

QAO Update for Audit Committee Chairs

14 July 2014

Agenda

- Welcome
- Strategic Audit Plan
- Internal controls
- Expectations for year-end
- Survey results
- Question time
- Morning tea

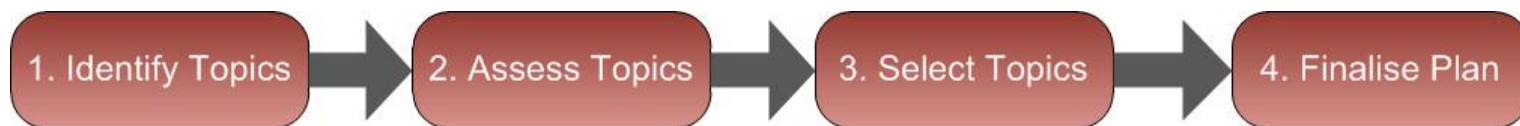
Welcome

Andrew Greaves
Auditor-General

Strategic audit plan 2014-17

Terry Campbell
Assistant Auditor-General

Strategic audit planning process



Nov
Dec
Jan
Feb
Mar
Apr
May
Jun



- Strategic audit plan 2014-17 published on QAO website 25 June 2014
- Accountable officers notified

www.qao.qld.gov.au/strategic-audit-plan

2014-15 performance audit topics

Parliamentary Committee	Topic
Agriculture, Resources and Environment	Reef water quality protection
Education and Innovation	Vocational education training outcomes Maintenance of public schools
Health and Community Services	Major infrastructure projects: tertiary hospitals * Emergency department performance in Qld public hospitals Security of sensitive information—child safety
Legal Affairs and Community Safety	Bushfire prevention and preparedness Road safety—traffic cameras WorkCover claims management
State Development, Infrastructure and Industry	Preparedness for 2018 Commonwealth Games * Major transport infrastructure projects
Transport, Housing and Local Government	Fraud management in local governments

Audits in progress

Audits in progress - Windows Internet Explorer provided by Queensland Audit Office
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Audits in progress

Through our audit program we seek to monitor and add value to the Queensland public sector. From our audits we highlight findings and make recommendations for improvement, recommendations which are provided to Parliament through our reports to Parliament. We have added the opportunity, via the 'Contribute to this audit' links below, for anyone to contribute to many of our current audits in progress. Certain audits in progress listed below are collecting audit evidence and seeking input from any interested parties. We particularly value information that deals with significant matters or insights into the administration of the subject of the relevant audit.

Information can be provided confidentially. The confidentiality of contributions is protected by legislation. Information provided in a submission can only be disclosed to other agencies for purposes defined under section 53 of the *Auditor-General Act 2009*. Any personal information submitted is protected by the *Information Privacy Act 2009* and will only be used for the conduct of this audit. Personal details (if submitted) will not be provided to other organisations or agencies.

Topic	Audit objective	Portfolio	Expected tabling date
Right of Private Practice Arrangements Contribute to this audit	A report to Parliament was tabled on this topic on Thursday 11 July 2013. Submissions will though remain open until November 2013 for interested parties who wish to make confidential submissions to the Auditor-General. Click here to contribute to this audit	Health	A report on this topic was tabled in July 2013. The topic remains open until November 2013.

Medical practitioners (both specialists and non-specialists) employed by Queensland Health in hospital and health services participate in private practice arrangements. This includes practitioners employed in public hospitals, psychiatric hospitals, community clinics and other health facilities. The private practice arrangements form part of the overall employment package for both specialist and non-specialist medical staff.





The objective of this audit is to determine whether the Right of Private Practice arrangements in the public health system are achieving their intended public health outcomes in a financially sustainable manner.

The audit will address the objective through the following sub-objectives:

- the intended health and financial benefits of the scheme are being realised
- the scheme is being administered efficiently
- practitioners are participating in the scheme with probity and propriety and in full compliance with their contractual conditions.

Engagement with boards

The QAO Performance Audit Process

Audit Phase	Activities
 <p>Preliminary Planning</p>	<ul style="list-style-type: none"> • Background research • Draft audit scope • Initiation Letter • Agency Contact Officer nominated
 <p>Detailed Planning</p>	<ul style="list-style-type: none"> • Planning Meeting • Analysis of agency data and systems • Audit Strategy (includes final audit scope and timing) • End of Planning Brief (includes potential findings)
 <p>Conduct</p>	<ul style="list-style-type: none"> • Conduct Meeting • Audit testing (issues and recommendations discussed) • End of Conduct Brief (includes context, findings and recommendations) • Exit Meeting
 <p>Reporting</p>	<ul style="list-style-type: none"> • Preliminary draft of Report to Parliament • Proposed draft of Report to Parliament (21 days for comment) • Report to Parliament tabled

Verify accuracy

Issued to Board & CEO

Terry Campbell
Assistant Auditor-General
Performance Audit

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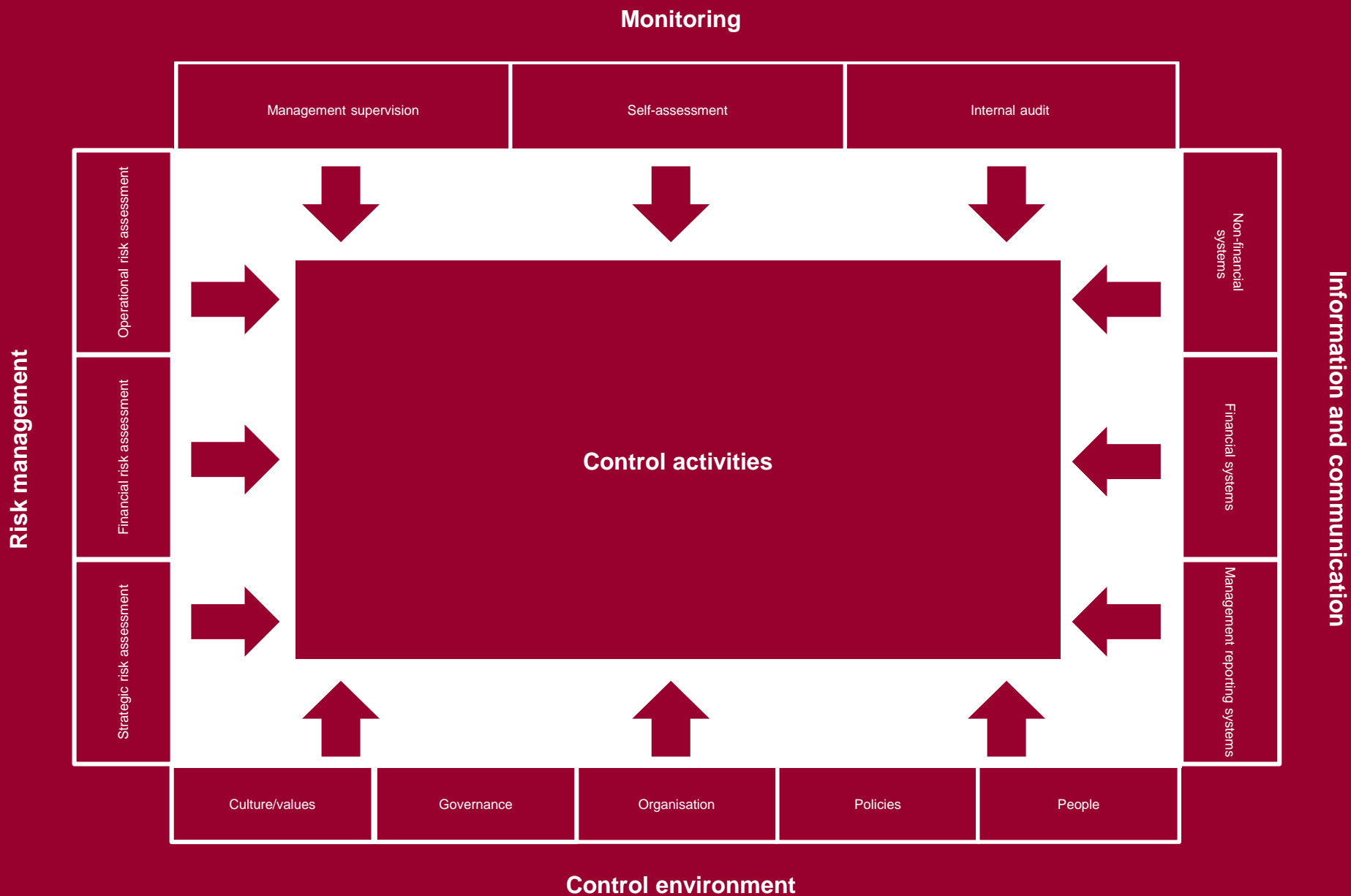


Internal controls

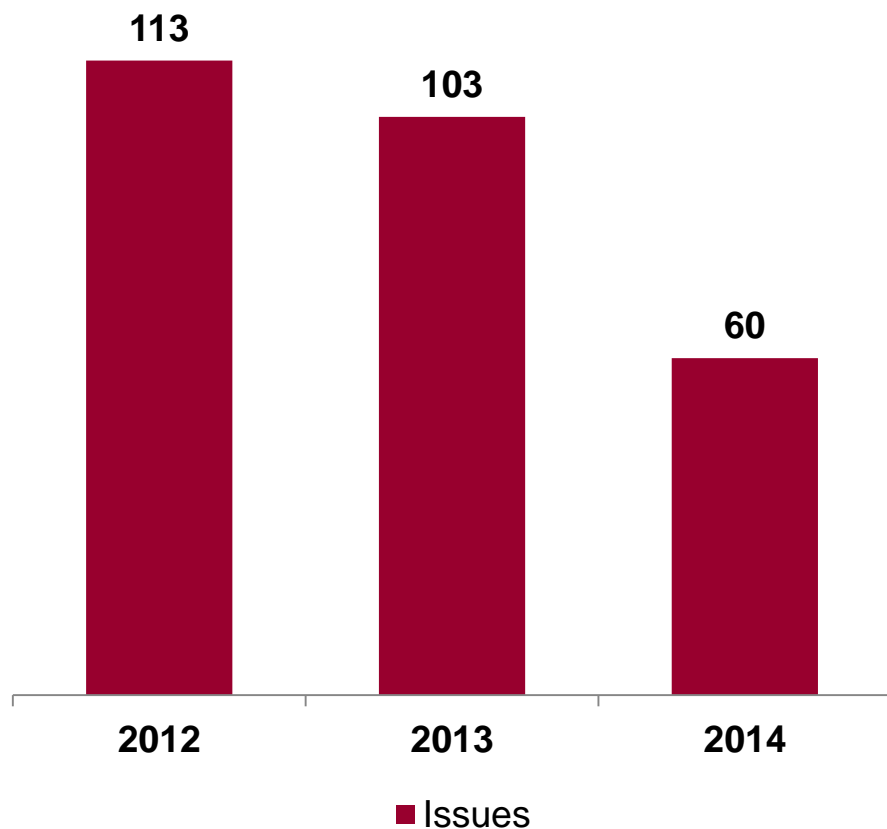
(Report 1 : 2014–15)

P Brahman
Assistant Auditor-General

Internal control framework

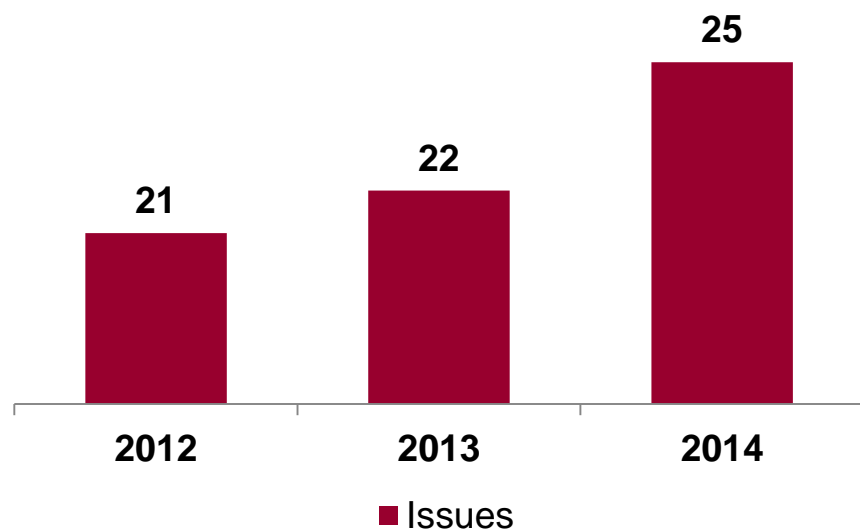


Internal controls results – Overall



- Weak controls over vendor master files
- Unmatched goods received/ invoice received
- Lack of review of payroll reports

Internal controls results – Information systems



- Lack of review of user roles
- Inappropriate access
- Vulnerability to external attack

Area of focus – Risk management

Risk management strengthens ability to deal with uncertainty, manage innovation and achieve objectives

- Risk management frameworks satisfy the minimum requirements
- Approaches to managing risk are basic

Risk management – Areas for improvement

- Integrate risk management process
- Monitoring of risks

Area of focus - Financial delegations

- Delegations were well aligned with organisational structures
- No evidence of systemic misuse of delegated authority
- Monitoring focuses on material purchases and payments

Financial delegations – Areas for improvement

- Automating delegated authority
- Managing risk factors
- Monitoring and reporting

Prior year audit – Monitoring controls

- CFO certifications
 - Program better communicated
- Internal audit
 - Reduced long outstanding issues
 - Internal and external peer reviews
- Audit committees
 - Independence of committee strengthened

Internal control element – Areas of focus

2015–16

- Business continuity
- Management reporting

2016–17

- Budget setting and reporting

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Financial Audit Services

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Expectations for the 2013-14 year end

Karen Johnson
Assistant Auditor-General

Results of financial statement audits 2012-13

Timeliness of financial statements

Financial statements prepared and audited within timeframe	2012-13	2011-12	Variance
Departments	100%	96%	4%
Statutory bodies	55%	67%	(12%)
Government owned corporations	100%	83%	17%
Public sector companies	78%	83%	(5%)

The negative variance on statutory bodies mainly relates to small water board entities which were required to prepare general purpose financial statement for the first time in FY 2012/2013

Results of financial statement audits 2012-13

Quality of financial statements

Area	FY 2012/2013	FY 2011/2012
Financial statement adjustments	\$1 824 million 9 departments 1 GOC	\$793 million 9 departments 2 GOCs
Significant disclosure adjustments	4 departments Explaining post balance date events and opening balance adjustments	1 department Reclassification to better reflect liquidity

Month end processes & financial statement timetable



- Strategies outlined in letters from Under Treasurer in February 2013 & January 2014
- Timetable should work backwards from critical events
- Proforma financial statements and soft or hard closes are essential

Month end processes & financial statement timetable

Strategies	Requirements
Monthly basis (with management review and endorsement)	<ul style="list-style-type: none">• Variance analysis (with meaningful explanation)• All key balance sheet reconciliations are prepared, issues resolved and approved• Report on contingent assets and liabilities• Management's strategies on emerging financial risks
From 2014 endeavour to have	<ul style="list-style-type: none">• Soft Close• Pro forma financial statement prepared by 30 April (includes comparatives and updated accounting policy notes)• Accounting issues resolved by 30 April• All asset stocktakes completed by 30 April
In longer term	<ul style="list-style-type: none">• Non current asset revaluations completed by 31 March• Utilise internal audit function for annual financial statement reporting process• Independent members appointed to the department's Audit Committee (ideal ratio is 50%)• Hard Close

Role of the Audit Committee in financial reporting

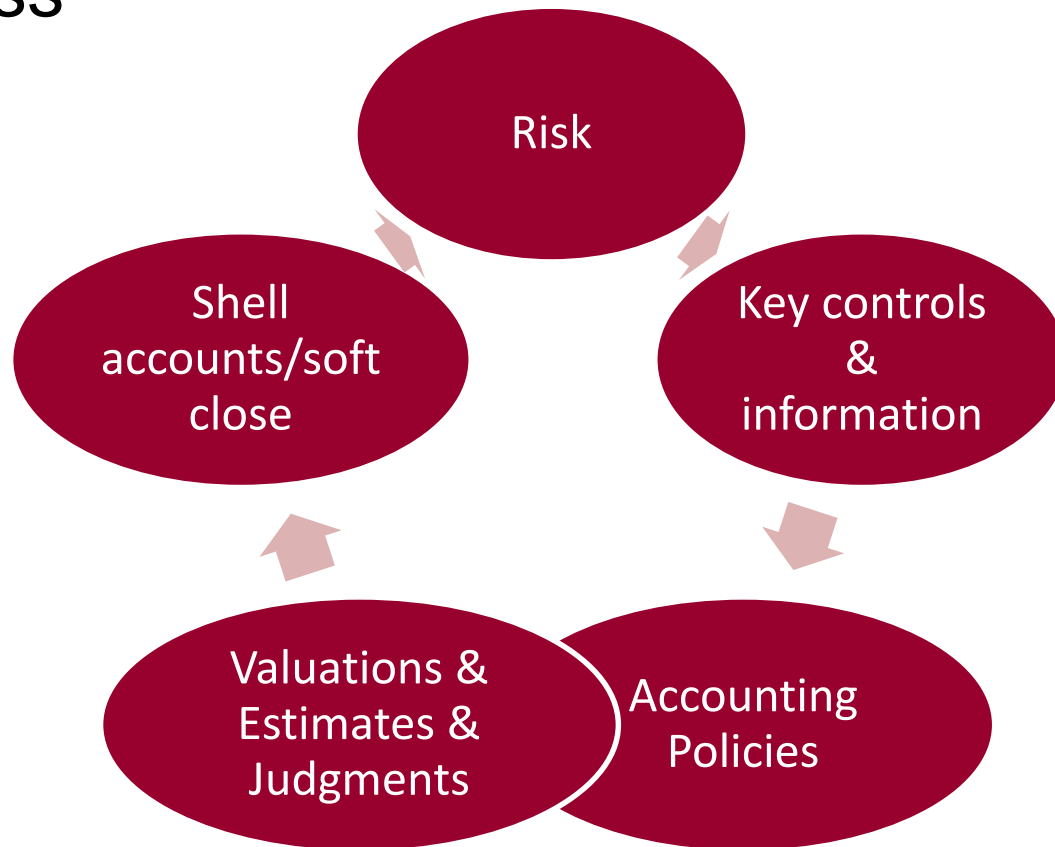
- Make use of the knowledge gained from considering risk management, internal control and compliance activity and the ongoing discussions with management, Internal and external audit.
- Understand and focus upon the content of the financial statements.

Review and endorsement of financial statements

- CFO Certification
- Compliance with applicable legislation
- Compliance with accounting standards
- Financial statement disclosures truly and fully reflect the entity's operations, including subsequent events

CFO certification - Audit Committee oversight role

- CFO assurance process is a continual 12 month process



Areas of focus for Audit Committees

- Clear alignment of key financial risks to financial statement balances
- Significant accounting estimates
- PPE Valuations
- Events occurring after balance date

Management representations

- Investigate account balances that require significant estimates and judgments
- Consider the impact of different assumptions
- Consider managements motivations or agendas
- Process for identifying related party transactions and the nature and extent of disclosure

Interaction with external audit

- Seek positive assurance from audit
 - ✓ Appropriateness of the entity's accounting policies
 - ✓ Areas of subjectivity in the financial report
 - ✓ Summary of audit difference and unadjusted differences (materiality)
 - ✓ Internal control issues
 - ✓ Managements technical competence and compliance with accounting standards

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Specialist Audit Services

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www.youtube.com/user/QAOqldauditoffice

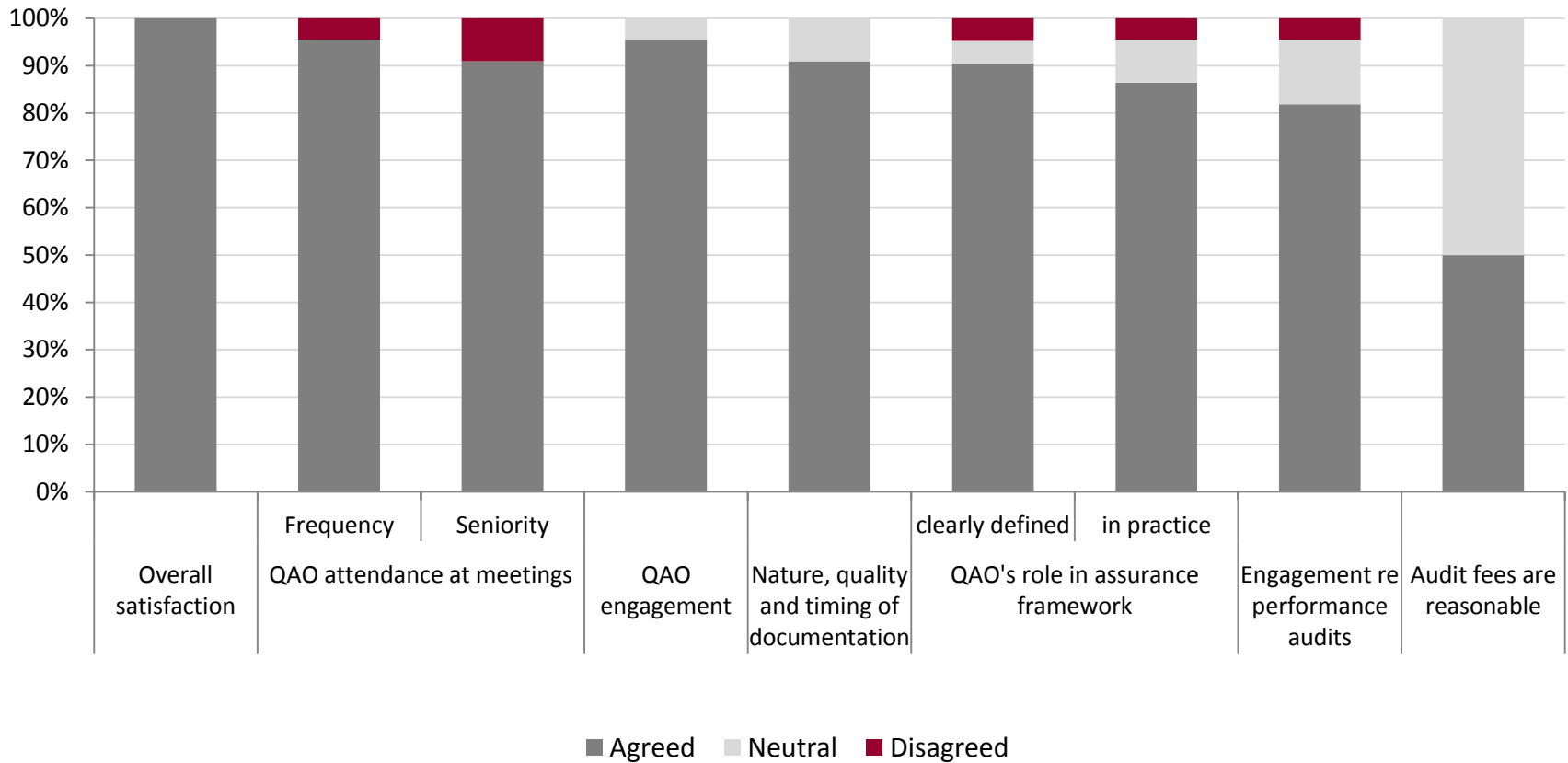


Survey results

Michael Booth
Assistant Auditor-General

Audit committee chairs survey

2013 pulse survey of Audit Committee Chairs



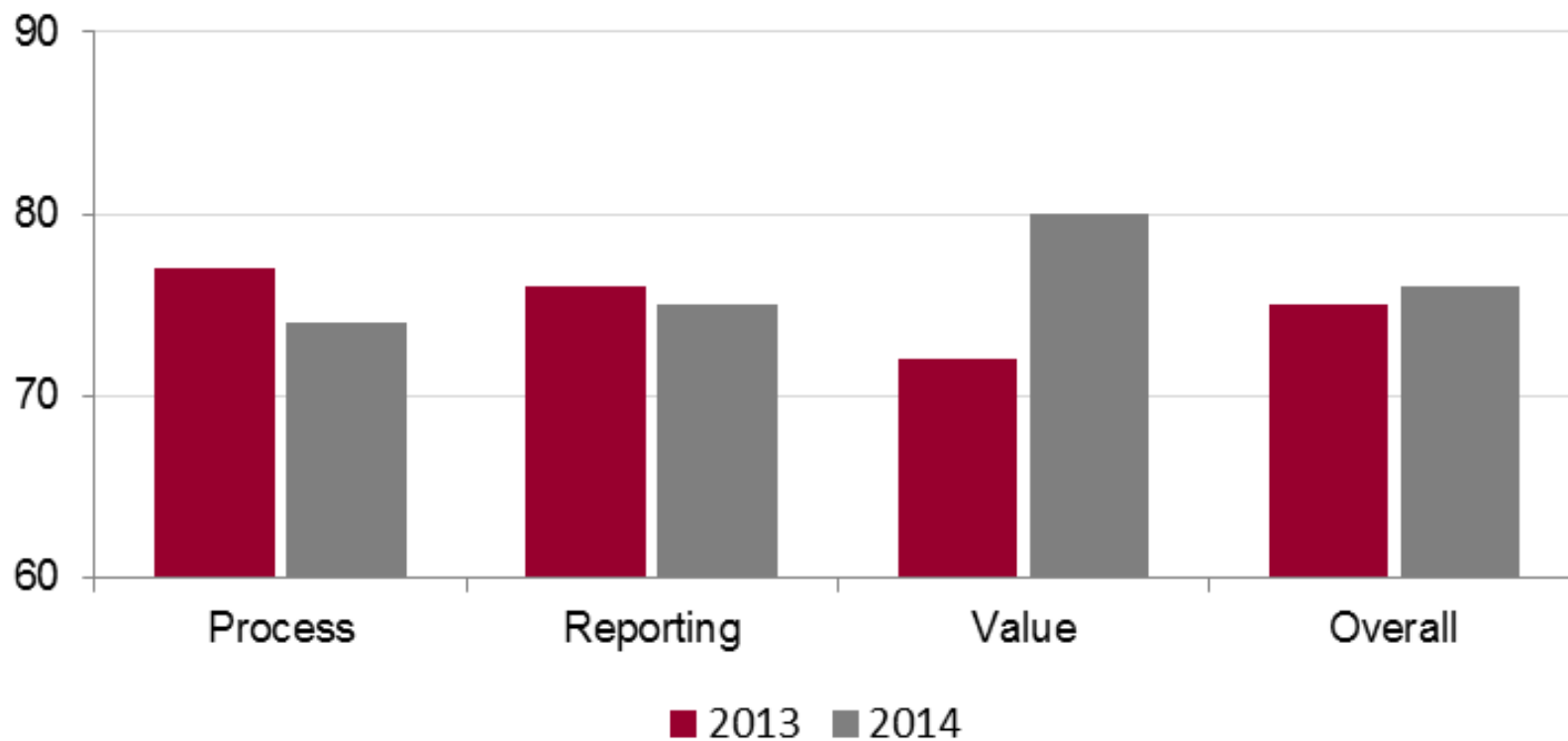
QAO will focus on...

- Expectations for QAO attendance at meetings
- Assurance Framework (QAO's role / internal audit)
- Performance audit updates

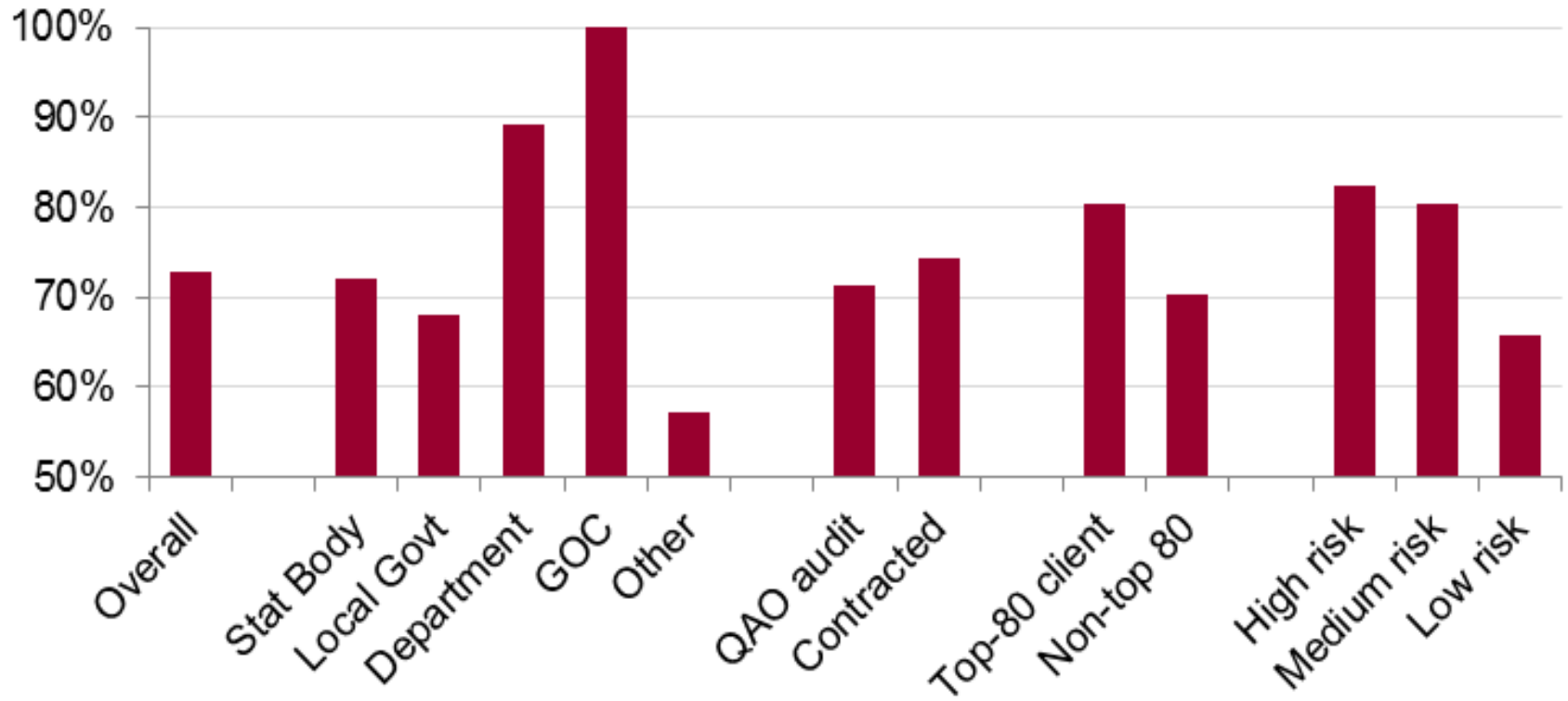
QAO will focus on ...

- Sector reports to Parliament
- Key audit documents for committee meetings
- Tailored client strategies
- Better discussion about audit fees

Client survey - Overall performance



Response rates



Positive results

- Audit staff
- Management letters
- Value

Areas for improvement

- Audit fees
- Reports to Parliament
- Senior staff involvement

Actions

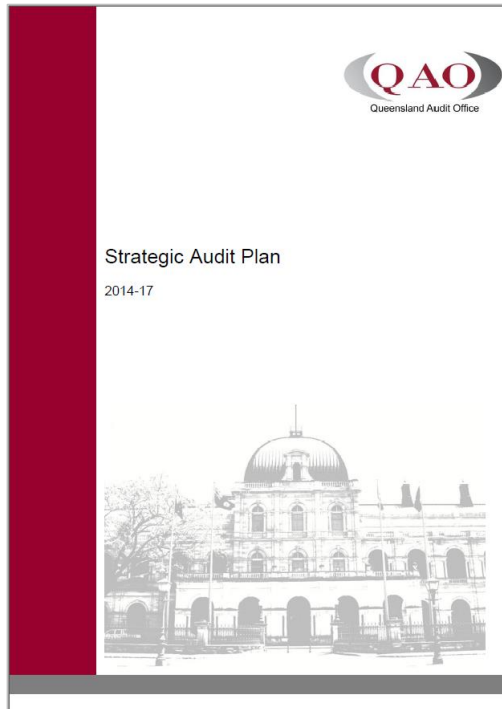
1. Sector Directors will discuss feedback directly with entity management and audit committees
2. Sector strategies will address issues raised through the client surveys in each sector
3. Client strategies will address specific feedback from individual consenting clients
4. QAO will brief all audit staff about client feedback

Michael Booth
Assistant Auditor-General
Audit Policy and Standards

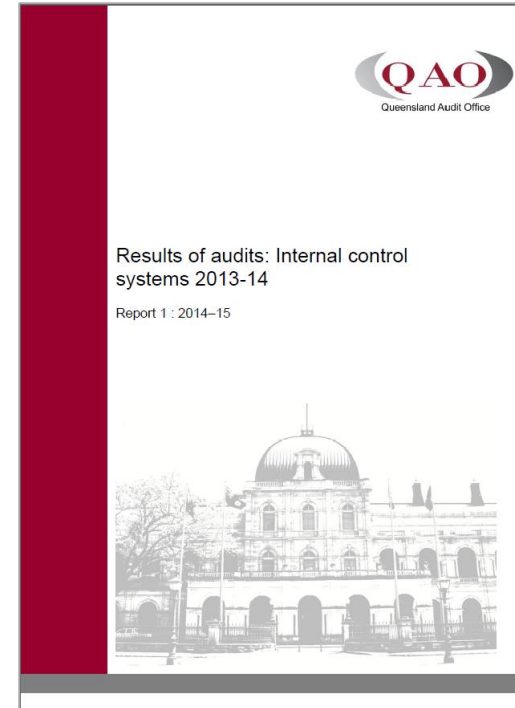
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Where to find our publications



www.qao.qld.gov.au/strategic-audit-plan



www.qao.qld.gov.au/report-1--2014-15

Question time

Morning Tea