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1993
QUEENSLAND



**FIRST REPORT
OF THE
AUDITOR-GENERAL
ON
AUDITS
PERFORMED FOR THE
FINANCIAL YEAR ENDED
30 JUNE 1993**

LAI'D UPON THE TABLE OF THE HOUSE

AND ORDERED TO BE PRINTED.

THE CLERK OF THE PARLIAMENT



1993
QUEENSLAND



FIRST REPORT
OF THE
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PERFORMED FOR THE
FINANCIAL YEAR ENDED
30 JUNE 1993

PREPARED UNDER SECTIONS 98 AND 99 OF THE
FINANCIAL ADMINISTRATION AND AUDIT ACT

QUEENSLAND AUDIT OFFICE
BRISBANE

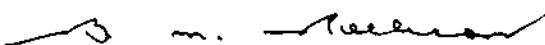
29 November 1993

To

The Honourable the Speaker of the Legislative
Assembly of Queensland.

Sir,

I transmit to you, as required by law, the attached Report on audits conducted to 26 November 1993 in respect of the financial year ended 30 June 1993 and I request that this Report be laid before the Legislative Assembly.


B M ROLLASON
Auditor-General

Queensland Audit Office,
Brisbane.

29 November 1993

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1. INTRODUCTION

1.1 Public Sector Auditing in Queensland

During 1992-93 the Queensland Government considered a wide range of issues which centred around many of the recommendations made by EARC in its report on the review of public sector auditing. The *Audit Legislation Amendment Act 1993* which amended the *Financial Administration and Audit Act 1977* and related Acts in accordance with the Government's intentions took effect from 1 May this year.

I am pleased to report that Queensland now has in place an excellent piece of audit law which clearly defines Parliament's expectations of the audit process.

As from 1 May the scope of audit mandate was extended to cover all public sector entities in Queensland which are defined to include entities controlled by other public sector entities. That is, the Auditor-General has responsibility for the audits of all departments and statutory bodies and all controlled entities of any department or statutory body which include all those entities that are currently under consideration for corporatisation.

As well, 1 May marked the establishment of a new Queensland Audit Office (QAO) which replaced the former Department of the Auditor-General.

The Auditor-General will become the auditor of all local authorities and controlled entities of local authorities once the relevant sections of the new Local Government Act are proclaimed. Other relevant legislation provides the authority to audit accounts of the Brisbane City Council and all Aboriginal Councils and Island Councils.

The audit mandate was also expanded by giving the Auditor-General the right to conduct audits of performance management systems of public sector entities.

In addition, the amended legislation considerably strengthened the Auditor-General's reporting responsibilities and signalled a desire for more frequent reporting to the Parliament on audit outcomes including advice on action taken by a public sector entity to remedy any unsatisfactory features previously reported.

Considerable progress has been achieved over the past two years to increase the content of Reports to the Legislative Assembly to give full effect to the varied reporting arrangements and, as a consequence, more issues are being taken up by the Public Accounts Committee for enquiry under the *Public Accounts Committee Act 1988*. The result of this is an increasing awareness by the media in the work of the Auditor-General and the Public Accounts Committee.

The inclusion of the provision in the legislation which states that the Auditor-General is not subject to direction by any person in relation to the Auditor-General's exercise of powers or audit priorities enhances the Auditor-General's independence and that of the QAO. This recognises a fundamental principle attaching to the Office of Auditor-General.

1.2 Relationship with Parliamentary Committee of Public Accounts

The Parliamentary Committee of Public Accounts (PAC) is required under its enabling legislation to review all the annual and other reports of the Auditor-General. The PAC initiates reviews of issues contained in those reports which it considers should be pursued in the accountability interests of Parliament and the public.

The repeal of the secrecy provisions of the Financial Administration and Audit Act in August 1992 and corresponding amendments to the PAC Act have allowed an appropriate degree of interaction between the Auditor-General and PAC in relation to the disclosure of appropriate information to the PAC to assist it in its enquiries. This is evidenced by the number of times the Chairman and other Committee members have met with the Auditor-General and other QAO staff to obtain briefings on audit matters which have previously been reported to Parliament.

This relationship will evolve further over the ensuing twelve months.

1.3 Reporting to the Legislative Assembly

Audit has considered a range of presentational styles over the last few years. In my First Report for 1991-92 the Ministerial Portfolio concept was adopted for the first time. That form of display aligned the reporting format in a contemporary way which allowed the Parliament to better associate the reported matters with the manner in which the public business is conducted.

As well, there has been an increase in the number of matters which I consider to be of sufficient significance to warrant inclusion in the Reports. This Report continues that reporting format.

The question of more frequent reporting to the Parliament is under consideration and is contingent upon completion of the successful reconstruction of QAO which is now under way.

1.4 This Report

This is my First Report in respect of audits performed for the financial year ended 30 June 1993 or other year and dates or periods as may be relevant in certain cases.

In Part 2 of this Report the statutory obligations of the Auditor-General are addressed in relation to audits performed on the public accounts, the departmental accounts and the accounts of local authorities, statutory bodies and controlled entities. In addition, comment on the results of those audits which are performed under an Act other than the Financial Administration and Audit Act or in a "by arrangement" capacity prior to 1 May is provided.

Part 3 covers audit findings and observations under Ministerial portfolios. Audits classified under Ministerial Portfolio as at 30 June 1993 are attached to this Report as Appendix A.

The practice of including commentary as appropriate on public sector wide issues involving accounting and administrative matters and the results of any special project audits undertaken are commented on in Part 4.

Comments made throughout the Report generally relate to events which have occurred up to and including 26 November 1993.

2. STATUTORY REPORTS

2.1 Introduction

The Auditor-General has a duty to conduct audits of the public accounts of the Treasurer and of all public sector entities (except QAO and any other entity exempted by regulation) in terms of the *Financial Administration and Audit Act 1977* (referred to in this Report as "the Act" or the Financial Administration and Audit Act). The external audit of the accounts of QAO is performed by a registered company auditor appointed by the Governor in Council as required by the Act. A copy of the auditor's report was included in the 1992-93 Annual Report of QAO which was tabled in the Legislative Assembly on 13 October 1993. The internal audit of QAO is performed under external contract arrangements.

A public sector entity includes a department, a statutory body and any entity controlled by one of these entities.

Statutory responsibilities are also placed upon the Auditor-General under Acts other than the Financial Administration and Audit Act in regard to the audits of the accounts of local authorities and a small number of statutory authorities.

In addition, the Act provides that audits can be performed by the Auditor-General on a by-arrangement basis, at the request of a Minister or a public sector entity. These audits are generally conducted where there is a public interest in having the Auditor-General undertake the audit.

Pursuant to sections 98 and 99 of the Act, the Auditor-General is required to prepare and certify annual reports to the Legislative Assembly on the audits of the -

- Public Accounts; and
- Public Sector Entities.

2.2 Public Accounts

2.2.1 Audit Opinion

In terms of section 39 of the Financial Administration and Audit Act, the Treasurer forwarded to me the Treasurer's Annual Statement setting out particulars of all transactions in respect of the public accounts for 1992-93. I have audited the public accounts in accordance with section 81 of the Act and report the following in accordance with section 98 of the Act.

I am of the opinion that -

- (a) the public accounts were properly kept in compliance in all material respects with the *Financial Administration and Audit Act 1977*, the *Constitution Act 1867* and other relevant laws;

- (b) procedures applied were in compliance with the prescribed requirements and were adequate to ensure that -
- (i) proper control and safeguards were exercised over the collection, custody, banking, withdrawal, issue of and accounting for public moneys;
 - (ii) public moneys received on account of or paid out of the public accounts were credited or, as the case may be, charged to the appropriate funds;
 - (iii) withdrawals from the public accounts were made for lawful and appropriate purposes; and
 - (iv) proper safeguards were afforded to prevent fraud or mistake.

In conjunction with the audit of the public accounts I have verified the Treasurer's Annual Statement which is in agreement with those accounts and I am of the opinion that the Statement has been properly drawn up so as to present a true and fair view of -

- (a) the transactions for the financial year; and
- (b) the position of the public accounts at the end of that year.

My certification dated 31 August 1993 as required under section 39(3) of the Financial Administration and Audit Act was included in the Treasurer's Annual Statement which was tabled in the Legislative Assembly on 2 September 1993.

2.3 Public Sector Entities

2.3.1 Departmental Accounts

Audit Position

The departmental accounts comprise -

- Departmental Appropriation Accounts;
- Departmental Statements; and
- Departmental General Purpose Financial Statements.

In accordance with the provisions of the Financial Administration and Audit Act departments are required to prepare special purpose financial statements called the Departmental Appropriation Account and either Departmental Statements or Departmental General Purpose Financial Statements. The Departmental Appropriation Accounts and Departmental Statements are prepared in accordance with Treasurer's Guidelines issued under the Act and the Public Finance Standards respectively. The Guidelines contain advice on preferred form and content and specify the timing for certification by departments and transmission to the Auditor-General for audit and certification.

In relation to the performance of the departmental audits and the giving of the required audit certificates to the Departmental Appropriation Accounts and Departmental Statements, I inform the Legislative Assembly in terms of section 99 of the Act that all audits of the departmental accounts have reached practical completion and all appropriate audit certificates have been given for 1992-93. However, a number of matters have yet to be tidied up and these include the processing as at 26 November 1993 of a number of audit reports and referrals to management.

The Departmental Appropriation Accounts duly certified by me were tabled in the Parliament by the Treasurer in association with the Treasurer's Annual Statement on 2 September 1993. The Departmental Statements and Departmental General Purpose Financial Statements were progressively certified and returned to accountable officers for inclusion in the Annual Report of the department for presentation to the responsible Minister and tabling in the Parliament.

For 1992-93, the Queensland Electricity Commission and Queensland Railways prepared general purpose financial statements for the first time in accordance with relevant legislation and the Public Finance Standards.

In addition to the special financial reporting requirements of the Act, other departments are also required to prepare general purpose financial statements in respect of any manufacturing, trading, commercial or other like activity of the department except in certain circumstances as provided for in the Public Finance Standards. The general purpose financial statements must also be included in the Annual Report of each department.

2.3.2 Departmental Statements

Compliance with Treasurer's Guidelines

The financial reporting requirements for Departmental Statements were prescribed in Guidelines of the Treasurer issued in accordance with Public Finance Standard 501(1).

The reporting requirements for 1992-93 extended those introduced in the previous year and provided for a phased-in process of reporting which included reporting on non-current assets such as land and buildings.

The transitional arrangements which commenced in 1991-92 continued to apply to the following areas in 1992-93.

Other Financial Information

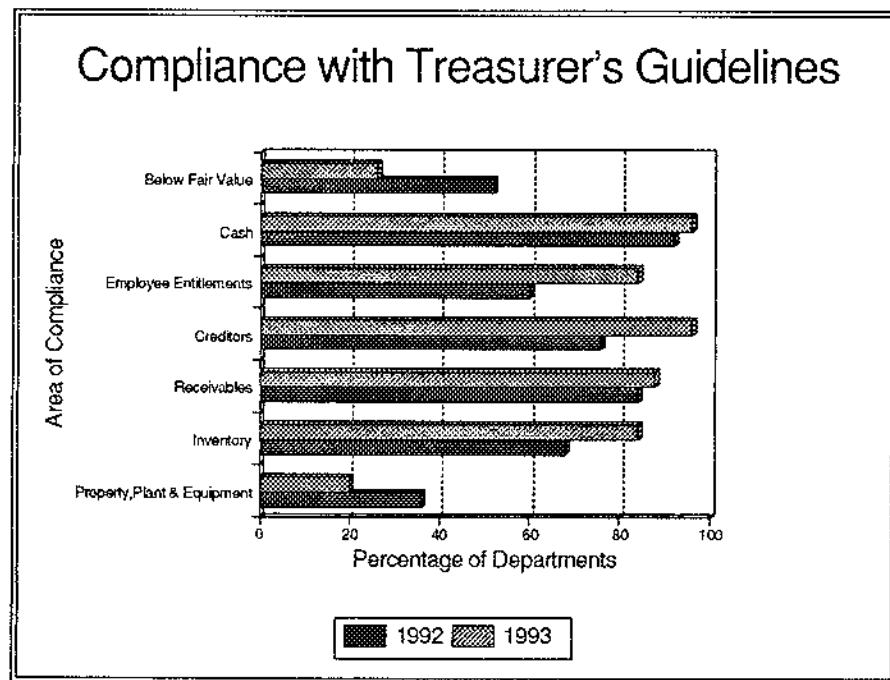
- Staff Resources Provided or Received at Below Fair Value
- Goods and Services Received by Department at Below Fair Value

Statement of Assets and Liabilities

- Cash
- Receivables
- Inventories
- Property, Plant and Equipment
- Employee Entitlements

The Treasurer's Guidelines required that in terms of professional accounting standard AAS 6 "Accounting Policies, Determination, Application and Disclosure" the Statement of Assets and Liabilities be accompanied by notes summarising the significant accounting policies adopted in the preparation of the Statement of Assets and Liabilities including the basis of materiality adopted. Those items which could not be disclosed due to the unavailability or unreliability of the information were to be separately identified and accompanied by an explanation as to reasons for non-disclosure and action being taken or proposed to be taken to enable future disclosure.

Audit surveyed the extent of compliance by departments with the reporting requirements and this is illustrated in the following graph which depicts that reasonable progress is being made by departments in most areas of the disclosure requirements, except for property, plant and equipment and the financial information relating to resources and goods and services received or provided at below fair value.



The decline in compliance with the full disclosure of property, plant and equipment is a result of the extension of the prescribed requirements to include land and buildings in the Statements of Assets and Liabilities. This particular aspect was not included in the Treasurer's Guidelines for 1991-92.

The maintenance of relevant and reliable information on assets and the disclosure of such information in audited financial statements which are incorporated into publicly available annual reports assists in discharging the accountability responsibilities of public sector entities and provides valuable information for users.

The need for the identification and recording of all assets controlled by departments is specified in the Public Finance Standards. In fact, in respect of the recording of land, buildings and other fixed assets and plant and equipment, there has been a requirement since July 1978 that they be properly recognised and accounted for.

A review was undertaken by audit during 1992-93 to ascertain whether departments and their agencies have introduced adequate systems and documented them in their Financial Management Practice Manuals to ensure compliance with the Public Finance Standards and the Act.

Audit found the following deficiencies in relation to the recording and management of non-current assets by many departments -

- insufficient information recorded in asset registers to substantiate valuations or to identify and locate assets;
- inadequacies in stocktaking procedures;
- reconciliations between the expenditure ledgers and the asset registers were either not performed in a timely manner or were not performed at all;
- no documented preventative maintenance programs for those assets that require periodic servicing;
- no documented procedures operating to determine whether or not assets are covered by maintenance agreements before repairs are carried out;
- no documented policy on the disposal of assets to take advantage of changing technology;
- no documented procedures to ensure obsolete assets or assets surplus to requirements are regularly reported;
- systems appraisals not performed on the asset management systems; and
- position assessments of departments assets not undertaken.

In May 1993 the Treasury released its policy for the Recording and Valuation of Non-Current Physical Assets in the Queensland public sector. The policy was developed in consultation with a number of agencies as well as the Australian Accounting Research Foundation and is designed to facilitate and encourage improvements in asset management within the Queensland public sector. The policy applies to all departments and statutory bodies and the timetable for its implementation is as soon as practicable, but not later than 30 June 1996.

There are good signs that departments are moving to introduce action plans which will enable compliance with the prescribed requirements.

In relation to the matter of services received at below fair value, departments were advised for the first time to include in the 1992-93 Departmental Statements comment in respect of legal services received or provided. Many departments were unable to comply with this requirement due to the unavailability of the information.

Standard of Preparation

Departmental Statements

In May 1993 the PAC wrote to all accountable officers expressing concern about the comments made in my First Report for 1991-92 dealing with the standard of preparation of Departmental Statements. In that Report, at section 2.3.4, I spelt out in some detail the problems encountered by audit staff in auditing financial statements and referred to the question of ownership of reporting.

The Committee in its communication of May 1993 reminded accountable officers of their statutory responsibilities in relation to the preparation of financial statements and also alerted them to a number of issues which must be addressed when preparing departmental financial statements. These issues included the importance of having properly prepared and checked working papers and the importance of having a senior officer involved to ensure adequate disclosure of all material items. In addition, the PAC requested that departments provide it with forward copies of their proposed plans for the preparation of departmental statements for 1992-93.

In respect of these statements audit found that the overall standard of preparation had improved when compared to the situation reported for the previous year. This is encouraging considering that disclosure requirements have expanded in 1992-93 and that a number of departments have undergone significant structural changes which have impacted upon their financial management activities.

Nevertheless, there is still room for improvement in respect of some departments where financial statements presented to audit contained material errors and omissions which had remained undetected by the departments concerned which believe the statements to be complete and accurate.

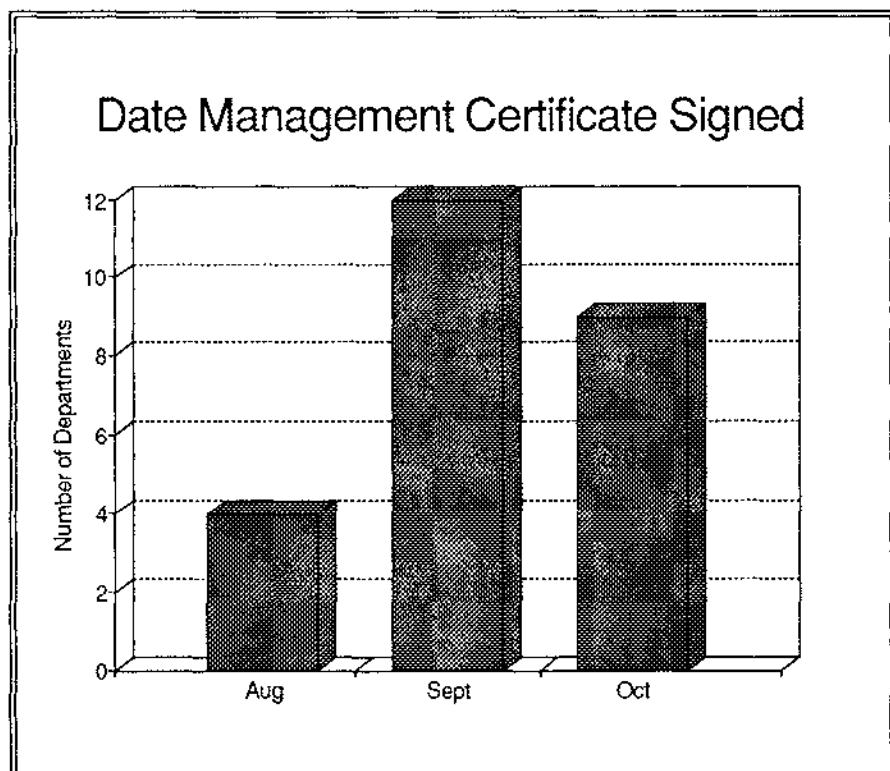
I firmly believe that the financial reporting process can be considerably enhanced through the appropriate involvement of internal audit in the process. In the previous year I wrote to all accountable officers requesting that they might consider that option. However, while there was not an overwhelming involvement of internal audit in this process in 1992-93, where it happened the quality of initial drafts presented to audit was high resulting in reduced overall management and audit effort leading to a more expeditious process.

Internal audit in a number of departments has indicated that it would be budgeting for an involvement in the reporting process for 1993-94.

Timeliness of Preparation

Sections 39A and 40 of the Act required accountable officers to prepare and certify financial statements within two months of the end of the financial year. Where general purpose financial statements are prepared the appropriate Minister may grant extensions beyond the two month period.

The following graph shows that the majority of departments failed to meet the statutory two month deadline.



In audit's view the reasons contributing to these delays include -

- the need to gather additional information required by expanded reporting requirements;
- departmental restructuring and amalgamation;
- difficulties in collating and consolidating accurate information from regional offices and business units;
- correction of errors and other financial statement adjustments following audit reviews; and
- first time preparation of general purpose financial statements by two departments.

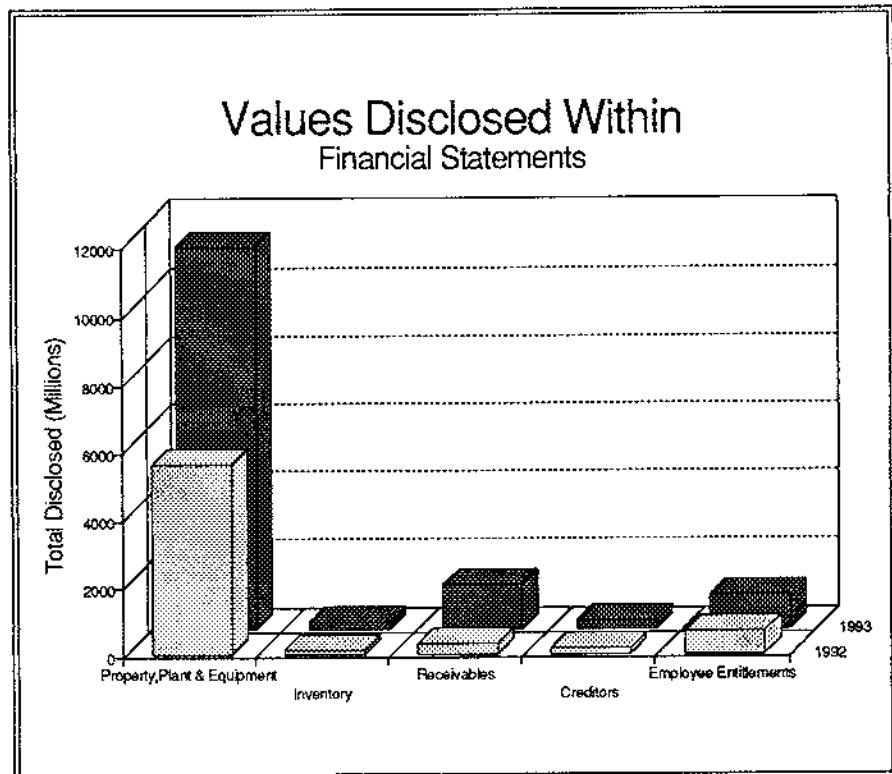
It is also interesting to note that, although the management of four departments dated their management certificate as 31 August or a prior date, the financial statements of three of these departments were not, in fact, completed to satisfy the reporting requirements until late September or early October. I find this practice most unprofessional and management should not date its certificate in such a way to create an impression of timeliness.

Failure on the part of departmental management to prepare and certify departmental statements and to transmit those completed statements to me within two months after the end of the year, as required by the Act, can contribute to delays in the completion of annual reports and the tabling of these reports in the Legislative Assembly no later than four months after the end of each year.

I am concerned that departmental staff continue to blame audit for delays in completing annual reports within the statutory deadline and for the production of a quality document. As I have already indicated the evidence largely suggests a contrary situation as departments themselves are experiencing difficulties in collecting and collating additional data required for reporting and also all departments do not share the high standards required for Parliamentary reporting which in my view are necessary.

Analysis of Aggregate Financial Information

The comprehensive reporting function instigated by the Treasurer significantly enhances the level of information given in the financial statements. The following graph illustrates the type of information which may be obtained from the comprehensive reporting disclosures of financial information provided by departments for 1992-93.



A further analysis of reported financial information as at 30 June 1993 revealed the following -

- the value of property, plant and equipment has increased by 102 per cent over the value reported in 1991-92. The substantial increase is due to certain Departments disclosing values for property, plant and equipment for the first time and the introduction of the requirement to include values for land and buildings; and
- an increase in employee entitlements of 45 per cent over those reported in 1991-92. This increase is primarily due to the fact that departments have generally improved their financial management systems and are now in a position to disclose the relevant information in accordance with the Treasurer's Guidelines.

2.4 Statutory Bodies

2.4.1 Audit Position

In respect of 1992-93 some 215 statutory bodies were required to be audited involving the giving of an equivalent number of audit certificates. The Act defines what attributes are necessary for an entity to be classified as a statutory body.

As at 26 November 1993, the audits of a number of statutory bodies for 1992-93 have yet to be finalised and their accounts certified. Most of these are in non-metropolitan parts of the State and include Water and Drainage Boards and River Improvement Trusts.

Matters arising from audits completed as at 26 November 1993 and which in my opinion deserve inclusion in this Report are dealt with in Part 3.

In contrast to previous years the majority of Water and Drainage Boards and River Improvement Trusts and some smaller bodies were conducted by contract auditors who were appointed in terms of the Act. It was anticipated that these appointments would allow the audits to be finalised a little earlier than was the case in previous years when most of the audits were performed by QAO staff. However, this has not occurred to the extent envisaged.

In respect of those bodies where accounts are yet to be certified, it is intended that appropriate comment will be included in a further Report of the Auditor-General to the Legislative Assembly to be tabled during the course of the next Sittings of Parliament. Appropriate comment as required under section 99 of the Financial Administration and Audit Act will also be included in that Report.

2.5 Statutory Authorities and "By Arrangement" Audits

2.5.1 Audit Position

The main audits falling within the statutory authority category are the Aboriginal Councils and Island Councils. These authorities are located in many and remote areas of Queensland and audit examinations for the financial year ended 30 June 1993, which are undertaken by contract auditors, are still in progress. As a result, a number of the financial statements have yet to be examined and certified, audit findings evaluated and appropriately considered and acted upon before I am in a position to comment in a Report on the outcome of these audits. Accordingly, a further Report will be prepared and submitted to the Parliament in due course.

In addition to audit responsibilities placed upon me under the Act there are requirements to audit certain bodies in terms of relevant enabling Acts. As well, audits are performed on a by-arrangement basis in accordance with the Act of a number of entities for which no statutory responsibility exists. These audits are generally carried out in conjunction with those for which there is a legislative obligation and are performed in accordance with specific terms and conditions as arranged with the relevant auditees. The audits include the accounts of a number of superannuation schemes. The audits which are incomplete as at 26 November will be reported on, where necessary, in a further Report of the Auditor-General for 1992-93.

2.6 Controlled Entities

2.6.1 Audit Position

In terms of section 73 of the Act I am required to perform the audits of all public sector entities which are defined in section 5 of the Act as departments, local authorities, statutory bodies and controlled entities of those entities. This extended audit mandate came into effect from 1 May except in the case of local authorities which will not be subject to audit by the Auditor-General until the new Local Government Bill now before the Legislative Assembly is enacted.

While many of these audits have been performed on a "by-arrangement" basis in the past, section 75 of the Act now requires Ministers to give me information on controlled entities within their portfolios. To assist in this regard, I have contacted each Minister and am currently collating the information provided.

As the widened mandate became effective from 1 May, well into the 1992-93 financial year, I concluded that in respect of an identified entity not already audited by me, the most sensible and practical approach was to allow the existing auditor to continue in office for the 1992-93 audit.

It would seem that the controlled entities comprise mainly companies and some trusts. Matters arising from audits completed as at 26 November and which in my opinion deserve inclusion in this Report are dealt with in Part 3.

3. MINISTERIAL PORTFOLIOS

3.1 Introduction

This section is constructed based upon the Ministerial Portfolios existing as at 30 June 1993. It contains comment on audit matters of significance relating to the financial operations of selected entities within each Ministerial Portfolio.

The reporting framework within each Ministerial Portfolio contains a brief comment about the nature of the portfolio and, where appropriate -

- observations and recommendations that in my opinion warrant reporting to Parliament in terms of my legislative responsibilities. During the course of an audit, auditee management is provided with the opportunity to respond to issues raised by audit and where warranted such comments are included in part or in full in this Report or by way of a precis with the aim of balanced reporting; and
- a schedule titled "Status of Matters Raised in Previous Reports" to provide an update in respect of issues previously raised.

3.2 Qualified Audit Opinions

A summary of Qualified Audit Opinions issued by me in respect of audits performed for the financial years to which this Report relates, follows.

AUDIT	SECTION REFERENCE
Board of Trustees of the Ipswich Grammar School	3.6.3
Central Queensland Egg Marketing Board	3.17.3
Department of Employment, Vocational Education, Training and Industrial Relations	3.7.1
Lang Park Trust	3.18.1
Navy Bean Marketing Board	3.17.4
Queensland Railways	3.19.1
Rice Marketing Board	3.17.2
Sugar Experiment Stations Board	3.17.5
Townsville/Thuringowa Water Supply Board	3.17.6

3.3 Administrative Services

Portfolio Description

The Administrative Services Department assists the Minister in meeting the principal Ministerial responsibilities which include -

- Construction, maintenance and management of Government assets;
- Provision of media and information services;
- Provision of Government printing and publishing services;
- Co-ordination of Government communication; and
- Management of the Government vehicle fleet.

Comment on selected matters of significance arising from the audit of the business unit, Q-Fleet, follows.

3.3.1 Q-Fleet

Q-Fleet is one of ten business units which operate under the control of the Administrative Services Department.

Q-Fleet commenced operations on 1 July 1991 and was established to cater for the vehicle needs of the Government in the areas of leasing, fleet management, short/long term hire, maintenance and repairs and the provision of auction facilities.

Operating Results

An operating profit of \$17.526 million was achieved for 1992-93, from which \$9.115 million was declared as dividends to Government shareholders and \$7 million was transferred to a Vehicle Replacement Reserve. The remainder was treated as Retained Profits and amounted to \$912,000 after offsetting the accumulated loss of \$499,000 brought forward from 1991-92.

Q-Fleet's net assets totalled \$112.918 million at 30 June 1993 (\$54.213 million at 30 June 1992).

Results of 1992-93 Audit

Over the past twelve months there has been a significant improvement in all accounting functions although further work is yet to be done in respect of the computerised fleet management and accounting system to which brief reference appears later.

The processes involved in following up and adjusting discrepancies from 1991-92 and establishing the integrity of data for ongoing operation required significant effort and dedication by management, staff and internal audit.

Progress has been made on the preparation of a Policy and Procedures Manual and it was evident to audit that staff were aware of accounting control requirements.

Having acknowledged a turnaround in the standard of Q-Fleet's accounting compared with that reported for 1991-92 I gave an unqualified audit opinion in respect of the financial transactions for 1992-93.

Computerised Fleet Management and Accounting System

Q-Fleet's computerised fleet management and accounting system became operational in August 1991 and the original version of the software is still in use.

In my First Report for 1991-92, I drew attention to the fact that the system suffered from numerous inefficiencies and transactions control and reporting deficiencies and that, as a result, subsidiary records were prepared on spreadsheets.

In discussions with the Director-General following the 1992-93 audit the matter was again raised and he provided the following response in a letter dated 19 October 1993 -

"The major accounting weaknesses have been overcome through the implementation of appropriate policies and procedures; changes to the systems to provide enhanced stability and integrity of financial data; and by ensuring sufficient resources were available to meet its financial management delegations. During 1993-94 Q-Fleet will continue to build on the very significant achievements of the past year."

"Work is continuing to upgrade the computer systems to ensure a stable environment for the financial modules and the new system is expected to be in place during the first quarter of 1994."

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Administrative Services Department</i>	
Section 3.3.1	Failure to record and post expenditure and receipts in the Department's accounts caused the Appropriation Account and Departmental Statements to be qualified in 1991-92.	These matters have now been resolved. The Appropriation Account and Departmental Statements for 1992-93 were unqualified.
First Report 1991-92	<i>Q-Fleet</i>	
Section 3.3.4	A number of major accounting deficiencies were raised by audit. Failure to comply with the prescribed requirements in respect of the keeping of accounts caused the annual financial statements to be qualified in 1991-92.	The majority of matters raised have been satisfactorily resolved. The annual financial statements for 1992-93 were unqualified. For further comments refer to section 3.3.1 of this Report.

3.4 Business, Industry and Regional Development

Portfolio Description

The principal ministerial responsibilities include -

- encouraging the growth and development of Queensland's manufacturing and traded services sectors;
- encouraging decentralised development by stimulating regional growth and development; and
- identifying and promoting Queensland's business and industries in local, national and international markets.

The Department of Business, Industry and Regional Development and the Queensland Small Business Corporation provide assistance in meeting the Minister's responsibilities.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Department of Business, Industry and Regional Development(DBIRD)</i>	
Section 3.5.1	<p><i>Departmental Trust Funds</i></p> <p>Incorrect accounting for collections by the Department of Lands under Special Lease Purchase Freehold Agreements.</p> <p>Outstanding debt of \$1.5 million in respect of land transferred to Department of Education.</p>	<p>Systems to correctly account for these receipts have been implemented. Adjustments in respect of 1991-92 collections totalling \$458,402 have been made.</p> <p>This debt cannot be collected by DBIRD until amendments are made to the <i>Industrial Development Act 1963</i> to permit proceeds to be applied in reduction of debt associated with the Industrial Estates Construction Fund.</p> <p>At this stage necessary legislative amendments are planned.</p>

3.5 Consumer Affairs and Corrective Services

Portfolio Description

The principal activities of the portfolio are associations incorporation, consumer affairs, auctioneers and real estate agents, births, deaths and marriages and adult corrective services.

The Department of Consumer Affairs and The Queensland Corrective Services Commission assist the Minister to discharge the legislative responsibilities.

Comments on selected matters arising from the audits of these entities follow.

3.5.1 The Queensland Corrective Services Commission

Unauthorised Purchases by a Prisoner

Earlier this year concerns were expressed by Commission staff and various business people regarding the activities of a day release prisoner employed at the Commission's Central Office. These concerns centered around the matter of payment for goods and services ordered by the prisoner and charged to the Commission.

Subsequent enquiries by Commission staff resulted in the commencement of criminal proceedings in respect of cases where it is alleged that the prisoner did not have the necessary authority to order certain goods and services. In each of these cases certain goods and services were either not received or only partly received by the Commission. The Commission believes that on the basis of present claims rendered by various business organisations the maximum loss to the Commission in respect of unauthorised transactions is in the order of \$20,000.

The prisoner's employment at the Commission's Central Office and the level of supervision that was given in that environment provided the prisoner with the opportunity to carry out unauthorised activities.

The Director-General advised that, in order to prevent a recurrence of situations of this nature, the Commission will in future substantially restrict the employment of prisoners at Central Office. The matter is to be pursued in the Courts.

3.5.2 Department of Consumer Affairs

Auctioneers and Agents Fidelity Guarantee Fund Interest

Pursuant to section 96 of the *Auctioneers and Agents Act 1991*, certain classes of persons licensed by the Department of Consumer Affairs, e.g. Real Estate Agents, are required to deposit specified clients' moneys in trust accounts held at a bank. The law requires that a portion of the interest earned on these funds be paid to the Auctioneers and Agents Fidelity Guarantee Fund. The interest is the major source of income for that Fund which is used for the payment of claims made against it in accordance with the Auctioneers and Agents Act. In 1992-93, income from this source amounted to \$5.8 million of total Fund receipts of \$8.9 million.

Information supplied by certain banks was insufficient to allow the interest calculations to be checked to ensure compliance with the signed agreements between the department and each individual bank. In many cases where sufficient information was supplied, calculations of interest due had not been checked by departmental staff.

In addition, two banks had incorrectly deducted withholding tax from interest earned resulting in reduced receipts for the Fund. Audit testing on a limited basis found that receipts over a three month period in respect of one bank were understated by \$125,362 mainly due to the application of withholding tax.

The Director-General advised that action had now been taken to ensure that interest received from the banks is checked monthly and that action is proceeding to recover withholding tax incorrectly deducted. The Director-General also advised that procedures have been put in place to verify that all trust moneys are lodged with the banks by the licensees and to ensure that all relevant amounts held by the banks are included in the reports and calculations supplied by them to the Department of Consumer Affairs.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>The Queensland Corrective Services Commission</i>	
Section 3.12.1	A number of deficiencies identified by audit in respect of the maintenance of accounting records at the Palen Creek Correctional Centre.	Audit noted that improved procedures were implemented at the Centre.

3.6 Education

Portfolio Description

The Education Portfolio includes the Department of Education and statutory bodies related to the department's function including tertiary institutions such as The University of Queensland, Queensland University of Technology, University of Southern Queensland, University of Central Queensland, James Cook University of North Queensland and Griffith University, and several controlled entities. In addition it includes the Boards of Trustees of Grammar Schools.

Comments on selected matters arising from the audits of entities within this portfolio follow.

3.6.1 Department of Education

Regional Office Payroll Systems

The department's eleven Regional Offices are primarily responsible for the preparation, processing and payment of the Teacher Aides and Supply Teachers (MicroPay) Payrolls. Payments made through the two payroll systems for 1992-93 totalled \$97 million.

During 1992-93 audit examined the payroll systems at four Regional Offices, which identified the following internal control weaknesses -

- no division of duties between payroll preparation and the computer entry of the prepared data at two Regional Offices. The number of payroll staff at the offices was adequate to enable a reasonable level of division of duties. At one of the offices, preparation of master file change forms, data entry of those changes and the verification of the Master File Audit Report were not segregated.
- at all four Regional Offices, there was no evidence of procedural checks of payroll control reports. These reports include the MicroPay Master File Audit Report, Teacher Aides Payroll Occurrence Report and Teacher Aides Payroll Outstanding Pay Adjustments Report. The timely verification of these reports would confirm the completeness and accuracy of payroll prior to payment.

The Director-General of Education has nominated the department's Internal Audit Unit to co-ordinate the department's responses to all audit memoranda on this matter. The Unit's response of 29 September 1993 with respect to the above shortcomings stated -

"... the deficiencies in control have been communicated to the regions responsible for immediate correction and all other regional offices have been advised of the matters raised to ensure they do not occur in their operations.

The occurrence of these deficiencies are attributable to the effect of the restructure of regional offices which has been ongoing with the continuing regionalisation and delegation of previously central office activities in line with Government policy. The appointment of new staff, the loss of experienced staff and the reallocation of responsibilities within the offices have all impacted to cause some breakdowns in internal controls.

With the planned appraisal of all regional systems by June 1994, as required by the Public Finance Standards, it is expected that such deficiencies in the future will be identified by the regions as part of the evaluation process and corrected.

The annual Internal Audit work plan also includes the regular review of all regions. The regional (internal) audit program has a significant emphasis on the evaluation of the payroll systems which will identify and reinforce the maintenance of appropriate system controls."

Salary Overpayments

Numerous overpayments have originated from salaries paid through the Human Resource Management System (HRMS). As at 30 June 1993, the balance of unrecovered salary overpayments amounted to \$637,794 (\$297,866 at 30 June 1992). Salary overpayment debts written-off during 1992-93 totalled \$18,511 for 63 employees (\$18,655 for 57 employees 1991-92).

An analysis of the outstanding overpayments at 30 June 1993 disclosed that 64 per cent were in arrears for in excess of 90 days. The department is acting to recover the overpayments under agreed arrangements.

Salary overpayments have primarily occurred from the following HRMS payroll systems -

- Teachers' Payroll

The Teachers' Payroll for 1992-93 exceeded \$1,095 million for some 33,000 staff. Overpayments mainly result from this payroll.

- Ancillary Payroll

Employees include cleaners, janitors, groundspersons, agricultural assistants, maintenance officers and unit support officers. This payroll for 1992-93 exceeded \$95 million for some 6,000 employees.

- Public Service Payroll

Employees include other non-teaching staff. Salaries processed relate to some 3,500 employees and exceeded \$92 million for 1992-93.

Payroll advices which include notifications of leave, employee terminations and other pay variations emanate from approximately 2,000 locations comprising regional offices, state schools and other educational sites throughout the State. Payroll advices are mainly channelled to head office via regional offices. Except for teachers' payroll where some functions of data entry processing occur at regional offices, payroll preparation, data processing and payment is centralised at head office.

Audit established the causes for salary overpayments as -

- timely advice not provided by employees to supervisors;
- supervisors not providing advice of employees on leave without pay;
- payroll advice not forwarded by regional offices to central office for processing in a timely manner;
- incorrect processing;
- processing of teachers payroll advices not performed by regional offices in a timely manner; and
- continuation of payment of temporary teachers after termination of employment.

The rise in the amount reported as owing in respect of salary overpayments as at 30 June 1993 compared with that owing at the end of the previous year is partially attributable to the varied manner of accounting for these overpayments. Previously certain salary overpayments were delayed in the payroll systems, together with other adjustments, until such time as a salary deduction could be made to recover the overpayments. Advice of such salary overpayments was not always forwarded to the debtors section for recording and follow-up. This now occurs.

The worsening debt position was also affected by a deficiency in debt reporting. Monthly reports to senior management provided no ageing analysis, no dissection of salary overpayments according to the payroll system and no details of recovery action or other decisions taken. In the absence of information of this nature, management did not have at its disposal appropriate information to properly direct a course of action with respect to the outstanding debts.

On 12 October 1993 the Internal Audit Unit (on behalf of the Director-General) indicated that the regionalisation and devolution processes of the department have also impacted on and resulted in the delayed processing of payroll advices. Also, it advised that the requirement to submit timely payroll advices has been reinforced to all levels of the department. Further, the Unit advised "... it is the department's intention to convene a working party of senior departmental officers to consider ways and means of controlling the level of overpayments. ... It is anticipated this working party will be formed and in operation before the end of this year." In respect of the debt reporting deficiencies, the Unit advised "Officers of the Finance and Resource Policy Branch, as part of their systems appraisals responsibilities, have been, over the last few months, redeveloping the management reporting systems. The matters raised ... will be incorporated in the new reporting arrangements where possible".

In view of the worsening situation with respect to payroll processing resulting in a growing number of overpayments, the Director-General issued a departmental directive on 19 October 1993 to all Regional Executive Directors advising that appropriate arrangements should be implemented at school and regional level to minimise overpayments.

3.6.2 University of Southern Queensland

Apart from the problems pertaining to the preparation of annual financial statements and financial management reporting there has been a lessening of the number of major matters raised by audit in respect of the University's financial administration compared with prior years. Further comment relating to the two areas specified above follows.

Annual Financial Statements Preparations

As in previous years the University's failure to have the financial statements prepared in the prescribed timeframe again delayed the finalisation of the audit. Numerous amendments and revisions of the draft statements were necessary.

While the University is required to present its financial statements for audit by 28 February in terms of Financial Administration and Audit Act and present its annual report, incorporating audited financial statements, to the Minister by 30 April, a complete set of financial statements was not received by audit until 15 June 1993. The statements were subsequently audited and the audit certificate was given on 23 June 1993.

Staffing issues, the lack of forward planning and the absence of clear lines of responsibility for duties associated with financial statement preparation exacerbated the problems encountered by the University in the conversion of its accounts to an accrual basis. Further, the detailed work papers supporting the financial statements, a matter critical to the success of the whole process from both the audit and management perspectives, were not readily available to audit.

'In the circumstances, audit recommended that the University ensure that -

- the ongoing accounting processes and routine financial reporting be in the forms which align with ultimate reporting on the annual financial statements;
- forward planning is engaged in for the preparation of the financial statements including the allocation of responsibilities to specific officers; and
- an in-depth review of the statements is completed by the Bursar and the Council before presentation to audit.

On 10 November 1993 the Chancellor advised that the University has taken measures to ensure the smooth preparation of the financial statements for 1993 and -

"... has already taken steps to produce the monthly statements which go to the University Council in a format consistent with those under which the annual financial statements are prepared..."

Financial Management Reporting System

There was an absence of regular reviews and reporting procedures by senior officers to management, as in previous years, to ensure that routine accounting procedures occurred and were reported upon in a regular and timely fashion. These procedures should include monthly reconciliations between subsidiary ledgers and the general ledger, results of non-current asset and stores stocktakes and the performance of other routine matters.

The Bursar met with me on 11 November 1993 and discussed the plans which the University had in place for improving its overall management regime. I am suitably encouraged by the progress being made in this regard.

3.6.3 Board of Trustees of the Ipswich Grammar School

The Board of Trustees of the Ipswich Grammar School is constituted under the *Grammar Schools Act 1975* and is a statutory body in terms of the *Financial Administration and Audit Act 1977*.

Qualified Audit Opinion

Previous reports of the Auditor-General have contained comments upon the practice introduced by the Board of Trustees in 1983 which was one of crediting interest earnings from the General Fund and Loan Fund investments to the Ipswich Boys' Grammar School Building Fund which is not a prescribed fund under the Grammar Schools Act. The practice ceased on 31 December 1988.

In June 1988, the then Minister for Education, Youth and Sport directed that the interest earned in respect of the investment of moneys standing to the credit of the Board's General Fund and Loan Fund, for the period 1 January 1983 to 31 December 1987, be credited to the General Fund and disclosed in the Board's financial statements. The Board did not comply with that direction, has not done so since and continued the practice of incorrectly crediting interest until 31 December 1988. In all interest earned totalling \$1,185,120 was not brought to account in the School's General Fund.

In respect of the 1992 financial statements the Board acknowledged a contingent asset to the level of alienated interest and, as well, a contingent liability in the order of \$1.059 million in respect of advice received from the Commonwealth Government that it proposes to reclassify the school from a level 7 school to a level 5 school for years 1989 to 1992.

Further Developments

Amendments to the Financial Administration and Audit Act (effective 1 May 1993) include a provision which clarifies the status of the Ipswich Boys' Grammar School Building Fund as a controlled entity of the Board of Trustees. The effect of this amendment upon the School when considered in conjunction with current Public Finance Standards with which the School must conform is that for the year ended 31 December 1993 and subsequent years, the Board must prepare a Consolidated Financial Report incorporating the financial transactions of the Ipswich Boys' Grammar School Building Fund.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
Second Report 1991-92	<i>Department of Education</i>	
Section 3.3.1	<p>There was a discrepancy of \$379,232 between the department's record of its equity in Q-Fleet at 30 June 1992 of \$2,759,106, and Q-Fleet's advice of \$3,138,338.</p> <p>The department's records did not permit verification of the total, \$514,658, of the department's unexpended advances held by Q-Build as at 30 June 1992.</p> <p>The Teachers' Payroll deductions held in the department's collection account had not been cleared or reconciled for a number of months with a result that, as at 31 December 1992 an amount of \$5,749 had been overpaid.</p> <p>A comprehensive disaster recovery plan with respect to the department's computer installations had not been implemented.</p> <p>Essential internal control procedures comprising the check and certification of certain Teachers' Payroll reports were not always carried out.</p> <p>Certain entries in the Ancillary Payroll Rejection register required corrective action.</p> <p>The general purpose financial statements for the department's commercial facility, the Queensland Education Overseas Unit, as required in terms of section 40 of the Financial Administration and Audit Act had not been finalised for the financial year ending 30 June 1992.</p>	<p>A process to provide a timely reconciliation of the department's record of equity with that of Q-Fleet's record is in progress and reconciliation as at 30 June 1993 is expected in the near future. Q-Fleet advised that the department's equity at 30 June 1993 was \$5,824,009.</p> <p>The department has now reconciled its record of unexpended advances at 30 June 1993 with an advice received from Q-Build.</p> <p>The Personnel Officer, Personnel Services Branch, Human Resources Directorate, advised on 23 September 1993 that the reconciliation process had commenced.</p> <p>On 23 September 1993 the Manager, Information Technology Branch, Facilities and Services Directorate advised that the disaster recovery plan is a high priority and that positive steps were underway to implement and maintain an effective plan. The Manager also advised that it was expected that draft plans with respect to the department's central office and the Metropolitan East Regional Office will be submitted to the department's Executive Management Committee by the end of November 1993 while plans extending the disaster recovery process are expected to be submitted to the department's Information Steering Committee during November 1993.</p> <p>All validations and certifications of the reports are now performed.</p> <p>The adjustment action required has been completed.</p> <p>The financial statements for the years ended 30 June 1992 and 30 June 1993 have been completed and certified.</p>

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
<i>Department of Education (cont.)</i>		
	As the department's plant and equipment system, EDQUIP, was inadequate and insufficient to provide sound accounting controls, the department took action to convert the system to the fixed asset module of the Queensland Government Financial Management System (QGFMS). However, action was also needed to ensure that the EDQUIP data was current, accurate and complete prior to conversion.	Conversion of data from EDQUIP to QGFMS has been occurring progressively following the stocktake of plant and equipment at most of the department's locations during 1993. As at 24 September 1993 stocktakes at 7.5 per cent of school locations and 28 per cent of other locations have yet to be done.
First Report 1990-91	<i>University of Southern Queensland</i>	
Section 6.3.4 and	A number of deficiencies identified by audit in the areas of accounts receivable, expenditure, stores, payroll and investments.	Following the introduction of the University's Prophecy accounting system, there was a notable improvement in the financial administration of the University. The majority of control weaknesses have been satisfactorily resolved.
First Report 1991-92 Section 3.6.2	A need for improved management practices in the day to day operations of the University. Annual financial statements not completed in a timely manner.	Refer to section 3.6.2 of this Report for further information.
First Report 1990-91	<i>Board of Trustees of the Ipswich Grammar School</i>	
Section 6.2.4 and	Weaknesses in the Board's asset management practices and other general accounting deficiencies were identified.	Weaknesses identified in the previous year remained unresolved and were again referred to the Board for corrective action.
First Report 1991-92 Section 6.3.1	The Secretary has since advised that corrective action will be taken and that a threshold for capitalisation of assets is now in place. Basis of accounting used in preparing financial statements which led to the Board's accounts being qualified for a number of years.	Refer to section 3.6.3 for further comment.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>James Cook University of North Queensland</i>	
Section 3.6.3	The University's financial system did not provide for the reconciliation of asset related transactions in the General Ledger with those appearing in the Assets Register.	The Vice-Chancellor advised by letter dated 21 June 1993 that the University commenced carrying out asset reconciliations from 1 January 1993 and that these will continue to be performed on a monthly basis in the future.
First Report 1991-92	<i>UniQuest Limited</i>	
Section 3.6.4	<p>The annual financial statements for the year ended 31 December 1991 initially presented to audit and associated supporting working papers were not prepared in an acceptable manner. Audit did acknowledge the difficulties faced by the Company as a result of changes to its computerised accounting system.</p> <p>There were a number of internal control deficiencies identified by audit in the areas of expenditure delegations, segregation of duties, credit notes, creditor balances and computer installation.</p>	<p>Audit noted an improvement in the presentation of draft financial statements for the year ended 31 December 1992 and associated supporting working papers.</p> <p>The control weaknesses previously raised have been adequately addressed.</p>
First Report 1991-92	<i>Griffith University</i>	
Section 3.6.5	<p>Computer report designed to ensure the completeness of payroll not checked to source documents prior to payroll processing.</p> <p>Lack of policy and security practices in relation to computer installations. These included -</p> <ul style="list-style-type: none"> . failure to update the Strategic Plan of Computing on an annual basis; and . failure of the system to require the periodic entry of a new password. 	<p>University management has introduced measures to ensure that the report is checked and signed by the designated officers prior to processing the payroll run.</p> <p>In a letter dated 23 August 1993 the Acting Chancellor advised that these matters are being addressed.</p>

3.7 Employment, Training and Industrial Relations

Portfolio Description

The portfolio has widespread functions with State responsibilities on matters relating to health and safety in the workplace; workers' compensation; industrial relations; technical and further education; vocational education; training and employment; and public service management in respect of human resources.

The Department of Employment, Vocational Education, Training and Industrial Relations, Workers' Compensation Board of Queensland and the Colleges of Technical and Further Education are the main entities within the portfolio.

Comments on selected matters of significance arising from the audits of entities within the portfolio follow.

3.7.1 Department of Employment, Vocational Education, Training and Industrial Relations

Qualified Audit Opinion - Departmental Appropriation Account

At the time of giving my audit opinion on the Appropriation Account of the Department of Employment, Vocational Education, Training and Industrial Relations in terms of section 37 of the Financial Administration and Audit Act, certain expenditure from the Workers' Compensation Fund, in the opinion of the Crown Solicitor, was not then presently permitted to be made in terms of the Workers' Compensation Act. Accordingly it was necessary for me to issue a qualified opinion on the Department's Appropriation Account for 1992-93.

Subsequent to that certification the Workers' Compensation Act was amended to provide retrospective legislative authority for such payments. As a result, the Departmental Statements which were later finalised were not qualified. Full details appear in both the Appropriation Account and Departmental Statements.

3.7.2 Colleges of Technical and Further Education

Financial Management Practices

Background

In view of the unsatisfactory state of affairs previously reported in my First Report for 1991-92 on the financial administration of Colleges of Technical and Further Education, audit maintained its surveillance over the activities of these Colleges.

During 1992-93, 14 Colleges of Technical and Further Education were audited.

While there is a trend indicating a move towards improved financial management practices, there is still much room for improvement as evidenced by the range of matters raised by audit in the ensuing audit reports. The situation in respect of two of the 14 Colleges deserves specific comment. A summary of the range of issues encountered at the other twelve Colleges is also given under the headings of collections, expenditure and current assets.

Kangaroo Point College of Technical and Further Education

The audit revealed that there had been substantial breakdowns in internal control and internal check procedures at both the Kangaroo Point and Morningside campuses of this College. Also of concern to audit was the clear absence of proper financial management practices in some areas. Examples of matters referred to the Director-General follow.

Collections

- No evidence of internal check existed to ensure that the total of daily collections as processed through the cash register and reported on the daily reading cash register strip, were acquitted in full by the administration section cashier. Cash register reading strips were not always available for audit verification;

- Monthly reconciliations between cash register readings and receipts, as required by section 12.7 of Administrative Instruction 764, were not prepared in respect of certain activities at the Kangaroo Point and Morningside campuses; and
- An absence of adequate documentation to substantiate refunds of enrolment fees for fee for service courses cancelled by the College. Sections 13.1 and 17.2 of Administrative Instruction 764 require that full documentation, including a copy of the student's enrolment form, support all refunds.

Current Assets

Debtors

- The December 1992 debtors control account balance was \$123,906. In support of that balance the College could produce invoices to the value of \$117,543 only. The difference of \$6,363 is yet to be explained. No regular reconciliation was performed between the control account and outstanding invoices.
- Outstanding amounts for student fees payable by instalments were not included in the debtors control account. Further, there were no established procedures at the College to follow-up amounts overdue in respect of these fees.

Saleable Stock

- No saleable stock registers in respect of printed course materials were maintained at the Kangaroo Point campus and independent checks were not performed over such stock at the Morningside campus. Consequently the value of saleable stock is unknown.

Non-Current Assets

Audit noted that the College independently maintained a non-current asset control system. The results of stocktakes performed by the College were compared with the information recorded on that system. However, there was no reconciling of that data with information held on the departmental master control system (EDQUIP).

Additional weaknesses identified by audit in the system of internal control and procedural checks over plant and equipment assets (excluding motor vehicles) recorded on the EDQUIP system were wide ranging, specifically -

- a stocktake performed in December 1991 resulted in discrepancies of \$110,864, the details of which were advised to DEVETIR for approval to write-off. At 30 June 1993 these write-offs had not been approved;
- Plant and Equipment Register Forms relating to the purchase of some 300 assets dating back to October 1991 had not been forwarded to the Equipment Unit DEVETIR to update the EDQUIP System;

- over 100 data entry disposal forms relating to items missing at the 1992 June stocktake were not forwarded to DEVETIR for update of the EDQUIP System; and
- delays in the completion of a scheduled stocktake due for completion in March 1993 resulted in the non-processing of over 1,350 amendments to the College's plant and equipment records which are maintained at DEVETIR.

The failure to complete the reconciliation cycle and the further weaknesses mentioned contributed to the inability of DEVETIR to provide reliable plant and equipment values in the department's Statement of Assets and Liabilities for the financial year ended 30 June 1993.

Director-General's Response

In response to the audit findings, the Director-General in a letter dated 8 June 1993 stated -

"The Audit Report has been the subject of extensive analysis involving representatives of State office, Brisbane Regional Office and Kangaroo Point College. Specifically, 57 issues in the areas of collections, debtors, expenditure, stocks and stores and non-current assets have been identified as requiring corrective action.

Whilst the report does not suggest fraud or wilful non-compliance by TAFETEQ officers, there is evidence of non-observance of standard operating procedures relating to various TAFETEQ Policy Statements.

A timetable for implementation of your recommendations has been established and an accountable officer has been assigned for each recommendation to ensure prompt and complete follow-up ..."

In a more recent response the Director-General further indicated that satisfactory progress has been made by the College in implementing procedures to overcome the areas of concern contained in the audit report. Audit will continue to monitor the situation.

Ipswich College of Technical and Further Education

At an audit of the accounts of this College for the period ending 17 May 1993, a vast array of deficiencies were identified by audit. These were clearly attributable to the failure on the part of College management to consistently apply or indeed have in place the appropriate accounting practices and internal control procedures as envisaged by the Public Finance Standards and Departmental Policy Statements.

The fact that audit has reported extensively and adversely on similar matters on two previous occasions over the last three years in respect of this College (refer to the November 1991 Report to the Parliament), confirms the existence of a deep seated problem. Despite the assurance previously given by the Director-General in response to audit comment, very little progress was evident by way of improvement in the College's financial management practices.

In 1993, audit again found, as it had on a previous occasion, that the Collection and General Purpose Account Cash Books required extensive reconstruction before it could reach any meaningful conclusion as to the financial affairs of the College.

Audit found that the cash books were inadequately and inaccurately maintained in the following respects.

Collection Account

- Daily Collection Sheets and Cash Books were not independently checked thereby resulting in the non-detection of addition errors, incorrect recording of amounts on cheques and incorrect dissection of cash book balances.
- "Bank reconciliations" included cancelled cheques which were recorded as outstanding, unidentified bank statement credits which remained unexplained for over two years, and over and under banking adjustments dating back to 1989 which had not been cleared.

General Purpose Account

- Cash book dissectional balances were incorrect, addition errors were common and unidentified transactions were posted to a column headed "unknown".
- Since November 1991, the cash book balance has been overstated by an amount of \$30,000 which has incorrectly been recorded in subsequent "bank reconciliations" as an "investment".

This unacceptable state of affairs, particularly the pretence of performing bank reconciliations of both the Collection Account and General Purpose Account which in effect are meaningless, highlights the deep seated problem.

Sundry Debtors

Audit ascertained that accounts raised in respect of moneys due to the College for goods and services provided were not recorded in a Control Account. This practice would ensure that all amounts due are either received and brought to account or prompt action is taken on outstanding amounts to effect recovery.

Payroll (Tax Related Personal Payments System)

The Tax Related Personal Payments System (TRPPS) is used by DEVETIR to process pays for casual teachers and ancillary staff and to process urgent payments in respect of employees on the Human Resource Management System payroll.

A review of TRPPS disclosed that several internal controls which are designed to ensure the integrity of casual payroll transactions input to the system were not operating. These controls are critical to ensure the integrity of transactions input to the system and the absence of such controls increases the risk of processing erroneous or fraudulent transactions.

Other Matters

Several other issues involving the unsatisfactory control over contracts entered into by the College for the operation of its canteens, delays in finalising various rental agreements and the lack of control over the recoupment of petty cash advances and travel advances also featured in audit findings.

Response by Director-General

In a letter dated 6 August 1993, the Director-General responded to the vast number of issues raised by audit in respect of unacceptable financial management practices at the Ipswich College of Technical and Further Education. In his response, the Director-General stated that -

"In order to overcome the problems identified in the audit report and in response to the comments in your letter, the reconstruction team will remain at the College until the cash books have been completely restructured and all bank reconciliations corrected.

In response to your concern that once reconstruction work has taken place systems fall into disarray, I have arranged for the Director of Evaluation and Strategic Audit to assume responsibility for management system development at the College and to set in place procedures for regular management reviews of those elements of College operations which are the subject of legislation and administrative instructions".

Comments on Audit Findings at Other Colleges

Collections

The number of issues reported were wide ranging and varied. The more frequently reported items were -

- access to cashiers drawers was not always restricted to authorised staff;
- bank reconciliations were not prepared on a timely manner nor independently checked; and
- daily summary sheets were not reconciled with monthly cash register readings.

Expenditure

Ten of the Colleges examined had problems in relation to expenditure. The majority of issues of concern to audit related to -

- incorrect ledgering of expenditure items;
- purchasing authority levels exceeded; and
- failure to cancel vouchers and supporting documentation when payment is made.

Current Assets

Debtors

In the certified Departmental Statements for 1992-93, debtors are shown at \$4.507 million of which \$2.781 million relates to TAFE Colleges. In respect of the 14 TAFE Colleges subjected to audit and referred to earlier there was evidence that follow-up of debtors in 12 of these Colleges was poor including absence of ageing of account balances and independent check of sundry debtor control reconciliations.

Response by Director-General

The Director-General of DEVETIR has provided responses to items raised in the audit reports on the various Colleges examined and has acted positively in relation to required corrective action.

The Director-General has also advised that the following measures have been taken or are proposed to be taken by the department to improve the overall financial management of all Colleges.

- Administrative Instructions will be replaced by a Financial Management Practice Manual at all Colleges from 1 October 1993.
- Specialist Financial Development Training Modules will be developed for TAFE College personnel.
- The Evaluation and Strategic Audit Unit is to conduct follow-up audits to ensure compliance with recommendations made by QAO.
- All recommendations made and weaknesses identified by audit have been compiled in a "Common Threads Document" and issued to Colleges.
- Internal audit has undertaken and will continue to undertake financial and operational audits in TAFE colleges using an upgraded standard audit methodology.
- Internal audit has recently completed a Systems Appraisal methodology which, when fully operational, is intended to provide a mechanism for ensuring that appropriate controls exist in all Colleges;
- A College Administrative Computing Project (CAP) has provided Colleges with a standard receipting package and a debtors system which is intended to enhance overall control.
- Monthly progress reports to the Executive Director TAFETEQ regarding resolution of audit issues and a quarterly review process with Regional Directors to assess performance in complying with accounting requirements are envisaged.
- Preparation of a Debt Recovery Manual and a more aggressive debt recovery policy are proposed.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Colleges of Technical and Further Education</i>	
Section 3.7.1	A number of unsatisfactory issues in respect of the financial management practices of the Colleges were raised by audit.	Financial management practices of Colleges still require improvement. For further comments refer to section 3.7.2 of this Report.

3.8 Environment and Heritage

Portfolio Description

Principal ministerial responsibilities extend to national parks and wildlife; cultural heritage; management of marine parks and wet tropics; environmental planning; and pollution and waste management.

The Department of Environment and Heritage and certain statutory bodies assist the Minister to discharge the legislative responsibilities.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Department of Environment and Heritage</i>	
Section 3.8.1	Audit noted a number of internal control deficiencies in the Air and Water Licenses Computer System.	The department has taken adequate action to address the issues identified by audit.

3.9 Family Services and Aboriginal and Islander Affairs

Portfolio Description

The Department of Family Services and Aboriginal and Islander Affairs is responsible for all matters relating to the co-ordination of delivery of services to Aboriginal and Islander Communities, people with disabilities, families, children and youth in need, and those of different ethnic origin.

The Aboriginal Co-ordinating Council, Island Co-ordinating Council, Aboriginal Councils and Island Councils also come within the ambit of the portfolio.

Comments on selected matters of significance arising from the audit of the Department of Family Services and Aboriginal and Islander Affairs follow. Audit comment on the outcome of 1992-93 audits of Aboriginal Councils and Island Councils will appear in a further Report to Parliament on audits for 1992-93.

3.9.1 Department of Family Services and Aboriginal and Islander Affairs

Woorabinda Bank Agency Cash Shortage

Until recently, the department had been the agent for the Commonwealth Bank in providing banking facilities to the Woorabinda Aboriginal Community.

In late 1991 a shortage in banking operations was brought to the attention of the Rockhampton Regional Office by the bank agency. The matter came to the attention of the internal audit section of the department in late June 1992 while it was conducting a routine audit of the Woorabinda retail store.

The subsequent internal audit report dated 16 November 1992 identified that the breakdown of control and supervision by management over the operations of the agency, brought about by the withdrawal of departmental officers from Woorabinda was a major contributing factor resulting in the discrepancy. The report goes on to say that it was impractical to expect the Executive Officer based in Rockhampton to provide supervision over banking arrangements at Woorabinda CBA agency.

The shortage was established by departmental officers after internal audit had completed its investigation to be \$26,822 and the matter was subsequently reported to the Police Service on 23 November 1992 for further investigation.

The Police Service requested that a further audit be performed by an investigative Chartered Accountant who has recently submitted a report. Police investigations are continuing.

From 3 September 1993, the department ceased to provide this bank agency service, as it was not considered financially viable to maintain the staffing levels required to provide effective supervision of agency operations. The Commonwealth Bank has been reimbursed by the department for the cash shortage.

Grants

Background

During 1992-93 the department provided financial assistance of \$192 million (\$140 million, 1991-92) to various eligible individuals and organisations including community services and local authorities. Most of these outlays are handled by the Department's Division of Community Services Development.

The Department through this Division is also the lead agency within the Queensland Public Sector for a number of high priority social policy issues which span more than one government department. This involves policy development and the monitoring and co-ordination of welfare programs for whole of government in order to rationalise functions and minimise duplication of resources in ensuring that the needs of targeted groups are addressed.

In respect of the \$192 million referred to earlier, grants totalling \$110 million were paid by this Division to some 1,376 non-government service organisations (\$55 million, 1,072 organisations 1991-92) involved in community programs throughout Queensland. In this respect the department has categorised some 18 programs for the provision of funding and has developed and issued related Funding Guidelines to grant recipients. The guidelines generally require funded organisations to -

- enter into and comply with a service agreement which details the scope and nature of the service or activities to be provided.
- participate in the monitoring and evaluation of its funded services and activities.
- provide a statement of receipts and payments for the preceding quarter in order to receive quarterly advances.
- provide an annual statement of receipts and payments, independently audited by a qualified accountant, for grants exceeding \$3,000.

Grants can be recurrent or of a "one-off" nature. Recurrent grants are ongoing without requirement for further funding application after lodgement of an initial application from the grant recipient and are mainly paid on a quarterly basis in advance on receipt of relevant returns.

The Division's responsibilities in respect of grants include the planning and assessment process for the distribution of funds on a needs basis; the provision of non-financial support to funded groups to ensure good quality services; review of compliance by the funded organisation to agreed service accountability conditions; and ensuring that proper financial accountability requirements are met.

An Operations Manual provides guidelines and direction for all staff in the conduct of their daily responsibilities. Amongst other things, the Manual sets out roles and responsibilities of central and regional offices and branches, funding procedures and procedures for Planning and Assessment Committees.

Audit Findings

During 1992-93 audit reviewed grants paid to 82 organisations covering the distribution of \$7.541 million. The audit was conducted in two phases with an interim audit in May-June 1993 followed by a final audit in September-October 1993. Audit's sample included a wide selection of community organisations with the majority of organisations receiving grants in excess of \$50,000.

The audit objectives set for this review were to examine and determine whether or not there existed -

- proper approval and payment procedures; and
- appropriate machinery for regular review of the need for continued existence of each grant, eligibility criteria and the amounts payable.

Audit concerns in respect of procedures for payment of grants and related accountability aspects attaching to those grants follow.

Lack of Structured Reporting Procedures

Service accountability visits performed by regional offices were not clearly documented due to the lack of structured reporting procedures. These visits to the grantee organisations before settlement of the final claims provides a process to ensure that the grants have been spent as intended.

A new format for reporting practices by regional offices was developed by the Division and the Operations Manual was amended on 26 November 1993 for issue to regional offices.

Failure to Follow-up Financial Accountability Requirements

In respect of the grantee organisations examined by audit some 28 per cent of these funded organisations failed to satisfy financial accountability requirements for 1991-92 in that no audited financial statements have yet been submitted to the Division. The majority of these organisations which did not submit audited financial statements received grants in excess of \$30,000 during 1991-92. In one particular case, there was an organisation which received grants totalling \$1.193 million during 1991-92 and had not satisfied the financial accountability requirements as at 23 November 1993.

Follow-up of outstanding financial statements has not been effectively performed in all instances and the continuing payment of grants is unaffected by the failure to submit the required certified annual statements but rather is dependent on the receipt of unaudited quarterly returns. Five grants officers had responsibility for the follow-up of outstanding annual financial statements for 1991-92. Audit found that only one officer maintained a satisfactory follow-up system. In the case of the other four, there was either little or no evidence of follow-up, or if follow-up did occur, it was not evident to audit.

In addition, there is no evidence of a regular and structured form of reporting to senior management of the overall position of outstanding financial statements and of follow-up action undertaken to obtain them. In the absence of timely reports senior management is without appropriate information to enable an assessment of further action in respect of non compliance with financial accountability conditions.

On 26 November 1993 an amendment was made to the Operations Manual which provided for the strengthening of follow-up procedures and processes for advice to management on non compliance. In terms of this amendment, advances to organisations which fail to provide audited statements within three months of the due date will now be withheld, subject to review by the Department.

Grants Drawn in Advance

In note 3 of the Departmental Appropriation Account for 1992-93 it was indicated that grant advances to approved community organisations drawn prior to 30 June 1993 and totalling \$1.691 million were held awaiting receipt of periodic accountability returns.

Audit found that cheques were progressively released to the point where the Director-General advised on 2 November 1993 that all have now been dispatched. The Director-General also advised on the same date that in future no grant cheques will be drawn in advance of the receipt of appropriate accountability documents.

Director-General's Response

In a response to the grant issues raised by audit at the conclusion of the final phase of the audit on 26 October 1993, a letter dated 2 November 1993 signed on behalf of the Director-General stated -

- "• All funded services are required to enter into service agreements with the Department. Under these agreements, funded services undertake to comply with reporting and financial accountability requirements as well as to provide services to the level and in the manner established in the agreement.

A procedure will be established whereby a formal report is prepared when agreements are renegotiated and renewed.

In addition intensive reviews of particular services are undertaken as appropriate.

The results of the intensive service reviews will continue to be reported formally detailing the manner of the review and conclusions and recommendations in respect of compliance by the organisation in the use of grant funds.

- Outstanding audited statements are monitored by Grants Officers and follow-up is undertaken. Procedures will be strengthened to ensure that this system is fully implemented and outstanding returns are obtained.

Payments of grants will be withheld if audited financial statements are not provided, or no satisfactory explanation is obtained."

In a further response of 26 November 1993, the Director-General stated -

"...It is acknowledged that the follow-up procedures that are in place have only been partially effective. This is not simply a procedural matter but relates to real difficulties that small community organisations face in meeting Government accountability requirements. The fact that quarterly returns are monitored so closely is a strength not a weakness - and particularly important during the period of following up outstanding financial statements. Furthermore, it is not true to baldly assert that there was no reporting to senior management in relation to outstanding financial statements..."

Audit Comment

Audit acknowledges that the Department of Family Services and Aboriginal and Islander Affairs has played a key role in the reform of administrative practice in the Government's human services funding programs and has experienced a substantial growth in grants paid in recent years. As indicated by the Director-General in her letter of 26 November 1993 -

"Assessment of the Department's performance should take account of the substantial growth that has occurred in the throughput of grants in recent years. The grants base of Community Services Development has increased by a figure of approximately 126% over the last three years. This growth has occurred in the context of broad reform of administrative practice in the Government's human services funding programs, as well as the transfer of funds from the Commonwealth Government..."

In this regard, I consider that a grant reflects Parliament's agreement to surrender some degree of control over the spending of money which it has granted. A strong emphasis on the accountability of grant recipients for their use of grants is essential.

Primary responsibility rests with the granting department for properly planning and operating the grant program and for monitoring individual grants and periodically evaluating the effectiveness of the grant scheme.

Since audit expressed its concern in October 1993 in respect of the procedures for payment of grants and related accountability aspects attaching to those grants, the department has taken prompt action to strengthen its follow-up procedures within the Division to ensure that its own guidelines are adhered to, albeit within the last week.

Retail Stores

The department operates seven retail stores with annual turnover of some \$12 million at various Aboriginal Communities.

In prior years, the internal audit function has performed independent annual stocktakes and established stock shortages following which a submission to write-off stock discrepancies is made. The responsibility for the performance of independent stocktakes was transferred to the department's Division of Aboriginal and Islander Affairs and results reported to the Finance Branch for reconciliation purposes. Internal audit continued to perform an independent review role.

The final outcome of the 1992-93 stocktakes has not yet been finalised. This prevented the inclusion of reliable and appropriate information in relevant sections of the Departmental Statements for 1992-93.

In respect of this issue the Director-General responded in the following way on 26 October 1993.

"Although accurate and verifiable stock shortages could not be provided at the time of developing the Departmental Statements for the year ended 30 June 1993, subsequent action has been taken to reconstruct records and present those figures as at that date.

This is expected to be completed by 31 October 1993.

...Corrective action to institute internal controls that will produce more reliable and verifiable information and more effective financial management has been taken. A unit in the Division of Aboriginal and Islander Affairs has been created with authority to manage and overview operations, processes and flows of information. The selling price control system will be maintained and the process of independently verified stocktakes with resultant stock adjustments will be followed."

Travel Advances

It is departmental policy to provide officers with a cash advance to cover certain travel related costs comprising accommodation and incidental expenses. In terms of that policy, officers are required, within 14 days of return to headquarters, to provide appropriate evidence and certification of travel and actual expenses incurred to acquit the travel advance received.

This procedure has not been adhered to in all instances and a lack of follow-up and reporting to management has resulted in a sum totalling \$270,404 of unacquitted travel advances as at 30 June 1993 (\$44,146, 1992). Almost half of the 30 June 1993 amount has been outstanding for more than three months.

The requirement for the timely acquittance of travel advances is specified in the Public Service Management and Employment Regulations.

On 1 October 1993 the Director-General advised -

"Follow-up action to date has resulted in clearance of three hundred and thirty-two (332) advances totalling \$157,238 recorded as outstanding as at 30 June 1993 in the general ledger.

Action in process to lessen the probability of future occurrences includes the following -

- A computerised system of control and administration of advances is being implemented.
- Responsibility for the function has been vested at a higher level.
- Travel allowance policy and procedure is being articulated and promulgated in a more user-friendly manner.
- Regular monthly and quarterly reporting of outstanding advances to appropriate levels of management will occur.

It should be noted that I was aware of the situation and that the action outlined above was initiated as a result of the departmental internal audit process".

Audit has established that the Director-General was advised of the matter on 9 July 1993 and that the clearance of unacquitted travel advances has been made by requiring and receiving acquittances from appropriate officers.

Since the Director-General's response of 1 October further activity on unacquitted advances has occurred and as at 29 October the balance had been reduced to \$61,962.

Salary Overpayments

Numerous overpayments have originated from salaries paid through the Human Resource Management System (HRMS).

Payroll functions are centralised at head office with system input data including details of leave, employee termination and other pay variations originating in various centres throughout the State. Audit established the main causes for salary overpayments as -

- delays in the forwarding of payroll data to central office; and
- payroll data not processed by central office in a timely manner.

The balance of unrecovered overpayments as at the pay period ended 25 June 1993 amounted to \$59,454 (\$31,644, 1992). Further overpayments since that review have increased the unrecovered balance to \$72,687 at 15 October 1993. Of the October amount 40 per cent is outstanding in excess of six months. Action has been taken to recover the overpayments under agreed arrangements.

On 26 July 1993 a departmental directive was issued outlining the requirements for submission of timely payroll advices in order to minimise overpayments. This directive further advised that 97 per cent of overpayments resulted from late forwarding of payroll data to Personnel Branch to enable timely processing.

The response from the Director-General dated 14 October 1993 included -

"It should be noted that the shortcomings of HRMS including overpayments have been previously drawn to my attention through internal audit and through the program evaluation process. The Department has been pro-active in identifying systems weaknesses and taking remedial action.

Initiatives and remedial action implemented to help improve the situation include the following -

- Internal procedures within Personnel Branch for recovery of overpayments have been strengthened, made more rigorous and documented for inclusion in the Financial Management Practice Manual.
- Workgroup managers and members involved in the process have been reminded of requirements, processes and procedures specifically orientated towards reducing the incidence and quantum of salary overpayments. Written procedures have been promulgated.
- Monthly detailed overpayment reports are sent to Divisional Heads and Directors for their information, and comment if necessary. These will also be reported in the quarterly reviews to the Executive Management Committee.

It is expected that the proposed action above combined with more efficient and accurate results from HRMS (now that it has been more fully developed) will result in fewer overpayments without requiring additional resources."

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1990-91	<i>Department of Family Services and Aboriginal and Islander Affairs</i>	
Section 5.5.2	Outstanding matters relating to the closure of the Torres Strait and Cape York Trust Account.	Action to finalise is still proceeding. The Department has again advised that this account will be closed pending finalisation of the following -
First Report 1991-92		
Section 3.9.1 and		<ul style="list-style-type: none"> · credit balances totalling \$95,538 to be distributed to various Councils; · five overdrawn accounts totalling \$21,085 are still under police investigation; · two overdrawn accounts totalling \$5,266 are to be repaid by account holders; · undistributed interest is to be disbursed to the various Councils.
Second Report 1991-92		
Page 22		
First Report 1991-92	Major shortages revealed through stocktakes of retail stores were referred to the Police Service for investigation.	Police investigations are continuing. Refer to item 3.9.1.
Section 3.9.1 and		
Second Report 1991-92		
Page 22		
First Report 1991-92	<i>The Island Industries Board</i>	
Section 3.9.2	Operating losses incurred by the Island Industries Board.	An improved situation was achieved by the Board during 1992-93 resulting in an operating profit of \$409,256 (1991-92, \$989,040, loss).
	Level of stores shortages continued to increase.	Stores shortages occurred in all but one of the store trading centres managed by the Board. Management is endeavouring to overcome stores shortages by implementing a range of measures.
	Liquidity position of the Board deteriorated over the last two years.	Net effect of operations for the year ended 31 January 1993 caused a further decrease in cash of \$186,403.
		Measures have been taken to improve the liquidity situation by close monitoring of cash flows budget forecasts, enhanced store control measures, follow up of trade debtors and management of overdraft and loan facilities.

3.10 Health

Portfolio Description

The Department of Health (Queensland Health) is responsible for the planning, promotion, regulation and control of public health in Queensland. Service delivery is provided by thirteen Regional Health Authorities constituted under the *Health Services Act 1991*.

Comment on selected matters of significance arising from the audits of entities within the portfolio follows.

3.10.1 Regional Health Authorities

Introduction

Thirteen Regional Health Authorities are established under the *Health Services Act 1991* to promote, maintain and improve health services in Queensland. Each Authority is required under the legislation to prepare financial statements in the form prescribed by the Minister for Health based on a program management format supplemented by a statement of assets and liabilities and other relevant financial information. The audited financial statements of each Authority are required to be presented to the Minister in terms of the Health Services Act. In most instances individual Health Services (Hospitals) are responsible for the management of accounting systems and data. The information produced subsequently forms the basis of end of year consolidated financial statements for the Region.

Within the overall Queensland Health budget for 1992-93, the Regional Health Authorities were responsible for the financial administration of expenditure approximating \$1,888 million and for the management and custody of assets in the vicinity of \$2,000 million at 30 June 1993. Trust Fund balances totalling \$31 million at that date were also administered by the Authorities.

Audit Results

A summary of the more significant audit findings is set out under relevant headings in this section. These matters have been referred to the respective Regional Directors and to the Director-General, Queensland Health.

In 1992-93, a review was also made of the level of adherence to the Public Finance Standards, the standard and quality of the preparation of the financial statements of the Authorities and the effectiveness of Regional internal audit functions. The results of these reviews are also indicated under the appropriate headings following.

Payroll and Employee Entitlements

Collectively, the Regional Health Authorities were responsible for the financial administration of salaries, wages and related costs in the vicinity of \$1,234 million for 1992-93. Issues of particular concern to audit follow -

In respect of the Northern Regional Health Authority -

- from 1 July 1992, a new computerised payroll system (CASPAY) was introduced. As a result of errors in pre-existing data and other deficiencies in the conversion to the new payroll system, material variations existed between employee leave entitlements as per the CASPAY Leave Management Module (a packaged payroll system) and actual entitlements. As a consequence, little reliance could be placed on leave information produced by the system necessitating the manual recalculation of all leave entitlements before payment and the manual calculation of the value of employee entitlements for financial statement purposes;

- material delays occurred in the reconciliation of Sector Payroll Clearing Accounts. These were subsequently cleared as at 30 June 1993. Prompt reconciliation of these accounts is essential to identify any discrepancies and to ensure timely follow up and rectification; and
- the review of exception reports produced by the Caspay System and internal check of data input to the system was inadequate. These controls are essential to the maintenance of the integrity of information held on the system.

A number of managerial and other corrective procedures are to be put in place in 1993-94 including a progressive recalculation of all leave information on the Caspay System. This should significantly resolve current concerns in this area.

In respect of other Regional Health Authorities -

- at three Health Services reviewed by audit there was unrestricted access to payroll systems, passwords were not regularly changed and amendments to payroll masterfiles were not independently verified and certified. These controls are essential to maintain the integrity and accuracy of the payroll data.
- reconciliation procedures were not operative at the Princess Alexandra Hospital (Brisbane South Regional Health Authority) to ensure that the total number of staff employed as per the PRISM computer system agreed with the number of staff as per the Lend Lease CASPAY system. This is necessary to identify and correct any discrepancies between personnel records and leave records on the PRISM system and personnel records on the Lend Lease CASPAY system.
- because of inadequate segregation of duties involving access to the payroll authorisation, payroll payments and employee leave systems, a misappropriation of approximately \$12,000 occurred at the Brisbane North Regional Health Authority which became known to management only after information was supplied anonymously to the Authority. The Internal Audit Service of the Authority has recently reviewed the system and has recommended improved procedures. Police investigations are continuing into this matter.

Receivables

Concerns identified by audit included the following -

- at time of audit, the South Coast and Peninsula and Torres Strait Regional Health Authorities had no formal systems for the recovery of expenditure (e.g. salaries of medical officers on secondment, etc.) from other Health Services and related entities. Although invoices were raised, these were not subject to effective debtors control and follow up. Establishment of proper systems subsequent to audit review produced closing balances at year end of \$135,357 (South Coast Regional Health Authority) and \$28,910 (Peninsula and Torres Strait Regional Health Authority).

Non-Current Physical Assets

In my First Report to Parliament on the audits of the Authorities for the financial year ended 30 June 1992, I reported on the difficulties experienced by most of the Regional Health Authorities in the valuation of plant, furniture and equipment held by the Regions. This was largely due to deficiencies in the accuracy of the then existing Asset Registers.

As at 30 June 1993 all except four Regional Health Authorities (Brisbane South, Peninsula and Torres Strait, Sunshine Coast and West Moreton) reported a valuation for non-current assets.

Hospital Based Corporate Information Systems (HBCIS)

During 1992-93, audit attention was directed to determining whether appropriate measures had been taken in respect of the issues previously reported at the Royal Brisbane and Gold Coast Hospitals together with a review of computer and financial system controls at those Hospitals and at the Princess Alexandra Hospital. While some action has been taken to address these issues, there is still a need to ensure that occupied bed days are reconciled with charges raised against patients.

Right of Private Practice Scheme

Overview

Full time medical specialists employed by Regional Health Authorities have been eligible for some years to participate in a private practice arrangement whereby private patients can be treated within the public hospital system.

The principles governing the scheme are covered by various Queensland Health directives. Essentially, from 1 July 1992, participating specialists can choose between two types of contract. One described as Option A is based on remuneration by a salary allowance. The other - Option B permits the relevant Health Service to retain a fifteen percent administration fee and remit a prescribed percentage of gross fees for facility charges to the Consolidated Fund. Under Option B, the balance of patients fees is then payable to the specialist up to a threshold of fifty per cent of the prescribed level of the medical officer's salary scale. Any balance beyond this amount is paid into the Private Practice Study, Education and Research Trust Account maintained by the individual Health Service. Under both Options, billing and collection arrangements are the responsibility of the relevant Health Service. Queensland Health advises that it is intended that each Option should be self-sufficient.

Scope and Audit Findings

Audit examined the operation of the scheme of all Authorities except at South West and Central West Regional Health Authorities where flying specialist teams, comprising surgeons and anaesthetists, etc. have unlimited right of private practice. Consequently, the following comments do not apply to those Regions. The results of the review at the remaining eleven Authorities highlighted the following. Not all deficiencies relate to all eleven Regions -

- debtors control accounts were not maintained in the majority of instances, as required;
- write-offs of accounts were not always approved by officers possessing an appropriate delegation;
- there was an absence of review of arrears by management;
- there were inadequate internal controls to ensure that accounts rendered for services provided to patients were properly billed;
- where computer systems were in operation -
 - . up-to-date systems procedures manuals were not always available;
 - . there was a lack of segregation of duties between personnel operating the systems and a use of common passwords was also observed.
- some medical specialists were receiving benefits under the scheme prior to the necessary contractual obligations being firstly completed. This position existed in excess of fifty per cent of the Authorities reviewed; and
- a total funding shortfall of \$1.546 million was recorded for 1992-93 and was met from the individual budget allocations of the ten Regional Health Authorities operating Option A. This was partly attributed to the fact that certain medical specialists performing anaesthetic, pathology, and accident and emergency procedures were in locations where referrals or access to private patients were not prevalent. As a result, it was not possible for the specialists to generate sufficient revenue from private patients to cover the salary allowances paid.

In audit's view, there is a need for a review of the scheme guidelines and the accounting and other financial procedures currently in operation.

Review of the Standard and Quality of Preparation of Financial Statements

A review of the standard and quality of preparation of the financial statements of the thirteen Regional Health Authorities revealed the following -

- workpapers for two sectors of the Peninsula and Torres Strait Regional Health Authority and the workpapers of the Mackay and Central West Regional Health Authorities had not been completed at the time of audit commencement notwithstanding prior arrangements being made with those Authorities for audit verification;
- allowing for some minor changes to the 1992-93 Regional Annual Financial Statement Guidelines by Queensland Health, the financial statements of eleven Authorities required significant amendment to correct figures in those statements and to achieve material compliance with the Guidelines; and
- in the case of Sunshine Coast, Northern and West Moreton Regional Health Authorities, it was considered that the involvement of senior Authority officers in supervising the preparation of the financial statements would have assisted in the overall quality of the accounts preparation.

Review of Adherence to Public Finance Standards

The Public Finance Standards require the preparation of quarterly position assessments in respect of Revenue, Expenditure, Assets and Liabilities of each Authority. Further, the adequacy of all financial systems is required to be assessed annually in terms of the Standards.

The attention of all thirteen Regional Health Authorities was drawn to the requirement for quarterly position assessments. In respect of systems appraisals, only one major sector of one Regional Health Authority had observed the requirements of the Standards.

These matters are being addressed by the Authorities on a global basis in consultation with Central Office, Queensland Health.

Review of Internal Audit Service

An internal audit service is provided to all Regional Health Authorities, with South West and Central West Regional Health Authorities sharing the internal audit staff resources of the adjoining Authorities of Darling Downs and Central, respectively. Quality control over the internal audit activities of all Authorities is provided on a cyclical basis by the Internal Audit Branch, Queensland Health Central Office.

Generally, there was a reasonable level of internal audit activity at each Authority with the exception of the South West Regional Health Authority where there was little substantive field audit work performed. In addition, the internal audit service of the Darling Downs Regional Health Authority failed to fulfil its initial audit plan due mainly to a re-prioritisation of its tasks.

Internal Audit Committees have now been established at both of these Regions and it is expected that there will be a closer monitoring of internal audit work programs in future.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Regional Health Authorities</i>	
Section 3.10.1	A number of problems were experienced by Authorities in meeting financial reporting obligations which were required for the first time in 1991-92.	While unqualified audit opinions were given for all 13 Authorities in respect of 1992-93 accounts, the results of the audits indicated that improvement was still needed in some areas of the financial practices of the Authorities. For further comments refer to section 3.10.1 of this Report.
First Report 1991-92	<i>Brisbane North Regional Health Authority</i>	
Section 3.10.2	The Authority continued the previous practice of crediting recoveries of expenditure to cost centres irrespective of the year in which the outlays occurred.	The Authority ceased this practice in 1992-93.
First Report 1991-92	<i>South Coast Regional Health Authority</i>	
Section 3.10.3	Qualification was given on the financial statements of the Authority for 1991-92 due to an unidentified discrepancy of \$13,624 in the Operating Fund at 30 June 1992.	Discrepancy of \$13,624 was identified in 1992-93 and an unqualified opinion was given in respect of the 1992-93 financial statements.
First Report 1991-92	<i>Hospital Based Corporate Information System (HBCIS)</i>	
Section 3.10.4 and Second Report 1991-92	General Acceptance Testing and Conversion Issues relating to MDIS Corporate Application Development (CAD) methodology.	These issues are now mainly resolved. For further comments refer to section 3.10.1 of this Report.
Section 3.5.1		

3.11 Housing, Local Government and Planning

Portfolio Description

The principal entity in this portfolio is the Department of Housing, Local Government and Planning which is responsible for a wide range of services including -

- construction, purchase, maintenance and management of rental dwellings;
- provision and administration of a number of home loan schemes;
- provision and administration of a number of housing related assistance schemes;
- provision of support services to local government; and
- planning and co-ordination of urban development and housing issues.

The Minister is also responsible for the administration of the relevant constituting Acts relating to local authorities generally and the Brisbane City Council.

Comment on selected matters of significance arising from the audits of certain entities within this portfolio follows.

3.11.1 Department of Housing, Local Government and Planning

Review of the H.O.M.E Loan Programme

The Home Ownership Made Easier (H.O.M.E) Programme was introduced in August 1990. Under this programme borrowers were offered two different types of loans - a H.O.M.E loan (targeted mainly at moderate income earners) or a H.O.M.E Shared loan (more attractive to low income earners). The objective of the programme was to assist borrowers by providing them with fixed interest rate home loans which, due to their financial circumstances, they may not have been able to obtain from any other lender.

Repayments were initially set at 27 per cent of the borrower's income, with annual repayment escalations of 6 per cent for loans approved before April 1992 and 4 per cent for loans approved from April 1992 to July 1993.

Due to the low start nature of the loan, initial repayments may have been at a level that was insufficient to meet the full interest charged. However, repayments are escalated each year to the point where the borrower commences to redeem the loan.

Since the introduction of this programme a number of the factors upon which it was initially based have changed. The more significant of these are that interest rates and the rate of inflation have fallen. In addition, wages growth and the rate at which housing prices had been increasing slowed. Many borrowers took advantage of a "no-prepayment penalty clause" in their agreements and refinanced through private sector institutions at lower interest rates.

Because of the changes in the economic climate the department decided to undertake an interim review of the programme during 1992-93 to ensure that the programme was still appropriate. A more indepth review as to the future direction which the department should take with respect to home lending is currently under way and it is expected that the results of that review will be available in the near future.

As a result of the interim review the Government decided that 10 year fixed rate H.O.M.E loans would no longer be offered. Instead, loans with a five year fixed rate with a repayment escalation of 2.5 per cent would be available. Existing H.O.M.E borrowers have been given the opportunity to renegotiate their loans after they have been in the programme for three years. In taking up this option the borrower will not be able to revert to a fixed rate loan at some future stage.

Information supplied by The Queensland Treasury Corporation (the finance provider) as at 30 June 1993 suggests that the possible cost for renegotiating the HOME TRUST's finance arrangements could be \$57 million. This estimate was based on the assumption that all borrowers would choose to renegotiate their loans to variable interest rate loans at 30 June 1993. The conversion costs are potentially recoverable through the difference between the Queensland Treasury Corporation's cost of funds and the rate at which funds are provided to mortgagors.

A contingent liability of \$57 million has been included in the annual financial statements of the HOME TRUST and also the Home Purchase Assistance Account. The Home Purchase Assistance Account is required under the HOME TRUST Deed to indemnify the Trust in the event that the Trust does not have sufficient funds to meet its obligations.

Additionally, a cap on borrower's repayments will be introduced for fixed interest borrowers whose repayment level exceeds 35 per cent of the household income. This option will only be offered after all rescheduling avenues have been exhausted and if there has been no change in the borrower's circumstances since taking out the loan.

In respect of the H.O.M.E Shared Programme which is now to be known as the Rental Purchase Plan, the initial purchase share is now set at a minimum of 35 per cent (formerly 25 per cent). The cost of real estate fees will be apportioned between the department and the client in proportion to their equity share and any improvements to the property which are funded by the client will be added to the client's equity share.

Recently, there have been criticisms levelled at similar housing loan schemes operating in other States, particularly the HomeFund scheme operating in New South Wales. There are some similarities and some differences between that scheme and the H.O.M.E programme.

Similarities are that they both offered low start loans where the initial repayments were less than interest charged and there was potential for the amount of the debt to increase. Both loan programmes had an escalation factor built into the repayment arrangements and both schemes lent funds to borrowers at fixed interest rates.

One of the significant differences between the two schemes was that the NSW scheme was administered on an agency basis with commissions paid according to the number of loans processed while the H.O.M.E programme is administered totally by departmental staff. The NSW scheme also included subsidised lending which is not available in Queensland. The Queensland scheme requires regular reporting and capital adequacy tests while less stringent requirements were in place in NSW.

The decline in the property market in NSW was a further contributing factor affecting the operation of the NSW scheme.

Financial Reporting - H.O.M.E Loan Programme

Since inception of the Programme its transactions have been separately reported upon in the general purpose financial statements of The Queensland Housing Trust, the HOME TRUST and the HOME SHARED TRUST. Certain consolidated data for 1992-93 follows -

Fund/Housing Trust	Interest Received From Borrowers \$'000	Interest Paid to QTC \$'000	Mortgage Assets # \$'000	Debt Owing to QTC \$'000	No. of Loans
The Queensland Housing Trust	39,752	36,877	358,531	279,209	8,265
HOME TRUST	94,630	87,782	763,220	751,158	10,204
HOME SHARED TRUST	12,387	11,364	107,235	103,190	4,511
TOTAL	146,769	135,523	1,228,986	1,133,557	22,980

The issue of whether or not the accounts of the three Housing Trusts should be consolidated with those of the department, in accordance with the requirements of Australian Accounting Standard 24 - Consolidated Financial Reports, is currently under consideration.

However, due to the constitution of the Trusts some doubt exists as to whether they fall within the definition of a controlled entity of a public sector entity and that matter also is being pursued.

Salary Overpayment

An officer of the Department of Housing, Local Government and Planning (DHLGP) was seconded to the Department of Health for special duties from 13 January 1992. The latter department advised that it would assume responsibility for the payment of salary for the duration of the secondment and commenced payments from 27 January 1992. However, the DHLGP continued to make salary payments to the employee's bank account, thereby resulting in overpayments totalling \$51,917. Recoveries from the Commissioner of Taxation and Q-Super have since reduced the overpayment to \$34,662.

The matter surfaced in May 1993 when DHLGP forwarded an invoice to the Department of Health seeking reimbursement of the officer's salary for the period 1 July 1992 to 2 April 1993. There is no evidence indicating that DHLGP attempted to recover salary payments for the period 13 January 1992 to 30 June 1992 from the Department of Health.

The officer in receipt of the double payments was suspended from duty on 7 June 1993 and the matter has been referred to the Criminal Justice Commission for investigation.

The department is seeking to recover the full amount of the overpayment from the officer concerned.

The internal audit unit at DHLGP reviewed the circumstances surrounding this overpayment and concluded that the lack of documented policy and procedural instructions, poor communication and interaction between different branches within Personnel Services and human error were the cause.

As a result of the internal audit review a number of recommendations for changes to procedures in the Personnel Services Branch were adopted.

Stocktake of Plant and Equipment

During 1991-92 a complete stocktake of the department's plant and equipment was undertaken. It was the department's intention to identify and bar-code all items which it decided should be recorded in the computerised plant and equipment register - "Assetcat". The Assetcat records were to be reconciled with the general ledger accounts but no results of the reconciliation were prepared and retained for audit purposes.

In respect of the 1992-93 annual stocktake, items recorded in Assetcat with a written down value of \$188,000, which represents 2.5 per cent of the total written down value of the department's plant and equipment could not be located. It is possible that part of this amount is represented by items which have been disposed of previously and the appropriate accounting entries were not made in Assetcat.

The General Manager, Financial Services has advised that the department plans to implement a new strategy for the management of these assets. A complete stocktake of all items of plant and equipment will be undertaken and a label attached. Details of these items will be input to Assetcat with appropriate adjustments made to the general ledger accounts. The responsibility for custody of assets will be delegated to the individual service areas and training will be given to all staff involved in asset management. A list of items designated as being under the control of each service area will be forwarded to the manager of that area annually for confirmation.

Arrears of Aboriginal and Torres Strait Islander Housing Rentals

Responsibility for the Aboriginal and Torres Strait Islander (ATSI) Rental Housing Program was transferred from the Department of Family Services and Aboriginal and Islander Affairs to the Department of Housing, Local Government and Planning by Order in Council dated 17 December 1992 with operational activities transferred during February 1993.

Rental arrears in respect of this program have increased from \$740,893 at 30 June 1992 to \$1,268,330 at the close of 1992-93. Of the amount outstanding at 30 June 1993, \$141,483 has been outstanding for a period in excess of one year. The majority of these long outstanding debts relate to rentals associated with dwellings on Murray Island where most residents have discontinued paying rent since the issue of native land title arose.

Since the transfer of this function to the department, no arrears have been written off. The Department has foreshadowed that a more concerted approach will be applied towards the collection of outstanding rent in future.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Department of Housing, Local Government and Planning</i>	
Section 3.9.1	The increasing level of arrears of the Aboriginal and Torres Strait Islander housing rentals on the operations of the Department of Family Services and Aboriginal and Islander Affairs. During 1992-93 the Department of Housing and Local Government assumed responsibility for these debts.	For further comments refer to section 3.11.1 of this Report.
First Report 1991-92	Credits to expenditure for administrative expenses recovered by the Queensland Housing Commission Fund from the Home Purchase Assistance Account and the four Housing Trusts were not approved in accordance with section 34A of the Financial Administration and Audit Act and resulted in the Appropriation Account and the Departmental Statements being qualified for 1991-92.	The Treasurer's approval of this practice was obtained on 24 May 1993. The Appropriation Account and Departmental Statements for 1992-93 were unqualified.
Section 3.11.1		

3.12 Justice and Attorney-General and the Arts

Portfolio Description

This portfolio has widespread functions with responsibilities relating to administration of justice, elections and referendums, law reform, jurisdiction of the courts, legal advice and related services to Government and its agencies and the arts.

The Department of Justice and Attorney-General and The Electoral Commission of Queensland are the principal public sector entities which come within the ambit of the portfolio.

Comment on selected matters of significance arising from the audit of the Department of Justice and Attorney-General follows.

3.12.1 Department of Justice and Attorney-General

Court Fines

The Department of Justice and Attorney-General is responsible for the administration of court fines imposed by courts of law in Queensland under a variety of Acts of Parliament.

The Treasurer's Guidelines for the preparation of Departmental Statements for 1991-92 and 1992-93 required each department to disclose amounts owing to the department in the Statement of Assets and Liabilities.

After considering the Guidelines the Department of Justice and Attorney-General determined that fines imposed by a court of law fall within the Guidelines as "amounts owing" and consequently should be reported.

However, court fines are unique in that a monetary penalty imposed by a Court, which if not paid within a time specified by the court, may be converted to a non-monetary penalty such as a term of imprisonment or a community service order. In endeavouring to apply the Guidelines to the matter of court fines, a number of problems arose as follows -

- no statutory power presently exists for a fine to be "written off" in a legal or financial sense. Thus all fines irrespective of their age are currently receivable.
- current systems are incapable of producing information which could be reliably reported as they were designed principally as court file management information systems rather than accounting systems.
- the court file management system may fail to recognise that fines no longer exist due to the death of the person fined, levy and distress provisions; and their classification as Children's Court matters.
- the administrative cost of collecting the information would be substantial.

During 1992-93 this whole issue of reportability of court fines in the Departmental Statements was considered at some length. The conclusion reached was that some broader issues needed to be resolved before reliable information could be reported. In particular, the establishment of government policy concerning write-off of fines needs to be addressed. Enforcement and collection of fines also requires examination.

Consequently, a decision was made by the department to refrain from reporting the value of outstanding court fines in the financial statements for 1992-93. An explanatory note setting out the circumstances concerning non-disclosure of the asset was included in the statements. While no reliable information on the amount outstanding at any one time including that at the close of a financial year is available for court fines, the department estimates that the figure is at least \$50 million.

Over many years audit has drawn attention to the lack of controls over both manual and computerised fines accounting systems functioning throughout the State including the inability of the systems to produce reports on the state of outstanding court fines.

In response to the matters with respect to the management of court fines, the Director-General in a letter dated 28 October 1993 stated -

"When a decision is made by Cabinet, anticipated by the end of the current year, a working party will be established comprising officers from the Courts Division and Finance and Administration Branch to implement Cabinet's decision by reviewing the existing procedures and replacing them by a more manageable and controlled system which will allow disclosure of outstanding fines for all affected areas by June 1994. You will be invited to participate in the latter process."

Queensland Film Development Office - Investments and Loans

Responsibility for the assets and liabilities of the former Queensland Film Corporation was transferred to the Queensland Film Development Office (QFDO) of the Department of the Premier, Economic and Trade Development following the demise of the Corporation.

By Order in Council dated 24 September 1992 the Arts Division of the Department of the Premier, Economic and Trade Development which included the Queensland Film Development Office was transferred to the Department of Justice and Attorney-General and has since been designated the Office of Arts and Cultural Development.

In terms of the recommendation of the working group referred to in previous Reports of the Auditor-General the Office of Arts and Cultural Development has taken the following action.

- Equity investments totalling \$3,652,630 and loans totalling \$493,582 were written off by the Director-General on 5 July 1993 in terms of section 106 of the Financial Administration and Audit Act. These amounts represented loans and advances considered irrecoverable.
- Records of investments made by the QFDO are now included in the computerised database system and are reconciled on a monthly basis with departmental ledgers.
- Advances totalling \$74,039 pertaining to the Queensland Film Corporation, which were considered worthy of further attention, have been ledgered.
- Action has been taken to improve the administration of the QFDO by having contracts prepared in-house by legal personnel. Records have now been relocated to the same building as the QFDO and a records manager employed. A full file census to ensure the completeness of records is under way.

The working group report also recognised that in the longer term, a large number of QFDO investments will require write-off as most will not yield a positive return. It recommended that a systematic review of investments be undertaken and write-off of "non-repayable" assets be regarded as an on-going exercise.

Unstructured reviews are currently undertaken for the purpose of gauging the status of the projects in terms of repayment of the investment. This review process is not formally documented and there is no bring-up system in place to ensure that the reviews are undertaken on a regular basis. Audit has recommended that review dates be incorporated into the existing database system with regular quarterly management reports produced for management purposes.

As well, audit recommended that a write-off policy should be formalised.

An assessment of the effectiveness or otherwise of the current schemes of assistance within the scope of an arts program evaluation is scheduled for completion during 1993-94.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>The Public Trustee of Queensland</i>	
Section 3.12.2	Expenditure of \$189,645 incurred during 1991-92 on goods and services by the Public Trust Office was not included in expenditure recorded in the public accounts for that year.	Matter is now satisfactorily resolved.
First Report 1991-92	<i>Department of Justice and Attorney-General</i>	
Section 3.15.1	Report on the major findings and recommendations by the working group into the status of the equity investment balances and the loan balances of the former Queensland Film Corporation.	Refer to Section 3.12.1 of this Report for further comments.

3.13 Lands

Portfolio Description

The principal Ministerial responsibilities include -

- Management and use of land;
- Crown land allocation;
- Surveying and mapping;
- Real property titles and valuation;
- Land protection; and
- Land information.

The Lands portfolio comprises the Department of Lands and some statutory bodies.

Comment on selected matters of significance arising from the audit of the Department of Lands follows.

3.13.1 Department of Lands

Status of Certain Trustee Bodies

The question of the status of certain trustee bodies has been reported upon since 1987 in Reports of the Auditor-General and full details of the issue have been given in those Reports. Audit's concern relates to the fact that failure by the department to notify the Auditor-General of details in respect of these statutory bodies has prevented the process of audit by the Auditor-General as required by law.

The department has prepared Drafting Instructions for the Preparation of the Queensland Land Bill dated 21 June 1993 which includes a clause that declares that these entities are not and never have been statutory bodies for the purposes of the Financial Administration and Audit Act.

Audit awaits the outcome in this regard.

Arrears of Land Rentals, etc.

A substantial increase in arrears of debts relating mainly to land rental leases, freehold tenure leases and sale of land based information has occurred over the past four financial years.

The following details illustrate the growth in the arrears position -

Year	Amount Outstanding \$
1989-90	4,629,622
1990-91	5,474,885
1991-92	7,372,778
1992-93	11,208,233

Implementation of recommendations in the Cattle, Sheep and Arable Land Rental Standards - Grazing Homestead Perpetual Leases and Pastoral Holdings (Carter Report) resulted in increased billings during 1992-93. Audit notes that the department has taken action to have the required staff trained in debt recovery practices aimed at curbing the growth in arrears.

Severe drought conditions throughout the State, the general state of the economy and the impact of the Carter Report are reflected in the arrears position.

In response to the matter of arrears of land rentals, etc. the Director-General in a letter dated 19 November 1993 stated -

"Due to Departmental concerns in this area, three major initiatives have recently been put in place which it is hoped will significantly reduce the level of outstanding debt. They are -

- (1) Overdue reminder notices will be printed and distributed from Headquarters rather than from each regional office individually. These notices have a MICR code similar to the present billing notices that allow payment at any Commonwealth Bank branch, Australia Post Office, or by locked box facility. The accounts can also be paid at any Department of Lands Office. This action will ensure regular production of outstanding notices and streamlined payment options for our clients.

- (2) Accounts with long standing credit balances are being reviewed by regions to ascertain whether these funds may be able to be offset against leases with overdue balances.
- (3) All regions are now being contacted on a regular basis to ascertain the extent of follow-up activity being undertaken by each region. This information will then be communicated to senior management on a monthly basis."

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Department of Lands</i>	
Section 3.13.1 and	Identification of status of certain Trustee Bodies.	Position largely unchanged. Refer to section 3.13.1 of this Report for further comment.
First Report 1990-91		
Section 6.4.1		
First Report 1991-92	Substantial increase in arrears of debts relating mainly to land rental leases, freehold tenure leases and sale of land based information.	Refer to section 3.13.1 of this Report for further comment.
Section 3.13.1		

3.14 Minerals and Energy

Portfolio Description

Principal ministerial responsibilities of this portfolio relate to Queensland's minerals and energy resources and electricity services.

The Department of Minerals and Energy, Queensland Electricity Commission and a number of electricity boards come within the ambit of the portfolio. On 24 September 1992 the name of the Department of Resource Industries was changed to the Department of Minerals and Energy.

Comment on selected matters of significance arising from the audits of entities within the portfolio follows.

3.14.1 Queensland Electricity Supply Industry (QESI)

Introduction

Prior to 1992-93, the accounts of the Queensland Electricity Commission and the seven Electricity Boards were maintained on a cash basis.

In accordance with the Financial Administration and Audit Act and the Public Finance Standards issued pursuant thereto, the Commission and the Electricity Boards prepared general purpose financial statements which complied with prescribed Accounting Standards for 1992-93.

Consolidated general purpose financial statements were also prepared for the Queensland Electricity Supply Industry (QESI), which is comprised of the following entities -

- Queensland Electricity Commission (QEC)
- The Far North Queensland Electricity Board (FNQEB)
- The North Queensland Electricity Board (NORQEB)
- The Mackay Electricity Board (MEB)
- The Capricornia Electricity Board (CEB)
- The Wide Bay-Burnett Electricity Board (WBBEB)
- The South East Queensland Electricity Board (SEQEB)
- The South West Queensland Electricity Board (SWQEB)

In terms of the definitions contained in the Financial Administration and Audit Act, QEC is a department while the electricity boards are statutory bodies.

To facilitate the production of the financial statements, the Electricity Commissioner issued an Industry Financial Management Manual which prescribed accounting policies and procedures to be followed by each entity.

In addition to the introduction of accrual accounting, other issues addressed by the industry during the year were -

- asset revaluation;
- capital structure; and
- transfers to support tariff equalisation.

Valuation of Property, Plant and Equipment

As at 1 July 1992 the Industry's Property, Plant and Equipment was revalued by management aided by the services of an external consultant who advised on certain related financial aspects.

The valuation was performed using the concept of depreciated optimised replacement value which takes into account current technology and the asset's future capacity if it were reproduced now.

The industry has a policy of conducting a full revaluation of its property, plant and equipment every five years and applying appropriate indices in the intermediate years to reflect the estimated increase in the value of assets for those financial periods. The amounts credited to the Asset Revaluation Reserve at 1 July 1992 and 30 June 1993 for the industry were \$3,728 million and \$152 million respectively.

Considering the magnitude and complexity of the revaluation exercise audit commissioned the Australian Valuation Office to provide independent advice on the appropriateness of the methodology used by the industry. Australian Valuation Office confirmed that the approach was sound and appropriate.

In terms of Australian Accounting Standard 10 (AAS 10) dealing with Accounting for the Revaluation of Non-Current Assets, once an entity revalues its assets it must estimate its future cash flows emanating from the assets revalued to ensure the net amount of cash inflows is either equal to or exceeds the value of those assets.

The Standard provides the option of using net accumulated cash flows or net discounted cash flows. QESI adopted the latter option which places a greater burden on the entity to ensure the valuation arrived at is reasonable. The industry used a 20 year financial model for this purpose and as with any future projections of this nature and extent, a great deal of subjectivity abounds.

This assessment must be made annually.

Debt Redistribution

To ensure effective financial performance of each of the industry segments and to meet the requirement to adopt a commercial capital structure, Executive Council approved that as at 1 July 1992, the debt of the Commission to the Queensland Treasury Corporation totalling \$3,343 million be redistributed within the industry as follows -

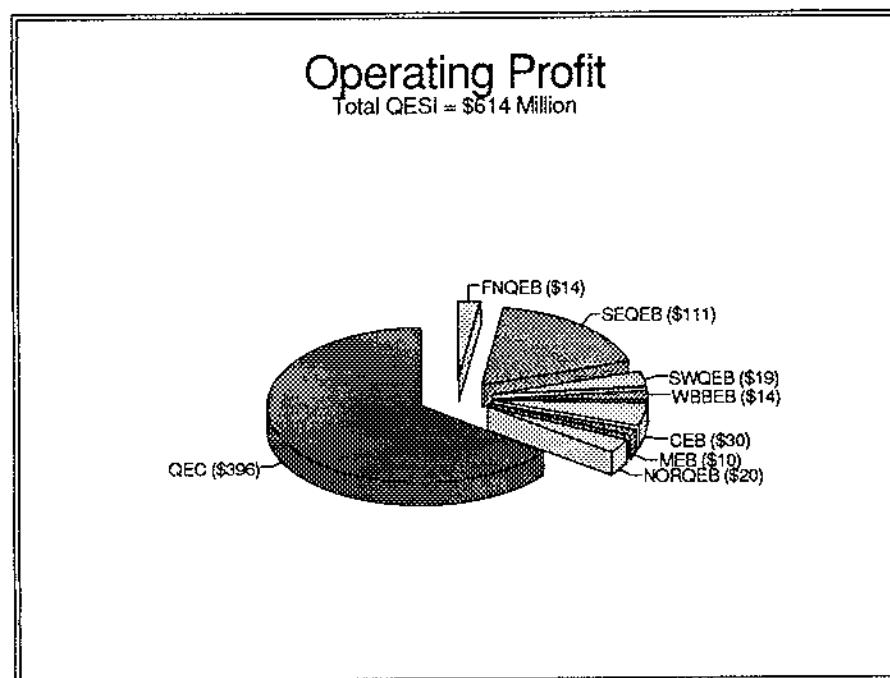
	\$M
Queensland Electricity Commission	2,348
The Far North Queensland Electricity Board	44
The North Queensland Electricity Board	93
The Mackay Electricity Board	42
The Capricornia Electricity Board	112
The Wide Bay-Burnett Electricity Board	59
The South East Queensland Electricity Board	555
South West Queensland Electricity Board	90

Financial Transfers

Financial transfers are transfers of funds amongst the entities of the industry to ensure that all Electricity Boards are able to charge the same or substantially the same tariffs. Transfers totalling \$58.2 million were effected during 1992-93.

QESI Profit

The Operating Profit after Financial Transfers of each entity is set out in the following graph.



The Commission paid \$30 million to the Treasury during 1992-93 and has made provision to pay a dividend of \$95 million in 1993-94.

In relation to the matter of dividends, I recently received a letter from the Member for Tablelands who expressed some misgivings about the accuracy of the 1992-93 financial statements of the QEC and went on to say that he believed that I should respond to his concerns in a Report to the Parliament. Much of the content of the Member's letter appears in Hansard on 16 November 1993 in the discussion on the Adjournment.

I replied to the Member's letter on 22 November and explained the circumstances which in my view have caused some confusion in interpreting the certified and published accounts of QEC for 1992-93. A copy of my response is appended as Appendix B.

As indicated in my response to the Member I have no reason to vary the audit opinions I gave in respect of the Commission's and the Industry's accounts which were included in the Commission's Report tabled in the Legislative Assembly on 10 November.

In my view there was no need for me to respond to the matters raised by the Member in a Report to the Parliament, however I have done so simply to correct the Parliamentary record and to clarify the situation in relation to what I regard is a serious allegation made by the Member about the truth and fairness of information provided in the financial statements.

In terms of the provisions of the Financial Administration and Audit Act, matters to be reported to the Legislative Assembly are for me to determine and as the Act goes on to state, I am not subject to direction by any person about the way in which my powers in relation to audit are to be exercised.

The only time the Auditor-General can be directed in relation to an audit is when the Legislative Assembly by resolution requests the Auditor-General to conduct an audit of a matter relating to financial administration of a public sector entity.

I am not aware of any such resolution in relation to this matter.

3.14.2 Queensland Centre for Advanced Technologies (QCAT)

An agreement was signed on 13 October 1990 by the Minister for Minerals and Energy on behalf of the State with the Commonwealth Scientific Industrial Research Organisation (CSIRO) for the construction of a research centre at Pinjarra Hills and for the relocation of research facilities from southern states to Queensland. The Treasury Department, Administrative Services Department and the Public Trustee all assisted the Department of Minerals and Energy with respect to the transfer of the research facility to Queensland. The centre was completed on 14 August 1992 and CSIRO commenced using the facility on 28 August 1992.

Agreement Provisions

A brief overview of the financial provisions of the agreement follows -

- The State was responsible for the design and construction of the complex with the State's share of the cost limited to \$13 million in July 1989 terms.
- CSIRO was to grant land at Pinjarra Hills to the State for the complex.
- The State was to finance the cost of computer hardware and software to a maximum of \$3.5 million in July 1989 terms. The computer is to remain the property of the State subject to various conditions with respect to upgrading and replacements. The State is entitled to receive 50 per cent of any net revenue from use of excess capacity over and above research needs. CSIRO will own the computer facility after seven years.
- The State was responsible for staff relocation and redundancy costs to a maximum of \$2.5 million in July 1989 terms.
- The State was responsible for equipment relocation costs to a maximum of \$1 million in July 1989 terms.
- From the completion of construction of the complex, CSIRO was to lease the Centre from the State from a period of 25 years at a total rental figure of \$14 million.

Costs

Actual costs incurred by the State to 30 June 1993 with respect to the establishment of the Centre were as follows -

	\$
Buildings	14,850,615
Computer facility	3,456,150
Staff relocation	1,129,751
Equipment relocation	262,665

In respect of buildings, a further dissection of costs follows -

	\$
Department of Minerals and Energy (\$13 million in July 1989 real terms)	14,223,579
Paid by Department of Veterans' Affairs for Sewerage Treatment Works	252,833
Project Overrun*	374,203
	<hr/>
	\$14,850,615
	<hr/>

* Negotiations are proceeding between Administrative Services Department and CSIRO over funding of the project overrun.

The actual costs of the other components are less than the July 1989 amounts as specified in the agreement.

Audit Findings

Following enquiries by audit it was ascertained that the land on which the Centre was built has not as yet been transferred to the State as required by the agreement. In addition, particulars of the buildings and the computer facilities have not been recorded in the asset registers of any of the departments involved in the research facility.

Further, audit was not satisfied with a number of other issues connected with the agreement, including -

- control over future lease payments and calculation of required yearly rent payments;
- future building maintenance;
- determination of revenue rights from computer facility use;

- entitlement to use of excess computer capacity by the State; and
- responsibility for future additions to the complex.

Following discussion with the Deputy Director-General, Department of Minerals and Energy the issues were referred to the department's internal auditor to determine which entity has and will continue to have ongoing responsibility for these matters.

The internal auditor prepared a report in August 1993 which contained the following major findings -

- the transfer of land and easements by CSIRO to the Public Trustee has not been completed;
- lease documents have not been granted by the State to CSIRO;
- the basis of rent payable has not been determined by the State. CSIRO have paid \$525,000;
- the building complex and computer facility owned by the State for 25 and 7 years respectively are not recorded on the books of the State;
- the conditions specified in the Agreement in relation to the computer facility are not currently being monitored by the State;
- the State has made payments to CSIRO for staff relocations which are not in accordance with the Agreement. Amount of overpayment \$163,663;
- relocation expenses have been paid to CSIRO without adequate supporting documentation being supplied to Minerals and Energy."

In respect of the internal audit findings, some further comments follow -

- issues in relation to the transfer of land and easements to the State and the non-recording of the building complex and computer facility in the books of the State confirmed QAO audit findings;
- no further rental payments have been received by the State from CSIRO;
- in relation to the overpayment of \$163,663, CSIRO has recently agreed to refund this amount;
- adequate supporting documentation for relocation expenses was lacking in the following instances -
 - . claims for living allowances paid without any indication of the period covered to which they refer;
 - . no documentation for the April 1993 claim of \$53,292 by CSIRO;
 - . reasons for high level of cost for removal expenses not supplied; and
 - . components of redundancy payments including salary of officer and length of service not supplied by CSIRO.

CSIRO has agreed to supply all information required by the Department of Minerals and Energy.

In response to these matters in relation to the ongoing monitoring role of various Government agencies associated with the development of this facility, the Director-General, Department of Minerals and Energy in a letter dated 14 October 1993 advised QAO that -

"...As indicated this Department has acted to put in place the necessary controls and will continue to pursue these matters to their successful conclusion. However, some difficulty is being experienced in the level of commitment from other Government agencies."

Audit's assessment of the situation is similar to that expressed by the Director-General.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Department of Minerals and Energy</i>	
Section 3.17.2	A significant number of weaknesses in internal controls and procedures were identified during the examination of the MERLIN system.	Audit is satisfied that where possible the department has implemented procedures to overcome the weaknesses identified.

3.15 Police and Emergency Services

Portfolio Description

The Police and Emergency Services portfolio covers the Queensland Police Service and the Bureau of Emergency Services. The Department of Police is the main administrative unit which provides assistance to the Minister in meeting the principal ministerial responsibilities.

Comments on selected matters of significance arising from the audit of the Bureau of Emergency Services follow.

3.15.1 Department of Police

Background

In terms of the provisions of the Financial Administration and Audit Act the Commissioner of Police is the accountable officer responsible for the Department of Police which comprised the Queensland Police Service (QPS) and Bureau of Emergency Services (BES) during 1992-93.

In respect of the BES, the Commissioner of Police delegated the powers, functions and responsibilities of the accountable officer to the Director of the BES and authorised relevant officers within particular levels of the Bureau to incur expenditure to approved limits. The BES largely operated independently of the Commissioner of Police. A subsequent rearrangement of Government activities on 18 October 1993 established the BES as a Department titled Queensland Emergency Services.

The Queensland Ambulance Service (QAS) which operates through the Ambulance Service Trust Fund came into existence on 1 July 1991 and is one of six separately administered divisions of the BES. The QAS replaced the 96 independent Queensland Ambulance Transport Brigade (QATB) Committees and the Queensland Ambulance Service Board (QASB).

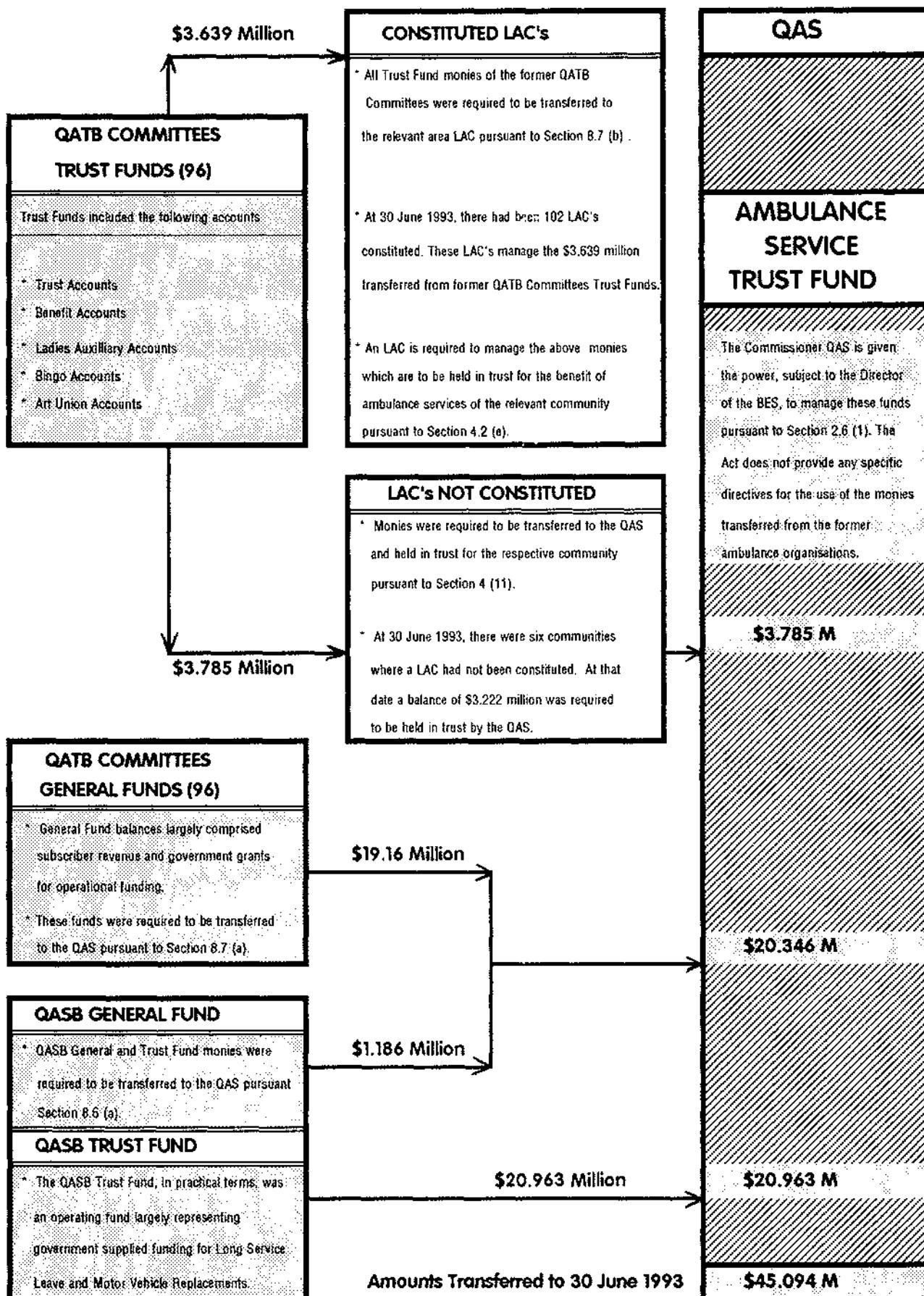
Prior to July 1991 the QATB Committees were administered by the QASB which was responsible for the provision of services, the application of funds and administrative efficiency. The major sources of finance for each Committee were subscriptions and government grants while funding was also provided by donations and bequests, charges for non-subscribers and fund raising proceeds.

Funds - QASB and QATB Committees

Information on funds transferred from QATB Committees and the QASB to the Ambulance Service Trust Fund from 1 July 1991 to 30 June 1993 is provided in the following table. Audit is satisfied that all amounts were transferred in accordance with the requirements of the *Ambulance Services Act 1991* except for an amount of \$173,001 which was incorrectly transferred from the QATB Committee, Monto, General Fund to the Monto Local Ambulance Committee.

Transfer of Funds from QATB Committees and the QASB - 1 July 1991 to 30 June 1993

Reference is made to the directives contained in the relevant sections of the Ambulance Service Act 1991.



BES financial activities have been reported upon in the Appropriation Account and Departmental Statements of the Department of Police for 1991-92 and 1992-93. Audit also prepared a Statement of Receipts and Payments of the QAS for the year ended 30 June 1993 with comparative figures for 1991-92 in order to provide details of the way in which the transfers of funds from the QASB and the QATB Committees have been accounted for.

This financial statement which is reproduced at the conclusion of this Report item shows that QAS operations during the two year period were financed, in the main by subscriptions and other fees and charges totalling \$98.5 million, Government contributions of approximately \$61 million and the amount of \$45.1 million which was transferred from the QASB and QATB Committees. Other receipts amounted to \$10.4 million. Expenditure of \$212 million included \$136.7 million on salaries, wages and related costs, \$50.6 million on operating costs and \$16.4 on corporate services costs, leaving a balance of \$2.765 million in the Ambulance Service Trust Fund as at 30 June 1993.

However, \$3.785 million of the amounts transferred to this Fund by QATB Committees represented Local Ambulance Committee (LAC) funds which were to be held in trust by the QAS for the benefit of ambulance services in the relevant areas. At 30 June 1993, the balance of these funds was \$3.222 million. This means that, within two years, the QAS has expended the balances of the QASB General Fund the QASB Trust Fund and the QATB Committee's General Funds in accordance with approved budgeting arrangements. However, it has also used on day to day expenditure some \$450,000 of the funds held in trust for LAC's.

Centenary Year Activities

QAS recorded expenditure totalling \$295,000 in 1991-92 and 1992-93 on celebrational and promotional activities associated with the centenary year of the ambulance service which occurred in 1992. Of this amount, \$158,212 related to the purchase of centenary products, \$49,954 was expended on salaries and travel expenses of staff who organised and carried out centenary activities, consultancy costs accounted for \$37,157 and \$21,024 was expended on the centenary dinner.

While it was intended that the cost of centenary activities would be covered by related revenue, the QAS accounts indicate that receipts amounted to only \$75,000, leaving a recorded shortfall of some \$220,000. In addition, audit found that the expenditure amount of \$295,000 was understated due to incorrect classification of certain centenary related expenditure. Given the fact that there were ineffective budgetary and financial controls over both the receipts process and the payments process, the true extent of the shortfall cannot be accurately determined.

In addition, a QAS Band was formed in June 1992 as part of the centenary celebrations. The cost of this Band, which amounted to \$116,063 in 1992-93, was met mainly from the Directorate budget and to a lesser extent from the Marketing and Promotions budget.

Comment on financial matters associated with four of the centenary activities follows.

Sale of Centenary Products

While QAS records indicate that \$158,212 was spent on the purchase of centenary products, stock costing \$40,672 was purchased for issue on a complimentary basis with remaining stock valued at \$117,540 offered for sale during the centenary celebrations. Saleable products included cassettes and compact discs featuring a centenary theme song, pen sets, liquor, T-shirts, a newspaper, mugs and model ambulances.

Total sales recorded in QAS accounts amounted to \$62,356 and stock on hand at 30 June 1993 was valued by management at a cost price value of \$20,430. After taking into consideration an appropriate mark-up on saleable items, this activity resulted in a shortfall well in excess of \$40,000.

In audit's view a number of factors contributed to this shortfall and these included -

- a lack of appropriate purchasing and accounting guidelines and inaccurate recording of purchases and sales of products;
- inadequate inventory records;
- the absence of internal control procedures over the distribution of products; and
- failure to delineate between products purchased for complimentary issue and those purchased for sale.

In this regard, management advised that, despite the fact that a cost centre was established for centenary celebrations in December 1991, no formal incorporation of centenary activities was made in the Marketing Branch budgets for 1991-92 or 1992-93.

Centenary Dinner

A consultant was engaged to organise the centenary dinner which was held at the Brisbane City Hall on 7 November 1992. The dinner was expected to cost the QAS a net amount of \$2,000.

The cost of each dinner ticket was \$40 and an amount of \$3,400 was recorded in the accounts as revenue from ticket sales. The cost of the dinner was \$21,024 which represented an average cost per person of \$105. The cost included an amount of \$9,674 for entertainment and displays.

There were no internal control procedures in place to monitor ticket sales, expenditure, or the accuracy of receipts and payments recorded in the general ledger. In addition, audit revealed that the consultant waived \$2,300 worth of ticket revenue without authority while a further \$2,700 worth of ticket revenue had not been brought to account. Audit has seen no evidence of action taken by management on these issues.

Walkathon and Marathon Fundraising

Walkathon and marathon fundraising events were organised by QAS on the basis that all proceeds would be donated to nominated charities. At 30 June 1993, the QAS accounts included an amount of \$6,535 which had not been distributed in the appropriate manner.

QAS Band

A QAS Band was formed in June 1992 as part of the centenary celebrations. Funding was approved for initial start-up costs of the Band. It was intended that the Band would continue beyond 1992 on a self funding basis.

The Director, BES advised the Minister that sponsorship arrangements required the QAS to -

- supply an "ambulance identification" via the issue of ambulance shirts (\$25 each); and a supply of ambulance logo covers for the music stands;
- provide logistical movement support for the Band while performing at approved QAS functions (through the QAS operations and fleet resources);
- provide Band practice facilities and secure equipment storage (at QAS facilities); and
- purchase some additional and specialist music instruments to facilitate the "concert" capacity of the Band (\$17,000 approved for this purpose).

QAS records indicate that an amount of \$116,063 was spent on the Band in 1992-93 as follows -

- \$43,555 on purchase of Band instruments (\$26,555 in excess of amount budgeted);
- \$11,414 on refurbishment of QAS Brendale premises to provide practice facilities and secure storage. Approval for this expenditure was not obtained;
- \$11,981 on purchase of Band uniforms and logos for music stands;
- \$4,085 on transporting Band members and equipment to concert venues using private bus hire; and
- \$45,028 on salary and related payments. This expenditure mainly relates to salary payments to the Director of Music who was initially appointed by the former Ambulance Commissioner to the temporary position for 6 months and later had this appointment extended by a further six months.

The services of the Band were terminated in July 1993 as it had "not developed any credible funding proposals". The amount recovered from the sale of Band assets was \$13,296.

Audit Comment

In my view, the variety and extent of problems raised during the 1992-93 audit of the BES indicate a significant level of failure by QAS to properly comply with the requirements of the Public Finance Standards (PFS) in the following areas.

Program Management

The strategic (operational) plan of the QAS did not include the requirement that regular evaluations were to be performed on a timely basis to determine whether resources were being properly utilised.

Regular evaluations were not performed and, as a result, there was no mechanism to draw management's attention to the fact that the \$295,000 spent on centenary celebrations had exceeded budgeted expenditure of \$150,000. In addition, formal approval for the excess expenditure was neither sought nor obtained.

The system of resource management did not provide for devolution of management authority with appropriate accountability to relevant levels of management. Consequently, there were no detailed budgets prepared for the various centenary activities, operational responsibility for the management of revenue and expenses related to each activity was unclear and there was no evidence of effective management information systems to report on the financial results of these activities.

Accounting for Expenses and Assets

Various aspects of the PFS and associated Practice Statements which deal with accounting for expenses and assets were not observed in an appropriate fashion.

A review by audit of expenditure on items relating to the centenary dinner and the QAS Band disclosed that there were instances where certifications that goods or services had been received were either not given or were given by persons who failed to ensure that the relevant items were actually received. In this regard, audit found that two separate goods received certificates were given in relation to three items of Band equipment which resulted in a double payment of an amount of \$8,510. This amount has since been recovered.

Expenses were not always identified and paid in a prompt manner. The purchase order relating to hire of the Brisbane City Hall in November 1992 was not issued until April 1993 and the relevant invoice, which was the subject of some dispute, was not paid until October 1993.

An amount of \$2,000 was paid to voluntary Band members to compensate them for lost wages while they were engaged in performing with the Band at the launch of the QAS centenary year. The amount was paid in advance of the occasion and the payment was not supported by adequate documentation.

Band instruments purchased by the QAS were not recorded in the asset register. Audit subsequently found that chairs to the value of \$2,322 were not included in a recent auction sale which was held to disperse all Band assets. The failure to keep adequate asset records meant that it was not possible for audit to determine whether any other Band assets were not sold.

State Purchasing Policy

Purchasing Delegations

Expenditure delegations which were in place at the BES during 1992-93 were not approved by the accountable officer. In addition, purchases were made by officers who did not meet the accreditation requirements of the State Purchasing Policy.

External Consultant

A consultant was engaged at a cost determined by audit to be \$20,886 to perform various tasks during the centenary celebrations. Audit could not confirm that adequate enquiries had been made by the QAS to establish whether these services could have been provided elsewhere in the public sector in terms of the Instructions for the Engagement and Use of External Consultants which are contained in the State Purchasing Policy.

In addition, the QAS failed to determine the scope, extent and cost of the projects which the consultant was required to perform or appoint a project officer to monitor the consultant's performance.

Audit also found that there were errors in the recording of costs associated with the engagement of this consultant.

Subscriber Database

Internal Controls

QAS introduced a new computerised subscriber database in March 1993 which was aimed at providing a universal base of information on ambulance subscribers and an effective control over the raising and receipt of subscription fees. The amount of subscriptions received in 1992-93 was \$47.286 million and the cost of the database was approximately \$2 million.

An audit review of the new system revealed a fundamental flaw which allows an operator to create a false record of entitlement to prescribed benefits for a person who has not paid a subscription whether or not the person is an existing subscriber. While the Regulations issued under the Ambulance Services Act only require the payment of annual subscriptions, audit noted in mid November 1993 that approximately 3000 subscribers throughout the State are recorded on the system as financial members to 1 January 1995 or beyond. At the same time, there is no record in the system that 144 of these subscribers have made any payments since the new system was introduced. Consequently, audit has doubts as to the validity of the financial status of the 3000 subscribers.

An additional weakness relates to the issue of reprinted receipts. When this procedure occurs, the date to which the subscriber is covered is recalculated by the system and this incorrect date is shown on the reprinted receipt. Other control weaknesses which have been referred to management for comment include those relating to security procedure for collections, review of branch returns and system security controls.

A working party has been established to review the whole issue of weaknesses in internal controls for the subscriber database. The situation will be monitored by audit.

Group Schemes

Group schemes which provide ambulance coverage for special groups such as schools, kindergartens and sporting associations have no legal basis as there is no provision for these schemes in the Regulations issued under the Ambulance Services Act.

Similarly, QAS accepted an amount of \$1.3 million from the Department of Veterans Affairs (DVA) to cover the cost of ambulance transport of DVA patients in 1992-93. In addition, the amount payable was determined by DVA and the QAS failed to make any determination as to its accuracy as it had no system capable of capturing the necessary data.

Similar arrangements applied in 1991-92. Prior to that year, DVA patients were individually invoiced for services rendered.

Art Union Records

During 1992-93 the QAS entered into an arrangement with a large shopping chain to conduct a major art union involving 50,000 tickets at \$1 each for prizes totalling \$10,000.

Records kept by the QAS in relation to this art union did not conform with the requirements of Regulation 17(2) issued under the Art Unions and Public Amusements Act. In particular no master ticket register was kept and the art union cash book was poorly maintained, although QAS records indicate that the proceeds of the art union amounted to \$22,837.

The initial drawing of the art union on 3 September 1993 was invalid as all tickets sold were not included in the draw. Nevertheless, prizes totalling \$10,000 were given to ticketholders of the "winning tickets". A redraw covering all tickets sold was held on 17 September 1993 and a further \$10,000 in prizes was distributed.

Approval of the Minister has been sought for funding of the distribution of additional prizes to the value of \$10,000.

Use of Credit Cards

Nine ambulance executives were issued with personal credit cards by the QAS for use in the purchase of goods and services on behalf of QAS as well as for personal expenditure which is the responsibility of the respective executives. As a result, these officers have accumulated personal benefits in the form of "frequent flyer points" in relation to transactions that they have undertaken on behalf of the QAS.

The attainment of these benefits contravene Public Sector Management Commission (PSMC) requirements that no public servant is entitled to prizes or benefits resulting from travel that occurs in the course of employment. The PSMC has stated that this would be in direct conflict with the Code of Conduct for Officers of the Queensland Public Service and with Public Finance Standard 625. The PSMC further stated that departments should ensure that incentive schemes do not apply to individual public servants under any circumstances.

The Acting Commissioner, QAS has instructed all senior officers not to use personal credit cards to transact government business and has further advised that any future cards issued will comply with the requirements of the Public Finance Standards.

PSMC Review of BES

In my submission to the PSMC in relation to its review of the Bureau of Emergency Services, I detailed inadequacies relating to the financial accounting systems and mentioned that factors contributing to this situation related to the lack of clear legislative authority for the Director to administer the respective divisions of the Bureau. I further advised that in my view the structure of the Department of Police in terms of providing the necessary delegations of functions, duties and responsibilities by the Accountable Officer to the officers of the Bureau of Emergency Services was impractical.

I note the views I expressed coincides with recommendations accepted by the Government.

QUEENSLAND AMBULANCE SERVICE (QAS)
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 1993

	Notes	1992-93 \$ 000's	1991-92 \$ 000's
Opening Balance - 1 July		22,154	-
Receipts			
Government Contribution		30,708	30,011
Transfers from QATB Committees and QASB	1	852	44,242
Interest Received	2	947	2,921
Fees and Charges	3	53,916	44,662
Miscellaneous Receipts	4	4,687	1,881
		<hr/>	<hr/>
		91,110	123,717
Payments			
Ambulance Operations	5	90,353	88,007
Directorate	6	11,541	6,535
Training and Development	7	3,598	3,301
Marketing and Promotions	8	5,007	3,720
		<hr/>	<hr/>
		110,499	101,563
Closing Balance - 30 June		2,765	22,154
		<hr/>	<hr/>

NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS

Note 1 Transfers from QATB Committees and QASB

	1992-93 \$ 000's	1991-92 \$ 000's
QATB/QASB General Funds	-	20,346
QASB Trust Fund	-	20,963
*Unconstituted LAC Funds	852	2,933
	<hr/>	<hr/>
	852	44,242
	<hr/>	<hr/>

*Details of Payments by the QAS from Unconstituted LAC Funds -

	1992-93 \$ 000's	1991-92 \$ 000's
Opening Balance - 1 July	2,933	-
Receipts		
Transfers to the Ambulance Service Trust Fund	852	2,933
Interest on above Transfers	25	183
	<hr/>	<hr/>
	877	3,116
Payments		
Motor Vehicles	380	-
Plant and Equipment	177	183
Land and Buildings	31	-
	<hr/>	<hr/>
	588	183
	<hr/>	<hr/>
Closing Balance - 30 June	3,222	2,933
	<hr/>	<hr/>

NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS
(continued)

	1992-93 \$ 000's	1991-92 \$ 000's
Note 2 Interest Received		
Interest on QATB/QASB Transfers	16	497
Interest on Balances of Unconstituted LAC's	25	183
Interest on the Ambulance Service Trust Fund	9062 ²¹	—
	—	—
	947	2,921
	—	—
Note 3 Fees and Charges		
Subscriptions	47,286	39,316
Transport Fees and Charges	4,230	3,795
Other Fees and Charges	2,400	1,551
	—	—
	53,916	44,662
	—	—
Note 4 Miscellaneous Receipts		
Rent	100	117
Sale of Assets	558	45
Commonwealth Payments	55	-
Expenditure Recovered	134	274
Sale of Centenary Products (a)	66	-
Defibrillator - Donations	648	-
Bequests and Donations	495	191
Contributions from Constituted LAC's for QAS Purchases	1,732	196
Industry Group Contributions and Other Receipts (b)	899	1,058
	—	—
	4,687	1,881
	—	—

- (a) Audit identified ineffective budgetary and financial controls over revenue for a number of activities associated with the centenary year. This amount includes \$3,400 of receipts in relation to the centenary dinner.
- (b) Includes \$9,000 for centenary sponsorships in 1992-93.

NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS
(continued)

	1992-93	1991-92
	\$ 000's	\$ 000's
Note 5 Ambulance Operations		
Patient Care and Transport		
- Salaries, Wages and Related Costs	64,889	61,892
- Operating Costs	19,682	22,514
Regional Training		
- Salaries, Wages and Related Costs	3,078	1,269
- Training Costs	549	700
Air Ambulance		
- Salaries, Wages and Related Costs	498	442
- Operating Costs	1,657	1,190
	<hr/>	<hr/>
	90,353	88,007
	<hr/>	<hr/>

Note 6 Directorate

Corporate and Support Costs	3,320	1,968
Corporate Service Costs allocated from BES	# 8,173	2,965
Repayment of Loans and Advances	48	1,602
	<hr/>	<hr/>
	11,541	6,585
	<hr/>	<hr/>

The increase in Corporate Service Costs allocated from BES was due to these costs being previously accounted for under various QAS sub-programs.

NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS
(continued)

	1992-93 \$ 000's	1991-92 \$ 000's
Note 7 Training and Development		
Ambulance Officer Training Centre		
- Salaries, Wages and Related Costs	781	566
- Operating Costs	2,817	2,735
	—	—
	3,598	3,301
	—	—

Note 8 Marketing and Promotions

Salaries, Wages and Related Costs	1,804	1,501
Administrative Costs	1,477	395
Advertising and Publicity Costs	585	356
*Centenary Year Celebrations	165	130
Subscriber System -		
Operational and Development Costs	976	1,338
	—	—
	5,007	3,720
	—	—

* Audit identified ineffective budgetary and financial controls over expenditure for a number of activities associated with the centenary year.

NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS
(continued)

Note 9 Comparison of Financial and Operational Data

	QASB/QATB	QAS		
	1989-90 \$000's	1990-91 \$000's	1991-92 \$000's	1992-93 \$000's
<i>Financial Data</i>				
Receipts				
Government Grant	28,833	30,163	30,011	30,708
Subscriptions	33,666	38,020	39,316	47,286
Number of Subscribers	759,395	798,023	6	789,629
Payments				
Salaries, Wages and Related Costs	51,279	58,952	65,774	72,964
Overtime and Penalty Rates	6	6	10,450	12,006
<i>Operational Data</i>				
#Staff Establishment	1,885	1,878	1,865	1,735
*Vehicle Fleet	879	891	1,081	999

A number of positions were transferred to the Corporate Services Division of the Bureau of Emergency Services during 1991-92.

* Prior to 1991-92 the composition of the vehicle fleet was not identifiable. A computerised fleet management system has been in place since the formation of the QAS and data for the latter two years may not entirely align with the previous two years.

6 Data not readily available.

The Ambulance Service Act was assented to on 12 June 1991 and the resultant restructure of the Queensland Ambulance Service was put into place in the 1991-92 financial year. This structure involved the establishment of six regional offices and twenty district offices.

The Ambulance Service Employees Award - State took effect from 6 January 1992. The first students commenced studies in the Associate Diploma of Applied Science (Ambulance) at the Ambulance Officer Training Centre on 1 July 1991.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
Second Report 1991-92	<i>Department of Police</i>	
Section 3.8.1	<i>Traffic Offence Notices</i>	
	<p>The Queensland Police Service (QPS) did not have an adequate system in place to ensure that all traffic offence notices were forwarded to the Department of Transport.</p> <p>Because of the inadequacies of the system there was no guarantee that required procedures would be followed which would ensure that all amounts due were collected and prosecutions were proceeded with as appropriate.</p>	<p>The implementation of a new computerised traffic offence notice management system was delayed during 1992-93 due to legislative changes and the changeover to a new infringement notice system.</p> <p>The above system is currently being trialled in the Ipswich district with projected statewide implementation in early 1994.</p>
	<i>Purchasing and Expenditure Controls - Northern Regional Office (QPS)</i>	
	<p>Certain staff at the above office breached standard expenditure and purchasing procedures in an attempt to ensure the office fully consumed its share of the department's annual appropriation.</p> <p>Consequently, there were clear breaches of the Public Finance Standards, State Purchasing Policy and the QPS Supply Manual. This matter was referred to the Criminal Justice Commission.</p>	<p>The Criminal Justice Commission referred this matter back to the Queensland Police Service for action. Subsequently, a senior officer of the Northern Regional Office was formally reprimanded in relation to this matter.</p> <p>Appropriate staff training is now being addressed by the Director of Finance and the Acting Director of Human Resources.</p>

3.16 Premier, Economic and Trade Development

Portfolio Description

The principal Ministerial responsibilities include -

- Co-ordination of Government Administration and Policy Development;
- Government Information Policy;
- Assistance to Cabinet and its Committees;
- Economic, Trade and Investment Development;
- Legislation Drafting;
- Electoral and Administrative Reform;
- Status of Women; and
- Public Sector Management Policy.

The Department of the Premier, Economic and Trade Development provides resources to assist the Premier in meeting the responsibilities of the portfolio.

For administrative purposes, the Queensland Audit Office, the Legislative Assembly (Parliamentary Service Commission) and Parliamentary Commissioner for Administrative Investigations also come within the ambit of the portfolio.

There are no matters requiring audit comment at this stage.

3.17 Primary Industries

Portfolio Description

The Department of Primary Industries plans and co-ordinates its activities under seven management programs. These programs are Natural Resource Management, Industry Services, Product Development and Marketing, Community Services, Forest Production, Water Production and Corporate Management and Support.

The department has an organisational structure of six business groups -

- Agribusiness;
- Agricultural Production;
- Corporate Services;
- Forest Service;
- Land Use and Fisheries; and
- Water Resources.

The first five business groups manage the department's technical functions while the Corporate Services Group provides the department with corporate and administrative resources.

The Primary Industries portfolio also consists of a wide range of statutory bodies and authorities which include commodity marketing organisations, water/drainage boards and river improvement trusts.

Comments on selected matters of significance arising from the audits of entities within the portfolio follow.

3.17.1 Department of Primary Industries

Background

In my Second Report to Parliament for 1991-92 which was tabled in the Legislative Assembly in March 1993, I mentioned that the Parliamentary Committee of Public Accounts (PAC) had commenced an inquiry into the issues of long outstanding bank reconciliations and systems difficulties encountered by the Department of Primary Industries (DPI) which I had raised in my First Report to Parliament for that year.

The PAC subsequently indicated in a report on its review of these matters, which was presented to the Legislative Assembly on 30 April 1993, that "further concerns became evident to the Committee of serious financial difficulties in DPI" and this perception was "reinforced by the contents of the Auditor-General's Second Report". The PAC report also contained eight interim recommendations which dealt with departmental management's handling of the financial administration of the department including the aspects of accountability, strategic planning, staff training, internal checking systems and the requirements of the Public Finance Standards.

In late September 1993, the PAC held a public hearing in order to establish the extent of attention given by DPI to its interim recommendations and also questioned departmental witnesses on a number of further issues raised in the 1991-92 report to me by my authorised auditor at DPI.

The PAC then presented a further report to the Legislative Assembly in November 1993 which was accompanied by "A Dissenting Report" from three Committee Members. The majority report, included the observation that -

"the primary cause of the difficulties in which the Department found itself arise from the failure of Management to address the amalgamation direction of Government in December 1989. This amalgamation brought together the Department of Primary Industries, the Department of Forestry, the Water Resources Commission and the Boating and Fisheries Patrol from the Department of Harbours and Marine as a new Department of Primary Industries. By failing to address the amalgamation directive and by failing to adopt a strategic focus for the new Department, Management exposed it to the risk of serious 'fraud or mistake'."

While the majority report also acknowledges the efforts made by departmental management in implementing most of the interim recommendations, the Committee's findings reflect significant flaws in departmental management's approach to the issues of financial accountability, amalgamation, budget cuts, redundancies and management generally.

Audit Comment

As I see this whole issue, my qualification of both the DPI Appropriation Account and DPI Departmental Statements for 1991-92 which I followed up with detailed comments on financial management difficulties at the department in two subsequent reports to the Legislative Assembly and the fact that the PAC conducted an extensive inquiry into the state of affairs of the department have had the effect of considerably hastening remedial action by DPI.

Other factors also had an affect in this regard. During 1992-93 an examination of vouchers by both external and internal audit revealed an unacceptable level of errors and deficiencies involving failure to ensure that -

- all processed expenditure was properly authorised and supported by evidence of receipt of goods;
- necessary internal check procedures were in place which would prevent double payments occurring; and
- duties were adequately segregated.

In its own review, DPI initially found in a sample of some 1750 vouchers that a large majority were deficient in one respect or another.

This continuance of financial management difficulties drew further attention to the breakdown in previously reported upon controls and in my view the situation was at variance with the requirements of the Public Finance Standards and associated Practice Statements which relate to the preparation and certification of expenditure vouchers.

In an effort to correct its incomplete financial records, the department engaged in the wide use of contracted services which brought with it an associated cost. The cost of these services is included in the total of \$9.951 million which was disclosed in the 1992-93 Departmental Statements of DPI as the amount spent on "contractors, etc." for that year.

Various external companies were engaged in the performance of much of the work, including the reconstruction of certain accounting records, which was necessary in order to rectify and confirm the department's financial management systems and to ensure compliance with the requirements of the Financial Administration and Audit Act and the Public Finance Standards. Coincidentally, a number of vouchers were inadvertently misplaced and also had to be reconstructed.

Audit subsequently reviewed the voucher processing operation and was satisfied with the outcome of the extensive work undertaken by DPI and its contracted team in obtaining the necessary documentation and approvals to substantiate the expenditure processed in 1992-93.

Overall, remedial action taken by DPI with the assistance of contracted services also included systems maintenance, adjustment of entries, completion of bank reconciliations and co-ordination of the preparation of the Departmental Statements for 1992-93. Other persons were contracted to assist the internal audit unit in the performance of audits, to verify rectification work carried out and to verify the Departmental Statements.

The considerable effort which DPI put into remedying the various issues raised by audit and identified by the PAC resulted in an improvement in the state of affairs of its accounts to the point where I was able to give unqualified audit opinions to both the Appropriation Account and the Departmental Statements for 1992-93. These opinions were given having regard to materiality concepts.

Further audit comment on other issues raised in my earlier Reports and on matters identified during the 1992-93 audit of DPI follow.

Computerised Financial Management System

Since I last reported to the Parliament on DPI matters, there are signs that action has been taken by the department to improve financial management practices through the assessment of a new Financial Management System (FMS) which is planned to be integrated with the Queensland Government Financial Management System (QGFMS).

The department's Financial Management Systems Project Board initially reviewed alternative software packages to supplement its use of QGFMS. Discussions on possible enhancements which would meet the department's requirements have also been held between the suppliers of QGFMS software, the Financial Information Systems Branch (FISB) of Treasury Department and DPI. At present, the project has been divided into four distinct areas as follows -

- a Client Server Financial Reporting module (an ad hoc query database) which is currently being tested;
- determination of user specifications for the Receiving and Debtors modules which have been developed and forwarded to FISB;
- feasibility of the development and implementation of the Project and Job Costing module which is being performed in conjunction with FISB; and
- a strategy for the delivery of financial management training to staff which is being developed.

Integration Problems

As I previously reported, the number of problems which arose as a result of the integration process of the separate financial information systems formerly operated by the amalgamating departments have been lessened by the establishment of registers and the functioning of appropriate systems which are designed to capture the required information.

In this respect, internal controls over "Water Resources" sundry debtors have been strengthened by transferring control to the Agriculture Group debtors system while internal control weaknesses identified in the casual wages system at Primary Industries Building have been overcome through the implementation of a later version of the Paywell software package. DPI has also begun an upgrade of branch Paywell systems with this version and anticipates that by June 1994 all branches will have been updated.

Bank Reconciliations

In my last Report to the Legislative Assembly in March of this year I noted that it had not been possible for audit to reach an informed opinion at the time in relation to the validity of bank reconciliations for the two collections accounts and the two expenditure accounts as at 30 June 1992 or subsequently. A list of reconciling items in excess of \$10,000 which were included in 30 June 1992 reconciliations was also provided.

I now advise that all Reserve Bank of Australia accounts have been properly reconciled and closed and the position concerning reconciliation of Commonwealth Bank of Australia accounts as at 30 June 1993 follows.

Account	Certified by Management as Complete
DPI Collection Account	2.7.93
DPI No. 1 Expenditure Account	7.7.93
DPI No. 2 Expenditure Account	5.7.93

At the same time, I also drew attention to 13 cheques valued at \$1,450,029 which were drawn on the DPI No. 1 Expenditure Account between October 1991 and February 1992 and had remained unpresented until March 1993. Of this amount, \$1,412,496 was forwarded to Treasury Department and \$37,533 to the Government Superannuation Office.

Subsequent investigations revealed that DPI also owed a further \$685,118 to Treasury Department for unpaid employer contributions and this amount was paid on 1 April 1993. A further amount of \$60,133 due to the Government Superannuation Office for penalty interest resulting from late payments was cleared by a payment on 29 June 1993 of \$56,719 which was the amount outstanding after a credit adjustment of \$3,414.

Discrepancies between Public Accounts and Departmental Ledgers

I previously reported upon the existence of discrepancies between financial information contained in the DPI departmental ledger and information recorded in the Public Accounts at Treasury for 1991-92 in relation to Collections and Program Outlays which amounted to \$7,352,314 and \$2,387,427 respectively.

Audit is now satisfied as to the validity of the journal adjustments and bank transfers which were necessary in 1992-93 to correct the discrepancies.

Travel Advances

In respect of control over travel advances, a team of departmental officers with assistance from external temporary staff has been engaged since 30 April 1993 in the process of identifying all travel transactions covering two years to 30 June 1993 in order to reconcile the register. This review has established that as at 30 June 1993, the balance of the advances stands at \$261,781.

Consultancies Register

The State Purchasing Policy contains "Instructions for the Engagement and Use of Consultants" which includes the requirement that a performance report on all consultancies over \$10,000 in value must be completed and retained in a central register within the agency for future reference and audit purposes. A further instruction provides that the aggregate value of expenditure on all consultancies in each financial year must be included in the agency's annual report. Guidelines issued by the Treasurer also required departments to disclose their expenditure on consultancies in the Departmental Statements for 1992-93.

In the absence of comprehensive definitional guidelines in the State Purchasing Policy in relation to the term "consultancies", DPI made its own assessment of what constituted a consultancy. It is on that basis that the register was prepared resulting in a figure of \$1.551 million being shown in the Departmental Statements for 1992-93. Audit comment on the definitional problem is also contained in section 4.2 of this Report.

3.17.2 The Rice Marketing Board

Special audits were conducted of The Rice Marketing Board and the Lower Burdekin Producers' Co-operative Association Limited as at 30 September 1992 with a view to ascertaining the financial viability of these two organisations.

Audit's view was that it was possible for both organisations to continue as going concerns provided that -

- current renegotiations of credit arrangements with financiers were successful;
- the Board, in conjunction with growers, was able to improve the yield of wholegrain rice;
- the Board could achieve a substantial increase in throughput to fully utilise the additional storage and handling facilities constructed by the Co-operative Association;
- the Board was able to encourage the existing growers to remain in the industry as well as attracting new growers; and
- financial management and reporting practices were substantially improved in the areas of forecasting and budgeting.

As a successful outcome of these conditions was not achieved a Receiver was appointed to the Board on 29 April 1993 and to the Co-operative on 6 May 1993.

Given the need to finalise the Board's financial statements to the date of appointment of the Receiver and the absence of any Board administration staff familiar with the accounting systems, I advised the Director-General, Department of Primary Industries that, in the circumstances, I would allow a staff member of QAO to prepare the accounts and have them audited by another QAO staff member. In view of the fact that I have no audit responsibility in respect of the Co-operative I did not pursue the issue of their accounts further.

The audit certificate of the Board was naturally qualified on the going concern basis to the extent that the Receiver is currently in the process of winding up the affairs of the Board, the life of which has been extended to 10 November 1993 with a proposal to extend for another year.

3.17.3 The Central Queensland Egg Marketing Board

Qualified Audit Opinion

The Central Queensland Egg Marketing Board was constituted under the *Primary Producers' Organisation and Marketing Act 1926*. The Board is responsible for the marketing of eggs within the Central Queensland region.

The financial statements for the year ended 25 June 1993 were qualified for non-compliance with Australian Accounting Standards in that -

Stock on hand, except upgraded egg stock which was valued at cost price, was valued at selling price. This is contrary to the requirements of the Australian Accounting Standard AAS2 "Measurement and Presentation of Inventories in the Context of the Historical Cost System" which requires inventories to be valued at the lower of cost and net realisable value.

The Board has indicated in its annual financial statements that it utilised the selling price method of valuation because management feels this departure is necessary in the concept of the equitable allocation of proceeds.

3.17.4 The Navy Bean Marketing Board

Qualified Audit Opinion

The Navy Bean Marketing Board was constituted under the *Primary Producers' Organisation and Marketing Act 1926* with its prime objective being to efficiently market navy beans grown in Queensland and other States. The Board was wound-up at the close of business on 31 March 1993 and all property, assets, liabilities and obligations were vested in or transferred to the Bean Growers Co-operative Association Limited on 1 April 1993.

The financial statements for the year ended 31 March 1993 were qualified for non-compliance with Australian Accounting Standards in respect of the method of valuing stock on hand, failure to revalue fully depreciated assets and failure to disclose all land ownership.

3.17.5 Sugar Experiment Stations Board

Qualified Audit Opinion

The Sugar Experiment Stations Board was presered upon the passing of the *Sugar Industry Act 1991*. The Board is required to enhance the productivity of the Queensland sugar industry by increasing the quantity and improving the quality of sugar cane produced and by increasing the number and diversity of sugar cane products.

The financial statements for the year ended 30 June 1993 were qualified for non-compliance with Australian Accounting Standards in that -

Classes of non-current assets, excluding land, were included in the Statement of Financial Position at depreciated values. This is contrary to the requirements of Australian Accounting Standard AAS4 "Depreciation of Non-Current Assets" which requires accumulated depreciation to be deducted from the historical cost or revalued amount of the asset or class of assets to which it relates.

3.17.6 Townsville/Thuringowa Water Supply Board

The Board is constituted under the *Townsville/Thuringowa Water Supply Board Act 1987*. The legislation requires the Board to manage the planning, further development, administration and control of the bulk supply of water to local authorities and major consumers in the designated Board area.

During 1990-91 the Board revalued the non-current assets relating to water storage, treatment and associated works. Documentation supporting the methodology used by the Board in the revaluation could not be produced and as a result the audit opinion was so qualified as were the accounts for the following year.

The 1992-93 financial statements were again qualified as the Board has not produced the required documentation with regard to the revaluation of the non-current assets. In conjunction with the Townsville City Council and the Thuringowa City Council the Board is currently reviewing future development requirements. As part of this review the Board and Townsville City Council have engaged a firm of registered valuers and engineers to prepare a comprehensive Asset Management System covering water supply, storage, treatment and distribution assets. The firm has undertaken to provide this system and current valuations of all Board assets for preparation of the Board's financial statements at 30 June 1994.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Department of Primary Industries</i>	
Section 3.16.4 and	Comment was made regarding the deficiencies in the financial management systems, bank reconciliations and discrepancies between the public accounts and departmental ledgers.	For further comment refer to section 3.17.1 of this Report.
Second Report 1991-92		
Section 3.9.1	<i>Townsville/Thuringowa Water Supply Board</i>	
Second Report 1991-92	Supporting documentation could not be produced to substantiate the revaluation of certain assets, resulting in the annual audit certificate being appropriately qualified.	Position unchanged. Refer to section 3.17.6 of this Report for further comment.
Section 3.9.2		
First Report 1991-92	<i>Bread Industry Authority</i>	
Section 3.16.1	Following the Authority's financial problems, the bread industry was deregulated.	Proclamation of the <i>Bread Industry Authority Repeal Act 1992</i> occurred on 7 December 1992 to repeal the <i>Bread Authority Act 1990</i> . From that day, by virtue of section 4(1) of the Bread Industry Authority Repeal Act, all property and liabilities of the Bread Industry Authority became property and liabilities of the State.
First Report 1991-92	<i>Water Boards, Draining Boards and River Improvements Trusts</i>	
Section 3.16.3	Comment was made regarding the preparation of General Purpose Financial Statements by Water Boards, Drainage Boards and River Improvement Trusts. The Public Finance Standards require all statutory bodies, unless exempted, to prepare General Purpose Financial Statements for the financial year ending on or after 30 June 1993. A number of the Water Boards and Drainage Boards and River Improvement Trusts appeared to satisfy all the exemption criteria required by Public Finance Standard 103(2) and on 2 September 1992, the Director-General, Department of Primary Industries was advised accordingly.	In a letter dated 2 June 1993, the Minister in accordance with Public Finance Standard 103(2) determined that the requirements of Divisions 1, 2 and 5 of Part 2 and Division 1 of Part 3 of the Public Finance Standards would not be mandatory for Water Boards, Drainage Boards and River Improvement Trusts. This exemption does not relate to the South East Queensland Water Board, the Gladstone Area Water Board and the Townsville/Thuringowa Water Supply Board as these Boards are constituted under separate legislation.

3.18 Tourism, Sport and Racing

Portfolio Description

This portfolio primarily comprises the Department of Tourism, Sport and Racing, The Totalisator Administration Board of Queensland, The Queensland Tourist and Travel Corporation, the Principal Club, three Racing Control Boards and four Trustee Racing Venue Bodies.

Comment on selected matters of significance arising from the audit of an entity within this portfolio follows.

3.18.1 Lang Park Trust

The Lang Park Trust is constituted under the *Lang Park Trust Act 1962* and is a statutory body for the purposes of the *Financial Administration and Audit Act 1977*.

Non-Current Assets

An examination of asset management practices of the Trust disclosed that an Asset Register that allows for the physical identification of its assets as compared with financial controls was not adequately maintained.

In addition a parcel of land located in the near vicinity of the Lang Park Complex which is vested in the Trustees in fee simple was recorded in the accounts at \$19,000, however, an independent valuation in February 1993 indicated that the land is properly valued in the range of \$800,000 - \$850,000. The Trust has been requested to further review the adequacy of its current valuations for financial statement purposes.

Qualified Opinion

The audit opinion given in respect of the financial statements for the year ended 31 December 1992 was qualified because -

- Certain assets valued at \$3,749,542 had not been depreciated for financial reporting purposes as required by Australian Accounting Standard AAS4 "Depreciation of Non-Current Assets".
- Land comprising the Lang Park Complex although vested in the Trustees of the Lang Park Trust in fee simple for recreation and sporting purposes was not recorded in the accounts of the Trust.

The Chair of the Trust advised that Lang Park and its assets are fully maintained by the Trust and are used to produce revenue in the form of hiring out of these facilities to various users. These assets are really Investment Properties and as such need not be depreciated.

In audit's view this reasoning is not valid and is not supported by Australian Accounting Standards. In addition, audit is aware that the Frank Burke stand was recently demolished.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
Second Report 1991-92	<i>The Totalisator Administration Board of Queensland</i>	
Section 3.11.4	Shortcomings in the system of control over Non-Current Assets and Depreciation.	The major control deficiencies have been eliminated. Remaining problems are being addressed and should be resolved during 1993-94.

3.19 Transport

Portfolio Description

The Transport portfolio comprises the Department of Transport, Queensland Railways and several statutory bodies and controlled entities related to the Minister's functions including the various Port Authorities and Tollway Corporations. These entities assist the Minister in meeting objectives through policies and programs aimed at -

- ensuring safe, modern and cost-effective solutions to transport problems through the construction and maintenance of rail, road, boating and ports infrastructure;
- providing support services to the freight transport industry; and
- promoting the use of public and private transport resources.

Comment on matters of significance arising from the audits of entities within the portfolio follows.

3.19.1 Queensland Railways

Financial Reporting

Queensland Railways is constituted under the *Transport Infrastructure (Railways) Act 1991* and is required to apply sound commercial principles in its operations. For 1992-93 the financial statements were prepared on an accrual basis for the first time.

Qualified Audit Opinion

The audit opinion given on the financial statements for the year ended 30 June 1993 was qualified due to an absence of accurate values for inventories and property, plant and equipment and infrastructure and the manner in which the borrowings of Queensland Railways were disclosed.

Property, Plant and Equipment and Infrastructure

Queensland Railways introduced an assets management system to record and value non-current physical assets from 1 July 1992. In determining the asset values, management departed from Australian Accounting Standard AAS10 "Accounting for the Revaluation of Non-Current Assets" which in audit's view, had application in this case. The application of the Standard would have resulted in a significant upward valuation of these assets with a consequential effect on the depreciation cost for the year which would also have been higher. Further, as reported in Note 1(i) to the financial statements, management was unable to conduct a stocktake of all non-current assets to establish that the reported asset values were supported by physical assets. For these reasons audit was unable to express an opinion on the value of \$4,146 million for Property, Plant and Equipment and Infrastructure reported in the Balance Sheet as well as the related depreciation of \$169.2 million, gain on sale of non-current assets of \$9.6 million and loss on sale of non-current assets of \$3.8 million included in the Profit and Loss Statement.

While management expects that a physical inventory of all non-current assets will be completed in the 1993-94 financial year, the revaluation of these assets is dependent on the establishment of a timetable for the corporatisation process and agreement on the revaluation methodology.

Inventories

In section 3.19.1 of my First Report for 1991-1992, attention was drawn to non-disclosure of the value of inventories in the 1991-92 financial statements because of the unreliability of available information. In the 1992-93 financial statements management has reported that the value of inventories was materially understated. The value of inventories reported only included items held in the centralised stores system. It excluded items issued out of store but not yet consumed, as well as items not controlled by this system. For these reasons I was unable to express an opinion on the value of Inventories of \$39.3 million in the Balance Sheet.

Queensland Railways is exploring commercial software packages to address the issues of purchasing and inventory control.

Loan Indebtedness

In previous Reports of the Auditor-General comment was made on certain loan indebtedness relating to the Brisbane Suburban Rail Electrification Project which was recorded in the accounts of the Department of Transport. The net book value of this debt established by audit to be \$175 million at 30 June 1993 was not recorded as a liability in the accounts of Queensland Railways. Similarly the General Railway Capital Indebtedness of Queensland Railways recorded by Treasury as \$704 million was not included as a liability. As a great proportion of the corresponding assets have been taken up in the value of Property, Plant and Equipment and Infrastructure, it was audit's view that the accounts were incomplete to the extent of the omission of these debts from the Balance Sheet and the effect on the Profit and Loss Statement of any related interest component.

The treatment of this debt was disclosed in the notes to the financial statements and is subject to discussions between Treasury and Queensland Railways in relation to corporatisation issues.

3.19.2 Port Authorities

Section 168A Levies

Section 168A of the *Harbours Act 1955* requires that the seven Port Authorities and the Harbours Corporation of Queensland make an annual contribution to the Consolidated Fund, the quantum of such levy being calculated by each Board in negotiation with the Minister for Transport.

The position of levies accrued for 1992-93 compared with those paid in 1991-92 is as follows -

Port Authority	Levy Paid 1991-92 \$'000	Levy Accrued 1992-93 \$'000	Variation \$'000	Basis of Calculation for 1992-93 Levy
Brisbane	5,236	5,257	+ 21	(a)
Bundaberg	50	84	+ 34	(b)
Gladstone	3,198	1,900	- 1,298	(c)
Rockhampton	-	-	-	(d)
Mackay	242	275	+ 33	(e)
Townsville	480	490	+ 10	(f)
Cairns	289	-	- 289	(g)
Harbours Corp. of Qld	4,898	4,590	- 308	(h)
	_____	_____	_____	
TOTAL	14,393	12,596	- 1,797	_____
	_____	_____	_____	

- (a) Percentage of 1992-93 operating revenue.
- (b) 25 per cent of 1992-93 operating profit.
- (c) The 1991-92 levy discounted to take into account the Authority's proposed capital works program for 1993-94.
- (d) Operating surpluses used to redeem loan arrears in lieu of levy payment.
- (e) The 1991-92 levy plus a percentage factor.
- (f) The 1991-92 levy increased by a CPI factor of two per cent.
- (g) No levy provided for in 1992-93 due to the Authority's proposed capital works program for 1993-94 and future cash flow needs.
- (h) The budgeted amount for 1992-93.

As indicated in the above table, there are currently a wide variety of methods used to calculate levies and this is reflected in the amount of net profit disclosed in the certified financial statements. Bundaberg was the only Authority which based the levy on a percentage of profits and in so doing aligned it with a dividend distribution which was suggested in correspondence between the Department of Transport and the Authorities.

In the case of Cairns and Gladstone Port Authorities, I drew attention in the audit opinions to the fact that these two Authorities calculated levies on a changed basis in 1992-93 and the outcomes were subject to further negotiations with the Minister. Gladstone Port Authority substantially reduced its levy in 1992-93 while no levy was provided for in the accounts of the Cairns Port Authority in that year.

As there is an absence of any guidelines in relation to the basis of calculating levies, it is essential that the matter be clarified. Audit has sought the advice of the Director-General on these issues.

Property Management of Land

The Port Review of 1990 recommended that the Port Authorities be required to report all land held as assets at market value in their annual financial statements. To bring effect to this recommendation, the Department of Lands has performed an independent valuation of most land held by the various Authorities as at 30 June 1991. The basis of valuation was deemed to be market site value which is defined as "the capital sum which the unencumbered fee simple of the land would be expected to realise if offered for sale on such reasonable terms and conditions as a bona-fide seller would require".

While certain Port Authorities have disclosed the valuation as a non-current asset on that basis in their respective balance sheets, others have omitted such disclosure, principally on the grounds that the valuation assumes that all land is capable of being sold on the open market and that this may not be possible under current tenure of certain land. The values in these instances have been disclosed at cost in the statement. In view of pending corporatisation of Port Authorities, early resolution of this situation is necessary.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1991-92	<i>Queensland Railways</i>	
Section 3.19.1	Shortcomings in the form and content of the 1991-92 financial statements.	General purpose financial statements were prepared in 1992-93. Matters in respect of the disclosure and treatment of certain balance sheet items remain unresolved. Refer to section 3.19.1 of this Report.

3.20 Treasury

Portfolio Description

The principal activities of the Treasury portfolio are state budget, public sector financial policy, taxation policy, government superannuation, state actuary and insurance, statistical operations, various gaming operations, liability management and asset management.

The principal entities within the portfolio include the Treasury Department, Queensland Treasury Corporation, several statutory bodies and a number of government owned companies. Statutory bodies include Suncorp Insurance and Finance, Queensland Industry Development Corporation, Queensland Investment Corporation and the Golden Casket Art Union Office.

Comment on selected matters arising from the audit of the Gold Coast Motor Events Co. follows.

3.20.1 Gold Coast Motor Events Co.

The *Indy Car Grand Prix Act 1990* provides for the promotion and staging of IndyCar Grand Prix events in Queensland.

Gold Coast Motor Events Co. (formerly known as Gold Coast Indy Grand Prix Co.) is a registered business name for a partnership of the following companies -

Gold Coast Events Co. Pty Ltd (50%)
Southcoast Tyre Services Pty Ltd (20%)
Papandrea Pty Ltd (15%)
Igli Holdings Pty Ltd (5%)
Raxmont Pty Ltd (5%)
Truffle Pty Ltd (5%)

The partnership was formed on 10 August 1990 to be the promoter of the IndyCar Grand Prix at the Gold Coast. Three events under the five event promoter agreement with Championship Auto Racing Teams Inc (CART) have been staged.

Gold Coast Events Co. Pty Ltd which wholly owns the other partner companies is a controlled entity of Queensland Treasury Holdings Pty Ltd. The ultimate parent entity is the Queensland Treasury Department through its control of Queensland Treasury Holdings Pty Ltd.

On 31 August 1993 responsibility for the management of the partnership was transferred to the Queensland Tourist and Travel Corporation. The partnership and all associated companies continue to be owned and controlled by the Queensland government.

Results of Operations

The net loss for the year ended 30 June 1993 during which the third event was staged was \$16.317 million (1992, \$15.495 million). In arriving at the result, the partnership has taken into account the five year period of the promoter agreement with CART in determining the allocation of expenses of a capital nature between accounting periods.

Exclusive of depreciation and interest charges of \$5.045 million, the net loss on operations for 1992-93 was \$11.272 million (1992, \$11.001 million). Due to the reduced pricing structure introduced for the 1993 event, the large increase in crowd attendances resulted in only a marginal increase of \$0.308 million in sales revenue for the current year. Overall, costs were contained with the major increases attributable to exchange rate movements and to the provision of enhanced television coverage in the United States.

STATUS OF MATTERS RAISED IN PREVIOUS REPORTS

Report	Subject	Status at Date of Preparation of this Report
First Report 1990-91	<i>Suncorp Insurance and Finance</i>	
Section 6.3.6 and	Fictitious insurance claim payments made from the General Insurance Fund between May 1989 and April 1991.	A former Suncorp employee pleaded guilty to two counts of misappropriating \$374,773 and one count of attempted misappropriation of \$45,000. The defendant was sentenced to six years imprisonment.
First Report 1991-92		An accomplice external to Suncorp pleaded guilty to receiving sums of money totalling \$174,607 and was sentenced to two years imprisonment.
Section 3.20		
First Report 1991-92	<i>Gold Coast Motor Events Co</i>	
Section 3.20.1 and	Matters were raised regarding the operating loss for 1991-92 and system deficiencies which were referred to management.	There has been considerable improvement in the financial management practices and processes adopted by the partnership during the audit period compared with the position reported previously. The major areas of revenue and expenditure were satisfactorily managed and monitored. Refer to section 3.20.1 of this Report for further comments in relation to the results of operations for 1992-93.
Second Report 1991-92		
Section 3.13.1		

4. PUBLIC SECTOR WIDE ISSUES

Overview

Audit considers there is a great value in engaging in audits which are designed to review specified elements of financial practices on an "across the board" basis involving public sector entities.

Projects engaged in for 1992-93 were -

- Human Resource Management;
- Consultancies; and
- Public Finance Standards.

Comments follow.

4.1 Human Resource Management

Background

The Human Resource Management System (HRMS), an integrated computerised payroll and personnel system, was adopted by the Queensland Government in 1990 for general use by agencies as well as statutory bodies. Management of the implementation and on-going operation of HRMS was placed in the hands of the Human Resource Systems Branch (HRSB), Division of Corporate Services, Department of Employment, Vocational Education, Training and Industrial Relations (DEVETIR).

At this stage 35 public sector bodies are relying on the HRMS system to provide their payroll and human resource processing needs. This involves maintaining the pay and human resource records of approximately 85,000 employees and distributing a fortnightly gross payroll of approximately \$115 million. During the year the Golden Casket Office and the Queensland Tourist and Travel Corporation chose to leave HRMS and revert to in-house systems.

In Section 9 of the Auditor-General's First Report to Parliament on audits performed for the 1990-91 financial year mention was made of the significant problems experienced by pilot agencies in implementing the HRMS system particularly in the areas of security, data conversion and the inaccurate calculation of certain employees' pays and deductions. Audit at that time recommended that no further agencies be converted to HRMS until the deficiencies and problems raised had been remedied. The conversion of agencies to HRMS continued.

An indication was given in Section 4.2 of the Auditor-General's First Report to Parliament for 1991-92 that problems continued throughout that year. Audit reported significant deficiencies in procedures and controls in the areas of access security, operational and change controls, and acceptance testing. In addition, delays occurred in the provision of query facilities and the update of user manuals.

In 1992-93 there has been some improvement in those areas reported upon by audit in 1991-92 and in the general managerial controls over the maintenance and development procedures within the Human Resource Systems Branch. The system has been upgraded to include functional security over access to the various activities of the system. Users can now be restricted to the specific components necessary to perform their tasks. There have been improvements in the way that changes made to the system are tested. Progress has been made in the provision of facilities to enable users to produce reports for their specific needs. Individual sections of the user documentation are being upgraded as resources permit.

Even though there have been improvements in managerial control, audit has found that there are numerous problems experienced by user agencies in the day to day operation of the system and these are elaborated in the following parts of this section.

Independent Studies

Two major studies have been initiated by DEVETIR into the practices and operations of the HRSB. These involved a review of the HRMS system and strategic issues which concluded in March 1993 and an examination of the organisation, structure, work flows and methods as well as productivity and performance from an information technology perspective concluded in July 1993. The first mentioned review identified "widespread dissatisfaction amongst HRMS users" and found the cause of this to be mainly due to "... the outcome of the difficult history of HRMS and a breakdown of communication between users and HRSB". The second study concluded that "Unless rigorous remedial action is undertaken immediately, the problems and concerns with HRSB will continue and possibly increase".

HRSB is, as far as possible, implementing the recommendations emanating from the two reviews.

Audit Concerns

During 1992-93, audit concentrated upon following up matters raised previously concerning operational and change control and acceptance testing. Audit continued to target areas where user agencies were still experiencing problems of an operational nature.

Pay Processing

The following gives an indication of the problems experienced by user agencies in payroll processing and has been prepared after consultation with staff of the Queensland Tourist and Travel Corporation, Department of Education and DEVETIR.

- For two employees of the Department of Education the system produced pay amounts of \$10,000 each for no known reason. The cause has been investigated by HRSB but cannot be identified. HRSB intend to rely on pay section controls in agencies to prevent such payments being made.
- The system does not reject transactions entered to a terminated employee for a period after the termination date. This resulted in the generation of 6.4 fortnights pay being erroneously processed for an ex-employee. Audit considers that the system should reject such transactions. HRSB intends to include the employee status on the relevant input screens but in audit's opinion this will not adequately control the weakness.
- Adjustments made to employees' tax accumulations through Group Certificate adjustments are not reflected on the pay advices. This causes concern for the employees when the year to date total is different from that expected and generates numerous phone calls to pay sections. HRSB intends to have an interim solution in production by November 1993 and a long term solution as soon as practicable.

- If a special leave application with a period of no pay is changed or deleted the system does not pay arrears due to the employee. This process is not working as originally designed and HRSB intends to investigate it in due course.
- The system has no control to prevent payment for a period prior to the start date of an employee. HRSB considers that administrative practices in agencies should prevent this but will provide the users with a warning message in due course.
- Retrospective adjustments to pay are taxed as if the employee is on the normal rate with general exemptions. When the employee approved tax scale and exemption is different the refunded tax can be larger than the amount the employee originally paid. At this stage HRSB does not plan to introduce any system adjustment to rectify this problem.
- Any number of staff can be designated as occupying the one establishment position at the same time. There appears to be no relationship between the number of establishment positions and the number of employees. HRSB consider this situation to be acceptable.

The dissatisfaction of users has been exacerbated by the time it has taken HRSB to correct errors once they have been identified, and the large number of such errors. Adding and supporting a growing number of users has diverted resources away from the repair of the system. There were 441 work requests for system maintenance outstanding as at 19 November 1993.

Superannuation

HRMS provides information regarding employee superannuation deductions to the Government Superannuation Office (GSO) on a computer tape which is input and processed on the superannuation computer. This tape only includes information concerning a member when there is a change in deduction or other detail which would affect superannuation. Until notified of a change the superannuation system assumes that standard deductions continue. Significant resources are required at the GSO to process the tapes due to the many and varied problems found with the transmitted data. Some of the problems experienced follow.

- A key problem of the GSO has been that cheques received from HRMS for members' deductions and employee contributions have not matched the information supplied on the tapes and have also not matched reports provided by HRMS.
- Termination transactions appear on the tapes for members who are not terminating.
- Changes to personal details such as surnames or addresses are not always included on the tapes and understandably this makes the transaction matching process difficult for the GSO. On an occasion in May 1993 over 1000 member accounts had to be manually adjusted due to the fact that details of personal transactions were absent on data transmitted from HRSB.

- Instances exist where contributions have been deducted from employees through the HRMS system but these employees are not registered at GSO.
- GSO were not notified when members returned to work after leave without pay. This resulted in many employees having deductions made from their pays while GSO records indicated that they were still on leave and not contributing.

HRSB is redeveloping the superannuation tape production modules of HRMS. This is scheduled for completion by 30 November 1993.

The success of this development will rely on the ability of testing to clear the new system of problems before its introduction.

Pay Entitlement Factor

One of the basic problems of the HRMS treatment of superannuation deductions affecting agency users concerns the calculation of the Pay Entitlement Factor (PEF). The PEF is a fraction to reflect the portion of the working fortnight for which a deduction applies. The HRMS system is calculating PEFs that are incorrect when an employee does not work a standard fortnight. Due to these errors the employee deductions are not being adjusted automatically. This causes problems such as the following which have to be manually adjusted by agency pay office staff.

- A standard fortnightly deduction for superannuation is made from termination pays when the payment is for less than a fortnight.
- HRMS deducts a full standard fortnightly superannuation deduction when an employee is absent without pay for part of a fortnight. This is contrary to the General Rules contained in the QSuper Trust Deed. This caused a material problem for the Department of Education when 25,000 teachers recently went on strike for a day. The Department of Education estimated that the cost of manually adjusting these pays was \$25,000. Without manual intervention in the adjustment the cost would have been \$510,000 for overpaid employer contributions. HRSB committed resources to resolve this problem.

Discussions have taken place between HRSB and the GSO regarding the correct method of calculating the PEF. No agreed solution has yet been reached.

Program Maintenance

HRMS program maintenance procedures within HRSB have been identified as a concern of audit. Control should ensure that only one copy of a program exists in the maintenance area at the one time. Version controls should be placed on the master copy. It was found that there was a lack of proper organisational controls over computer programs while they are under maintenance. The consequence of this lack of control is that corrected master copies of programs could be overwritten with an old copy of the program which still contains error.

DEVETIR Response

All of these matters have been raised with the Director-General of DEVETIR and the manager of HRSB. The discussion of problems in this report has reflected the comments and explanation provided by the manager. The Director-General of DEVETIR responded to these report items by way of a letter dated 29 October 1993 in which he stated -

"Concerning your comments on the Human Resource Management System, I would agree that currently there are some areas which are unsatisfactory. As acknowledged in your letter, progress is being made to address the situation and every effort will be made to achieve a satisfactory resolution of outstanding matters.

I have recently met with the Under Treasurer, the Chair of the Public Sector Management Commission, the Auditor-General and the General Manager, Superannuation Board, and an agreed schedule of work to resolve outstanding issues has been developed. The majority of these superannuation issues, which form a large part of your concerns with the Human Resource Management System, are scheduled for completion by the end of 1993.

As you are aware, a submission is being prepared for consideration by Cabinet on the future of HRMS and amongst other things this submission will place a freeze on development to allow operational issues identified by Audit to be resolved.

I have for some time now had an officer from the Evaluation and Strategic Audit Unit involved in project management activities in the HRM Branch to ensure that the operational issues identified by you and previous reviews by an outside consultant and the Evaluation and Strategic Audit Unit, receive appropriate attention."

Conclusion

HRMS is now in its third year of operation and it is of some considerable concern that significant ongoing problems exist in a computer system which is associated with a material area of government operations involving substantial expenditure. A freeze on expanded use of HRMS was proposed by the Acting Director-General of DEVETIR on the 5 August 1991 to overcome problems which included the inaccurate calculation of employees' pays. However, the program of conversion of Government Departments to the HRMS system continued.

Concern regarding the current situation is not restricted to the fact that the integrity of payroll expenditure of many government agencies is in doubt. The operational problems are imposing a significant hidden cost across government due to the additional administrative and clerical effort required to address the problems mentioned. In addition, DEVETIR has budgeted for development funding of \$1.415 million in 1993-94 to address matters raised in the independent studies.

The Director-General of DEVETIR recently issued a discussion paper outlining strategies for the HRMS over the coming twelve months. The paper proposes the establishment of a working party to consider and report on the future direction for human resource management systems within Government in the next four to five years.

4.2 Consultancies

In my First Report to Parliament for 1991-92, I drew attention to the extent of non-compliance by departments and major statutory bodies with the main provisions of the Instructions for the Engagement and Use of External Consultants contained in the State Purchasing Policy.

In regard to the 78 entities covered during the course of that examination audit observed that there has been some improvement in relation to the degree of compliance with the main principles of the Instructions in 1992-93 although problems still exist in relation to the definition of "a consultant".

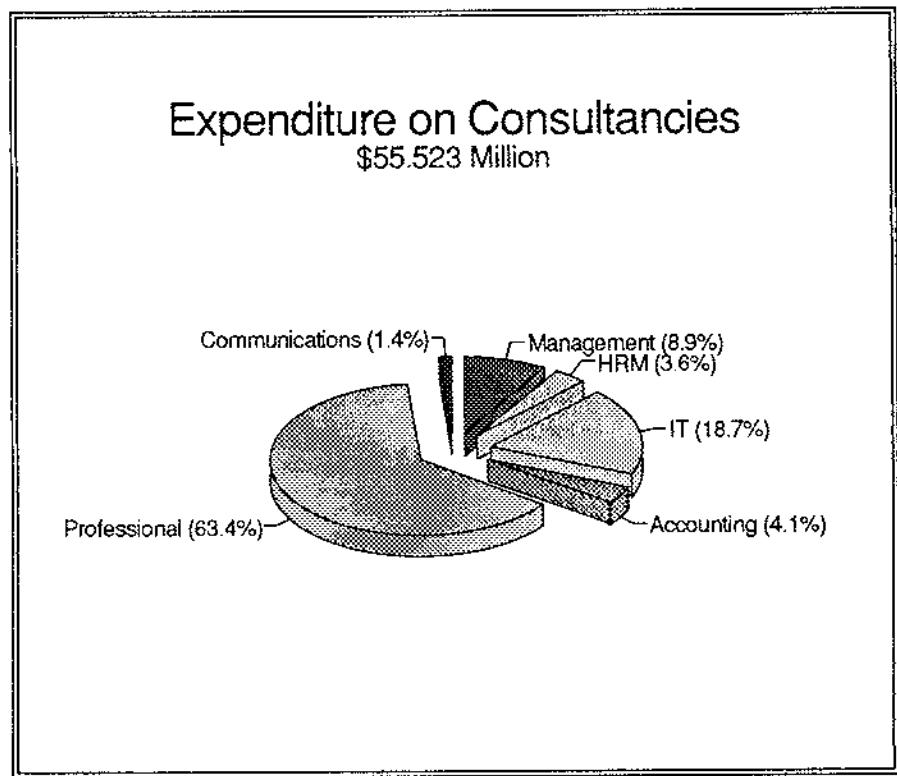
In February 1993 the Instructions were revised and reissued. However, minor amendments only were made to this definition which is given in paragraphs C3 and C4 and now reads as follows.

3. For the purposes of these instructions, a consultant is defined as an organisation or individual contracted to perform a specific task and provide specific expert advice as an independent contractor by exercising his or her own skill and judgement and where the agency does not exercise detailed control over the work performed. Consultancy services constitute a contract for service.
4. The instructions do not apply to the hiring of casual, contract or temporary staff to supply labour to work under direction or supervision in a department."

The lack of any significant change to the definition means that departments and statutory bodies continue to have difficulties in determining the types of services to which it refers.

In view of the fact that departments have interpreted the definition of a consultant in different ways, audit is unable to state with any confidence that the amounts reported in the various Departmental Statements as expended on consultancies for 1992-93 are, in fact, related to consultancies as distinct from contractors.

In those circumstances, the following graph illustrates the aggregate cost of each category of consultancy as disclosed by departments in those Departmental Statements.



Audit is aware that a standing working party has been established by the State Purchasing Council to re-examine the circumstances under which an external party is to be classified as a consultant or a contractor.

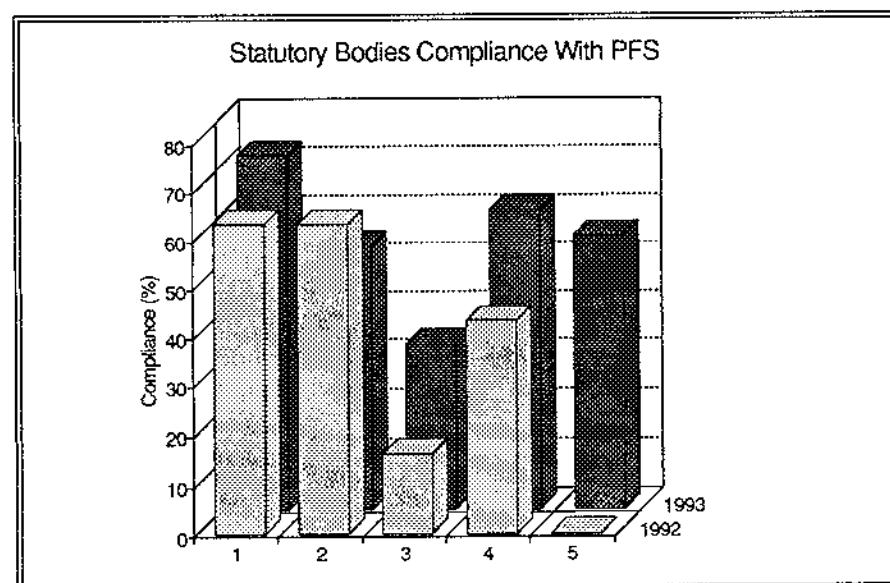
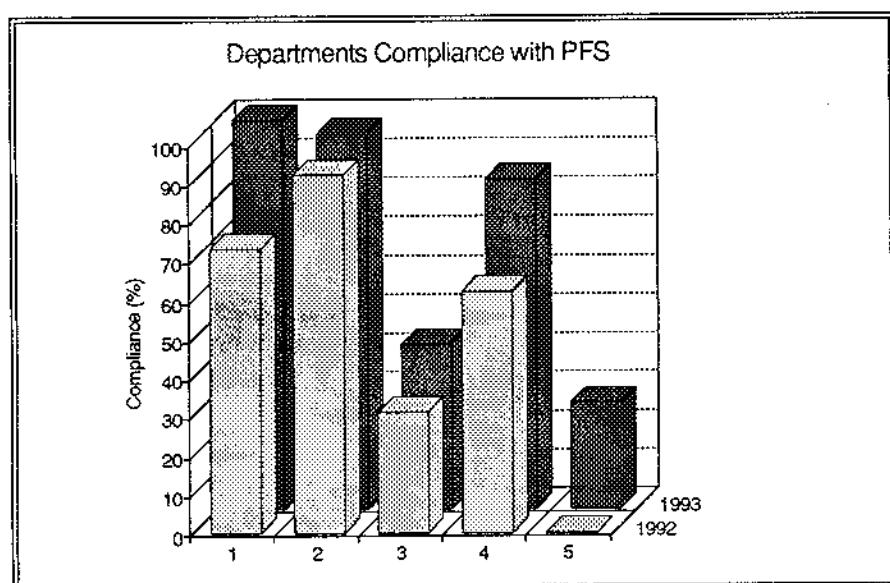
4.3 Public Finance Standards

In the First Report to Parliament for 1991-92, audit reported on its examination of the practices and procedures of a number of departmental entities and statutory bodies in ascertaining in implementation of progress of certain aspects of the Public Finance Standards (PFS). The findings revealed that the various agencies were still at varying stages of implementing certain key Standards.

In 1992-93 a further survey including 26 departmental entities and 52 statutory bodies was conducted in order to assess the degree of compliance with the following key Standards -

- preparation and maintenance of a financial management practice manual;
- establishment of an internal audit function;
- performance of systems appraisals;
- performance of position assessments; and
- implementation of program management practices.

While the results of the latest survey, illustrated in the following graphs, reveal an increase in the level of compliance, it is evident that the performance of systems appraisals in particular remains an area requiring further attention by many entities.



Key

1. Financial Management Practice Manual
2. Internal Audit
3. Systems Appraisals
4. Position Assessments
5. Program Management

Note: Program Management was not surveyed in 1992 and is shown as nil.

Further comments on the audit findings follow.

4.3.1 Financial Management Practice Manual

It is evident that the action taken by departmental entities and statutory bodies to prepare Financial Management Practice Manuals has continued.

In this regard the 1992-93 audit survey revealed that all departmental entities surveyed and 71 per cent of the statutory bodies surveyed maintained a Financial Management Practice Manual. These statistics compare favourably with previously reported results which showed that 73 per cent of departmental entities and 63 per cent of statutory bodies had a Financial Management Practice Manual.

Although the number of entities which have developed a Financial Management Practice Manual has increased, many Manuals are still considered by audit to be incomplete in that they fail to address all PFS requirements. Some Manuals which were examined dealt with high level policy issues but failed to provide a sufficient level of detail in respect of necessary accounting practices and procedures while others require updating to reflect changes in accounting systems and practice.

Only 62 per cent of departmental entities and 40 per cent of statutory bodies were considered to have Financial Practice Manuals which could be regarded as complete and up to date.

4.3.2 Internal Audit

Survey results showed that the presence of an internal audit function had become widespread amongst departmental entities. All of the departmental entities surveyed, except one, had established an internal audit function. The department without an internal audit function was in the process of establishing one.

Of the statutory bodies surveyed, 52 per cent had established an internal audit function. This compares with 63 per cent of the statutory bodies surveyed last year. The difference is due to the fact that this year's survey was based upon a larger sample of statutory bodies some of which are very small.

Where internal audit sections existed they were found, in the majority of cases, to comply with the establishment requirements of the PFS.

4.3.3 Systems Appraisals

The survey revealed that 42 per cent of departmental entities and 33 per cent of statutory bodies had performed systems appraisals. This compares with 31 per cent and 16 per cent respectively of entities and bodies surveyed last year. The results of the survey revealed that all are experiencing continuing difficulties in coming to terms with the requirement to perform systems appraisals.

4.3.4 Position Assessments

The survey results indicated a higher level of compliance compared with that reported last year. Position assessments were prepared by 85 per cent of departmental entities and 60 per cent of statutory bodies. This compares with 62 per cent and 43 per cent respectively in the previous year.

4.3.5 Program Management

The PFS require each accountable officer and statutory body to establish and integrate a program management system with the resource and accounting systems. All agencies are required to adopt the following program management elements -

- a three year (or longer) strategic plan;
- a system of resource management which focuses on outputs and outcomes achieved by programs; and
- a systematic performance evaluation and review of program effectiveness and efficiency.

As part of the recent survey auditors reviewed whether strategic plans had been developed and whether comprehensive evaluations of programs had been undertaken. The survey also examined the outcome of those programs which had been evaluated.

The survey showed that 100 per cent of departmental entities surveyed and 69 per cent of statutory bodies surveyed had prepared strategic plans. The statutory bodies which had not prepared strategic plans were in the main very small bodies with limited functions. Two statutory bodies had obtained Ministerial exemption from the requirement to prepare a strategic plan.

However, in relation to performance evaluation, only 27 per cent of departmental entities surveyed and 54 per cent of statutory bodies surveyed had reviewed all of their programs by 30 June 1993. Despite this low level of compliance most of the entities surveyed had at least commenced evaluating their programs and many indicated that they would complete the evaluations in the near future.

Of the program evaluations conducted which fell within the audit survey those were signs that positive recommendations were being acted upon. The outcomes and recommendations noted for some entities included -

- identification of the need to establish benchmarks and more reliable performance indicators;
- a changed focus with programs more closely aligned to goals;
- changes in strategic direction;
- identification of a need for substantial changes to programs leading to the drafting of a change implementation plan; and
- recommendations relating to staffing, computerisation needs, expansion of services provided, commercialisation, private funding and user pays.

One of the prime reasons for audit undertaking this survey was to collect data to serve as a basis for the conduct of audits of performance management systems which now fall within the widened mandate of the Auditor-General under the amendments to the Financial Administration and Audit Act effective from 1 May 1993.

5. ACKNOWLEDGEMENTS

The professional way in which all QAO staff have discharged their duties within both the Corporate Services and Public Sector Auditing Programs is acknowledged and greatly appreciated.

The relationship between QAO staff and auditee Boards of Management, Chief Executives and other staff of Public Sector Entities has been at a high level and this has considerably aided the overall audit process.

I thank the Government Printer and staff of GOPRINT for their assistance in the printing of this Report.

Queensland Audit Office,
Brisbane.

29 November 1993

B. M. Rollason

B M ROLLASON
Auditor-General

APPENDIX A

AUDIT REGISTER BY MINISTERIAL PORTFOLIO

Administrative Services

Departmental Entity

Administrative Services Department
 Centre for Information and Technology
 and Communications
 GOPRINT
 Media and Information Service
 Q-Fleet
 Q-Build Project Services
 Q-Build Property Management
 Q-Build Maintenance and Operations
 Queensland Purchasing and Sales
 Queensland State Archives
 Warehousing and Distribution Group

Statutory Body

Board of Architects of Queensland
 The Board of Professional Engineers of Queensland

Business, Industry and Regional Development

Departmental Entity

Department of Business, Industry and Regional
 Development

Statutory Body

Queensland Small Business Corporation

Controlled Entity

Industrial Supplies Office (Qld) Ltd

Consumer Affairs and Corrective Services

Departmental Entity

Department of Consumer Affairs
 The Queensland Corrective Services Commission

Statutory Body

Rental Bond Authority

Education

Departmental Entity

Department of Education

Statutory Body

Board of Senior Secondary School Studies
 Board of Teacher Registration
 Board of Trustees of Ipswich Girls' Grammar School
 Board of Trustees of the Brisbane Girls' Grammar School
 Board of Trustees of the Brisbane Grammar School
 Board of Trustees of the Ipswich Grammar School
 Board of Trustees of the Rockhampton Girls' Grammar
 School
 Board of Trustees of the Rockhampton Grammar School
 Board of Trustees of the Townsville Grammar School
 Board of Trustees of the Toowoomba Grammar School
 Griffith University
 James Cook University of North Queensland
 Ministerial Consultative Council on Curriculum
 Queensland Tertiary Education Foundation
 Queensland University of Technology
 Tertiary Entrance Procedures Authority
 The University of Queensland
 University of Central Queensland
 University of Southern Queensland

Controlled Entity

Comquest No 1 Pty Ltd
 Comquest No 2 Pty Ltd
 Comquest Pty Limited
 GUSS Nominees Ltd
 Geneco Pty Ltd
 Griffith Medical Research Institute Limited
 JCU Technologies Pty Ltd
 JCU Tropical Biotechnology Pty Ltd
 JCU Uninet Pty Ltd
 National Centre for Studies in Travel & Tourism Pty Ltd
 QUT Foundation Incorporated
 Uniquest Limited
 Unisynd Pty Ltd
 Universities Radio Ltd
 University of Queensland Foundation Ltd
 QUT Foundation Fund Trust
 Queensland Tertiary Admissions Centre Limited
 The University of Queensland Foundation Trust

By Arrangement

Centre for Tropical Pest Management
 Centre for Tropical Plant Pathology
 DSTC Pty Ltd

Employment, Training and Industrial Relations

Departmental Entity

Department of Employment, Vocational Education,
Training and Industrial Relations
Workers' Compensation Board of Queensland
Building and Construction Industry (Portable
Long Service Leave) Board

Statutory Body

Anzac Day Trust
The Lower Burdekin Rural Training School Board
The South Queensland Rural Training School Board
The Emerald Rural Training School Board
The Longreach Rural Training School Board

Controlled Entity

Centre for Strategic Leaders
Educational Broadcasters Limited

Environment and Heritage

Departmental Entity

Department of Environment and Heritage
Queensland Recreation Areas Management Board
Beach Protection Authority

Statutory Body

Board of Trustees of Newstead House
Raine Island Corporation

Statutory Authority

The National Trust of Queensland

Family Services and Aboriginal and Islander Affairs

Departmental Entity

Department of Family Services and Aboriginal and
Islander Affairs

Statutory Body

Aboriginal Co-Ordinating Council
Island Co-Ordinating Council
The Island Industries Board

Aboriginal Council

Cherbourg Aboriginal Council
Doomadgee Aboriginal Council
Hope Vale Aboriginal Council
Injinoo Aboriginal Council
Kowanyama Aboriginal Council
Lockhart River Aboriginal Council
Napranum Aboriginal Council
New Mapoon Aboriginal Council
Palm Island Aboriginal Council
Pormpuraaw Aboriginal Council
Umagico Aboriginal Council
Woorabinda Aboriginal Council
Wujal Wujal Aboriginal Council
Yarrabah Aboriginal Council

Island Council

Badu Island Council
Bamaga Island Council
Boigu Island Council
Coconut Island Council
Darnley Island Council
Dauan Island Council
Hammond Island Council
Kubin Island Council
Mabuiag Island Council
Murray Island Council
Saibai Island Council
Seisia Island Council
St Pauls Island Council
Stephen Island Council
Sue Island Council
Yam Island Council
Yorke Island Council

By Arrangement

Torres Strait Boats Account

Health

Departmental Entity

Department of Health
Chiropractors and Osteopaths Board
Dental Board
Dental Technicians and Dental Prostethists Board
Medical Board
Nurses Registration Board
Occupational Therapists Board
Optometrists Board
Pharmacy Board
Physiotherapists Board
Podiatrists Board of Queensland
Psychologists Board
Speech Pathologists Board
Brisbane North Regional Health Authority
Brisbane South Regional Health Authority
Central Regional Health Authority
Central West Regional Health Authority

Darling Downs Regional Health Authority
Mackay Regional Health Authority
Northern Regional Health Authority
Peninsular and Torres Strait Regional Health Authority
South Coast Regional Health Authority
South West Regional Health Authority
Sunshine Coast Regional Health Authority
West Moreton Regional Health Authority
Wide Bay Regional Health Authority

Statutory Body

The Council of the Queensland Institute of Medical Research
Darling Downs Health Services Foundation
Health Rights Commission
The Prince Charles Hospital Foundation
Princess Alexandra Hospital Research and Development Foundation
Queensland Institute of Medical Research Trust
Royal Brisbane Hospital Research Foundation
The Royal Children's Hospital Foundation
The Royal Women's Hospital Research and Development Foundation
Townsville General Hospital Foundation

Housing, Local Government and Planning

Departmental Entity

Department of Housing, Local Government and Planning

Statutory Body

Queensland Building Services Authority
The Queensland Local Government Superannuation Board

Statutory Authority

Department of Housing, Local Government and Planning - Joint Venture Rockhampton
Townsville Breakwater Entertainment Centre Joint Venture
Trustees of the Brisbane City Council Aldermanic Superannuation Scheme
Trustees of the Brisbane City Council Occupational Superannuation Plan
Trustees of the Brisbane City Council Staff Provident Fund
Trustees of the Brisbane City Council Superannuation Fund

Local Authority

Albert Shire Council
Allora Shire Council
Aramac Shire Council
Atherton Shire Council
Aurukun Shire Council
Balonne Shire Council
Banana Shire Council
Barcaldine Shire Council
Barcoo Shire Council
Bauhinia Shire Council
Beaudesert Shire Council
Belyando Shire Council
Bendemere Shire Council
Biggenden Shire Council
Blackall Shire Council
Boonah Shire Council
Booringa Shire Council
Boulia Shire Council
Bowen Shire Council
Brisbane City Council
Broadsound Shire Council
Bulloo Shire Council
Bundaberg City Council
Bungil Shire Council
Burdekin Shire Council
Burke Shire Council
Caboolture Shire Council
Cairns City Council
Cairns-Mulgrave Water Supply Board
Calliope Shire Council
Caloundra City Council
The Caloundra/Maroochy Water Supply Board
Cambooya Shire Council
Cardwell Shire Council
Carpentaria Shire Council
Central Highlands Regional Library Service Board
Charters Towers City Council
Chinchilla Shire Council
Clifton Shire Council
Cloncurry Shire Council
Cook Shire Council
Crow's Nest Shire Council
Croydon Shire Council
Dalby Town Council
Dalby-Wambo Aerodrome Board
Dalby-Wambo Library Board
Dalby-Wambo Saleyards Board
Dalrymple Shire Council
Diamantina Shire Council
Douglas Shire Council
Duaringa Shire Council
Eacham Shire Council
Eidsvold Shire Council
Emerald Shire Council
Emerald-Peak Downs Saleyards Board
Esk Shire Council
Esk, Gatton and Laidley Water Board
Etheridge Shire Council
Far North Queensland Joint Health Board
Fitzroy Shire Council

Flinders Shire Council	Redcliffe City Council
Gatton Shire Council	Redland Shire Council
Gayndah Shire Council	Richmond Shire Council
Gladstone City Council	Rockhampton City Council
Gladstone-Calliope Aerodrome Board	Rockhampton District Saleyards Board
Glengallan Shire Council	Roma Town Council
Gold Coast City Council	Roma-Bungil Showgrounds and Saleyards Board
Gooburrum Shire Council	Rosalie Shire Council
Goondiwindi Town Council	Rosenthal Shire Council
Goondiwindi-Waggamba Aerodrome Board	Sarina Shire Council
The Goondiwindi/Waggamba Community Cultural Centre Board	Stanthorpe Shire Council
Gympie City Council	Tambo Shire Council
Herberton Shire Council	Tara Shire Council
Hervey Bay City Council	Taroom Shire Council
Hinchinbrook Shire Council	Thuringowa City Council
Ilfracombe Shire Council	Tiaro Shire Council
Inglewood Shire Council	Toowoomba City Council
Ipswich City Council	Torres Shire Council
Ipswich-Moreton Water Supply Board	Townsville City Council
Isis Shire Council	Waggamba Shire Council
Isisford Shire Council	Wambo Shire Council
Jericho Shire Council	Warroo Shire Council
Johnstone Shire Council	Warwick and District Municipal Saleyards Board
Jondaryan Shire Council	Warwick City Council
Kilcoy Shire Council	Whitsunday Shire Council
Kilkivan Shire Council	Widgee Shire Council
Kingaroy Shire Council	Winton Shire Council
Kelan Shire Council	Wondai Shire Council
Laidley Shire Council	Woocoo Shire Council
Livingstone Shire Council	Woongarra Shire Council
Logan City Council	
Longreach Shire Council	
Mackay City Council	
Mareeba Shire Council	
Maroochy Shire Council	
Maryborough City Council	
McKinlay Shire Council	
Millmerran Shire Council	
Mirani Shire Council	
Miriam Vale Shire Council	
Monto Shire Council	
Moreton Shire Council	
Mornington Shire Council	
Mount Isa City Council	
Mount Morgan Shire Council	
Mulgrave Shire Council	
Mundubbera Shire Council	
Murgon Shire Council	
Murilla Shire Council	
Murweh Shire Council	
Nanango Shire Council	
Nebo Shire Council	
Noosa Shire Council	
Northern Queensland Afforestation Program Joint Board	
Paroo Shire Council	
Peak Downs Shire Council	
Perry Shire Council	
Pine Rivers Shire Council	
Pioneer Shire Council	
Pittsworth Shire Council	
Quilpie Shire Council	

By Arrangement

Home Shared Trust
Home Trust
The Queensland Housing Trust

Justice and Attorney-General and the Arts

Departmental Entity

Department of Justice and Attorney-General
Electoral Commission of Queensland
Trustees of the Funeral Benefits Trust Fund
Public Trustee of Queensland

Statutory Body

Legal Aid Commission of Queensland
Council of the Queensland Law Society Incorporated
(includes 5 Funds)
Criminal Justice Commission
Library Board of Queensland
Queensland Art Gallery Board of Trustees
Queensland Cultural Centre Trust
Queensland Museum Board of Trustees
Queensland Performing Arts Trust
Royal Queensland Theatre Company
Supreme Court Library Committee

Statutory Authority	Primary Industries
Disaster Appeals Trust Fund Committee	<i>Departmental Entity</i>
Lands	Department of Primary Industries
<i>Department</i>	<i>Statutory Body</i>
Department of Lands	Ayr Cane Protection and Productivity Board The Atherton Tableland Maize Marketing Board Babinda Cane Protection and Productivity Board Babinda Swamp Drainage Board Benleith Water Board Bingera Cane Protection and Productivity Board The Boonah Shire River Improvement Trust The Bremer River Improvement Trust Brisbane Market Trust The Burdekin River Improvement Trust Callandoon Water Supply Board The Cardwell Shire River Improvement Trust The Central Queensland Egg Marketing Board Chicken Meat Industry Committee The Clifton Shire River Improvement Trust The Committee of Direction of Fruit Marketing Condamine Plains Water Board Condamine River Improvement Trust Coreen Water Board Council of Agriculture Cowley Drainage Board Crowley Vale Water Board The Don River Improvement Trust The Douglas Shire River Improvement Trust Dumaresq-Barwon Border Rivers Commission East Deeral Drainage Board East Euramo Drainage Board The Egg Marketing Board Fairymead Cane Protection and Productivity Board Foresthume Drainage Board Gladstone Area Water Board Glamorgan Vale Water Board The Glengallan Shire River Improvement Trust Grain Research Foundation Grainco Queensland Co-operative Association Limited Grevillea Water Board The Haughton River Improvement Trust Hen Quota Appeals Tribunal Hen Quota Committee Herbert Cane Protection and Productivity Board The Herbert River Improvement Trust Inkerman Cane Protection and Productivity Board Invicta Cane Protection and Productivity Board Isis Cane Protection and Productivity Board The Johnstone Shire River Improvement Trust The Jondaryan Shire River Improvement Trust Juandah Water Board Kaywanna Bore Water Board Kooingal Water Board Livestock and Meat Authority of Queensland LMAQ - Abattoir Division Loder Creek Drainage Board Mackay Cane Protection and Productivity Board Mackay Sugar Co-operative Association Limited
<i>Statutory Body</i>	
The Darling Downs-Moreton Rabbit Board Surveyors' Board of Queensland Valuers Registration Board of Queensland	
<i>Controlled Entity</i>	
Landmarc Limited	
Police and Emergency Services	
<i>Department</i>	
Department of Police Bureau of Emergency Services	
<i>Statutory Body</i>	
Trustees of the Queensland Fire Brigades Employees' Superannuation Plan	
Premier, Economic and Trade Development	
<i>Departmental Entity</i>	
Department of the Premier, Economic and Trade Development Legislative Assembly (Parliamentary Service Commission) Parliamentary Commissioner for Administrative Investigations Queensland Audit Office	
<i>Statutory Body</i>	
Bikeways Project Board Electoral and Administrative Review Commission South Bank Corporation	
<i>Controlled Entity</i>	
Brisbane Convention and Exhibition Centre	

Mandam Drainage Board	Wanda Creek Drainage Board
The Marathon Bore Water Supply Board	Warrubullen Drainage Board
Maryborough Cane Protection and Productivity Board	Washpool Water Board
Matthews Road Drainage Board	Yambocully Water Board
Merlwood Water Board	
The Middle Park Bore Water Supply Board	<i>Statutory Authority</i>
The Millmerran Shire River Improvement Trust	Bones Knob Water Board
Millaquin - Qunaba Cane Protection and Productivity Board	Boondooma Water Board
Moreton Cane Protection and Productivity Board	Brigooda Water Board
Mossman Cane Protection and Productivity Board	Committee of Direction of Fruit-Marketing
Mount Isa Water Board	Superannuation Fund
Mourilyan Cane Protection and Productivity Board	Livestock and Meat Authority of Qld - Abattoirs Division
Mourilyan Drainage Board	Employees Superannuation Fund
Mulgildie Water Board	Livestock and Meat Authority of Queensland
Mulgrave Cane Protection and Productivity Board	Superannuation Scheme
The Mulgrave Shire River Improvement Trust	Woodmillar Water Board
The Navy Bean Marketing Board	The Trustees, North Burdekin Water Board
North Burdekin Water Board	Superannuation Scheme
Oaky Creek Water Board	Tobacco Leaf Marketing Board Superannuation Fund
Orchard Creek Drainage Board	
Palmgrove Water Board	<i>Controlled Entity</i>
Peanut Marketing Board	Austfarmers Pty Limited
The Pioneer River Improvement Trust	Austasia Grains Pty Ltd
Plane Creek Cane Protection and Productivity Board	Farmstock Pty Ltd
Proserpine Cane Protection and Productivity Board	Mackay Refined Sugars Joint Venture
The Proserpine River Improvement Trust	Mackay Refined Sugars Pty Ltd
The Queensland Cane Growers' Council	Pioneer Valley Holdings Pty Ltd
Queensland Commercial Fishermen's Organisation	Pioneer Valley Sugars Investments Pty Ltd
The Queensland Dairyfarmers' State Council	Pioneer Valley Trust
Queensland Dairy Industry Authority	Ovascan Marketing Pty Ltd
Queensland Fish Board	Smoothshell Pty Ltd
Queensland Fish Management Authority	Sunny Queen Investments Pty Ltd
The Queensland Pork Producers' State Council	
Queensland Sugar Corporation	<i>By Arrangement</i>
The Rice Marketing Board	Australian Cane Growers Council Limited
Ripple Creek Drainage Board	Barley Marketing Board Superannuation Plan
Roadvale Water Board	Colin Waddell Trust Fund
Rocky Point Cane Protection and Productivity Board	Edgar J Blanch Trust Fund
Rosenthal Shire River Improvement Trust	Pacific Timber Engineering Conference - 1994
Silkwood Drainage Board	QCGA Union of Employers
Six Mile Creek Water Supply Board	Queensland Cane Growers' Council Staff
Smithfield Drainage Board	Superannuation Fund
South Burdekin Water Board	Queensland Dairyfarmers' Organisation
South East Queensland Water Board	Staff Superannuation fund
South Johnstone Cane Protection and Productivity Board	Queensland Market Development Program
South Maroochy Drainage Board	Tobacco Industry Assistance Scheme Account
South Queensland Commercial Egg Producers' Organisation	
Stagnant Creek Drainage Board	<i>Minerals and Energy</i>
Stanthorpe Shire River Improvement Trust	<i>Departmental Entity</i>
The Sugar Experiment Stations Board	Department of Mineral and Energy
Taberna Bore Water Board	Queensland Electricity Commission
Tarampa Water Board	The Queensland Electricity Supply Industry
Timber Research and Development Advisory Council of Queensland	Superannuation Board
Tobacco Quota Appeals Tribunal	State Gas Pipeline Unit
The Tobacco Leaf Marketing Board	
Townsville/Thuringowa Water Supply Board	
Tully Cane Protection and Productivity Board	
The Upper Pioneer River Improvement Trust	
The Wambo Shire River Improvement Trust	

<i>Statutory Body</i>	<i>Controlled Entity</i>
The Capricornia Electricity Board	Gateway Bridge Company Limited
The Far North Queensland Electricity Board	Gateway Bridge Finance Company Limited
The Mackay Electricity Board	Logan Motorway Company Limited
The North Queensland Electricity Board	Sunshine Motorway Company Limited
The Queensland Coal Board	
The South East Queensland Electricity Board	
The South West Queensland Electricity Board	
The Wide Bay Burnett Electricity Board	
<i>Controlled Entity</i>	<i>Treasury</i>
Meanderham Pty Ltd	
Tourism, Sport and Racing	<i>Departmental Entity</i>
<i>Departmental Entity</i>	
Department of Tourism, Sport and Racing	
<i>Statutory Body</i>	<i>Statutory Body</i>
Greyhound Racing Control Board of Queensland	Australian Financial Institutions Commission
Lang Park Trust	The Brisbane Cricket Ground Trust
Mt Gravatt Showgrounds Trust	Queensland Industry Development Corporation
The Queensland Harness Racing Board	Queensland Investment Corporation
Queensland Principal Club	Suncorp Insurance and Finance
The Queensland Tourist and Travel Corporation	Queensland Office of Financial Supervision
The Totalisator Administration Board of Queensland	
Trustees of the Albion Park Paceway	
Trustees of the Bowen Racecourse	
Trustees of the Eagle Farm Racecourse	
Trustees of the Willows Paceway	
<i>Controlled Entity</i>	<i>Controlled Entity</i>
Broadcasting Station 4IP Pty Ltd	Gold Coast Events Co Pty Ltd
Queensland Racing Finance Limited	Gold Coast Motor Events Co.
Transport	
<i>Departmental Entity</i>	
Department of Transport	GC Systems Limited
Queensland Railways	Igli Holdings Pty Ltd
<i>Statutory Body</i>	
Bundaberg Port Authority	Network Services Business Unit
Cairns Port Authority	Nickel Resources North Queensland Pty Limited
Gladstone Port Authority	Papandrea Pty Ltd
Mackay Port Authority	QIDC Venture Fund Pty Ltd
Port of Brisbane Authority	Queensland Events Corporation Pty Ltd
Rockhampton Port Authority	Queensland Industry Development Corporation
Townsville Port Authority	Nominees Pty Ltd
	Queensland Industry Development Corporation
	Occupational Superannuation Fund Pty Ltd
	Queensland Investment Corporation Investment Trust
	Queensland Investment Corporation Offshore
	Investment Trust
	Southcoast Tyre Service Pty Ltd
	Queensland Treasury Holdings Pty Ltd
	Raxmont Pty Ltd
	SPM Nominees Pty Ltd
	Suncorp Financial Services Pty Ltd
	Suncorp General Trust
	Suncorp Management Limited
	Suncorp Premier Trust
	Suncorp Superannuation Pty Ltd
	Sunshine Locos Pty Ltd
	Truffle Pty Ltd
	Woodsiana Investments Pty Ltd



APPENDIX B

QUEENSLAND AUDIT OFFICE

Your ref:

Our ref: 00-1185

22 November 1993

Mr T J G Gilmore, MLA
Member for Tablelands
PO Box 1205
MAREEBA QLD 4880

Dear Mr Gilmore

I refer to your letter of 15 November 1993 in which you sought explanations concerning the treatment within the accounts of the Queensland Electricity Commission (QEC) and the consolidated accounts of the Queensland Electricity Supply Industry (QESI) of certain items and provide the following advice.

As you would be aware from the Notes to the Accounts of QESI, the industry, for reporting purposes, is comprised of the following entities -

Queensland Electricity Commission
Far North Queensland Electricity Board
North Queensland Electricity Board
Mackay Electricity Board
Capricornia Electricity Board
Wide Bay-Burnett Electricity Board
South East Queensland Electricity Board
South West Queensland Electricity Board

which for the first time prepared their financial statements for 1992-93 as General Purpose Financial Reports in terms of the Financial Administration and Audit Act. Regard was also had to the requirements of the Public Finance Standards and the Electricity Act. Previously no audited consolidated financial report was prepared or required and all financial reporting for those years was on a cash basis.

In my view, a factor contributing to some of the misunderstanding which has emerged in relation to the interpretation of the published financial statements which were included in the 9th Report of the Queensland Electricity Commission for 1992-93, which was tabled in the Parliament on 10 November 1993, is the failure to appreciate that the financial reporting for 1992-93 was on an accrual basis whereas in prior years the cash basis applied. This means that once accrual accounting is adopted, accounting standards require that any proposed dividend relating to the accounting period must be shown as an appropriation of profits. In the certified and published accounts that is what happened.

I shall turn now to answering your more specific questions.

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Finance Charges

Electricity rebates and the loan guarantee fee incurred by QEC for 1992-93 amounted to \$24.801 million which is separately identifiable in the Profit and Loss Statement. This figure includes \$22.902 million actually paid by QEC to the Treasury in terms of claims lodged by the seven Electricity Distribution Boards. The balance represents June 1993 claims accrued due in terms of accrual based accounting. The loan guarantee fee of \$16.261 million referred to in your letter is shown in Note 7 to the accounts and forms part of overall finance charges.

Treasury decided that in respect of future dividends payable to the Crown that only one all embracing amount would be required with no specific contributions called for in respect of electricity rebates and loan guarantee fee. The dividend provided in the accounts for 1992-93 (\$95 million) was accrued on that basis and appears in Note 16 to the accounts. This means that future accounts of QEC from 1993-94 will bear no charges for rebates or loan guarantee fee. In order to make a valid comparison between what now is described as a dividend, it is necessary to add to the \$30 million paid as a dividend to Treasury during 1992-93, the amounts of \$22.902 million and \$16.261 million mentioned earlier. The sum of these figures (\$69.163 million) is equivalent to the \$95 million declared in the 1992-93 accounts as a dividend for that year and is approximately \$26 million higher than that actually remitted to Treasury in 1992-93.

As you will be aware, the QEC for the purpose of the Financial Administration and Audit Act is a department with its financial transactions handled through the normal budget process and a Fund of the Public Accounts. This means that payment to Treasury of the \$95 million appropriated from profits for 1992-93 must be charged against 1993-94 budget appropriations and that intention is clearly shown on pages 337 and 339 of Budget Paper No. 3 for that year.

Electricity Rebates

Electricity rebates are granted to consumers by each of the seven Electricity Boards. In your letter you suggest that some misreporting has occurred in relation to the disclosure of amounts in this regard in the respective financial statements. You attempt to relate the amount of \$15.252 million shown in Note 2 - page 139 of the SEQEB accounts with that appearing at page 249 of Budget Paper No. 3 - Department of Family Services and Aboriginal and Islander Affairs - which shows that \$22.902 million was outlaid under the relevant program by that Department. You have only recognised one of the seven Electricity Distribution Boards and on that basis have drawn an incorrect conclusion. The overall amount granted by the Industry in respect of rebates is that shown at page 59 of the Annual Report and is \$22.946 million which largely equates with the amount shown in the aforementioned Program Statements. The minor variation is attributable to the difference of recording in terms of cash versus accrual at the Boards.

Conclusion

Having considered the matters raised by you, I am not of the view that the accounts which I certified on 28 October 1993 and were tabled in the Parliament on 10 November 1993 as part of the QEC Annual Report are other than a true and fair presentation of the financial transactions of the QEC and the Industry for 1992-93.

As discussed during our telephone conversation on 16 November 1993, I am quite prepared to allow appropriate staff of QAO to give further explanations to you on these issues if you feel that would aid your understanding.

Yours faithfully

B M ROLLASON
Auditor-General

