

Strategic Audit Plan

2015-18



Queensland Audit Office

Location Level 14, 53 Albert Street, Brisbane Qld 4000

PO Box 15396, City East Qld 4002

Telephone (07) 3149 6000

Email qao@qao.qld.gov.au

Online www.qao.qld.gov.au

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Summary

This is the fourth strategic audit plan published by the Queensland Audit Office (QAO) and covers the three year period from 2015–18.

Our focus, through our audit program, is where we can best help agencies to deliver better public services, and how we can strengthen the accountability of the public sector to Parliament and to the public.

Our approach to strategic audit planning

Each year, we review our existing program and adapt our planned audits to maintain our relevance using a three-step process:

- determining what's important
- deciding what to audit
- communicating the plan.

In determining what's important we have regard to challenges in the delivery of public services and to government's priorities. We consult widely as part of environmental scanning to identify emerging risks and issues.

In deciding what to audit we carefully select and prioritise our audit topics based on their relevance, significance and potential to add value. We utilise a series of evaluation criteria or 'business drivers' based around these three dimensions.

In communicating the plan we provide advance notice of our performance audits, providing state and local government entities with the opportunity to better prepare for, and engage more constructively with, the audit process.

The proposed audit program for 2015–18

Figure 1 provides an overview of our proposed performance audit program.

We list more performance audits in the second (2016–17) and third (2017–18) years of the plan than we can undertake with our available resources and funding. Not all of these audit topics will be undertaken, as changes in government priorities and public sector performance may alter the relevance or priority of these audits. We also retain the discretion to replace or reschedule any of the topics proposed.

The performance audits we undertake are funded by the Parliament through our annual appropriation, whereas we charge fees to our public sector clients for their individual financial statement audits.

The Parliament also funds the reports we table annually on the results of our financial audits. We plan to continue to produce the following sector-based reports to Parliament on the results of our financial audits over each of the next three years:

- Whole of government
- General government sector
- Internal controls
- Public non-financial corporations
- Hospital and health services
- Local government
- Education sector.

Figure 1—Proposed performance audit program 2015–18

2015–16	2016–17	2017–18
Agriculture, resources and natural environment		
Agriculture science research and development programs Flood management of river catchments	Agricultural pest and disease management Security of critical water infrastructure	Management of fisheries and marine parks Biomedical waste
Education and training		
Early Childhood Education	Aboriginal and Torres Strait Islander education and employment outcomes Teacher performance in public schools	Alternative trade training pathways Independent school roll-out
Finance and administration		
Cloud computing management	Government advertising Strategic procurement—value for money	Use of confidentiality clauses in government contracts
Health and ambulance services		
Hospital utilisation (theatres and equipment)	Patient management and administration systems Management of mental health	Health NGO community based support Patient length of stay Chronic disease management Forensic services
Legal affairs and community safety		
Management of privately operated prisons Follow-up of Community Benefit Funds: Grants Management		Reporting of crime data
Built environment		
Royalties for the regions Major transport infrastructure projects Effectiveness of the National Heavy Vehicle Regulator	Integrated transport planning in south-east Queensland	Economic Development Queensland User experience of public transport
Local government		
Forecasting long term sustainability in local government	Development applications and approvals in local government	Local government rating practices
Social and community services		
	Social housing transfer initiatives Prevention and response to domestic violence	National Disability Insurance Scheme

Source: Queensland Audit Office

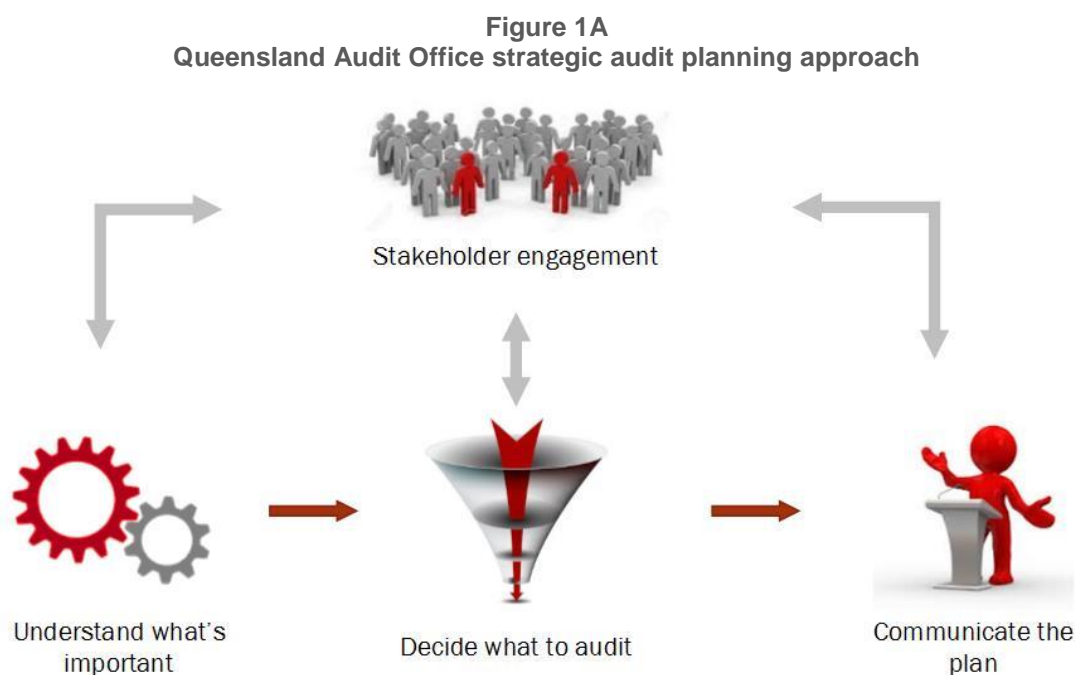
1 Context

Each year we develop a three year strategic audit plan setting out our proposed financial and performance audits. The plan is built on consultation, providing transparency of the audit program and is designed to encourage improvement in performance and maximise the value of the audits we deliver. The plan is published on our website by 30 June each year.

The public sector has many competing priorities and is under continual pressure to improve performance while containing expenditure growth. Factors such as ageing populations and increasing need for health care add to budgetary pressures. At the same time, citizens expect governments to be more accountable for what they achieve with taxpayers' money. This places a premium on relevant and reliable public financial and performance information. Therefore most audits include an assessment of whether public sector entities effectively measure, monitor and report financial and performance information.

1.1 Strategic audit planning approach

We continually consult stakeholders on the reports we deliver to Parliament and our financial audit program. This consultative approach helps us to identify the key risks and challenges facing the Queensland public sector. Figure 1A shows the planning approach we follow.



Source: Queensland Audit Office

1.1.1 Understanding what's important

We understand what is important through ongoing intelligence gathering including:

- consulting Parliament, public sector entities and other relevant stakeholders
- conducting environmental scanning to identify key risks and challenges to public administration, internationally, nationally and at state and local government levels
- understanding the operations of agencies and identifying opportunities for improved performance
- monitoring referrals we receive from the public, government, media and the public sector.

To achieve this, our audit teams are aligned to industry, led by sector directors who interact with our clients and other stakeholders and maintain a deep understanding of the sector in which they operate.

Each year, we utilise our ongoing intelligence gathering to shape audit themes and priorities into potential performance audit topics. We then assess changes to government priorities, reviews, or any general factors that may influence suitability or timing to determine what's important.

1.1.2 Deciding what to audit

We prioritise each potential audit against business drivers, auditability criteria and funding limitations.

This is a structured and rigorous process involving experts across our business. They critically assess and agree on the relative importance and suitability of each potential audit topic using scoring criteria for each business driver.

Business drivers used in the evaluation of potential audit topics include:

- relevance to Parliament
- relevance to Queensland government plans
- relevance to the public sector
- financial significance
- economic significance
- social significance
- environmental significance
- maintaining public confidence in the system of government
- the unique insights that QAO can bring given our role and mandated powers

Our leadership team uses this evaluation to arrive at a draft strategic audit program for the following three years cognisant of our funding envelope.

1.1.3 Communicating the plan

The next step is an extensive communication process. This involves:

- providing key stakeholders such as public sector agencies, ministers and parliamentary committees with the draft strategic audit program relevant to them for comment
- refining and incorporating changes based on feedback from these stakeholders
- formally issuing the proposed strategic audit plan to the Finance and Administrative parliamentary committee for comment for 42 days and incorporating accepted changes.

Our final strategic audit plan is published on our website prior to 30 June, as required under the *Auditor-General Act 2009*.

1.2 Our audit services

1.2.1 Parliamentary services

Parliament is our primary client. As the independent external auditor of all Queensland public sector entities, we provide Parliament with assurance about the performance and accountability of the public sector. We do this by tabling reports in Parliament and providing advice and assistance to parliamentary committees and to individual members of Parliament.

Our products and services funded directly by Parliament are:

- reports on the annual results of financial statements of public sector entities
- reports on the results of performance audits that focus on the economic, efficient and effective use of public resources to achieve public program objectives
- this three-year strategic audit plan
- investigation of and response on matters referred to us by MPs and councillors, our audit clients and the general public
- other direct advice and assistance to Parliament, its committees and to individual members.

Parliament uses our reports to support and inform debate on issues and the passage of new legislation, and as the basis of committee inquiries.

1.2.2 Financial audit services

Each year, we provide around 550 audit opinions on the financial statements of public sector entities and 250 related audit certifications, mainly certifying grant acquittals. Our financial audits cover the Queensland public sector, which can broadly be broken into five segments:

- **General government sector (GGS):** government bodies controlled and funded by the state, including all departments and most statutory bodies
- **Public non-financial corporations (PNFC):** bodies that are legally distinct from the governments that own them and that provide non-regulatory, non-financial market goods and services, including all government-owned corporations other than those classified as PFCs
- **Public financial corporations (PFC):** government controlled entities performing centralised banking functions. For the purposes of this report PFCs include the Queensland Investment Corporation and QSuper and all their controlled entities
- **Local government (LG):** all the Queensland councils and the entities they control either individually or jointly
- **Universities (Uni):** the seven universities and their controlled entities and the eight grammar schools within Queensland.

In discharging our financial audit responsibilities we focus on risk. We identify significant and unusual financial transactions and themes across the various sectors that require audit consideration.

The public sector has high standards of accountability in the probity and propriety of its activities and the public expects the public sector to minimise waste and misuse of public resources. Our financial audits consider these matters. Where we identify significant risks in probity or waste, we design additional audit procedures to ascertain whether these risks have materialised. The opinions we give on our financial audits provide assurance about the reliability of our client's financial reports, including their compliance with legislative requirements.

1.2.3 Areas of control focus

As part of our annual financial audits, we undertake more detailed reviews of selected elements of internal control. We select these by considering audit issues raised in previous years, audit risks identified, referral matters, jurisdictional monitoring, coverage of components of internal control and potential for greatest control improvement.

1.2.4 Performance audit services

Performance audits provide Parliament and the community with independent assurance that public monies have been used appropriately and well; and that the results achieved from their use meet Parliament's expectations. These audits focus on efficiency, effectiveness and economy of government service delivery.

Some of the performance audits we undertake are the result of referrals. We receive information and allegations about the activities of public sector entities from the general public, members of Parliament, councillors, entity management and other integrity offices. We assess all referrals we receive and investigate those within our mandate.

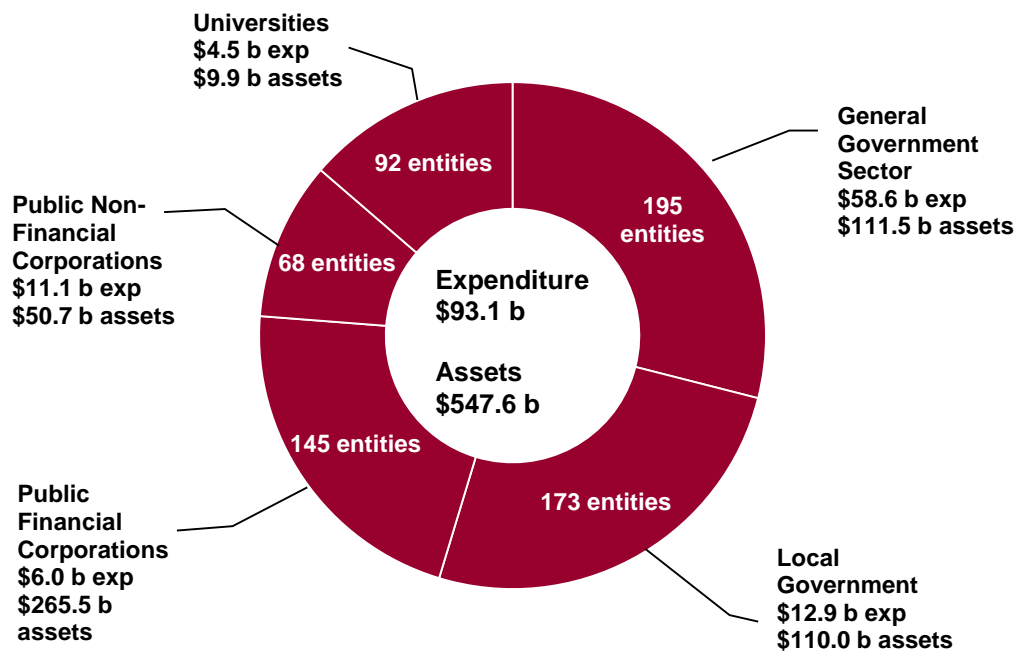
Each year we also conduct a follow-up audit on the implementation of recommendations from previous performance audits and report the findings to the Parliament. This assures the Parliament that identified public sector performance issues are being appropriately addressed.

Appendix A provides a reconciliation of the planned 2014–15 audits according to our Strategic Audit Plan 2014–17 with those we tabled in the Parliament.

2 Audit work plan 2015–18

The Queensland state and local government public sectors operate in a constantly changing environment. They hold around \$550 billion in total assets and spends around \$93 billion annually. Figure 2A shows the spread of expenditure and assets across the two sectors generally.

Figure 2A
Public sector assets and expenditure



Source: Queensland Audit Office

2.1 Key risks and challenges

In developing this strategic audit plan we consider the issues that present risks and challenges for public administration.

These issues will see greater demands placed on the public purse and will require more economical, efficient and effective public sector performance if the challenges are to be met.

Global

At a global level, research highlights challenges and issues that need government attention and action including:

- population and demographic changes—placing stresses on government systems—for example resource management, ageing and long-term health care, social movements and dislocation
- environmental problems and challenges from climate change
- human induced problems emerging from the economy and changes in society—financial crisis, terrorism, risks to technological and security systems, conflicts over social values and problems of social integration.

National

The Council of Australian Governments (COAG) reform agenda is to improve the wellbeing of all Australians. To help shape this reform agenda COAG agreed to five themes of strategic importance. These five themes lie at the intersection of jurisdictional responsibilities:

- a long-term strategy for economic and social participation
- a national economy driven by competitive advantages
- a more sustainable and liveable Australia
- better health services and a more sustainable health system for all Australians
- closing the gap on Indigenous disadvantage.

Population growth and ageing, economic factors and rapid and costly increases in technology will continue to place significant pressure on demand for health, education and community services. This will require governments to become more efficient and effective with limited resources available.

Indigenous disadvantage continues to be a priority challenge for the nation. The COAG National Indigenous Reform Agreement, agreed in November 2008, commits the Commonwealth, State and Territory governments to Closing the Gap in Indigenous disadvantage. The agreement is aimed at improving outcomes between Indigenous and non-Indigenous Australians in the areas of life expectancy, health, education and employment. In 2008, COAG committed \$4.6 billion in Indigenous specific funding over 10 years to drive fundamental reforms in remote housing, health, early childhood development, jobs and improvements in remote service delivery.

State

In Queensland, key government policy approaches include a focus on employment, education, health, agriculture, resources and construction. For example, the government has committed \$240 million over four years, under its skilling Queenslanders for Work initiative, to support up to 32 000 job seekers. While in the health sector, the government is completing the Future State Alignment Review project to examine the Department of Health's efficiency and effectiveness under the operational environment set out in the *Health and Hospital Boards Act (Qld) 2011*.

The government's approach also includes a renewed focus on government and public sector transparency and accountability, as well as environmental stewardship, such as protection of the Great Barrier Reef. The international, national and state focus on protection of the Great Barrier Reef will remain, with the government appointing a Minister for the Great Barrier Reef and committing an additional \$100 million over five years from 2015 to improve reef catchment water quality.

Governance and administration initiatives currently influencing, and likely to continue influencing, how government delivers services include:

- increased effectiveness and efficiency—demonstrating value for money
- balancing economic development with environmental protection
- localised and more flexible decision making
- sound planning with the right infrastructure in the right places
- greater stakeholder engagement—encouraging individual and community responsibility.

Public administration is increasingly influenced by whole-of-government, evidence-based, citizen-centric approaches to policy and program design and delivery. This is particularly so in the delivery of social, health and welfare services, engaging with third-party providers from the private and not-for-profit sectors and forming partnerships with other government jurisdictions.

Increasingly, the state is using collaborations between public and private sectors to deliver major infrastructure. Public private partnerships (PPPs) apply efficiencies and risk management associated with private sector practices to delivering public assets. The use of PPPs increases the state's access to funding arrangements and can free up public sector resources for core social services rather than infrastructure. Infrastructure assets represent a significant balance in the financial statements of many of the public sector entities. The capital spend within the public sector for 2013–14 was \$13.5 billion.

We have assessed contract management in a number of recent audits and identified many instances where public sector entities struggle to demonstrate value for money from their contracts. Gaps in capability combined with inadequate contract management systems make it challenging for public sector entities to obtain maximum value from their spending of public funds.

Greater reliance on whole-of-government and whole-of-community approaches in infrastructure and service delivery place added reliance and emphasis on timely, accurate, and reliable data and systems, both within entities and across the public sector. Our previous audits, including *Emergency department performance reporting* (Report 3: 2014–15) and *Monitoring and reporting performance* (Report 18: 2013–14) have found significant capability gaps exist across the public sector.

2.2 Audit themes and priorities

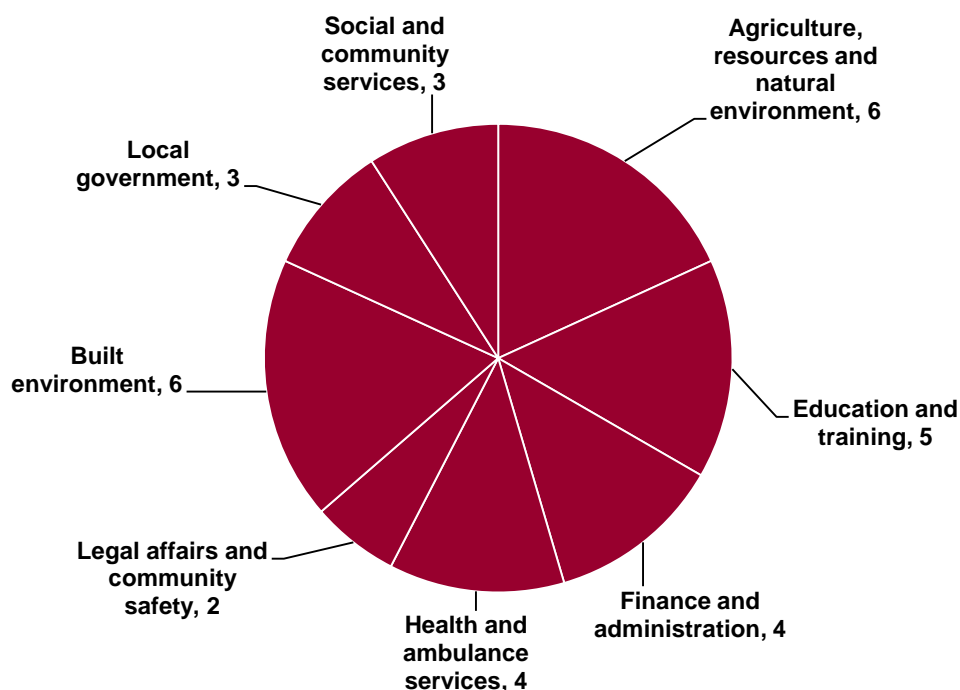
To meet our goal of strengthening public sector accountability and being a catalyst for its improved performance we need to select the right audit topics focused on the key areas of risk and challenge facing the public sector.

Our funding enables us to deliver around ten performance audit reports each year, so we need to address the most important areas of government service delivery and administration. We have planned audits that will examine the broader implications of the reform agenda on public administration in Queensland.

Targeting growth across the state's key economic contributors—resources, agriculture, tourism, and construction—will potentially affect a wide range of government functions. In undertaking audits, we consider the impact and implementation of economic reform and the intended outcomes.

This strategic audit plan includes audits in the agriculture and resource sectors, as well as audits examining infrastructure planning and major projects. It also includes audits in the two biggest public sector portfolios, health and education. Figure 2B shows the coverage of planned performance audits for 2015–18 across the public sector.

Figure 2B
Audit sector coverage 2015–18



Source: Queensland Audit Office

For the first time, we will examine an area within the National Indigenous Reform Agreement to align with the target of closing the gap in Indigenous disadvantage. The audit will examine Aboriginal and Torres Strait Islander education and employment outcomes.

With the focus on increased effectiveness and efficiency, and delivering value for money, we will continue to scrutinise procurement processes as part of our financial audits. Our plan also includes performance audits to examine the contestability and outsourcing of government services, through the planned audits on the management of privately operated prisons and strategic procurement. The audit program also identifies a number of audits where government partners with non-government organisations to deliver infrastructure, health, disability and social housing services.

Results of audits: Internal control systems 2013–14 (Report 1: 2014–15) noted an improvement in the control environment in government departments; opportunities remain to further strengthen aspects of the control environment. These include:

- more sophisticated risk management processes to better balance risk and control
- shared service arrangements—documenting service level agreements that clarify roles, responsibilities and performance expectations
- information systems—improving controls over reliability, availability and security of data.

We will continue to examine these areas through our areas of control focus and individual performance audits. Risk management is considered in many performance audits, especially when examining major projects and government programs such as the major transport infrastructure projects' audit. With the increase in outsourcing, we have planned a series of audits to examine the delivery of government services by non-government organisations, which will include assessing service level agreements, expectations and performance.

In recent years, we have undertaken a number of performance audits that assess the performance of Queensland public sector entities in achieving their targets. Reporting performance is a cornerstone of good governance and accountability. We have frequently reported issues on the reliability and integrity of data especially with regard to publicly reported performance information. As such we will continue to examine this over the coming three years, including teacher performance in public schools, reporting of crime data, government advertising and use of confidentiality clauses in government contracts.

2.3 Services to the Parliament

2.3.1 Reports on results of financial audits

For 2015–16, we again plan to table seven reports in our financial audit services program. Figure 2C details the three year financial audit program.

Our sector-based reports will continue to analyse and comment on significant governance areas including:

- results of financial audits, including how significant financial risks and reporting issues have been addressed
- timeliness and quality of financial reporting
- effectiveness of systems of financial controls
- financial sustainability of selected entities and of the whole of government.

We also plan to continue our practice of tabling a separate report on the results of our testing of systems of internal control in departments, to allow for more timely consideration and response to any systemic control issues we identify.

Figure 2C
Results of financial audits: reporting program 2015–18

2015–16	2016–17	2017-18
State public sector Internal control 2014–15	State public sector Internal control 2015–16	State public sector Internal control 2016–17
State public sector 2014–15 statements	State public sector 2015–16 statements	State public sector 2016–17 statements
Queensland state government 2014–15 statements	Queensland state government 2015–16 statements	Queensland state government 2016–17 statements
Public non-financial corporations 2014–15 statements	Public non-financial corporations 2015–16 statements	Public non-financial corporations 2016–17 statements
Hospital and Health Services 2014–15 statements	Hospital and Health Services 2015–16 statements	Hospital and Health Services 2016–17 statements
Local government 2014–15 statements	Local government 2015–16 statements	Local government 2016–17 statements
Education 2015 statements	Education 2016 statements	Education 2017 statements

Source: Queensland Audit Office

2.3.2 Areas of control focus: 2015–18

We plan to continue to undertake in-depth reviews of elements of internal control in identified risk areas or where there is potential for performance improvement.

For each topic we select, we first develop a model to assess maturity of the internal control against better practice. We use this to assess a sample of agencies across State sectors.

Figure 2D summarises the in-depth reviews planned across the elements of internal control to be reported on over the next three-years.

Figure 2D
2015–18 planned areas of control focus

Topic	Objective	2015-16	2016-17	2017-18
Control Environment				
Stability of senior management	Assess the level of executive turnover and the related appointment and induction processes	Local Government Sector		
Organisational structure and accountability	Assess the appropriateness of the organisational structure and systems in place to hold individuals accountable for financial internal control responsibilities		Education, General Government and Health Sectors	
Risk Assessments				
Strategic, financial and operational risk assessments	Assess the relevance and appropriateness of risk assessments	Education Sector	Local Government Sector	
Fraud risk	Assess the appropriateness and effectiveness of fraud and risk management			Education, General Government and Health Sectors
Information and Communication				
Management reporting	Assess the timeliness and adequacy of key management information used to assess performance	General Government and Health Sectors		Local Government Sector

Source: Queensland Audit Office

2.3.3 Reports on results of performance audits

Figure 2E lists the ten performance audits and one follow-up audit we plan to table in Parliament in 2015–16.

Our audit approach for each of the listed audits will be refined and confirmed through detailed planning. This process includes further consultation with key stakeholders and the public sector entities involved.

Once a performance audit has commenced, we provide information about the audit in the *Audits in progress* section of our website: www.qao.qld.gov.au. For selected audits, we invite the public to make submissions through our website.

Figure 2E
2015–16 planned tabling of performance audits

Sector	Topic	Planned tabling
Agriculture, Resources and Natural Environment	Agriculture science research and development programs	Quarter 2
	Flood management of river catchments	Quarter 3
Education and Training	Early childhood education	Quarter 4
Finance and Administration	Cloud computing management	Quarter 3
Health and Ambulance Services	Hospital utilisation (theatres and equipment)	Quarter 4
Legal Affairs and Community Safety	Management of privately operated prisons	Quarter 3
	Follow-up of 2012–13 audit: Community Benefit Funds: Grant Management	Quarter 4
Built Environment	Royalties for the Regions	Quarter 2
	Major transport infrastructure projects	Quarter 2
	Effectiveness of the National Heavy Vehicle Regulator	Quarter 4
Local Government	Forecasting long term sustainability in local government	Quarter 4

Source: Queensland Audit Office

In addition to the audits listed in Figure 2E, we have carried forward one audit from 2014-15—Road safety - traffic cameras. This audit was substantially complete at year end and will be tabled in early 2015–16. The reason for the delay was because we invested more resources in new performance audits derived from referrals during 2014–15, demonstrating our ability to respond and support client needs.

Agriculture science research and development programs

The audit will examine whether agricultural science research, development and extension programs are delivering benefits that contribute to an efficient, innovative, resilient and profitable agricultural sector.

Agriculture is a significant contributor to the national and state economy. In Queensland agriculture creates jobs, generates over \$13.7 billion per annum for the economy and is the lifeblood of many rural and regional communities. The vision for Queensland’s agriculture, fisheries and forestry industries is an efficient, innovative, resilient and profitable sector that thrives in the long term.

Research, development and extension (RD&E) programs aim to improve productivity by lowering the costs of production, increasing yields, improving sustainability, encouraging efficient resource allocation and providing opportunities to enter new markets. RD&E programs are important in helping farmers prevent and respond to emergent pest and disease incursions that have the potential to harm agricultural production.

The effectiveness of the Department of Agriculture, Fisheries and Forestry (DAFF) in using research, development and extension effort to achieve government priorities has a significant impact on the state’s agricultural sector.

Flood management of river catchments

The audit will examine flood prevention and mitigation in the Fitzroy and Bremer river catchments.

Flooding caused by major rainfall events is a natural occurrence that has had significant, tragic and destructive effects on individuals, communities and the state.

Queensland's river catchments are critical to health and prosperity but, during major rainfall events, they can become a source of flooding. This audit will focus on the Fitzroy and Bremer river catchments to examine the extent and effectiveness of government actions to prevent and mitigate flooding and its impacts.

Early childhood education

The audit will examine whether early childhood education is accessible and helps prepare children for transition to school.

Early childhood education establishes the foundation for future development, health and wellbeing, not only in the early years, but throughout life. It is critical for the growth of the state and nation's economy.

Queensland signed the National Partnership Agreement on Early Childhood Education (NP ECE) in December 2008 and it expired in June 2013. A new National Partnership Agreement on Universal Access to Early Childhood Education (NP UAEDE) was endorsed in June 2013.

The National Partnership Agreement on Universal Access to Early Childhood Education seeks to maintain universal access to and improve participation in affordable, quality early childhood education programs. Performance under the National Partnership Agreement on Universal Access to Early Childhood Education, is assessed against four performance indicators: teacher qualifications; access to quality programs; program availability; and attendance.

The audit will assess Queensland's performance in achieving the outcomes sought under the National Partnership Agreement on Universal Access to Early Childhood Education and how this progress meets the needs of children, parents and communities to effectively prepare children for transition to school.

Cloud computing management

The audit will examine the design, implementation, security and operating effectiveness of the management of ICT service providers for cloud computing.

A key element of the implementation of ICT as a service strategy is the use of appropriate cloud-based computing and other emerging technologies. The federal government has released the National Cloud Computing Strategy, which suggests that government agencies choose cloud services where the services represent the best value for money and adequate management of risks, compared to other available options.

Cloud computing can be relatively easy to set up and fund. However, inadequate considerations of fit for purpose, risk management and long term strategy could leave agencies with few or costly exit options in the event of unsatisfactory performance of the service providers or changes in agencies' requirements.

Government agencies need to have a robust risk assessment and management approach for the ICT services provided by external providers. For the implementation of cloud computing, this includes balancing the security, scalability and value for money of public and private clouds. A more secure but more expensive private cloud is restricted to a single enterprise. The public cloud provides scalability options but adopts 'one size fits all' for all enterprises sharing the infrastructure. Some risks in relation to public clouds include security, data and system integration, data and system portability, viability of the service provider, ICT governance and service level agreements.

Hospital utilisation (theatres and medical equipment)

The audit will examine whether Queensland's operating theatres and high value medical equipment are being utilised efficiently and economically.

An affordable, efficient health system is essential to meet the challenges associated with a growing and ageing population, higher rates of chronic disease and increasing complexity of health treatment. Given the increasing demand and costs associated with healthcare, public hospitals must maximise the use of their assets. This is particularly the case for operating theatres and high value medical equipment, such as magnetic resonance imaging (MRI) and computed tomography (CT) equipment. High levels of efficiency in the use of these assets has the potential to not only reduce wait times but also significantly improve patient experience and outcomes.

Management of privately operated prisons

The audit will examine whether the intended benefits to the state of privately operated prisons are being realised.

Privatisation of correctional facility operations in Australia started with Queensland's Borallon Correctional Centre in 1990. Currently, two of the state's ten custodial centres are operated by private providers: Arthur Gorrie Correctional Centre and Southern Queensland Correctional Centre. Privatisation of correctional facility operations is intended to deliver cost efficiencies and greater value for money than can be realised through state operated centres. The search for cost efficiencies and greater value for money needs to be balanced against the state's obligation to provide community safety and crime prevention through the humane containment, supervision, and rehabilitation of offenders in correctional centres.

The audit will examine whether cost efficiencies and value for money intended from privately operated prisons have been realised, without lowering the quality of containment, supervision and rehabilitation services.

Royalties for the regions

The audit will examine the impact of the Royalties for the Regions program on regional economic sustainability and resilience.

The *Royalties for the regions* program is investing \$495 million over four-years, from 2012-13 to 2015–16 and is designed to return wealth generated through the resources sector to the regions where it was generated. Its purpose is to help local councils address the toll mining activities take on critical infrastructure. The program is designed to improve the liveability, amenity, resilience and economic sustainability of regional communities.

Major transport infrastructure projects

The audit will examine the timeliness, cost and performance delivery of the Bruce Highway and Moreton Bay Rail Link transport infrastructure projects.

The objective of the Bruce Highway Program is to deliver a national highway that, within the \$8.5 billion 10-year program of works, achieves safety, flood immunity and capacity improvements. The program began in 2013–14 and is now in year two of the program. It includes projects rolled over from the Bruce Highway improvement initiatives under the Nation Building Program.

The Moreton Bay Rail Link is designed to bring significant economic, social and environmental benefits to south-east Queensland and the Moreton Bay Regional Council area. The primary benefits have been identified as:

- faster and reliable travel times
- increased connectivity between activity centres
- increased access to public transport
- development of sustainable cities and regions.

Work began on the Moreton Bay Rail Link programs on 24 January 2014 with a planned completion dated of 26 February 2016.

The audit will focus on program management and procurement of projects for these two significant infrastructure programs.

Effectiveness of the National Heavy Vehicle Regulator

The audit will examine the effectiveness of the National Heavy Vehicle Regulator.

In August 2011, the states, territories and the Australian Government agreed through the Intergovernmental Agreement for Heavy Vehicle Regulatory Reform to establish the National Heavy Vehicle Regulator (NHVR). The NHVR, located in Queensland, is charged with managing the nation's heavy vehicle regulatory regime and delivering its full benefits to the Australian community and economy. Its four objectives are to:

- promote public safety
- promote industry productivity and efficiency
- encourage regulator, government and operator efficiency
- manage the impact of heavy vehicles on the environment, infrastructure and public amenity.

The audit will examine NHVR performance in achieving these objectives.

Forecasting long term sustainability in local government

The audit will examine whether local government nine-year forecasts of financial sustainability are reliable and comply with legislated requirements.

Long-term planning for infrastructure assets allows councils to understand their future financial commitments and to develop strategies that address key strategic issues, such as their approach to service provision and service levels; debt and borrowing policies; and revenue policies—including its rating methodology. A clear understanding of future commitments is also required to prepare effective budgets.

The Queensland local government legislation was amended in 2009 to focus council attention on long-term financial sustainability. This included the implementation of the national frameworks for sustainability which sought to ensure that all local governments in Australia were adopting long-term planning processes. The legislation was further refined in December 2012, with councils required to calculate three measures of financial sustainability annually and include them in their annual reports.

Performance audit topics: 2016–18

Figures 2F and 2G list the audit themes for the years 2016–17 and 2017–18, from which a smaller number will be selected, based on allocated funding and priorities.

We will review and refine these themes into specific topics during our next annual strategic audit planning process.

Figure 2F
2016–17 proposed audit themes

Sector	Topic
Agriculture, Resources and Natural Environment	Agricultural pest and disease management Security of critical water infrastructure
Education and Training	Aboriginal and Torres Strait Islander education and employment outcomes Teacher performance in public schools
Finance and Administration	Government advertising Strategic procurement—value for money
Health and Ambulance Services	Patient management and administration systems Management of mental health
Built Environment	Integrated transport planning in south-east Queensland
Local Government	Development applications and approvals in local government
Social and Community Services	Social housing transfer initiatives Prevention and response to domestic violence

Source: Queensland Audit Office

Figure 2G
2017–18 proposed audit themes

Sector	Topic
Agriculture, Resources and Natural Environment	Management of fisheries and marine parks Biomedical waste
Education and Training	Alternative trade training pathways Independent school roll-out
Finance and Administration	Use of confidentiality clauses in government contracts
Health and Ambulance Services	Health Non-government organisation (NGO) community based support Patient length of stay Chronic disease management Forensic services
Legal Affairs and Community Safety	Reporting of crime data
Built Environment	Economic Development Queensland User experience of public transport
Local Government	Local government rating practices
Social and Community Services	National Disability Insurance Scheme

Source: Queensland Audit Office

Follow up of prior audits

While our reports to Parliament recommend improvements to the performance of public sector entities or promote public sector accountability, it is the primary responsibility of the executive and the individual agencies for accepting our recommendations and implementing change. All public sector entities need systems and processes to consider and, where appropriate, implement our audit recommendations.

Each year, we select at least one prior audit to follow up. We look at the current status of the audit recommendations and whether changes the public sector entity made address the issues originally raised. Other related issues that have emerged since the previous audit may also be included if they are significant and of interest to Parliament.

Figure 2H lists performance audit reports to Parliament tabled in 2012–13 that were considered for follow up in 2015–16.

Figure 2H
Reports considered for follow up in 2015–16

Report no.	Title
Report 6: 2012–13	Implementing the National Partnership Agreement on Homelessness in Queensland
Report 8: 2012–13	Online service delivery
Report 9: 2012–13	Fraud risk management
Report 12: 2012–13	Community Benefit Funds: Grant management
Report 13: 2012–13	Drink Safe Precincts trial
Report 14: 2012–13	Maintenance of water infrastructure assets
Report 15: 2012–13	Enforcement and collection of parking fines

Source: Queensland Audit Office

In 2015–16 we plan to follow-up on the progress and effectiveness of the implementation of recommendations from *Community Benefit Funds: Grant Management* (Report 12: 2012-13).

The audit found that the processes used to decide funding to grant applicants fell short of the necessary standards of transparency and accountability for such significant expenditures of public monies. The bodies responsible for administering the funds were unable to demonstrate that all applicants were dealt with equitably, that evaluation criteria was applied consistently, or that decisions maximised potential community benefits.

The administration of the grants programs by the department was found to be inefficient and the monitoring of grant payments weak. Appropriate mechanisms to gain assurance that grant monies had been spent for their intended purpose and realised expected benefits were absent or ineffective.

The audit also found that the controls in place did not prevent grant applicants from being funded twice from different funds and that duplicate payments of \$552 000 had been made over the prior two-years.

We made nine recommendations aimed at improving the transparency, accountability, equity and processes around the community benefit funds.

We are aware that the Department of Justice and Attorney-General has been delayed in its development and implementation of a new grants management system. The delay is to align with the development of the Grants Management Model, part of the whole-of-Government Social Services Reform Program. For this reason, our follow-up on the progress and effectiveness of the implementation of recommendations from *Community Benefit Funds: Grant Management* (Report 12: 2012–13) is planned to commence in 2016.

The Drink Safe Precincts trial has been replaced by the Safe Night Out Strategy and we will monitor the implementation of this as part of our ongoing assessment of future audit topics.

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Appendix A— Reconciliation 2014–17 SAP

In 2014-15, we met our commitment from the Strategic Audit Plan 2014-17 for the number of audit reports tabled in the Parliament.

Results of financial audit reports tabled in 2014–15

As planned, in 2014–15 we tabled six reports on the results of our financial audits and one internal control systems report. Figure A1 lists these reports.

Figure A1—2014–15 reports to Parliament on results of financial audits

Topic	Report number	Tabled
Results of audit: Internal control systems 2013–14	Report 1: 2014–15	July 2014
Results of audit: State public sector entities for 2013–14	Report 4: 2014–15	November 2014
Results of audit: Hospital and Health Services entities 2013–14	Report 5: 2014–15	November 2014
Results of audit: Public non-financial corporations 2013–14	Report 6: 2014–15	November 2014
Results of audit: Queensland state government financial statements 2013–14	Report 7: 2014–15	December 2014
Results of audit: Education sector entities 2014	Report 15: 2014–15	May 2015
Results of audit: Local government entities 2013–14	Report 16: 2014–15	May 2015

Source: Queensland Audit Office

In 2014–15, we reported on our focused reviews of the chief financial officer annual certification process in departments, internal audit, audit committees and corporate card control.

Results of performance audits tabled in 2014–15

Our plan last year was to table 10 new performance audits, two follow-up reports and two performance audits deferred from 2013–14: 2018 Commonwealth Games progress and Major hospital infrastructure projects.

We tabled 13 reports on the results of performance audits in 2014–15. This included:

- seven of the 10 planned audits—the other three audits were: Major Transport Infrastructure Projects and Road Safety-Traffic Cameras, which will be tabled in 2015-16; and Vocational Education Training Outcomes which did not result in a report to Parliament.
- two audits which had been deferred from 2013–14
- one of the two follow-up reports of 2012 audits—we contributed to a parliamentary committee enquiry instead of tabling our own follow-up report on Improving Student Attendance
- three audits additional to the strategic audit plan.

Figure A2 provides an acquittal of all completed audits where the report to Parliament was tabled in 2014–15.

Figure A2—2014–15 completed performance audits

Audit	Report number	Tabled
Performance audits deferred from Strategic Audit Plan for 2013–14 to 2014–15		
Major hospital infrastructure projects	Report 2: 2014–15	October 2014
2018 Commonwealth Games progress	Report 9: 2014–15	December 2014
Performance audits from Strategic Audit Plan for 2014–15		
Emergency department performance reporting	Report 3: 2014–15	October 2014
Bushfire prevention and preparedness	Report 10: 2014–15	December 2014
Maintenance of public schools	Report 11: 2014–15	March 2015
Managing child safety information	Report 17: 2014–15	May 2015
WorkCover claims	Report 18: 2014–15	June 2015
Fraud management in local government	Report 19: 2014–15	June 2015
Managing water quality in Great Barrier Reef catchments	Report 20: 2014–15	June 2015
Follow-up audit from Strategic Audit Plan for 2014–15		
Follow up audit: Tourism industry growth and development	Report 14: 2014–15	May 2015
Performance audits additional to Strategic Audit Plan		
Traintravel renewal: Sunlander 14	Report 8: 2014–15	December 2014
Oversight of recurrent grants to non-state schools	Report 12: 2014–15	March 2015
Procurement of youth boot camps	Report 13: 2014–15	April 2015

Source: Queensland Audit Office

Appendix B—Mandate

Our audit services

We provide independent audit services that assure Parliament and the community of the performance and accountability of the public sector. We do this through reports to public sector entities on their financial statements and reports to Parliament on the results of our financial and performance audits.

Financial audits provide the users of financial statements of public sector entities with independent assurance that the statements are reliable and comply with prescribed requirements.

Performance audits provide Parliament and the community with independent assurance that public moneys have been used appropriately and well, and that the results achieved from their use meet Parliament's expectations. Performance audits assess whether an entity, program or activity achieves its objectives economically, efficiently and effectively and complies with relevant laws. Performance audits do not question the merits of policy objectives—they assess how well the policy objectives are being achieved.

Financial audits are funded by fees charged to each audited entity, while performance audits and reports on the results of financial audits are funded by the Parliament.

Our mandate

The Auditor-General undertakes an independent, statutory role for Parliament, supported by the Queensland Audit Office (QAO) in delivering financial and performance auditing services. The results of these audits are reported to Parliament to provide it with necessary assurance about the reliability of financial reporting by, and the performance of, the public sector.

We audit all state and local government public sector entities and any entities they control. We can exempt entities from annual financial audits by QAO for periods of up to three years, but only if the audit is small and low risk. Section 60 of the *Auditor-General Act 2009* requires that we report at least once each year to the Parliament on the results of the financial audits we undertake for public sector entities.

At the request of a minister or a public sector entity, we may also undertake audits of non-public sector entities, with their agreement.

Our mandate was extended from August 2011 to allow us to audit matters relating to property, money or other assets given to non-public sector entities, including deciding whether they have been applied economically, efficiently and effectively for the purposes for which they were given. If such an audit is carried out, the Auditor-General must prepare a report to the Legislative Assembly, setting out the reasons for conducting the audit and results of the audit.

The *Auditor-General Act 2009* establishes this independent audit mandate, which is a cornerstone of public sector accountability. Section 37A of the *Auditor-General Act 2009* became effective in August 2011 and governs performance audits. This section provides the mandate to the Auditor-General to conduct a performance audit of all or any particular activities of a public sector entity, or in limited circumstances a government owned corporation.

Section 38 of the *Auditor-General Act 2009* provides the mandate to the Auditor-General to conduct a performance management systems audit of a government owned corporation, or a controlled entity of a government owned corporation.

Use of extended mandate

Since our audit mandate was extended in August 2011, we have tabled 36 reports on the results of performance audits. Being able to examine and comment on the actual performance of a government entity, program or activity—rather than solely the effectiveness of the systems to record performance—means we can hold government more accountable for its stewardship of public funds. We also provide valuable commentary, findings and recommendations on how to improve accountability and performance in the public sector.

Our focus on improving performance includes a series of audits examining the performance of Queensland public sector entities in achieving their targets. Examples include the performance and responsiveness of the Queensland Ambulance Services and Queensland hospital emergency departments. Last year we also examined how well the 20 core Queensland departments measure, monitor and publicly report on their non-financial performance.

Using our full mandate, we have also:

- developed and published four strategic audit plans setting out the performance and financial audit program over a three-year period
- used the 'follow the dollar' provision on audits to examine whether public funds allocated to third parties were being used economically, efficiently and effectively for the purposes for which they were given
- conducted a collaborative audit with other Australian audit jurisdictions on the National Partnership Agreement for Homelessness.

Auditing standards

We undertake these audits in accordance with the Auditor-General of Queensland Auditing Standards which incorporate the Australian auditing standards. These require us first to analyse each entity's internal control structure and assess the risks associated with its financial report. We design our audit procedures to address these risks.