly reviews the viability of its schools. DETE uses the criteria illustrated in Figure 8B to conduct the annual school viability assessment.

Figure 8B
School viability assessment criteria

School Viability Assessment Criteria
Enrolments:
• Enrolment history (especially past five years) and forecasts for the next five years • Number of students attending the school who do not live in the school catchment area
Accessibility:
• Distances and travel times to and from school • Access to nearby schools or alternative education programs • Transport options and arrangements for the school and neighbouring schools (road networks, bus routes, train routes)
Curriculum:
• Extent of the school's curriculum and its ability to access suitable educational resources
Resourcing equity:
• Cost per student per annum and comparison with state schools • Numbers, types and conditions of buildings

Source: Department of Education Training and Employment

The 2013 assessment has recently been completed. On 17 September 2013, the Minister announced the closure of six schools as part of this process.

New schools

Population growth within new greenfield development areas and higher density urban developments drives the future needs for school expansion and delivery of new schools.

The department's planning process, supported by the analysis of the Queensland School Planning Commission, takes into account the resident student forecast and trend based forecasts prepared annually by the Government Statistician based on the Queensland population projections. This information is supplemented, where necessary, by regular review of local government planning schemes and Council engagement to identify developing growth fronts. This process is reviewed and updated annually.

As a result of this process in 2013, the department forecasts have identified where new state schools will be needed over the next 20 years to cater for the projected student population growth of Queensland.

This process has identified that up to 50 new state schools will be needed over the next 10 years which will require consideration during the state budget process.

DETE is using a number of funding options for new schools, including entering into public/private partnership (PPP) agreements. Ten of the planned new schools over the next five years will be funded this way. PPPs facilitate the delivery and/or management of a new school through a contractual agreement between the State of Queensland (through DETE) and the private sector. The agreement stipulates that, in return for an agreed large upfront capital investment and recurrent funding by DETE that is indexed each year, the private sector will build and maintain a school for a period of time. The land and buildings are then transferred to DETE at nil consideration at the end of the contract. This allows DETE to build a new school with the capital cost spread over the lease period.

8.5.2 Asset maintenance

In the 2011–12 report, it was identified that the whole of government standard, the Maintenance Management Framework (MMF), recommends a minimum funding benchmark for asset maintenance of one per cent of the asset replacement value of building assets.

The asset maintenance ratios in 2009–10, 2010–11 and 2011–12 were 1.06, 0.75 and 0.88 per cent respectively. The fall in this ratio in 2010–11 was due to an unusually high capital investment in schools associated with the Australian Government's Building the Education Revolution program, which was mostly completed in 2011–12.

This shortfall in asset maintenance funding against the MMF was also reflected in the asset maintenance register which, in 2011–12, identified the need for $349.3 million in repairs and maintenance on assets, representing 57 604 separate jobs.

In 2012–13, the asset maintenance ratio has improved to 1.26 per cent and the amount of outstanding repairs and maintenance has reduced from $349.3 million (57 604 jobs) to $316 million (58 434 jobs). In 2014–15, the Fixing Our Schools Fund is expected to provide a further $100 million into school maintenance, in addition to the $200 million to be provided over the 2012–13 and 2013-14 financial years.

Schools have more autonomy in maintenance decision making and now have a choice to either use Building and Asset Services (formerly QBuild) or go direct to market for carrying out maintenance tasks. Guidelines are provided to schools undertaking this activity with support from their regional facilities manager. All schools participating in direct to market are required to attend an induction delivered by the direct to market team before tendering any projects. Regional facility staff coordinate school training requirements.

This gives schools the potential to improve the value for money from maintenance spending and to accelerate the reduction in the maintenance backlog. DETE figures indicated average savings of 18 per cent realised against indicative pricing in the maintenance assessment report, for both Building and Asset Services and direct to market delivery in 2012–13.

8.5.3 Major capital projects

Figure 8C shows completion dates and costs for the highest valued projects under construction or development by DETE.

Figure 8C
Major projects

Entity	Project	Original target date	Forecast completion date	Months late	Project approval $ m*	Forecast final cost $ m
DETE	Flying Start Implementation	June 2015	June 2015	Nil	637.2	637.2
	7 PPP south-east Queensland schools	Staggered to January 2014	January 2014	Nil	1 047.0	1 133.0

* This reflects the most recent project approval costs. It does not represent the original budget costs.

Source: QAO

South-east Queensland schools and PPPs

In 2009, DETE entered into a contractual arrangement with a private sector entity to design, construct, maintain and partially finance seven schools to the state for a period of 30 years on departmental land. Construction work commenced in 2009 and is expected to be completed in January 2014.

The total contract value of $1.133 billion to develop the seven schools is presently unfunded by $86.2 million (GST exclusive) over the life of the agreement to 2039. The funding gap is due to the difference between government approval for expenditure of $1.047 billion and the final financial close figure, including contingency of $1.133 billion.

Future PPPs

The new Queensland Schools PPP (10 schools) is currently in the procurement-binding bid phase that is being run by Projects Queensland (a unit of Queensland Treasury and Trade). Binding bids closed on 20 September 2013. Contractual close and financial close is expected by early to mid-December 2013, with the contract then being handed over to DETE for delivery.

Southbank Education and Training Precinct

The Southbank Education and Training Precinct is a PPP. In 2005, DETE entered contractual arrangements with a private sector entity to design, construct, operate, maintain and finance the Southbank Education and Training Precinct for a period of 34 years on departmental land. Construction was completed in October 2008.

Departmental figures identified that the total contract of $1.5 billion to develop the precinct includes an unfunded component in excess of $500 million over the life of the agreement to 2039. This is equivalent to a funding gap of $22 million per annum from 2016–17. While departmental management has provided a number of funding submissions over the years, the funding shortfall remains. This significant funding deficiency remains a challenge for these entities.

On 1 July 2013, a new statutory body TAFE Queensland was established. It is intended that all TAFEs, including the Southbank Institute of Technology, will be transferred to this new entity. At that point the funding gap would become a responsibility to be managed by TAFE Queensland.

8.5.4 Cost of school education services

DETE has established performance targets for the 'average cost of service per student' for school education. DETE is meeting these targets which are set in the departmental Service Delivery Statement.

Figure 8D
Average cost of service per student

Student category	2012–13 target	2012–13 est. actual	Variance %
Primary (Prep—Year 7)	$11 082	$10 829	2.3
Secondary (Year 8—Year 12)	$13 816	$13 565	1.8
Students with disabilities	$27 785	$27 072	2.6

Source: 2013–14 Queensland State Budget Paper 5 – Service Delivery Statements

Queensland's cost per full-time equivalent (FTE) student has been gradually increasing since 2009. When compared nationally in the 2013 *Report on Government Services*, Queensland ranked third lowest in terms of money spent on educating a student (FTE) in 2011 when last reported and has been consistently below the national average since 2009.

Figure 8E
Federal, state and territory government recurrent expenditure (including user cost of capital) per FTE student*

Year	Qld	NSW	Vic	WA	SA	Tas	NT	ACT	Aust. ave
2009	**$13 233**	$13 260	$12 382	$16 975	$12 827	$13 258	$20 060	$17 437	$13 544
2010	**$14 148**	$14 123	$13 001	$17 854	$13 909	$14 251	$21 087	$18 003	$14 380
2011	**$14 853**	$14 448	$13 449	$18 500	$15 586	$15 139	$22 727	$19 863	$15 002
2012**	**$15 526**	—	—	—	—	—	—	—	—

** Source: Australian Government Productivity Commission-Report on Government Services 2013-Table 4A.11*
*** Source: Department of Education, Training and Employment. 2012 numbers for other states were not available at time of reporting.*

8.5.5 Employee benefits

DETE's employee expenses represent a substantial portion—$5.76 billion (70 per cent)—of its 2012–13 total controlled expenses of $8.2 billion. Staff costs are a key cost driver for DETE in providing its educational services in an efficient manner.

As at 30 June 2013, DETE had 66 629 FTE employees; 72 per cent of these employees were teachers and teacher aides, with a further eight per cent being TAFE employees. Teachers represent 70 per cent of staff members located in schools, with the remaining staff numbers comprising specialist support staff, administrative and clerical staff (including teacher aides and assistants) and general maintenance and other staff. The number of teachers proportionate to the number of students is an important measure. A high or increasing student-to-teacher ratio represents improved efficiency while a low or decreasing ratio may reflect decreased efficiency; however, these ratios have the potential to affect student outcomes.

Figure 8F shows that Queensland has been above the national average for a number of years with regard to its student to teaching staff ratio but has remained steady since 2009. In 2012, when the national ratios were last reported, Queensland was ranked equal second highest for student-to-teacher ratio, behind Western Australia and equal with South Australia.

Figure 8F
Government schools—students to teaching staff ratio

Year	Qld	NSW	Vic	WA	SA	Tas	NT	ACT	Aust. ave
2009*	**14.3**	14.2	13.8	13.8	14.4	13.9	11.5	12.7	14.0
2010*	**14.3**	14.2	13.8	13.8	14.4	13.7	11.7	12.5	14.0
2011*	**14.2**	14.1	13.6	14.0	14.3	13.7	11.3	12.8	13.9
2012*	**14.2**	14.1	13.5	14.3	14.2	13.9	11.0	12.9	13.9

** Source: Australian Bureau of Statistics - Report 4221.0, School Australia 2012- Table 53a*

8.6 Status of opinions

8.6.1 Financial statement opinions

Figure 8G shows 2012–13 audit opinions issued for this portfolio.

Figure 8G
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department and controlled entities						
DETE	Y	23.08.2013	23.08.2013	U	31.08.2013	✓
• Aviation Australia Pty Ltd	—	30.09.2013	15.10.2013	U	31.10.2013	✓
• BCITF (Qld) Limited (trading as Construction Skills Queensland)	—	27.08.2013	28.08.2013	U	None	—
• Queensland Education Leadership Institute Limited#	—	08.10.2013	08.10.2013	U	31.10.2013	✓
Jointly controlled entity						
Queensland Tertiary Admissions Centre#	—	20.08.2013	23.08.2013	U	31.08.2013	✓

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Statutory bodies						
Gold Coast Institute of TAFE	Y	26.08.2013	28.08.2013	E	31.08.2013	✓
Non-State Schools Accreditation Board	—	22.08.2013	26.08.2013	U	31.08.2013	✓
Queensland Studies Authority	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
Skills Queensland	—	20.08.2013	21.08.2013	E	31.08.2013	✓
Southbank Institute of Technology	Y	27.08.2013	28.08.2013	E	31.08.2013	✓
Audited by arrangement						
Building and Construction Industry Training Fund (Qld)	—	27.08.2013	28.08.2013	U	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

Queensland Education Leadership Institute Ltd and Queensland Tertiary Admissions Centre were exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*.

Source: QAO

9 Energy and Water Supply

In brief

Background

This ministerial portfolio is responsible for energy and water utilities; clean energy; energy industry development; and bulk water supply, distribution and retail arrangements.

Two public sector entities required to produce financial statements are included in this portfolio. The results of audits for other energy and water entities are included in separate reports to Parliament.

Key findings

- We issued unmodified audit opinions for the two entities in the portfolio.
- Management and audit certified the financial statements of both entities within the two-month legislative deadline.
- A material adjustment totalling $161.7 million was made to the 2011–12 comparatives in the financial statements for the Department of Energy and Water Supply (DEWS) for 2012–13.

9.1 Background

This portfolio is responsible for energy and water utilities; clean energy; energy efficiency; energy industry development; and bulk water supply, distribution and retail arrangements.

Two public sector entities make up this portfolio. Figure 9A shows key financial information for these entities.

The results of audits for other energy and water entities are included in separate reports to Parliament.

Figure 9A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Energy and Water Supply*	818.1	824.9	362.6	176.5
Energy and Water Ombudsman Queensland	5.5	5.5	1.9	1.7
Portfolio total	**823.6**	**830.4**	**364.5**	**178.2**

* Amounts include controlled and administered amounts.

Source: QAO

9.2 Audit results

We issued unmodified audit opinions for the Department of Energy and Water Supply (DEWS) and the Energy and Water Ombudsman. This is the same result as in 2011-12.

9.3 Timeliness

Management and audit certified the financial statements of DEWS within the two-month legislative deadline. This is a more timely result than occurred in 2011-12 when the financial statements of DEWS were not certified until 19 October 2012 due to machinery of government changes.

Management and audit certified the financial statements of the Energy and Water Ombudsman within the two-month legislative deadline, as occurred in 2011–12.

9.4 Quality

9.4.1 Process to prepare financial statements

The quality of draft financial statements provided by DEWS for audit was satisfactory. Material adjustments were made to the account balances and some improvements to the processes to prepare financial statements were identified.

The process could be improved by preparing an early set of pro forma financial statements and finalising the valuation of non-commercial water supply assets earlier in the year so amendments could be identified early and to reduce the need for significant disclosure changes at year end. In addition, DEWS would benefit from ensuring that documentation provided to support the draft financial report was adequate at the commencement of each audit phase. Better practice for financial statement preparation is detailed in Appendix B.

Material adjustments

No material financial statement adjustments were required in 2011-12. A single material adjustment to the 2011–12 comparative figures was required in the 2012–13 financial statements for DEWS, increasing the value of the non-commercial water supply assets of DEWS by $161.7 million.

This adjustment was mainly a result of non-commercial water supply assets being recorded at cost, or not recorded at all in 2011–12, within the financial statements of DEWS. The Non-Current Asset Policies (NCAPs) for the Queensland public sector require departments record such non-current assets at their fair value in accordance with Australian Accounting Standards. This increase was offset by a number of non-commercial water supply assets that were recorded in error in the financial statements for DEWS in 2011–12.

There were no material account balance and note disclosure adjustments to the draft 2012–13 financial statements provided by the Energy and Water Ombudsman's for audit.

9.5 Status of opinions

9.5.1 Financial statement opinions

Figure 9B shows 2012–13 audit opinions issued for this portfolio.

Figure 9B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department						
DEWS	Y	29.08.2013	30.08.2013	U	31.08.2013	✓
Statutory body						
Energy and Water Ombudsman Queensland	—	22.08.2013	22.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

Source: QAO

10 Environment and Heritage Protection

In brief

Background

This ministerial portfolio is responsible for environment; climate change science and policy; coastal management; ecologically sustainable development; environmental planning; protection of flora and fauna; historical cultural heritage; pollution management; and waste management.

Seven public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued seven unmodified audit opinions, including for the Department of Environment and Heritage Protection (DEHP).
- Management and audit certified all financial statements within the legislated deadline.
- The process to prepare financial statements by DEHP was satisfactory, as occurred in 2011–12.
- Four adjustments totalling $19.8 million were made to 2011–12 comparative figures in the 2012–13 financial statements for DEHP.
- Due to the machinery of government process and the reduction of staff numbers, approximately 250 departmental workstations became vacant in the 400 George Street building. DEHP is committed to lease this space until 2019–20.

10.1 Background

This portfolio is responsible for environment; climate change science and policy; coastal management; ecologically sustainable development; environmental planning; protection of flora and fauna; historical cultural heritage; pollution management; and waste management.

The portfolio consists of seven public sector entities required to produce financial statements (listed in Figure 10C). Figure 10A shows key financial information for these entities.

Figure 10A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Environment and Heritage Protection*	243.7	200.0	133.1	81.3
Other portfolio entities (in aggregate)^	15.6	15.3	64.5	3.8
Portfolio total	**259.3**	**215.3**	**197.6**	**85.1**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

Ecofund Queensland Pty Ltd (Ecofund), a controlled entity of the Department of Environment and Heritage (DEHP), was established as part of climate change initiatives to help reduce greenhouse gas emissions. DEHP's total contribution to the company was an equity contribution of $3.28 million. The company was sold in March 2013 for $250 000.

The Balance of the Earth Trust, another controlled entity of DEHP, did not form part of the Ecofund operations placed for sale. Prior to the completion of the sale, steps were taken to excise the Balance of the Earth Trust from Ecofund. Trustees were appointed on an interim basis while the necessary steps are taken to appoint the Public Trustee as the new trustee.

10.2 Audit results

We issued seven unmodified audit opinions, including DEHP.

10.3 Timeliness

Management and audit certified DEHP's financial statements within the two-month legislated deadline. This was an improvement from 2011–12 when the audit opinion was issued on 19 October 2012, following two extensions of time granted by the Treasurer. The delays were caused by DEHP implementing machinery of government changes that affected the process to prepare financial statements.

Management and audit certified five other financial statements within the legislated deadline, as occurred in 2011–12.

10.4 Quality

10.4.1 Process to prepare financial statements

The processes to prepare DEHP financial statements for 2011–12 and 2012–13 were assessed against the better practice detailed in Appendix B. In both years, processes were assessed as satisfactory.

The preparers of the financial statements were experienced and knowledgeable. Work papers provided for audit were complete and audit queries were quickly addressed by DEHP's staff.

10.4.2 Material adjustments

Four adjustments totalling $19.8 million were made to 2011–12 comparative figures in the 2012–13 DEHP financial statements.

Figure 10B
Changes to DEHP's financial statements prior to audit certification

Changes	Income	Expenses	Net result	Assets	Liabilities	Equity
$ m	0	0	9.9	1.2	0	8.7
No.	0	0	1	1	0	2

Source: QAO

No significant changes to note disclosures in DEHP's financial statements were made in the last two years.

10.5 Significant financial issues

10.5.1 Correction of a prior period error

A prior period adjustment was not reflected in the accounts of the former Department of Environment and Resource Management (DERM) prior to transferring a land asset as a result of the 2012 machinery of government changes. This required an adjustment in comparative figures for DEHP as:

- the asset was transferred from DERM to the Department of Agriculture, Fisheries and Forestry (DAFF) as a result of 2012 machinery of government changes
- the amount transferred to DAFF was $9.2 million in land and contributed equity
- DAFF found, during the 2012–13 financial year, that the asset value had been incorrectly overstated by $8.74 million in 2011 when owned by DERM
- both DAFF and DEHP dealt with the error by reversing the original transfer journal for $9.2 million. DEHP then recorded a revaluation decrement of $8.74 million by reducing opening accumulated surpluses and increasing contributed equity for that amount.

10.5.2 Land validation projects

In March 2009, when DERM formed as a result of a machinery of government changes, it became the largest manager of government land in the state, both in terms of value (over $60 billion) and the number of land parcels.

Land managed includes:

- national park and forest estate
- unallocated state land
- leasehold land
- land under roads
- land that remained with the department as government lead land agent because no other entity had accepted responsibility for the land
- land that was used for its own departmental operational purposes such as office buildings.

Given the extent of the land holdings and because records were amalgamated, a project commenced to ensure that all land for which DEHP assumed responsibility was correctly recorded on financial asset registers and in the titles register. The project identified the asset register needed updating:

- $2.56 million in land was identified for deletion from the asset register as the land was no longer the responsibility of DEHP
- land parcels valued at $0.6 million were identified for adding to the asset register.

The net value of correcting the error to property, plant and equipment was a decrease of $1.96 million (13.7 per cent) compared to total assets of $14.3 million.

10.6 Future financial risks

10.6.1 Lease commitment, 400 George Street

During the machinery of government process and the reduction of staff numbers, approximately 250 workstations became vacant in the 400 George Street building. DEHP has committed to a lease until September 2019 for this office space.

Market research conducted by the Department of Housing and Public Works shows an increasing surplus into the forward years for office space in the Brisbane CBD. A disclosure may be required in future DEHP financial statements to classify this lease as an onerous contract which, in effect, recognises a future obligation for DEHP.

Under the arrangements before the machinery of government changes, corporate allocations of the lease expense were split among the departments who used the office space. The total annual lease cost for the space for 2013–14 will be $1.01 million, of which DEHP is liable for 50 per cent (approx. $0.5 million); the Department of Natural Resources and Mines for 35 per cent and the Department of National Parks, Recreation, Sport and Racing for 15 per cent.

The annual lease cost escalates at 4.5 per cent per annum with the lease ceasing part way through 2019–20. The total current estimated rent liability (50 per cent) for DEHP from 1 July 2013 to the end of the lease is approximately $3.6 million.

10.7 Status of opinions

10.7.1 Financial statement opinions

Figure 10C shows 2012–13 audit opinions issued for this portfolio.

Figure 10C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department						
DEHP	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
• Queensland Trust for Nature Fund#	—	24.10.2013	24.10.2013	U	31.10.2013	✓
• The Balance the Earth Trust	—	26.08.2013	28.08.2013	U	None	—
Statutory bodies and controlled entities						
Currumbin Bird Sanctuary	—	26.08.2013	30.08.2013	U	31.08.2013	✓
• Currumbin Wildlife Hospital Foundation	—	21.08.2013	30.08.2013	E	31.08.2013	✓
National Trust of Queensland	—	26.08.2013	30.08.2013	U	31.08.2013	✓
The Board of Trustees of Newstead House#	—	30.08.2013	30.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

Queensland Trust for Nature Fund and The Board of Trustees of Newstead House were exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*.

Source: QAO

11 Health

In brief

Background

This ministerial portfolio is responsible for hospitals and all public health services.

This portfolio consists of 20 public sector entities required to produce financial statements.

Hospital and Health Services (HHSs) also form part of this portfolio; however, these have been reported separately to Parliament in Report 8 for 2013–14 Hospital and Health Services entities 2012–13.

Key findings

- We issued 20 unmodified audit opinions.
- We included emphases of matter with the audit opinions of five entities:
  - Dental Technicians Board of Queensland
  - Health Quality and Complaints Commission
  - Speech Pathologists Board of Queensland
  - Office of the Health Practitioner Registration Boards.
  - Redcliffe Hospital Foundation.
- Management and audit certified 15 of the 20 financial statements within the legislated deadline.
- Management and audit certified the financial statements of five entities (25 per cent) after the legislated deadline.
- Management and audit certified the financial statements of the Department of Health (DoH) within the two-month legislative deadline—a more timely result than in 2011–12.
- DoH was assessed against better practice for processes to prepare its financial statements. Overall its processes were satisfactory. Some improvements to incorporate in the 2013–14 process were reported to management.
- There were 31 material adjustments identified by audit and management totalling $739.5 million made to controlled and administered balances in the financial statements.

11.1 Background

This portfolio is responsible for delivering services in public health, oral health, Aboriginal and Torres Strait Islander health, community health and mental health, for managing public complaints about health service delivery and for registration of some health professions.

The portfolio consists of 20 public sector entities required to produce financial statements (illustrated in Figure 11H). This comprises four fewer than in 2011–12, being entities that were reported on for the final time before being abolished:

- Medical Radiation Technologists Board of Queensland
- Occupational Therapists Board of Queensland
- The Prince Charles Hospital Foundation Trust
- The Royal Children's Hospital Foundation.

Hospital and Health Services (HHSs) also form part of this Ministerial portfolio, but are reported on in a separate report to Parliament.

Figure 11A shows key financial information for the 20 entities.

Figure 11A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Health*	18 753.1	18 739.0	5 357.7	1 526.8
Health Quality and Complaints Commission	10.3	9.9	3.2	1.5
Queensland Institute of Medical Research	102.8	85.5	424.8	29.8
Other portfolio entities (in aggregate)^	60.4	47.3	103.9	11.1
Portfolio total	**18 926.6**	**18 881.7**	**5 889.6**	**1 569.2**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

Redcliffe Hospital Foundation (RHF) will be wound up during 2013–14. The major asset held by the RHF was the Moreton Bay Integrated Care Centre (MBICC). The transfer of the MBICC to the Metro North Hospital and Health Service occurred on 8 July 2013. Upon transfer of the MBICC, the RHF no longer had access to cash flows expected to be generated by the MBICC operations. Upon the RHF abolition the transfer of its remaining net assets will be determined by the Governor in Council.

11.2 Audit results

Audit opinions have been issued for all 20 (100 per cent) entities required to have audit opinions issued, which is the same as in 2011–12.

We issued unmodified audit opinions to all 20 entities, confirming that the financial statements were prepared in accordance with the requirements of legislation and the relevant accounting standards.

Emphases of matter were included with five (25 per cent) of the unmodified audit opinions, compared to six (25 per cent) in 2011–12. Three of these emphases of matter were included in the audit opinions for three statutory bodies abolished during the financial year:

- Dental Technicians Board of Queensland
- Speech Pathologists Board of Queensland
- Office of the Health Practitioner Registration Boards.

An emphasis of matter was also included with the audit opinion of the Health Quality and Complaints Commission (HQCC) due to going concern issues. The HQCC is likely to be abolished by 30 June 2014. Its assets, liabilities and financial commitments will transfer to a new entity, the Office of the Health Ombudsman.

We issued an unmodified audit opinion in 2012–13 for the Redcliffe Hospital Foundation (RHF) but an emphasis of matter was included with the audit opinion, due to going concern issues. RHF had insufficient funds to meet its ongoing debts. Its financial statements were qualified for the previous two years, due to going concern issues.

Nine foundations were exempted in 2012–13 from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*, and their audit opinions were issued directly by their privately contracted auditors, being for:

- Bundaberg Health Services Foundation
- Far North Queensland Hospital Foundation
- Ipswich Hospital Foundation
- Mackay Hospital Foundation
- PA Research Foundation
- The Prince Charles Hospital Foundation
- Sunshine Coast Health Foundation
- Toowoomba Hospital Foundation
- Townsville Hospital Foundation.

11.3 Timeliness

All entities in the portfolio, except the Queensland Children's Medical Research Institute which has a legislative deadline of 31 October 2013, are required to have their financial statements completed and audited by 31 August 2013.

Management and audit certified the financial statement of 15 of 20 entities (75 per cent) within the legislative deadline. This represented fewer timely certifications than in 2011–12, when 21 of the 24 entities (88 per cent) met their statutory deadline.

Management and audit certified the financial statements of the Department of Health (DoH) within the two-month legislative deadline. This was a more timely result than was achieved in 2011–12 when the Treasurer granted DoH a one-month time extension to finalise financial statements, due to machinery of government changes.

The financial statements of five entities (25 per cent) were certified after the legislative deadline, including those of the Queensland Children's Medical Research Institute.

11.4 Quality

11.4.1 Process to prepare financial statements

For the past two years, DoH was assessed against better practice processes detailed in Appendix B. In 2011-12, its process to prepare financial statements was satisfactory. Staff preparing the financial statements had a good understanding and experience resulting in financial statements that were appropriately reviewed prior to being provided for audit.

In 2012–13, we also assessed its process overall as satisfactory but identified areas where the financial statement preparation could be improved for 2013–14. These areas for improvement were provided to DoH. We found that:

- management review of the quality of documentation and data in support of the financial statements did not occur consistently across DoH
- executive management did not formally approve all accounting position papers supporting the financial transactions and balances reported in the financial statements.

11.4.2 Material adjustments

In 2011–12, $154.2 million in adjustments identified by audit only were made to the financial statements before an audit opinion could be issued. Figure 11B shows that, in 2012–13, 31 material adjustments identified by audit and management totalling $739.5 million were made by DoH to controlled and administered balances between the first draft financial statements and the final certified financial statements.

Figure 11B
Changes to DoH's financial statements prior to audit certification

	Income	Expenses	Net result	Assets	Liabilities	Equity
$ m	105.9	158.6	-	135.5	188	151.5
No.	3	7	-	12	6	3

Source: QAO

Included in these adjustments were:

- $106.0 million in appropriation expense to gross up appropriations payable to $120.5 million
- an adjustment of $17.7 million to reflect the present value of the loans provided to employees for the change in pay date
- $77.7 million to other comprehensive income to correct opening asset values for three HHSs
- $69.3 million to other liabilities to recognise the current portion of lease payables
- $112.8 million to contributed equity to correct a HHS asset valuation for work in progress not recognised in prior years and the transfer to work in progress to another HHS of $28.6 million.

Also the non-current portion of payroll and lease receivables of $446.1 million was reclassified from non-current to current.

As well as material adjustments to financial statement amounts, significant changes to note disclosures were required including changes to explain opening balance adjustments; more detail to explain movements; certain disclosures not being included; and other information which was incomplete when notes were provided for audit.

The number of financial statements adjustments and significant changes to note disclosures shows that processes to ensure the accuracy of financial statements still need to improve.

11.5 Significant financial issues

11.5.1 National Health Reform Agreement

On 1 July 2012, Hospital and Health Boards commenced operation in HHSs and DoH moved to the role of system manager. As system manager, DoH will oversee the public health system to promote equitable access to services and ensure health services across the state meet consistent clinical standards. The system manager's main function is to purchase hospital and health services from HHSs.

DoH as system manager will also determine the legislative basis and governance arrangements for public hospital services and will manage system-wide public hospital service planning and performance. The system manager will undertake planning, funding and delivery of teaching, training, research and major capital works.

The National Health Reform Agreement commits the governments of states and territories and Australia to work in partnership to implement new arrangements for the health system, including the use of activity based funding (ABF). ABF is a system for funding public hospital services provided to individual patients, using national classifications and cost weights to determine prices for those services. ABF aims to improve patient access to services and to increase public hospital efficiency by funding providers based on the services they provide, rather than on an historical basis. Block funding is provided to support public patient services provided by facilities that are not appropriately funded through ABF.

In 2012–13, DoH purchased $8.9 billion of hospital and health services from the HHSs, comprising $5.7 billion in ABF funding, $1.6 billion in block funding and a further $1.6 billion in DoH grants.

DoH is also responsible for monitoring the performance of HHSs. The HHS Performance Framework 2012–13 (the framework) provides an integrated process to review, assess and report performance across the HHSs. The framework forms part of the service agreement between each HHS and the system manager and is intended to give each HHS a clear understanding of how performance is monitored and assessed.

The framework uses key performance indicators (KPI) as the basis for monitoring and driving performance. Each KPI includes targets, which provide a benchmark for the expected level of performance. Where possible, targets are linked to performance agreed in national agreements such as the National Healthcare Agreement, National Partnership Agreements and National Performance and Accountability Framework.

11.5.2 Change in pay date for DoH employees

In October 2012, the pay date for DoH employees was moved back by seven days. This change allowed payroll staff more time to process and review pay forms and address pay errors. Employees are now paid ten days after the end of their roster period instead of three days after the end.

To ensure no employee was financially disadvantaged by this change in pay date, employees were offered an interest free loan equal to two weeks' net pay.

Loans totalling $129 million were provided to 72 per cent of DoH's employees. At 30 June 2013, $113.2 million was outstanding. Employees can repay their loan in instalments through an agreed payment plan or in total when they resign from DoH.

The main financial effect of the pay date change was that the state incurred an immediate cash outflow of $130 million and an increase of the same amount in receivables. The cash outflow was not included in the original 2012–13 DoH budget. To enable this, the Under Treasurer extended DoH's overdraft facility to $520 million, from $400 million.

The cost to the state of the change in foregone interest revenue that could have been earned from this cash in 2012–13 is $3.6 million, based on the ten-year Commonwealth bond rate. DoH estimates the present value of total interest income foregone over the ten-year period that the loans will be repaid is $29.7 million.

Other effects were:

- DoH paid $41 077 in fringe benefits tax for these interest free pay date loans
- an expense amount of $17 million was recognised in the 2012–13 profit or loss statement to reflect the discounting of the loans to fair value at balance date, as required by Australian accounting standards.

DoH will need to investigate whether it can continue to apply the minor fringe benefit exemption to these and other employee loans on an ongoing basis in their current form.

11.5.3 Payroll overpayments and repayments

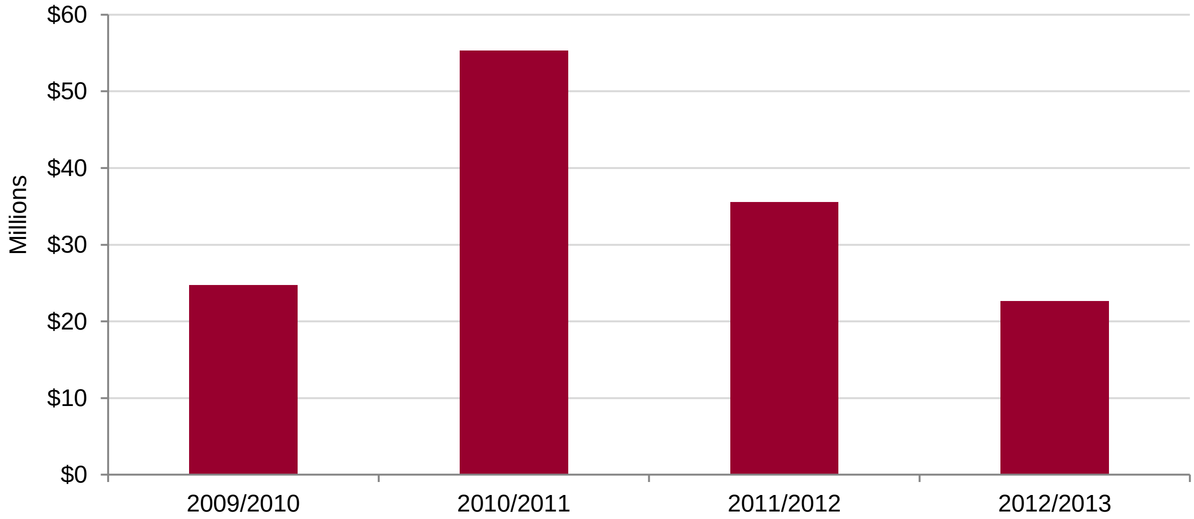
DoH is continuing to resolve system issues with the SAP HR payroll system. For the payroll system:

- $147.5 million was spent in 2012–13, of which $16.5 million (11 per cent) was spent on fixing the system
- the total cost of fixing the system since it went live in March 2010 is now $87.8 million (2012: $71.3 million)
- the total system cost, including system implementation and staff related costs since implementation is approximately $551 million (2012: $403 million).

DoH's financial statements include payroll receivables totalling $209.7 million at 30 June 2013 (2012: $96.5 million) with $113.2 million relating to pay date loans. Of the total receivables, $36.7 million (2012: $26.4 million) is assessed as being impaired. The impairment increase in 2012-13 was due to the first time recognition of debts owed by employees who terminated during 2012–13.

Payroll overpayments of $22.7 million were made in 2012–13 (down from $35.6 million in 2012), meaning that the value of overpayments made has reduced by 59 per cent in the past two years. Figure 11D shows changes in the value of overpayments over a four-year period.

Figure 11D
Value of overpayments over the past four years 2009–10 to 2012–13

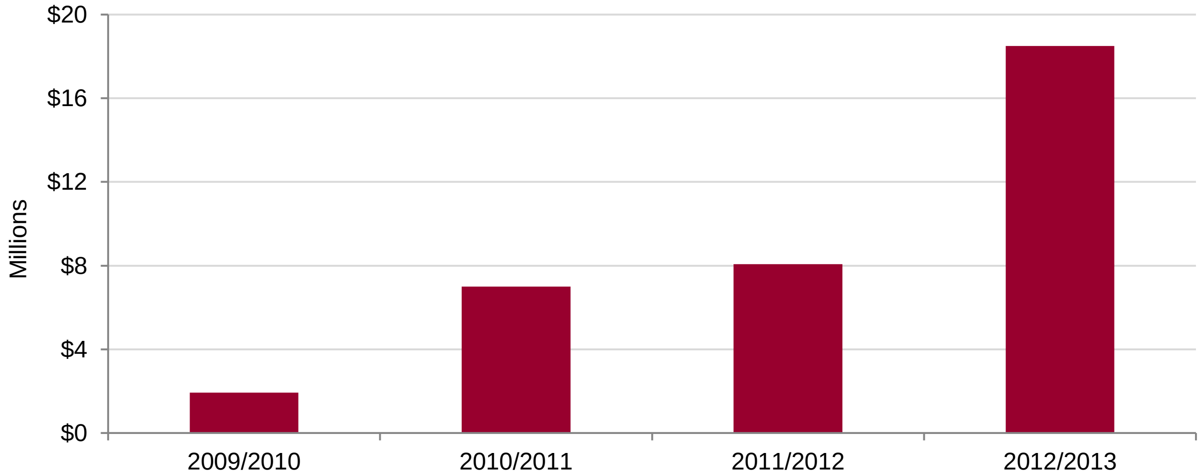


Source: QAO

In May 2012, the Minister for Health lifted the moratorium on the recovery of overpayments and approved the commencement of recovery action. Employees repaid approximately $18.5 million during 2012–13. The number of individual repayments increased by 63 per cent and resulted in an increase from 2011–12 in the total amount repaid of $10.4 million.

Figure 11E shows the increase in the value of recoveries over the past four years.

Figure 11E
Value of recoveries 2009–10 to 2012–13



Source: QAO

Since the pay date change, there has been an average of 1 600 overpayment incidents per pay period, which is a 52 per cent reduction from the 2012 average of 3 300 per pay period.

The October 2012 pay date change has reduced the number and amount of overpayments each fortnight. Notwithstanding this improvement, the main reason for overpayments is the late submission of payroll forms. Forms for payroll events older than three months continue to be of concern to DoH and, on average, 16 000 forms are received each fortnight which relate to a previous fortnight.

Automated repayment functionality has been implemented to assist in managing and recovering overpayments. Repayments commence after an employee has been notified and had the opportunity to discuss how and when the overpayment occurred.

11.5.4 Recovery of funds from DoH fraud

DoH identified a significant fraud in 2011–12. This fraud was perpetrated over five years and its proceeds totalled $16 million. The perpetrator was found guilty and sentenced to 14 years' imprisonment.

The net proceeds of $11.7 million recovered from the perpetrator's forfeited property were paid to the Queensland Government Consolidated Fund in June 2013. This amount will be returned to DoH in 2013–14. DoH intends to claim the unrecovered losses from the Queensland Government Insurance Fund.

11.5.5 Reclassification of grant expenditure as fee for service

DoH reviewed its grants framework in 2012–13 and subsequently revised its definition of grants, subsidies and service procurement. This resulted in grant expenditure totalling $743.2 million being reclassified as health service expenditure to show the obligation of the service provider to deliver the service being purchased. The comparatives for 2012–13 have been restated to reflect this change in accounting policy, resulting in the recognition of health service delivery expense of $634 million and a reduction in grant expense of a similar amount. There is no net effect on the operating result of DoH.

Queensland Treasury and Trade acknowledges that it is critical that a consistent criteria and approach (supported by QAO) is applied across all Queensland government agencies for grants classification and definition. Also, it is prudent in terms of consistency across whole-of-government financial reporting that any change in current grant classification methodology occurs within the same time period across all agencies.

11.5.6 Major capital projects

DoH's capital works in progress at 30 June 2013 totalled $3.1 billion (2012: $2.6 billion). This movement represents an increase of 18 per cent and includes additions of $1.2 billion for progress on the Gold Coast University Hospital, the Sunshine Coast University Hospital, the Queensland Children's Hospital and redevelopments in Cairns, Rockhampton, Townsville, Mackay and Logan. This increase was offset by transfers from work in progress into completed assets of $711 million.

Capital works in progress

All major projects, except for the Gold Coast University Hospital (GCUH) are expected to be completed on schedule. The delay in the completion of the GCUH project is due to:

- its connection with other major works occurring in the GCUH precinct, including the Gold Coast Rapid Transit project, Parklands Drive and the Griffith Health Centre
- the collapse of the main contractor, resulting in time lost in appointing new subcontractors.

Figure 11F shows completion dates and costs for the highest valued projects under construction or development by DoH.

Figure 11F
Major projects

Project	Major activity planned for 2012–13	Target date	Actual date
Gold Coast University Hospital	CSB/IPU construction	8 December 2012	22 July 2013
	Initial works (excludes ICT variation) practical completion	10 December 2012	22 July 2013
Sunshine Coast University Hospital	Financial close with preferred PPP proponent	October 2012	31 July 2012
	Construction commences on public hospital	April 2013	1 October 2012
Queensland Children's Hospital	Complete structure	25 October 2012	26 March 2013
	Complete façade installation	10 December 2012	While these milestones have not been met during the year, the Project Director's report is forecasting a final completion date of December 2014.
	Complete finishes, fitout and commissioning	24 October 2013	

Source: QAO

Transfers of completed capital works to HHSs

DoH is responsible for all major capital projects. Once the projects have been completed, the assets are transferred to the relevant HHS.

Completed assets transferred to HHSs included:

- hospital redevelopments in Cairns, Rockhampton, Townsville, Mackay and Mount Isa, enhancements to mental health services in Mackay, Caboolture and Logan
- upgrades to emergency departments in Logan, Caboolture, Ipswich, Redlands and at the Prince Charles Hospital and QEII Hospital.

During the revaluation process in 2012–13, the HHSs and DoH identified work in progress costs of $42.2 million for DoH relating to recently constructed or refurbished assets that had not been added to the valuer's assessment. To ensure that those costs were not later transferred to the HHSs, resulting in an overstatement of the value of those assets, DoH wrote off the costs as expenses.

Figure 11G shows a dissection of the capital works in progress costs expenses by DoH.

Figure 11G
Capital work in progress costs expensed

HHS	Amount $ m
Mackay HHS	4.0
Metro North HHS	13.3
Sunshine Coast HHS	1.3
Torres Strait and Northern Peninsula HHS	1.5
Townsville HHS	16.4
Wide Bay HHS	5.7
Total	**42.2**

Source: QAO

DoH and the HHSs need to develop a robust process to manage the capitalisation of capital works in progress and the transfer of finalised assets at fair value.

The Translational Research Institute Facility building was also completed in 2012–13 and transferred to the Translational Research Institute Pty Ltd under a 30-year finance lease with DoH. The total value of the minimum lease payments for this facility is $272.7 million.

11.5.7 Sunshine Coast University Hospital

Sunshine Coast University Public Hospital

On 17 July 2012, DoH entered into public/private partnership (PPP) contractual arrangements with a consortium to design, construct, commission, maintain and partially finance the Sunshine Coast University Hospital (SCUH) for a period of 25 years. At the expiry of 25 years, management of the facility will transfer to DoH for nil consideration.

DoH will lease back the SCUH from the consortium and make lease payments as well as payments for the maintenance, refurbishment and other services to be provided by the consortium over the term of the agreement. The SCUH PPP includes a limited scope of operational support services that are closely linked to the hospital building and its systems such as security, pest control and car parking services, but does not include the provision of any clinical services.

DoH estimated outflows in respect of the SCUH PPP over a 25-year period of $3.259 billion which includes a capital contribution of $820 million, of which $82.7 million is due in 2013–14. DoH will finalise the accounting treatment for this arrangement during 2013–14.

Contribution to Sunshine Coast University Private Hospital

The co-located private hospital is being designed, built and operated by a private health service provider. Under an agreement with DoH, the private provider will make the Sunshine Coast University Private Hospital available to the Sunshine Coast HHS to ensure that service capacity is available for, and supplied to, public patients in the facility.

The Sunshine Coast University Private Hospital operations are scheduled to commence in December 2013 and the facility will provide health services to public patients over the following five years. After the five-year service term, the private health service provider will continue to operate the entire facility for a further 45 years. At the end of the 50-year period, the building will be transferred to the Sunshine Coast HHS through DoH.

DoH reported an expense of $50.07 million and disclosed expenditure commitments of $25 million in its 2012–13 financial statements in relation to the agreement with the private hospital provider. An amount of $50.07 million was provided to Sunshine Coast HHS which, in turn, paid this amount to the private provider as an availability fee to be able to access the Sunshine Coast University Private Hospital. The total estimated availability fee is $84 million over four years and seven months. We concluded that the recognition of this transaction in the financial statements of DoH and the Sunshine Coast HHS were correct.

As well as the availability fee, the Sunshine Coast HHS will pay the private provider an estimated $304 million to refer public patients to the Sunshine Coast University Private Hospital for treatment from the time the hospital opens until 30 June 2018. The HHS will pay the private provider the higher of the Queensland Efficient Price per Weighted Activity Unit (WAU) and the minimum WAU price as set out in the services agreement.

11.6 Future financial risks

11.6.1 IT system obsolescence

Two major systems in use by DoH and the HHSs are in urgent need of replacement as they are no longer supported by the vendor and do not adequately support operational requirements.

Systems requiring replacement are:

- FAMMIS upgrade (SAPir) project—originally scheduled for 2014–15 replacement but now delayed
- patient admission and record system (HBCIS)—scheduled for 2014–15 replacement.

Report 4 for 2012–13: Queensland Health - eHealth Program tabled in November 2012 included the recommendation to 'take appropriate action to address the obsolescence of the patient administration system, Hospital Based Corporate Information System (HBCIS), within a time period that will not impact adversely on hospital administration.'

DoH's response was that the HBCIS replacement was not part of the current eHealth program scope; however, the business case for the HBCIS replacement would be completed by March 2013 and funding opportunities progressed.

The business case for its replacement will not be complete until at least January 2014. DoH has developed risk mitigation strategies extending application support past the current vendor contract date in 2015 and for hardware infrastructure support until 2019.

As it is only a little over five years until 2019 and, given the significant lead time required for a complex project requiring implementation across Queensland, it is critical that action is taken to ensure that the process of finalising a robust business case is not delayed beyond January 2014.

11.7 Status of opinions

11.7.1 Financial statement opinions

Figure 11H shows 2012–13 audit opinions issued for this portfolio.

Figure 11H
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Department			
Department of Health	Y	30.08.2013	30.08.2013	U	31.08.2013	✓
			Jointly controlled entity			
Queensland Children's Medical Research Institute	—	06.11.2013	13.11.2013	U	31.10.2013	×
			Statutory bodies			
Bundaberg Health Services Foundation#	—	13.08.2013	13.08.2013	U	31.08.2013	✓
Children's Health Foundation Queensland	—	29.08.2013	30.08.2013	U	31.08.2013	✓
Dental Technicians Board of Queensland^	—	19.06.2013	25.07.2013	E	31.08.2013	✓
Far North Queensland Hospital Foundation#	Y	27.08.2013	27.08.2013	U	31.08.2013	✓
Gold Coast Hospital Foundation	—	04.09.2013	06.09.2013	U	31.08.2013	×
Health Quality and Complaints Commission	Y	21.08.2013	27.08.2013	E	31.08.2013	✓
Ipswich Hospital Foundation#	Y	10.08.2013	10.08.2013	U	31.08.2013	✓
Mackay Hospital Foundation#	—	23.09.2013	23.09.2013	U	31.08.2013	×
Office of Health Practitioner Registration Boards	—	30.06.2013	25.07.2013	E	31.08.2013	✓
PA Research Foundation#	Y	29.08.2013	29.08.2013	U	31.08.2013	✓
Redcliffe Hospital Foundation		03.10.2013	04.10.2013	E	31.08.2013	×
Royal Brisbane and Women's Hospital Foundation	Y	09.08.2013	12.08.2013	U	31.08.2013	✓
Speech Pathologists Board of Queensland^	—	21.06.2013	25.07.2013	E	31.08.2013	✓
Sunshine Coast Health Foundation	Y	22.08.2013	27.08.2013	U	31.08.2013	✓
The Council of the Queensland Institute of Medical Research	—	30.08.2013	30.08.2013	U	31.08.2013	✓
The Prince Charles Hospital Foundation#	—	15.08.2013	15.08.2013	U	31.08.2013	✓
Toowoomba Hospital Foundation#	Y	05.09.2013	05.09.2013	U	31.08.2013	×
Townsville Hospital Foundation#	Y	26.08.2013	26.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer
Y This entity's financial information is included in the State Government Financial Statements.
^ Dental Technicians Board of Queensland's and Speech Pathologists Board of Queensland's financial year was 1 July 2012 to 20 May 2013.
# These foundations were exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*.

Source: QAO

12 Housing and Public Works

In brief

Background

This Ministerial portfolio is responsible for housing services, government accommodation, buildings, vehicles, purchasing, property facilities management, building industry regulation and standards, accommodation services, retirement villages and government printing.

Twelve public sector entities required to produce financial statements make up this portfolio.

Key findings

- Nine unmodified audit opinions were issued, including the Department of Housing and Public Works (DHPW).
- Emphases of matter were included with the unmodified audit opinions of Cairns Convention Centre, Gold Coast Convention and Exhibition Centre, Queensland Building Services Authority and Queensland Building Services Employing Office.
- DHPW and Queensland Building Services Authority were assessed against better practice for financial report preparation. Their processes were satisfactory.
- 1 William Street is being constructed under a PPP arrangement with Projects Queensland responsible for developing the arrangement. The decision to construct 1 William Street was a policy decision of government. No business case was developed, which is an expectation under the value for money framework.
- Government buildings were sold by the State, with Projects Queensland responsible for the arrangement, to QIC Limited with a transaction price of $527 million which represented an accounting loss on sale of $237 million from the prior year's independent valuation. The sale was directly to QIC Limited with no other potential purchasers approached, as the State considered this process would deliver the greatest value. The State obtained two independent valuations which supported that the sale price represented market value; however the market was not tested to determine if a higher or lower sale price would have been achieved by selling the properties through a competitive sale process.

12.1 Background

This portfolio is responsible for housing services; government accommodation, buildings, vehicles, purchasing, property facilities management and related services; building industry regulation; building and plumbing standards; regulation of accommodation services; registration of retirement villages; and government printing.

It consists of 12 public sector entities required to produce financial statements (detailed in Figure 12C), one fewer than was required in 2011–12 as CSI Holdings Pty Ltd was wound up in 2011–12. Figure 12A shows key financial information for this portfolio (excluding unfinalised audits).

Figure 12A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Housing and Public Works*	2 462.6	2 702.1	18 285.6	1 072.7
Queensland Building Services Authority	138.6	120.3	361.6	307.4
Queensland Building Services Employing Office	29.9	29.9	8.0	8.0
Residential Tenancies Authority	45.7	41.0	778.0	713.4
Residential Tenancies Employing Office	14.8	14.8	3.2	3.2
Other portfolio entities (in aggregate)^	32.9	29.9	19.4	13.1
Portfolio total	**2 724.5**	**2 938.0**	**19 455.8**	**2 117.8**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

On 1 July 2013, the management of the Roma Street Parklands transferred to the Brisbane City Council following the establishment of a Memorandum of Understanding between the State of Queensland and Brisbane City Council. The management of the Roma Street Parklands will be undertaken by City Parkland Transition Services Pty Ltd (CPTS), a fully owned subsidiary of Brisbane City Council. The term of the agreement is 10 years.

Transfer of the Roma Street Parklands' operational assets, including property, plant and equipment, from the Department of Housing and Public Works to CPTS occurred on 1 July 2013 for $1 consideration. Any operational assets at the end of the term of the agreement will be transferred back to the state and /or Brisbane City Council for $1 consideration. All staff employed at the Roma Street Parklands transferred to CTPS on 1 July 2013.

12.2 Audit results

Nine (75 per cent) audit opinions have been issued (2011–12: 100 per cent) and were unmodified, as was the case in 2011–12.

Emphases of matter were included with four of the unmodified audit opinions, two more than in 2011–12. Emphases of matter were included with the audit opinions of the Queensland Building Services Authority (QBSA) and the Queensland Building Services Employing Office as these entities are being abolished in 2013–14.

An emphasis of matter was included with the audit opinion of the Cairns Convention Centre and the Gold Coast Convention and Exhibition Centre to draw attention to the fact that special purpose financial statements were prepared.

12.3 Timeliness

Seven of the entities in this portfolio had legislative deadlines for finalising their financial statements: six of the seven entities (86 per cent) met these deadlines, compared to 88 per cent in 2011–12.

The Department of Housing and Public Works' (DHPW) financial statements were certified by management and audit within the two-month deadline. This is a better result than was achieved in 2011–12 when DHPW was granted a one-month extension which they met, to certify their financial statements due to machinery of government changes.

The Residential Tenancies Authority's financial statements were certified after their legislated deadline. The Authority's financial statements were prepared in time but a delay in finalising the audit by QAO meant that the deadline was not met.

Financial statements for Lazy Acres Caravan Park, The Monte Carlo Caravan Park Trust and Woombye Gardens Caravan Park have not yet been finalised. These entities do not have a legislative deadline.

12.4 Quality

12.4.1 Process for preparing financial statements

For the past two years, DHPW's financial statement preparation processes were assessed against the better practice detailed in Appendix B. In both years, DHPW's processes were assessed as satisfactory. In 2011–12, we found that some improvements were required to the quality review of the draft financial statements. This was resolved in 2012–13 with all the financial statement packages workpapers signed off by preparers and reviewers.

QBSA's financial statement preparation processes were satisfactory, the same as in 2011–12.

12.4.2 Material adjustments

No material adjustments or significant changes to note disclosures were made to financial statements for DHPW or QBSA before an audit opinion could be issued in the last two years.

12.5 Significant financial issues

12.5.1 Government precinct redevelopment

In July 2012, a Cabinet decision was made to redevelop government owned buildings in the Brisbane (CBD) precinct. The renewal program consists of the following three main elements which are inter-related:

- sale and medium-to-long term leaseback of the first tranche of government owned and occupied buildings to QIC Limited (QIC) in its capacity as trustee and manager on behalf of institutional investors
- development of a commercial office tower on state land at 1 William Street and the long term leaseback of that accommodation
- proposed sale of the second tranche of remaining buildings post construction of 1 William Street.

Projects Queensland (a unit of Queensland Treasury and Trade) was assigned the responsibility for the sale and leaseback of government buildings and the development of the 1 William Street Public Private Partnership (PPP).

As these transactions and events impacted materially on the 2012-13 financial statements, they required careful consideration of the associated accounting and financial reporting issues either because variously they were legally and financially complex; were non-routine; were not at arm's length; or required exercise of significant judgment involving the use of experts.

Sale and leaseback of government buildings

Figure 12B shows the properties in the government administrative precinct which were sold to trust funds managed by QIC in May 2013, and which were leased-back for periods ranging between four and 15 years.

Figure 12B
Sale and leaseback properties

Property	Leaseback term (and options)
111 George Street	15 years (plus 5 and 3 year options)
61 Mary Street	10 years (plus 5 and 3 year options)
33 Charlotte Street	15 years (plus 5 and 3 year options)
Mineral House, 41 George Street	8 years (plus 3 and 3 year options)
Education House, 30 Mary Street	8 years (plus 3 and 3 year options)
David Longland Building, 63 George Street	10 years (plus 3 and 3 year options)
Primary Industries Building, 80 Ann Street.	4 years (plus 1 year option)

Source: QAO and Queensland Treasury and Trade

A traditional competitive sale process was not conducted, with QIC being the only party approached to consider the purchase of the assets on behalf of its clients. As a Queensland government-owned corporation, QIC is a related party. This combined with the absence of market competition, effectively means from the State's perspective the transaction was not 'at arm's length'.

Although QIC is the manager, only 25 per cent of the units in the trust funds holding these properties are held by public sector entities and QIC sought and obtained consent from the State to engage in discussions with several large institutional investors from both the public and private sectors.

At 30 June 2012, before the sale and leaseback, the fair value of the properties for financial reporting purposes was estimated by the State's independent valuers to be $764 million (valuation date March 2012). This represented 28 per cent of the reported value of DHPW's total non-residential property portfolio; and 4 per cent of the value of its total land and buildings.

The sale price achieved for the seven properties was $527 million, an accounting loss on sale of $237 million (31 per cent) from the prior year's independent valuation. The loss on sale was reported in DHPW's Statement of Comprehensive Income.

Under existing accounting standards, the assets are valued for financial reporting purposes at fair value. In the case of commercial property fair value is usually determined using the income approach, based on a discounted net cash inflow model. The results from such modelling are able to be checked by comparing the values obtained with the sales results for similar market transactions.

Between financial reporting periods, legitimate differences can arise in values derived using an income approach due to changes in underlying assumptions about the use of the assets. The write-down of $237 million in the financial statements of DHPW was largely due to:

- The assumptions adopted for the book valuation included long lease terms to government agencies, which were materially different from those included in the transaction price.
- A shift in risk for outgoings from the tenant to the owner in the amended lease terms on sale.
- Changes in estimated outflows associated with building separation, metering, refurbishment, vacancy periods and incentives.
- A change in the method of estimating future operating expenses as a lack of comparable historical data was available to estimate future operating expenses because they were incurred by multiple agencies and recorded in a manner which did not allow practical comparison with private sector property managers. Consequently, the State's valuers engaged to determine the sale price applied conservative estimates based on actual data from similar commercial properties rather than the industry benchmarks used in the March 2012 valuation. These estimates of future operating expenses were higher than those used in the valuation at March 2012.

The State obtained two independent valuations which supported that the sale price of $527 million represented market value and undertook the sale as a portfolio transaction on the assumption that selling a large tranche of commercial office space in the Brisbane Central Business District on an individual basis was likely to have had a negative impact on the sale price. However the market was not tested to determine whether a higher or lower total sales price would have been achieved by selling the properties through a competitive sale process or by selling the properties individually rather than as a portfolio.

QIC obtained its own independent valuations immediately after the purchase of the assets. These valuations reflect changed assumptions and views on the use of the assets, and so included differing cash flow forecasts and market discount and capitalisation rates. The subsequent valuations were higher than those provided by the State's two independent valuers.

Without a competitive sale process and given the significant difference between the book value and the sale price achieved, prima facie it raises the issue of whether the State can demonstrate that it obtained best value for money for the assets it sold.

1 William Street

In May 2012, the Queensland Government decided to enter into a PPP where the private sector would build and own an office tower on government owned land at 1 William Street and lease accommodation to the public sector over the medium term.

In implementing the government's decision, Projects Queensland used an appropriate tendering methodology. An expression of interest (EOI) invitation for the 1 William Street commercial tower construction was released on 7 August 2012. Six proponents EOIs were shortlisted for the request for proposal (RFP) stage which closed on 21 November with four proposals being received. The RFPs were assessed by an evaluation panel based on a set list of criteria. Through this process, a best and final offer was requested from two proponents.

On completion of 1 William Street in 2016, the government has committed to a net lease for 75 000 square metres for the 15 year period to 2031 with a gross nominal commitment for the lease payments of approximately $1.144 billion. Part of these payments will be potentially offset by private sector tenants occupying up to 15 000 square metres of the commercial office tower.

The 1 William Street high rise is being built on Queensland government land. The land will be leased to the successful tenderer at the end of the three year development lease at a nominal value for 99 years.

The accounting standards require that determination is made at their inception as to whether leases are financing or operating arrangements. In the case of 1 William Street, this required consideration of the appropriate accounting treatment of the land contributed to the development by the state.

Given the relatively short duration of the lease terms contracted by the state in comparison to the 99-year lease term and economic and physical life of the building, the lease arrangement has been appropriately classified as an operating lease. This means that the building is not controlled by the state and will not appear on the state's balance sheet when it is completed in 2016.

On commencement of the 99-year lease in 2016, the state effectively loses control over its land for the full lease term of 99 years. This land was valued at 30 June 2013 at $47.5 million. Consideration was given as to whether this value should be fully written off on completion of construction in 2016, when control passes; or whether the value of the contributed land effectively forms part of the minimum lease payments to be made by the state. On balance, it was determined that the land contribution formed part of the lease transaction. This means that the $47.5 million will be amortised over the building lease term of 15 years as a lease expense.

The total gross cost to the State for the 15 years after the completion of construction will be approximately $1.192 billion in combined lease payments and contributed land value. Part of these costs may be offset by private sector tenants occupying up to 15 000 square metres of the commercial office tower.

The lease payments of approximately $1.144 billion over 15 years are based on the cost of capital, project risk and the return models for the building used by the successful tenderer. This calculation takes into consideration the land being leased from the State at nominal value, the requirement to return the land and building to the state in 99 years and the state leasing the entire building for 15 years.

The state engaged an independent expert to provide a comparative market analysis of lease costs and was advised that the rates represent value for money.

A business case was not developed comparing the costs and benefits of the PPP option to alternatives such as direct public sector ownership or leasing at other locations to support the decision made to progress the construction of 1 William St. As a result, while the costs associated with 1 William Street may represent value for money, it was not determined before the decision was taken, or subsequently, that it optimises value for the state. Development of a business case is an expectation under the Queensland Government's PPP policy and value for money framework.

Revaluation of remaining government precinct buildings

As part of phase three of the government precinct redevelopment project, the state identified a further four CBD buildings that are proposed to be offered for sale once the 1 William Street building is complete in 2016.

At 30 June 2013, the buildings were valued at market value using the income approach. Lease terms of three years were included in the calculation to reflect the proposed sale and, because of these shorter terms, the fair values of the buildings have decreased by $141 million. Land associated with these properties increased in valued by $23 million at the reporting date.

12.6 Future financial risks

12.6.1 Government rental accommodation

With the sale of government buildings to QIC with fixed lease terms, the construction of 1 William Street and the overall downsizing of the Queensland public sector employee base, the risk remains that the government will be committed to office space in the central business district that may not be required. The accommodation office within DHPW has strategies and controls in place to address these risk areas including:

- analysis of the demand and use of government office spaces across the public sector
- ongoing consultation and accommodation planning with all departments to assess the short-to-medium term effect of recent reforms and renewal priorities across government
- benchmarking and corporate reporting to assess performance against industry trends in office space vacancy and to maintain high corporate visibility of the cost of vacancy.

12.7 Status of opinions

12.7.1 Financial statement opinions

Figure 12C shows 2012–13 audit opinions issued for this portfolio.

Figure 12C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department and controlled entities						
Department of Housing and Public Works	Y	30.08.2013	30.08.2013	U	31.08.2013	✓
• Lazy Acres Caravan Park	—	Not finalised	Not finalised	—	None	—
• The Monte Carlo Caravan Park Trust	—	Not finalised	Not finalised	—	None	—
• Woombye Gardens Caravan Park	—	Not finalised	Not finalised	—	None	—
Statutory bodies and controlled entities						
Board of Architects of Queensland	—	28.08.2013	29.08.2013	U	31.08.2013	✓
Board of Professional Engineers of Queensland	—	23.08.2013	29.08.2013	U	31.08.2013	✓
Queensland Building Services Authority	Y	30.08.2013	30.08.2013	E	31.08.2013	✓
• Queensland Building Services Employing Office	Y	30.08.2013	30.08.2013	E	31.08.2013	✓
Residential Tenancies Authority	Y	11.09.2013	13.09.2013	U	31.08.2013	×
• Residential Tenancies Employing Office	Y	26.08.2013	30.08.2013	U	31.08.2013	✓
Audited by arrangement						
Cairns Convention Centre	Y	21.08.2013	03.09.2013	E*	None	—
Gold Coast Convention and Exhibition Centre	Y	27.09.2013	30.09.2013	E*	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

* An emphasis of matter was issued to alert financial statement users that special purpose financial statements were prepared.

Source: QAO

13 Local Government, Community Recovery and Resilience

In brief

Background

This ministerial portfolio is responsible for regulation of local government and developing and driving Queensland disaster recovery strategies and projects.

Two public sector entities make up this portfolio along with 177 local government entities. The results of audits of the 177 local government entities are reported in a separate report to Parliament.

Key findings

- We issued unmodified audit opinions for the financial statements of the Department of Local Government, Community Recovery and Resilience (DLGCRR) and Queensland Reconstruction Authority (QRA).
- Management and audit certified the financial statements of both entities within the legislated deadline.
- The process to prepare the financial statements of DLGCRR was assessed as satisfactory.
- Four material adjustments totalling $9.8 million were made to the 2012–13 financial statements of DLGCRR before an audit opinion could be issued.
- After the 2013 disaster events, the powers of QRA were strengthened with a stronger focus on community resilience and its term was extended to 30 June 2015.
- DLGCRR appointed advisors or financial controllers to Kowanyama Aboriginal Shire Council, Northern Peninsula Area Regional Council and Torres Strait Island Regional Council during the year.

13.1 Background

This portfolio is responsible for regulation of local government—including corporate governance, requirements for auditing of councils, local government boundaries and elections, and building stronger relationships between Queensland councils and the State Government. The Minister also has responsibility for developing and driving Queensland disaster recovery strategies and projects, with a strong focus on working with local communities to increase the State's disaster resilience significantly following the major Queensland floods of January 2013. It consists of 177 local government entities and two public sector entities, one more than in 2011–12.

Audit results of the 177 local government entities will be reported in early 2014 in a separate report to Parliament. Figure 13A shows key financial information for the portfolio.

Figure 13A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
DLGCRR*	1 730.7	1 310.5	100.6	7.8
QRA	1 361.9	2 911.5	214.9	11.7
Portfolio total	**3 092.6**	**4 222.0**	**315.5**	**19.5**

* Amounts include controlled and administered amounts.

Source: QAO

Following the devastating January 2013 floods that affected many parts of Queensland as a result of Tropical Cyclone Oswald, the former Department of Local Government became the Department of Local Government, Community Recovery and Resilience (DLGCRR) on 4 February 2013. Ministerial responsibilities were realigned through *Administrative Arrangements Amendment Order (No. 1) 2013*. The portfolio of the Minister for Local Government was expanded to include responsibility for the Queensland Reconstruction Authority (QRA) transferring from the Deputy Premier, Minister for State Development, Infrastructure and Planning and renaming of DLGCRR.

Following this, the Queensland Reconstruction Authority Amendment Bill 2013 was passed on 14 February 2013 to expand the jurisdiction of the QRA to include the 2013 disaster events; to provide the QRA with a stronger focus on community resilience; and to extend the term of the QRA to 30 June 2015.

13.2 Audit results

We issued unmodified audit opinions for DLGCRR and QRA, for 2012-13 as in 2011–12.

In 2011–12, we included an emphasis of matter with the unmodified audit opinion of QRA as it was due to cease on 21 February 2013 and it was uncertain at the time the audit opinion was issued whether it would continue as a going concern past this date. Legislation was passed to extend QRA past this date and this issue has been resolved.

13.3 Timeliness

Management and audit certified the financial statements of DLGCRR within the two-month legislative deadline. This was a better result than was achieved in 2011–12 when the Treasurer granted DLGCRR a one-month extension, which was met, to certify its financial statements

Management and audit certified the financial statements of QRA within the legislative deadline, as in 2011–12.

13.4 Quality

13.4.1 Financial statement preparation process

For the past two years, the process to prepare financial statements at DLGCRR has been assessed against the better practice detailed in Appendix B. In both years, its processes were found to be satisfactory. In 2011–12, machinery of government changes and subsequent outsourcing of DLGCRR’s corporate services function to another department resulted in delays in providing supporting documentation. These issues were resolved before the 2012–13 process commenced.

The process to prepare financial statements for QRA was assessed for the first time in 2012–13. While the process was found to be satisfactory, more rigorous and objective analytical review during the process to prepare financial statements would improve the overall accuracy of the report.

13.4.2 Material adjustments

In 2011–12, there were no material adjustments made to financial statement amounts for DLGCRR before an audit opinion could be issued. Figure 13B shows that, in 2012–13, four material adjustments totalling $9.8 million were made.

Figure 13B
Changes to DLGCRR's financial statements prior to audit certification

Changes	Income	Expenses	Net result	Assets	Liabilities	Equity
$ m	0.1	0	0.1	4.8	0	4.8
No.	1	0	1	1	0	1

Source: QAO

These adjustments resulted from interest free loans not being valued initially at fair value in accordance with AASB 139 *Financial Instruments - Recognition and Measurement*. Adjustments were made to the 1 July 2011 opening balance and 30 June 2012 closing balance. In addition, the opening balance of negative contributed equity of $338.4 million was reclassified as an accumulated surplus to ensure compliance with the accounting standards.

No material adjustments were required to financial statements for QRA in the past two years.

No significant changes to note disclosures were made to financial statements for either DLGCRR or QRA before an audit opinion could be issued in 2012–13. We did provide feedback on some presentation and disclosure matters to DLGCRR in 2011–12 that resulted in changes to the financial statements.

13.5 Significant financial issues

13.5.1 Major projects

DLGCRR's capital program primarily relates to the capital works undertaken under the Indigenous State Infrastructure Program (ISIP). This program provides funding for water supply, sewerage, drainage, solid waste, town roads and serviced land in Queensland's Indigenous councils.

At 30 June 2013, DLGCRR's property, plant and equipment constructed under the ISIP program totalled $75 million and comprised infrastructure assets of $42 million and capital works in progress of $33 million. The infrastructure assets represent the Northern Peninsula Area Water Supply System which services the Northern Peninsula Area Regional Council. In recognition of Indigenous councils' limited financial resources to meet ongoing asset maintenance requirements, the bulk water infrastructure has been on DLGCRR's balance sheet for a number of years. DLGCRR continues to maintain the water infrastructure assets through incurring a facility maintenance fee while an arrangement is developed to ensure the receiving council has sufficient capacity to own and operate the assets.

13.5.2 Financial assistance grants

DLGCRR administers the financial assistance grants received from the Australian Government under the *Local Government (Financial Assistance) Act 1995* (Cth) (the Commonwealth Act) for distribution to councils. While the purpose of these grants is to supplement local government own-source revenue, this funding forms a significant part of the revenue base for many Queensland councils. The Auditor-General's Report 10 for 2012-13 Results of audits: Local government entities 2011–12 discusses this in more detail.

There are two components to the annual financial assistance grants—a general purpose grant and an identified road grant. Both of these grants are untied and are paid quarterly. As untied grants, the funds can be used for any purpose and there are no reporting obligations imposed on the recipient councils.

During 2012**–**13**,** grants totaling $420.8 million (2011**–**12: $542.0 million) were provided to councils. This consisted of $296.5 million (2011**–**12: $384.2 million) for general purpose grants and $124.3 million (2011**–**12: $157.8 million) for identified road grants.

The Queensland Treasurer is required to acquit these funds annually to the Australian Government through an audited statement of payments. On 25 February 2013, an unmodified opinion was issued on the 2011–12 statement of payments. DLGCRR is preparing the 2012–13 statement of payments currently.

The Commonwealth Act requires each state and territory to establish an independent local government grants commission to make recommendations to the state or territory Minister on the equitable distribution of financial assistance grants amongst local councils. The Queensland Local Government Grants Commission (the Commission) fulfills this role.

The Commission allocates these grants using a methodology developed in accordance with the requirements of the Commonwealth Act and the national principles established by the Australian Government. The Commission's formula to distribute the identified road grant is based on road length (62.85 per cent) and population (37.15 per cent). For the general purpose grant, all councils receive a minimum grant of 30 per cent of their requirement while the remaining 70 per cent is distributed based on relative need. To determine relative need, the Commission calculates annual averages for revenue raising capacity and expenditure on services.

In calculating the annual grants, the Commission uses data collected directly from councils as well as other sources, such as the Australian Bureau of Statistics and Queensland Government agencies. Road data submitted by councils is used by the Commission to calculate both components of the financial assistance grant. The Commission audits a sample of council submissions each year (12 in 2012–13).

As stated in the Commission's 2012–13 annual report:

> *The majority of the audits resulted in adjustments to the road data—confirming that the audit program is a valuable process in the allocation of a finite amount of funds. The discrepancies are usually due to weaknesses in the data management processes conducted by council, or the incorrect classification of road data.*

As part of our 2013–14 audit of DLGCRR, we will review the accuracy and completeness of the data used by the Commission to allocate these grants across Queensland councils; the Commission's processes for verifying this data independently; and the Commission's application of its stated allocation methodology.

13.5.3 Natural Disaster Relief and Recovery Arrangements

To facilitate recovery after major natural disasters, the Australian Government provides financial assistance to the state government through Natural Disaster Relief and Recovery Arrangements (NDRRA). The Australian Government reimburses up to 75 per cent of eligible costs. The remaining 25 per cent is borne by the state.

The coordination of the delivery of the state’s NDRRA relief measures is the responsibility of the QRA. As at 30 June 2013, the state’s funding program under NDRRA was estimated at $14 billion.

Qualified opinions were issued on the state’s NDRRA acquittals to the Australian Government for 2009–10, 2010–11 and 2011–12 because of insufficient documentary evidence to allow an assessment of pre-disaster condition and related post-disaster reparation. This evidence is a prerequisite for being able to establish the validity of restoration claims made. These qualifications, in aggregate, related to the eligibility of $930 million of council claims.

We are currently working with Queensland Treasury and Trade and QRA to determine if any further audit evidence can be gathered from councils to enable us to assess eligibility reliably and issue a revised unmodified opinion. The Australian Government has indicated that it will not release funds until an unmodified acquittal is provided.

The state’s 2012–13 acquittal is being audited and must be submitted to the Australian Government by 31 March 2014. In contrast to prior years, QRA is solely responsible for the administration of these claims and has now established a clear understanding with councils and a greater certainty about compliance requirements with NDRRA determinations.

As a result of Tropical Cyclone Oswald and the associated rainfall and flooding which occurred in January 2013, the Minister for Police and Community Safety activated NDRRA for 57 councils from north-west and far north Queensland, extending virtually to the entire eastern coastline of Queensland.

The estimated funding requirement as at 30 June 2013 to repair damage from this disaster event was $2.43 billion, of which 25 per cent will be met by the state.

13.5.4 Betterment of damaged assets

Betterment, which is limited to the restoration or replacement of essential public assets, is the difference between the cost of restoring or replacing assets to their pre-disaster condition and the cost of restoring or replacing assets to a more disaster resilient standard.

QRA is managing the $80 million Betterment Fund, which is being jointly funded by contributions of $40 million from the state and Australian governments.

The new National Partnership Agreement for Natural Disaster Reconstruction and Recovery between state, territory and Australian governments signed on 8 February 2013 recognised the need for betterment to be a more streamlined process.

While the previous betterment arrangements were introduced into NDRRA in 2007, the process had been cumbersome and resulted in no assets receiving betterment funding since its introduction.

The Betterment Fund is available to councils that have been declared for NDRRA assistance, as a result of the effects of Tropical Cyclone Oswald, for the restoration or replacement of essential public assets to a more disaster resilient standard than their pre-disaster standard. To be considered, councils are required to demonstrate the cost effectiveness of the proposal and ensure the increased disaster resilience will mitigate the effect of future disasters.

At 30 June 2013, expressions of interest had been received from 48 councils for a range of betterment projects of a value of approximately $1 billion.

13.5.5 Appointment of financial controllers and advisors to indigenous councils

Our previous reports to Parliament have identified significant internal control weaknesses at Torres Strait Island Regional Council, Northern Peninsula Area Regional Council and Kowanyama Aboriginal Shire Council.

The prolonged nature of these weaknesses was a catalyst for the Director-General of DLGCRR to appoint an advisor or financial controller to each of these councils during 2012–13. The appointments were made under ss.117 and 118 of the *Local Government Act 2009*.

Figure 13C shows the total cost of these appointments is estimated to be $0.46 million, $0.27 million of which was incurred in 2012–13.

Figure 13C
Appointment of financial controllers and advisors

Council	Appointment	Period	Total cost $	Responsible agency
Torres Strait Island Regional Council	Financial controller	October 2012 to April 2013	170 000	Council
Northern Peninsula Area Regional Council	Financial advisor	May 2013 to July 2013	96 000	Department
Kowanyama Aboriginal Shire Council	Financial controller	May 2013 to November 2013	195 000*	Department^

* Projected cost.

^ Option to recover from council once finances improve.

Source: QAO

While DLGCRR met all fees and outlays of the financial controllers and advisor initially, it has an option to recover the costs of the financial controllers from the respective councils once the councils' financial situation improves. Such a recovery has been made from Torres Strait Island Regional Council through withholding approved grant funding allocated to the council.

13.5.6 Council de-amalgamations

Following the de-amalgamation polls held on 9 March 2013, the Minister for Local Government, Community Recovery and Resilience (the Minister) announced that de-amalgamations would proceed in four Queensland local government areas:

- Douglas Shire de-amalgamating from Cairns Regional Council
- Livingstone Shire de-amalgamating from Rockhampton Regional Council
- Mareeba Shire de-amalgamating from Tablelands Regional Council
- Noosa Shire de-amalgamating from Sunshine Coast Regional Council.

The new councils will commence operations on 1 January 2014. Elections for the new councils were held on 9 November 2013.

As per the de-amalgamation conditions, the new councils are responsible for all de-amalgamation costs incurred after the 9 March 2013 referendum.

In accordance with the Local Government (De-amalgamation Implementation) Regulation 2013 (the Regulation), which took effect on 12 April 2013, the Minister appointed four transfer managers to manage the establishment of each new council. These transfer managers will become the acting chief executive officers of the new councils from 1 January 2014.

Each de-amalgamation area has a transfer committee consisting of the transfer manager and the chief executive officer of the continuing council. The transfer committee is responsible for making decisions on matters such as the transfer of assets and liabilities to the new councils, establishment of joint agreements to ensure continuity of business and deciding on de-amalgamation costs.

As required by the Regulation, DLGCRR has established a de-amalgamation transfer methodology to provide further advice and direction to the transfer managers and transfer committees on the de-amalgamation process.

The transfer methodology allows, with departmental approval, for each continuing council to establish a working capital facility with Queensland Treasury Corporation for the sole purpose of paying de-amalgamation costs. Working capital facilities have been approved for all four continuing councils.

The working capital facility will be transferred to the new councils on 1 January 2014 and must be fully paid by the new council no later than 31 December 2014.

To 30 June 2013, DLGCRR had incurred costs totalling $0.65 million (shown in Figure 13D), primarily related to the employment of the transfer managers and other administrative expenses. These costs will be met initially by the continuing councils through the working capital facilities, but ultimately passed on to the de-amalgamating councils.

Figure 13D
DLGCRR's costs to 30 June 2013

New council	Costs $ m
Noosa Shire Council	0.22
Livingstone Shire Council	0.20
Mareeba Shire Council	0.12
Douglas Shire Council	0.11
Total	**0.65**

Source: QAO

Further information on the de-amalgamation process and the additional costs incurred by the respective councils will be included in the separate local government report to Parliament in early 2014.

13.6 Status of opinions

13.6.1 Financial statement opinions

Figure 13E shows 2012–13 audit opinions issued for this portfolio.

Figure 13E
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department						
DLGCRR	Y	28.08.2013	29.08.2013	U	31.08.2013	✓
Statutory body						
QRA	Y	20.08.2013	20.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y These entities' financial information is included in the State Government Financial Statements.

Source: QAO

14 National Parks, Recreation, Sport and Racing

In brief

Background

This ministerial portfolio is responsible for marine parks management, national parks management, recreation, racing, and sport.

Eight public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued eight unmodified audit opinions.
- We included an emphasis of matter with the audit opinion of The Trustees of Parklands Gold Coast as its operations were wound up.
- The process to prepare financial statements for the Department of Natural Parks, Recreation, Sport and Racing (DNPRSR) was satisfactory.
- Two material adjustments, totalling $158.0 million were required to be made to DNPRSR's 2012–13 financial statements. None were made in 2011–12.
- Due to the machinery of government process and the reduction of staff numbers, approximately 250 departmental workstations became vacant in the 400 George Street Building. DNPRSR is committed to lease this space until 2019–20.

14.1 Background

This portfolio is responsible for marine parks management, national parks management, recreation, racing and sport. The Department of National Parks, Recreation, Sport and Racing (DNPRSR) is the major entity in this portfolio.

This portfolio consists of eight public sector entities required to produce financial statements (shown in Figure 14D), four of which are new racing industry entities created in 2012–13.

Figure 14A shows key financial information for these entities.

Figure 14A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
DNPRSR*	381.4	732.8	2 982.0	58.3
Stadiums Queensland	113.0	164.0	1 145.1	148.4
Other portfolio entities (in aggregate)	147.0	163.4	245.5	45.2
Portfolio total	**641.4**	**1060.2**	**4 372.6**	**251.9**

* Includes controlled and administered amounts.

Source: QAO

The Queensland All Codes Racing Industry Board (QACRIB) was established to replace the former racing regulation body, Racing Queensland Limited on 1 May 2013. It has three controlled companies that are also public sector entities which came into existence on the same date:

- Queensland Race Product Co Ltd
- Sunshine Coast Racing Pty Ltd as trustee for Sunshine Racing Unit Trust
- Rockhampton Racing Pty Ltd.

The Parklands Gold Coast closed on 30 September 2013 to make way for the completion of the athletes' village for the 2018 Commonwealth Games and the further development of the Health and Knowledge Precinct. It is scheduled for demolition at the end of 2013. The general level of events and enquiries dropped as the awareness of closure increased. The 2012–13 financial statements for Trustees of the Parklands Gold Coast were prepared on a liquidation basis.

14.2 Audit results

We issued eight unmodified audit opinions in 2012-13, as in 2011–12.

We included an emphasis of matter with the audit opinion of the Trustees of Parklands Gold Coast as the Trust wound up its operations on 30 September 2013.

14.3 Timeliness

Management and audit certified seven of the eight entities in the portfolio (88 per cent) within the legislative deadline.

Management and audit certified the financial statements of DNPRSR within the two-month legislative deadline. This was an improvement from 2011–12 when the Treasurer granted two extensions of time to DNPRSR. The timeliness of financial statement production in 2011–12 was affected by other departments transferring functions to it as part of the machinery of government changes.

Management and audit certified six of the other seven entities (86 per cent), including the four new racing industry entities, within the two-month legislated deadline (100 per cent in 2011–12).

Management and audit certified the financial statements of the Mt Gravatt Showgrounds Trust more than two months after the 30 June 2013 legislated deadline. In 2012–13, the Trust was exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009* and the audit opinion was issued by a private auditor.

14.4 Quality

14.4.1 Process to prepare financial statements

In 2011–12, the process to prepare financial statements for DNPRSR was satisfactory when assessed against the better practice detailed in Appendix B. We found it was satisfactory again in 2012–13. Good quality assurance processes were implemented and experienced staff were involved in the process.

The process to prepare financial statements for Stadiums Queensland was also assessed against better practice and found to be satisfactory.

14.4.2 Material adjustments

In 2011–12, no material adjustments were made to the financial statements for DNPRSR before an audit opinion was issued. Figure 14B shows two material adjustments totalling $158.0 million were required to be made to DNPRSR's 2012–13 financial statements.

Figure 14B
Changes to DNPRSR's financial statements prior to audit certification

	Income	Expenses	Net result	Assets	Liabilities	Equity
$ m	0	0	0	79.0	0	79.0
No.	0	0	0	1	0	1

Source: QAO

A project was conducted around DNPRSR's land responsibility following machinery of government changes to ensure land was correctly recorded in DNPRSR’s financial asset registers and correctly recorded in the Titles Register. This resulted in a correction of error to property, plant and equipment of $79.0 million.

No material adjustments were made to financial statement amounts for Stadiums Queensland.

No significant changes to note disclosures were made to DNPRSR's financial statements or Stadium Queensland’s financial statements before an audit opinion was issued in 2012–13.

14.5 Significant financial issues

14.5.1 Land validation project

In March 2009 when the former Department of Environment and Resource Management (DERM) formed as a result of machinery of government changes, it became the largest manager of government land in the state; both by value of over $60 billion and by the number of land parcels.

Land managed included:

- national park and forest estate
- unallocated state land
- leasehold land
- land under roads
- land that remained with the department (as government lead land agent) because no other entity had accepted responsibility for the land
- land that was used for its own departmental operational purposes such as office buildings.

Given the extent of landholdings and that records had been previously amalgamated, a project commenced to ensure that all land for which the department was responsible was correctly recorded in the department's financial asset registers and correctly recorded in the titles register.

The project identified the asset register needed updating as shown in Figure 14C:

- land was identified for deletion from the asset register, as it was no longer the responsibility of the department
- land parcels were identified that should be added to the asset register.

Figure 14C
Disclosures

Asset type	2013 balances before restatement	Added assets $ m	Removed assets $ m	Reclassified assets $ m	Net movement $ m
Land	407.2	51.9	(7.4)	(40.0)	4.5
Cultural and heritage	113.0	40.6	(6.2)	40.0	74.4
Total movement	**520.2**	**92.5**	**(13.6)**	**—**	**78.9**

Source: QAO

The net value of correcting the error to property, plant and equipment was $78.9 million.

14.5.2 Stadiums Queensland

At 30 June 2013, loans with a reported value of $306.5 million from Stadiums Queensland were transferred through contributed equity to Queensland Treasury and Trade. The debt servicing on these loans were previously funded as a grant from the Community Investment Fund.

14.6 Future financial risks

14.6.1 Lease commitment, 400 George Street

Under the arrangements before the machinery of government changes, corporate allocations of the lease expense were split among the departments that used the office space. The total annual lease cost for the space for 2013–14 will be $1.01 million, of which DNPRSR is liable for 15 per cent.

During the machinery of government process and reduction of staff numbers, approximately 250 workstations became vacant in the 400 George Street Building. DNPRSR has committed to a lease until September 2019 for this office space.

Market research conducted by the Department of Housing and Public Works shows an increasing surplus into the forward years for office space in the Brisbane CBD. A disclosure may be required in the DNPRSR financial statements to classify this lease as an onerous contract going forward.

The annual lease cost escalates at 4.5 per cent per annum with the lease ceasing part way through the 2019-20 financial year. The total current DNPRSR estimated rent liability (15 per cent) from 1 July 2013 to the end of the lease is approximately $1.08 million.

14.7 Status of opinions

Figure 14D shows 2012–13 audit opinions issued for this portfolio.

Figure 14D
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Department			
DNPRSR	Y	29.08.2013	30.08.2013	U	31.08.2013	✓
			Statutory bodies			
Mt Gravatt Showgrounds Trust+	—	04.09.2013	15.09.2013	U	30.06.2013	×
Stadiums Queensland	Y	27.08.2013	29.08.2013	U	31.08.2013	✓
Trustees of Parklands Gold Coast	Y	29.08.2013	30.08.2013	E	31.08.2013	✓
Queensland All Codes Racing Industry Board#	—	27.08.2013	29.08.2013	U	31.08.2013	✓
Queensland Race Product Co Ltd	—	27.08.2013	29.08.2013	U	31.08.2013	✓
Rockhampton Racing Pty Ltd	—	27.08.2013	29.08.2013	U	31.08.2013	✓
Sunshine Coast Racing Pty Ltd	—	27.08.2013	29.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

+ The financial year of Mt Gravatt Showgrounds Trust was 1 May 2012 to 30 April 2013. The Trust was exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*.

The financial statements of the Queensland All Codes Racing Industry Board covered the period 1 May 2013 to 30 June 2013.

Source: QAO

15 Natural Resources and Mines

In brief

Background

This ministerial portfolio is responsible for mining and petroleum; mine safety and health; land management and use; land titles; valuations; state land; land protection and Aboriginal and Torres Strait Islander land interests; and native title.

This portfolio consists of 71 public sector entities required to produce financial statements.

Key findings

- We issued 40 of the 71 audit opinions for the portfolio.
- Of these 40, 13 are disclaimer of opinions, two are qualified audit opinions and 25 are unmodified opinions.
- The process to prepare financial statements for the Department of Natural Resources and Mines (DNRM) was assessed as satisfactory with some improvement needed to the quality of work papers.
- No material adjustments and no significant changes to note disclosures were made before an audit opinion could be issued.
- River improvement trusts and category 2 water authorities were required to prepare general purpose financial statements in 2012–13 for the first time. Generally, staff at these entities lack the necessary skills to produce these financial statements.

15.1 Background

This portfolio is responsible for mining and petroleum, mine safety and health; land management and use; land titles; valuations; state land; land protection and Aboriginal and Torres Strait Islander land interests; and native title.

The portfolio consists of 70 public sector entities and one by arrangement audit required to produce financial statements (shown in Figure 15C), the same as in 2011–12.

Figure 15A shows key financial information for this portfolio.

Figure 15A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Natural Resources and Mines (DNRM)*	1 270.7	2 183.2	63 195.3	153.8
Other portfolio entities (in aggregate)^	18.8	36.9	239.6	15.2
Portfolio total	**1 289.5**	**2 220.1**	**63 434.9**	**169.0**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

15.2 Audit results

We have issued 40 (56 per cent) of the 71 audit opinions for the portfolio, a decline since 2011–12 when 65 (92 per cent) of the opinions were issued by this time. Of the 40 audit opinions finalised, 25 were unmodified (63 per cent), compared to 65 (92 per cent) in 2011–12.

In previous years, category 2 water authorities and river improvement trusts prepared cash based special purpose financial statements under an exemption approved by the Treasurer from selected provisions of the Financial and Performance Management Standard 2009 (FPMS). Because they were preparing financial statements on a cash basis, they did not have to comply with certain accounting standards. This exemption ended in 2011–12 and new exemptions from the preparation of general purpose financial statements were provided to 16 of 67 entities in 2012–13.

A disclaimer of opinion is issued when the auditor is unable to express an opinion as to whether the financial statements comply with relevant accounting standards and legislative requirements. We issued 13 disclaimer of opinion so far in 2012–13 for this portfolio:

- Avondale Water Board
- Benleith Water Board
- Bollon West Water Authority
- Boondooma Water Board
- Brigooda Water Board
- Fernlee Water Authority
- Grevillea Water Board
- Kelsey Creek Water Board
- Mulgildie Water Board
- Six Mile Creek Water Supply Board
- South Maroochy Drainage Board
- Washpool Water Board
- Woodmillar Water Board.

Disclaimer of opinions were issued for these water boards because sufficient appropriate evidence had not been provided by these entities to support the existence of their non-current assets and to indicate whether all non-current assets had been properly measured and accounted for in the financial statements in accordance with the accounting standards. No disclaimers had been issued on these entities in the prior year, due to the exemptions that had been provided.

Qualified audit opinions are issued when part or all of the financial statements do not comply with relevant accounting standards and legislative requirements. Two qualified audit opinions (for Burdekin Shire Rivers Improvement Trust and Scenic Rim Rivers Improvement Trust) were issued in 2012–13, compared to 2011–12 when one qualified audit opinion was issued of 71 financial statements (around one per cent).

A qualified audit opinion was issued for the Burdekin Shire Rivers Improvement Trust's financial statements as the Trust did not have sufficient evidence to demonstrate that its non-current assets were valued in accordance with AASB 116 *Property Plant and Equipment*. Scenic Rim Rivers Improvement Trust received a qualified audit opinion as the Trust received goods and services below fair value which were not brought to account. The Trust could not demonstrate it had accounted for all goods and services provided to it.

Emphases of matter were included with the unmodified audit opinions of 14 water entities (37 per cent) to draw attention to the fact that special purpose financial statements were prepared. Emphases of matter were included with 59 audit opinions (83 per cent) issued in 2011–12.

In 2011–12, an additional emphasis of matter was included in the audit opinion of the Cairns River Improvement Trust as expenses were incurred during the financial year which had yet to be approved for reimbursement by DNRM under Natural Disaster Relief and Recovery Arrangements. This meant that the Cairns River Improvement Trust spent money to which it was then not entitled. The financial statements for the Cairns River Improvement Trust have not yet been finalised for the current year so it is unclear whether this issue has been resolved.

15.3 Timeliness

All entities except the State Council of River Trusts Queensland Inc. with a 31 December deadline and Dumaresq-Barwon Border Rivers Commission which has no legislative deadline, are required to have their financial statements completed and audited by 31 August 2013.

Management and audit certified DNRM's financial statements within the two-month legislative deadline. This was a more timely result than achieved in 2011–12 when DNRM's financial statements were certified on 19 October 2012 after the Treasurer granted two one-month extensions of time due to machinery of government changes.

Although the State Council of River Trusts Queensland Inc. has a 31 December deadline, its financial statements have already been certified by management and an audit opinion issued.

Seven (19 per cent) of the remaining 37 finalised financial statements were certified by management and audit within the two-month legislated deadline, compared to 55 per cent in 2011–12. Financial statements of a further 25 entities (81 per cent) were certified after the deadline. Financial statements of 31 small entities are yet to be finalised, including five where the Minister will determine the timeline, all of which are water boards.

All of the 30 finalised audit opinions which did not meet the deadline belonged to water boards and were not certified in time because of time lags in correcting financial statement issues. The timeliness of completing financial statements for these water bodies continues to be an ongoing issue for the sector. Finalising the financial statements within the legislative deadlines is affected by the lack of skilled staff in remote areas available to produce financial statements.

15.4 Quality

15.4.1 Process to prepare financial statements

In 2011–12, the processes to prepare DNRM’s financial statements were assessed against the better practice detailed in Appendix B. The processes were assessed as satisfactory, given that most of the issues affecting the financial reporting process were outside DNRM's control. DNRM was dependent on third parties to:

- decide the assets and liabilities to be transferred or redistributed and the entities to take receipt
- process transactions on behalf of DNRM and advise of account balances for the purposes of producing financial statements.

In 2012–13, DNRM’s process was assessed as satisfactory; however, the quality of supporting work papers needed improvement.

The quality of financial statement and supporting information provided by the small water bodies for audit were generally of a poor quality. In most cases, staff responsible for the preparation of financial statements worked on a volunteer basis and had little formal training in accounting matters or the correct methods used for keeping a set of accounts to the standard required of a statutory body.

15.4.2 Material adjustments

No material amount adjustments or significant changes to note disclosures were made to the financial statements of DNRM before an audit opinion was issued. In 2011–12, adjustments totalling $21 million identified by management were made.

15.5 Significant financial issues

15.5.1 Financial reporting of administered land

In Queensland, land under roads represents land for the purposes of the *Land Act 1994* which is not subject to freehold, leasehold title or reserve tenure, and vests in the State of Queensland. Land under roads has been estimated by the Queensland State Valuer-General as encompassing over 3.4 million hectares or around two per cent of the state's total land area. As at 30 June 2013, land under roads in Queensland was valued at $42 billion or around 15 per cent of total assets in the state sector.

The financial reporting issues around control, disclosure and valuation of land under roads were reported in Report 5 for 2012–13 Results of audit: State public sector entities for 2011–12. In this report, we noted accounting issues relating to the valuation methodology in Queensland; how this contrasted with other jurisdictions; disclosure requirements; and control of land under roads were areas of financial reporting requiring further attention. These issues were again raised in Report 7 for 2012–13 Results of audits: State Government financial statements 2011–12.

QAO officers have met with officers from the State Valuation Service, DNRM and Queensland Treasury and Trade since the tabling of those reports. The outcome of these discussions has resulted in a number of representations by Queensland Treasury and Trade and DNRM advising that there will be no change to the financial reporting of land under roads from previous years in 2012–13.

The introduction of Australian Accounting Standard AASB 13 *Fair Value Measurement* applicable to DNRM from 2013–14 will introduce new requirements relating to the valuation and disclosure of administered land such as land under roads. The issues around control, disclosure, and valuation of land under roads and other administered land with a combined reported value of around $62 billion at 30 June 2013 will be reassessed in 2013–14.

15.5.2 Abandoned mine sites on or under state land

There are an estimated 15 000 abandoned mine sites of varying sizes across Queensland. DNRM is directly responsible for the management of approximately 3 500 of these sites on behalf of the state. These sites relate to areas of former mining activity for which no individual, company or organisation has responsibility for rehabilitation. These sites are located on public land that includes national parks, state forests, timber reserves and other state owned land.

DNRM has not recognised in its financial statements a provision for costs associated with abandoned mine sites on or under state controlled land. The Director-General of DNRM has advised that the state does not have a legal or constructive obligation to restore, either partially or in full, any of 3 500 abandoned mine sites for which it is directly responsible. Management of abandoned mine sites is currently overseen through the Abandoned Mine Lands Program (AMLP) within DNRM. Limited funding ($4 million to $6 million per year) has, in the past, been provided to deliver monitoring and maintenance activities. The AMLP has, in the past, dealt with six specific mine sites:

- Mount Morgan
- Mount Oxide
- Horn Island
- Herberton
- Charters Towers
- Gympie.

15.5.3 River improvement trusts and category 2 water authorities

At the beginning of the 2012–13 financial year, there were:

- 51 category 2 water authorities established under the *Water Act 2000*
- 15 river improvement trusts (RITs) established under the *River Improvement Trust Act 1941*
- one controlled entity (State Council of River Trusts Queensland) which was an incorporated association.

During the year, five bodies were formally dissolved as part of structural changes. Arrangements are currently proceeding for the completion of audits and preparation of final reports. A further ten bodies have taken preliminary steps to seek dissolution. The timing for remaining bodies to complete their restructuring activities has yet to be determined.

There was one category 2 water authority (Palmgrove Water Board) which had yet to provide documentation necessary to finalise their 2011–12 financial statements. Officers from QAO and DNRM have been in regular contact with the water authority. QAO officers will continue to provide the necessary assistance required to finalise this audit.

Modified audit opinions were issued for the following reasons:

- disclaimer of opinions were issued for entities which:
  - continued to prepare special purpose financial statements when they had not received exemptions from preparing general purpose financial statements
  - had not established appropriate asset management systems to support the completeness and existence of assets and their subsequent measurement
- qualified opinions were issued for entities which:
  - had systems in place to support the completeness and existence of assets but not their measurement
  - were not able to quantify and record the value of goods and services received below fair value.

The major issues identified from our audit of category 2 water authorities and RITs were:

- the recognition and measurement of non-current infrastructure and other assets acquired or constructed in both previous and current years
- compliance with requirements around the keeping of accounts as required by FPMS and other prescribed requirements
- the preparation of opening account balances and comparative figures for the financial statements.

Many of these entities failed to finalise the audit of their financial statements or achieve an unmodified audit opinion because of the lack of skills and resources necessary to prepare general purpose financial statements for the first time.

Previously these entities had prepared cash based special purpose financial statements under an exemption from selected provisions of the FPMS as approved by the Treasurer. This exemption ended in 2011–12 and new exemptions from the preparation of general purpose financial statements were provided to only 16 of the 67 entities in 2012-13. Other exemptions from selected sections of the FPMS were also granted to a number of other entities; however, these exemptions did not exclude the need to prepare general purpose financial statements.

15.6 Status of opinions

15.6.1 Financial statement opinions 2012–13

Figure 15C shows 2012–13 audit opinions issued for this portfolio.

Figure 15C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Department			
Department of Natural Resources and Mines	Y	29.08.2013	29.08.2013	U	31.08.2013	✓
			Jointly controlled entity			
State Council of River Trusts, Queensland Inc.	—	13.08.2013	02.10.2013	E*	31.12.2013	✓
			Statutory bodies			
Avondale Water Board	—	19.07.2013	25.10.2013	D	31.08.2013	×
Babinda Swamp Drainage Board	—	Not finalised	Not finalised	—	31.08.2013	×
Benleith Water Board	—	27.09.2013	27.09.2013	D	31.08.2013	×
Bollon South Water Authority	—	Not finalised	Not finalised	—	31.08.2013	×
Bollon West Water Authority	—	24.08.2013	25.10.2013	D	31.08.2013	×
Bones Knob Water Board	—	12.09.2013	27.09.2013	E*	31.08.2013	×
Boondooma Water Board	—	31.08.2013	27.09.2013	D	31.08.2013	×
Brigooda Water Board	—	30.08.2013	13.11.2013	D	31.08.2013	×
Burdekin Shire Rivers Improvement Trust	—	27.09.2013	25.10.2013	Q	31.08.2013	×
Cairns River Improvement Trust	—	Not finalised	Not finalised	—	31.08.2013	×
Callandoon Water Supply Board	—	Not finalised	Not finalised	—	31.08.2013	×
Cassowary Coast River Improvement Trust	—	Not finalised	Not finalised	—	31.08.2013	×
Cardwell Shire River Improvement Trust	—	Not finalised	Not finalised	—	To be determined	Ø
Clifton Shire River Improvement Trust	—	Not finalised	Not finalised	—	To be determined	Ø

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Condamine Plains Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Coreen Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Cowley Drainage Board	—	26.07.2013	11.10.2013	E*	31.08.2013	×
Crowley Vale Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Don River Improvement Trust	—	Not finalised	Not finalised	—	31.08.2013	×
Dundowran–Nikenbah Water Board	—	Not finalised	Not finalised	—	To be determined	Ø
East Deeral Drainage Board	—	Not finalised	Not finalised	—	31.08.2013	×
East Euramo Drainage Board	—	24.07.2013	27.09.2013	E*	31.08.2013	×
Eugun Bore Water Authority	—	Not finalised	Not finalised	—	31.08.2013	×
Fernlee Water Authority	—	08.10.2013	08.10.2013	D	31.08.2013	×
Glamorgan Vale Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Grevillea Water Board	—	02.09.2013	25.10.2013	D	31.08.2013	×
Herbert River Improvement Trust	—	09.07.2013	30.08.2013	E*	31.08.2013	✓
Ingie Water Authority	—	Not finalised	Not finalised	—	31.08.2013	×
Ipswich Rivers Improvement Trust	—	Not finalised	Not finalised	—	31.08.2013	×
Jondaryan Shire River Improvement Trust	—	Not finalised	Not finalised	—	To be determined	Ø
Juandah Water Board	—	31.07.2013	13.09.2013	E*	31.08.2013	×
Kaywanna Bore Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Kelsey Creek Water Board	—	31.07.2013	25.10.2013	D	31.08.2013	×
Kooingal Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Lower Herbert Water Management Authority	—	Not finalised	Not finalised	—	31.08.2013	×
Marathon Bore Water Supply Board	—	19.07.2013	17.09.2013	E*	31.08.2013	×
Matthews Road Drainage Board	—	Not finalised	Not finalised	—	31.08.2013	×
Merlwood Water Board	—	Not finalised	Not finalised	—	31.08.2013	×

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Middle Park Bore Water Supply Board	—	19.07.2013	17.09.2013	E*	31.08.2013	×
Mourilyan Drainage Board	—	26.07.2013	27.09.2013	E*	31.08.2013	×
Mulgildie Water Board	—	19.07.2013	27.09.2013	D	31.08.2013	×
Myall Plains Water Authority	—	Not finalised	Not finalised	—	To be determined	Ø
North Burdekin Water Board	—	21.08.2013	30.08.2013	U	31.08.2013	✓
Oaky Creek Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Orchard Creek Drainage Board	—	24.07.2013	27.09.2013	E*	31.08.2013	×
Palmgrove Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Pioneer River Improvement Trust	—	23.08.2013	30.08.2013	U	31.08.2013	✓
Pioneer Valley Water Board	—	22.08.2013	30.08.2013	U	31.08.2013	✓
Riversdale-Murray Valley Water Management Board	—	24.07.2013	27.09.2013	E*	31.08.2013	×
Roadvale Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Scenic Rim Rivers Improvement Trust	—	09.08.2013	25.10.2013	Q	31.08.2013	×
Silkwood Drainage Board	—	Not finalised	Not finalised	—	31.08.2013	×
Six Mile Creek Water Supply Board	—	31.07.2013	25.10.2013	D	31.08.2013	×
Smithfield Drainage Board	—	03.09.2013	20.09.2013	E*	31.08.2013	×
South Burdekin Water Board	—	21.08.2013	30.08.2013	U	31.08.2013	✓
South Maroochy Drainage Board	—	14.10.2013	25.10.2013	D	31.08.2013	×
Stagnant Creek Drainage Board	—	24.07.2013	27.09.2013	E*	31.08.2013	×
Stanthorpe Shire River Improvement Trust	—	26.08.2013	25.10.2013	U	31.08.2013	×
Surveyors Board of Queensland[#]	—	20.08.2013	20.08.2013	U	31.08.2013	✓
Valuers Registration Board of Queensland	—	29.07.2013	05.08.2013	U	31.08.2013	✓
Wambo Shire River Improvement Trust	—	02.08.2013	09.10.2013	U	31.08.2013	×

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Wanda Creek Drainage Board	—	30.07.2013	11.10.2013	E*	31.08.2013	×
Warwick Shire River Improvement Trust	—	31.07.2013	20.09.2013	U	31.08.2013	×
Washpool Water Board	—	29.07.2013	27.09.2013	D	31.08.2013	×
Weengallon Water Authority	—	Not finalised	Not finalised	—	31.08.2013	×
Whitsunday Rivers Improvement Trust	—	Not finalised	Not finalised	—	31.08.2013	×
Woodmillar Water Board	—	27.07.2013	27.09.2013	D	31.08.2013	×
Yambocully Water Board	—	Not finalised	Not finalised	—	31.08.2013	×
Audited by arrangement						
Dumaresq-Barwon Border Rivers Commission	—	13.09.2013	13.09.2013	U	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

* An emphasis of matter was issued to alert financial statement users that special purpose financial statements were prepared.

Surveyors Board of Queensland was exempted from audit by the Auditor-General under s.30 of the Auditor-General Act 2009.

Ø These entities have been dissolved with final financial statements to be provided by the former Minister.

Source: QAO

15.6.2 Financial statement opinions 2011–12

Figure 15D shows audit opinions issued for 2011–12 since Report 5 for 2012-13 was tabled in Parliament in November 2012.

Figure 15D
2011–12 audit opinions not previously reported

Audit	Entity type	Financial statements signed	Opinion issued	Opinion
Benleith Water Board	Statutory body	17.08.2012	25.02.2013	E*
Bollon South Water Authority	Statutory body	12.02.2013	28.02.2013	E*
Dumaresq–Barwon Border Rivers Commission	Audited by arrangement	01.11.2012	07.11.2012	U
Grevillea Water Board	Statutory body	18.08.2012	21.11.2012	E*
Merlwood Water Board	Statutory body	03.10.2012	22.07.2013	E*
Palmgrove Water Board	Statutory body	Not finalised	Not finalised	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

* An emphasis of matter was issued to alert financial statement users that special purpose financial statements were prepared.

Source: QAO

16 Police and Community Safety

In brief

Background

This ministerial portfolio is responsible for police service, adult corrective services, ambulance service, fire and rescue service and disaster management.

Three public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued three unmodified audit opinions.
- Management and audit certified the financial statements of all entities within the two-month legislated deadline.
- The processes to prepare Department of Community Safety and Queensland Police Service financial statements were assessed against better practice for financial report preparation. Their processes were satisfactory.

16.1 Background

This portfolio is responsible for police service, adult corrective services, ambulance service, fire and rescue service and disaster management.

The portfolio consists of three public sector entities required to produce financial statements (shown at Figure 16B), the same as in 2011–12. Figure 16A shows key financial information for these entities.

Figure 16A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Community Safety*	1 824.1	1 822.9	3 608.8	149.3
Prostitution Licensing Authority	1.5	1.3	1.2	0.5
Queensland Police Service*	1 967.7	1 956.1	1 984.0	132.5
Portfolio total	**3 793.3**	**3 780.3**	**5 594.0**	**282.3**

* Amounts include controlled and administered amounts.

Source: QAO

16.2 Audit results

We issued three unmodified audit opinions in 2012-13, as in 2011–12.

16.3 Timeliness and quality

Management and audit certified the financial statements for all entities within the two-month legislated deadline, as in 2011–12.

16.3.1 Processes to prepare financial statements

The processes used by the Department of Community Safety (DCS) and Queensland Police Service (QPS) to produce their financial statements have been assessed against better practice detailed in Appendix B for the past two years. The processes of both entities were satisfactory:

- DCS provided pro forma statements for audit review before the end of March 2013. Early provision of pro forma statements enabled early identification of amendments, minimising the need for significant disclosure changes at year end.
- QPS performed monthly financial reporting which was presented to senior management. Regular monthly reporting allowed the year end process to be an extension of the month-end process.

16.3.2 Material adjustments

No material adjustments were required to the financial statements for DCS in 2011–12 or 2012–13. No significant changes were made to note disclosures in 2011–12 but, in 2012–13, a change was required to the commitments for grants and subsidiaries note as these commitments were overstated by $47 million. The underlying data was correct in ageing the commitments.

QPS did not require any material adjustments to their financial statements or have significant changes to note disclosures in either of the last two years.

16.4 Significant financial issues

16.4.1 Sale of Darling Downs Correctional Centre

The Darling Downs Correctional Centre, first established in 1900, was closed in September 2012 and the inmates relocated to other correctional centres in Queensland. The complex comprised six land parcels covering 372.5 hectares with associated buildings and infrastructure which had a combined written down value of $21.8 million.

Prior to being offered for sale, the land and buildings were independently valued at $3.4 million, the reduction of $18.4 million—primarily related to the buildings— was accounted for through the asset revaluation surplus.

At 30 June 2013, contracts of sale totaling $1.9 million were in place for four land parcels with a value of $1.8 million. The two remaining parcels, with a combined value of $1.4 million, are recorded as assets held for sale in the balance sheet of DCS at 30 June 2013.

16.5 Future financial risks

16.5.1 DCS replacement payroll system

As indicated in Report 5 for 2012–13 Results of audit: State public sector entities for 2011–12, DCS's Lattice payroll system is no longer supported by the vendor and continues to represent a significant risk until a suitable replacement option can be identified and implemented. In 2012–13, DCS budgeted an amount of $100 million to be spent over four years to 2015–16 towards a new system.

Since 2010-11 an amount of $5 million has been spent on this project. Work proposed during 2013–14 will continue to stabilise the existing infrastructure and test business continuity; and reviews will be undertaken of the ancillary systems used to support the human resources and payroll processes.

16.6 Status of opinions

Figure 16B shows the 2012–13 audit opinions issued for this portfolio.

Figure 16B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Departments			
Department of Community Safety	Y	27.08.2013	29.08.2013	U	31.08.2013	✓
Queensland Police Service	Y	29.08.2013	30.08.2013	U	31.08.2013	✓
			Statutory body			
Prostitution Licensing Authority	Y	05.08.2013	07.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y These entities' financial information is included in the State Government Financial Statements.

Source: QAO

17 The Premier and Cabinet

In brief

Background

This ministerial portfolio is responsible for the overall management of Queensland; Cabinet; coordinating government communication; policy development; Parliamentary Counsel; governance; protocol and intergovernmental relations; and overall public service management.

Five public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued four unmodified audit opinions.
- Financial statements for the Premier's Disaster Relief Fund are not yet finalised.
- We included an emphasis of matter with the audit opinion of The Cyclone Larry Disaster Relief Fund as the fund was wound up.
- Management and audit certified the financial statements of three entities within the legislated deadline.
- The processes to prepare financial statements for the Department of the Premier and Cabinet were satisfactory in 2012–13, as they were in 2011–12.

17.1 Background

This portfolio is responsible for the overall management of Queensland; Cabinet; coordinating government communication; policy development; Parliamentary Counsel; governance; protocol and intergovernmental relations; and overall public service management.

The portfolio consists of five public sector entities required to produce financial statements (shown at Figure 17B). This represents two fewer entities than were required in 2011–12—the Queensland Reconstruction Authority transferred to the portfolio of Local Government, Community Recovery and Resilience, and Gold Coast 2018 Commonwealth Games Bid Ltd was wound up in 2011–12.

Figure 17A shows key financial information for this portfolio.

Figure 17A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of the Premier and Cabinet*	130.5	130.5	36.2	26.5
Office of the Governor	5.6	5.6	2.5	0.3
Public Service Commission	20.0	20.0	4.6	3.6
Other portfolio entities (in aggregate)^	0	0	0	0
Portfolio total	**156.1**	**156.1**	**43.3**	**30.4**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

17.2 Audit results

Unmodified audit opinions were issued for four of the five portfolio entities (80 per cent), compared to 71 per cent in 2011–12. The financial statements of the Premier's Disaster Relief Appeal Fund have not yet been finalised. An emphasis of matter was included with the unmodified audit opinion of The Cyclone Larry Disaster Relief Fund as the fund was wound up and its assets transferred to the Premier's Disaster Relief Appeal Fund.

Apart from the audit opinions issued for the financial statements, two other opinions were issued:

- The Public Report of Ministerial Expenses for 1 July 2012 to 30 June 2013 was audited and an unmodified audit opinion was issued. An emphasis of matter was included with the opinion to draw attention to it being a special purpose financial report.
- The Public Report of the Office Expenses of the Leader of the Opposition for 1 July 2012 to 30 June 2013 was audited and an unmodified audit opinion was issued. An emphasis of matter was included with the opinion to draw attention to it being a special purpose financial report.

These public reports were tabled in Parliament on 21 August 2013 and 23 August 2013 respectively in accordance with the requirements of the *Financial Accountability Act 2009.*

17.3 Timeliness

Management and audit certified the financial statements of three entities within the two-month legislated deadline, as they did in 2011–12.

The two remaining trust entities have no legislative deadline for finalisation of the audit of financial statements. The financial statements of one of these entities, The Cyclone Larry Disaster Relief Fund, is finalised.

17.4 Quality

17.4.1 Financial statement preparation process

The processes to prepare financial statements for the Department of the Premier and Cabinet (DPC) were assessed as satisfactory in 2012–13 when assessed against the better practice detailed in Appendix B. These processes were also satisfactory in 2011–12.

Pro forma and draft financial statements were received within agreed deadlines, supporting documentation was well presented and quality review of the financial statements was evident.

17.4.2 Material adjustments

DPC did not require any material adjustments to its financial statements or have significant changes to note disclosures in either of the last two years.

17.5 Status of opinions

17.5.1 Financial statement opinions 2012–13

Figure 17B shows 2012–13 audit opinions issued for this portfolio.

Figure 17B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Departments			
Department of the Premier and Cabinet	Y	19.08.2013	22.08.2013	U	31.08.2013	✓
Office of the Governor	Y	21.08.2013	26.08.2013	U	31.08.2013	✓
Public Service Commission	Y	19.08.2013	28.08.2013	U	31.08.2013	✓
			Audited by arrangement			
Premier's Disaster Relief Appeal Fund	—	Not finalised	Not finalised	—	None	—
The Cyclone Larry Disaster Relief Fund^	—	17.06.2013	24.07.2013	E	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y These entities' financial information is included in the State Government Financial Statements.

^ The financial year for The Cyclone Larry Disaster Relief Fund was 1 July 2012 to 25 January 2013.

Source: QAO

17.5.2 Other opinions issued for 2012–13

Figure 17C
Other opinions issued

Audit	Period	Financial statements signed	Opinion issued	Opinion	Tabled in Parliament
Public Report of Ministerial Expenses	01.07.2012 to 30.06.2013	09.08.2013	20.08.2013	E	21.08.2013
Public Report of the Office Expenses of the Leader of the Opposition	01.07.2012 to 30.06.2013	01.08.2013	20.08.2013	E	23.08.2013

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

* An emphasis of matter was issued to alert financial statement users that special purpose financial statements were prepared.

Source: QAO

17.5.3 Financial statement opinions 2011–12

Figure 17D shows 2011–12 audit opinions issued since Report 5 for 2012–13 Results of audit: State public sector entities for 2011–12 was tabled in Parliament in November 2012. These trust entities did not have a legislative deadline to finalise their financial statements.

Figure 17D
2011–12 audit opinions not previously reported

Audit	Entity type	Financial statements signed	Opinion issued	Opinion
Premier's Disaster Relief Appeal Fund	Audited by arrangement	26.11.2012	30.11.2012	U
The Cyclone Larry Disaster Relief Fund	Audited by arrangement	26.11.2012	30.11.2012	E*

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

* An emphasis of matter was issued to alert users of the financial statements to the fact that special purpose financial statements were prepared.

Source: QAO

18 Science, Information Technology, Innovation and the Arts

In brief

Background

This ministerial portfolio is responsible for science policy, strategy and investment; digital economy; Chief Scientist; innovation policy, strategy and programs; research and development coordination and planning; international collaborations; administration of Crown copyright and intellectual property; government information and communication services and delivery; archives; Smart Services Queensland; Queensland Shared Services; and Arts Queensland.

Twelve public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued 11 unmodified audit opinions.
- Management and audit certified all finalised financial statements within the legislated deadline.
- The process to prepare financial statements for the Department of Science, Information Technology, Innovation and the Arts (DSITIA) was satisfactory.
- No significant adjustments were required to be made to DSITIA's financial statements before an audit opinion could be issued.

18.1 Background

This portfolio is responsible for science policy, strategy and investment; digital economy; Chief Scientist; innovation policy, strategy and programs; research and development coordination and planning; international collaborations; administration of Crown copyright and intellectual property; government information and communication services and delivery; archives; Smart Services Queensland; Queensland Shared Services; and Arts Queensland.

The portfolio has 12 public sector entities required to produce financial statements (shown in Figure 18B). Figure 18A shows key financial information for these entities.

Figure 18A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Science, Information Technology, Innovation and the Arts*	948.8	963.6	1 109.1	139.9
Board of the Queensland Museum	36.8	36.9	546.6	3.4
Library Board of Queensland	59.6	57.0	114.9	3.7
Queensland Art Gallery Board of Trustees	50.4	48.8	342.7	3.9
Queensland Performing Arts Trust	53.0	52.5	23.8	6.1
Other portfolio entities (in aggregate)^	22.2	19.3	26.7	8.9
Portfolio total	**1 170.8**	**1 178.1**	**2 163.8**	**165.9**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

18.2 Audit results

We issued unmodified audit opinions for 11 of the 12 entities in this portfolio. Queensland Music Festival Pty Ltd's financial statements are not yet finalised as their balance date was 30 September 2013.

We included an emphasis of matter with the unmodified audit opinion of Queensland Art Gallery Foundation as the entity was wound up on 16 April 2013.

18.3 Timeliness

The five entities in this portfolio with a legislated deadline for finalising financial statements were able to meet this deadline, as in 2011–12.

In 2011–12, the Treasurer granted a one-month extension to the Department of Science, Information Technology, Innovation and the Arts (DSITIA) to certify its financial statements due to machinery of government changes. DSITIA was able to meet the 31 August legislative deadline in 2012–13.

18.4 Quality

18.4.1 Financial statement preparation process

For the past two years, DSITIA's financial statement process was assessed against better practice for financial report preparation detailed in Appendix B. Their processes were satisfactory in 2012–13, as they were in 2011–12.

An area that was well done was the early preparation, including timetables and identification of potential contentious issues. There was sound management review of the process to ensure deadlines were met. Significant financial statement issues were escalated to senior management. An area that could be improved was the quality review of documentation which was not consistently carried out.

18.4.2 Material adjustments

No material financial statement adjustments or significant changes to note disclosures were made to DSITIA's financial statements before an audit opinion could be issued either in 2011–12 or in 2012–13.

18.5 Status of opinions

18.5.1 Financial statement opinions 2012–13

Figure 18B shows 2012–13 audit opinions issued for this portfolio.

Figure 18B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department and controlled entities						
Department of Science, Information Technology, Innovation and the Arts	Y	29.08.2013	30.08.2013	U	31.08.2013	✓
• Aboriginal Centre for the Performing Arts Pty Ltd	—	27.09.2013	30.09.2013	U	None	—
• BioPharmaceuticals Australia (Network) Pty Ltd	—	21.08.2013	26.08.2013	U	None	—
• Queensland Music Festival Pty Ltd#	—	Not finalised	Not finalised	—	None	—
• Screen Queensland Pty Ltd	—	11.09.2013	13.09.2013	U	None	—
Statutory bodies and controlled entities						
Board of the Queensland Museum	—	16.08.2013	27.08.2013	U	31.08.2013	✓

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
• Queensland Museum Foundation Trust	—	08.08.2013	27.08.2013	U	None	—
Library Board of Queensland	—	26.08.2013	29.08.2013	U	31.08.2013	✓
• Queensland Library Foundation	—	23.08.2013	29.08.2013	U	None	—
Queensland Art Gallery Board of Trustees	—	15.08.2013	23.08.2013	U	31.08.2013	✓
• Queensland Art Gallery Foundation^	—	15.10.2013	25.10.2013	E	None	—
Queensland Performing Arts Trust	—	28.08.2013	29.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y This entity's financial information is included in the State Government Financial Statements.

Queensland Music Festival Pty Ltd's financial year was 1 October 2012 to 30 September 2013. It was exempted from audit by the Auditor-General under s.30 of the *Auditor-General Act 2009*.

^ The financial year of the Queensland Art Gallery Foundation was 1 July 2012 to 16 April 2013.

Source: QAO

19 Tourism, Major Events,Small Business and the Commonwealth Games

In brief

Background

This ministerial portfolio is responsible for the Commonwealth Games; developing small business capability; investment promotion; major events; regulatory reform; small business resilience; and tourism development and promotion.

Six public sector entities required to produce financial statements make up this portfolio.

Key findings

- Six unmodified audit opinions were issued.
- The Department of Tourism, Major Events, Small Business and the Commonwealth Games financial statement preparation process significantly improved from 2011–12.

19.1 Background

This portfolio is responsible for the Commonwealth Games; developing small business capability; investment promotion; major events; regulatory reform; small business resilience; and tourism development and promotion.

The portfolio has six public sector entities required to produce financial statements (shown in Figure 19B), compared to eight in 2011–12. The difference is due to:

- Tourism Queensland and Events Queensland merging during the year to become Tourism and Events Queensland
- Gold Coast Events Co. Pty Ltd is not reporting in 2012–13.

Figure 19A shows key financial information for these entities.

Figure 19A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Tourism, Major Events, Small Business and the Commonwealth Games*	141.1	141.0	9.1	7.8
Tourism and Events Queensland	88.5	99.4	20.7	15.0
Other portfolio entities (in aggregate)^	30.1	30.8	9.7	6.7
Portfolio total	**259.7**	**271.2**	**39.5**	**29.5**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

19.2 Audit results

We issued audit opinions for six of the portfolio's entities (100 per cent) and all were unmodified, as for 2011–12.

We included an emphasis of matter with the audit opinion of Asia Pacific Screen Awards Limited. The awards are no longer being supported by Tourism and Events Queensland which means the company is no longer a going concern.

19.3 Timeliness

All entities in this portfolio finalised financial statements within the legislated deadline, including the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB).

In 2011–12, due to machinery of government changes, the Treasurer granted a one-month extension to DTESB until 30 September 2012 to certify its financial statements, which DTESB met. In 2012–13, DTESB was able to meet its 31 August legislated deadline.

19.4 Quality

19.4.1 Financial statement preparation process

For the past two years, the processes to prepare DTESB's financial statements were assessed against better practice as detailed in Appendix B.

In 2011–12, the process to prepare DTESB's financial statements needed improvement as there was no independent review of documentation, data and financial statements before they were provided for audit. The process to prepare financial statements was affected by machinery of government changes and the timing associated with finalising the administrative arrangements around these changes. In 2012–13, the process had significantly improved and was satisfactory.

19.4.2 Material adjustments

In 2011–12, material adjustments totalling $22.6 million were made to the DTESB financial statements before an audit opinion could be issued. In 2012–13, there were no material adjustments required and no significant changes required to note disclosures.

19.5 Status of opinions

Figure 19B
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department and controlled entities						
Department of Tourism, Major Events, Small Business and the Commonwealth Games	Y	26.08.2013	30.08.2013	U	31.08.2013	✓
• Asia Pacific Screen Awards Ltd	—	07.08.2013	22.08.2013	E	31.10.2013	✓
• Gold Coast Events Management Ltd (trading as Queensland Events Gold Coast)	—	30.07.2013	06.08.2013	U	31.10.2013	✓
Statutory bodies						
Gold Coast 2018 Commonwealth Games Corporation	—	26.08.2013	27.08.2013	U	31.08.2013	✓
Tourism and Events Queensland	Y	13.08.2013	22.08.2013	U	31.08.2013	✓
Tourism and Events Queensland Employing Office	—	13.08.2013	30.08.2013	U	31.08.2013	✓

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y These entities' financial information is included in the State Government Financial Statements.

Source: QAO

20 Transport and Main Roads

In brief

Background

This ministerial portfolio is responsible for air services; busways; land transport and safety; main roads; maritime; passenger transport; ports; railways; transport infrastructure; and TransLink Transit Authority.

Twelve public sector entities required to produce financial statements make up this portfolio.

Key findings

- We issued 12 unmodified audit opinions.
- We included emphases of matter with the unmodified audit opinions of TransLink Transit Authority, TransLink Transit Authority Employing Office and the National Heavy Vehicle Regulator.
- Management and audit certified all finalised financial statements in the legislated deadline.
- The financial processes to prepare financial statements of the Department of Transport and Main Roads (DTMR) and Queensland Rail were satisfactory.
- No material adjustments were required to DTMR's financial statements while a potential significant adjustment for the Sunlander project raised by Queensland Rail remains outstanding.

20.1 Background

This portfolio is responsible for air services; busways; land transport and safety; main roads; maritime; passenger transport; ports; railways; transport infrastructure; and TransLink Transit Authority.

The portfolio has 12 public sector entities required to produce financial statements including one entity audited by arrangement (shown in Figure 20C). Figure 20A shows key financial information for these entities.

Figure 20A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Department of Transport and Main Roads*	11 991.4	5 782.8	58 664.6	2 530.4
Far North Queensland Ports Corporation Limited (trading as Ports North)	35.6	26.9	315.2	38.5
Gladstone Ports Corporation Limited	889.2	786.6	1 810.6	939.8
North Queensland Bulk Ports Corporation Limited	100.3	68.3	407.6	166.5
Port of Townsville Limited	72.7	38.5	538.8	148.8
Queensland Rail^~	296.9	120.5	3 415.1	787.9
Queensland Rail Limited~	1 930.7	1 675.8	7 275.1	4 529.9
Other portfolio entities (in aggregate)	844.9	849.5	574.4	134.0
Portfolio total	**16 161.7**	**9 348.9**	**73 001.4**	**9 275.8**

* Amounts include controlled and administered amounts.

^ Queensland Rail figures represent two months of operation.

~ Consolidated figures for Queensland Rail Limited are reported, whereas only the parent figures have been reported for Queensland Rail to avoid duplication of balances.

Source: QAO

This represents two more entities than in 2011–12. This was because:

- Transport Holdings Queensland Pty Ltd was deregistered since 2011–12
- three new entities were created—Gold Coast Waterways Authority (GCWA), National Heavy Vehicle Regulator and Queensland Rail.

The GCWA was created on 1 December 2012 when Maritime Safety Queensland (Gold Coast Region) was transferred out of the Department of Transport and Main Roads (DTMR) to form GCWA. As part of this change, $161.7 million in assets and $0.3 million in liabilities were transferred from DTMR. GCWA was also provided $2.9 million in equity and 17 employees by DTMR.

The National Heavy Vehicle Regulator (NHVR) was formally established on 12 October 2012 as a for-profit entity by its enabling legislation, the *Heavy Vehicle National Law Act 2012*. There was no departmental arrangement notice issued for transfer of staff or assets from DTMR to NHVR. Although not a state government entity, QAO was nominated by NHVR as external auditor for 2012-13. The NHVR board made the recommendation to the responsible Ministers, who provided final approval for the appointment.

Queensland Rail Limited underwent an institutional restructure with the passage of the Queensland Rail Transit Authority Act 2013 on 3 May 2013. The restructure was achieved by:
- establishing the Queensland Rail Transit Authority (QRTA) as a statutory body on that date (its name changed to Queensland Rail 30 days later in accordance with the Act)
- transferring Queensland Rail Ltd's shares to QRTA, making the company a controlled entity of QRTA and no longer a government owned corporation
- transferring Queensland Rail Ltd's employees and enterprise agreements to QRTA
- providing for the future transfer of assets, liabilities and instruments through transfer notices over time as rail reform progresses.

Two separate entities now exist with:
- QR Ltd providing passenger rail services through a service agreement with Queensland Rail
- Queensland Rail retaining responsibility for strategic direction and staff to continue rail services.

The TransLink Transit Authority (TTA) and TransLink Transit Authority Employing Office (TTAEO) ceased to exist on 1 January 2013. In November 2012, the Minister for Transport and Main Roads announced the restructure of TTA and TTAEO. TransLink now operates as a division of DTMR.

20.2 Audit results

We issued 12 unmodified audit opinions in 2012–13 as occurred in 2011–12.

We included an emphasis of matter with the audit opinions of TTA and TTAEO as these entities were abolished at 31 December 2012. An emphasis of matter was also included with the audit opinion of the NHVR due to going concern issues. NHVR relies on all states and territories to provide its funding.

20.3 Timeliness

Financial statements were finalised for 11 entities within the legislated deadline, compared to nine in 2011–12. NHVR did not have legislated deadlines for finalising financial statements.

In 2011–12, the North Queensland Bulk Ports Corporation Limited was not able to meet its legislated deadline due to complex accounting issues affecting valuations and delaying the finalisation of financial statements and notes. The Corporation has resolved these issues and 2012–13 financial statements were completed within the legislated deadline.

20.4 Quality

20.4.1 Processes to prepare financial statements

The processes to prepare financial statements of two of the portfolio's significant entities were assessed against better practice detailed in Appendix B. These entities' processes were found to be satisfactory:

- DTMR's financial reporting packages were prepared at a high standard, comprehensive and easily understood. Packages were reviewed and confirmed as supporting the financial balances reported in the financial statements. Financial statements and documentation were quality reviewed by senior officers. DTMR's process to prepare financial statements was satisfactory in 2011–12.
- Queensland Rail’s staff performed rigorous and objective analytical review during the process to prepare financial statements to help to improve the accuracy of the report. Queensland Rail is a new entity so no assessment was performed in 2011–12.

In 2011–12, the process to prepare financial statements for North Queensland Bulk Ports Corporation Limited was significantly affected by complex accounting issues which caused a delay in producing financial statements before they could be finalised. In 2012–13, these issues have been resolved.

20.4.2 Material adjustments

For the past two years, DTMR's financial statements have not required material adjustments or significant changes to note disclosures.

In 2012–13, a $356 million adjustment was made by Queensland Rail for its financial statements, due to an intercompany transaction between Queensland Rail and Queensland Rail Limited which had been grossed up. There were no significant changes required to Queensland Rail's note disclosures.

20.5 Significant financial issues

20.5.1 Major capital projects status summary

This portfolio manages the significant transport projects for the state. Figure 20B shows completion dates and costs for the projects greater than $200 million under construction or development.

Figure 20B
Major projects

Entity	Project	Original target date	Forecast completion date	Months late	Project approval $ m*	Forecast final cost $ m
DTMR	Gold Coast Rapid Transit (Southport to Broadbeach - Rail Infrastructure	Sep 2015	Sep 2015	—	1 296	1 296
	Moreton Bay Rail Link (Petrie to Kippa-Ring Station - Rail Infrastructure)	Dec 2016	Dec 2016	—	1 147	1 147
	Bruce Hwy (Brisbane to Gympie - New Route-Cons to Seal Std)	Jun 2017	Jun 2017	—	790	790
	Bruce Hwy (Brisbane to Gympie - Sankeys Road-Traveston Road	Dec 2012	Feb 2013	2	460	460
	Port of Brisbane Mwy (Lindum Rd to Pritchard Rd)	Aug 2013	Jun 2013	—	376	376
	Pacific Hwy (Springwood Sth to Daisy Hill)	Jul 2012	Nov 2012	4	375	375
	Griffith Arterial Road	Jun 2014	Jun 2014	—	280	280
QR	Richlands to Springfield	Jun 2015	Jun 2015	—	385	369
GPCL	Multiple projects	Jul 2018	Jul 2018	—	637	637

* This reflects the most recent project approval costs. It does not represent the original budget costs. Dates represent the commissioning date of the project.

Source: QAO

20.5.2 Department of Transport and Main Roads

AirportLink contribution

On construction of the AirportLink project, DTMR was required to pay BrisConnections $267.2 million, representing the state's contribution under the public/private partnership (PPP) arrangement. The payment of this contribution was not made until 30 July 2012 due to delays experienced as part of the project.

Extensive consideration was given to the accounting treatment for the final payment, resulting in the contribution being expensed. The key factor influencing the decision related to DTMR not controlling the asset.

Asset impairment reversal

In 2011–12, DTMR included an impairment reversal of $1.6 billion in its financial statements. This included an amount of $1.2 billion due to a reduction in the impairment assessment of the road network resulting from natural disaster damage (2012: $2.2 billion, down from $3.3 billion in 2011). The remaining balance of $0.47 billion was accounted for in the infrastructure asset revaluation surplus which was available for the reversal of prior year impairment loss expenses.

DTMR previously recognised impairment for infrastructure assets that were valued at depreciated replacement cost. With reference to AASB 116, AASB 136 and QTT's Non-Current Asset Policies where assets are valued at fair value (in this case depreciated replacement cost), this valuation should already take into consideration any damage incurred by the asset. There should be no difference between the fair value and the recoverable amount; resulting in no impairment.

Instead, an individual assessment should be undertaken to review the extent of the damage and, if the asset is beyond repair it should be written off or, if only some damage applies, a reassessment of the useful life should be conducted. Alternately, if damage should be repaired in a relatively short period of time, a write-down of the asset value is another option. The recognition of impairment for assets valued under depreciated replacement cost has been a common misconception across both state and local governments.

Agreement was reached with DTMR to reverse the impairment that was previously recognised and instead recognise a restatement of the infrastructure balances, noting the write-down in asset values. Given DTMR did not have an asset revaluation surplus since the merge between the Department of Transport and the Department of Main Roads, the net effect on the financial statements was nil.

Refund of RoadTek profit margin

RoadTek is a commercial subsidiary of DTMR, which has undertaken natural disaster reconstruction projects on DTMR's behalf. The Reconstruction Inspectorate conducted assessments over the reconstruction works performed and noted that RoadTek included an alliance fee in its costs charged to DTMR. A six per cent profit margin is applied by RoadTek to both direct costs, covering labour, materials, contractors; and indirect costs that might include site rental or establishment costs.

Subsequent to the assessment performed, the Reconstruction Inspectorate advised that, while the costs associated with the works of RoadTek were accepted as part of the Natural Disaster Relief and Recovery Arrangements, the profit margin would need to be removed. This has the potential to require DTMR to return in excess of $56 million in funding. Until a final decision is made, DTMR established a funding provision in 2012–13 in the event that the funding needs to be paid back.

New generation rollingstock and Moreton Bay Rail Link

New generation rollingstock is the largest ever single investment in Queensland trains with the proposal for construction of 75 six-car trains. A PPP model similar to the Gold Coast Rapid Transit project will be used. The contract will include train maintenance for 30 years and is expected to be awarded in late 2013.

The Moreton Bay Rail Link is a $1.147 billion project being jointly funded. The Australian Government is providing $742 million, Queensland Government is providing $300 million and land and the Moreton Bay Regional Council is providing $105 million.

Direction has been given for DTMR to be the lead agent for these projects, instead of Queensland Rail. While Queensland Rail's expertise and guidance will be used for each project, accounting for these will be the responsibility of DTMR. A formal regulation is yet to be issued to direct the appropriate accounting treatment for transferring capitalised costs from Queensland Rail to DTMR; however, a transfer through contributed equity appears likely, pending the Minister's formal direction.

20.5.3 Queensland Rail

Sunlander

Subsequent to issuing an unmodified audit opinion on 30 August 2013, meeting the statutory deadline, the management of QR has since queried its own recognition of its $200 million Sunlander investment, of which $145 million was represented as capital work in progress within the 2012–13 financial statements.

Arising from multiple decisions of management and the board, the original Sunlander project was rescoped, downsizing the project that would have originally built one new 14 car train and refurbished two existing Cairns Tilt Trains, extending the length of existing trains from nine cars to 14.

Complications in fitting trains of this length within maintenance facilities and the lack of funding available to remodel the infrastructure to fit the original design has limited QR's ability to uphold the original scope. Accordingly the decision was taken to reduce the total number of new cars constructed by 15, delivering only three trains with nine cars as opposed to three 14-car trains, likely to result in a reduction in capacity and future revenue.

By the time a certificate of approval of variation was issued on 15 February 2013, the materials, design costs and labour had already been committed to the components that were removed from the original design. Subsequently, QR is considering a potential write-off of approximately $60 million in government funding that it has attributed to the costs incurred for the train carriages that it has elected to remove from the project. Any write-off or expense for costs incurred will decrease the profits currently recognised, subsequently decreasing the dividend returned to the state.

QR's decision to investigate this issue has resulted in a delay in the tabling of its annual report by the Minister to the Legislative Assembly which should ordinarily be completed within three months of the end of the financial year, as required by s 49(2) of the Financial and Performance Management Standard 2009. This has also meant that QR has missed its deadline to lodge its financial statements with the Australian Securities and Investment Commission.

20.6 Status of opinions

20.6.1 Financial statement opinions 2012–13

Figure 20C shows 2012–13 audit opinions issued for this portfolio.

Figure 20C
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Department and controlled entities						
DTMR	Y	27.08.2013	30.08.2013	U	31.08.2013	✓
• Transmax Pty Ltd	—	27.08.2013	30.08.2013	U	31.08.2013	✓
• TransLink Transit Authority Employing Office#	Y	22.02.2013	28.02.2013	E	31.08.2013	✓
Government owned corporations						
Far North Queensland Ports Corporation Limited (trading as Ports North)	Y	30.08.2013	31.08.2013	U	31.08.2013	✓
Gladstone Ports Corporation Limited	Y	29.08.2013	29.08.2013	U	31.08.2013	✓
North Queensland Bulk Ports Corporation Limited	Y	27.08.2013	29.08.2013	U	31.08.2013	✓
Port of Townsville Limited	Y	19.08.2013	28.08.2013	U	31.08.2013	✓
Queensland Rail Limited	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
Statutory bodies						
Queensland Rail+	Y	28.08.2013	30.08.2013	U	31.08.2013	✓
Gold Coast Waterways Authority^	Y	19.08.2013	26.08.2013	U	31.08.2013	✓
TransLink Transit Authority#	Y	22.02.2013	28.02.2013	E	31.08.2013	✓
Audited by arrangement						
National Heavy Vehicle Regulator*	—	06.09.2013	06.09.2013	E	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y These entities' financial information is included in the State Government Financial Statements.

Translink Transit Authority and Translink Transit Authority Employing Office's financial year was 1 July 2012 to 31 December 2012.

+ Queensland Rail's financial year was 3 May 2013 to 30 June 2013.

^ Gold Coast Waterways Authority's financial year was 1 December 2012 to 30 June 2013.

* National Heavy Vehicle Regulator's financial year was 12 October 2012 to 30 June 2013.

Source: QAO

21 Treasurer and Trade

In brief

Background

This ministerial portfolio is responsible for the state budget and taxation; economic policy; trade development; government owned enterprises; and insurance.

This portfolio consists of 19 public sector entities and 80 audits conducted on a by arrangement basis required to produce financial statements. This excludes the Consolidated Fund Financial Report.

Key findings

- We issued 99 unmodified audit opinions.
- We included emphases of matter with the audit opinions of two public sector entities—Queensland Future Growth Corporation as the Corporation was abolished while Queensland BioCapital Funds Pty Ltd had two emphases of matter in relation to the preparation of special purpose financial statements and to note that the entity had ceased trading.
- We included emphases of matter with the unmodified audit opinions of 76 by arrangement companies and trusts to draw attention to the users of the statements that special purpose financial statements have been prepared.
- Four of these trusts—QIC Australian Equities Fund, QIC Global Listed Real Estate Fund, QIC NZ Power Trust No.1 and QLQ Trust No. 1—also had an additional emphasis of matter as the trusts have been terminated during the year.
- Management and audit certified the financial statements of all entities within their legislated deadline where a statutory deadline applied.
- The quality of the process to prepare financial statements and the accuracy of financial statements were satisfactory for Queensland Treasury and Trade, QIC Limited and Queensland Treasury Corporation.

21.1 Background

This portfolio is responsible for the state budget and taxation, economic policy, trade development, government owned enterprises, and insurance.

The portfolio has 19 public sector entities (26 in 2012) required to produce financial statements, and 80 audits (85 in 2012) conducted on a by arrangement basis (shown in Section 21.6.1). Figure 21A shows key parent financial information for this portfolio unless otherwise disclosed. The large number of by arrangement audits are predominantly investment trusts where QIC Limited or its controlled entities are trustee and where generally 50 per cent or more of the units in those trusts are held by Queensland public sector entities or QSuper.

Figure 21A
2012–13 key financial information

Entity	Revenue $ m	Expenditure $ m	Assets $ m	Liabilities $ m
Queensland Treasury and Trade	32 932.2	8 118.6	3 084.6	37 812.0
QIC Limited	172.3	133.9	316.5	209.3
Board of Trustees of the State Public Sector Superannuation Scheme (QSuper) – Consolidated entity	11 755.0	3 432.0	44 577.0	809.0
Nominal Defendant	151.8	21.1	700.5	197.8
Queensland Treasury Corporation	7 024.3	5 811.1	130 203.2	131 172.1
Queensland Treasury Holdings Pty Ltd	382.0	141.6	1 224.0	588.9
Queensland Motorways Holding Pty Limited- Consolidated entity	335.1	235.3	3 640.6	2 002.2
Other portfolio entities (in aggregate)^	8 761.5	716	69 870.9	10 526.0
Portfolio total	**61 514.2**	**18 609.6**	**253 617.3**	**183 317.3**

* Amounts include controlled and administered amounts.

^ Includes only amounts extracted from audited financial statements.

Source: QAO

The Queensland Future Growth Fund (the Fund) was established to hold the $3.029 billion in proceeds from the sale of Energex's electricity and gas retail business; the distribution network of Allgas; and the competitive parts of Ergon Energy's electricity retail business, including Ergon Energy's subsidiary, Powerdirect. On 1 July 2013, the Queensland Future Growth Corporation was abolished, the Fund was closed and the remaining balance of $425 million of the Fund was transferred to the Consolidated Fund.

21.2 Audit results

We issued unmodified audit opinions for all 19 public sector entities and the Consolidated Fund financial report (100 per cent), compared to 96 per cent in 2011–12.

We included an emphasis of matter with the audit opinion of Queensland Future Growth Corporation because the Corporation was abolished. Two emphases of matter were included with the audit opinion of Queensland BioCapital Funds Pty Ltd to draw attention to the fact that special purpose financial statements were prepared and that the entity had ceased trading.

We issued 80 by arrangement unmodified audit opinions, as in 2012. An emphasis of matter was included with 76 (93 per cent) of these by arrangement audit opinions, compared to 94 per cent in 2012, to draw attention to the fact that special purpose financial statements were prepared. Most of these entities were QIC Limited related trusts.

We included an additional emphasis of matter with the audit opinion of four entities: QIC Australian Equities Fund, QIC Global Listed Real Estate Fund, QIC NZ Power Trust No.1 and QLQ Trust No 1. This was because these trusts have been terminated.

21.3 Timeliness and quality

Management and audit certified all 14 (100 per cent) financial statements within the legislated deadline where a statutory deadline applied, compared to 88 per cent in 2011–12.

For the last two years, the processes used to produce financial statements were assessed against better practice for financial report preparation detailed in Appendix B.

The processes to prepare financial statements of Queensland Treasury and Trade, QIC Limited and Queensland Treasury Corporation were satisfactory, as they were in 2011–12.

There were no material adjustments or significant note disclosure adjustments for these entities for the past two years.

21.4 Significant financial isues

21.4.1 Sell down of investment in Aurizon Holdings Limited

The state government's sale of a portion of the shares in Aurizon Holdings Limited (Aurizon) resulted in a significant gain on sale from its investment which enabled the debt held by Aurizon to be fully extinguished.

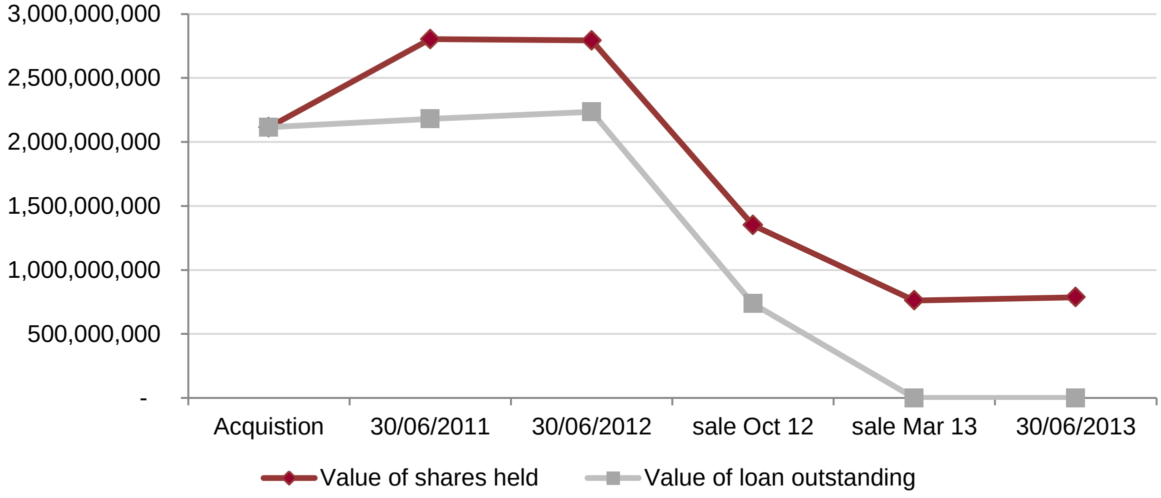
In November 2010, the Queensland Government floated the state-owned Aurizon (formerly QR National Ltd). Approximately 34 per cent of the shares in Aurizon were retained by the state through Queensland Treasury Holdings Ltd (QTH), a controlled entity of Queensland Treasury and Trade and were valued on initial recognition at $2.55 per share. QTH acquired these shares through a loan of $2.115 billion provided by Queensland Treasury Corporation.

The state reduced its shareholdings in Aurizon from 34 per cent to 8.9 per cent at 30 June 2013 through a selective buyback and placement to cornerstone, institutional and sophisticated investors. Sales of shares resulted in a gain on sale of $693.6 million. The allocation of loyalty bonus shares to retail investors, in accordance with the obligations of the state resulted in an accounting loss on investment of $27.2 million.

The sales have resulted in the debt of $2.115 billion being fully extinguished during 2012–13. The state retains an investment in Aurizon valued at $787 million ($4.16 per share) at 30 June 2013, a gain on investment of $304.6 million over the original cost of the shares.

Figure 21B shows the movement in the value of shares held by QTH and the value of QTH's loan from the date of acquisition of the Aurizon shares and key dates through to 30 June 2013.

Figure 21B
Value of shares and debt



Source: QAO

21.4.2 QIC Limited

Outsourcing of investment administration operations and unit registry

QIC Limited (QIC) completed its outsourcing of key middle office investment administration functions and unit registry on 1 November 2012.

A post implementation review conducted by QIC identified that vendor management, planning, resourcing, budgeting, issue management and scope containment were well managed. The review also identified that the program positively managed matters in relation to QIC staff redundancies, thereby mitigating a major risk that key staff members would leave prematurely or become disengaged.

Assurance over the control environment of the outsourced service provider was obtained through an audited internal control report which included controls in relation to investment administration, registry monitoring and related information technology services in operation over the 12 months ending 30 June 2013. This report was unmodified and issued in compliance with ASAE 3402 *Assurance reports on controls at a service organisation.*

In addition, QIC's internal controls report for controls in relation to asset management operations audited by QAO in compliance with AUS 810 *Special Purpose Reports on Effectiveness of Control Procedures* included a section on QIC's control environment for the monitoring of the outsourced investment administrator. An unmodified audit opinion was issued for this report covering the operation of controls over the year ending 30 June 2013.

Eleven months after implementation, the outsourced middle office services are continually improving. The service provider has taken steps to remediate issues identified and provide an uplift in service delivery. Issues arising in some value-added services—in particular, performance calculation and reporting and compliance—are still consuming QIC resources to monitor the service delivery and associated outputs and manage issue resolution.

QIC is yet to conduct a cost-benefit realisation analysis for this project; however, management has identified strengths and lessons learnt from the outsourcing project which may be applied to the government contestability program of work:

- include independent procurement specialists
- develop an outsourcing strategy and policy: be very clear about the services to be outsourced and keep in house the services that the agency does well and are cost effective; assess the human resources effects to the organisation and develop roles and capability assessments for key roles required to monitor outsourced services and vendor relationship management; and be wary of releasing staff members and the knowledge gap left by their departure, should issues arise post implementation
- the decision to go live should be reviewed by an independent project management specialist: where there is any doubt of readiness or issues still existing from parallel running, consider dual processing for a full 12-month period—while expensive initially, the costs savings from dual processing may outweigh costly system fixes and time spent by management and other experts to resolve issues
- don't tie fee incentives into the timely delivery of projects but to the delivery of project quality outcomes at significant points in time subsequent to project delivery
- if the service provider is offshore, consider the effect of time zone differences in timely issue resolution and the provisions of services and data
- post go live governance structures need to demonstrate a clear end to end process about who can make decisions at a whole of program/project level to ensure proper accountabilities for resolution of business issues, technical system modifications and management of the supplier in the post go live environment
- understand what assurance the service provider will be providing over its control environment and services that it may outsource itself and ensure audited internal controls reports are provided over all outsourced activities over the financial year and at intervals which would enable the early identification of significant control breakdowns and thus allow timely action
- develop a structured review process over control reports provided
- perform an analysis of the control environment at the service provider and monitoring controls retained in house to ensure there are no gaps in the control environment for services outsourced.

21.4.3 QSuper (State Public Sector Superannuation Scheme)

Tax audit by Australian Tax Office

QSuper has settled the disputed tax assessment audit with the Australian Tax Office (ATO) relating to the distributions and capital gains relating to QSuper's interest in two trusts (Queensland Investment Trust No.1 and Queensland Investment Trust No.2). QSuper withdrew its investments in the two trusts between 2010 and 2012 and the tax matters will not be extended beyond the withdrawal dates.

In 2011–12, QSuper estimated that an additional tax expense as a result of the dispute was $699.88 million and was included in the financial results.

The ATO and QSuper settled the dispute in April 2013 for an amount less than provided in the 2011–12 financial statements. This has resulted in a tax benefit in 2012–13 of $382 million.

The payment to the ATO was funded from:

- existing arrangements with Queensland Treasury and Trade for defined benefit payments for portions attributable to the defined benefit superannuation scheme
- the general reserve held by QSuper for portions attributable to the accumulation plan.

In 2011–12, QSuper's general reserve was reduced by $274.9 million and the adjustment in 2012-13 has resulted in a reversal of $181.9 million to the general reserve.

21.5 Future financial risks

21.5.1 Tollroad Acquisitions by Queensland Motorways Holdings Pty Limited

On 12 July 2013, Queensland Motorways Holding Pty Limited (QMH) entered into a memorandum of understanding (MOU) for a service concession arrangement relating to the Go Between Bridge (GBB) and Legacy Way (LW). A formal agreement based on the MOU provides that QMH will be granted a tollway concession, long term lease and network arrangements initially for GBB and then LW following completion.

Brisbane City Council (BCC) will retain responsibility for the construction of LW. The concession period is 50 years, with control of both reverting to BCC at the end of that period. The total upfront consideration in cash for the combined assets is approximately $239 million, representing approximately $110 million for GBB and approximately $129 million for LW. Further payments will be made for GBB in 2018 and for LW in 2017 and 2020 for specific revenue outcomes.

The agreement is subject to a range of pre-conditions, which include financing and regulatory clearance. The pre-conditions must be satisfied by 30 June 2014; however, QMH hopes that the pre-conditions to close the deal will be satisfied prior to the end of 2013.

BCC estimates the possible payments, depending on traffic outcomes, are up to $167 million for GBB and $763 million for LW. Under the concession arrangements, BCC may also receive additional payments for future revenue shares from higher than expected traffic outcomes or additional refinancing benefits.

BCC asset valuation at 30 June 2013 for GBB is $190 million and valuation of LW on project completion is estimated to be $1.5 billion.

In addition, QMH has purchased Brisbane's Clem Jones Tunnel tolling rights for $618 million from the receiver of River City Motorways (RCM). This transaction does not include the companies that comprise the RCM Group. The purchase is expected to be completed by February 2014.

RCM had previously entered into a public private partnership over a concession period of 45 years with BCC to construct, maintain and operate the Clem Jones Tunnel as a toll road. Control over the assets will revert to BCC at the end of that period.

21.6 Status of opinions

21.6.1 Financial statement opinions 2012–13

Figure 21E shows 2012–13 audit opinions issued for this portfolio.

Figure 21E
2012–13 audit opinions

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
			Whole of government			
Consolidated Fund Financial Report	—	09.09.2013	09.09.2013	U	30.09.2013	✓
			Department and controlled entities			
Queensland Treasury and Trade	Y	29.08.2013	30.08.2013	U	31.08.2013	✓
• DBCT Holdings Pty Ltd	—	02.08.2013	03.08.2013	U	None	—
• Brisbane Port Holdings Pty Ltd	—	02.08.2013	03.08.2013	U	None	—
• Queensland Lottery Corporation Pty Ltd	Y	01.08.2013	03.08.2013	U	None	—
• Queensland Treasury Holdings Pty Ltd	Y	02.08.2013	03.08.2013	U	31.10.2013	✓
			Jointly controlled entity			
Queensland Motorways Holding Pty Ltd	—	29.08.2013	29.08.2013	U	31.10.2013	✓
			Government owned corporations and controlled entities			
QIC Limited	Y	30.08.2013	30.08.2013	U	31.08.2013	✓
• QIC Private Capital Pty Ltd	—	30.08.2013	30.08.2013	U	31.08.2013	✓
• QIC Properties Pty Ltd	—	30.08.2013	30.08.2013	U	31.08.2013	✓
• QIC Retail Pty Ltd	—	30.08.2013	30.08.2013	U	None	—
• QIC Infrastructure Management No 2 Pty Ltd	—	30.08.2013	30.08.2013	U	None	—
• QIC Investments No. 1 Pty Ltd	—	30.08.2013	30.08.2013	U	None	—
• QIC Investments No. 3 Pty Ltd	—	30.08.2013	30.08.2013	U	None	—
• Queensland BioCapital Funds Pty Ltd	—	30.08.2013	30.08.2013	E	None	—

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
Statutory bodies						
Motor Accident Insurance Commission	Y	26.08.2013	29.08.2013	U	31.08.2013	✓
Nominal Defendant	Y	26.08.2013	29.08.2013	U	31.08.2013	✓
Queensland Competition Authority	—	08.08.2013	16.08.2013	U	31.08.2013	✓
Queensland Future Growth Corporation	—	28.08.2013	29.08.2013	E	31.08.2013	✓
Queensland Treasury Corporation	Y	15.08.2013	20.08.2013	U	31.08.2013	✓
Audited by arrangement						
Board of Trustees of the State Public Sector Superannuation Scheme (QSuper)	—	29.08.2013	29.08.2013	U	None	—
Innovis Investments Australia Fund	—	25.09.2013	27.09.2013	E*	None	—
Q Invest Limited	—	27.08.2013	29.08.2013	U	31.10. 2013	✓
QIC Active Small Companies Fund	—	30.08.2013	30.08.2013	E*	None	—
IC Alternative Beta Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Australian Equities Fund[#]	—	30.08.2013	30.08.2013	E*	None	—
QIC Australian Equities Special Purpose Fund	—	30.08.2013	30.08.2013	E*	None	—
QIC Australian Fixed Interest Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Australian Venture Capital Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Bond Plus Fund[##]	—	25.09.2013	27.09.2013	E*	None	—
QIC Brisbane Airport Infrastructure Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Cash Enhanced Fund	—	30.08.2013	30.08.2013	E*	None	—
QIC Cash Fund	—	30.08.2013	30.08.2013	E*	None	—
QIC CRCHUM Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Diversified Australian Equities Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Diversified Fixed Interest Fund	—	25.09.2013	27.09.2013	E*	None	—

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
QIC Diversified Infrastructure Fund No 1	—	30.08.2013	30.08.2013	E*	None	—
QIC Diversified Infrastructure Fund No 2	—	25.09.2013	27.09.2013	E*	None	—
QIC GFI Alpha Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC GFI Inflation Plus Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Global Credit Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Global Credit Opportunities Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Global Listed Real Estate Fund^	—	30.08.2013	30.08.2013	E*	None	—
QIC Global Strategy Trust No. 2	—	25.09.2013	27.09.2013	E*	None	—
QIC Global Strategy Trust No. 2A	—	25.09.2013	27.09.2013	E*	None	—
QIC Government Office Fund No. 1 ^^	—	25.09.2013	27.09.2013	U	None	—
QIC Growth Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Hedged International Equities Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Infrastructure Mandate No. 1 Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Infrastructure Mandate No. 1B Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Infrastructure Mandate No. 2 Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Infrastructure Mandate No. 2A Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Infrastructure Mandate Trust No. 1A	—	30.08.2013	30.08.2013	E*	None	—
QIC Infrastructure Mandate Trust No. 2B	—	30.08.2013	30.08.2013	E*	None	—
QIC International Equities Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC NZ Power Trust No. 1+	—	30.08.2013	30.08.2013	E*	None	—
QIC NZ Power Trust No. 2	—	30.08.2013	30.08.2013	E*	None	—
QIC NZ Power Trust No. 3	—	30.08.2013	30.08.2013	E*	None	—

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
QIC NZ Power Trust No. 4	—	30.08.2013	30.08.2013	E*	None	—
QIC Ports Trust No. 1A	—	30.08.2013	30.08.2013	E*	None	—
QIC Ports Trust No. 1B	—	30.08.2013	30.08.2013	E*	None	—
QIC Ports Trust No. 2	—	30.08.2013	30.08.2013	E*	None	—
QIC PPP Trust	—	30.08.2013	30.08.2013	E*	None	—
QIC Private Equity Fund No. 1	—	30.08.2013	30.08.2013	E*	None	—
QIC Private Equity Fund No. 2	—	30.08.2013	30.08.2013	E*	None	—
QIC Private Equity Fund No. 3	—	30.08.2013	30.08.2013	E*	None	—
QIC Stable Fund	—	25.09.2013	27.09.2013	E*	None	—
QIC Strategy Fund No. 2	—	25.09.2013	27.09.2013	E*	None	—
QIC Strategy Fund No. 3	—	25.09.2013	27.09.2013	E*	None	—
QIC Tollroads Fund No. 1	—	30.08.2013	30.08.2013	E*	None	—
QIC Tollroad Funds No. 2	—	30.08.2013	30.08.2013	E*	None	—
QIC Tollroad Investment Fund No. 1	—	30.08.2013	30.08.2013	E*	None	—
QIC Treasury Infrastructure Fund	—	30.08.2013	30.08.2013	E*	None	—
QIC Treasury Infrastructure Fund No. 1	—	30.08.2013	30.08.2013	E*	None	—
QIC Treasury Infrastructure Fund No. 2	—	30.08.2013	30.08.2013	E*	None	—
QIC US Infrastructure Fund No. 1	—	30.08.2013	30.08.2013	E*	None	—
QIC US Infrastructure Fund No. 2	—	30.08.2013	30.08.2013	E*	None	—
QIC US Power Trust No.1	—	30.08.2013	30.08.2013	E*	None	—
QIC US Power Trust No.2	—	25.09.2013	27.09.2013	E*	None	—
QLQ Real Property Holding Trust ++	—	25.09.2013	27.09.2013	E*	None	—
QLQ Trust No. 1**	—	25.09.2013	27.09.2013	E*	None	—
QLQ Trust No. 2	—	25.09.2013	27.09.2013	E*	None	—
QLQ Trust No. 3	—	30.08.2013	30.08.2013	E*	None	—

Audit	Part of SGFS	Financial statements signed	Opinion issued	Opinion	Legislated deadline	Met
QS High Duration Bonds Trust	—	29.08.2013	02.09.2013	E*	None	—
QS International Strategy Trust	—	29.08.2013	02.09.2013	E*	None	—
QS US Strategy Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper Australian Infrastructure Equity Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper European Infrastructure Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper Global Infrastructure Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper Global Real Estate Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper Investment Company Pty Ltd	—	29.08.2013	02.09.2013	E*	None	—
QSuper Investments Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper Limited	—	29.08.2013	29.08.2013	U	31.10. 2013	✓
QSuper NZ Infrastructure Equity Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper US Infrastructure Trust	—	29.08.2013	02.09.2013	E*	None	—
QSuper US Infrastructure Trust No. 2 (Open)	—	29.08.2013	02.09.2013	E*	None	—
QSuper US RE Trust No. 1	—	29.08.2013	02.09.2013	E*	None	—
Queensland BioCapital Fund No. 1	—	17.09.2013	27.09.2013	E*	None	—
Queensland BioCapital Fund No. 2	—	12.09.2013	27.09.2013	E*	None	—
Queensland Investment Trust No. 2	—	25.09.2013	27.09.2013	E*	None	—

Opinion key: U = unmodified Q = qualified A = adverse E = emphasis of matter D = disclaimer

Y These entities' financial information is included in the State Government Financial Statements.

* An emphasis of matter was issued to alert financial statements users that special purpose financial statements were prepared.

QIC Australian Equities Fund's financial year was 1 July 2012 to 21 May 2013.

QIC Bond Plus Fund's financial year was 21 January 2013 to 30 June 2013.

^ QIC Global Listed Real Estate Fund's financial year was 1 July 2012 to 30 April 2013.

^^ QIC Government Office Fund's financial year was 6 December 2012 to 30 June 2013

+ QIC NZ Power Trust No. 1's financial year was 1 July 2012 to 17 May 2013.

++ QLQ Real Property Trust financial year was 6 December 2012 to 30 June 2013

** QLQ Trust No. 1's financial year was 1 July 2012 to 25 June 2013.

Source: QAO

Appendices

Appendix A—Comments

Auditor-General Act 2009 (Section 64)—Comments received

Introduction

In accordance with section 64 of the *Auditor-General Act 2009* a copy of this report was provided to the relevant entities with a request for comment.

These views have been considered and are represented to the extent relevant and warranted in preparing this report. Responsibility for the accuracy, fairness and balance of the comments rests with the head of these entities.

A fair summary of the comments received within 21 days is included in this Appendix.

Comments received

Fair summary of response provided by Mr John Glaister, Director-General, Department of National Parks, Recreation, Sport and Racing, 8 November 2013

I am pleased to note eight unmodified audit opinions were issued. Further, the Department of National Parks, Recreation, Sport and Racing (NPRSR) is mindful of the Under Treasurer's strategies for improved financial statement preparation and have commenced implementing the strategies for the 2013-2014 financial year.

Subsequent to the winding up of the Trust for Parklands Gold Coast, NPRSR is collaborating with the appointed accounting firm to assist with the administrative arrangements.

In relation to the material adjustments related to the land validation project, further adjustments of that magnitude are not expected.

With respect to the current lease commitment over Level 25, 400 George Street, Brisbane, I am pleased to advise that the Department of Housing and Public Works is currently negotiating a sub-lease with a non-state government entity and has indicated it is confident of finalising this by the end of November 2013. It is expected that should this be successful, it will effectively halve the rent liability over the remaining term of the lease.

Fair summary of response provided by Dr Beth Woods, Acting Director-General, Department of Agriculture, Fisheries and Forestry, 19 November 2013

I note that the draft report acknowledges that the Department of Agriculture, Fisheries and Forestry (DAFF) has made a significant improvement in the 2012-2013 financial statement preparation process compared to 2011-2012. The department will be looking to further improve and enhance the financial statement preparation process for the 2013-2014 financial year by implementing a number of additional better practice processes in the areas of planning and quality assurance practices.

The department has also implemented a number of financial management strategies to improve month-end and year-end ledger closures that are consistent with those outlined in the Under Treasurer's letter of February 2013. These strategies include:

- Detailed monthly variance analysis and explanatory notes, and governance review;
- Timely completion of ledger account and bank reconciliations;
- Regular review of contingent asset and liabilities;
- Identifying and putting in place strategies to deal with emerging financial risks;
- Pro forma financial statements based on the department's position at 30 April 2014 available for audit by mid-May 2014. These statements will include comparative information and updated accounting policy notes and
- The resolution of accounting issues for one off, complex or significant transactions by 30 April 2014.

Comments received

Response provided by Hon Tim Nicholls, Treasurer and Minister for Trade on 25 November 2013

Hon Tim Nicholls MP
Member for Clayfield
Treasurer and Minister for Trade

TRY-05857

25 NOV 2013

Mr A Greaves
Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

RESULTS OF AUDIT: STATE PUBLIC SECTOR ENTITIES 2012-13

Thank you for your letter of 31 October 2013 regarding your proposed report to Parliament on the results of the 2012-13 State public sector entities' financial statements.

I should firstly note from the report that you are generally satisfied with the quality and content of the financial statements from all State public sector entities with the exception of those for small water boards.

As feedback on the report, I am concerned about several comments made about two recent initiatives of the Queensland Government, being the sale of seven government owned buildings on a tailored leaseback basis to QIC and the activation of the 1 William Street Site.

I am a strong supporter of the policy decisions that triggered these projects. They are part of a process needed for urgent fiscal repair to help ameliorate the State's balance sheet outlook. They are also a step in the right direction to provide appropriate, contemporary and additional commercial workplaces for our hardworking State employees.

<u>Sale and Leaseback of Government Buildings</u>

The comments made in your report note that a non-competitive sale process was used.

Two independent valuations obtained by the State support the sale price achieved as representing the fair market value of the properties as at the sale date and considering the rights and obligations for the parties under the transaction.

There is no evidence to refute the valuations obtained by the State, nor is there any direct evidence presented to the Queensland Audit Office that the State achieved less than market value through this transaction. Indeed, the available evidence demonstrates clearly that the Government achieved a value for money outcome.

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Comments received

Response provided by Hon Tim Nicholls, Treasurer and Minister for Trade on 25 November 2013

1 William Street – Public Private Partnership

Your report notes that a business case was not developed comparing the costs and benefits of the PPP option to alternatives such as public sector ownership or leasing at other locations. The decision to lease office space at 1 William St was a policy decision of Government. I do not support your comments challenging the Government's ability to make policy decisions.

The decision to undertake the 1 William St project was made with a view to reinvigorating the precinct and stimulating the construction industry, one of the four pillars of the State's economy. The State undertook a competitive market process and is satisfied that it achieved a value for money outcome. The State obtained independent specialist property advice and is satisfied that the rent compares favourably with market levels. The property advisors assisting the 1 William Street project also formed a view that value for money had been achieved by the State.

Yours sincerely

Tim Nicholls
Treasurer and Minister for Trade

Response to comments received

Response provided by the Auditor-General of Queensland on 25 November 2013

QAO
Queensland Audit Office

Your ref: TOQ-04855
Our ref:

26 November 2013

Hon Tim Nicholls MP
Treasurer and Minister for Trade
GPO Box 611 Brisbane
Queensland 4001 Australia

Dear Mr Nicholls

Results of Audit: State Public Sector Entities (SPSE) 2012-13

Thank you for your letter dated 25 November 2013 providing comment on my proposed report to Parliament on the results of the 2012-13 State public sector entities' financial statements.

In your letter you raise a very serious concern that the report is challenging the Government's ability to make policy decisions.

Section 37A of the Auditor-General Act makes it clear in relation to performance audits that the Auditor-General must not question the merits of policy objectives of the State. I apply this as a principle to all reports I table in the Parliament.

In my view the report does not question the merits of policy objectives, including those related to fiscal repair or of providing appropriate, contemporary and more commercial workplaces for state employees through entering new lease arrangements.

The report notes the absence of a documented business case, which is an established administrative expectation for Directors-General under the Project Assurance Framework. A business case includes a detailed evaluation of the costs, risks and benefits associated with the identified project options, and as such can be used to demonstrate that the preferred option provides the best value for money. Its absence does not invalidate the decision, but its existence enhances transparency and accountability.

It is common practice for Auditors-General to make observations on the extent to which accepted administrative processes have been followed by the public service. As a recent example I provided very similar commentary in relation to the Gold Coast Desalination Plant.

I reiterate that the report commentary therefore goes to matters of administrative process by the public service, not to the merits or otherwise of a policy decision. For the sake of clarity I have included this reply in my report.

Yours sincerely

Andrew Greaves
Auditor-General Queensland

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Comments received

Response provided by the Chairman, Queensland Rail on 26 November 2013

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Dear Mr Greaves

Thank you for your letter of 1 November 2013 regarding the inclusion of commentary on the Queensland Rail Sunlander project in your next report to Parliament.

As outlined in your report, in the period since the original financial statements for 2012-13 were approved and audited on 30 August 2012, the QR Board has received additional professional accounting advice on the accounting treatment for expenditure related to this project.

The original financial statements for 2012-13 included an amount on the balance sheet of $148 million for the Sunlander project within the assets under construction classification. Recent advice received by the QR Board concluded that "only those costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management should be capitalised. (ie the costs incurred are integral to the recognised asset). Costs that are not integral to the recognised asset are expensed."

Due to the timing of the decision to re-scope the project, significant costs had been committed by the contractor in the design and procurement of specialised materials directly attributable to the rail cars deleted from the project. These rail cars were intended to bring a range of innovative features that have not been part of previous QR train configurations and therefore required specific design activity and materials that cannot be attributed to the design and construction of the 9-car trains now the subject of the re-scoped project.

Irrespective of the approach taken for the accounting treatment for other projects, the QR Board considers that in the circumstances of the re-scope of the Sunlander project, it has no option under the accounting standards for Property, Plant and Equipment (AASB 116), Inventories (AASB 102), Materiality (AASB 1031) and Impairment of Assets (AASB 136) other than to write off the expenditure that cannot be directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

The Board does not believe that a decision to continue to carry the value of this expenditure as an asset under construction and to subsequently undertake an impairment write down at some future date is an appropriate treatment under the accounting standards. Such action would only delay the recognition of the loss that was incurred during 2012-13 by the decision to re-scope the project. Since the identification of this issue the QR Board has commissioned legal and accounting investigations into the management of this project. The QR Board will pursue these investigations as a matter of priority to identify any governance or project management weaknesses that contributed to the current position.

Queensland Rail ABN 68 598 268 528

Comments received

Response provided by the Chairman, Queensland Rail on 26 November 2013

QueenslandRail

In addition, the QR Board has created a Board Procurement and Major Projects Committee to examine the policies and practices used by Queensland Rail and to provide added oversight to the governance, procurement and management of the many projects being undertaken.

I am happy to discuss the outcomes of this action with you as your audit activity progresses.

Thank you for the opportunity to provide comments on your proposed report to Parliament.

Yours sincerely

Michael Klug
Chairman
Queensland Rail

26 November 2013

Queensland Rail ABN 68 598 268 528

Appendix B—Better practice for preparation of financial statements

State public sector entities should aim for these better practice elements to assist them to produce complete, accurate and compliant financial statements within the legislative time frame.

Selected better practice—financial report preparation

Key area	Better practice
Financial report preparation plan	Establish a plan that outlines the processes, resources, milestones, oversight, and quality assurance practices required in preparing the financial report
Preparation of shell financial statements	Prepare a pro forma financial report before 30 April and provide to the auditors to enable early identification of amendments, minimising the need for significant disclosure changes at year-end
Materiality assessment	Assess materiality, including quantitative and qualitative thresholds, at the planning phase in consultation with the audit committee; the assessment assists preparers in identifying potential errors in the financial report
Monthly financial reporting	Adopt full accrual monthly reporting to assist in preparing the annual financial report; this allows for the year-end process to be an extension of the month-end process
Rigorous quality control and assurance procedures	Require review of the supporting documentation, data and the financial report itself by an appropriately experienced and independent officer prior to providing to the auditors
Supporting documentation	Prepare high standard documentation to support and validate the financial report and provide a management trail
Rigorous analytical reviews	Undertake rigorous and objective analytical review during the financial report preparation process to help to improve the accuracy of the report
Reviews of controls/self assessment	Establish sufficiently robust quality control and assurance processes to provide assurance to the audit committee on the accuracy and completeness of the financial report
Competency of staff	Require that preparers of the financial report have a good understanding and experience in applying relevant accounting standards and legislation Require they have project management and interpersonal skills
Financial compliance reviews	Undertake periodic compliance reviews to identify areas of non-compliance or changes to legislation that affect the financial report
Adequate security	Protect and safeguard sensitive information throughout the process to prevent inappropriate public disclosure

Source: Victorian Auditor-General's Office and Australian National Audit Office Better Practice Guide Preparation of Financial Statements, June 2009.

Appendix C—Glossary

Glossary

Term	Definition
Accountability	Responsibility on public sector entities to achieve their objectives about the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and reporting to interested parties
Australian Accounting Standards (AAS)	Australian accounting standards, including interpretations, are set by the Australian Accounting Standards Board (AASB) to be applied by: • entities required by the *Corporations Act 2001* to prepare financial reports • governments in preparing financial statements for the whole of government and the General Government Sector (GGS) • entities in the private or public for-profit or not for profit sectors that are reporting entities or that prepare general purpose financial statements
Australian Accounting Standards Board (AASB)	An Australian Government agency that develops and maintains financial reporting standards applicable to entities in the private and public sectors of the Australian economy
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
Adverse opinion	Opinion issued when the financial statements as a whole do not comply with relevant accounting standards and legislative requirements
Annual report	A comprehensive report on an entity's activities throughout the preceding year, intended to give stakeholders and other interested people information about the entity's activities and financial performance; it includes the annual financial statements
Asset	A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity
Asset recognition	An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably
Asset valuation	The process of determining the fair market 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 within an entity which, as a minimum, is responsible for the oversight of the quality and integrity of accounting and reporting practices, controls and financial statements; legal and regulatory compliance; the auditor's qualifications and independence; and the performance of the internal audit function and external auditors
Auditor-General Act 2009	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

Term	Definition
Auditor's opinion	Positive written expression within a specified framework indicating the auditor's overall conclusion on the financial report based on audit evidence obtained
Capital expenditure	Amount capitalised to the balance sheet for contributions by an entity to major assets owned by the entity, including expenditure on: • capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally • capital expansion which extends an existing asset at the same standard to a new group of users
Capital grant	Government funding provided to an entity for acquiring capital assets such as buildings, land or equipment
Controlled entity	Entity where another public sector entity has control or ownership because of its shareholding
Control environment	The governance and management functions and the attitudes, awareness and actions of those charged with governance and management about the entity's internal control and its importance in the entity; the control environment is a component of internal control
Corporations Act 2001	An Act of the Commonwealth of Australia that sets out the laws dealing with business entities in Australia at federal and interstate levels; it focuses primarily on companies
Cost benefit	Weighing the total expected costs against the total expected benefits of one or more actions to determine the best option
Deficit	When total expenditure exceeds total revenue, resulting in a loss
Depreciated replacement cost	The replacement cost of an asset less accrued depreciation
Depreciation	The systematic allocation of a fixed asset's capital value as an expense over its expected useful life to take account of normal usage, obsolescence, or the passage of time
Disclaimer of opinion	Opinion issued when the auditor is unable to express an opinion as to whether the financial statements comply with relevant accounting standards and legislative requirements
Effectiveness	The achievement of the objectives or other intended effects of activities at a program or entity level
Efficiency	The use of resources such that output is optimised for any given set of resource inputs or input is minimised for any given quantity and quality of output
Emphasis of matter	A paragraph included with the 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
Net assets	Total assets less total liabilities
Expense	Outflow of cash or other assets from an entity to another person, company or entity
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

Term	Definition
Financial Accountability Act 2009	An Act of the State of Queensland that establishes the accountability for the administration of the state's finances and for financial administration of departments and statutory bodies, as well as annual reporting to Parliament by departments and statutory bodies
Financial statements	Structured representation of the financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes for a period in accordance with a financial reporting framework
Financial and Performance Management Standard 2009 (FPMS)	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 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 such policies and standards
Financial year	The period of 12 months for which financial statements are prepared
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage
Fraud risk factors	Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud
General purpose financial statements	Statements that provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users
Going concern	Means 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 control arrangements in place at an entity that are used to govern and monitor its activities to achieve its strategic and operational goals
Government Owned Corporations Regulation 2004	A regulation of the State of Queensland which sets out financial reporting and annual reporting requirements for government owned corporations
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
Investment	Expenditure of funds intended to result in medium to long term service and/or financial benefits arising from the development and/or use of assets by either the public or private sectors
Joint venture	A contractual agreement joining together two or more parties to execute a particular business undertaking; all parties agree to share in its profits and losses

Term	Definition
Legislative time frame	The date prescribed by legislation for a public sector entity to finalise its financial statements or annual report
Liability	A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources from the entity
Local Government Regulation 2012	A regulation of the State of Queensland which sets out financial reporting and annual reporting requirements for local governments
Machinery of government change	A significant change to the interconnected structures and processes of government, such as the functions and accountability of departments
Management	Those with the executive responsibility for conducting the entity's operations
Materiality	Depends on the size or nature of the item or error judged in the particular circumstances of its omission or misstatement; information is material if its omission or misstatement could influence the economic decisions of users, taken on the basis of the financial statements
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
Natural Disaster Relief and Recovery Arrangements	Financial assistance provided to a state or territory government by the Australian Government to facilitate recovery after major natural disasters
Net result	Calculated by subtracting an entity's total expenses from its total revenue to show what the entity has earned or lost in a given period of time
Non-compliance	An act of omission by the entity, either intentional or unintentional, contrary to the prevailing laws or regulations
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
Not for profit organisations	An organisation that is not operating for the profit or gain of its individual members, whether these gains would have been direct or indirect; this applies while the organisation is operating and when it winds up
Prescribed requirements	Requirements prescribed by an Act or a financial management standard, but not including the requirements of a financial management practice manual
Procurement	The acquisition of goods, services or works from an external source
Public sector entity	A department or a local government or a statutory body or a government owned entity or a controlled entity
Qualified audit opinion	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
Revaluation	A reassessment of values for non-current assets at a particular point in time.

Term	Definition
Revenue	Income received from normal business activities
Risk	The chance of a negative effect on the objectives, outputs or outcomes of the entity
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
Stakeholder	A person, group or organisation that has a direct or indirect stake in an entity because it can affect or be affected by the entity's actions, objectives and policies
Special purpose financial statements	Financial statements which are designed to meet the financial information needs of a specific group of users
Statement of cash flows	Reports on an entity's cash flow activities, particularly its operating, investing and financing activities
Statement of financial position	Reports on an entity's assets, liabilities, and equity at a given point in time
Surplus	Total revenue exceeds total expenditure resulting in a profit
Unmodified audit opinion	Opinion issued when the financial statements comply with relevant accounting standards and prescribed requirements
Valuation methodology	The process of determining the value of an asset
Voluntary separation program	A program providing employees with severance pay based on length of service if they choose to separate from employment and agree to the rules of the program
Winding up/wound up	The process of selling all the assets of an entity, paying off creditors, distributing any remaining assets and then dissolving the entity
Written down value	The value of an asset after accounting for depreciation or amortisation, it is calculated by subtracting accumulated depreciation or amortisation from the asset's original value and reflects the asset's present worth from an accounting perspective

Auditor-General Reports to Parliament

Tabled in 2013–14

Report number	Title of report	Date tabled in Legislative Assembly
1	Right of private practice in Queensland public hospitals	July 2013
2	Supply of specialist subject teachers in secondary schools	October 2013
3	Follow up—Acquisition and public access to the Museum, Art Gallery and Library collections	October 2013
4	Follow up—Management of offenders subject to supervision in the community	October 2013
5	Traffic management systems	November 2013
6	Results of audit: Internal control systems	November 2013
7	Results of audit: Water sector entities 2012–13	November 2013
8	Results of audit: Hospital and Health Services entities 2012–13	November 2013
9	Results of audit: Energy sector entities 2012–13	December 2013
10	Contract management: Renewal and transition	December 2013
11	Results of audit: State public sector entities 2012–13	December 2013

Reports to Parliament are available at www.qao.qld.gov.au.