



Queensland Audit Office  
*better public services*

# Queensland state government: 2015–16 results of financial audits

**Report 8: 2016–17**



Queensland Audit Office

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16 December 2016

The Honourable P Wellington MP  
Speaker of the Legislative Assembly  
Parliament House  
BRISBANE QLD 4000

Dear Mr Speaker

**Report to Parliament**

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Queensland state government: 2015–16 results of financial audits* (Report 8: 2016–17).

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Anthony Close', is written over a faint, light-colored signature line.

Anthony Close  
Auditor-General (acting)

## The Queensland Audit Office

The Queensland Auditor-General, supported by the Queensland Audit Office, is the external auditor of the Queensland public sector. We provide independent audit opinions about the reliability of financial statements produced by state and local government entities.

We provide independent assurance directly to parliament about the state of public sector finances and performance. We also help the public sector meet its accountability obligations and improve its performance. This is critical to the integrity of our system of government.

The auditor-general must prepare reports to parliament on each audit conducted. These reports must state whether the financial statements of a public sector entity have been audited. They may also draw attention to significant breakdowns in the financial management functions of a public sector entity.

This report satisfies these requirements.

The Queensland Audit Office has a unique view across the entire Queensland public sector of matters affecting financial and operational performance. We use this perspective to achieve our vision of better public services for all Queenslanders by sharing knowledge, providing comprehensive analysis, and making well-founded recommendations for improvement.

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# Summary

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## Introduction

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Most public sector entities prepare annual financial statements. The Queensland Auditor-General is responsible for providing parliament with independent assurance of the financial management of public sector entities by auditing these financial statements. Public sector entities include departments, statutory bodies, government owned corporations, and the entities they control. They can also include entities that are controlled by more than one public sector entity (joint controlled entities).

The auditor-general may also agree to audit the financial statements of a non-public sector entity on a 'by-arrangement' basis at the request of a minister or public sector entity. We conduct audits of this nature only once we have assessed the public interest in the Queensland Audit Office (QAO) performing the audit and the entity consents to the audit.

The Treasurer is also responsible for consolidating the financial data of all state-controlled public sector entities into state government financial statements. The state government financial statements separately disclose transactions and balances for the total state sector and the general government sector.

The general government sector includes entities funded by the government for the delivery of services, which includes all government departments. These entities deliver key government services in the areas of health, education, law and order, transport, communications, public housing, and other community services.

The general government sector is part of the total state sector, which also includes public financial corporations and public non-financial corporations. Public financial corporations are government-controlled entities, which borrow and invest on behalf of the state government and public sector entities. Public non-financial corporations are government-controlled entities engaged in producing market goods and providing non-financial services, including energy generation and distribution, water distribution, and rail and port services.

This report summarises our analysis of the financial position, performance, and sustainability of the Queensland state government, and the timeliness and quality of financial reporting by public sector entities controlled by the state government. In the 2015–16 state budget the government introduced a number of measures to reduce the level of general government sector borrowings. This is commonly referred to as the government's debt action plan, and we consider the financial position of the state against this context throughout this report.

## Results of our audits

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As at 31 October 2016, we issued audit opinions on 94.3 per cent of financial statements for the 2015–16 financial year. This year, we also provided audit opinions on 31 out of the 37 sets of outstanding financial statements from previous reporting periods.

### Quality and timeliness of financial reports

The financial statements of most state public sector entities were timely and of good quality. We issued *unmodified* opinions on 94.8 per cent of financial statements completed for the 2015–16 financial year.

This is a slight improvement on the completed audits from the 2014–15 financial year where we issued unmodified opinions on 93.6 per cent of completed financial statements.

We issue unmodified opinions when the financial statements have been prepared according to the requirements of legislation and relevant accounting standards, and are considered to be materially correct (they do not have any errors or omissions that would affect the judgement or understanding of users of the statements). We issue *qualified* opinions when the financial statements generally comply with relevant standards and legislation, but with exceptions, and we issue *disclaimers of opinion* when we are unable to express an opinion.

**Figure A**  
Independent audit reports issued for 2015–16 financial year

	Unmodified opinion	Qualified opinion	Disclaimer of opinion	Opinions not yet issued
Number of audits	221	4	8	14
Percentage of total	89.5%	1.6%	3.2%	5.7%

Source: Queensland Audit Office

We also issued unmodified opinions for the Queensland state government financial statements, the consolidated fund financial report, the public report on ministerial expenses, and the public report of office expenses for the office of the Leader of the Opposition.

This year, 157 out of 187 entities (84.0 per cent) met their legislative time frames for financial reporting. Only 71.3 per cent met legislative time frames in the 2014–15 financial year. This was largely because a number of small statutory bodies were in the process of being abolished, which caused delays in the preparation and audit of their financial statements. The improved result this year reflects that financial statements were not required for these entities in 2015–16.

Some small statutory bodies continue to struggle to meet legislative financial reporting requirements. This year, they made up the majority of entities with qualified and disclaimed opinions; however, we did identify a slight improvement in the overall quality and timeliness of their financial reporting. This, combined with the fact that there are fewer of these statutory bodies this year, contributed to the overall improved results for quality and timeliness. Due to their small size, these statutory bodies are not included in the consolidated state government financial statements.

While 20 of the 21 departments met their legislative time frame for financial reporting, 15 departments' financial statements were certified on the cut-off date of 31 August 2016.

The way entities recognise and value property, plant, and equipment continues to affect the quality and timeliness of financial reporting. Significant judgement and estimation is required to value these assets, which often requires the assistance of experts. These assets can also be located across the state, which can make them difficult to identify and assess for valuation purposes. As a result, they are inherently complex to value, making them more susceptible to error.

Issues arising from the valuation of property, plant, and equipment in 2015–16 included:

- Seqwater and the Department of National Parks, Sport and Racing did not meet their legislative time frames for financial reporting due to delays in completing valuation processes.
- The 2015–16 financial statements of three departments required adjustments because they identified errors in previous valuations. The total gross value of these adjustments was \$3.5 billion.
- Over \$8.6 billion in material adjustments were made to draft departmental financial statements because of late changes to property, plant and equipment values.
- A lack of available evidence to support the existence and measurement of property, plant and equipment was a key cause of the modified opinions issued on the financial statements of some small statutory bodies.
- There were internal control deficiencies in relation to data validation, authorisation of asset valuation models, and fixed asset registers that did not reconcile with the general ledger.

In January 2014, the former under treasurer strongly encouraged the departments to implement five strategies that would allow for earlier completion of financial reports, including completion of asset valuations by 31 March each year. These strategies represent better practice in financial reporting, and all state public sector entities should consider adopting them.

For the 2016–17 financial year, we encourage public sector entities to complete valuations of all material assets by no later than 31 May 2017, with a view to achieving the target of 31 March in 2018. This will require entities to engage valuers early to ensure the process is completed in a timely manner.

To achieve these timeframes, those charged with governance will need to ensure they understand and agree with the assumptions, inputs, and processes used by the valuers and disclose them in their financial statements. They will also need to allow enough time to interpret, evaluate, and challenge the results.

## Financial performance, position, and sustainability

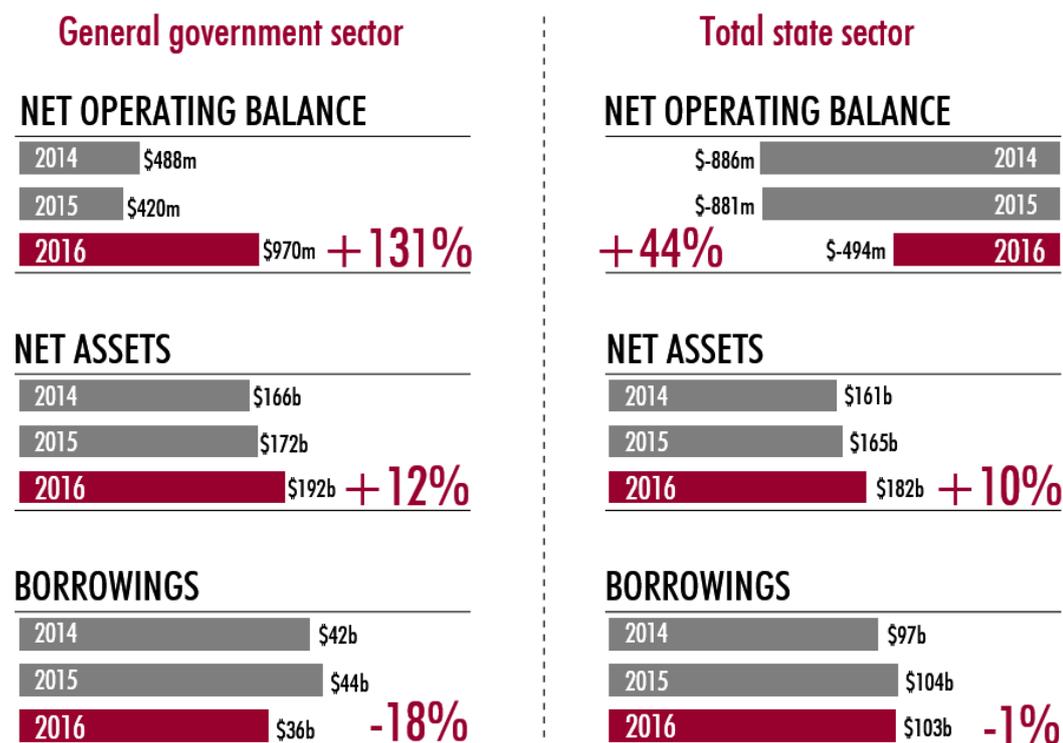
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Each year, the Treasurer prepares consolidated state government financial statements.

These statements provide a consolidated view of the revenues, expenses, assets, liabilities, equity, and cash flows of all entities controlled by the state government, which is the total state sector. They include the results of the general government sector, which is part of the total state sector.

Also included in the total state sector are government owned corporations—public financial corporations and public non-financial corporations that provide services in energy generation, energy transmission, energy distribution, and ports and water.

Figure B  
Financial snapshot



Note: Borrowings include advances of borrowings, interest bearing debt securities, and derivatives.

Source: Queensland Audit Office and state government financial statements 2014–15 and 2015–16

## Understanding financial performance

### General government sector

The general government sector reported a positive net operating balance of \$970 million. This is the third consecutive year the net operating balance has been in surplus. Underpinning this surplus was \$2.7 billion in dividends and income tax equivalents paid by government owned corporations to the general government sector.

This year, total revenue increased by \$1.0 billion to \$50.9 billion. Goods and services tax (GST) revenue received from the Australian Government continued to increase. However, the Australian Government deferred the payment of \$1.05 billion to the state under Natural Disaster Relief and Recovery Arrangements (assistance provided by the Australian Government to the states to help meet the costs associated with natural disasters).

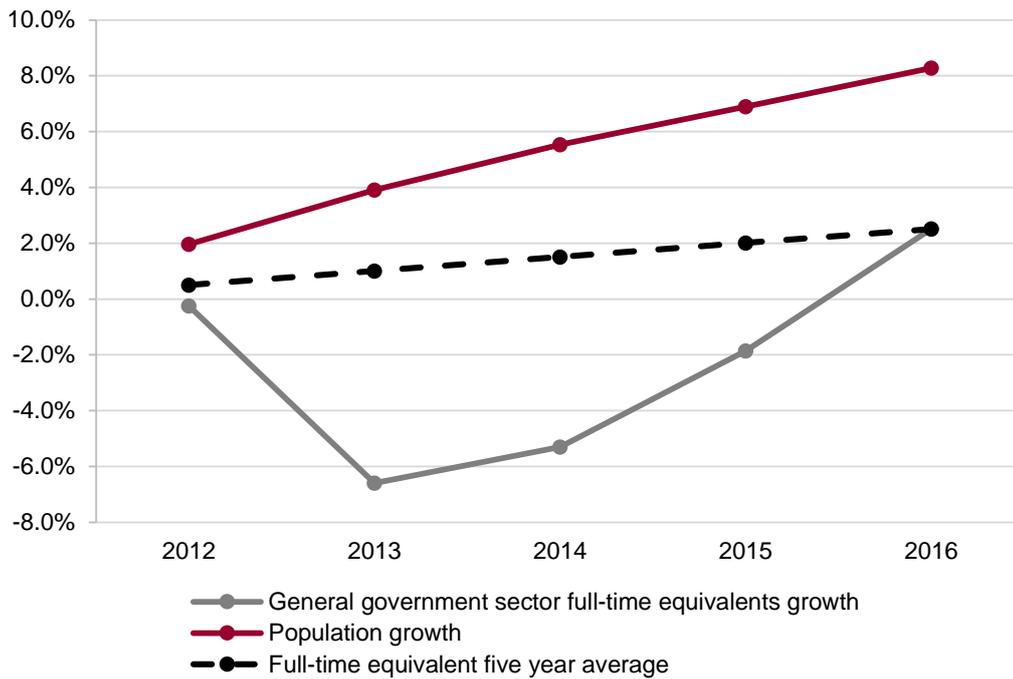
Royalties received by the state increased by \$64 million to \$2.1 billion. The price of coking coal has increased since 30 June 2016, which should further improve revenue from royalties during the 2016–17 financial year if maintained.

*Full-time equivalent* is used to convert the total hours worked by full-time, part-time and casual employees into the number of full-time employees that would be required to work those same hours.

Total expenses increased by \$474 million to \$50.0 billion (one per cent). Employee expenses increased by \$1.4 billion, or 7.8 per cent this year, with an additional 9 194 (or 4.5 per cent) full-time equivalents reported in the consolidated state government financial statements.

From 2016–17, the Queensland Government will introduce a new fiscal principle to ensure the overall growth in full-time equivalent employees does not exceed average population growth in Queensland. The new fiscal principle uses an average rate over the forward estimates—a period of five years.

**Figure C**  
**Cumulative growth in full-time equivalents and Queensland’s population**



Source: Queensland Audit Office and state government financial statements 2010–11 to 2015–16

Over the last five years, the Queensland population has grown three times faster than the increase in full-time equivalent employees for the general government sector. However, the number of full-time equivalent employees in the general government sector has moved significantly (both increases and decreases) on a year-to-year basis during this period. The overall growth in full-time equivalent employees between 30 June 2011 and 30 June 2016 was 2.5 per cent.

The new fiscal principle will apply prospectively from the 2016–17 financial year. The 2016–17 has forecasted full-time equivalents and the state population to grow at an average of 1.5 per cent across the forward estimates.

### Total state sector

While the total state sector includes the general government sector, its financial performance is not affected by transactions between public sector entities. This means that, while the general government sector’s net operating balance includes the payment of dividends by government owned corporations, it does not impact the total state sector’s financial performance.

This year, the total state net operating balance was a deficit of \$494 million. This is an improvement on the prior year, which recorded a deficit of \$881 million. It is the ninth straight deficit, with accumulated deficits since 2008 totalling \$19 billion.

### Understanding financial position

#### General government sector

At 30 June 2016, the net worth (which is assets minus liabilities) of the general government sector was \$191.9 billion.

The net worth of general government sector increased significantly this year. The main change was the Department of Transport and Main Roads reporting a \$13.5 billion increase to the valuation of road infrastructure assets. A new valuation methodology now more accurately reports the current replacement cost of reconstructing roads in an urban environment.

Although capital spend has decreased, we found that purchases of non-financial assets were made out of operating cash flows and that capital spend is greater than depreciation. Borrowings were not required for the purchase of non-financial assets, and this indicates the asset base is expanding.

The government's superannuation liability increased \$1.5 billion this year due to a decrease in the discount rate used in the calculation of future obligations. The discount rate is used to convert the future obligations of the state into a present value in today's dollars. The state public sector superannuation scheme remains fully funded by investments managed by QIC Limited.

The implementation of the government's debt action plan reduced borrowings by \$7.6 billion in the general government sector. Funds to reduce borrowings came from two key transactions:

- in November 2015, government owned energy businesses borrowed \$2.8 billion to pay special dividends to the general government sector as a capital return
- in June 2016, \$3.4 billion of investments previously held aside to meet long service leave liabilities was transferred to the general government sector.

We found the reduced debt in the general government sector had a positive effect on its debt sustainability ratios (debt to revenue ratio and interest expense to revenue ratio). Declining interest costs will also reduce the impact on future budgets.

The debt to revenue ratio is particularly important. It provides an indicator of the government's ability to service its debts from the revenue it generates. This year, the ratio decreased by 16 per cent down to 70 per cent. This means the general government sector's ability to service its debts has improved.

### Total state sector

While the strength of the general government sector balance sheet has improved because of the debt action plan, there has been minimal impact at the total state level. This is due largely to the transfer of debt from the general government sector to public non-financial corporations and market movements in the value of the debt.

This year, all three private sector organisations that assess the state's credit rating re-affirmed Queensland's credit rating at the same level as they had assessed the previous year.

The state has \$16.8 billion of interest-bearing liabilities that fall due in the 2016–17 financial year. We found the state has the ability to meet these liabilities.

## Internal controls

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Good internal controls provide reasonable assurance that an entity is achieving its objectives relating to operations, reporting, and compliance.

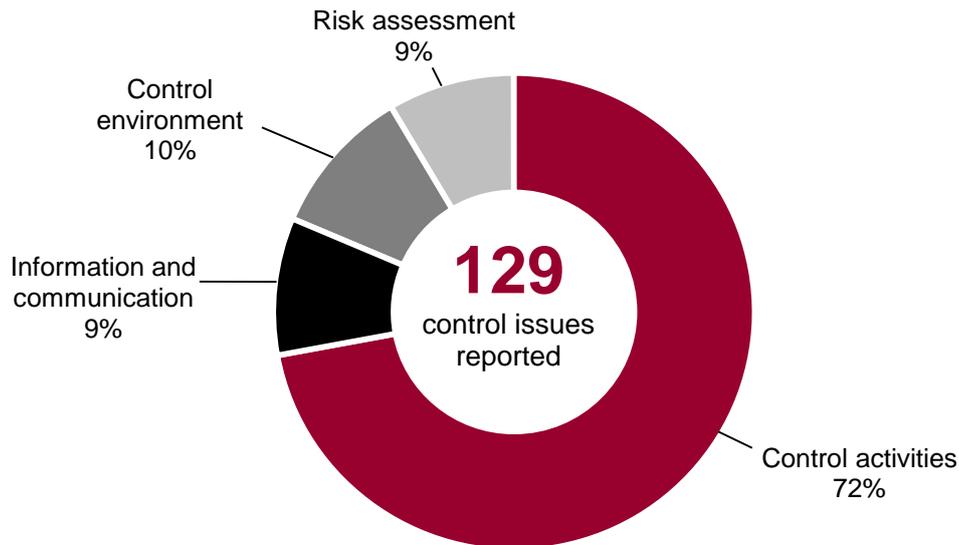
We assess the financial controls used by public sector entities against the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework. This framework is widely recognised as the benchmark for designing and evaluating internal controls using five key elements, including:

- control environment—actions, attitudes, and values that influence daily operations
- risk assessment—processes for identifying, assessing, and managing risk
- monitoring activities—oversight of internal controls for existence and effectiveness
- control activities—policies, procedures, and actions taken to prevent or detect errors
- information and communication—systems to inform staff about control responsibilities.

Where we identify that internal controls in any of these elements are missing or are not operating as intended, we refer to them as *control deficiencies*. If we identify that a control deficiency, either alone or in combination with other deficiencies, may lead to a material misstatement in the entity's financial statements, we refer to this a *significant deficiency*.

If we identify a deficiency with any of these internal controls as part of our audits, we report the finding to the entity's management. Figure D below details the deficiencies reported for departments for the 2015–16 financial year.

**Figure D**  
Control deficiencies by component for the 21 departments



Source: Queensland Audit Office

This year we rated two of the control deficiencies we identified as significant deficiencies.

The first was the Public Safety Business Agency's risk assessment framework. In particular, the department had yet to implement formal systems to record, monitor, and track risks.

The second significant deficiency arose from the replacement of the LATTICE payroll system at Queensland Fire and Emergency Services. This is a significant financial system used by the department, which the vendor no longer supports, and it continues to be an issue for the department. The Queensland Ambulance Service (part of the Department of Health) and Queensland Corrective Services (part of the Department of Justice and Attorney-General) also rely on this system.

Whilst not a significant deficiency, we also continued to report our concerns over the proposed replacement of the Department of Health's accounting system.

Both LATTICE and the Department of Health's accounting system have been out of information technology vendor support for a number of years. This means there are no upgrades, fixes, or support available for these systems. Despite having now spent over \$70 million collectively on replacement projects since 2010, the departments still rely on these systems.

While control activities continue to represent the majority of control deficiencies, we did not identify any systemic issues.

## Reference to comments

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In accordance with section 64 of the *Auditor-General Act 2009*, we provided a copy of this report to a number of entities within the general government sector, public financial corporations, and public non-financial corporations with a request for comments.

We provided a full copy of the report with request for comment to the Premier, the Treasurer, the Director-General of the Queensland Department of the Premier and Cabinet, and the Under Treasurer.

We provided extracts of the report with request for comment to the accountable officers of those entities specifically named in the report.

We received responses from the Under Treasurer, Queensland Treasury; Director-General, Department of the Premier and Cabinet; Director-General, Queensland Health; Acting Chief Operating Officer, Public Safety Business Agency; and the Director-General, Department of National Parks, Sport and Racing. The responses are in Appendix A.

## Report structure

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Chapter	Summary
Chapter 1	provides context for the findings and conclusions of the audit.
Chapter 2	evaluates the audit opinion results, timeliness, and quality of reporting.
Chapter 3	analyses the financial performance, position, and sustainability of transactions and events during the year.
Chapter 4	assesses the strength of the internal controls designed, implemented, and maintained by departments.

## Report cost

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This audit report cost \$152 000 to produce.

# 1. Context

## Legislative framework

The following legislation establishes the financial accountability frameworks and legislative time frames to complete financial statement audits for Queensland state public sector entities:

Entity type	Legislative framework	Legislative time frame
Departments and statutory bodies	<ul style="list-style-type: none"> <li>▪ <i>Financial Accountability Act 2009</i></li> <li>▪ Financial and Performance Management Standard 2009</li> </ul>	Two months from end of financial year
Government owned corporations	<ul style="list-style-type: none"> <li>▪ <i>Government Owned Corporations Act 1993</i></li> <li>▪ Government Owned Corporations Regulation 2014</li> <li>▪ <i>Corporations Act 2001</i></li> <li>▪ Corporations Regulations 2001</li> </ul>	Two months from end of financial year
Controlled entities that are companies	<ul style="list-style-type: none"> <li>▪ <i>Corporations Act 2001</i></li> <li>▪ Corporations Regulations 2001</li> </ul>	Four months from end of financial year
Controlled entities that are charities and not-for-profits	<ul style="list-style-type: none"> <li>▪ <i>Charities Act 2013 (Cth)</i></li> </ul>	Six months from end of financial year

Source: Queensland Audit Office

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

- governance
- financial management and performance
- financial reporting.

## Queensland state government financial statements

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

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

The auditor-general's audit opinion on these entities' financial statements assures users that the financial statements are accurate and can be relied on.

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

This year, we issued two types of modified opinion. We issued a *qualified* opinion when the financial statements as a whole complied with relevant accounting standards and legislative requirements, but with particular exceptions.

We issued a *disclaimer of opinion* when we were unable to express an opinion as to whether the financial statements complied with relevant accounting standards and legislative requirements.

Sometimes we also include an *emphasis of matter* in an audit report to highlight an issue that will help users better understand the financial statements.

Chapter 2 reports on the timeliness and quality of these financial reports.

The Treasurer is also responsible for consolidating the financial data of all state-controlled entities into state government financial statements. This must be done within six months of the end of each financial year, or later date agreed with the auditor-general.

The state government financial statements are prepared in accordance with the *Financial Accountability Act 2009* and the Australian Accounting Standards Board (AASB) requirements including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Chapter 3 provides an analysis of the financial performance and position of the state government as reported in these financial statements.

## Sectors of government

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The state government financial statements separately disclose transactions and balances for the general government sector and the total state sector.

### The general government sector

The general government sector includes the entities funded for the delivery of services through state government appropriations. This includes all government departments. The state government financial statements for 2015–16 lists 73 entities within the general government sector.

The general government sector is largely funded through grants received from the Australian Government, and taxes and royalties collected by the state. The government allocates revenue collected to entities within the general government sector through the state budget.

These entities use the funding provided to deliver key government services in the areas of health, education, law and order, transport, communications, public housing, and other community services. The government also provides funds to these entities to purchase and maintain the infrastructure assets required to support the delivery of these services (hospitals, schools, roads, and public housing).

In addition to the revenue it generates, the general government sector may also be funded through state borrowings. In the 2015–16 state budget the government introduced a number of measures to reduce the level of general government sector borrowings. This is commonly referred to as the government's debt action plan.

### The total state sector

The general government sector is part of the total state sector, which also includes three public financial corporations and 15 public non-financial corporations.

Public financial corporations are government-controlled entities providing financial services, including borrowing and making investments for the state and managing financial risks. In Queensland, these entities include Queensland Treasury Corporation and QIC Limited.

Public non-financial corporations are government-controlled entities engaged in producing market goods and providing non-financial services, including energy generation and distribution, water distribution, and rail and port services.

These corporations are usually the state's commercially viable enterprises and are capable of generating their own revenue streams. While the government does not generally fund these corporations, some receive community service obligations from the general government sector to support any non-commercial business activities required by government.

Public corporations pay dividends and income tax equivalents to the general government sector.

### Consolidation process

While Queensland Treasury prepares the state government financial statements, every entity included in the total state sector prepares a package of audited financial information for consolidation purposes. All transactions and balances between state entities are removed on consolidation to give an overall state position.

Not all state public sector entities are included in the state government financial statements. The state government financial statements include all government departments and entities funded for the delivery of their services plus other public sector entities that are considered material (net operating result in excess of \$5 million or net assets in excess of \$75 million).



## 2. Results of our audits

### Chapter in brief

We audit the financial statements of Queensland public sector entities to provide reasonable assurance that their financial statements are reliable and comply with accounting standards.

### Main findings

- We issued 233 opinions on financial statements for the 2015–16 financial year and 31 audit opinions on late financial statements for the 2013–14 and 2014–15 financial years.
- We issued unmodified opinions on 94.8 per cent of the financial statements completed for the 2015–16 financial year. This means that we have assessed the financial statements as having been prepared according to the requirements of legislation and relevant accounting standards.
- We issued audit opinions on 84.0 per cent of financial statements within their legislative time frames. One department and one statutory body, that are included in the consolidated state government financial statements, were unable to achieve their legislative time frame due to delays in completing asset valuations.
- Asset valuations continue to have the biggest impact on the quality and timeliness of financial statements.
- Our audit opinion on Racing Queensland's financial statements drew attention to its reliance on ongoing financial support from the government to allow it to meet its financial obligations.
- We issued unmodified opinions on the Queensland state government financial statements, Consolidated Fund Financial Report, and the Public Report on Ministerial Expenses.

### Audit conclusions

The overall quality and timeliness of financial reporting continues to be appropriate for the majority of Queensland state public sector entities.

Public sector entities should do more to ensure they complete their valuations of material assets in a timely manner and further improve their financial reporting practices.

## Introduction

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Each year, we audit the financial statements of Queensland state public sector entities to provide assurance on their reliability. Each year, the Queensland Auditor-General also audits:

- the consolidated state government financial statements
- the Consolidated Fund Financial Report
- Public Report of Ministerial Expenses.

Our audits provide confidence in these financial statements for intended users.

For most Queensland state public sector entities, legislation prescribes the time frames within which financial statements must be prepared and audited. For financial statements to be relevant and useful, public sector entities should make them available as soon as possible after 30 June.

Entities that adopt effective financial reporting practices throughout the year should be able to produce a set of high quality financial statements in a timely manner.

This year, we assessed the quality and timeliness of financial statements prepared by 21 departments by considering:

- the year end close process—whether outcomes were delivered by agreed dates
- timeliness—whether we received a complete draft financial report by an agreed date
- quality—the extent of accounting adjustments made to total revenue, expenditure, and net assets (assets minus liabilities) during our audit.

This section of the report details the improvements required in financial statement preparation. Our assessment criteria and the result of our assessment for each department is included in Appendix B.

## Conclusion

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The overall quality and timeliness of financial reporting continues to be appropriate for the majority of Queensland state public sector entities. Users of financial statements can rely on the results of the audited consolidated financial statements of the state government. We did not issue modified opinions on any state public sector entities material to them.

State public sector entities are generally also preparing their financial reports in a timely manner, with some room for improvement. While 20 of the 21 departments met legislative time frames for financial reporting, opportunities still exist to improve the timeliness of their financial reporting practices.

In particular, departments with material property, plant, and equipment (such as infrastructure assets) could do more to ensure they complete their asset valuations in a timely manner. Departments can also improve the timeliness of financial reporting by:

- providing auditors with a complete set of draft financial statements by no later than 15 August each financial year
- scheduling audit committees to allow adequate consideration of financial statements.

From 2016–17, not-for-profit public sector entities need to comply with the disclosure requirements of Australian accounting standard AASB 124 *Related Party Disclosures* for the first time. The financial reports for public sector entities will need to disclose material transactions between government entities and key management personnel, including ministers. This standard is designed to increase transparency in financial reporting.

## Audit opinion results

Figure 2A details the audit opinions we issued on Queensland state public sector entities for the 2015–16 financial year as at 31 October 2016.

**Figure 2A**  
Audit opinions issued by QAO for the 2015–16 financial year

Entity type	Unmodified opinion	Qualified opinion	Disclaimer of opinion	Opinions not yet issued
Departments and controlled entities	41	0	0	2
Government owned corporations and controlled entities	19	0	0	1
Statutory bodies and controlled entities	101	4	8	9
Audited by arrangement	58	0	0	1
Joint controlled entities	2	0	0	1
<b>Total</b>	<b>221</b>	<b>4</b>	<b>8</b>	<b>14</b>

Source: Queensland Audit Office

By 31 October 2016, we issued audit opinions on 94.8 per cent of the financial statements that require an audit for the 2015–16 financial year. Last year, a number of small water boards and water authorities were awaiting abolishment before completing financial statement audits. This resulted in QAO issuing opinions on only 89.6 per cent of the financial statements for the 2014–15 financial year by 31 October 2015.

Appendix C lists Queensland state public sector entities and the opinions issued on their financial statements. It also identifies those entities where we were yet to issue our audit opinion on the financial statements as at 31 October 2016.

The appendix excludes entities in several sectors, because they are covered in the following reports:

- *Energy: 2015–16 results of financial audits* (Report 5: 2016–17)
- *Rail and ports: 2015–16 results of financial audits* (Report 6: 2016–17)
- *Water: 2015–16 results of financial audits* (Report 7: 2016–17)
- *Hospital and health services: 2015–16 results of financial audits* (In progress).

### Modified opinions

Consistent with prior year results, almost all modified opinions we issued were on the financial statements of small water boards, drainage boards, and river improvement trusts.

The main reasons we modified our opinions on these entities related to issues over the existence and measurement of property, plant, and equipment and a general failure to comply with accounting standards in preparing the statements. These small statutory bodies are not material at the whole-of-government level.

While further work is required to improve the overall quality of financial reporting within these entities, we noted a slight improvement this year. During 2015–16, we engaged with, and assisted, a number of boards committed to improving their financial statements. As a result, we issued unmodified opinions on the financial statements of three boards that had previously received modified opinions.

We continue to engage with boards committed to improving their financial statements to reduce the number of modified opinions issued in future years.

### Emphasis of matter

We may include an emphasis of matter paragraph with an audit opinion to draw attention to an issue for users of the financial statements. The inclusion of an emphasis of matter paragraph does not modify our opinion on the financial statements. This year we issued 49 (2014–15: 57) unmodified audit opinions with emphasis of matter paragraphs. These paragraphs highlighted:

- where entities were allowed to prepare their financial statements using a framework that did not require full compliance with all elements of the Australian accounting standards (41 opinions)
- disclosures in the financial statements identifying that entities were wound up (or may soon cease to exist) or had issues relating to their ability to operate as a going concern (six opinions)
- where amended financial statements were reissued with a new audit opinion after an audit opinion had previously been issued on the original financial statements (two opinions).

### Racing Queensland

The Queensland All Codes Racing Industry Board (Racing Queensland) is a statutory body that services and regulates all three codes of racing (thoroughbred, harness, and greyhound) in Queensland.

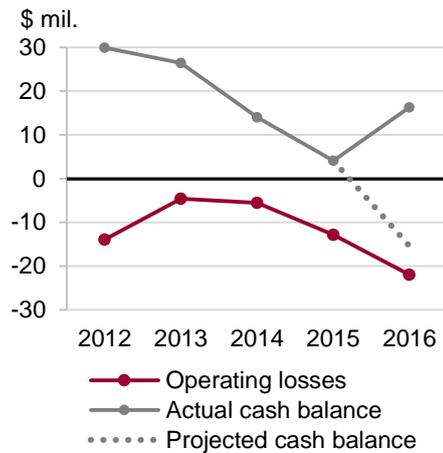
In *State public sector entities: 2014–15 financial statements* (Report 6: 2015–16) we identified concerns with Racing Queensland's financial position as at 30 June 2015 because of:

- revenue and expenditure policies not being sustainable for a number of years
- increasing race information fees being payable to interstate principal racing authorities
- the quantum of prize monies being awarded
- the closure of four major racing facilities due to infrastructure upgrades, repairs, and other planned closures
- racing events being cancelled due to inclement weather.

We provided an unmodified opinion on their 2014–15 financial statements based on a letter provided by the Treasurer approving financial support of up to \$32 million to meet Racing Queensland's obligations in 2015–16. The government agreed to provide this financial support with a number of conditions. These included the restructuring of Racing Queensland's business model by 1 July 2016, and the expectation of ongoing financial viability, which included the repayment of funds provided by government.

In the 2015–16 financial year, Racing Queensland's operating costs continued to increase at a faster rate than revenue. This resulted in it reporting an operating loss of \$21.8 million and net operating cash outflows of \$19.4 million for the 2015–16 financial year. Racing Queensland's financial statements also showed that it has budgeted for a loss of \$12.4 million in the 2016–17 financial year and will continue to rely on ongoing government support.

**Figure 2B**  
**Racing Queensland**



Source: Racing Queensland financial statements 2011–12 to 2015–16

During the 2015–16 financial year, Queensland Treasury provided a \$31.7 million loan to enable Racing Queensland to meet its obligations during the 2015–16 financial year. Repayments against the loan are only required once Racing Queensland becomes financial viable. Without this injection of cash, its cash balance would have been overdrawn by \$15.3 million at 30 June 2016.

On 26 August 2016, the Treasurer issued a letter to the Minister for Racing stating that funds will be made available to meet Racing Queensland’s board-approved forecast cash deficit from 1 July 2016 to 30 June 2017.

We provided an unmodified opinion on the Racing Queensland 2015–16 financial statements based on the Treasurer’s commitment to provide ongoing financial support. However, we also included an emphasis of matter paragraph to draw attention to the material uncertainty that may cast doubt about its ability to continue as a going concern due to its current financial position.

From 1 July 2016, Racing Queensland began implementing a plan to return to profitability. Measures include new prize money levels applying from 1 April 2016 and cost reduction initiatives. We will continue to monitor its financial sustainability in the 2016–17 financial year.

### Prior period errors

When an entity prepares its financial statements, it may identify errors in the prior year accounts. The current year audit testing can also detect these errors. If these errors are material (likely to affect the judgement of readers), the accounting standards require correction of the prior year figures.

The most material prior period errors corrected in departmental financial statements for 2015–16 are detailed in Figure 2C.

**Figure 2C**  
**Prior period errors**

Entity	Details
Department of Transport and Main Roads	<ul style="list-style-type: none"> <li>An error was identified dating back to a 2011 land valuation that used incorrect land area data.</li> <li>The correction resulted in a \$1.454 billion increase to land valuations at 1 July 2014.</li> <li>Improvements to the land asset database now address data integrity issues.</li> </ul>
Department of National Parks, Sport and Racing	<ul style="list-style-type: none"> <li>In 2015–16 the department completed a project to review its valuation for road structures.</li> <li>This resulted in road earthworks being accounted for separately from other elements of the road (pavement and seal) and assigned an indefinite useful life for depreciation purposes. Revised unit rates for raw materials and construction costs were also applied as part of the valuation process.</li> <li>The correction resulted in a \$1.996 billion increase to road infrastructure valuations at 30 June 2015.</li> <li>A new asset revaluation methodology was implemented during 2015–16 to improve the process.</li> </ul>
Department of State Development	<ul style="list-style-type: none"> <li>An error was identified relating to restrictions on land use not being incorporated into valuations of residential land.</li> <li>The correction resulted in a \$17.175 million decrease to residential land valuations at 30 June 2015.</li> <li>Processes have been strengthened for valuations and instructions to valuers.</li> </ul>

Source: Queensland Audit Office

### Quality of draft financial statements by departments



The extent of adjustments made to a draft financial report or financial reporting pack indicates the effectiveness of the entity's internal review process to identify and correct errors before providing reports or packs to audit.

Fourteen departments prepared good quality complete draft financial statements that did not require any adjustments to revenue, expense, or net assets balances.

A further six departments adjusted their draft financial statements by amounts that were not material. Our audit opinion on the financial statements would not have changed if financial statements were unadjusted by these amounts. The most common adjustments were for asset valuations and revenue recognition.

The most material adjustment this year was from the Department of Transport and Main Roads, which made an \$8.7 billion adjustment to net assets. This increase was due to a change in infrastructure valuations, which we detail in Chapter 3.

### Entities exempt from audit by the auditor-general

The auditor-general may exempt a public sector entity from an audit by the Queensland Audit Office (QAO) for a financial year. The auditor-general may grant an exemption where the entity is small in size and low risk, or where it is a foreign-based controlled entity.

These entities are still required to engage an appropriately qualified person to conduct an audit of their financial statements for the financial year.

This year, 26 Queensland state public sector entities were exempted from audit by the auditor-general. We have listed these entities in Appendix E.

### Entities not preparing financial statements

Not all public sector entities are required to prepare financial statements. This year, 57 entities were not required to prepare financial statements either by legislation or by the accounting standards.

Queensland state public sector entities that were not required to prepare financial statements this year are identified separately in the footnotes of Appendix C.

### Timeliness of financial reporting

To be useful to users, financial statements should be completed and made available as close to the end of the reporting period as possible. Information in financial statements is less relevant to users of the financial statements if it is not timely.

Queensland state public sector entities should consider legislative deadlines for audit certification of financial statements to represent the minimum standard rather than the ideal objective of timeliness for users of the financial statements.

This year, 187 sets of financial statements had legislative time frames to complete their audits. In total, 30 financial statements, or 16 per cent, missed their legislative time frames. The majority of these entities were smaller statutory bodies that are not consolidated in the state government financial statements.

**Figure 2D**  
Entities that met and missed the legislative time frames to complete audits

Entity type	Met the time frame	Missed the time frame	In progress and inside time frames	No time frames
Departments and controlled entities	38	2	1	2
Government owned corporations and controlled entities	19	0	1	0
Statutory bodies and controlled entities	90	27	0	5
Audited by arrangement	8	1	0	50
Joint controlled entities	2	0	1	0
<b>Total</b>	<b>157</b>	<b>30</b>	<b>3</b>	<b>57</b>

Source: Queensland Audit Office

Four of the Queensland state public sector entities that were unable to meet their statutory time frames for preparing financial statements are included in the consolidated state government financial statements.

The Department of National Parks, Sport and Racing was unable to meet its statutory reporting deadline of 31 August 2016. The delay in the preparation and audit of the department's financial statements arose from issues with the valuation of infrastructure assets. These included a prior period error identified in road valuations, and changes required to the department's methodology for revaluing roads. We issued an unmodified audit opinion on the financial statements on 9 September 2016.

The Queensland Bulk Water Supply Authority (trading as Seqwater) was unable to meet its statutory reporting deadline of 31 August 2016. The delay in the preparation and audit of Seqwater's financial statements arose from deficiencies in the methodology used in valuing their infrastructure assets. We issued an unmodified audit opinion on the financial statements on 15 September 2016.

Trade and Investment Queensland and Queensland Performing Arts Trust were unable to meet their statutory reporting deadline of 31 August 2016. While audit opinions were issued on their financial statements by 31 August 2016, they subsequently amended and reissued these financial statements. As a result, we issued new audit opinions on the amended financial statements.

Queensland Performing Arts Trust received an unmodified opinion on its amended financial statements on 15 September 2016.

Trade and Investment Queensland received an unmodified opinion on its amended financial statements on 1 December 2016.

### Year end close process for departments



In January 2014, the then under treasurer wrote to portfolio departments strongly encouraging them to implement strategies to aid with the earlier preparation of their financial statements.

These strategies included five key outcomes for departments to achieve before 30 June 2016. These outcomes were:

- early finalising of non-current asset valuations
- preparing complete early draft financial statements
- resolving accounting issues
- concluding all asset stocktakes
- completing early close processes.

When departments achieve these outcomes by the agreed dates, they are more likely to prepare timely and accurate audited financial statements. Last year, we reported a decrease in the number of departments implementing the strategies recommended by the under treasurer.

This year, we assessed these outcomes against planned dates agreed with departments. While all 21 departments had taken steps to implement the processes, to the extent relevant to them individually, only 11 departments were able to achieve all outcomes by the planned dates.

Seven departments experienced delays related to the valuation of non-current assets. The average date the valuations were completed for these seven departments was 24 July 2016. The most commonly cited reason for missing the milestone was delays with valuers providing reports and errors in valuation data.

Due to the large and complex infrastructure assets held by the departments, it is important that valuations are completed early to allow sufficient time for internal and external review of calculations, judgements, and assumptions.

The strategies proposed by the then under treasurer included implementing practices that would allow completion of valuations by 31 March each year. We support these strategies as they represent better practice in financial reporting.

For the 2016–17 financial year, we encourage departments to complete valuations of all material assets by no later than 31 May 2017, with a view to achieving the target of 31 March in 2018. This will require departments to engage valuers early to ensure the completion of the process in a timely manner.

Delays in obtaining up to date asset valuations also give rise to issues at the whole-of-government level. For example, where material changes to asset valuations occur after 30 June 2016, it may not be possible to incorporate the impact of these changes into the state budget until the following financial year.

Most departments completed draft financial statements, known as 'pro forma' financial statements, resolved accounting issues, completed year end close procedures, and concluded all asset stocktakes by the agreed dates.

### Timeliness of draft financial statements for departments



An entity's ability to prepare timely draft financial statements is an indicator of the strength of the entity's financial management processes. Financial statements are timely when they provide information for decision-makers in time to influence their decisions. As timeliness diminishes, the statements are less relevant and useful to users of the financial statements.

This year, 17 departments met our agreed dates for preparing a complete set of draft financial statements. A further two departments provided a complete draft within two days of the agreed date. The remaining two departments were unable to provide an acceptable complete draft of the financial statements within two days of the agreed date.

The earliest a complete draft set of financial statements was prepared was 30 July 2016. Departments took an average of six weeks to prepare first draft financial statements.

Only one department was unable to have its financial statements audited by the statutory deadline of 31 August 2016. However, 19 departments only had audit opinions issued on their financial statements within three days of the statutory deadline. This included 15 departments where we issued our audit opinion on 31 August 2016—the actual date of the deadline.

### Audit opinions issued for prior financial years

This year we also issued opinions for 31 of 37 sets of financial statements outstanding from previous reporting periods. These financial statements relate to small statutory bodies.

For these financial statements, we issued 20 unmodified opinions, three qualified opinions and eight disclaimers. Appendix D lists the entities and opinions issued for prior financial years.

### Audits not complete at 31 October 2016

Due to delays in the preparation of financial statements, we were not able to issue audit opinions on all financial statements of Queensland state public sector entities for the 2015–16 financial year.

As at 31 October 2016, 14 sets of financial statements for the 2015–16 financial year were outstanding and we are unable to express an audit opinion.

For four entities, our audit opinions on the financial statements have been outstanding for more than one financial year. Due to their small size, these entities are not consolidated into the state government financial statements.

Appendix F lists the entities for which audit opinions are outstanding on the financial statements, and the financial years to which they relate.

## Audit reporting changes

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The Australian Auditing and Assurance Standards Board (AUASB) has adopted the international standard ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

QAO will formally adopt this standard for financial statements prepared at 30 June 2017.

This new form of audit reporting will aid transparency by disclosing our audit response to the areas in the financial report that we consider require significant audit attention.

The new look audit report will continue to include our audit opinion on the financial report, and will now also include a section on key audit matters—those areas that, in our professional judgement, pose a higher risk of material misstatement of the financial report. These matters will mostly relate to major events and transactions that occur during the period, and those areas requiring significant judgement and estimation.

We will report on why we consider the key audit matter to be significant and give an overview of the key procedures we perform to address the matters.

## Related party disclosures

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Amendments to the Australian accounting standard AASB 124 *Related Party Disclosures* extend the scope of the standard to include not-for-profit public sector entities from 1 July 2016. The amended standard also provides additional guidance on applying the definition of 'key management personnel' to not-for-profit public sector entities.

The objective of this accounting standard is to draw to the attention of users of financial reports the possibility that the financial position and profit or loss may have been affected by the existence of related parties—and by transactions and outstanding balances with such parties. This standard is designed to increase transparency in financial reporting.

### Who are related parties?

*Related parties* covers persons and entities related to the reporting entity.

Related persons include the key management personnel of the entity and their close family members. Close family members are those people able to influence, or be influenced by, key management personnel in their dealings with the entity.

Related entities can include any subsidiary, joint venture, or associate of an entity. It can also include any entity controlled by the key management personnel or their close family members.

In identifying a related party relationship, attention is directed to the substance of the relationship rather than its legal form.

### Who are key management personnel?

Key management personnel (KMP) are those persons with authority and responsibility for planning, directing, and controlling the activities of an entity—directly or indirectly.

The KMP of public sector entities includes directors-general, chief executives and their key direct reports, portfolio ministers, and board members, where relevant.

The standard considers ministers to be part of the KMP of their departments and potentially of other agencies in their portfolio. The role of Cabinet is being considered by Queensland Treasury and the Department of Premier and Cabinet to determine if it meets the definition of KMP for the state.

Cabinet will consider a recommendation for coordinating the collection of information from ministers to relieve agencies of individually collecting declarations from ministers.

### Impact on financial statement disclosures

While most entities already make disclosures of remuneration of KMP, the amended standard may require entities to make additional disclosures of transactions with related parties, and relationships between parent and controlled entities.

Entities should now have processes in place to collect the necessary information for 2016–17 to report next year. Key steps will include identifying who are related parties and the types of transactions that may be entered into with those related party transactions. Entities will also need to determine the information required to identify these relationships and transactions, and assess their capability and capacity for collecting it.

## Queensland state government financial statements

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The Treasurer prepares the consolidated Queensland state government financial statements annually. These financial statements are prepared in accordance with the *Financial Accountability Act 2009* and the Australian accounting standards, including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

These statements provide a consolidated view of the revenues, expenses, assets, liabilities, equity, and cash flows of all entities controlled by the state government. The statements provide a comparison between actual results and the original budget published in parliament, as well as explanations for major variances between them.

These financial statements must be prepared within six months after the end of each financial year.

We analyse the Queensland state government position and performance reported in these financial statements in Chapter 3.

### Result of audit

On 24 November 2016, we issued an unmodified audit opinion on the 2015–16 state government financial statements.

### Quality of financial report

The quality of the consolidated state government financial statements largely depends on the reliability of the information provided to Queensland Treasury by all of the consolidated entities. All material entities included in the state government financial statements achieved an unmodified audit opinion on their financial statements for 2015–16.

We received the first complete draft of the consolidated state government financial statements on 29 September 2016. The state government financial statements and supporting work papers prepared by Queensland Treasury were of a high standard and we did not identify any material errors in the consolidation process.

## Consolidated fund financial report

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

This report identifies the following transactions for the financial year:

- receipts from departments' collections, investment revenues, taxation, and dividends
- the total amount paid to departments through appropriation
- amounts paid to departments for unforeseen expenditure
- amounts appropriated to departments that were unspent at year end
- amounts written off by the Treasurer.

### Result of our audits

The Treasurer signed the 2015–16 Consolidated Fund Financial Report on 30 August 2016. We issued an unmodified audit opinion on the report on 9 September 2016, which was within the legislative deadline of 30 September 2016.

Our independent audit report included an emphasis of matter paragraph to draw attention to the fact the Consolidated Fund Financial Report was prepared on a cash basis.

### Public reports of ministerial expenses

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Ministers and assistant ministers of the government are entitled to staff and resources to assist them in the performance of their duties. Ministers and their staff are required to maintain rigorous standards of accountability as their expenditure is often subject to close public scrutiny.

Part 2 of the *Financial Accountability Act 2009* sets out the prescribed requirements for the preparation, tabling, and audit of the Public Report for Ministerial Expenses.

The report details the expenses incurred by the minister or assistant minister, their staff, and their office, separately identifying:

- salaries, salary-related taxes, superannuation, and other employee expenses
- domestic and overseas travel expenses
- motor vehicle, charter costs, and costs of travel to and from electorate
- building services, communication charges, information technology, and other administrative charges.

Expenditure must be for official purposes, properly documented, reasonable for the circumstances, and available for audit scrutiny.

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

### Results of our audits

#### The Public Report of Ministerial Expenses

The Premier signed the ministerial expenses report on 15 August 2016. The auditor-general issued an unmodified opinion on the report on 29 August 2016.

An emphasis of matter paragraph was included with the opinion—drawing attention to the basis on which the report was prepared. This paragraph highlights that the financial report was prepared to fulfil the Premier's financial reporting responsibilities under the *Financial Accountability Act 2009* and the Queensland Ministerial Handbook, and was not required to comply with Australian accounting standards.

#### The Public Report of Office Expenses for the Office of the Leader of the Opposition

The Director-General of the Department of the Premier and Cabinet signed the Leader of the Opposition's expenses report on 18 August 2016.

The auditor-general issued an unmodified opinion on the report on 29 August 2016. An emphasis of matter paragraph was included with the opinion, drawing attention to the basis on which the statements were prepared. This paragraph highlights that the report was prepared to fulfil the opposition leader's financial reporting responsibilities under the Queensland Opposition Handbook and was not required to comply with Australian accounting standards.



## 3. Position, performance, and sustainability

### Chapter in brief

This chapter details the major transactions and events for the consolidated state government financial statements. Our analysis is structured by the key components of the financial statements, which are revenue, expenditure, assets, and debt.

### Main findings

- The general government sector's net operating balance (revenues minus expenses) for 2015–16 was a surplus of \$970 million. The total state sector reported a deficit of \$494 million.
- The Queensland Government received an increased share of the goods and services tax (GST) revenue collected by the Commonwealth in 2015–16. However, less funding was received through Natural Disaster Relief and Recovery Arrangements (under which the Australian Government provides funding to states and territories to help pay costs associated with natural disasters) due to the Australian Government's decision to defer funding to future years.
- Employee expenses for the general government sector and total state sector increased by 7.8 per cent and 7.7 per cent respectively. This was largely due to an increase in the number of employees in the general government (4.5 per cent) and total state (four per cent) sectors.
- General government sector debt decreased by \$7.6 billion. Total state sector debt decreased by \$1.0 billion.

### Audit conclusions

The general government sector reported a positive net operating balance for the third consecutive year. This means the revenues generated by the general government sector exceeded the costs incurred from its day-to-day operations.

The total state sector reported a ninth consecutive deficit in its net operating balance, but did report an improvement on the prior year.

Underpinning the general government sector surplus was \$2.7 billion in dividends and tax equivalents paid to it by government owned corporations. These payments were predominately from energy businesses and have increased their level of debt to equity to a similar level as industry averages while maintaining government credit ratings.

Net worth at 30 June 2016 was \$191.9 billion for the general government sector and \$182.1 billion for the total state sector. This represents a significant surplus of assets over liabilities, and is an increase on the prior year.

The government's debt action plan announced in the 2015–16 budget largely resulted in general government sector debt reducing by \$7.6 billion. This reduction was achieved mainly through the regearing (increasing the ratio of how much they owe compared to how much they have in equity) of government owned corporations and the use of investments set aside to fund future long service leave liabilities. The reduction of general government sector debt resulted in a significant improvement in the debt to revenue ratio at 30 June 2016.

Both the general government sector and total state sector were able to fund purchases of non-financial assets (for example infrastructure assets) from their operating cash flows instead of borrowing to fund them.

## Introduction

The purpose of our analysis in this chapter is to help users understand the state government financial statements by clarifying the financial effects of key transactions and events in 2015–16.

Over time, financial statements also help users understand the sustainability of the government. We use a range of ratios including the operating ratio (revenues to expenses), current ratio (current assets to current liabilities), capital replenishment ratio (net purchases of non-financial assets to depreciation expense) and debt to revenue ratio to help inform readers.

### Sectors of government covered

In this chapter, we assess the position, performance, and sustainability of the state government as reported in the consolidated state government financial statements.

These financial statements report on the consolidated position of the state—comprising the general government sector (GGS), public non-financial corporations, and public financial corporations. Examples of these are included in Figure 3A. These three sectors combine to form the total state sector (TSS).

**Figure 3A**  
Total state sectors and services provided

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

Note: The consolidated state government financial statements 30 June 2016 contain a full list of entities in each sector.

Source: Queensland Audit Office

### Assessing position and performance

We measure performance by looking at the net operating balance for the financial year. This is a measure of the normal or day-to-day activities of the state—it tells us whether the state is earning more than it spends.

We measure position by looking at net worth at the end of the financial year. This shows the degree to which state's assets exceeds its liabilities, and indicates the extent to which the state would be able to absorb unexpected adverse economic shocks.

We assess sustainability by considering how the state's position and performance change over time. We also consider how the state is able to fund both its day-to-day operations and its investment in assets. This includes an assessment of whether the revenue the government earns is sufficient to finance its operations and capital investments or whether it needs to borrow for these purposes.

## Conclusions

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### Net operating balance

This year, the net operating balance of the general government sector was a surplus of \$970 million. This was the third consecutive year the general government sector reported a surplus, meaning it continues to earn more than it spends. This surplus was \$550 million higher than the prior year, but \$243 million below budget.

The net operating balance of the total state sector was a deficit of \$494 million. This was a \$387 million improvement on the prior year. This is the ninth consecutive year the total state sector has recorded a deficit—meaning it continues to spend more than it earns from day-to-day operations.

This year, Queensland received an additional \$1.3 billion in goods and services tax (GST) grant revenue from the Commonwealth. However, revenue from other grants was \$1.2 billion lower due to the Australian Government's decision to defer payments under Natural Disaster Relief and Recovery Arrangements (NDRRA).

The general government sector earned \$2.7 billion in dividends and tax equivalents revenue from government owned corporations. This underpinned the net operating surplus reported for this sector. Dividends paid as capital returns by government owned corporations reduced from \$3.1 billion last year to \$595 million this year. These dividends are not included in the net operating balance.

### Net worth

Total assets exceeded total liabilities by \$191.9 billion for the general government sector and \$182.1 billion for the total state sector. This was an increase of \$20 billion for the general government sector and \$16.7 billion for the total state sector. This means the state's financial position is sound.

This increase in the net worth of the state was largely due to an increase in the value of infrastructure assets reported by the Department of Transport and Main Roads.

General government sector debt was reduced by \$7.6 billion. The reduction in debt reflects the implementation of the government's debt action plan. The impact of the debt action plan was not as significant for the total state sector with \$2.8 billion of debt transferring from the general government sector to public non-financial corporations.

The general government sector's future commitments for public-private partnerships (cooperative agreements generally entered into with private sector entities for the delivery of government services) and operating leases were \$16.4 billion at 30 June 2016. While these future commitments are spread over a number of years, this represents an increase of \$2.2 billion (or 15 per cent) on the commitments reported at 20 June 2015. These commitments do not include \$979 million in operating lease commitments associated with the sub-lease of 1 William Street. A contingent liability (a potential liability that may occur, depending on the outcome of an uncertain future event) was recorded for these commitments at 30 June 2016.

### Understanding financial performance

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The net operating balance is used by most states to measure financial performance. It shows the difference between revenue earned and expenses incurred from day-to-day operations.

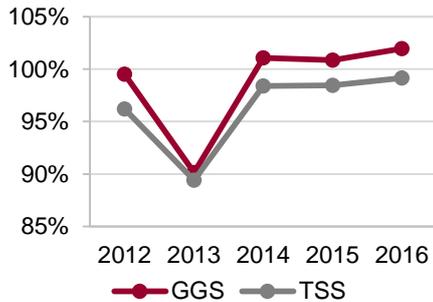
The net operating balance for the general government sector was a surplus of \$970 million. This is the third consecutive year for a surplus. Dividends received from government owned corporations underpinned the surplus in each of these years.

This result was \$243 million lower than the published 2016 budget. Lower than expected revenue from taxation and natural disaster grant funding contributed to this variance.

The total state sector recorded a net operating balance deficit of \$494 million, its ninth deficit in a row. Accumulated deficits since 2008 now total \$19 billion.

The difference in the result between the general government sector and the total state sector is partially due to the dividends paid by government owned corporations. While the general government sector recognises these dividends as revenue, they are eliminated in the total state sector because they represent transactions within the total state sector itself.

**Figure 3B**  
Operating ratio



Source: State government financial statements for 2015–16

### Operating ratio

We use the operating ratio to measure the extent to which revenues cover operating expenses. A ratio above 100 per cent indicates that revenues exceed expenses.

In 2015–16, the operating ratio for the general government sector was 102 per cent, up one per cent on the prior year.

The operating ratio for the total state sector has been negative for each of the last five years, although it increased slightly this year.

Prolonged negative ratios place significant pressure on the state's capacity to maintain current service levels and reduce resilience in the face of potentially negative economic events.

To achieve an operating ratio above 100 per cent, the total state sector needs closer alignment between its revenue and expenditure practices.

## Revenue

**Figure 3C**  
Total state sector revenue



Source: Queensland Audit Office and State government financial statements for 2015–16

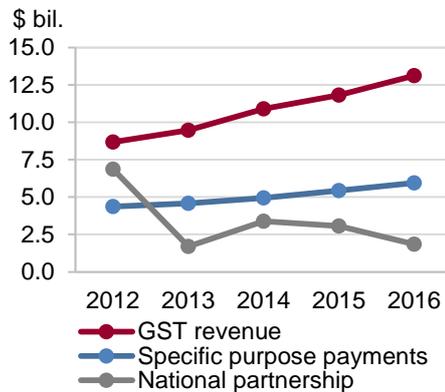
### Revenue results summary

Total results for revenue:

- General government sector revenues increased by \$1.0 billion to \$51.0 billion.
- Actual general government sector revenue fell just short of the budget estimate by \$191 million.
- Total state sector revenues increased by \$1.6 billion to \$57.9 billion.

## Transactions and events

**Figure 3D**  
**Commonwealth grants**



Source: State government financial statements for 2015–16

### Commonwealth grants

This year, the Queensland Government received \$23.4 billion in grants from the Australian Government.

GST grant revenue is the single largest source of revenue for the Queensland Government. This year, GST grant revenue increased by \$1.3 billion to \$13.1 billion.

The Queensland Government's share of the GST revenue collected nationally depends on the overall size of the available GST pool and Queensland's share of the pool as determined by the Commonwealth Grants Commission.

The Commission determines Queensland's share of the pool after considering a range of factors. These include Queensland's population, the Queensland Government's capacity to generate revenue, and its service delivery costs relative to other jurisdictions. This year, both the overall GST pool and Queensland's share of the pool increased.

Specific purpose grants increased by \$500 million to \$6.0 billion this year. Australian Government payments for cost recoveries in the health sector resulted in \$364 million extra revenue.

National partnership payments decreased by \$1.2 billion to \$1.8 billion this year. The decrease is due to the Australian Government revising its timing of reimbursements to Queensland under the NDRRA.

### Accounting for NDDRA grants—breaking it down

The Australian Government provides financial assistance to the Queensland Government through the NDRRA. This assistance supports recovery after natural disasters. The Australian Government reimburses up to 75 per cent of eligible costs incurred by the Queensland Government. These costs primarily relate to the restoration of state and local governments' roads and other public infrastructure.

The Queensland Reconstruction Authority (QRA) coordinates the NDRRA relief measures for Queensland state and local governments. Each year, QRA prepares an annual financial statement claim acquitting NDRRA funding to the Australian Government for eligible disasters. QAO audits these claims before the QRA submits them to the Commonwealth for approval and payment.

In March 2016, the Queensland Government lodged with the Australian Government its 2014–15 NDRRA claim. This claim was for \$1.05 billion. The auditor-general issued an unmodified opinion on the acquittal supporting the claim. As at 30 June 2016, the Commonwealth had not approved payment of the claim. Instead, the Commonwealth announced in its 2016–17 budget that it would defer payment of the NDDRA claims to future financial years.

The amount of the outstanding claim was not included as a receivable (an amount owing to the Queensland Government) in the 2015–16 Queensland state government financial statements. However, the financial statements disclosed the amount as a contingent asset (possible asset depending on the outcome of future events) because of the uncertainties in the approval process adopted by the Australian Government for these NDRRA claims.

### Sale of goods and services

Revenue from sales of goods and services is the second largest source of revenue for the total state sector and the third largest for the general government sector.

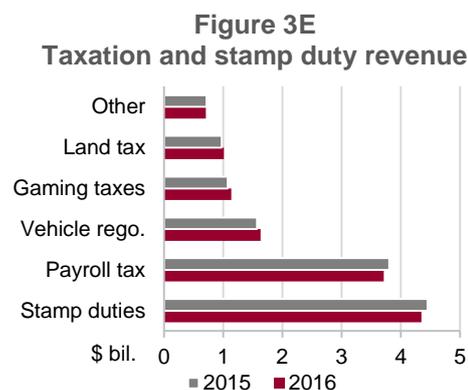
Sales of goods and services for the general government sector increased by \$472 million to \$5.9 billion. The increase was mostly due to increased cost recovery for higher health activity based funding and medical supplies through the national Pharmaceutical Benefits Scheme.

Sales of goods and services for the total state sector increased by \$944 million to \$16.3 billion.

The public non-financial corporations generated \$10.8 billion from sales of goods and services. This included revenue generated from services delivered in the transportation, energy, and water sectors.

The following reports outline the key revenue drivers for public non-financial corporations:

- *Energy: 2015–16 results of financial audits* (Report 5: 2016–17)
- *Rail and ports: 2015–16 results of financial audits* (Report 6: 2016–17)
- *Water: 2015–16 results of financial audits* (Report 7: 2016–17).



Source: *State government financial statements for 2015–16*

Land tax revenue also increased this year to \$1.0 billion. The valuer-general's report on property market movement found that statewide statutory land values increased by 8.8 per cent. The council areas with the highest increases in value were Banana, Brisbane, Gold Coast, Moreton Bay, Redland, and Toowoomba. These increases ranged from 9.7 per cent to 18.5 per cent.

### Royalties

The state generates royalty revenue from the mining of coal, bauxite, gold, and other minerals. Coal accounts for over 75 per cent of the royalties the government receives.

This year, royalties increased by \$64 million to \$2.1 billion. This is significantly lower than the 2008–09 peak, when royalties were \$3.4 billion.

Since 30 June 2016, current market prices for coking coal have doubled, exceeding \$200 per tonne.

### Dividends, tax equivalents, and capital returns

The general government sector receives revenue from government owned corporations through dividends and tax equivalents. The accounting treatment of dividends is important, as it can affect the net operating balance of the general government sector.

### Taxation revenue and stamp duties

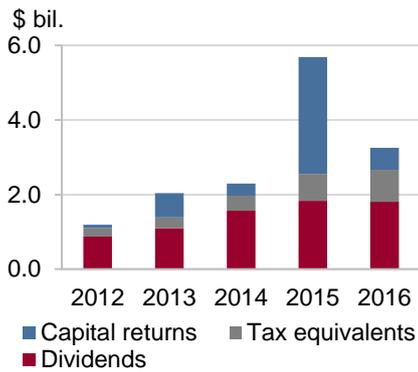
Taxation and stamp duties revenue for the general government sector decreased by \$50 million to \$12.5 billion.

Stamp duties and payroll taxes decreased from the prior year due to lower transfer duties and subdued wage growth.

Revenue from vehicle registrations increased \$62 million to \$1.63 billion. The key factor is the number of vehicle registrations, which increased from 4.89 million to 5.00 million.

Motor vehicle registrations exceed Queensland's population.

**Figure 3F**  
Dividends and tax equivalents



Source: State government financial statements for 2015–16

Dividends are revenue to the general government sector if a government owned corporation has declared the dividend out of current year profits. If a government owned corporation pays a dividend greater than current year profits, the excess is treated as a capital return and is not included in the net operating balance of the general government sector. That is, it is not included as revenue from day to day operations.

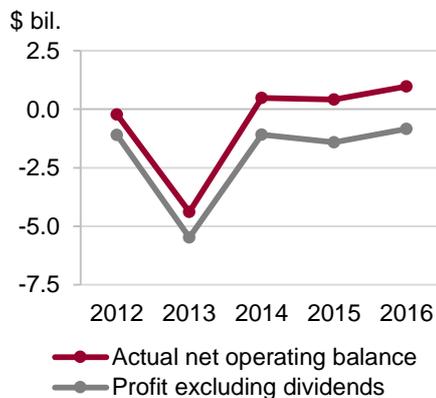
General government sector dividends and tax equivalents increased by \$107 million to \$2.7 billion for the year. This increase was mostly due to an additional \$129 million in income tax equivalents revenue from government owned corporations, with dividend revenue decreasing slightly this year.

Dividends treated as capital returns were \$595 million—down from \$3.1 billion the prior year.

The decrease this year is due to energy businesses declaring special dividends in 2014–15 as part of their regearing (increasing the ratio of how much they owe compared to how much they have in equity) under the government’s debt action plan. These transactions were treated as capital returns.

There is no impact on the total state sector from dividends, tax equivalents, and capital returns, as the transfers occur between sectors of government and are eliminated when they are consolidated.

**Figure 3G**  
Dividend effect



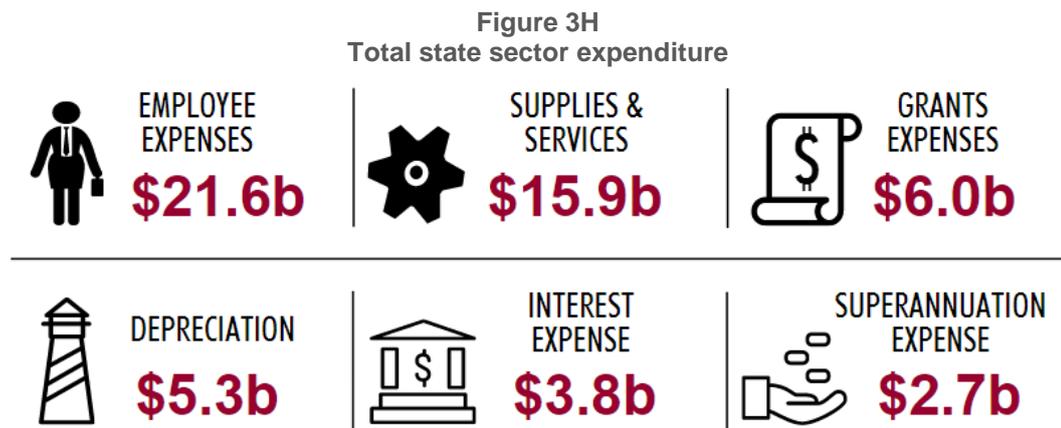
Source: State government financial statements for 2015–16

Dividend income is an important source of revenue for the general government sector. Since 2012, dividend revenue included in net operating balance has more than doubled.

Most government owned corporations now have 100 per cent dividend payout ratios. This means that government owned corporations declare a dividend for 100 per cent of their net profit after tax.

These dividends have underpinned the general government sector’s net operating surpluses for the past three years. If the government owned corporations did not pay dividends, the surpluses would have been deficits.

## Expenditure



Source: State government financial statements for 2015–16

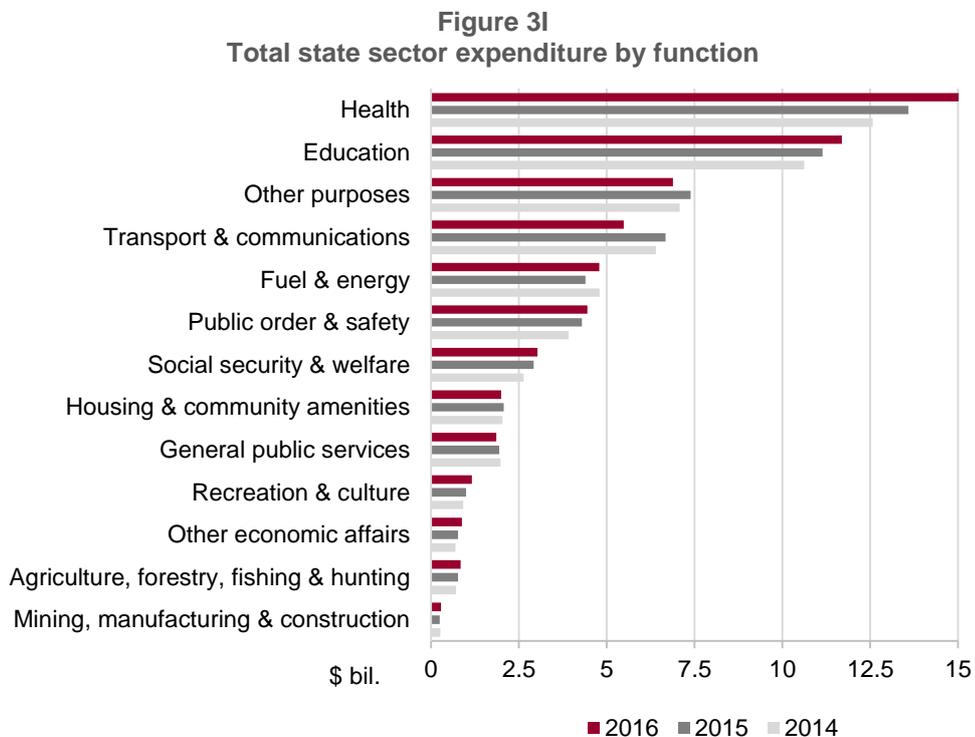
### Expenditure results summary

Total results for expenses:

- General government sector expenditure increased by \$474 million up to \$50.0 billion.
- Actual general government sector expenditure exceeded the budget estimate by \$52 million.
- Total state sector expenditure increased by \$1.2 billion to \$58.4 billion.

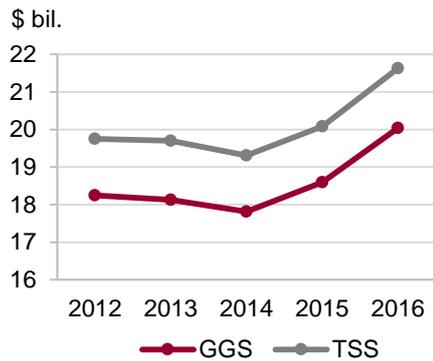
### Transactions and events

Spending on health, education, fuel and energy, and public order and safety had the largest increases in expenditure by function this year. Health and education remain the most significant functions provided by the government.



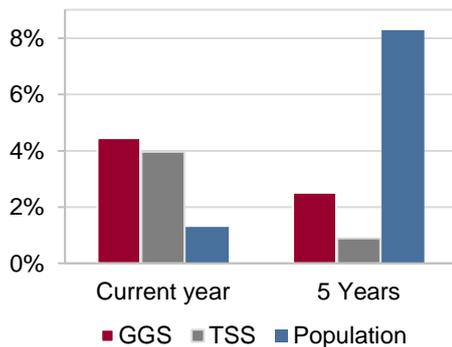
Source: State government financial statements for 2015–16

**Figure 3J**  
**Employee expenses**



Source: State government financial statements for 2015–16

**Figure 3K**  
**FTE increases vs. Queensland population increase**



Source: State government financial statements for 2015–16 and ABS 3101.0—Australian Demographic Statistics, Mar 2016

### Employee expenses

This year, the state government financial statements reported 215 751 full-time equivalent employees in the general government sector and 234 390 in the total state sector at 30 June 2016. This is an increase of 4.5 per cent and four per cent respectively on 30 June 2015.

Employee expenses for the general government sector increased by \$1.5 billion to \$20.0 billion. The increase was mostly due to:

- 9 194 additional full-time equivalents
- an annual 2.5 per cent indexation increasing wages
- a one-off payment under the State Government's Entities Certified Agreement 2015 estimated in the 2015–16 budget to be \$58 million.

As part of the 2016–17 state budget, the Treasurer announced that, from 2016–17, as a fiscal principle, overall growth in public sector full-time equivalent employees will not exceed Queensland population growth. The new fiscal principle uses an average rate over the forward estimates—a period of five years.

We performed this measure over a one-year and five-year period using the latest available population data from March 2016.

Over the last five years, the population has increased three times faster than increases to full-time equivalents in the general government sector. In the same period, population has increased nine times faster than the full-time equivalent in the total state sector.

However, it should be noted that there were significant year-to-year movements in general government sector full-time equivalents during this period. This included a significant decline in full-time equivalents during 2012–13. Total full-time equivalents in the general government sector have increased by 2.5 per cent over the five-year period since 30 June 2011.

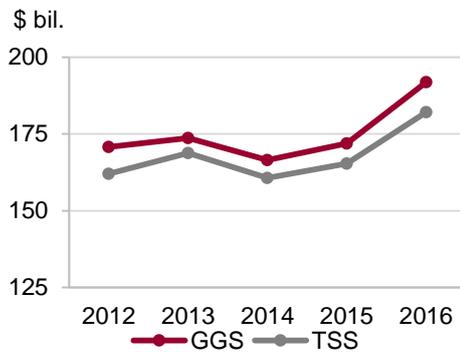
The new fiscal principle identified in the 2016–17 state budget will apply prospectively starting with the 2016–17 financial year. The fiscal principle does not include full-time equivalent employees within the general government sector but includes the funded full-time equivalents for in-scope agencies identified in the budget. These agencies are identified in Table 5.2 of the Budget Strategy and Outlook (Budget Paper 2) of the 2016–17 state budget.

The forward estimates included in the 2016–17 budget forecasts both full-time equivalents and the state population to grow at an average of 1.5 per cent across the forward estimates.

## Understanding financial position

How the state manages its balance sheet has become a critical component of fiscal management. Strong balance sheet management assists in meeting expense commitments for service delivery, debt objectives, and future infrastructure needs.

**Figure 3L**  
**Net worth**



Source: State government financial statements for 2015–16

### Net worth

Net worth represents the surplus of assets over liabilities. Both the general government sector and total state sector continue to record surpluses of assets over liabilities.

This year, the net worth of the general government sector increased significantly by \$20.0 billion. This was largely due to increased valuations of infrastructure assets at the Department of Transport and Main Roads.

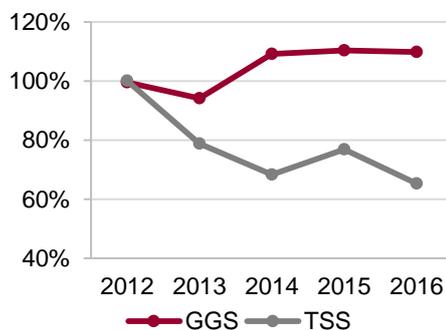
In addition, general government sector liabilities decreased by \$5.3 billion over the financial year. This was due to a \$7.6 billion reduction of borrowings, partially offset by a \$1.5 billion increase in the superannuation liability.

The overall impact of the debt reduction on the general government sector’s net worth, however, was partially offset by:

- the withdrawal of \$3.4 billion in investments managed by QIC Limited on behalf of the general government to pay down debt
- the transfer of \$2.8 billion of general government sector debt to public non-financial corporations, which reduced the value of the general government sector’s investment in these corporations as reported in the balance sheet.

The net worth of the total state sector also increased significantly by \$16.7 billion due to the increased valuations of infrastructure assets at the Department of Transport and Main Roads. However, total liabilities increased by \$1.7 billion, with total state sector borrowings only reducing by \$1.0 billion, resulting in a lower increase in net worth when compared to the general government sector.

**Figure 3M**  
**Current ratio**



Source: State government financial statements for 2015–16

### Current ratio

The current ratio is an indicator of the government’s ability to pay upcoming liabilities for the next 12-month period. We calculate it by dividing current assets (assets held for less than 12 months) by current liabilities (liabilities due within the next 12 months).

A value above 100 per cent means that current assets are sufficient to meet current liabilities. Liquidity risk (the risk of not being able to repay debts in the short-term) is lower in these situations. Where the value is less than 100 per cent, there is added pressure to generate cash flows to meet current liabilities, and liquidity risk increases.

In 2015–16, the general government sector posted its third consecutive positive current ratio (109 per cent).

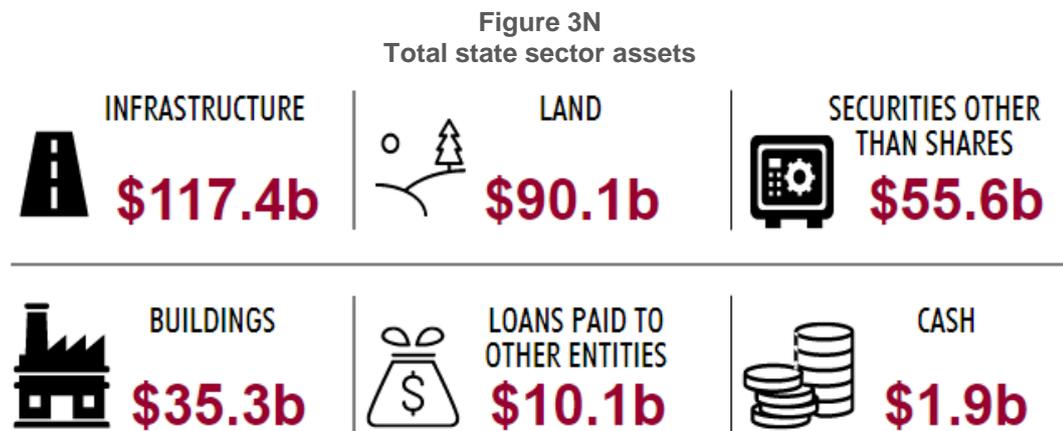
At the end of the year, it had \$10.4 billion of current assets to meet current liabilities of \$9.5 billion.

In contrast, the total state sector current ratio has been in steady decline since 2012. This year, current assets are \$22.2 billion and current liabilities are \$34.0 billion, giving a ratio of 65 per cent. Interest-bearing liabilities make up \$16.8 billion of the current liabilities.

The Queensland Treasury Corporation manages the liquidity risk of state's interest-bearing liabilities. It reduces liquidity risk by borrowing in advance, having strong access to external liquidity, and maintaining \$17.7 billion of financial assets and cash equivalents.

S&P Global rate the Queensland Government's liquidity as exceptional. We did not identify any liquidity issues in the audit of the Queensland Treasury Corporation.

## Assets



Source: State government financial statements for 2015–16

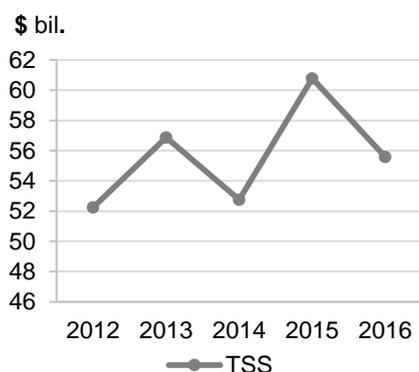
### Assets results summary

The total results for assets are:

- General government sector assets increased by \$14.7 billion to \$267.3 billion. Revaluations of infrastructure assets attributed to most of the increases.
- Actual general government sector assets exceeded the budget estimate by \$18.4 billion.
- Total state sector assets increased by \$18.4 billion to \$334.6 billion.

## Transactions and events

**Figure 30**  
**Securities other than shares**



Source: State government financial statements for 2015–16

### Securities other than shares

The Queensland Government holds \$55.6 billion of securities other than shares.

These include managed fund investments, interest-earning deposits, and government and corporate bonds.

Queensland Treasury Corporation holds most of these financial assets. The value of investments can fluctuate based on changes in the markets.

This year, securities other than shares decreased by \$5.2 billion. Most of the decrease was attributable to the withdrawal of \$3.4 billion of investments held aside to meet long service leave liability obligations. This was part of the debt action plan.

The debt action plan also included the temporary suspension of contributions to the defined benefit superannuation scheme. Gains on the value of investments of \$1.4 billion partially offset the withdrawal of investments and suspension of defined benefit scheme contributions. The Queensland Treasury Corporation also reduced the level of financial assets it maintains for funding and liquidity due to lower projections of future borrowings.

### Property, plant and equipment

Key movements for the material classes of property, plant, and equipment for the year are set out in the following table.

**Figure 3P**  
**Property, plant and equipment for the total state sector**

	Land \$mil.	Buildings \$mil.	Infrastructure \$mil.	Capital works in progress \$mil.
Opening balance	83 290	35 101	100 740	5 986
Acquisitions	130	262	175	5 608
Disposals	(96)	(21)	(169)	(8)
Revaluation increments	6 575	1 130	14 690	0
Impairments	(2)	0	(101)	0
Depreciation & amortisation	0	(1 436)	(2 607)	0
Transfers	199	280	4 663	(6 052)
Closing balance	90 096	35 316	117 390	5 535

Note: The above terms are explained in Appendix G—Glossary.

Source: State government financial statements for 2015–16

### Department of Transport and Main Roads

During 2015–16, the Department of Transport and Main Roads recorded a \$13.5 billion increase in the value of infrastructure assets.

### Fair value measurement of infrastructure assets—breaking it down

As there is no active market for the Department of Transport and Main Roads' infrastructure assets, the department uses current replacement cost to estimate their fair value. Two key elements of this valuation technique are the gross replacement cost and the remaining useful lives of the assets.

#### Gross replacement cost

During the year, the department changed its methodology for calculating gross replacement cost of road infrastructure, resulting in an increase from \$66.7 billion to \$81.7 billion.

The new approach more accurately reflects current replacement cost when reconstructing roads in an urban environment, such as working at night and around existing infrastructure.

#### Remaining useful life

A key input into the estimation of road infrastructure useful lives is the rate at which the department is able to replace individual road segments.

The department reviewed the estimated useful lives considering the likely future funding available and the optimal replacement program for the assets. The estimated average remaining useful life of road surfaces increased from four years to 20 years. Road pavement average also increased from 13 years to 83 years.

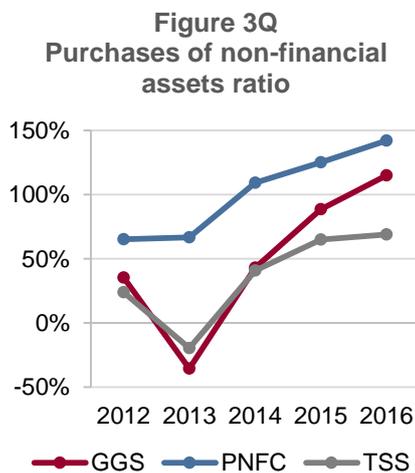
#### Financial statements

While the new approach provides better information on the value of infrastructure, resolving the accounting treatment resulted in significant adjustments to financial statements during the audit.

In 2016–17, the department will continue to explore further the gross replacement value calculations, and improvements in governance processes.

### Infrastructure sustainability

The Queensland Government provides vital infrastructure that facilitates and grows the economy. Therefore, the government manages a large number of complex, long-lived assets, almost all of which they own and control.



Source: State government financial statements for 2015–16

#### Purchases of non-financial assets ratio

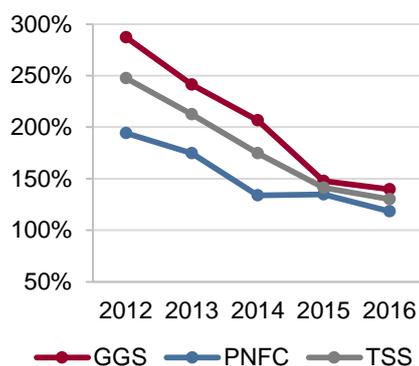
We use the ratio of net operating cash flows to net purchases of non-financial assets (for example, property, plant, and equipment) to calculate the state's capacity to self-finance acquisitions of property, plant, and equipment from operations.

If the ratio is above 100 per cent, the state can purchase non-financial assets without the need to raise money from other sources, such as borrowings, asset sales, or public-private partnership arrangements.

Both the general government sector and the public non-financial corporations have a ratio of greater than 100 per cent, indicating that both sectors have achieved this outcome. This is an increase on the prior year result for both sectors.

The general government sector net operating cash flows include dividends and tax equivalents received from the public non-financial corporations. When these are consolidated for the total state sector results, net operating cash flow funded 69 per cent of non-financial asset purchases.

**Figure 3R**  
**Capital replenishment ratio**



Source: *State government financial statements for 2015–16*

### Capital replenishment ratio

The capital replenishment ratio is a measure of investing sustainability. This ratio compares annual net purchases of non-financial assets to annual depreciation expense.

A ratio of less than 100 per cent may indicate that the size or condition of the overall asset base is diminishing, and a ratio of greater than 100 per cent suggests an expanding asset base. This means assets are being replaced or renewed at a greater rate than they are being depreciated.

The ratio for the general government sector, public non-financial corporations, and the total state sector has been above 100 per cent for the last five years, which means the asset base is expanding.

The ratio is decreasing due to a reduction in capital spend. Although it has fallen each year, the replenishment of assets remains sustainable at over 100 per cent.

### Outlook

Since July 2012, the Queensland Government has pursued the redevelopment of government-owned buildings in the Brisbane central business district. This has involved the sale and long-term lease of office building assets.

The transition from owner occupied buildings to a leased office accommodation portfolio is estimated to increase from 60 per cent leased space in 2012 to 85 per cent in January 2017.

Total general government sector commitments for public-private partnerships and operating leases at 30 June 2016 were \$16.4 billion. This represents an increase of \$2.2 billion (15 per cent) on the commitments reported at 30 June 2015.

Higher operating lease expenses are expected, particularly after vacating the Queen’s Wharf Brisbane precinct and when the 1 William Street office accommodation lease commences.

## Accounting for 1 William Street and Queen's Wharf Brisbane—breaking it down

### 1 William Street

On 21 December 2012, the Queensland Government entered into a project deed with Cbus Property for the development of office accommodation on state-owned land at 1 William Street.

The 15-year operating lease at 1 William Street is expected to commence from 20 December 2016. The Department of Housing and Public Works has reported a contingent liability of \$979 million at 30 June 2016 for the 15-year sub-lease.

### Queen's Wharf Brisbane

On 16 November 2015, the Queensland Government entered into contractual arrangements with the Destination Brisbane Consortium for the development and lease of Queen's Wharf Brisbane. The key features of these arrangements are:

- granting of a casino licence
- repurposing and maintenance of the Treasury Casino and Hotel
- development of residential properties and an integrated resort on state-owned land in the Queen's Wharf Brisbane precinct.

The Department of Housing and Public Works is the owner of land and buildings within the Queen's Wharf Brisbane precinct. The fair value of these assets at 30 June 2016 was \$274.3 million.

The value of the contract will not be reflected in the reported value of the assets until particular conditions of the development lease have been satisfied. The final condition was the granting of a casino licence, which occurred in October 2016. The department assessed the highest and best use for these assets at 30 June 2016 as being consistent with current and surrounding land use.

The land will continue to be recognised on the department's balance sheet until the state transfers control, which is expected to be when a long-term lease for 99 years is granted on development completion.

## Debt and liabilities

Figure 3S  
Total state sector debt and liabilities



Note: Borrowings include advances, securities, and derivatives.

Source: *State government financial statements for 2015–16*

### Debt and liability results summary

Total results for borrowings:

- General government sector borrowings decreased by \$7.6 billion to \$36 billion.
- Actual general government sector borrowings and advances were lower than the 2015–16 budget estimate by \$2.8 billion.
- Public non-financial corporation borrowings increased by \$5.3 billion to \$37.4 billion.
- Total state sector borrowings decreased by \$1.0 billion to \$103.5 billion.

**Figure 3T**  
**Queensland credit ratings**

Rating agency	Rating date	Rating	Rating outlook
S&P Global	19 Oct 2016	AA+	Stable
Moody's	14 Oct 2016	Aa1	Negative
Fitch	31 Aug 2016	AA	Stable

Source: S&P Global, Fitch, and Moody's

Each rating agency has its own basis for determining the credit rating given. The rating agencies consider a wide range of factors in determining the rating. Both the ratings and outlook remain unchanged for the year.

Credit ratings are important as they can affect the cost of the government's borrowings. The higher the rating, the lower the borrowing costs. This is because with a higher rating, someone lending them money will see the government as a lower risk.

## Transactions and events

### Superannuation liability

The superannuation liability for the general government sector includes the state Public Sector Superannuation Scheme and Judges' Scheme. The Energy Super Fund superannuation liability is included at the total state sector level.

General government sector superannuation liabilities increased by \$1.5 billion to \$27.4 billion. The increase was mostly from a change in the assumptions used by the actuary due to lower Commonwealth bond yields, which has an inverse effect on the value of the liabilities.

The superannuation liability was \$3.1 billion higher than the budgeted amount, due to changes in actuarial assumptions following the 2015–16 budget.

The defined benefit service costs for members were \$946 million for the year.

Queensland is the only Australian jurisdiction that fully funds its public service defined benefit superannuation liabilities. The government temporarily suspended contributions to the defined benefit fund during the financial year as part of its debt action plan. At 30 June 2016, the Qsuper defined benefit obligation remained fully funded.

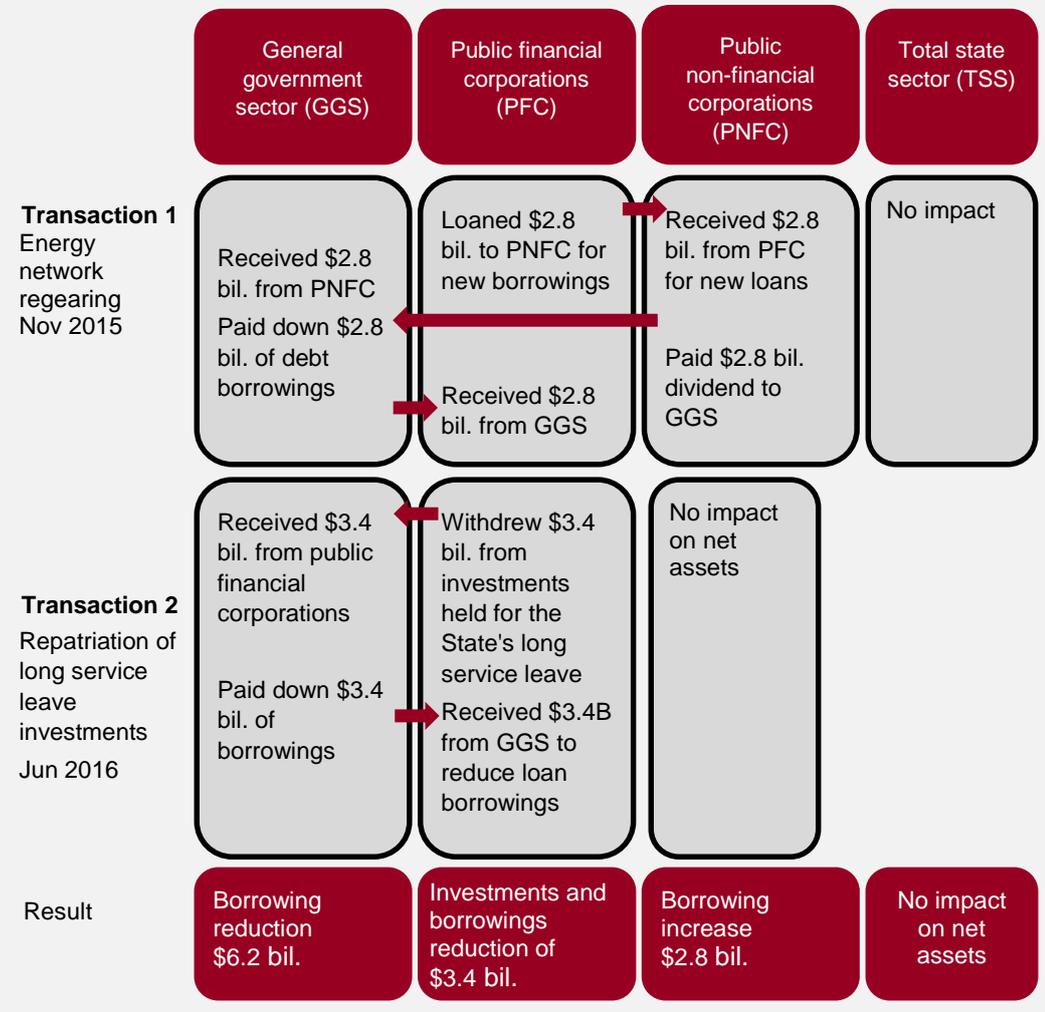
### Debt action plan

The general government sector borrowings decreased by \$7.6 billion through the implementation of the government's debt action plan. The government mostly funded this year's reduction through a drawdown of investments and by regearing the debt levels of the government's energy businesses.

**Accounting for the debt action plan—breaking it down**

The government facilitated the regearing of the energy businesses through payment of special dividends to the general government sector. These dividends were paid during 2015–16 and were predominantly funded through borrowings with Queensland Treasury Corporation.

The government also used long service leave investments held at QIC Limited for paying down general government sector debt held with the Queensland Treasury Corporation.



The gearing of the energy businesses is now to a similar level as industry averages while maintaining existing S&P Global investment grade credit ratings. The wider objectives of the government’s debt action plan also include making best use of available capital in reducing general government debt and encouraging cost-efficiencies in these businesses.

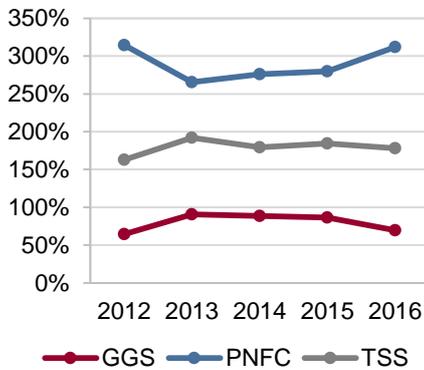
We assess these businesses annually for their ability to repay their liabilities as and when they fall due during the next financial year. We call this the going concern assumption. Although the increased borrowing costs puts pressure on profitability, we did not identify any instances where the ability of these businesses to continue as a going concern was uncertain.

The shifting of debt from the general government sector to the government owned corporations had no effect on the recent S&P Global credit rating assessment for the state.

## Debt sustainability

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

**Figure 3U**  
Debt to revenue ratio



Source: State government financial statements for 2015–16

### Debt to revenue ratio

The gross debt to operating revenue ratio is a measure of the state’s capacity to repay its debt from its revenues.

The government’s fiscal strategy is to target ongoing reductions in Queensland’s relative debt burden, as measured by the general government sector debt to revenue ratio.

This year, the debt to revenue ratio for the general government sector decreased by 16 per cent to 70 per cent because of the \$7.6 billion debt reduction. The result was one per cent lower than estimated in the 2016–17 state budget.

The regearing of debt for the government owned energy business resulted in the debt to revenue ratio increasing by 32 per cent to 312 per cent for the public non-financial sector.

The debt to revenue ratio for the total state sector declined by six per cent to 178 per cent.

### Interest expense to total revenue ratio

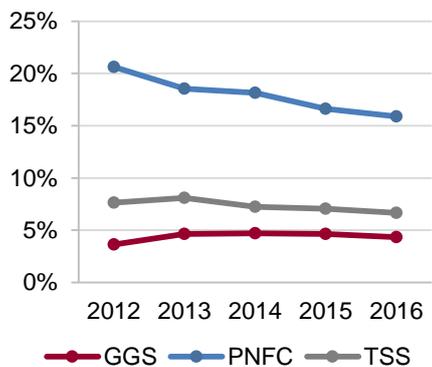
We use interest expense to revenue ratio to understand the proportion of the budget that needs to be set aside to pay interest on debt.

We have observed a continual decline of interest expense in proportion to revenue because of increased revenue and lower interest expense.

We expect the ratio to continue to improve for the general government sector under the current low market interest rate. This should also relieve pressure on the budget.

The additional debt carried by public non-financial corporations is likely to see the ratio increase for this sector without a compensating increase in the revenue they generate.

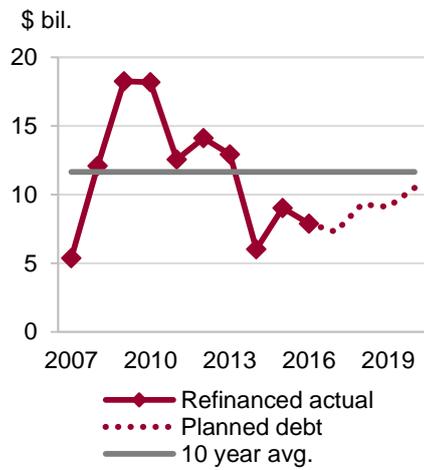
**Figure 3V**  
Interest expense to revenue ratio



Source: State government financial statements for 2015–16

## Outlook

**Figure 3W**  
**Debt refinancing total and forecast**



Source: Queensland Treasury Corporation

The state borrowing program for the 2016–17 financial year includes \$1.2 billion of new borrowings for state public sector entities and \$700 million for local government and other non-public sector entities.

Due to some of the debt being due for payment this year, \$5.4 billion will also need to be refinanced. This brings the total planned debt for the year to \$7.3 billion. This is significantly lower than the ten-year average at \$11.7 billion.

The four-year forecast is also under the 10-year average.



## 4. Internal controls

### Chapter in brief

This chapter details our assessment of the strength of the internal controls designed, implemented, and maintained by 21 departments to ensure reliable financial reporting.

We assess financial controls using the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) internal controls framework, which is widely recognised as a benchmark for designing and evaluating internal controls. The five key components of the framework are the control environment, risk assessment, monitoring activities, control activities, and information and communication.

### Main findings

- We did not identify any control deficiencies at eight of the 21 departments.
- We identified some departments with—incomplete asset management and ICT (information, communication and technology) planning; deficiencies in service level agreements; and weaknesses in financial policies. These can impede the establishment of authority and responsibility within the control environment.
- Our audits did not identify any systemic issues or major breakdown in systems of internal control. However, we did identify two significant control deficiencies.
- Three departments are still using financial systems that are unsupported by information technology vendors.
- Inconsistent application of manual control activities (for example, manual checks and authorisations) remains the most common reason for the control deficiencies identified.
- Our audit of selected controls at Queensland Shared Services and CITEC found the controls were operating effectively.
- We performed additional testing over supplier bank account changes in response to a recent fraud scheme targeting government agencies. Our testing confirmed that controls over supplier bank accounts were operating effectively.

### Audit conclusions

The internal control frameworks implemented at the 21 departments are sufficient to mitigate the risks that could prevent the departments from achieving reliable financial reporting.

While we identified control deficiencies at 13 of the 21 departments audited, including two significant deficiencies, we confirmed that we could rely on the systems of internal control in conducting our audits.

We have separately reported the control deficiencies to each department as required by the auditing standards.

## Introduction

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This chapter evaluates the effectiveness of the internal controls maintained by 21 departments. We selected these departments as they are primarily responsible for the majority of services provided within the general government sector.

The purpose of these internal controls is to mitigate risks that may prevent the departments from achieving reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

As part of our audit, we assess the design and implementation of these controls and, where we identify controls that we intend to rely on, we test how effectively these controls are operating.

If we assess a department's internal controls as not being well designed, not operating as intended, or missing controls that should be in place, we are required to communicate these deficiencies to management.

By reporting on our analysis, we aim to promote a stronger control environment and to mitigate financial losses and damage to public sector reputation by initiating effective responses to identified control weaknesses.

We have listed the 21 departments and a summary of our control assessments against each of the internal control elements in Appendix B.

## Conclusion

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While we identified control deficiencies at 13 of the 21 departments, we found that departments have generally developed sound frameworks for the components that support internal control. Our testing of the controls at the departments did not identify any systemic issues. This means that internal controls at departments are reducing the risk of material misstatements occurring in the financial statements whether due to fraud or error.

The most common cause of control deficiencies is inconsistent performance of control activities. Accordingly, there is an opportunity for departments to ensure that the control activities are implemented and operating consistently and effectively across all transactions.

We identified two significant deficiencies. The first was a deficiency in the Public Safety Business Agency's risk assessment framework. The second was Queensland Fire and Emergency Services relying on an out of date and unsupported payroll system.

Two other departments also rely on unsupported financial systems. The unsupported financial systems were not considered as significant deficiencies for those departments as they are only used for particular business units of the departments.

The reliance on unsupported finance systems increases the risk that the departments may not be able to:

- conduct their operations in an efficient, effective, and economical manner
- obtain the underlying information required to prepare accurate and reliable financial statements in a timely manner.

Other common control deficiencies identified with information systems included controls over user access, password settings, and appropriate monitoring of changes to databases. Strong controls over information systems are required to ensure the integrity of the data maintained on the systems.

## Internal control framework

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

The framework defines five key components for a successful internal control system. These include the control environment, risk assessment, monitoring activities, control activities, and information and communication.

All the components need to be present and operating together as an integrated system of internal control. When this is not the case, entities increase the risk of not achieving their objectives.

### Selecting internal controls to test

We assess the design and implementation of each department's internal controls to assist us in determining the nature, timing, and extent of testing to be performed.

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

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

### Our rating of internal control deficiencies

**Significant deficiency (high risk matters):** a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement. It requires immediate management action and are reported to those charged with governance.

**Deficiency:** occurs when internal controls are missing or ineffective. Deficiencies may lead to an environment that is not supportive of high quality financial reporting.

We assess all internal control deficiencies based on their potential to cause a material misstatement in the financial statements—either alone or forming part of an environment supportive of effective record keeping.

Our ratings allow management to gauge the relative importance of deficiencies and prioritise remedial actions.

We increase the rating to a significant deficiency from deficiency based on the risk of material misstatement in financial statements, the potential to cause financial losses, or an event causing major business interruptions. The following sections of this report detail the control deficiencies identified by COSO component. We also consider the appropriateness and timeliness of remedial action undertaken to resolve audit matters identified.

## Control environment



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

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

Overall, the majority of departments have developed and implemented an appropriate control environment. In planning the audits for these departments, our preliminary assessment of the control environments confirmed they were suitable for us to rely on internal controls in our audit.

We identified deficiencies across three departments including:

- service level agreements
- asset management planning
- information, communication and technology (ICT) planning
- operational and financial policies and procedures
- governance frameworks for compliance with prescribed requirements.

These plans and documents are important as they establish authority and responsibility within the department. They assist in ensuring that all personnel understand the department's objectives. Without them, staff could override other internal controls implemented by the department.

Despite these deficiencies, there was no change to our preliminary assessment that the control environment was suitable to support reliance on the internal systems of control at the departments.

## Risk assessment



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

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

During the 2013–14 financial year, we conducted a detailed review of departmental risk management processes. We found that most departments' risk management frameworks, and processes for identifying and mitigating risks, met the minimum requirements of the *Financial Accountability Act 2009*. In 2014–15, we reported that departments had made strong progress in implementing recommendations from the 2013–14 review.

This year, we identified a significant deficiency with the risk management framework at one department. The department is yet to implement formal systems to record, monitor, and track risks.

For three other departments we noted deficiencies in:

- integrating fraud and corruption into risk management
- maintaining and updating risk registers
- documenting the rationale for risk management decisions.

Departments can also improve the way they align strategic and operational risk through their risk management frameworks.

After extensive research into global developments in the public and private sectors, the Queensland Audit Office has developed a maturity model for risk management.

The model is now publicly available on our website. We encourage all public sector entities to conduct a self-assessment using this maturity model and to assess whether there are further opportunities for enhancing their risk management frameworks.

## Monitoring activities



- Management supervision
- Self-assessment
- Internal audit

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

We did not identify any deficiencies in monitoring activities within any of the departments. This indicates that departments have implemented appropriate systems for monitoring the effectiveness of internal controls and implementing actions to address any control deficiencies identified.

Typically, the internal audit function and an independent audit and risk committee are responsible for overseeing the implementation of internal controls and ensuring deficiencies are resolved in a timely manner. For departments, the chief finance officer must give the accountable officer an annual statement about whether the financial internal controls of the department are operating efficiently, effectively, and economically.

## Control activities



- Manual controls
- Automated controls

Control activities are policies and procedures that help ensure management directives are carried out and that necessary actions are taken to address identified risks. These activities operate at all levels and in all functions, and can be designed to prevent or detect errors entering financial systems.

Control activities account for 72 per cent of all control deficiencies identified in departments. This is consistent with our findings in previous years. Inconsistent application of the control activities is the common reason for deficiencies. We did not identify any significant deficiencies or systemic issues that would indicate the systems of internal control could not be relied upon.

The mix of control activities can also be categorised into manual control activities and information technology (IT) system controls.

### Manual control activities

Manual controls contain a human element, which can provide an opportunity to assess the reasonableness and appropriateness of transactions. These controls may also be less reliable than automated elements because they can be more easily bypassed or overridden.

We identified deficiencies in the manual control activities of thirteen departments including:

- revenue—not performing data validation checks and not monitoring debt collection
- expenditure—not obtaining authorisations, not using purchase orders, breaching financial delegations, processing duplicate payments, not validating invoices sufficiently, not monitoring disbursements, and not being able to locate documentation supporting supplier arrangements
- corporate cards—not performing reconciliations, not recording sufficient information detailing the nature of expenses incurred, and not adequately maintaining card holder registers
- payroll—not appropriately authorising salary payments, insufficiently monitoring overtime and employee entitlements, not approving timesheets, and not being able to locate documentation supporting employee salary arrangements
- cash at bank—not appropriately maintaining reconciliations and bank account signatory registers
- assets—not performing stocktakes, not adequately validating data and authorising asset valuation models, and not reconciling fixed asset registers to the general ledger.

### Information technology (IT) system controls

Information technology system controls are the control activities that relate to the maintenance and operational capability of the information technology (IT) systems.

IT system controls can improve timeliness, availability, and accuracy of information by consistently applying predefined business rules. They can enable the performance of complex calculations in processing large volumes of transactions, and improve the effectiveness of financial delegations and segregation of duties.

Effective controls over IT systems can reduce the risk that entities can circumvent controls, and can help maintain the integrity of information and security of the data.

Conversely, poorly managed IT system controls can increase the risk of unauthorised access, which may result in the destruction of data or recording of non-existent transactions.

We did not identify any significant deficiencies during the audits. However, we identified deficiencies in six departments for the following:

- user access inappropriately reviewed and monitored
- password and system security unsatisfactorily monitored
- system software acquisition, change, and maintenance inadequately managed
- data integrity and unauthorised changes to databases not appropriately monitored.

### Service providers

Queensland public sector entities use a variety of service providers to outsource some or all of the activities involved in processing transactions on their behalf.

Service providers can deliver cost efficiencies and provide an effective layer of control activities. They also present risks to the user entities due to the lack of visibility over controls at the service provider.

To assist user entities understand the design, implementation, and effectiveness of the internal controls over these outsourced functions, most service providers engage an auditor to provide an opinion on a controls report prepared in accordance with *ASAE 3402 Assurance Reports on Controls at a Service Organisation* (ASAE 3402 controls report).

## Queensland Shared Services

Queensland Shared Services (QSS) provides a range of services to 19 departments. These services include finance, procurement, human resources management, telecommunications, and mail support services.

## CITEC

CITEC is a business unit of the Department of Science, Information Technology and Innovation. It manages databases, networks, and operating systems relating to human resources, payroll, and financial applications on behalf of all departments. CITEC's services are used by QSS, the Department of Health, and the Department of Education.

## Result of audit

This year we provided unqualified opinions on the ASAE 3402 control reports prepared for QSS and CITEC. This means that based on our testing of controls at QSS and CITEC:

- the description of the systems and controls in the report were accurate
- the controls described in the report were suitably designed to achieve the control objectives identified in the report
- the controls described in the report operated effectively throughout the period.

## Controls testing weakness

While we issued unqualified opinions on our reports, our testing of internal controls at the service providers identified the following common deviations from control objectives:

- weaknesses were identified in password settings and the monitoring and management of user access
- a number of system users also had access to delete audit logs
- duplicate payments were processed without detection due to the absence of appropriate preventative controls
- a lack of segregation of duties between incompatible roles for creating and authorising transactions
- vendor changes and amendments were not reviewed.

Controls at a service organisation may not be sufficient alone to prevent or detect all errors or omissions in processing or reporting transactions. Complementary user entity controls are also required to monitor the performance of the service provider and identify irregularities with transactions processed. These are controls implemented by the user entity and are often required to ensure the validity, completeness, and accuracy of the information and documents provided to the service provider for processing.

The ASAE 3402 controls report also identifies the recommended complementary user entity controls. The intention of this combined approach is to ensure there are no gaps in the internal control framework adopted by departments when relying on controls at a service provider.

## Information and communication



- Non-financial systems
- Financial systems
- Reporting systems

Information and communication controls are the systems used to provide information to employees and the ways that control how responsibilities are communicated.

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

Most departments have sound information systems that provide timely and relevant information to support their operations and preparation of financial reports.

We identified deficiencies at a number of departments where financial systems were no longer supported by information technology vendors. For one department this was assessed as a significant deficiency. This issue is explained in further detail in the following section.

We also identified deficiencies in three departments for the following:

- internal management reporting timeliness and availability
- information system limitations for fleet management
- unsupported information systems still in use.

### Financial systems unsupported by the information technology vendor

When a vendor no longer provides support for software, there is an increased risk of systems becoming unreliable and/or susceptible to malware. In the event of a major system failure, it may not be possible to recover the system.

#### Payroll system unsupported

Queensland Fire and Emergency Services, the Queensland Ambulance Service (part of the Department of Health), and Queensland Corrective Services (part of the Department of Justice and Attorney-General) use the LATTICE payroll system to pay staff and manage their entitlements.

In September 2010, the former Department of Community Safety formally established a program to replace the outdated and unsupported LATTICE payroll system. In March 2016, the project underwent a revised delivery approach. The project sponsors have undertaken the required assurance activities, presented the findings to the Director General Council and prepared a Cabinet Budgetary Review Committee submission.

The Minister of Innovation, Science and the Digital Economy and Minister of Small Business, and the Minister for Police, Fire and Emergency Services and Minister for Corrective Services approved the commencement of the new project's first stage.

Despite being in its sixth year, with a total spend of \$35 million, the program is yet to achieve its key outcome of replacing the LATTICE payroll system.

#### Financial accounting system unsupported

The Department of Health's finance system processes transactions and annual financial statements to all sixteen hospital and health services agencies.

This system is an early generation SAP product that is 19 years old. It has been out of vendor maintenance for 10 years and is experiencing performance and stability issues.

The database and operating system, which are critical components for operating the finance system, have also reached end of life and do not have vendor support. The department cannot upgrade these critical components because the finance system may not be compatible with newer versions.

A cancelled attempt at replacing the finance system cost an estimated \$36.25 million.

The new Financial System Renewal Project will transition the Department of Health to a new, contemporary SAP finance solution. The 2016–17 state budget allocated \$105 million to the project over three years.

The Department of Health also provided \$2.7 million in seed funding for the new project between 2014 and 2017.

The project is progressing. It will evaluate a system prototype and plan the implementation, ensuring alignment to Queensland Government Chief Information Officer information and communication technology investment governance.

## Fraud awareness



Management are responsible for the systems of internal control designed to prevent and detect fraud within their entities.

Suppliers often change bank account details. The subsequent payments to these suppliers can be significant. Annually, we report weaknesses with the controls that are meant to be operating over the integrity of this data.

### The scam

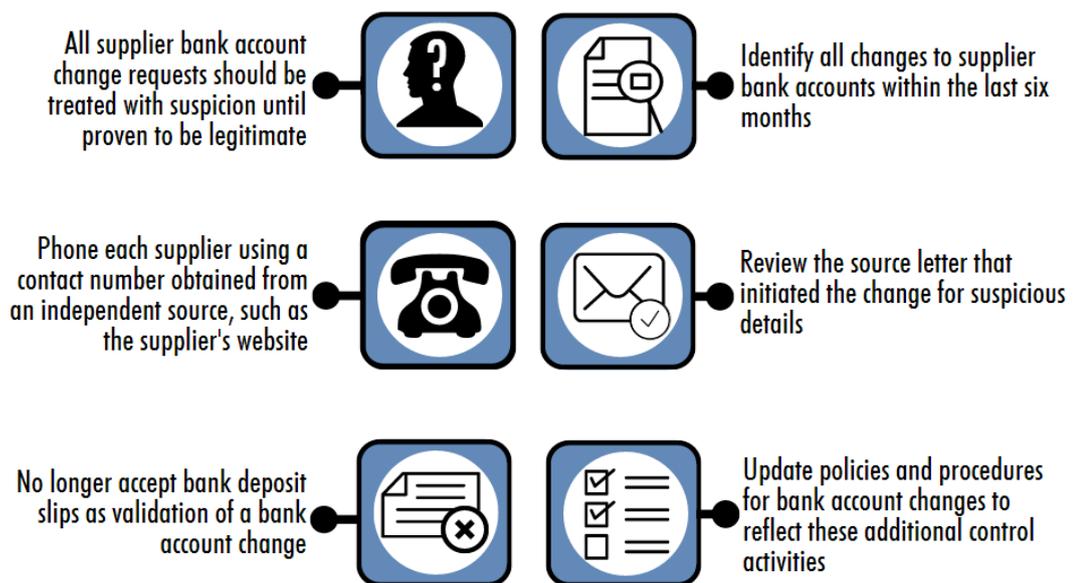
During the financial year, a malicious fraud scheme targeted public and private sector entities. The scam used fraudulent documents to request changes to an existing suppliers' bank account details and divert payments to illegitimate bank accounts.

### Our responsibilities

During an audit, we assess the risk of material misstatement due to fraud and respond by developing specific audit procedures to address the risks identified.

### Our response

In response to the identified fraud scheme this year, we asked all entity chief financial officers to independently verify their supplier bank account details. We recommended entities exercise increased vigilance over new requests to change supplier bank account details.



We also performed targeted procedures over controls for suppliers' bank account changes. We used computer-assisted audit techniques to target higher risk bank account changes.

Our testing of internal controls found that controls in this area were operating effectively and appropriate supporting documentation was maintained. Where we challenged the authenticity of a document, no frauds were detected.

Although we did not identify any further fraudulent payments, all public sector entities need to remain on high alert to this, and other fraudulent schemes, and allocate sufficient resources to their support staff to ensure proper interrogation of documents requesting changes to bank account details.

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## Appendix A—Full responses from agencies

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In accordance with section 64 of the *Auditor-General Act 2009*, we gave a copy of this report to a number of entities and parties with either a request for comment, the option of providing comments, or for their information.

We provided a copy of this report to the Premier, the Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport, Director-General, Department of the Premier and Cabinet, and the Under Treasurer for their information and comment.

We provided sections of the report to the following ministers:

- Deputy Premier, Minister for Infrastructure, Local Government and Planning and Minister for Trade and Investment
- Minister for Health and Minister for Ambulance Services
- Minister for Education and Minister for Tourism and Major Events
- Minister for State Development and Minister for Natural Resources and Mines
- Attorney-General and Minister for Justice and Minister for Training and Skills
- Minister for Police, Fire and Emergency Services and Minister for Corrective Services
- Minister for Transport and the Commonwealth Games
- Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply
- Minister for Environment and Heritage Protection and Minister for National Parks and the Great Barrier Reef
- Minister for Innovation, Science and the Digital Economy and Minister for Small Business
- Minister for Communities, Women and Youth, Minister for Child Safety and Minister for the Prevention of Domestic and Family Violence
- Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs
- Minister for Housing and Public Works
- Minister for Agriculture and Fisheries and Minister for Rural Economic Development
- Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs
- Minister for Disability Services, Minister for Seniors and Minister Assisting the Premier on North Queensland

We provided sections of the report to the following:

- Director-General of Department of Aboriginal and Torres Strait Islander Partnerships
- Director-General of Department of Agriculture and Fisheries
- Director-General of Department of Communities, Child Safety and Disability Services
- Director-General of Department of Education and Training
- Director-General of Department of Energy and Water Supply
- Director-General of Department of Environment and Heritage Protection
- Director-General of Department of Health
- Director-General of Department of Housing and Public Works
- Director-General of Department of Infrastructure, Local Government and Planning
- Director-General of Department of Justice and Attorney-General
- Director-General of Department of National Parks, Sport and Racing
- Director-General of Department of Natural Resources and Mines
- Director-General of Department of Science, Information Technology and Innovation
- Director-General of Department of State Development
- Director-General of Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Acting Director-General of Department of Transport and Main Roads
- Chief Executive of Public Safety Business Agency
- Chair of Queensland All Codes Racing Industry Board (Racing Queensland)
- Chair of Queensland Bulk Water Supply Authority (trading as Seqwater)
- Commissioner of Queensland Fire and Emergency Services
- Chair of Queensland Performing Arts Trust
- Commissioner of Queensland Police
- Public Service Commissioner
- Chief Executive Officer of Queensland Treasury Corporation
- Chair of Trade and Investment Queensland

The heads of these agencies are responsible for the accuracy, fairness, and balance of their comments.

This appendix contains their detailed responses to our audit recommendations.

## Comments received from Under Treasurer, Queensland Treasury



Queensland Treasury

Our Ref: 04240-2016  
Your Ref: 11565

Mr A Close  
Acting Auditor-General of Queensland  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002

Dear Mr Close

Thank you for your letter of 22 November 2016, seeking my comments on your report to Parliament titled "Queensland State Government: 2015-16 results of financial audits".

I understand our officers have met with your officers to clarify a number of points, resulting in some changes to the early draft of the report. I appreciate your agreement to the changes that have been made in the report.

The report highlights the strong performance of the State in 2015-16 and the significant reductions in General Government sector debt under the Government's Debt Action Plan.

I note your comments that the net operating balance is supported by \$2.7 billion in dividends and income tax equivalents from government owned corporations. The Government maintains its commitment not to sell these assets in recognition of the ongoing benefits to Queenslanders from public ownership.

In relation to the timing of asset valuations, Treasury has raised this issue with departmental Chief Financial Officers and requested them to engage early with valuers to avoid these problems arising in 2016-17.

If your officers require further information in relation to this letter, they can contact Mr Glenn Miller, Acting Assistant Under Treasurer, Fiscal Management on (07) 3035 1962.

Thank you for the opportunity to comment on the report.

Yours sincerely

  
Jim Murphy  
Under Treasurer  
8/12/16

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## Comments received from Director-General, Department of the Premier and Cabinet



Department of the  
**Premier and Cabinet**

For reply please quote: *EP/HG – TF/16/15633 – DOC/16/177060*  
Your reference: 11585

12 DEC 2016

Mr Anthony Close  
Acting Auditor-General  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002



Dear Mr Close

Thank you for your letter of 22 November 2016 advising that your report to parliament titled *Queensland State Government: 2015–16 results of financial audits* is nearing completion.

I appreciated receiving a copy of your draft report, which reflects the revised approach adopted by the Queensland Audit Office (QAO) this year to ensure that reporting on the results of financial audits are concise, relevant and efficient to produce.

As outlined in your report, I am pleased that the majority of state public sector entities financial statements were presented in a timely manner and were of good quality. I note that there is still room for improvement, particularly in relation to entities completing their asset valuations in a timelier manner, and I support appropriate actions being taken to improve the overall quality and timeliness of state public sector financial reporting.

I understand that Queensland Treasury has provided specific feedback to your officers to clarify technical aspects of the report and that this will be reflected in the final report that is to be tabled in Parliament.

I look forward to receiving a copy of your final report.

Yours sincerely

A handwritten signature in black ink, appearing to read "D Stewart". The signature is fluid and cursive.

Dave Stewart  
**Director-General**

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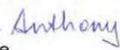
## Comments received from Director-General, Queensland Health



13 DEC 2016

Enquiries to: Mr Alistair Luckas  
Senior Director Statutory and  
Advisory Services  
Finance Branch  
Corporate Services Division  
3199 3494  
File Ref: DG082342

Mr Anthony Close  
Acting Auditor-General  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002

Dear Mr Close 

Thank you for your letter dated 22 November 2016, regarding the Queensland Audit Office's (QAO) proposed report to Parliament titled *Queensland State Government: 2015-16 results of financial audits*.

I appreciate your concerns regarding the implementation of the Human Resource Information System (HRIS) program to replace the LATTICE Payroll System, together with the replacement of Queensland Health's Financial and Materials Management Information System (FAMMIS).

I understand that responsibility for governance of the HRIS replacement program is in the process of being transferred from the Public Safety Business Agency to the Department of Science, Information Technology and Innovation. The LATTICE system is currently owned, supported and managed by Queensland Shared Services (QSS) - a division of the Department of Science, Information Technology and Innovation - to provide payroll and core Human Resource services to the Queensland Ambulance Service (QAS).

I support your acknowledgement that the implementation of neither system represents a significant deficiency in internal controls for the Department and that there were no impacts on the Department's financial statements for 2015-2016, on which you issued an unmodified opinion.

As previously advised in my letter to QAO on 17 October 2016, a QAS LATTICE Replacement project team, comprising both QAS and QSS representatives, is in place, with a Gate Three assurance review successfully undertaken by independent assurer Deloitte and reviewed by the Queensland Government Chief Information Office. The Director-General ICT Council has supported the investment in the QAS LATTICE Replacement project.

While LATTICE has not been supported by the vendor since 2008, the system is stable and QSS has continued to provide technical system support, system fixes and maintenance to ensure legislative compliance.

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## Comments received from Director-General, Queensland Health

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I confirm that significant work has been completed to mitigate the risks associated with Queensland Health's existing FAMMIS system and to stabilise the IT environment. It should be noted that CITEC continues to provide managed hosting services, including hardware support, maintenance and disaster recovery backup. Maintenance and support is also still being provided through the QSS Whole-of-Government SAP licensing arrangements.

I note your further acknowledgement (Section 4: Internal Controls, page 51) of the Department's Financial System Renewal Project, which will transition the Department to a new, contemporary SAP finance solution. The project is progressing with approval from Governor-in-Council to build a prototype in 2017.

Should you or your auditors require further information, the Department of Health's contact is Mr Alistair Luckas, Senior Director, Statutory and Advisory Services, Finance Branch, Corporate Services Division, on telephone 3199 3494.

Yours sincerely



**Michael Walsh**  
**Director-General**  
**Queensland Health**

## Comments received from Acting Chief Operating Officer, Public Safety Business Agency



**Public Safety  
Business Agency**

File No: PSB/100086  
Ref No: 09461-2016  
Your Ref: 11585  
Mr P Flemming

Mr Anthony Close  
Acting Auditor-General  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002

Dear Mr Close

I refer to your letter dated 22 November 2016 together with the extract of the draft report on the Queensland State Government: 2015-16 results of financial audits relevant to the public safety entities.

While the draft report received was agency specific only, I consider that the refreshed report structure is an improvement on previous year's reports in terms of conciseness and readability.

I note that the 2015-16 audit process and your draft report refers to a significant deficiency with regards to the Public Safety Business Agency's (PSBA) risk management framework. To provide balanced reporting to this audit finding, I submit for your consideration that reference be made to the risk management framework elements that were in place or updated by PSBA in 2015-16. This included the PSBA strategic and operational risk registers and appetite statements and publication and communication of the risk management framework, policies and guidelines.

In addition, enhanced processes for monitoring and reporting were implemented across the organisation including to the PSBA Board of Management. In 2016-17, PSBA has established a risk management working group that has a strategic and operational focus to further embed uniform and consistent risk management practices throughout the organisation.

With regards to the audit findings on the LATTICE payroll system, following consultation with the relevant recipient agencies, in September 2016 the Directors-General ICT Council approved for the Department of Science, Information Technology and Innovation (DSITI) to assume responsibilities for governance of the Human Resources Information System (HRIS) program. A transition plan and associated documentation has been developed and the transfer from PSBA to DSITI will occur in the near future.

.../2

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ABN 77 154 515 128

## Comments received from Acting Chief Operating Officer, Public Safety Business Agency

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- 2 -

I thank you for the opportunity to provide comments on the draft report. Should you require any further information, please have your nominated officer contact Mr Wayne Brummer, Chief Finance Officer, Business Services Division, PSBA on telephone (07) 3364 4321 or email [Wayne.Brummer@psba.qld.gov.au](mailto:Wayne.Brummer@psba.qld.gov.au).

Yours sincerely

Rod Wilson  
**Acting Chief Operating Officer**  
**Public Safety Business Agency**

## Comments received from Director-General, Department of National Parks, Sport and Racing



Office of the  
Director-General

Department of  
National Parks,  
Sport and Racing

Our Ref: CTS 30303/16  
Your Ref: 11585

Mr Anthony Close  
Acting Auditor-General  
Queensland Audit Office  
PO Box 15396  
CITY EAST QLD 4002



Dear Mr Close

Thank you for your letter of 22 November 2016 regarding your draft report to Parliament titled 'Queensland State Government: 2015-16 results of financial audits'.

I note in your report that an issue was raised pertaining to the valuation of the Department of National Parks, Sport and Racing's (NPSR) road network, which stretches more than 33 000 kilometres in length, including in some of Queensland's most remote locations and rugged terrains. As was previously communicated to staff in your office, NPSR is implementing a new valuation methodology consistent with the Road Alliance Valuation Project method. Collecting data to measure the value of our road network, together with applying the more complex valuation methodology has presented many challenges and is a body of work that will take a number of years to fully implement.

I note the 'Ineffective' rating regarding the additional seven working days required to certify NPSR's 2015-2016 financial statements and comments in your report regarding an adjustment to prior years' balances of infrastructure assets. I would like to acknowledge both the additional validation work and audit work that resulted in the time extension and agreement from your office that extending the timeframe in order for the financial statements to reflect a true and fair view of NPSR's financial position and have sufficient audit work undertaken by your office, was the most prudent decision.

I note the 'Effective' and 'Generally effective' ratings assigned to NPSR in all other aspects of the audit of the 2015-2016 financial statements and internal controls framework.

Should your officers have any further enquiries, please have them contact Mr Redmond O'Hara, Director Financial Management, Office of the Chief Finance Officer on telephone (07) 3338 9391 or via email [redmond.o'hara@npsr.qld.gov.au](mailto:redmond.o'hara@npsr.qld.gov.au).

Yours sincerely

A handwritten signature in black ink that reads "Tamara O'Shea".

Tamara O'Shea  
Director-General

12.12.16.

Level 34  
1 William Street Brisbane  
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Queensland 4002 Australia  
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## Appendix B—Our assessment of financial governance

### Auditing internal controls

In conducting an audit, we assess the design and implementation of internal controls to ensure they are suitably designed to prevent, detect, and correct material misstatements. Where the audit strategy requires it, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

#### Internal controls

Our assessment of internal control effectiveness is based on the number of deficiencies and significant deficiencies identified during the audit.

We have categorised each deficiency against five elements of internal control under the internationally recognised Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. These elements are:

- control environment—management’s actions, attitudes, and values that influence day-to-day operations
- monitoring activities—the methods management employs to oversee and assess whether internal controls are present and operating effectively
- control activities—policies and procedures that help ensure management directives are carried out, and that necessary actions are taken to address identified risks
- risk assessment—management’s processes for considering risks that may prevent an entity from achieving its objectives, and for forming a basis as to how the risks should be identified, assessed, and managed
- information and communication controls—the systems used to provide information to employees and the ways that control responsibilities are communicated.

A deficiency occurs when internal controls are unable to prevent, detect, or correct errors in the financial statements or where internal controls are missing.

A significant deficiency is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

The following table outlines the ratings we use to assess internal controls:

Rating	Internal controls assessment
● Effective	No deficiencies identified in internal controls
● Generally effective	Deficiencies identified in internal controls
● Ineffective	Significant deficiencies identified in internal controls

The deficiencies detailed in this report were identified during the audit and may have been subsequently resolved by the entity. They are reported here because they impacted on the overall system of control during 2015–16.

## Financial statement preparation

### Year end close process

State public sector entities should have a robust year end close process to enhance the quality and timeliness of their financial reporting processes. In January 2014, the Queensland Under Treasurer recommended the completion of five key areas before 30 June each year to enable a timely audit clearance of the financial statements at year end:

- finalising non-current asset valuations by 31 March
- preparing complete pro forma financial statements by 30 April
- resolving accounting issues by 30 April
- completing early close processes
- concluding all asset stocktakes by 30 June.

The extent of these key processes and the actual planned dates to perform these processes can vary on the needs for each entity. The target date for completion of these processes should be documented in a financial report preparation plan.

To be effective, year end processes need to be performed in accordance with the financial report preparation plan, and supporting documents made available for audit in a timely manner.

Rating	Year end close process assessment
● Effective	All five key processes were completed by the planned date.
● Generally effective	Three of the five key processes were completed within two weeks of the planned date.
● Ineffective	Less than three of key process were completed within two weeks of the planned date.

### Timeliness of draft financial statements

To assess the timeliness of draft financial statement effectiveness, we have compared the financial report preparation plan's target date to prepare the first draft financial statements against the actual date acceptable draft financial statements were received for audit.

Rating	Timeliness of draft financial statement assessment
● Effective	Acceptable draft financial statements were received on or prior to the planned date.
● Generally effective	Acceptable draft financial statements were received within two days after the planned date.
● Ineffective	Acceptable draft financial statements were received more than two days after the planned date.

### Quality of draft financial statements

We calculated the difference between the first draft financial statements submitted to audit and the final audited financial statements for the key financial statement components of total revenue, total expenditure, and net assets. Our quality assessment is based on the percentage of adjustments across each of these components.

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required.
● Generally effective	Adjustments for any of the three financial statement components were less than five per cent.
● Ineffective	Adjustments for any of the three financial statement components were greater than five per cent.

## Result summary

This table summarises our assessment of the 21 departments' internal controls, and the financial statement preparation processes across the entities producing either a financial report or financial reporting pack.

Departments	Internal controls					Financial statement preparation		
	CE	RA	MA	CA	IC	YE	T	Q
Department of Aboriginal and Torres Strait Islander Partnerships	●	●	●	●	●	●	●	●
Department of Agriculture and Fisheries	●	●	●	●	●	●	●	●
Department of Communities, Child Safety and Disability Services	●	●	●	●	●	●	●	●
Department of Education and Training	●	●	●	●	●	●	●	●
Department of Energy and Water Supply	●	●	●	●	●	●	●	●
Department of Environment and Heritage Protection	●	●	●	●	●	●	●	●
Department of Health	●	●	●	●	●	●	●	●
Department of Housing and Public Works	●	●	●	●	●	●	●	●
Department of Infrastructure, Local Government and Planning	●	●	●	●	●	●	●	●
Department of Justice and Attorney-General	●	●	●	●	●	●	●	●
Department of National Parks, Sport and Racing	●	●	●	●	●	●	●	●
Department of Natural Resources and Mines	●	●	●	●	●	●	●	●
Department of Science, Information Technology and Innovation	●	●	●	●	●	●	●	●
Department of State Development	●	●	●	●	●	●	●	●
Department of the Premier and Cabinet	●	●	●	●	●	●	●	●
Department of Tourism, Major Events, Small Business and the Commonwealth Games	●	●	●	●	●	●	●	●
Department of Transport and Main Roads	●	●	●	●	●	●	●	●
Public Safety Business Agency	●	●	●	●	●	●	●	●
Queensland Fire and Emergency Services	●	●	●	●	●	●	●	●
Queensland Police Service	●	●	●	●	●	●	●	●
Queensland Treasury	●	●	●	●	●	●	●	●

Note: CE = Control environment, RA = Risk assessment, CA = Control activities, IC = Information and communication, MA = Monitoring activities, YE = Year end close processes, T= Timeliness, Q = Quality.

## Appendix C—Audit opinion results

The following tables present the results of our financial statement audits for state public sector entities. The results have been summarised by Queensland ministers and portfolios as set out in Administrative Arrangements Order (No.1) 2016.

The Administrative Arrangements Orders detail the principal responsibilities, the Acts they administer, and the departments, agencies, and office holders for each Minister.

### Premier and Minister for the Arts

Responsibilities include the overall management of Queensland, Cabinet, coordinating government communication, policy development, Parliamentary Counsel, governance, protocol, intergovernmental relations, arts, and overall public service management.

Entity	Legislative time frame	Audit certification date	Audit opinion type
Aboriginal Centre for the Performing Arts Pty Ltd	31.10.16	31.10.16	Unmodified
Board of the Queensland Museum	31.08.16	30.08.16	Unmodified
Department of the Premier and Cabinet	31.08.16	31.08.16	Unmodified
Legislative Assembly and Parliamentary Service	31.08.16	29.08.16	Unmodified
Office of the Governor	31.08.16	18.08.16	Unmodified
Public Service Commission	31.08.16	29.08.16	Unmodified
Queensland Art Gallery Board of Trustees	31.08.16	30.08.16	Unmodified
Queensland Family and Child Commission	31.08.16	31.08.16	Unmodified
Queensland Museum Foundation Trust	—	30.08.16	Unmodified
Queensland Performing Arts Trust	31.08.16	15.09.16	Unmodified
Screen Queensland Pty Ltd	31.10.16	29.08.16	Unmodified

Exempt entities detailed in Appendix E:

- Queensland Theatre Company

- Queensland Music Festival Pty Ltd

Audit not finished detailed in Appendix F:

- Premier's Disaster Relief Appeal Fund

## Deputy Premier, Minister for Infrastructure, Local Government and Planning and Minister for Trade and Investment

Responsibilities include infrastructure, urban growth, local government and planning, Building Queensland, land use planning, trade development, investment promotion, and Queensland disaster recovery.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Building Queensland	31.08.16	19.08.16	Unmodified
Department of Infrastructure, Local Government and Planning	31.08.16	31.08.16	Unmodified
Queensland Reconstruction Authority	31.08.16	19.08.16	Unmodified
South Bank Corporation	31.08.16	25.08.16	Unmodified
South Bank Employing Office	31.08.16	25.08.16	Unmodified
Trade and Investment Queensland	31.08.16	01.12.16	Unmodified

Note: Financial statements for Trade and Investment Queensland were originally certified on 26.08.16. A reissued version of the financial statements was certified on 01.12.16.

## Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport

Responsibilities include the state budget and taxation, economic policy, government owned enterprises, insurance, Aboriginal and Torres Strait Islander cultural heritage, policy, rights and culture, and sport.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Board of Trustees of the State Public Sector Superannuation Scheme (QSuper)	30.09.16	29.09.16	Unmodified
Brisbane Port Holdings Pty Ltd	31.10.16	08.08.16	Unmodified
Business Development Fund	—	30.09.16	Unmodified
City North Infrastructure Pty Ltd	31.10.16	24.08.16	Unmodified
DBCT Holdings Pty Ltd	31.10.16	08.08.16	Unmodified
Department of Aboriginal and Torres Strait Islander Partnerships	31.08.16	31.08.16	Unmodified
Family Responsibilities Commission	31.08.16	16.08.16	Unmodified
Motor Accident Insurance Commission	31.08.16	31.08.16	Unmodified
Nominal Defendant	31.08.16	31.08.16	Unmodified
One QSuper Pty Limited	31.10.16	13.10.16	Unmodified

Entity	Legislative deadline	Audit certification date	Audit opinion type
QGOF 63G Trust	—	28.09.16	Unmodified
QGOF DPI Trust	—	28.09.16	Unmodified
QGOF MH Trust	—	28.09.16	Unmodified
QIC Alternative Beta Fund	—	28.09.16	Unmodified
QIC Alternative Investment Trust	—	26.10.16	Unmodified
QIC Australian Equities Special Purpose Fund	—	31.08.16	Unmodified
QIC Australian Fixed Interest Fund	—	30.08.16	Unmodified
QIC Australian Venture Capital Fund	—	30.08.16	Unmodified
QIC Bond Plus Fund	—	27.09.16	Unmodified
QIC Cash Enhanced Fund	—	22.09.16	Unmodified
QIC Cash Fund	—	22.09.16	Unmodified
QIC Direct Opportunities Fund	—	28.09.16	Unmodified
QIC Diversified Australian Equities Fund	—	27.09.16	Unmodified
QIC Diversified Fixed Interest Fund	—	27.09.16	Unmodified
QIC Diversified Infrastructure Fund No. 2	—	31.08.16	Unmodified
QIC GFI Alpha Fund	—	27.09.16	Unmodified
QIC GFI Inflation Plus Fund	—	27.09.16	Unmodified
QIC Global Credit Fund	—	27.09.16	Unmodified
QIC Global Credit Opportunities Fund	—	27.09.16	Unmodified
QIC Global Strategy Trust No. 2A	—	28.09.16	Unmodified
QIC Government Office Fund No. 1	—	28.09.16	Unmodified
QIC Growth Fund	—	30.09.16	Unmodified
QIC Hedged International Equities Fund	—	27.09.16	Unmodified
QIC Infrastructure Management No. 2 Pty Ltd	31.10.16	30.08.16	Unmodified
QIC Infrastructure Mandate No. 1 Trust	—	31.08.16	Unmodified
QIC Infrastructure Mandate No. 1A Trust	—	31.08.16	Unmodified
QIC Infrastructure Mandate No. 1B Trust	—	31.08.16	Unmodified
QIC Infrastructure Mandate No. 2B Trust	—	31.08.16	Unmodified

Entity	Legislative deadline	Audit certification date	Audit opinion type
QIC International Equities Fund	—	27.09.16	Unmodified
QIC Investments No. 1 Pty Ltd	31.10.16	30.08.16	Unmodified
QIC Investments No. 3 Pty Ltd	31.10.16	30.08.16	Unmodified
QIC Limited	31.08.16	31.08.16	Unmodified
QIC Liquid Alternatives Fund	—	27.09.16	Unmodified
QIC NZ Power Trust No. 2	—	31.08.16	Unmodified
QIC Private Capital Pty Ltd	31.10.16	30.08.16	Unmodified
QIC Private Equity Fund No. 1	—	28.09.16	Unmodified
QIC Private Equity Fund No. 2	—	28.09.16	Unmodified
QIC Private Equity Fund No. 3	—	28.09.16	Unmodified
QIC Properties Pty Ltd	31.10.16	29.08.16	Unmodified
QIC Retail Pty Ltd	31.10.16	30.08.16	Unmodified
QIC Strategy Fund No. 2	—	28.09.16	Unmodified
QIC Strategy Fund No. 3	—	31.08.16	Unmodified
QIC Treasury Infrastructure Fund	—	31.08.16	Unmodified
QIC US Regional Mall Fund No. 1	—	28.09.16	Unmodified
QIC US Regional Mall Fund No. 2	—	28.09.16	Unmodified
QInsure Limited	31.10.16	20.09.16	Unmodified
QInvest Limited	31.10.16	29.09.16	Unmodified
QLQ Real Property Holding Trust	—	28.09.16	Unmodified
QSuper Limited	31.10.16	29.09.16	Unmodified
Queensland Competition Authority	31.08.16	22.08.16	Unmodified
Queensland Investment Trust No. 2	—	27.09.16	Unmodified
Queensland Lottery Corporation Pty Ltd	31.10.16	08.08.16	Unmodified
Queensland Productivity Commission	31.08.16	31.08.16	Unmodified
Queensland Treasury*	31.08.16	31.08.16	Unmodified
Queensland Treasury Corporation	31.08.16	22.08.16	Unmodified
Queensland Treasury Holdings Pty Ltd	31.10.16	09.08.16	Unmodified

Entity	Legislative deadline	Audit certification date	Audit opinion type
Stadiums Queensland	31.08.16	31.08.16	Unmodified
The Island Industries Board (trading as Islanders Board of Industry and Service (IBIS))—31 Jan 2016 year end	31.03.16	30.03.16	Unmodified

\* Department also reports to the Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs

Exempt entities detailed in Appendix E:

- Mt Gravatt Showgrounds Trust
- QIC (UK) Management Limited
- QIC European Investment Services
- QIC Global Infrastructure (US), Inc
- QIC GRE MANAGEMENT (US). INC
- QIC Properties US, Inc.
- QIC US Investment Services Inc
- QIC US Management Incorporated

Entities not preparing financial statements:

- Canberra Centre Investments Pty Ltd
- Eastland Property Holdings Pty Ltd
- Innovis Investments Australia Fund
- Innovis Investments Pty Ltd
- Martin Place Management Limited
- Network Infrastructure Company Pty Ltd
- Pacific Echo Pty Limited
- QBF No. 1 Pty Ltd
- QBF No. 2 Pty Ltd
- QIC Asia Real Estate Investments Pty Ltd
- QIC Brisbane Airport Infrastructure Trust
- QIC CM Pty Ltd
- QIC Coomera Pty Ltd
- QIC CRCHUM Trust
- QIC Developments Pty Ltd
- QIC Global Strategy Trust No. 2
- QIC Global Strategy Trust No. 2B
- QIC Helensvale Pty Ltd
- QIC Hi Yield Pty Ltd
- QIC Infrastructure Management No. 3 Pty Ltd
- QIC Infrastructure Management No. 4 Pty Ltd
- QIC Infrastructure Management Pty Ltd
- QIC Initial Unitholder Pty Ltd
- QIC International Real Estate Investments Pty Ltd
- QIC Investments No. 2 Pty Ltd
- QIC Logan Hyperdome (No. 2) Pty Ltd
- QIC Logan Hyperdome Pty Ltd
- QIC Merrifield Pty Ltd
- QIC Merry Hill Pty Ltd
- QIC Noosa Civic Pty Ltd
- QIC North America Investments Pty Ltd
- QIC North Asia Real Estate Investment Pty Ltd
- QIC NZ Power Trust No. 3
- QIC NZ Power Trust No. 4
- QIC Ports Trust No. 2
- QIC PPP Trust
- QIC Property Investments (Jersey) No. 1 Limited
- QIC Property Investments (Jersey) No. 2 Limited
- QIC Property Management Pty Ltd
- QIC Real Estate Pty Ltd
- QIC Retail (No. 2) Pty Ltd
- QIC Ringwood Pty Ltd
- QIC Robina Pty Ltd
- QIC Section 63 Trust
- QIC Tollroad Investment Fund No. 1
- QIC Tollroads Fund No. 1
- QIC Toowoomba Pty Ltd
- QIC US Infrastructure Fund No. 1
- QIC US Infrastructure Fund No. 2
- QIC US Power Trust No. 1
- QIC US Power Trust No. 2
- QIC Westpoint Pty Ltd
- QLQ Trust No. 2
- QLQ Trust No. 3
- QPC Investments No.1 Pty Ltd
- QSuper Asset Management Pty Limited
- QSuper Investment Holdings Pty Ltd
- Queensland Airport Holdings (Cairns) Pty Ltd
- Queensland Airport Holdings (Mackay) Pty Ltd
- Queensland BioCapital Fund No. 1
- Queensland BioCapital Fund No. 2
- Queensland BioCapital Funds Pty Ltd
- Queensland Trade and Investment Office Pty Ltd
- Sunshine Locos Pty Limited
- TIF3 Pty Ltd
- Watergardens Pty Limited

## Minister for Health and Minister for Ambulance Services

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

Entity	Legislative deadline	Audit certification date	Audit opinion type
Children's Hospital Foundation Queensland	31.08.16	31.08.16	Unmodified
Darling Downs and West Moreton Primary Health Network Limited	31.12.16	13.10.16	Unmodified
Department of Health	31.08.16	31.08.16	Unmodified
HIV Foundation Queensland	31.08.16	22.08.16	Unmodified
North Queensland Primary Healthcare Network Limited	31.12.16	07.10.16	Unmodified
Office of the Health Ombudsman	31.08.16	31.08.16	Unmodified
Q-Pharm Pty Ltd	31.10.16	31.08.16	Unmodified
Queensland Mental Health Commission	31.08.16	29.08.16	Unmodified
Redcliffe Hospital Foundation	31.08.16	26.10.16	Unmodified
Royal Brisbane and Women's Hospital Foundation	31.08.16	30.08.16	Unmodified
The Council of the Queensland Institute of Medical Research (trading as QIMR Berghofer)	31.08.16	31.08.16	Unmodified
Western Queensland Primary Care Collaborative Limited	31.12.16	21.10.16	Unmodified

Exempt entities detailed in Appendix E:

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

Audit not finished detailed in Appendix F:

- Queensland Children's Medical Research Institute

Entities not preparing financial statements:

- Q-Gen Pty Limited
- Vaccine Solutions Pty Ltd

## Minister for Education and Minister for Tourism and Major Events

Responsibilities include state schooling, early childhood education and care, higher education, non-state school funding, major events, and tourism development and promotion.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Department of Education and Training*	31.08.16	29.08.16	Unmodified
Department of Tourism, Major Events, Small Business and the Commonwealth Games^	31.08.16	22.08.16	Unmodified
Gold Coast Events Management Ltd (trading as Queensland Events Gold Coast)	31.10.16	25.08.16	Unmodified
Non-State Schools Accreditation Board	31.08.16	08.08.16	Unmodified
Queensland Curriculum and Assessment Authority	31.08.16	30.08.16	Unmodified
Tourism and Events Queensland	31.08.16	25.08.16	Unmodified
Tourism and Events Queensland Employing Office	31.08.16	31.08.16	Unmodified

\* Department also reports to the Attorney-General and Minister for Justice and Minister for Training and Skills.

^ Department also reports to the Minister for Transport and the Commonwealth Games

Exempt entities detailed in Appendix E:

- Queensland Education Leadership Institute Limited

Audit not finished detailed in Appendix F:

- Aviation Australia Pty Ltd

Entities not preparing financial statements:

- Asia Pacific Screen Awards Ltd

## Minister for State Development and Minister for Natural Resources and Mines

Responsibilities include state development, local industry policy, infrastructure coordination and planning, major project development and facilitation, mining and petroleum, mine safety and health, Aboriginal and Torres Strait Islander land interests, land and natural resource management, and native title.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Avondale Water Board	31.08.16	30.09.16	Qualified
Bollon West Water Authority	31.08.16	22.09.16	Disclaimer
Bones Knob Water Board	31.08.16	24.10.16	Qualified
Brigooda Water Board	31.08.16	31.08.16	Disclaimer
Burdekin Shire Rivers Improvement Trust	31.08.16	22.09.16	Unmodified
Callandoon Water Supply Board	31.08.16	31.08.16	Unmodified
Department of Natural Resources and Mines	31.08.16	31.08.16	Unmodified
Department of State Development	31.08.16	29.08.16	Unmodified
Don River Improvement Trust	31.08.16	27.09.16	Unmodified
Dumaresq-Barwon Border Rivers Commission	—	31.08.16	Unmodified
East Deeral Drainage Board	31.08.16	30.09.16	Disclaimer
Fernlee Water Authority	31.08.16	05.10.16	Disclaimer
Gasfields Commission Queensland	31.08.16	11.08.16	Unmodified
Glamorgan Vale Water Board	31.08.16	31.08.16	Unmodified
Healthy Waterways Ltd	31.12.16	05.10.16	Unmodified
Ipswich Rivers Improvement Trust	31.08.16	05.08.16	Unmodified
Kaywana Bore Water Board	31.08.16	10.08.16	Qualified
Lower Burdekin Water	31.08.16	30.08.16	Unmodified
Lower Herbert Water Management Authority	31.08.16	12.10.16	Unmodified
Matthews Road Drainage Board	31.08.16	30.09.16	Disclaimer
Merlwood Water Board	31.08.16	24.10.16	Disclaimer
Orchard Creek and East Euramo Drainage Board	31.08.16	24.10.16	Unmodified
Scenic Rim Rivers Improvement Trust	31.08.16	19.07.16	Unmodified
Silkwood Drainage Board	31.08.16	24.10.16	Disclaimer

Entity	Legislative deadline	Audit certification date	Audit opinion type
South Maroochy Drainage Board	31.08.16	30.09.16	Disclaimer
Stanthorpe Shire River Improvement Trust	31.08.16	10.08.16	Unmodified
State Council of River Trusts, Queensland Inc.	31.12.16	14.09.16	Unmodified
Valuers Registration Board of Queensland	31.08.16	26.08.16	Unmodified
Wambo Shire River Improvement Trust	31.08.16	04.08.16	Unmodified
Warwick Shire River Improvement Trust	31.08.16	30.08.16	Unmodified
Whitsunday Rivers Improvement Trust	31.08.16	24.08.16	Unmodified
Yambocully Water Board	31.08.16	30.08.16	Unmodified

## Exempt entities detailed in Appendix E:

- Surveyors Board of Queensland

## Audit not finished detailed in Appendix F:

- Babinda Swamp Drainage Board
- Bollon South Water Authority
- Cairns River Improvement Trust
- Cassowary Coast River Improvement Trust
- Eugun Bore Water Authority
- Herbert River Improvement Trust
- Ingie Water Authority
- Pioneer Valley Water Board
- Roadvale Water Board

## Entities not preparing financial statements:

- Callandoon Water Supply Board Employing Office
- Glamorgan Vale Water Board Employing Office
- Merlwood Water Board Employing Office
- Pioneer Valley Water Board Employing Office
- Yambocully Water Board Employing Office

## Attorney-General and Minister for Justice and Minister for Training and Skills

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

Entity	Legislative deadline	Audit certification date	Audit opinion type
Anti-Discrimination Commission	31.08.16	16.08.16	Unmodified
Crime and Corruption Commission	31.08.16	29.08.16	Unmodified
Department of Justice and Attorney-General*	31.08.16	31.08.16	Unmodified
Electoral Commission of Queensland	31.08.16	25.08.16	Unmodified
Forde Foundation Trust Fund	—	29.09.16	Unmodified
Gladstone Foundation	—	29.09.16	Unmodified
Lady Bowen Trust	—	29.09.16	Unmodified
Law Claims Levy Fund	—	30.08.16	Unmodified
Legal Aid Queensland	31.08.16	26.08.16	Unmodified
Legal Practitioners Admissions Board	31.08.16	30.08.16	Unmodified
Legal Practitioners Fidelity Guarantee Fund	—	30.08.16	Unmodified
Office of the Information Commissioner	31.08.16	23.08.16	Unmodified
Office of the Ombudsman	31.08.16	11.08.16	Unmodified
Professional Standards Council	31.08.16	31.08.16	Unmodified
Prostitution Licensing Authority	31.08.16	15.08.16	Unmodified
Public Trustee of Queensland Growth Trust	—	29.08.16	Unmodified
QCF Management Co. Ltd	31.10.16	04.10.16	Unmodified
Queensland Aboriginal & Torres Strait Islander Foundation	—	29.09.16	Unmodified
Queensland Community Foundation	—	29.09.16	Unmodified
Queensland Law Society Incorporated	31.08.16	30.08.16	Unmodified
TAFE Queensland	31.08.16	26.08.16	Unmodified
The Public Trustee of Queensland	31.08.16	29.08.16	Unmodified

\* Department also reports to the Minister for Police, Fire and Emergency Services and Minister for Corrective Services

Exempt entities detailed in Appendix E:

- Lexon Insurance Pte Ltd

- Supreme Court Library Committee

Entities not preparing financial statements:

- Disaster Appeals Trust Fund

## Minister for Police, Fire and Emergency Services and Minister for Corrective Services

Responsibilities include the police service, adult corrective services, disaster management, and the State Emergency Service.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Office of the Inspector-General of Emergency Management	31.08.16	23.08.16	Unmodified
Public Safety Business Agency	31.08.16	31.08.16	Unmodified
Queensland Fire and Emergency Services	31.08.16	31.08.16	Unmodified
Queensland Police Service	31.08.16	31.08.16	Unmodified

## Minister for Transport and the Commonwealth Games

Responsibilities include air services, busways, passenger transport, railways, transport infrastructure, and the Commonwealth Games.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Gold Coast 2018 Commonwealth Games Corporation	31.08.16	31.08.16	Unmodified
National Heavy Vehicle Regulator	30.09.16	14.09.16	Unmodified

## Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply

Responsibilities include land transport and safety, main roads, marine infrastructure, ports, energy and water utilities, and bulk water supply, distribution, and retail arrangements.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Department of Energy and Water Supply	31.08.16	31.08.16	Unmodified
Department of Transport and Main Roads*	31.08.16	31.08.16	Unmodified
Energy and Water Ombudsman Queensland	31.08.16	18.08.16	Unmodified
Gold Coast Waterways Authority	31.08.16	12.08.16	Unmodified
Transmax Pty Ltd	—	14.10.16	Unmodified

\* Department also reports to the Minister for Transport and the Commonwealth Games.

## Minister for Environment and Heritage Protection and Minister for National Parks and the Great Barrier Reef

Responsibilities include climate change policy, environmental planning, historical cultural heritage, Great Barrier Reef, waste management, pollution management, fish habitat areas, and National Parks.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Department of Environment and Heritage Protection	31.08.16	31.08.16	Unmodified
Department of National Parks, Sport and Racing*	31.08.16	09.09.16	Unmodified

\* Department also reports to the Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport and the Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs.

Exempt entities detailed in Appendix E:

- Queensland Trust for Nature Fund

- The Board of Trustees of Newstead House

Audit not finished detailed in Appendix F:

- Balance the Earth Trust

## Minister for Innovation, Science and the Digital Economy and Minister for Small Business

Responsibilities include information and communication technology, science policy, strategy and investment, research and development coordination and planning, innovation policy, strategy, and programs, Crown copyright and intellectual property, and small business.

Entity	Legislative deadline	Audit certification date	Audit opinion type
BioPharmaceuticals Australia (Network) Pty Ltd	31.10.16	12.08.16	Unmodified
Department of Science, Information Technology and Innovation	31.08.16	29.08.16	Unmodified
Library Board of Queensland	31.08.16	26.08.16	Unmodified
Queensland Library Foundation	31.10.16	30.08.16	Unmodified

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

Responsibilities include carers, adoption, women's policy, youth affairs, and the prevention of domestic and family violence.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Department of Communities, Child Safety and Disability Services*	31.08.16	31.08.16	Unmodified

\* Department also reports to the Minister for Disability Services, Minister for Seniors and Minister Assisting the Premier on North Queensland and the Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs.

## Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs

Responsibilities include employment policies and programs, workers' compensation, workplace health and safety, racing, and multicultural affairs.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Anzac Day Trust	31.08.16	05.08.16	Unmodified
BCITF (Qld) Limited (trading as Construction Skills Queensland)	—	15.09.16	Unmodified
Building and Construction Industry Training Fund (Qld)	—	15.09.16	Unmodified
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	31.08.16	29.08.16	Unmodified
Contract Cleaning Industry (Portable Long Service Leave) Authority	31.08.16	29.08.16	Unmodified
Queensland All Codes Racing Industry Board (Racing Queensland)	31.08.16	31.08.16	Unmodified
Queensland Race Product Co Ltd	31.10.16	31.08.16	Unmodified
Rockhampton Racing Pty Ltd	31.10.16	31.08.16	Unmodified
Sunshine Coast Racing Pty Ltd	31.10.16	31.08.16	Unmodified
WorkCover Employing Office	31.08.16	31.08.16	Unmodified
WorkCover Queensland	31.08.16	31.08.16	Unmodified

## Minister for Housing and Public Works

Responsibilities include licensing and regulation of the state's building industry, registration of retirement villages, regulation of accommodation services, housing services, homelessness, government purchasing, and buildings and accommodation.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Board of Architects of Queensland	31.08.16	30.08.16	Unmodified
Board of Professional Engineers of Queensland	31.08.16	30.08.16	Unmodified
Cairns Convention Centre	—	26.08.16	Unmodified
Department of Housing and Public Works	31.08.16	31.08.16	Unmodified
Gold Coast Convention and Exhibition Centre	—	28.09.16	Unmodified
Queensland Building and Construction Commission	31.08.16	29.08.16	Unmodified
Queensland Building and Construction Employing Office	31.08.16	29.08.16	Unmodified
Residential Tenancies Authority	31.08.16	25.08.16	Unmodified
Residential Tenancies Employing Office	31.08.16	25.08.16	Unmodified

## Minister for Agriculture and Fisheries

Responsibilities include agriculture, fisheries, forestry, biosecurity, and food and fibre production.

Entity	Legislative deadline	Audit certification date	Audit opinion type
Darling Downs – Moreton Rabbit Board	31.08.16	27.10.16	Qualified
Department of Agriculture and Fisheries	31.08.16	29.08.16	Unmodified
QRAA	31.08.16	31.08.16	Unmodified
Queensland Agricultural Training Colleges	31.08.16	31.08.16	Unmodified
Safe Food Production Queensland	31.08.16	31.08.16	Unmodified

## Appendix D—Audit opinions issued for prior financial years

Entity	Audit certification date	Audit opinion type
Financial statements from the 2014–15 financial year		
Australian Agricultural College Employing Office	11.03.16	Unmodified
Avondale Water Board	02.03.16	Disclaimed
Babinda Swamp Drainage Board	12.11.15	Unmodified
Bones Knob Water Board	01.03.16	Qualified
Burdekin Shire Rivers Improvement Trust	29.01.16	Qualified
Cassowary Coast River Improvement Trust	06.09.16	Unmodified
Crowley Vale Water Board	24.12.15	Unmodified
Don River Improvement Trust	12.11.15	Unmodified
East Deeral Drainage Board	21.12.15	Disclaimed
Fernlee Water Authority	01.03.16	Disclaimed
Glamorgan Vale Water Board	10.03.16	Unmodified
Ipswich Rivers Improvement Trust	12.02.16	Unmodified
Kaywana Bore Water Board	29.01.16	Qualified
Lower Herbert Water Management Authority	17.12.15	Unmodified
Matthews Road Drainage Board	21.12.15	Disclaimed
Merlwood Water Board	27.01.16	Disclaimed
Pioneer Valley Water Board	02.03.16	Unmodified
Queensland Children's Medical Research Institute	18.12.16	Unmodified
Queensland Training Assets Management Authority	25.11.15	Unmodified
Redcliffe Hospital Foundation	09.12.15	Unmodified
Riversdale-Murray Valley Water Management Board	29.05.15	Unmodified
Roadvale Water Board	13.06.16	Unmodified
Wanda Creek Drainage Board	24.12.16	Disclaimed
Weengallon Water Authority	24.12.16	Disclaimed

Entity	Audit certification date	Audit opinion type
Whitsunday Rivers Improvement Trust	24.10.16	Unmodified
<b>Financial statements from the 2013–14 financial year</b>		
Cowley Drainage Board	29.05.15	Unmodified
East Euramo Drainage Board	29.05.15	Disclaimed
Marathon Bore Water Supply Board	29.05.15	Unmodified
Mourilyan Drainage Board	29.05.15	Unmodified
Orchard Creek Drainage Board	29.05.15	Unmodified
Stagnant Creek Drainage Board	29.05.15	Unmodified

## Appendix E—Entities exempt from audit by the auditor-general

Entity	Audit firm	Audit certification date	Audit opinion type
<i>Small in size and of low risk entities exempt under section 30A of the Auditor-General Act 2009</i>			
Bundaberg Health Services Foundation	Paul D Medwin Public Accountant	19.08.16	Unmodified
Far North Queensland Hospital Foundation	BDO (NTH QLD) Pty Ltd	31.08.16	Unmodified
Gold Coast Hospital Foundation	WPIAS Group	30.08.16	Qualified
Ipswich Hospital Foundation	RW Ramsey & Co	20.08.16	Unmodified
Mackay Hospital Foundation	Brown & Bird	07.09.16	Unmodified
Mt Gravatt Showgrounds Trust	Ross Spranklin & Co Chartered Accountants	15.06.16	Unmodified
PA Research Foundation	KPMG	30.08.16	Unmodified
Queensland Education Leadership Institute Limited	Grant Thornton Audit Pty Ltd	02.09.16	Unmodified
Queensland Music Festival Pty Ltd	Integrated Audit Service Pty Ltd	18.11.15	Unmodified
Queensland Theatre Company	Ernst & Young	23.02.16	Unmodified
Queensland Trust for Nature Fund	BDO Audit Pty Ltd	Audit not finished	—
Sunshine Coast Health Foundation	Focus PG Chartered Accountants	29.08.16	Unmodified
Supreme Court Library Committee	PKF Hacketts	29.08.16	Unmodified
Surveyors Board of Queensland	PKF Hacketts	05.08.16	Unmodified
The Board of Trustees of Newstead House	C & N Audit Services Pty Ltd	10.10.16	Unmodified
The Prince Charles Hospital Foundation	Grant Thornton Audit Pty Ltd	24.08.16	Unmodified
Toowoomba Hospital Foundation	Horizon Accounting Group	26.08.16	Unmodified
Townsville Hospital Foundation	Crowe Horwath	18.08.16	Unmodified

Entity	Audit firm	Audit certification date	Audit opinion type
<i>Foreign-based controlled entity exempt under section 32 of the Auditor-General Act 2009</i>			
Lexon Insurance Pte Ltd	PWC	23.08.16	Unmodified
QIC (UK) Management Limited	KPMG	25.08.16	Unmodified
QIC European Investment Services	KPMG	25.08.16	Unmodified
QIC Global Infrastructure (US), Inc	KPMG	29.08.16	Unmodified
QIC GRE MANAGEMENT (US). INC	KPMG	23.08.16	Unmodified
QIC Properties US, Inc.	KPMG	29.08.16	Unmodified
QIC US Investment Services Inc	KPMG	30.08.16	Unmodified
QIC US Management Incorporated	KPMG	23.08.16	Unmodified

## Appendix F—Audits not finished

The following financial statement audits were not finished as at 31 October 2016.

	2015–16	2014–15	2013–14	2012–13
Aviation Australia Pty Ltd	✓			
Babinda Swamp Drainage Board	✓			
Balance the Earth Trust	✓			
Below Rail Services performed by Queensland Rail Limited	✓			
Bollon South Water Authority	✓			
Cairns River Improvement Trust	✓	✓		
Cassowary Coast River Improvement Trust	✓			
Eugun Bore Water Authority	✓	✓	✓	✓
Herbert River Improvement Trust	✓	✓		
Ingie Water Authority	✓			
Pioneer Valley Water Board	✓			
Premier's Disaster Relief Appeal Fund	✓	✓		
Queensland Children's Medical Research Institute	✓			
Roadvale Water Board	✓			

## Appendix G—Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws.
Acquisition	Establishing control of an asset, undertaking the risks, and receiving the rights to future benefits as would be conferred with ownership, in exchange for the cost of acquisition.
Asset valuation	The process of determining the fair value of an asset.
Audit by-arrangement	An audit by the auditor-general of an entity that is not a public sector entity, conducted at the request of a minister or a public sector entity and with the consent of the entity.
Audit committee	A committee within an entity responsible for overseeing the quality and integrity of accounting and reporting practices, controls and financial statements; legal and regulatory compliance; the auditor's qualifications and independence; and the performance of the internal audit function and external auditors.
<i>Auditor-General Act 2009</i>	An Act of the State of Queensland that establishes the responsibilities of the Queensland Auditor-General, the operation of the Queensland Audit Office, the nature and scope of audits to be conducted and the relationship of the auditor-general with parliament.
Auditor's opinion	A written expression of the auditor's overall conclusion on the financial report based on audit evidence obtained.
Australian accounting standards	The rules by which financial statements are prepared in Australia. These standards ensure consistency in measuring and reporting on similar transactions.
Capital expenditure	Amount capitalised to the balance sheet for contributions by an entity to major assets owned by the entity, including expenditure on: <ul style="list-style-type: none"> <li>▪ capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally</li> <li>▪ capital expansion which extends an existing asset at the same standard to a new group of users.</li> </ul>
Contingent asset	A possible asset depending on the outcome of future events.
Contingent liability	A potential liability that may occur, depending on the outcome of an uncertain future event.
Control environment	The governance and management functions and the attitudes, awareness, and actions of those charged with governance and management about the entity's internal control and its importance in the entity. The control environment is a component of internal control.
Controlled entity	Entity controlled or owned by one or more public sector entities.

Term	Definition
Credit rating	A credit rating is an assessment of a borrower's credit worthiness. It takes into account their ability to repay a debt or their likelihood of defaulting. Independent bodies called credit rating agencies issue credit ratings. These include S&P Global, Fitch and Moody's.
Deficit	When total expenditure exceeds total revenue, resulting in a loss.
Depreciation	The systematic allocation of a fixed asset's capital value as an expense over its expected useful life to take account of normal usage, obsolescence, or the passage of time.
Disclaimer of opinion	When the auditor is unable to express an opinion as to whether the financial statements comply with relevant accounting standards and legislative requirements.
Discount rate	Interest rate used to calculate the present day value.
Emphasis of matter	A paragraph included with an audit report to highlight an issue of which the auditor believes the users of the financial statements need to be aware. The inclusion of an emphasis of matter paragraph does not modify the audit opinion.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
<i>Financial Accountability Act 2009</i>	An Act of the State of Queensland that establishes the accountability for the administration of the state's finances and for financial administration of departments and statutory bodies, as well as annual reporting to parliament by departments and statutory bodies.
Financial and Performance Management Standard 2009	Subordinate legislation of the State of Queensland that provides a framework for an accountable officer of a department, or a statutory body, to develop and implement systems, practices, and controls for the efficient, effective, and economic financial and performance management of the department or statutory body.
Financial reporting requirements	Queensland's annual financial statement reporting requirements provided to assist departments and statutory bodies in the preparation of their financial statements. The requirements provide updates on new and revised accounting policies and standards and additional guidance and advice on the application of such policies and standards.
Financial statements	Structured representation of the financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes for a period in accordance with a financial reporting framework.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
Full-time equivalent	Used to convert the total hours worked by full-time, part-time, and casual employees into the number of full-time employees that would be required to work those same hours
Going concern	This means an entity is expected to be able to pay its debts as and when they fall due and to continue to operate without any intention or necessity to liquidate or wind up its operations.

Term	Definition
Governance	The control arrangements in place at an entity that are used to govern and monitor its activities to achieve its strategic and operational goals.
Impairment	When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.
Internal audit	An appraisal activity established or provided as a service to the entity. Its functions include examining, evaluating, and monitoring the adequacy and effectiveness of internal control, and reporting deficiencies to management.
Legislative time frame	In this context, the date prescribed by legislation for a public sector entity to finalise its financial statements or annual report.
Management	Those with the executive responsibility for conducting an entity's operations.
Materiality	This relates to the size or nature of the item or error judged in the particular circumstances of its omission or misstatement. Information is material if its omission or misstatement could influence the economic decisions of users, taken on the basis of the financial statements.
Misstatement	A difference between the amount, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.
Net operating balance	Calculated by subtracting continuing operations expenses from transactions from continuing operations revenue from transactions to show what the entity has earned or lost in a given period of time.
Net worth	Total assets less total liabilities.
Net result	Calculated by subtracting an entity's total expenses from its total revenue to show what the entity has earned or lost in a given period of time.
Non-current assets	An entity's long term investments, where the full value will not be realised within the financial year. These assets are capitalised rather than expensed, meaning that the cost of the asset can be allocated over the number of years for which the asset will be in use, instead of allocating the entire cost to the financial year in which the asset was purchased.
Procurement	The acquisition of goods, services, or works from an external source.
Public-private partnership	Cooperative agreements generally entered into with private sector entities for the delivery of government services.
Public sector entity	A department, statutory body, government owned entity, local government, or a controlled entity.
Qualified audit opinion	Opinion issued when the financial statements as a whole comply with relevant accounting standards and legislative requirements, with the exceptions noted in the opinion.  These exceptions could be the effect of a disagreement with those charged with governance, a conflict between applicable financial reporting frameworks, or a limitation on scope that is considered material to an element of the financial report.
Regearing	Changing the ratio of how much an entity owes compared to how much they have in equity.

Term	Definition
Risk management	The systematic identification, analysis, treatment, and allocation of risks. The extent of risk management required will vary depending on the potential effect of the risks.
Special purpose financial statements	Financial statements which are designed to meet the financial information needs of a specific group of users.
Surplus	Total revenue exceeds total expenditure resulting in a profit.
Unmodified audit opinion	Opinion issued when the financial statements comply with relevant accounting standards and prescribed requirements.

# Auditor-General reports to parliament

## Reports tabled in 2016–17

Number	Title	Date tabled in Legislative Assembly
1.	Strategic procurement	September 2016
2.	Forecasting long-term sustainability of local government	October 2016
3.	Follow-up: Monitoring and reporting performance	November 2016
4.	Criminal justice data—prison sentences	November 2016
5.	Energy: 2015–16 results of financial audits	November 2016
6.	Rail and ports: 2015–16 results of financial audits	November 2016
7.	Water: 2015–16 results of financial audits	December 2016
8.	Queensland state government: 2015–16 results of financial audits	December 2016

