

Auditor-General of Queensland

Report to Parliament No. 8 for 2009

Results of audits at 31 October 2009

Financial and Compliance Audits



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QUEENSLAND

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Auditor-General Act 2009

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Auditor-General of Queensland

November 2009

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

Dear Mr Speaker

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is on the results of audits at 31 October 2009. It is the eighth in the series of Auditor-General's Reports to Parliament for 2009.

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

Yours sincerely



Glenn Poole
Auditor-General



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Contents

1 Executive summary	1
1.1 Auditor-General's overview	1
1.2 Summary of key audit findings	2
2 Results of audits	7
2.1 Status of 2008-09 financial statements	8
2.2 Auditors' opinions issued for 2008-09	8
2.3 Timeliness.....	12
2.4 Effectiveness of internal controls	14
2.5 Public sector losses	16
2.6 Results of prior year financial statements	17
3 Accountability	21
3.1 Federal Government stimulus package.....	22
3.2 Infrastructure project procurement	24
4 Financial reporting	29
4.1 Changes to the State's financial accountability framework	30
4.2 Recognition of land under roads	32
4.3 Asset accounting issues in price-regulated industries.....	34
4.4 Impact of the Independent Review of Queensland Government Boards, Committees and Statutory Authorities.....	37
5 Status of financial statements	39
5.1 Status of 2008-09 financial statements	40
5.2 Status of prior year financial statements	55
5.3 Dormant entities for 2008-09 financial year.....	57
6 Appendices	59
6.1 Types of auditors' opinions	59
6.2 Stakeholders' responses.....	60
7 Acronyms, glossary and references	63
7.1 Acronyms	63
7.2 Glossary.....	63
7.3 References.....	65
8 Auditor-General's Reports	67
8.1 Tabled in 2009	67

1

Executive summary

1.1 Auditor-General's overview

This report is the first financial and compliance audit report which I have issued since the introduction of the *Auditor-General Act 2009* (A-G Act). This Act took effect from 1 July 2009 and replaces the requirements previously contained in Parts 5 and 6 of the *Financial Administration and Audit Act 1977* (FA&A Act). It maintains the position of Auditor-General from the FA&A Act and confers on the Auditor-General and the QAO the functions and powers necessary to carry out independent audits of the Queensland public sector and related entities. All independent auditors' opinions issued since 1 July 2009 have been issued under the requirements of the A-G Act.

At 1 July 2009, new financial accountability legislation also took effect. The *Financial Accountability Act 2009* (FA Act) and *Financial and Performance Management Standard 2009* have replaced the FA&A Act and the *Financial Management Standard 1997* respectively. The 2008-09 financial statements for departments and statutory bodies included in this report have been prepared in compliance with the requirements of the previous legislation.

Each financial year, a number of reports are presented to Parliament containing the results of financial and compliance audits completed during the year. This report is the first containing the results of financial and compliance audits of the Consolidated Whole of Government Financial Statements and public sector entities with 30 June 2009 balance dates.

Under the A-G Act, I am required to issue an auditor's opinion on the Consolidated Whole of Government Financial Statements and on the Consolidated Fund Financial Report.

As the result of changes to the Australian Accounting Standards to improve the consistency of financial reporting by governments, changes have been made to the format of the whole of government financial statements. A new report for the general government sector has been introduced.

A qualified auditor's opinion was issued for the Consolidated Whole of Government Financial Statements as the required fair value information was not available for the reporting of some of the property, plant and equipment assets for the 2007-08 comparative figures. In the absence of this information, the depreciation amounts for both 2008-09 and the comparative for 2007-08 were understated with a corresponding understatement of the reported negative net operating balances by approximately \$180m. Section 2.2 contains further information on this matter.

An unqualified auditor's opinion was issued on the General Government Sector Financial Statements for 2008-09 and for the Consolidated Fund Financial Report.

This report also includes the results of audits of departments, statutory bodies, government owned corporations (GOCs) and their controlled entities completed as at 31 October 2009. The status of 380 audits required to be completed under the audit mandate for the 2008-09 financial year are shown in Figure 1A. The results of local government audits for the 2008-09 financial year are not included and will be reported in early 2010.

Figure 1A : Status of 2008-09 financial statements

Entity Type	Total	Unmodified auditors' opinions issued	Modified auditors' opinions issued	Auditors' opinions not yet issued
Departments	20	19	1	0
Departments – abolished	14	0	14	0
Departmental agencies	6	6	0	0
Statutory bodies	160	128	14	18
Government owned corporations	15	13	2	0
Controlled entities	65	57	2	6
Joint controlled entities	9	8	0	1
By arrangement audits	41	39	0	2
By arrangement audits - under Trust Deed	50	48	0	2
Total	380	318	33	29

Auditors' opinions have been issued for the 2008-09 financial statements of 351 public sector entities. Unmodified auditors' opinions have been issued for 318 entities and 33 modified auditors' opinions have been issued. Section 5.1 of this report contains details of the status of 2008-09 financial statements at 31 October 2009. Explanations of the types of auditors' opinions issued is included in Section 6.1.

Of the 207 departments, GOCs and statutory bodies required to have their auditors' opinions issued by 31 August 2008, 88% were able to achieve this statutory deadline.

This report covers prior year financial statements of 41 public sector entities where an auditor's opinion has been issued since previous reports to Parliament were tabled or where an auditor's opinion has not yet been issued.

1.2 Summary of key audit findings

A summary of the key audit findings is provided below. Responses provided by the respective entities to issues raised in the report are provided in Section 6.2.

Accountability

Federal Government stimulus package (Section 3.1)

Because of the significant funding provided by the Federal Government stimulus package to the Queensland Government, an audit has been commenced of the procurement and probity processes used by departments in the achievement of agreed performance outcomes. Implementation of the plan developed for spending the

stimulus package has been rapid and departments responsible for its implementation are adapting their current practices to meet the timeframes stipulated by the Federal Government.

To date, incidental instances of a lack of documentation were identified within the governance and reporting processes. Departments must continue to ensure that appropriate documentation exists to support key decisions.

In this regard, where departments decide that an alternative method should be adopted in lieu of current approved procurement and project management procedures, the rationale for the departure from these approved procedures should be documented and the compensating controls or probity assurance mechanisms clearly identified.

Infrastructure project procurement (Section 3.2)

As part of the ongoing program of infrastructure audits, three major infrastructure projects were selected from the *South East Queensland Infrastructure Plan 2008-2026* for audit of procurement processes. The audits identified that there were some improvements which could be implemented at both a whole of government level and entity level to improve procurement processes, including improvements to documentation of the key transparency, probity and accountability decisions, and strengthening of whole of government project assessment.

The recommendations for improvement are:

- **The Department of Infrastructure and Planning (in consultation with other applicable departments) update the Project Assurance Framework (PAF) to provide better practice guidance on project and program management. Strengthening is required particularly in the areas of procurement, risk management and the minimum requirements that a public sector entity must undertake when delivering capital works projects.**
- **Where a public sector entity uses project management frameworks other than the PAF, such frameworks should be aligned with the principles of the PAF and with better practice project management frameworks relevant to its industry application. For example, the PAF has requirements for the development of business cases, which is currently different to the requirements of the Capital Works Management Framework (CWMF) used by the Department of Public Works and OnQ Project Management System (OnQ) used by the Department of Transport and Main Roads respectively.**
- **The Department of Infrastructure and Planning, in consultation with the Department of the Premier and Cabinet, develop a consistent approach to probity planning. For example, there were inconsistent approaches across the entities audited on the need for formal conflicts of interest declarations.**

Financial reporting

During this year's audits, I have raised financial reporting issues and I intend to write to affected entities regarding progress on these in the current audit year. Of concern is how public sector entities are ensuring:

- the requirements of the new financial accountability framework are being met
- ongoing compliance with Australian Accounting Standards.

Changes to the State's financial accountability framework (Section 4.1)

The recent introduction of new financial accountability and audit legislation represents a significant change from the previous framework provided under the FA&A Act. The legislation now concentrates on accountability and outcomes without prescribing the processes or inputs required to achieve these outcomes. Challenges for departments and statutory bodies in implementing this framework include reviewing existing practices, documenting decisions and training key staff. However, the greatest challenge will be ensuring that the increased flexibility afforded in determining processes does not result in reduced accountability or performance.

Planning for the 2009-10 financial year audits of government departments and statutory bodies will include an assessment of the action being taken by these entities to ensure compliance with the requirements of the State's new financial accountability framework.

Recognition of land under roads (Section 4.2)

The value of land under roads for Queensland has been recognised for the first time in 2008-09 in the financial statements of the Department of Environment and Resource Management. The department recognised \$40.370b as the estimated fair value of land under roads at 30 June 2009. This represents 63% of the total administered assets reported by the department at 30 June 2009. Although there has been much debate about whether land under roads can be reliably measured and the factors that should be taken into account when determining any fair value, the value of land under roads disclosed in the 2008-09 financial report of the Department of Environment and Resource Management was adequately evidenced.

Asset accounting issues in price-regulated industries (Section 4.3)

Entities operating in price-regulated industries, such as those operating in the water and electricity sectors, are required to account for and value their assets according to applicable accounting standards and policies issued by Treasury Department. These requirements do not contain specific guidance for assets used in price-regulated activities. As a result, issues have arisen about accounting for assets of entities operating in this environment. These will not be resolved until there is an accounting standard in place to clarify accounting treatments for these assets.

I will be writing to affected entities to ensure that they continue to assess the appropriateness of their methodologies for determining fair value of their assets under AASB 116 *Property, Plant and Equipment*.

Impact of the Independent Review of Queensland Government Boards, Committees and Statutory Authorities (Section 4.4)

In March 2009, this review recommended a framework where the establishment of a separate government body should only occur if it is in the public interest and where the ongoing need for government bodies is the subject of regular review. The review also recommended a number of public sector entities for possible abolition or a change of form, including the abolition of all category two water authorities and river improvement trusts.

Because of the uncertainty about the future of these entities, an appropriate disclosure note has been included in their 2008-09 financial statements.

2 Results of audits

Summary

Background

Each year QAO conducts financial and compliance audits to enable the Auditor-General to express an opinion as to whether the financial statements of public sector entities present a true and fair position and whether prescribed requirements included in legislation for the establishment and keeping of accounts have been complied with in all material respects. The A-G Act requires the Auditor-General to report to Parliament on the results of all audits each year. This section contains the results of the 2008-09 audits completed to 31 October 2009.

For the 2008-09 financial year, financial reporting responsibilities for public sector entities are set out in key legislation such as the FA&A Act and *Government Owned Corporations 1993* (GOC Act), as the new financial accountability framework did not take effect until 1 July 2009.

Key results

- A qualified auditor's opinion was issued for the Consolidated Whole of Government Financial Statements on 20 October 2009. The required fair value information was not available for the reporting of certain property, plant and equipment assets, affecting the 2007-08 comparative property, plant and equipment asset figures and depreciation figures for both 2007-08 and 2008-09, resulting in a qualified auditor's opinion.
- An unqualified auditor's opinion was issued on the General Government Sector Financial Statement and the Consolidated Fund Financial Report.
- The 2008-09 financial statements of 351 public sector entities were audited and 318 unmodified auditors' opinions issued. Another 33 auditors' opinions have been modified.
- For departments, GOCs and statutory bodies, 88% achieved the statutory deadline of 31 August 2009. For companies, 94% met their deadline of 31 October 2009. Auditors' opinions for 14 abolished departments were issued on time.
- At 31 October 2009, 691 moderate to high risk financial management issues had been reported to management from the finalised audits of departments, statutory bodies and GOCs.

2.1 Status of 2008-09 financial statements

At 31 October 2009, the 2008-09 financial statements of 351 public sector entities had been audited. The status of these audits is summarised in Figure 2A. The details of modified auditors' opinions are summarised in Section 2.2.4.

Figure 2A : Status of 2008-09 audits at 31 October 2009

Entity Type	Total	Unmodified auditors' opinions issued	Modified auditors' opinions issued	Auditors' opinions not yet issued
Departments	20	19	1	0
Departments – abolished*	14	0	14	0
Departmental agencies	6	6	0	0
Statutory bodies	160	128	14	18
Government owned corporations	15	13	2	0
Controlled entities	65	57	2	6
Joint controlled entities	9	8	0	1
By arrangement audits	41	39	0	2
By arrangement audits - under Trust Deed	50	42	0	2
Total	380	318	33	29

* These entities were abolished at 26 March 2009 as part of the machinery of government changes.

This report excludes the results of audits of local government entities and entities which have a 31 December 2009 balance date, including universities and grammar schools. These audit results will be reported to Parliament in 2010.

2.2 Auditors' opinions issued for 2008-09

2.2.1 Legislative requirements

The A-G Act requires the Auditor-General to issue an auditor's opinion on the Consolidated Whole of Government Financial Statements and on the Consolidated Fund Financial Report and to report to Parliament on the results of these audits.

The Auditor-General must also report to Parliament on the result of the audits, that is the auditor's opinion, of all public sector entities conducted each year.

Fourteen departments were abolished as the result of a machinery of government change during 2008-09, requiring auditors' opinions to be issued on financial statements prepared for the period 1 July 2008 to 26 March 2009.

Section 6.1 contains an explanation of the types of auditors' opinions issued.

2.2.2 Auditors' opinions issued for the Consolidated Whole of Government and General Government Sector Financial Statements

As part of the phased harmonisation by the Australian Accounting Standards Board of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting, a new Australian Accounting Standard *AASB 1049 Whole of Government and General Government Sector Financial Reporting* has been implemented, effective from 1 July 2008.

This standard specified new and additional requirements for financial reporting by government this year consistent with the Australian Bureau of Statistics (ABS) Manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, including the preparation and audit of a financial report at the general government sector level.

In general terms, all Queensland public sector entities consolidated within the whole of government financial statements were required to provide audited financial information to Treasury Department to enable the preparation and audit of financial reports at both the whole of government level and at the general government sector level. Independent auditors' opinions were then issued and tabled in Parliament on these two financial reports this year, in place of the one financial report required under the previous standard (AAS 31).

Consolidated Whole of Government Financial Statements

During the past year, various meetings have been held with Treasury Department and entities to seek resolution of an issue where entities were reporting classes of assets, in particular infrastructure assets, on a cost basis and not at fair value.

The 2007-08 Consolidated Whole of Government Financial Statement reported a separate 'Infrastructure - Rail and Electricity Generation' asset class which used a cost basis for valuation. While this was in compliance with applicable Australian Accounting Standards for 2007-08, the application of AASB 1049 means that this approach was not available for 2008-09 and subsequent reporting periods.

The Accounting Standards require that from 1 July 2008, all assets must be reported at fair value. This was also required for the reporting of comparative asset values and the measurement of related depreciation expense figures for 2007-08 within the AASB 1049 2008-09 financial statements. Fair value information was not available for the reporting of certain property, plant and equipment assets in the 2008-09 whole of government financial statements for the 2007-08 comparative year. As a consequence, a qualified auditor's opinion on the 2008-09 consolidated whole of government financial statements was issued on 20 October 2009, following its certification by management on 14 October 2009. The qualified auditor's opinion issued by the Auditor-General relates to the 2007-08 comparative property, plant and equipment asset figures and also to the depreciation figures for both 2007-08 and 2008-09 as outlined in the auditor's opinion:

'Comparative 2008 balances for property, plant and equipment of \$215.918b include assets totalling \$8.322b that have not been disclosed at fair value at 30 June 2008.

\$4.517b of this amount relates to infrastructure assets which are reported in Note 34 and included in the total written down value of \$84.415b. In my opinion, this is in contravention of the transitional requirement of Australian Accounting Standard AASB 1049 Whole of Government and General Government Sector Financial Reporting which requires all assets, including comparatives, to be reported at fair value. I am therefore unable to and do not express an opinion on the reported written down value of these assets at 30 June 2008.

As a consequence of these assets not being reported at fair value, the reported depreciation expense for infrastructure assets, as per Note 12, of \$2.275b (2009) and \$1.602b (2008) has been incorrectly calculated. Had depreciation been calculated correctly, based on the fair value of these assets, I estimate that the depreciation expenses for 2008 and 2009 would have increased in the order of \$180m. As a result, the negative net operating balance of \$2.571b (2009) and \$1.100b (2008), reported in the operating statement, would also have increased by approximately \$180m.'

General Government Sector Financial Statements

The independent auditor's report on the 2008-09 financial statements of the general government sector was issued without qualification on 20 October 2009, following its certification by management on 14 October 2009.

2.2.3 Auditor's opinion issued for the Consolidated Fund Financial Report

The Consolidated Fund consists of the consolidated revenue fund established under the *Constitution Act 1867* and the loan fund established under the FA Act. The Treasurer is responsible for the preparation and presentation of the financial report of the Consolidated Fund.

On 21 September 2009, an unqualified auditor's opinion was issued on the Consolidated Fund Financial Report which sets out particulars of transactions in respect of the Consolidated Fund for 2008-09.

As required by s.39 of the A-G Act, the Auditor-General audited the prescribed statements which collectively form the Consolidated Fund Financial Report:

- The Treasurer's Consolidated Fund Operating Account and the Treasurer's Consolidated Fund Investment Account, as defined in s.17 of the FA Act, have been properly kept in accordance with that Act
- The Consolidated Fund Financial Report is in agreement with the Consolidated Fund accounts
- The Consolidated Fund Financial Report has been properly drawn up to present a true and fair view of the transactions for 2008-09 and the position of the accounts at the end of that financial year.

2.2.4 Auditors' opinions issued for public sector entities

Unmodified auditors' opinions have been issued for 318 public sector entities. Details are included in Section 5.1. In addition, 33 public sector entities received modified auditors' reports for the 2008-09 financial year. Summaries of these modifications are provided in Figure 2B.

Figure 2B : Modified auditors' opinions issued

Entity Name	Basis for auditors' opinions issued
Qualified auditors' opinions	
Cairns Ports Limited	An opinion could not be expressed on the 2008 comparative balances for the company's land, buildings and infrastructure in relation to the airport operations and the property, plant and equipment revaluation reserve balance.
Bundaberg Health Services Foundation	The Foundation did not have adequate controls over the collection of donations prior to entry in their financial records and an opinion could not be expressed on the completeness of donation revenue.
PA Foundation	The Foundation did not have adequate controls over the collection of donations prior to entry in their financial records and an opinion could not be expressed on the completeness of donation revenue. The 2007-08 comparative amount for employee benefits expense also remained qualified.
Redcliffe Hospital Foundation	The Foundation did not have adequate controls over the collection of donations prior to entry in their financial records and an opinion could not be expressed on the completeness of donation revenue. The Foundation was also qualified because the foundation established a controlled entity, Kabtec Limited, without the prior approval of the Minister as required by the <i>Hospital Foundations Act 1982</i> and has not complied with the prescribed requirements for the establishment of accounts.
Emphasis of matter references	
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	Significant uncertainty as to whether the authority will continue as a going concern. The authority has a deficiency of net assets of \$113.346m, an operating deficit of \$56.435m and a total scheme benefits liability of \$362.8m.
Department of Infrastructure and Planning (DIP) Queensland Water Infrastructure Pty Ltd (QWI)	Significant uncertainty regarding management's assessment that the conditions set out in the environmental approval for the Traveston Crossing Dam project will be met. Construction work in progress in relation to QWI is stated at the aggregate of costs incurred to date for the dam construction projects, including all costs incurred prior to the commencement of the construction of the dams and water storage facilities. The capitalisation of costs for the projects assumes that QWI will meet the conditions set out in the environmental approval for the project. If this assumption cannot be met, the costs will have to be expensed to the consolidated income statement and the impact will be \$103.255m (DIP) and \$168.821m (QWI). The difference in impact reflects the differing accounting policies applied by these entities in respect of interest on borrowings.
Queensland Bulk Water Supply Authority (trading as Seqwater) Queensland Bulk Water Transport Authority (trading as LinkWater) Queensland Manufactured Water Authority (trading as WaterSecure)	Significant uncertainty regarding the future pricing mechanism. The Queensland Water Commission has in place an interim bulk water pricing regime which is valid up to 30 June 2010. However, no framework has been established by the Water Commissioner past this date. As these 'for profit' statutory bodies assess impairment using an income based discounted cash flow, without a bulk water pricing framework in place, the impact on the reported asset values is significantly uncertain.
Gladstone Area Water Board	Significant uncertainty around the impairment of intangible assets as a result of the uncertainty over future water pricing arrangements.
Pacific Film and Television Commission Pty Ltd	The company is the claimant in a lawsuit seeking enforcement of payment of a debt of \$2.3m. No provision has been made in the financial report for any loss that may result.
Tarong Energy Corporation Limited	Significant uncertainty regarding the impact of the proposed introduction of the Carbon Pollution Reduction Scheme on the corporation's future cash flows. It is likely the carrying amounts of non-current assets will be impaired if the draft legislation is approved in its current form or includes more stringent emission reduction targets.

Entity Name	Basis for auditors' opinions issued
Benleith Water Board Boondooma Water Board Cairns River Improvement Trust Cardwell Shire River Improvement Trust Clifton Shire River Improvement Trust Don River Improvement Trust	Financial statements were not completed and audited by 31 August 2009.

The 14 departments abolished as part of the machinery of government changes also received emphasis of matter references. Refer Section 2.2.5 for further details.

2.2.5 Auditors' opinions issued for abolished departments

On 26 March 2009, a significant machinery of government change occurred. The existing 23 government departments were reduced to 13. This change included abolishing 14 departments and creating four new departments.

Although the abolished departments ceased on 26 March 2009, their financial statements for the period 1 July 2008 to 26 March 2009 were prepared on a basis consistent with a going concern basis. This allowed the transfer of assets and liabilities to the nine continuing and four new departments to be at the values reported in their balance sheets. As a consequence, all auditors' reports issued for abolished departments include an emphasis of matter paragraph to highlight this.

2.2.6 Unfinalised financial statements

The audits of 2008-09 financial statements for 29 public sector entities have not yet been completed. These entities are listed in Section 5.1.

2.3 Timeliness

2.3.1 Reporting framework

For the 2008-09 financial year, financial reporting responsibilities for public sector entities are set out in key legislation such as the FA&A Act and *Government Owned Corporations 1993* (GOC Act), as the new financial accountability framework did not take effect until 1 July 2009.

The FA&A Act set statutory timeframes for departments and statutory bodies to prepare financial statements. Accountable Officers were required to provide the financial statements to the Auditor-General by an agreed date to enable the audit of the statements to be completed no later than two months after the end of the financial year the statements relate to. For entities with a 30 June year-end, that was by 31 August.

Similarly, the GOC Act requires GOCs to provide their financial statements to the Auditor-General by an agreed date that allows the audit of the statements to be completed no later than two months after the end of the financial year to which the statements relate.

The Corporations Act requires public companies to report to members, including providing the auditor's report on the financial report, by the earlier of 21 days before the next Annual General Meeting after the end of the financial year; or four months after the end of the financial year. For entities with a 30 June year-end, that was by 31 October.

For the 14 departments abolished on 26 March 2009, the FA&A Act required the former Accountable Officers to prepare final financial statements for the abolished departments and provide the statements to the Auditor-General by an agreed date. Accountable Officers then had one month to provide their annual report to the responsible Minister. The Minister was required to table the annual report within 14 days of receipt.

2.3.2 2008-09 financial statements

For 2008-09, 89% of entities met their statutory deadline for completion and audit of their financial statements. Details are provided in Figure 2C .

Figure 2C : Completion of 2008-09 audits within statutory deadlines

	Number of audits	Completed by due date	% completed by due date
Audits required to be completed by 31 August			
Departments*	27	27	100%
Government owned corporations	15	14	93%
Statutory bodies**	165	141	85%
Sub-total	207	182	88%
Audits required to be completed by 31 October			
Public sector companies	62	58	94%
Total	269	240	89%

* These figures include one employing office established as a department and six employing offices established as statutory bodies under the FA&A Act. While these entities must comply with the statutory deadline for financial statement preparation, for financial reporting purposes they are considered to be controlled by another statutory body and are consolidated into the parent statutory body's financial statements.¹ These seven employing offices are listed as 'controlled entities' elsewhere in this report.

This figure includes one statutory body with a statutory deadline of 30 June 2009.

2.3.3 Financial statements for abolished departments

Financial statements for abolished departments were required to be completed for the period 1 July 2008 to abolition date, 26 March 2009. There was no specified time period included in the FA&A Act (applicable at 26 March 2009) for completion and audit of the financial statements for departments abolished because of machinery of government changes.

To ensure that financial statements were completed and audited within a reasonable timeframe for timely reporting, a formal process was put in place to agree milestones between the former Directors-General and the Auditor-General. Financial statements for all abolished departments have been completed and audited. Nine abolished departments (64%) provided their audit-ready financial statements to QAO by the date agreed with the Auditor-General. Five departments were unable to meet this agreed deadline. Auditors' opinions on the financial statements of all 14 departments were issued within 102 working days of the departments being abolished.

¹ Treasury Department, *Guidance Paper - Reporting and Accounting Requirements for Statutory Bodies and Employing Offices*, April 2008.

A list of departments by date of issue of the auditor's opinion is provided in Figure 2D.

Figure 2D : Auditors' opinions issued for abolished departments

Entity Name	Date financial statements signed	Date auditor's report signed
Department of Tourism, Regional Development and Industry	09.06.2009	18.06.2009
Department of Mines and Energy	09.06.2009	23.06.2009
Department of Primary Industries and Fisheries	09.06.2009	23.06.2009
Department of Employment and Industrial Relations	11.06.2009	23.06.2009
Department of Housing	12.06.2009	23.06.2009
Department of Child Safety	19.06.2009	26.06.2009
Department of Local Government, Sport and Recreation	24.06.2009	30.06.2009
Department of Emergency Services	25.06.2009	30.06.2009
Disability Services Queensland	24.06.2009	01.07.2009
Environmental Protection Agency	02.07.2009	07.07.2009
Department of Transport	07.07.2009	10.07.2009
Department of Corrective Services	08.07.2009	20.07.2009
Department of Natural Resources and Water	07.08.2009	11.08.2009
Department of Main Roads	07.08.2009	14.08.2009

The main issue facing all abolished departments was the valuation of assets required to be recorded at fair value at 26 March 2009. Where a recent valuation exercise had not been undertaken or was not considered practical, relevant indices were used by these departments supported by sufficient evidence to substantiate the process adopted.

2.4 Effectiveness of internal controls

2.4.1 Extent of control issues identified

Each public sector entity is responsible for developing and maintaining an adequate system of internal control to ensure that financial records and other information is complete and accurate, assets are adequately safeguarded, and errors and other irregularities are prevented or detected. Internal control procedures reduce variations in processes and procedures, leading to more predictable outcomes.

An integral part of the audit process is assessing the adequacy of an entity's internal control processes and identifying any weaknesses which should be brought to management's attention.

Weaknesses in internal controls identified during an audit will not necessarily result in a modified auditor's opinion. Often there are other control procedures in place which compensate for these weaknesses. Audit processes can be used to determine the level of risk of a material error occurring. A modified auditor's opinion may only be required where a lack of appropriate internal controls cause significant uncertainty about the financial information being reported.

At 31 October 2009, 691 moderate to high risk financial management issues had been reported to management from the finalised audits of departments, statutory bodies and GOCs. Of these:

- 109 issues (16%) were high risk issues – findings that pose a significant business or financial risk to the entity and must be addressed as a matter of urgency.
- 582 issues (84%) were moderate risk issues – findings that pose a moderate business or financial risk and should be addressed as a matter of high priority.

Management is responsible for developing and maintaining sound internal control frameworks. A good system of internal controls substantially reduces the risk of fraud and error and provides assurance to management and audit that the amounts reported in entities' systems and financial statements are materially correct.

2.4.2 Common areas for improvement of internal controls

Overall, the internal controls of departments, statutory bodies and GOCs were generally adequate but opportunities were identified to strengthen controls. The following are the key internal control weaknesses reported by audit for 2008-09. Entities should consider whether they have policies and procedures in place to address these weaknesses and implement any required changes so that their controls are operating in a cost-effective manner.

Information technology security

Thirty-five entities had issues related to information technology security. The management of information technology security is critical to the confidentiality, integrity and availability of systems and the associated information. Of the issues raised, 62 were high risk and 209 were moderate risk.

Among these issues were the inadequate controls being maintained by entities over access to and use of their financial and human resources systems. For example, in some cases, user profiles were not regularly monitored to ensure that users of these systems were current employees; had the correct level of access for their position; and were using the system appropriately.

Management should ensure that users and their profiles are regularly monitored and updated to reduce the risk of unauthorised access, which may lead to unauthorised payments, access to confidential information or changes to master data such as vendor details.

Employee expenses

Forty entities had weaknesses in processes used to make payments to employees including no evidence of checking of payroll reports and deficiencies in payroll systems. Of the issues raised, three were high risk and 49 moderate risk. These weaknesses could result in incorrect payments being made to employees. Management of the entities involved have taken positive action to address these issues.

Expenditure and accounts payable

Fifty-two entities had issues relating to expenditure and accounts payable controls including procurement practices, inappropriate expenditure approval levels, and inadequate checking of expenditure transactions processed. Seven of these issues were considered to be high risk while 68 were moderate risk. While management have since taken action to address the procedural deficiencies identified by audit, these deficiencies could have led to misappropriation of funds.

Revenue and receivables

Issues were raised at 42 entities about revenue and receivables including weaknesses in receipting of amounts received and lack of review of key reconciliations performed. Nine of these issues were considered to be high risk while 60 were moderate risk. Management have since taken action to address these issues, however inadequate control over revenue could result in a loss of public monies and provide the opportunity for fraud.

2.5 Public sector losses

There exists in the *Financial and Performance Management Standard 2009* (FPMS) (and previously under the *Financial Management Standard 1997*) a requirement for Accountable Officers and statutory bodies to provide written notice to the Auditor-General if a suspected loss occurs as a result of an offence under the Criminal Code or another Act. Similar provisions exist in the *Local Government Act 1993*.

Over time, the reporting of losses to the Auditor-General under these requirements has become irregular. In difficult economic times, instances of loss and fraud generally become more prevalent. In these circumstances, this adds to the need for entities to have appropriate risk management strategies and internal controls in place.

Losses may result from various causes including theft, unauthorised acts and omissions, and wilful destruction. The FPMS defines a material loss as: for money – a loss of money of more than \$500 and for other property – a loss valued by the Accountable Officer or statutory body at more than \$5000. Figure 2E provides the total material losses reported to the Auditor-General for 2008-09.

Figure 2E : Material losses reported to date for 2008-09

Type	Instances	Amount reported
Damage	22	\$248,025
Fraud	17	\$452,758
Missing/stolen property	62	\$298,582
Total	101	\$999,365

In terms of overall losses for the public sector, these amounts can only be indicative as only 77 entities have provided information about losses or confirmed that no such losses have occurred. It is not practicable to determine the extent of losses that have not been reported to the Auditor-General.

In addition to the amounts shown in Figure 2E, individual amounts totalling \$206,205 of losses that did not meet the definition of a material loss (money less than \$500 or property less than \$5000) were reported to the Auditor-General by 31 entities.

The FPMS now requires Accountable Officers and statutory bodies to report material losses to the Auditor-General no later than six months after they become aware of the loss. This provision will assist in timelier reporting to Parliament on the nature and extent of losses.

The Auditor-General has reminded public sector entities of their obligation to report losses. Details of losses reported to the Auditor-General will continue to be collated to determine if there are any trends across entities or if any systemic issues can be identified.

2.6 Results of prior year financial statements

2.6.1 Status of prior year audits

The financial statement audits of 46 public sector entities were not finalised for previous financial years when the results of audits were last reported in Auditor-General's Report to Parliament No. 4 for 2009.

Of these, 25 audits have now been completed. The 2007-08 audits for 16 entities are yet to be finalised. Five entities were liquidated or sold during 2007-08 and will not have audits of their financial statements conducted for the 2007-08 financial year. Details are included in Section 5.2.

A summary of the status of prior years financial statements is included in Figure 2F.

Figure 2F : Status of prior year financial statements at 31 October 2009

Entity Type	Total	Disclaimer of auditors' opinions issued	Qualified auditors' opinions issued	Emphasis of matter references issued	Unmodified auditors' opinions issued	Auditors' opinions not yet issued
Aboriginal Shire councils	8	2	2	0	0	4
Aboriginal Shire council – abolished	1	0	0	0	0	1
Controlled entities	9	0	2	0	3	4
Joint controlled entities	4	0	0	1	2	1
Local governments	2	1	0	1	0	0
Local governments – abolished	9	0	2	3	0	4
Statutory bodies	5	0	2	1	0	2
Torres Strait Island councils – abolished	3	1	0	2	0	0
Total	41	4	8	8	5	16

2.6.2 Auditors' opinions issued for prior years

Since Auditor-General's Report to Parliament No. 4 for 2009 was tabled, unmodified auditors' opinions have been issued for 5 entities.

The following 20 modified auditors' opinions have been issued for prior financial years as detailed in Figure 2G.

Figure 2G : Modified auditors' opinions issued

Entity Name	Basis for auditors' opinions issued
Disclaimer of auditors' opinions	
Aurukun Shire Council (2008)	<p>The more significant factors that contributed to a limitation on the scope of the audit were:</p> <ul style="list-style-type: none"> • Council failed to maintain adequate systems of internal control and record keeping over tavern sales revenue, general store sales revenue and general store costs (including an unsubstantiated stock write-off) • insufficient documentation to support employee costs, accrued annual leave and the long service leave provision • unable to verify the completeness and accuracy of property, plant and equipment due to lack of supporting documentation and absence of appropriate controls over classification of property, plant and equipment assets • unable to verify reported GST payable balance due to Council's poor record keeping and inadequate controls • unable to verify the statement of cash flows because Council did not maintain adequate systems, controls or records to support the existence of the cash at bank and on hand balance • 2007 comparative figures remain disclaimed.
Mapoon Aboriginal Shire Council (2007)	<p>The more significant factors that contributed to a limitation on the scope of the audit were:</p> <ul style="list-style-type: none"> • the Council used grant funding for purposes other than those approved by grant providers and had a shortfall in available cash to meet unexpended grants • events after the balance sheet date were not disclosed appropriately • inadequate documentation for the inventory balance, community store closing inventory balance, crabbing and fishing operations, capital works in progress balance, salaries and wages, annual leave and long service leave entitlements • absence of appropriate controls and maintenance of the Rental Management System • receivables in addition to those included in the provision for doubtful debts still had not been collected at least 18 months after 30 June 2007 • no evidence to support assets transferred from capital work in progress to buildings and infrastructure and associated depreciation expense • errors resulting in numerous journal entries being posted to adjust closing general ledger balances resulted in a net expense to sundry items which was unsupported • 2006 comparative figures for GST input tax credit liability, interest expense and depreciation expense remain qualified.
Napranum Aboriginal Shire Council (2008)	<p>The more significant factors that contributed to a limitation on the scope of the audit were:</p> <ul style="list-style-type: none"> • financial records of the Napranum Preschool and Kindergarten were excluded from the Council's financial statements and not provided to audit • Council did not assess the fair value of certain asset classes at 30 June 2008 as required by Australian Accounting Standards • Council failed to maintain an effective system of internal control over the accounting for trade and other payables which, in turn, impacted on the completeness and accuracy of supplies and services expenditure • inadequate supporting documentation and audit trails over the canteen enterprise operations • Council was unable to provide grant agreements or other evidence to substantiate that grant conditions were met for reported disbursements • Council has not prepared a statement of budget and actual expenses as was required by the former Department of Local Government, Sport and Recreation • Council contravened the <i>Local Government (Community Government Areas) Finance Standard 2004</i> by not amending the original cash budget when the Council changed its basis of accounting • unable to provide adequate supporting documentation for the annual leave liability balance.

Entity Name	Basis for auditors' opinions issued
Saibai Island Council (2008)	<p>The more significant factors that contributed to a limitation on the scope of the audit were:</p> <ul style="list-style-type: none"> ● incomplete cash register receipt records for sales activities at the variety store, canteen and take-away shop ● lack of adequate supporting documentation to confirm expenditure; property, plant and equipment; GST receivables and payables; rentals and levies income; sales of services income; receivables; employee entitlements; trust account receipts and disbursements; and inventories ● lack of adequate supporting documentation to substantiate an adjustment to the opening comparative equity balance ● Council was unable to reconcile the net deficit to the net cash provided by operating activities; unspent grants disclosed in separate note disclosures did not agree; and the comparative equity balance did not agree with the comparative net asset balance ● 2007 comparatives figures remain disclaimed.
Qualified auditors' opinions	
Boonah and District Art Gallery and Library Trust (2008)	<p>The Trust did not maintain an effective system of internal control over donations and fundraising revenue until initial entry in the accounting records. An opinion could not be expressed on the completeness of donation and fundraising revenue.</p>
Boonah and District Performing Arts Centre Trust Fund (2008)	<p>The Trust did not maintain an effective system of internal control over donations, fundraising and raffles revenue until initial entry in the accounting records. An opinion could not be expressed on the completeness of donations, fundraising and raffles revenue.</p>
Crows Nest Shire Council (2008)	<p>Certain asset classes were not revalued appropriately and Council did not assess the fair value of property, plant and equipment assets at 14 March 2008, as required by the Australian Accounting Standards.</p> <p>Two emphasis of matter references were issued because the Council was amalgamated into the new Toowoomba Regional Council effective from 15 March 2008 and the Council did not adopt the annual report by 31 January 2009, in accordance with the Local Government Act and the extension provided by the Minister.</p>
Hope Vale Aboriginal Shire Council (2008)	<p>Council did not maintain adequate internal controls over the operations of the butcher shop, there was insufficient documentation available to support materials and services expenditure and Council failed to maintain effective controls over inventory stock takes at the supermarket and warehouse. These internal control deficiencies represent non-compliance with s.34 of the <i>Local Government (Community Government Areas) Finance Standard 2004</i>.</p> <p>An emphasis of matter was also issued because Council did not adopt the annual report by 30 November 2008 as required by the Local Government Act.</p>
North Burdekin Water Board (2008)	<p>The Board did not assess the fair value of land, buildings and infrastructure at 30 June 2008, as required by the Australian Accounting Standards and the Treasurer's Non-Current Asset Policies. The Board established two reserves without prior Treasury approval, which does not comply with the Treasurer's Minimum Reporting Requirements.</p> <p>An emphasis of matter was also issued because the Board did not have their financial statements completed and audited by 31 December 2008 as required by the FA&A Act and the extension provided by the Treasurer.</p>
Pittsworth Shire Council (2008)	<p>Council did not assess the fair value of asset classes at 14 March 2008, as required by the Australian Accounting Standards. Council was unable to substantiate the reported National Competition Policy financial information.</p> <p>Two emphasis of matter references were issued because the Council was amalgamated into the new Toowoomba Regional Council effective from 15 March 2008 and the Council did not adopt the annual report by 31 January 2009, in accordance with the Local Government Act and the extension provided by the Minister.</p>
South Burdekin Water Board (2008)	<p>The Board did not assess the fair value of land, buildings and infrastructure at 30 June 2008, as required by the Australian Accounting Standards and the Treasurer's Non-Current Asset Policies. The Board established six reserves without prior Treasury approval, which does not comply with the Treasurer's Minimum Reporting Requirements.</p> <p>An emphasis of matter was also issued because the Board did not have their financial statements completed and audited by 31 December 2008 as required by the FA&A Act and the extension provided by the Treasurer.</p>

Entity Name	Basis for auditors' opinions issued
Wujal Wujal Aboriginal Shire Council (2008)	<p>Audit was unable to express an opinion on the 2007 comparative balance for infrastructure assets and the associated depreciation expense or on the 2008 infrastructure depreciation expense.</p> <p>An emphasis of matter was also issued because Council did not adopt the annual report by 30 November 2008 as required by the Local Government Act.</p>
Emphasis of matter references	
Bamaga Island Council (2008)	Amalgamated into the new Northern Peninsula Area Regional Council effective from 15 March 2008.
Biggenden Shire Council (2008)	<p>Amalgamated into the new North Burnett Regional Council effective from 15 March 2008.</p> <p>Council did not adopt the annual report by 31 October 2008 in accordance with the Local Government Act and the extension provided by the Minister.</p>
Diamantina Shire Council (2008)	Council did not adopt the annual report by 30 November 2008 as required by the Local Government Act.
Gayndah Shire Council (2008)	<p>Amalgamated into the new North Burnett Regional Council effective from 15 March 2008.</p> <p>Council did not adopt the annual report by 31 October 2008 in accordance with the Local Government Act and the extension provided by the Minister.</p>
Monto Shire Council (2008)	<p>Amalgamated into the new North Burnett Regional Council effective from 15 March 2008.</p> <p>Council did not adopt the annual report by 31 October 2008 in accordance with the Local Government Act and the extension provided by the Minister.</p>
Ugar Island Council (2008)	Amalgamated into the new Torres Strait Island Regional Council effective from 15 March 2008.
Wambo Shire River Improvement Trust (2008)	The Trust did not have their financial statements completed and audited by 31 December 2008 in accordance with the FA&A Act and the extension provided by the Treasurer.
Western Sub Regional Organisation of Councils (WESROC) (2008)	WESROC was to be terminated by 30 June 2009 with all assets and liabilities of WESROC transferred to Ipswich City Council immediately prior to the dissolution.

3 Accountability

Summary

Background

Accountability is the responsibility on public sector entities to effectively and efficiently conduct operations, comply with applicable laws and report to interested parties.

From an accountability perspective, audits were conducted of the implementation of the Federal Government stimulus package and infrastructure project procurement to ensure compliance with applicable requirements.

Key findings

- Departments are adapting their current practices to meet the timeframes stipulated by the Federal Government in the plan for implementing the stimulus package. The audit identified some incidental instances of a lack of documentation within the governance and reporting processes.
- Audits of the procurement processes for three major infrastructure projects showed that there were some improvements which could be implemented at both a whole of government level and entity level to improve infrastructure procurement processes.

3.1 Federal Government stimulus package

3.1.1 Audit overview

Section 3.1 of Auditor-General's Report to Parliament No. 4 for 2009 stated the intention to progressively examine the expenditure of funding through the Federal Government stimulus package. It also indicated that future audit activity would focus on the procurement and probity processes and the achievement of agreed performance outcomes for the *National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now* (the plan).

The overarching aim of the plan is to meet *"the objective of timely economic stimulus aimed at improved nation building and supporting economic growth and jobs... (to) contribute to outcomes of boosting demand and supporting employment over the next two years, and adding to the productive capacity of the economy in the longer term"*.²

3.1.2 Preliminary audit findings

The implementation of the plan has been rapid and the Departments of Public Works, Education and Training, Communities, Transport and Main Roads and Treasury are adapting their current practices to meet the timeframes stipulated by the Federal Government.

The audit identified some incidental instances of a lack of documentation within the governance and reporting processes. The departments must continue to ensure that appropriate documentation exists to support key decisions.

In this regard, where departments decide that an alternative method should be adopted in lieu of the current approved procurement and project management procedures, the rationale for the departure from these approved procedures should be documented and the compensating controls or probity assurance mechanisms clearly identified.

3.1.3 Audit scope

Due to the nature and size of the plan, sections of its implementation are being audited progressively. Significant matters are then reported to Parliament when identified. The focus of the audit for the period ending 31 October 2009 was:

- to examine governance and risk management processes implemented at both a State Coordinator level and an individual department level
- to examine and test the reporting processes for the plan including the preparation of the Heads of Treasury report and benchmarks
- to examine the establishment and reporting of key performance outcomes.

Figure 3A shows the budgeted funds allocated to the Queensland Government at 31 March 2009 in relation to the stimulus package.

² National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now, Subsection 7, February 2009

Figure 3A : Allocation of funds at 31 March 2009

Department ³	2008-2009	Total funding
Education and Training ⁴	\$183.88m	\$2,765.10m
Communities ^{4,5}	\$52.10m	\$1,280.80m
Transport and Main Roads	\$67.20m	\$126.10m

These figures have been further revised based on changes announced by the Federal Government. Figure 3B shows the estimated funds allocated to the Queensland Government at 30 September 2009 in relation to the stimulus package.

Figure 3B : Allocation of funds at 30 September 2009

Department	2008-2009 Actuals	2009-2010 Forecast	Total funding
Education and Training – State	\$70.85m	\$1,185.08m	\$1,924.58m
Education and Training – Grants to BGAs	\$72.32m	\$541.51m	\$967.93m
Communities ⁵	\$45.80m	\$483.85m	\$1,165.60m
Transport and Main Roads	\$67.70m	\$58.40m	\$126.10m

3.1.4 Audit results

Governance and risk management

Good governance is the cornerstone of sound stewardship, effective management and leadership. Governance has been examined through the following elements:

- documentation of clearly articulated deliverables
- adequate governance structures and governance processes.

The audit found that the State has clearly documented its deliverables in the plan. In terms of governance structures and processes, the plan outlines the national coordination arrangements.

At a State level, the Queensland State Coordinator, being the Director-General, Department of Public Works, established a governance review framework and management structure to oversee and facilitate the effective delivery of the plan.

The management structure and governance review framework includes:

- creation of the Chief Executive Officers Committee for the Nation Building Economic Stimulus Plan (NBESP) which meets to consider relevant issues. All applicable departments are members of this committee
- establishment of various steering committees in each affected department where the State Coordinator's Program Management Office is represented as an invited guest and not as a committee member
- development of effective communication plans for both internal and external stakeholders
- development of risk management plans.

³ In addition to departments, local governments will be provided \$50.3m under the stimulus package arrangements, however these monies represent grants for which there was a pre-existing entitlement.

⁴ The Director-General, Department of Public Works, is the Queensland Coordinator for the plan. The Department of Public Works is undertaking, for these entities, a governance coordination and program management role.

⁵ The Federal Government announced on 27th August 2009 plans to reduce States and Territories total allocation for the Social Housing Initiative New Construction Stage 2. Queensland's portion of the adjustment is \$115m and the total funding value for Communities is now \$1,165.60m.

While the above governance processes are considered to be better practice, the audit identified some improvement opportunities which are currently being addressed by the Department of Public Works.

Reporting processes for the plan

The Heads of Treasury report is prepared by Treasury Department to comply with the guidelines issued by the Ministerial Council for Federal Financial Relations and the plan.

Audit noted that the 30 June 2009 Heads of Treasury report complied with the three month reporting timeframe agreed by MINCO.

The plan's key performance outcomes are still evolving through consultation between the Federal Government, the State Coordinator and the relevant departments, and have not been examined at this time.

3.2 Infrastructure project procurement

3.2.1 Audit overview

Auditor-General's Report to Parliament No. 5 for 2006 reported on a performance management systems (PMS) audit conducted of the capital works infrastructure program of four departments. This PMS audit was conducted to determine whether these departments had suitable frameworks and systems in place to support the effective management of their capital works building program.

The 2006 PMS audit assessed the level of adherence to the Capital Works Management Framework (CWMF) established by the government to ensure cost effective management of capital works activities, particularly procurement and project delivery. At the time of Report No. 5 for 2006, the CWMF was the government policy for managing risks in the planning and delivery of government building projects.

Since the report was tabled in Parliament in 2006, there have been some significant changes at the individual department and at a whole of government level. These changes include the introduction of a new Project Assurance Framework (PAF) which is in addition to the requirements of CWMF.

The PAF was endorsed in November 2007 by the government as the minimum standard for project initiation, evaluation, procurement and assurance across the Queensland public sector.

The PAF is a whole of government project assessment process establishing a common approach to assessing projects at critical stages. It aims to maximise the benefits returned to government from project investments. The PAF Guidelines state that *'while it (PAF) is the fundamental framework for project management, pre-existing policies can be adapted to align with the PAF. These include:*

- *OnQ Project Management Framework*
- *Capital Works Management Framework.'*

This audit focused on the procurement activities of three major infrastructure projects. While these projects were commenced prior to the introduction of the PAF, it requires departments and statutory bodies to have regard to its requirements and enables progressive adoption.

3.2.2 Audit opinion

A number of recommendations have been made to individual entities about issues identified during the course of the audit. The recommendations below may not apply to every entity, but have been referred to the relevant entities for their consideration. These issues may also impact governance, risk management and other matters on a whole of government basis and should be considered by all public sector entities undertaking major infrastructure projects.

Key audit recommendations

The recommendations for improvement are:

- **The Department of Infrastructure and Planning (in consultation with other applicable departments) update the PAF to provide better practice guidance on project and program management. Strengthening is required particularly in the areas of procurement, risk management and the minimum requirements that a public sector entity must undertake when delivering capital works projects.**
- **Where a public sector entity uses project management frameworks other than the PAF, such frameworks should be aligned with the principles of the PAF and with better practice project management frameworks relevant to its industry application. For example, the PAF has requirements for the development of business cases, which is currently different to the requirements of the CWMF used by the Department of Public Works and OnQ Project Management System (OnQ) used by the Department of Transport and Main Roads respectively.**
- **The Department of Infrastructure and Planning in consultation with the Department of the Premier and Cabinet develop a consistent approach to probity planning. For example there were inconsistent application across the entities audited on the need for formal conflicts of interest declarations.**

Responses to these issues from the Departments of Infrastructure and Planning, and Transport and Main Roads are included in Section 6.2.1.

3.2.3 Audit scope

In determining the scope of the audit, current and previous government policies and better practice guidance material were examined to determine that the audit would focus on the following areas:

- reviewing the final business case to ensure it had been completed in accordance with whole of government requirements and/or better practice before any formal approaches are made to prospective suppliers or partners
- examining the procurement strategy and procurement process to ensure that it had been developed in accordance with whole of government requirements and/or better practice

- enquiring as to whether adequate probity and propriety processes were in place during the procurement process in accordance with requirements such as the State Procurement Policy and/or better practice.

Three major infrastructure projects were selected for audit from the *South East Queensland Infrastructure Plan 2008-2026* due to their material nature, construction delivery method and public interest. These projects are:

- Eastern Busway project (the former Department of Transport)
- Airport Link project (City North Infrastructure Pty Ltd)
- Gold Coast University Hospital project (Department of Health and Department of Public Works).

3.2.4 Audit results

The following are the key findings from each of the projects audited.

Eastern Busway project (the former Department of Transport)

The Eastern Busway project is being delivered through a project alliance. Thus, the key procurement activity for the government is the identification and contracting with alliance partners. The Department of Transport undertook the procurement activity mostly in accordance with better practice.

During the audit it was noted that the Department of Transport uses the OnQ Project Management System (OnQ). There were instances where OnQ was found not to be fully aligned with the minimum requirements of the PAF. At the time of audit, documentation reviewed indicated that the project was progressing satisfactorily.

The audit also identified that the Department of Transport did not create an overarching probity plan for the Eastern Busway project.

Airport Link project (City North Infrastructure Pty Ltd)

The Airport Link project is a public private partnership. Thus, the only procurement activity for the government is to identify and contract with the consortium to undertake the design, construction and management of the Airport Link. City North Infrastructure Pty Ltd (CNI) undertook the procurement activity in accordance with company policy.

Audit identified the following better practice improvement opportunities. CNI did not create an overarching probity plan for the Airport Link project. However, in August 2009 CNI developed an overarching probity plan document for use on all future projects. Although this document does not impact on the current Airport Link project, it does meet the minimum better practice standards as prescribed by the PAF.

Gold Coast University Hospital project (Department of Health and Department of Public Works)

The Gold Coast University Hospital project is a managing contractor contract and therefore there are two elements of procurement. Firstly, there is the contract for early works and design and secondly the contract for construction.

The Health Planning and Infrastructure Division, Department of Health is responsible for the design and construction of the Gold Coast University Hospital (GCUH). The Department of Public Works is responsible for procurement and contract management for the GCUH project. This project was originally planned to be delivered in 2013-14 however, on 14 August 2006, the then Minister for Health brought the project forward to a delivery date of 2011-12.

During the audit, it was noted that the CWMF was not fully aligned with the minimum requirements of the PAF.

Given this two stage approach and significant nature of this project, QAO will continue to audit the key phases of this project on an ongoing basis.

4 Financial reporting

Summary

Background

Financial statements provide an overview of an entity's financial position and contain relevant financial information presented in a structured manner as required by the Australian Accounting Standards and legislation.

Financial reporting by public sector entities for 2008-09 was affected by the implementation of new Australian Accounting Standards. In addition a new financial accountability framework for Queensland public sector entities was introduced in July 2009 containing principles based legislation.

Key findings

- While the broad legislative requirements of the new financial accountability framework will be supported through policy and guidance material issued by Treasury Department, the onus on maintaining appropriate accountability will rest with the entity, requiring well developed policies and procedures.
- Queensland Government land under roads has been recognised in the financial statements of the Department of Environment and Resource Management for the first time in 2008-09 as required by AASB 1051. Appropriate evidence was available to support the amount included in the financial statements as the fair value for land under roads.
- Queensland public sector entities operating in price-regulated markets have complied with the technical requirements of the accounting standards in estimating the fair value of their assets during the 2008-09 financial year, however there was no consistent approach across these entities as to how fair value was assessed.
- A major review of Queensland Government Boards, Committees and Statutory Authorities resulted in recommendations about how such bodies are to be created in future. Some recommendations about the future structure of individual entities have been addressed by an appropriate disclosure note in their 2008-09 financial statements.

4.1 Changes to the State's financial accountability framework

4.1.1 Background

On 1 July 2009, the existing financial accountability framework consisting of the *Financial Administration and Audit Act 1977* (FA&A Act) and the *Financial Management Standard 1997* (FMS) was replaced by the following legislation:

- *Auditor-General Act 2009* (A-G Act)
- *Auditor-General Regulation 2009*
- *Financial Accountability Act 2009* (FA Act)
- *Financial Accountability Regulation 2009*
- *Financial and Performance Management Standard 2009* (FPMS).

In revising the financial accountability framework, Treasury Department adopted a principles-based approach, that is, the legislation concentrates on accountability and outcomes without prescribing the processes or inputs required by departments and statutory bodies to achieve these outcomes.

As a result, some prescriptive requirements previously included in the FA&A Act and the FMS have been removed from the FA Act and the FPMS. By reducing the level of prescription, departments and statutory bodies are provided with flexibility as to how they will address the framework's requirements.

While the broad legislative requirements will be supported through additional policy and guidance material such as the *Financial Accountability Handbook*, the onus on maintaining appropriate accountability will rest with the entity. Each entity will need to ensure that they have well developed and documented policies and processes in their Financial Management Practice Manuals.

This provides an opportunity for departments and statutory bodies to focus on broad outcomes and strategic priorities without being distracted by low level compliance activities.

4.1.2 Challenges for entities in ensuring compliance

This approach brings with it some challenges. Being provided with increased flexibility should not result in reduced accountability or performance. While the legislative framework is now principles-based and less prescriptive, the legislation is aimed at providing appropriate levels of accountability and transparency in a way that will allow entities to perform in the most efficient, effective and economical manner.

Understanding the framework

One challenge that entities will face is developing an understanding of the framework. This will include consideration of:

- different requirements applying between departments and statutory bodies e.g. requirements for internal audit, audit committees and Chief Finance Officers (CFOs)
- identifying which requirements are mandatory and those to which entities must have regard
- identifying where relevant policy and guidance requirements are located.

The FPMS in particular contains references to external documents including the following new requirements:

- *Financial Accountability Handbook* (Treasury Department)
- *Agency Planning Requirements* (Department of the Premier and Cabinet)
- *A Guide to the Queensland Government Performance Management Framework* (Department of the Premier and Cabinet)
- *Annual report requirements for Queensland government agencies* (Department of the Premier and Cabinet).

Reviewing existing practices

The reduced prescription means entities are required to develop their own policies and procedures and should review and assess their existing practices and policies as a matter of urgency, to identify whether more efficient and economical processes could now be implemented. This may be necessary where practices were adopted as a legislative compliance exercise which did not provide a cost effective benefit to the entity.

An assessment needs to be made as soon as practicable by entities about whether appropriate systems are in place to capture performance information to enable assessments of practices and policies. For example, without such a system in place, the CFO may not be able to provide a statement about the operation of these controls at the end of the financial year.

Documenting decisions

Entities will also need to ensure they can adequately support the decisions made in addressing the requirements of the framework. The basis for these decisions will need to be adequately documented. This is particularly relevant when considering requirements under the FPMS which an entity 'must have regard to'.

Under the FPMS, an officer, statutory body or department will comply with a requirement to 'have regard to' a document by considering the contents of the document and deciding whether the contents apply in the circumstances. These considerations should be documented.

Training key staff

Accountable Officers and statutory bodies will be relying on their staff to be able to discharge their functions and responsibilities. Staff need to be capable of implementing the requirements of the framework. To do this, Accountable Officers and statutory bodies must ensure:

- staff receive training in the new requirements
- suitable people are appointed to the new roles starting with the appointments to the CFO and Head of Internal Audit positions
- responsibilities are delegated to appropriately qualified and experienced staff
- key staff understand why processes are done the way they are.

Overall responsibility

While the FA Act provides for the delegation of functions to other officers including the CFO and Head of Internal Audit, ultimate responsibility rests with the Accountable Officer.

This means the Accountable Officer must be up-to-date with how the entity is going about ensuring compliance with the new legislative framework. This extends to situations where functions and responsibilities are delegated to officers outside their own department or where activities are undertaken jointly with other entities including activities undertaken by the Shared Services Agency. In this context, appropriate service level agreements outlining roles and responsibilities are essential.

4.2 Recognition of land under roads

4.2.1 Background

The recognition and accounting for land under roads is a complex issue which has been debated within the accounting profession and government sector for some time. Transitional provisions were included in the accounting standards which enabled entities not to recognise land under roads as an asset.

Australian Accounting Standard AASB 1051 *Land under Roads*, which effectively brought to an end the transitional provisions, was issued in December 2007 and applies to the financial reports of local governments, government departments, whole of governments and general government sectors for financial years commencing on or after 1 July 2008. Under AASB 1051, entities were effectively required to elect to recognise either all land under roads or only land under roads acquired on or after 1 July 2008.

Appendix A to the standard defines land under roads as: *'Land under roadways, and road reserves, including land under footpaths, nature strips and median strips'*.

4.2.2 Application by Queensland public sector entities

In applying the requirements of AASB 1051, Treasury Department effectively elected to recognise all land under roads either acquired by or vested in the State. In order for Queensland public sector entities to apply these requirements during 2008-09, it was necessary to address issues related to:

- identification and control of land under roads
- valuation of land under roads.

The application of these requirements had the most significant impact on the financial statements of the Department of Environment and Resource Management.

Identification and control of land under roads

Section 95 of the *Land Act 1994* identifies that land in all roads dedicated and opened for public use vests or remains vested in the State. By virtue of this Act, it was determined that land under roads vested in the State would be recognised as an administered asset of the Department of Environment and Resource Management as the department responsible for administering this Act.

This includes all land under roads in local government areas where the road assets are controlled by the relevant local government. Land under roads recognised as at 30 June 2009 by the department was identified from information available on the department's Digital Cadastral Data Base which records all of Queensland's land.

Land under roads subject to title or lease held by a department or local government is considered to be controlled by that entity and accounted for in the financial statements of the individual entities.

Valuation of lands under roads

In accordance with the requirements of Treasury Department's *Non-Current Asset Policies for the Queensland Public Sector*, land assets are required to be initially recorded at their cost of acquisition and thereafter at fair value. As no active market exists for land under roads, it was necessary to develop an appropriate methodology for estimating the fair value of these assets.

The valuation methodology adopted by the Department of Environment and Resource Management, through the State Valuation Service, was based on the use of statutory unimproved land valuations. The fair value of land under roads was then estimated by multiplying the total number of hectares of dedicated roads in a local government area by the average unimproved value of land in that local government area.

In applying this approach, the Department of Environment and Resource Management recognised an amount of \$40.370b as the estimated fair value of land under roads as at 30 June 2009. This represents 63% of the total administered assets reported by the department as at 30 June 2009.

Conclusion

The recognition and valuation of land under roads for the first time has had a significant impact on the total value of the state's assets reported in the balance sheets for the Department of Environment and Resource Management and the whole of government financial statement. There has previously been much debate about whether land under roads can be reliably measured and the factors that should be taken into account when determining any fair value.

In forming an unqualified auditor's opinion on the fair value of the land under roads reported at 30 June 2009, consideration was given to the following factors:

- valuations were based on information provided by professional valuers with experience in valuing other types of government land holdings for the purpose of financial reporting
- the valuation approach adopted was consistent with that adopted for other government land holdings and with the approaches adopted for land under roads in other Australian jurisdictions
- there was sufficient appropriate audit evidence available to support the fair values derived under the valuation approach adopted.

Appropriate evidence was provided to support the fair value of land under roads disclosed in the 2008-09 financial statements of the Department of Environment and Resource Management.

4.3 Asset accounting issues in price-regulated industries

4.3.1 Background

Various Queensland public sector entities operate in industries where there is limited or no competition for the goods and/or services they provide. Due to the limited competition, the revenues which they are able to derive are often subject to third party regulation. This is particularly the case for entities operating in the water and electricity sectors.

A key component of the approach adopted by the regulators is the determination of a 'regulatory asset base' (RAB) which represents those assets employed in the delivery of the services subject to regulatory requirements. The revenue determined by the regulator allows for recovery of previously incurred costs associated with the RAB plus a specified return on these assets.

These price-regulated activities and the determination of the RAB has a significant impact on how public sector entities operating within these industries account for and value the associated non-current assets in their financial statements. At present the affected public sector entities are required to account for and value these assets in accordance with the applicable accounting standards AASB 116 *Property, Plant and Equipment* and AASB 136 *Impairment of Assets* and, where relevant, Treasury Department's *Non-Current Asset Policies for Queensland Public Sector Entities*.

There is no specific guidance in the accounting standards or the non-current asset policies relating to assets used in price-regulated activities. However, the Australian Accounting Standards Board has recently released for comment Exposure Draft *ED 185 Rate-regulated Activities* which, if it becomes an accounting standard, may provide additional guidance in this area.

Issues identified in relation to accounting for assets subject to price-regulated activities are considered in the following sections.

4.3.2 Measurement of fair value

Under AASB 116, entities are required to record classes of property, plant and equipment at either their cost or fair value. Most Queensland public sector entities subject to price-regulated activities have either elected, or are required by Treasury Department's non-current asset policies, to record their infrastructure assets used in these activities at their fair value.

Due to the specialised nature of the infrastructure assets used to undertake the regulated activities, and the nature of the services provided, there is limited market evidence available to support their fair value. Accordingly, entities must estimate the fair value using either an income or depreciated replacement cost approach.

In selecting the most appropriate approach, entities need to consider a range of factors to determine which is the most appropriate in the circumstances, including:

- the cost of undertaking the valuation approach
- the level of independent evidence available to support key assumptions and inputs used in the valuation process
- the nature of the assets and the purpose for which they are held including both commercial and social policy considerations.

At present there is no consistent approach adopted by Queensland public sector entities for estimating the fair value of assets subject to price-regulated activities and no particular method is prescribed in Treasury Department's non-current asset policies.

4.3.3 Differences in requirements for financial reporting and regulatory reporting

The RAB used to determine the regulated income streams are based on rules approved by the regulator and can include:

- estimated useful lives applicable in estimating depreciation
- annual indices that can be applied to the regulatory assets which are often based on inflation
- identification of those costs which can be capitalised to the RAB.

While these are all factors relevant to valuing non-current assets under AASB 116, the rules approved by the regulator are not always in direct alignment with the requirements of the accounting standard.

Where differences arise between the assumptions and inputs used for determining the RAB and those required to determine fair value for accounting purposes, a risk exists that there could be a material difference between these two values. This risk is greatest for those assumptions and inputs used in determining the RAB where they are established at the beginning of, and remain constant during, the regulatory period.

This may require an entity to maintain two sets of asset values to identify and track these differences.

4.3.4 Potential for impairment of assets

Under the present accounting standard requirements, in addition to determining the fair value of regulated assets under AASB 116, entities must also make an annual assessment of whether the assets are impaired under AASB 136. In undertaking assessments for possible impairment of infrastructure assets subject to price-regulated activities, consideration needs to be given to the impact that the regulation of the entity's revenue has on its ability to generate future cash flows when determining the assets' value in use.

Where assets are identified as being impaired, management needs to assess whether there is a risk that the entity will not be able to recover the value of the asset through its continued use. If these risks remain undetected and are not addressed they could also result in inter-generational equity issues whereby future governments are required to make significant equity injections at the end of the asset's useful life in order to maintain and or replace the required level of service to the community.

A number of modified auditors' opinions were required to be issued for 2008-09 financial statements of public sector entities in the bulk water sector due to significant uncertainties in relation to the pricing arrangements for regulated activities and the impact that this may have on assessments for impairment of infrastructure assets (see Section 2.2.4).

4.3.5 Conclusion

Infrastructure assets controlled by Queensland public sector entities represent a significant component of the balance sheet at the entity and at the whole of government level. While Queensland public sector entities operating in price-regulated markets have complied with the technical requirements of the accounting standards in estimating the fair value of their assets during the 2008-09 financial year, there was no consistent approach as to how fair value was estimated.

This issue, however, is not unique to Queensland public sector entities and has been identified in other Australian jurisdictions.

While there are costs and benefits associated with the use of alternate approaches for estimating fair value, preparers of financial reports should not lose sight of the ultimate purpose of financial reporting which is to provide information that is useful to a wide range of users in making economic decisions. Accordingly, entities should ensure that the valuation approaches adopted provide users of the financial reports with the most appropriate information for decision-making purposes. This includes consideration of the information needs of future governments who will be required to make decisions regarding the continued operation and replacement of these assets.

Consideration is also required of the benefits at a whole of government level of having a consistent approach for valuing these assets in the future. This will include future developments in accounting standard requirements such as those identified in ED 185.

4.4 Impact of the Independent Review of Queensland Government Boards, Committees and Statutory Authorities

During 2008, the Premier of Queensland announced the Review of Queensland Government Boards, Committees and Statutory Authorities. Its stated purpose was to reduce bureaucracy and red tape, whilst improving efficiency and maintaining regulatory integrity.

The review commenced in July 2008 and was conducted in two parts.

Part A of the review, released in December 2008, considered the current framework of government bodies and recommended a governance decision-making model for improving the relevance, efficiency and effectiveness of the roles and functions currently performed by government bodies.

The underlying principles of this model are to establish a separate government body only if it is in the public interest and that the ongoing need for government bodies may be the subject of regular review.

Part B, released in March 2009, recommended a number of bodies to be abolished or merged, functions to be transferred and identified where relevant national reforms or other circumstances are imminent, and provided other alternative governance arrangements.

Among the recommendations was that all category two water authorities and river improvement trusts be abolished and their responsibilities be transferred to local governments. This recommendation was subsequently supported in principle by the government in a response dated 22 April 2009. The response also identified further detailed consultation with affected local governments would need to be undertaken. It will take some time to determine which institutional arrangement is appropriate.

Due to the detailed consultation required, an effective date for the transfer has not yet been announced. If the review recommendation is implemented, it is anticipated that the assets and liabilities of the water boards and river improvement trusts will be transferred to the relevant local governments. As there is a risk that each board may not be able to realise assets and extinguish liabilities at the amounts disclosed in their respective financial report, a disclosure note to this effect has been included in the 2008-09 financial statements.

QAO is working with representatives from the Department of Environment and Resource Management to address relevant accounting and audit issues, should the recommendations be adopted.

The report also recommends a number of other public sector entities currently audited by QAO for possible disposal, abolition or a change of form. The implementation of the government's response to the recommendations of the review will be monitored to assess the ongoing impact.

5

Status of financial statements

Summary

Background

The A-G Act requires the outcome of all audits to be reported to Parliament. This is achieved by providing the status of financial statements at various points in time in Auditor-General's Reports to Parliament.

Section 5.1 provides the status of 2008-09 audits. Section 5.2 contains the status of prior year financial statements which have been finalised since Auditor-General's Report to Parliament No. 4 for 2009 on the results of audits at 31 May 2009 was tabled in Parliament on 30 June 2009. Section 5.3 contains details of dormant public sector entities within the audit mandate for which financial statements were not prepared.

Key results

- Auditors' opinions for 351 public sector entities have been issued for the 2008-09 financial year.
- Auditors' opinions on the 2007-08 financial statements of 16 public sector entities are yet to be issued. QAO is actively working with the public sector entities involved to ensure financial statements are finalised for audit and these auditors' opinions are issued as soon as practicable.

5.1 Status of 2008-09 financial statements

Auditors' opinions for 351 public sector entities have been issued for the 2008-09 financial year. Unless indicated, these entities had a financial year ending 30 June 2009. As discussed in Section 2.3.1, departments, statutory bodies and GOCs were required to have their financial statements completed and audited by 31 August 2009. Companies were required to report to members, including providing the auditor's report on the financial report, by the earlier of 21 days before the next Annual General Meeting or 31 October 2009.

Figure 5A : Auditors' opinions issued for the 2008-09 financial year

Auditors' opinion key: U=Unmodified auditor's opinion E=Emphasis of matter Q=Qualified auditor's opinion A=Adverse opinion D=Disclaimer of auditor's opinion

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Departments						
Department of Communities	24.08.2009	31.08.2009	U	✓		
Department of Community Safety ⁶	17.08.2009	31.08.2009	U	✓		
Department of Education and Training	27.08.2009	28.08.2009	U	✓		
Department of Employment, Economic Development and Innovation ⁶	28.08.2009	31.08.2009	U	✓		
Department of Environment and Resource Management ⁶	31.08.2009	31.08.2009	U	✓		
Department of Health	13.08.2009	21.08.2009	U	✓		
Department of Infrastructure and Planning	21.08.2009	27.08.2009	E	✓		
Department of Justice and Attorney-General	27.08.2009	28.08.2009	U	✓		
Department of Police	28.08.2009	31.08.2009	U	✓		
Department of Public Works	27.08.2009	28.08.2009	U	✓		
Department of the Premier and Cabinet	28.08.2009	31.08.2009	U	✓		
Department of Transport and Main Roads ⁶	28.08.2009	31.08.2009	U	✓		
Electoral Commission of Queensland	20.08.2009	25.08.2009	U	✓		
Forestry Plantations Queensland Office	26.08.2009	28.08.2009	U	✓		
Legislative Assembly and Parliamentary Service	27.08.2009	28.08.2009	U	✓		

⁶ These departments were established on 27 March 2009 following machinery of Government changes and prepared financial statements for the period 27 March to 30 June 2009.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Office of the Governor	07.08.2009	13.08.2009	U	✓		
Office of the Ombudsman	28.08.2009	31.08.2009	U	✓		
Public Service Commission	28.08.2009	31.08.2009	U	✓		
The Public Trustee of Queensland	14.08.2009	24.08.2009	U	✓		
Treasury Department	11.08.2009	28.08.2009	U	✓		
Departmental agencies						
Corporate Administration Agency	28.08.2009	31.08.2009	U	✓		
Corporate and Professional Services	27.08.2009	31.08.2009	U	✓		
CorpTech	27.08.2009	28.08.2009	U	✓		
Property Services Group	31.07.2009	04.08.2009	U	✓		
Queensland Health Shared Service Provider	13.08.2009	21.08.2009	U	✓		
Shared Service Agency	27.08.2009	31.08.2009	U	✓		
Statutory bodies						
Anti Discrimination Commission	11.08.2009	13.08.2009	U	✓		
Anzac Day Trust	31.08.2009	31.08.2009	U	✓		
Australian Agricultural College Corporation	31.08.2009	31.08.2009	U	✓		
Avondale Water Board	29.07.2009	31.08.2009	U	✓		
Babinda Swamp Drainage Board	28.07.2009	31.08.2009	U	✓		
Benleith Water Board	17.08.2009	08.10.2009	E			✓
Board of Architects of Queensland	31.08.2009	31.08.2009	U	✓		
Board of Professional Engineers of Queensland	20.08.2009	20.08.2009	U	✓		
Board of the Queensland Museum	28.08.2009	31.08.2009	U	✓		
Bollon South Water Authority	Not completed	Not completed				
Bollon West Water Authority	Not completed	Not completed				
Bones Knob Water Board	16.07.2009	31.08.2009	U	✓		
Boondooma Water Board	28.08.2009	06.10.2009	E			✓
Brigooda Water Board	24.07.2009	20.08.2009	U	✓		

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Building and Construction Industry (Portable Long Service Leave) Authority (trading as QLeave)	21.08.2009	28.08.2009	E	✓		
Bundaberg Health Services Foundation	12.08.2009	31.08.2009	Q	✓		
Burdekin Shire Rivers Improvement Trust	Not completed	Not completed				
Cairns River Improvement Trust	24.08.2009	15.10.2009	E			✓
Callandoon Water Supply Board	21.07.2009	31.08.2009	U	✓		
Cardwell Shire River Improvement Trust	29.07.2009	08.10.2009	E			✓
Chicken Meat Industry Committee	31.08.2009	31.08.2009	U	✓		
Chirotractors Board of Queensland	28.08.2009	31.08.2009	U	✓		
Clifton Shire River Improvement Trust	20.08.2009	12.10.2009	E			✓
Commission for Children and Young People and Child Guardian	31.08.2009	31.08.2009	U	✓		
Condamine Plains Water Board	31.07.2009	13.08.2009	U	✓		
Contract Cleaning Industry (Portable Long Service Leave) Authority (trading as QLeave)	20.08.2009	31.08.2009	U	✓		
Coreen Water Board	28.07.2009	31.08.2009	U	✓		
Cowley Drainage Board	28.07.2009	13.08.2009	U	✓		
Crime and Misconduct Commission	27.08.2009	28.08.2009	U	✓		
Crowley Vale Water Board	04.08.2009	31.08.2009	U	✓		
Curumbin Bird Sanctuary	24.08.2009	24.08.2009	U	✓		
Darling Downs - Moreton Rabbit Board	26.08.2009	31.08.2009	U	✓		
Dental Board of Queensland	28.08.2009	31.08.2009	U	✓		
Dental Technicians and Dental Prosthetists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Don River Improvement Trust	13.08.2009	08.10.2009	E			✓
Dundowran-Nikenbah Water Board	31.07.2009	31.08.2009	U	✓		
East Deeral Drainage Board	20.08.2009	31.08.2009	U	✓		
East Euramo Drainage Board	29.07.2009	31.08.2009	U	✓		
Eugon Bore Water Authority	29.07.2009	31.08.2009	U	✓		
Family Responsibilities Commission	21.08.2009	31.08.2009	U	✓		
Far North Queensland Hospital Foundation	28.08.2009	28.08.2009	U	✓		

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Fernlee Water Authority	31.07.2009	31.08.2009	U	✓		
Forestry Plantations Queensland	26.08.2009	28.08.2009	U	✓		
Gladstone Area Water Board	27.08.2009	31.08.2009	E	✓		
Gladstone Economic and Industry Development Board	27.08.2009	31.08.2009	U	✓		
Glamorgan Vale Water Board	Not completed	Not completed				
Gold Coast Hospital Foundation	Not completed	Not completed				
Gold Coast Institute of TAFE	25.08.2009	26.08.2009	U	✓		
Grevillea Water Board	19.08.2009	31.08.2009	U	✓		
Health Quality and Complaints Commission	31.08.2009	31.08.2009	U	✓		
Herbert River Improvement Trust	02.07.2009	11.08.2009	U	✓		
Ingle Water Authority	25.07.2009	31.08.2009	U	✓		
Ipswich Hospital Foundation	22.08.2009	22.08.2009	U	✓		
Ipswich Rivers Improvement Trust	23.07.2009	20.08.2009	U	✓		
Johnstone Shire River Improvement Trust	06.07.2009	20.08.2009	U	✓		
Jondaryan Shire River Improvement Trust	Not completed	Not completed				
Juandah Water Board	24.08.2009	31.08.2009	U	✓		
Kaywana Bore Water Board	28.07.2009	31.08.2009	U	✓		
Kelsey Creek Water Board	04.08.2009	13.08.2009	U	✓		
Kooingal Water Board	28.07.2009	24.08.2009	U	✓		
Legal Aid Queensland	26.08.2009	26.08.2009	U	✓		
Legal Practitioners Admissions Board	28.08.2009	31.08.2009	U	✓		
Library Board of Queensland	19.08.2009	28.08.2009	U	✓		
Lower Herbert Water Management Authority	22.07.2009	13.08.2009	U	✓		
Marathon Bore Water Supply Board	20.07.2009	31.08.2009	U	✓		
Mathews Road Drainage Board	30.07.2009	31.08.2009	U	✓		
Medical Board of Queensland	31.08.2009	31.08.2009	U	✓		
Medical Radiation Technologists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Merivale Water Board	Not completed	Not completed				

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Middle Park Bore Water Supply Board	20.07.2009	31.08.2009	U	✓		
Motor Accident Insurance Commission	27.08.2009	27.08.2009	U	✓		
Mount Isa Water Board	28.08.2009	31.08.2009	U	✓		
Mourilyan Drainage Board	24.07.2009	20.08.2009	U	✓		
Mt Gravatt Showgrounds Trust ⁷	25.06.2009	29.06.2009	U	✓		
Mulgildie Water Board	29.07.2009	20.08.2009	U	✓		
Myall Plains Water Authority	25.07.2009	31.08.2009	U	✓		
National Trust of Queensland	24.08.2009	26.08.2009	U	✓		
Nominal Defendant	27.08.2009	27.08.2009	U	✓		
Non-State Schools Accreditation Board	07.08.2009	10.08.2009	U	✓		
North Burdekin Water Board	Not completed	Not completed				
Oaky Creek Water Board	28.07.2009	24.08.2009	U	✓		
Occupational Therapists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Office of Health Practitioner Registration Boards	28.08.2009	31.08.2009	U	✓		
Office of the Energy Ombudsman	27.08.2009	28.08.2009	U	✓		
Office of the Information Commissioner	28.08.2009	31.08.2009	U	✓		
Office of the Medical Board of Queensland	31.08.2009	31.08.2009	U	✓		
Optometrists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Orchard Creek Drainage Board	29.07.2009	31.08.2009	U	✓		
Osteopaths Board of Queensland	28.08.2009	31.08.2009	U	✓		
PA Foundation	31.08.2009	31.08.2009	Q	✓		
Palmgrove Water Board	Not completed	Not completed				
Pharmacists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Physiotherapists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Pioneer River Improvement Trust	Not completed	Not completed				
Pioneer Valley Water Board	25.08.2009	26.08.2009	U	✓		

⁷ This entity's financial year ended on 30 April 2009.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Podiatrists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Professional Standards Council	31.08.2009	31.08.2009	U	✓		
Prostitution Licensing Authority	25.08.2009	26.08.2009	U	✓		
Psychologists Board of Queensland	28.08.2009	31.08.2009	U	✓		
QRAA	18.08.2009	20.08.2009	U	✓		
Queensland Art Gallery Board of Trustees	31.08.2009	31.08.2009	U	✓		
Queensland Building Services Authority	27.08.2009	27.08.2009	U	✓		
Queensland Bulk Water Supply Authority (trading as Seqwater)	28.08.2009	31.08.2009	E	✓		
Queensland Bulk Water Transport Authority (trading as LinkWater)	26.08.2009	31.08.2009	E	✓		
Queensland Competition Authority	20.08.2009	21.08.2009	U	✓		
Queensland Future Growth Corporation	14.08.2009	28.08.2009	U	✓		
Queensland Institute of Medical Research Trust	28.08.2009	31.08.2009	U	✓		
Queensland Law Society Incorporated	31.08.2009	31.08.2009	U	✓		
Queensland Manufactured Water Authority (trading as WaterSecure)	31.08.2009	31.08.2009	E	✓		
Queensland Nursing Council	25.08.2009	25.08.2009	U	✓		
Queensland Performing Arts Trust	24.08.2009	31.08.2009	U	✓		
Queensland Studies Authority	26.08.2009	27.08.2009	U	✓		
Queensland Treasury Corporation	19.08.2009	24.08.2009	U	✓		
Queensland Water Commission	28.08.2009	31.08.2009	U	✓		
Redcliffe Hospital Foundation	19.08.2009	27.08.2009	Q	✓		
Residential Tenancies Authority	19.08.2009	19.08.2009	U	✓		
Riversdale-Murray Valley Water Management Board	24.07.2009	31.08.2009	U	✓		
Roadvale Water Board	20.08.2009	31.08.2009	U	✓		
Royal Brisbane and Women's Hospital Foundation	31.08.2009	31.08.2009	U	✓		
Safe Food Production Queensland	19.08.2009	19.08.2009	U	✓		
Scenic Rim Rivers Improvement Trust	07.07.2009	13.08.2009	U	✓		
SEQ Water Grid Manager	27.08.2009	31.08.2009	U	✓		
Silkwood Drainage Board	18.08.2009	31.08.2009	U	✓		

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Six Mile Creek Water Supply Board	04.08.2009	20.08.2009	U	✓		
Smithfield Drainage Board	24.08.2009	31.08.2009	U	✓		
South Bank Corporation	20.08.2009	31.08.2009	U	✓		
South Burdekin Water Board	Not completed	Not completed				
South Maroochy Drainage Board	Not completed	Not completed				
Southbank Institute of Technology	19.08.2009	26.08.2009	U	✓		
Speech Pathologists Board of Queensland	28.08.2009	31.08.2009	U	✓		
Stadiums Queensland	26.08.2009	31.08.2009	U	✓		
Stagnant Creek Drainage Board	29.07.2009	31.08.2009	U	✓		
Stanthorpe Shire River Improvement Trust	Not completed	Not completed				
Sunshine Coast Health Foundation	28.08.2009	28.08.2009	U	✓		
Supreme Court Library Committee	21.08.2009	21.08.2009	U	✓		
Surveyors Board of Queensland	24.08.2009	31.08.2009	U	✓		
Taberna Bore Water Board	28.08.2009	31.08.2009	U	✓		
The Board of Trustees of Newstead House	31.08.2009	31.08.2009	U	✓		
The Council of the Queensland Institute of Medical Research	28.08.2009	31.08.2009	U	✓		
The Prince Charles Hospital Foundation	27.08.2009	27.08.2009	U	✓		
The Prince Charles Hospital Foundation Trust	27.08.2009	27.08.2009	U	✓		
The Royal Children's Hospital Foundation	31.08.2009	31.08.2009	U	✓		
Toowoomba Hospital Foundation	31.08.2009	31.08.2009	U	✓		
Tourism Queensland	11.08.2009	13.08.2009	U	✓		
Townsville Hospital Foundation	Not completed	Not completed				
TransLink Transit Authority	17.08.2009	19.08.2009	U	✓		
Trustees of Parklands Gold Coast	26.08.2009	27.08.2009	U	✓		
Urban Land Development Authority	20.08.2009	31.08.2009	U	✓		
Valuers Registration Board of Queensland	31.08.2009	31.08.2009	U	✓		
Wambo Shire River Improvement Trust	Not completed	Not completed				

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Wanda Creek Drainage Board	30.07.2009	20.08.2009	U	✓		
Warrubullen Drainage Board ⁸	19.10.2009	31.10.2009	U			✓
Warwick Shire River Improvement Trust	Not completed	Not completed				
Washpool Water Board	22.07.2009	31.08.2009	U	✓		
Weengallon Water Authority	Not completed	Not completed				
Whitsunday Rivers Improvement Trust	Not completed	Not completed				
Woodmillar Water Board	16.07.2009	20.08.2009	U	✓		
WorkCover Queensland	25.08.2009	25.08.2009	U	✓		
Workers' Compensation Regulatory Authority (Q-COMP)	25.08.2009	28.08.2009	U	✓		
Yambocully Water Board	31.07.2009	13.08.2009	U	✓		
Government owned corporations						
Cairns Ports Limited ⁹	16.09.2009	23.09.2009	Q		✓	
CS Energy Limited ¹⁰	27.08.2009	31.08.2009	U	✓		
ENERGEX Limited and consolidated entities ¹¹	24.08.2009	26.08.2009	U	✓		
Ergon Energy Corporation Limited ¹²	21.08.2009	21.08.2009	U	✓		
Gladstone Ports Corporation Limited	28.08.2009	28.08.2009	U	✓		
Mackay Ports Limited	31.08.2009	31.08.2009	U	✓		
Port of Brisbane Corporation Limited	21.08.2009	25.08.2009	U	✓		
Port of Townsville Limited	17.08.2009	17.08.2009	U	✓		
Ports Corporation of Queensland Limited	24.08.2009	24.08.2009	U	✓		
QIC Limited	31.08.2009	31.08.2009	U	✓		
QR Limited and consolidated entities ¹³	11.08.2009	18.08.2009	U	✓		

⁸ This board was abolished on 7 November 2008.

⁹ Cairns Ports Limited is now called Far North Queensland Ports Corporation Limited effective from 1 July 2009.

¹⁰ These consolidated financial statements incorporate 12 subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

¹¹ These consolidated financial statements incorporate 9 subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

¹² These consolidated financial statements incorporate 1 subsidiary which is not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

¹³ These consolidated financial statements incorporate 14 subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland) ¹⁴	27.08.2009	27.08.2009	U	✓		
Stanwell Corporation Limited	26.08.2009	26.08.2009	U	✓		
SunWater Limited	26.08.2009	28.08.2009	U	✓		
Tarong Energy Corporation Limited	19.08.2009	20.08.2009	E	✓		
Controlled entities						
Aboriginal Centre for the Performing Arts Pty Ltd	27.08.2009	27.08.2009	U	✓		
AHURI Queensland Research Centre Limited	21.09.2009	30.09.2009	U		✓	
Asia Pacific Screen Awards Ltd	31.08.2009	04.09.2009	U		✓	
Australian Agricultural College Employing Office	31.08.2009	31.08.2009	U	✓		
Australian Institute for Commercialisation Limited	27.08.2009	28.08.2009	U	✓		
Aviation Australia Pty Ltd	06.08.2009	06.08.2009	U	✓		
BC ITF (Qld) Limited (trading as Construction Skills Queensland)	10.09.2009	11.09.2009	U		✓	
Beak Industries Pty Ltd	13.08.2009	14.08.2009	U	✓		
BioPharmaceuticals Australia (Network) Pty Ltd	31.08.2009	31.08.2009	U	✓		
Brisbane Market Corporation Limited	14.09.2009	17.09.2009	U		✓	
Bundaberg Port Corporation Pty Ltd	21.08.2009	25.08.2009	U	✓		
Burnett Water Pty Ltd	26.08.2009	28.08.2009	U	✓		
City North Infrastructure Pty Ltd	21.07.2009	21.07.2009	U	✓		
CSI Holdings Pty Ltd	27.08.2009	31.08.2009	U	✓		
Ergon Energy Queensland Pty Ltd	18.08.2009	18.08.2009	U	✓		
Eungella Water Pipeline Pty Ltd	26.08.2009	28.08.2009	U	✓		
Gold Coast Events Co. Pty Ltd	08.09.2009	08.09.2009	U		✓	
Gold Coast Events Management Ltd (trading as Queensland Events Gold Coast)	10.08.2009	10.08.2009	U	✓		
i.lab Incubator Pty Ltd	10.09.2009	16.09.2009	U		✓	
Industrial Supplies Office (Queensland) Limited	Not completed	Not completed				
Law Claims Levy Fund	31.08.2009	31.08.2009	U	✓		

¹⁴ These consolidated financial statements incorporate 2 subsidiaries which are not required to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Lazy Acres Caravan Park	Not completed	Not completed				
Legal Practitioners Fidelity Guarantee Fund	31.08.2009	31.08.2009	U	✓		
Logan Motorway Company Limited	29.07.2009	31.07.2009	U	✓		
Monte Carlo Caravan Park Pty Ltd	Not completed	Not completed				
North West Queensland Water Pipeline Pty Ltd	26.08.2009	28.08.2009	U	✓		
On Track Insurance Pty Ltd	11.08.2009	14.08.2009	U	✓		
Port Motorway Limited	29.07.2009	31.07.2009	U	✓		
Q-Gen Pty Limited	09.10.2009	16.10.2009	U			✓
QIC (UK) Management Limited	28.08.2009	16.09.2009	U		✓	
QIC Private Capital Pty Ltd	31.08.2009	31.08.2009	U	✓		
QIC Properties Pty Ltd	28.08.2009	31.08.2009	U	✓		
QIC Retail Pty Ltd	31.08.2009	31.08.2009	U	✓		
Queensland Airport Holdings (Cairns) Pty Ltd ¹⁵	09.10.2009	12.10.2009	U			✓
Queensland Airport Holdings (Mackay) Pty Ltd ¹⁵	09.10.2009	13.10.2009	U			✓
Queensland Art Gallery Foundation	31.08.2009	31.08.2009	U	✓		
Queensland BioCapital Funds Pty Ltd	31.08.2009	31.08.2009	U	✓		
Queensland Building Services Employing Office	27.08.2009	27.08.2009	U	✓		
Queensland Energy Services Team Pty Ltd	13.08.2009	14.08.2009	U	✓		
Queensland Events Corporation Pty Ltd	31.08.2009	31.08.2009	U	✓		
Queensland Library Foundation	30.07.2009	30.07.2009	U	✓		
Queensland Lottery Corporation Pty Ltd	05.08.2009	10.08.2009	U	✓		
Queensland Motorways Limited	29.07.2009	31.07.2009	U	✓		
Queensland Motorways Management Pty Ltd	29.07.2009	31.07.2009	U	✓		
Queensland Museum Foundation Trust	27.08.2009	31.08.2009	U	✓		
Queensland Treasury Holdings Pty Ltd	18.08.2009	20.08.2009	U	✓		
Queensland Water Infrastructure Pty Ltd	30.07.2009	06.08.2009	E	✓		

¹⁵ These entities were established on 1 September 2008.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Residential Tenancies Employing Office	19.08.2009	19.08.2009	U	✓		
Service Essentials Pty Ltd	13.08.2009	14.08.2009	U	✓		
South Bank Employing Office	20.08.2009	31.08.2009	U	✓		
South East Queensland (Gold Coast) Desalination Company Pty Ltd (trading as Sure Smart Water)	31.08.2009	31.08.2009	U	✓		
South East Queensland Water Corporation Limited	28.08.2009	31.08.2009	U	✓		
Southern Regional Water Pipeline Company Pty Ltd (trading as LinkWater Projects)	29.07.2009	31.07.2009	U	✓		
The Gateway Bridge Company Limited	29.07.2009	31.07.2009	U	✓		
The Monte Carlo Caravan Park Trust	Not completed	Not completed				
The Pacific Film and Television Commission Pty Ltd	25.08.2009	28.08.2009	E	✓		
Tourism Queensland Employing Office	11.08.2009	13.08.2009	U	✓		
TransLink Transit Authority Employing Office	17.08.2009	19.08.2009	U	✓		
TRANSMAX Pty Ltd	29.07.2009	05.08.2009	U	✓		
Transport Holdings Queensland Pty Ltd	23.10.2009	28.10.2009	U			✓
Western Corridor Recycled Water Pty Ltd	31.08.2009	31.08.2009	U	✓		
Wollemi Australia Pty Ltd	Not completed	Not completed				
Woombye Gardens Caravan Park	Not completed	Not completed				
WorkCover Employing Office	25.08.2009	25.08.2009	U	✓		
ZeroGen Pty Ltd	06.08.2009	06.08.2009	U	✓		
Joint controlled entities						
Advance Cairns Limited	30.09.2009	07.10.2009	U			✓
Australia TradeCoast Limited	12.10.2009	14.10.2009	U			✓
DBCT Holdings Pty Ltd	14.08.2009	18.08.2009	U	✓		
Local Government Infrastructure Services Pty Ltd	01.09.2009	02.09.2009	U			✓
Q Invest Limited	15.09.2009	17.09.2009	U			✓
Queensland Tertiary Admissions Centre Limited	18.08.2009	18.08.2009	U	✓		
SEQ Distribution Entity (Interim) Pty Ltd	Not completed	Not completed				
SPARQ Solutions Pty Ltd	07.08.2009	07.08.2009	U	✓		

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
State Council of River Trusts Queensland, Inc.	14.07.2009	02.10.2009	U			✓
By arrangement audit						
Building and Construction Industry Training Fund (Qld)	10.09.2009	11.09.2009	U		✓	
Cairns Convention Centre	24.08.2009	24.08.2009	U	✓		
Canberra Centre (No. 2) Investment Trust	31.08.2009	03.09.2009	U		✓	
Canberra Centre Investment Trust	14.09.2009	14.09.2009	U		✓	
Eastland Shopping Centre Trust	14.09.2009	14.09.2009	U		✓	
Gold Coast Convention and Exhibition Centre	16.09.2009	22.09.2009	U		✓	
Great Barrier Reef Marine Park Authority	24.08.2009	26.08.2009	U	✓		
Innovis Investments Australia LP ¹⁶	26.02.2009	06.04.2009	U			✓
Innovis Investment Partners Australia LP ¹⁷	08.05.2009	27.05.2009	U			✓
Melton Property Trust	14.09.2009	14.09.2009	U		✓	
QIC 80 Collins Street Trust	31.08.2009	03.09.2009	U		✓	
QIC 141 Queen Street Trust	31.08.2009	03.09.2009	U		✓	
QIC Castle Towers Trust	31.08.2009	03.09.2009	U		✓	
QIC Central Plaza I Trust	31.08.2009	03.09.2009	U		✓	
QIC Central Plaza II and III Trust ¹⁸	23.03.2009	27.03.2009	U		✓	
QIC Colonial Centre Trust	31.08.2009	03.09.2009	U		✓	
QIC Coomera Trust	14.09.2009	14.09.2009	U		✓	
QIC Finance (Shopping Centre Fund) Pty Ltd	14.09.2009	14.09.2009	U		✓	
QIC Grand Central Trust	31.08.2009	03.09.2009	U		✓	
QIC Helensvale Trust	14.09.2009	14.09.2009	U		✓	
QIC Hi Yield Trust	14.09.2009	14.09.2009	U		✓	
QIC Industrial Trust	31.08.2009	03.09.2009	U		✓	
QIC Investments No. 1 Pty Ltd	14.09.2009	14.09.2009	U		✓	

¹⁶ This partnership ceased operations on 23 July 2008.

¹⁷ This partnership ceased operations on 31 December 2008.

¹⁸ This trust was sold effective 9 January 2009.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
QIC Investments No. 2 Pty Ltd	14.09.2009	14.09.2009	U		✓	
QIC January 1999 Trust	14.09.2009	14.09.2009	U		✓	
QIC Logan Hyperdome (No. 2) Trust	14.09.2009	14.09.2009	U		✓	
QIC Logan Hyperdome Trust	14.09.2009	14.09.2009	U		✓	
QIC March 2001 Trust	14.09.2009	14.09.2009	U		✓	
QIC MLC Centre Trust	31.08.2009	03.09.2009	U		✓	
QIC Office Property Fund	14.09.2009	14.09.2009	U		✓	
QIC Property Fund	16.09.2009	16.09.2009	U		✓	
QIC Retail (No. 2) Fund	14.09.2009	14.09.2009	U		✓	
QIC Ringwood Trust	14.09.2009	14.09.2009	U		✓	
QIC Robina Trust	14.09.2009	14.09.2009	U		✓	
QIC Shopping Centre Fund	16.09.2009	16.09.2009	U		✓	
QIC Westpoint Trust	31.08.2009	03.09.2009	U		✓	
QSuper Limited	01.09.2009	09.09.2009	U		✓	
Queensland Manufacturing Institute Trust	Not completed	Not completed				
Tarong North Pty Ltd	25.09.2009	30.10.2009	U			✓
The Cyclone Larry Disaster Relief Fund	Not completed	Not completed				
Watergardens Trust	14.09.2009	14.09.2009	U		✓	
By arrangement audits - under Trust Deed						
Disaster Appeals Trust Fund	28.08.2009	31.08.2009	U	✓		
Forde Foundation Trust Fund	28.08.2009	31.08.2009	U	✓		
Innovis Investments Australia Fund ¹⁹	31.08.2009	03.09.2009	U		✓	
Lady Bowen Trust	28.08.2009	31.08.2009	U	✓		
Premier's Disaster Relief Appeal Trust	Not completed	Not completed				
Public Trustee of Queensland – Australian Equities Fund	07.09.2009	08.09.2009	U		✓	
Public Trustee of Queensland – Australian Fixed Interest Trust	07.09.2009	08.09.2009	U		✓	

¹⁹ This fund commenced operations on 30 September 2008.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
Public Trustee of Queensland Cash Trust	07.09.2009	08.09.2009	U		✓	
Public Trustee of Queensland Conservative Fund	07.09.2009	08.09.2009	U		✓	
Public Trustee of Queensland Growth Trust	07.09.2009	08.09.2009	U		✓	
Public Trustee of Queensland Higher Growth Trust	07.09.2009	08.09.2009	U		✓	
QIC Active Currency Trust	31.08.2009	03.09.2009	U		✓	
QIC Active Large Companies Fund	31.08.2009	03.09.2009	U		✓	
QIC Active Small Companies Fund	31.08.2009	03.09.2009	U		✓	
QIC Australian Equities Fund	31.08.2009	03.09.2009	U		✓	
QIC Australian Fixed Interest Fund	31.08.2009	03.09.2009	U		✓	
QIC Australian Venture Capital Fund	28.09.2009	29.09.2009	U		✓	
QIC Cash Deposit Fund ²⁰	31.08.2009	03.09.2009	U		✓	
QIC Cash Enhanced Fund	31.08.2009	03.09.2009	U		✓	
QIC Cash Fund	31.08.2009	03.09.2009	U		✓	
QIC Core Large Companies Fund No. 1 ²¹	31.08.2009	03.09.2009	U		✓	
QIC Emerging Markets Equities Fund ²²	31.08.2009	03.09.2009	U		✓	
QIC GFI Alpha Fund	31.08.2009	03.09.2009	U		✓	
QIC Diversified Fixed Interest Fund	28.09.2009	29.09.2009	U		✓	
QIC Global Credit Fund	31.08.2009	03.09.2009	U		✓	
QIC Global Credit Opportunities Fund	28.09.2009	29.09.2009	U		✓	
QIC Global Macro Fund	31.08.2009	03.09.2009	U		✓	
QIC Global Strategy Trust No. 1	28.09.2009	29.09.2009	U		✓	
QIC Global Strategy Trust No. 2	28.09.2009	29.09.2009	U		✓	
QIC Global Strategy Trust No. 2A	28.09.2009	29.09.2009	U		✓	
QIC Global Strategy Trust No. 2B	28.09.2009	29.09.2009	U		✓	
QIC Growth Fund	31.08.2009	03.09.2009	U		✓	

²⁰ This fund commenced operations on 31 October 2008.

²¹ This fund ceased operations on 7 August 2008.

²² This fund commenced operations on 3 June 2008. The first set of financial statements were prepared for the period 3 June 2008 to 30 June 2009.

Entity name	Financial statements			Timeliness of completion		
	Financial statements signed	Auditor's report signed	Auditor's opinion	< 2 months	2 to 3 months	> 3 months
QIC Hedged International Equities Fund	31.08.2009	03.09.2009	U		✓	
QIC High Growth Fund ²³	31.08.2009	03.09.2009	U		✓	
QIC Implemented Australian Equities Fund	31.08.2009	03.09.2009	U		✓	
QIC International Equities Fund	28.09.2009	29.09.2009	U		✓	
QIC International Equities Small Companies Fund	28.09.2009	29.09.2009	U		✓	
QIC Property Securities Fund	31.08.2009	03.09.2009	U		✓	
QIC Stable Fund	31.08.2009	03.09.2009	U		✓	
QIC Strategy Fund No. 1	28.09.2009	29.09.2009	U		✓	
QIC Strategy Fund No. 2	28.09.2009	29.09.2009	U		✓	
QIC Tactical Return Fund	31.08.2009	03.09.2009	U		✓	
Queensland Aboriginal & Torres Strait Islander Foundation	28.08.2009	31.08.2009	U	✓		
Queensland BioCapital Fund No. 1	14.09.2009	14.09.2009	U		✓	
Queensland BioCapital Fund No. 2	14.09.2009	14.09.2009	U		✓	
Queensland Community Foundation	25.08.2009	26.08.2009	U	✓		
Queensland Investment Trust No. 1	28.09.2009	29.09.2009	U		✓	
Queensland Investment Trust No. 2	28.09.2009	29.09.2009	U		✓	
Queensland Trust for Nature Fund	Not completed	Not completed				
State Public Sector Superannuation Scheme (QSuper)	01.09.2009	09.09.2009	U		✓	

²³ This fund ceased operations on 15 June 2009.

5.2

Status of prior year financial statements

Auditors' opinions for 25 public sector entities have been issued for prior financial years since Report No. 4 for 2009 was tabled.

Figure 5B : Auditors' opinions issued for prior financial years

Entity name	Balance date	Statutory deadline	Financial statements			Auditor's opinion
			Financial statements signed	Auditor's report signed	Auditor's opinion	
Aboriginal Shire councils						
Doomadgee Aboriginal Shire Council ²⁴	30.06.2008	30.06.2009	Not completed	Not completed		
Cherbourg Aboriginal Shire Council ²⁴	30.06.2008	30.01.2009	Not completed	Not completed		
Hope Vale Aboriginal Shire Council	30.06.2008	30.11.2008	29.04.2009	07.07.2009	Q E	
Mapoon Aboriginal Shire Council	30.06.2008	30.11.2008	Not completed	Not completed		
Mapoon Aboriginal Shire Council	30.06.2007	30.11.2008	24.03.2009	06.07.2009	D	
Napranum Aboriginal Shire Council	30.06.2008	30.11.2008	20.05.2009	20.08.2009	D	
Pompuraaw Aboriginal Shire Council ²⁴	30.06.2008	30.06.2009	Not completed	Not completed		
Wujal Wujal Aboriginal Shire Council	30.06.2008	30.11.2008	21.04.2009	20.07.2009	Q E	
Aboriginal Shire council - abolished						
Umagico Aboriginal Shire Council	14.03.2008	No deadline	Not completed	Not completed		
Controlled entities						
Barambah Community Services Limited	30.06.2008	31.10.2008	26.06.2009	30.06.2009	U	
Boonah and District Art Gallery and Library Trust	30.06.2008	No deadline	22.09.2009	02.10.2009	Q	
Boonah and District Performing Arts Centre Trust Fund	30.06.2008	No deadline	22.09.2009	02.10.2009	Q	
Castra Retirement Home Limited	30.06.2008	31.10.2008	12.06.2009	30.06.2009	U	
Edward River Crocodile Farm Pty Ltd	30.06.2008	31.10.2008	Not completed	Not completed		
Kingaroy Private Hospital Limited	30.06.2008	31.10.2008	Not completed	Not completed		
Organics Reclaimed Pty Ltd	30.06.2008	31.10.2008	Not completed	Not completed		
Seno Sano Pty Ltd	31.12.2008	30.04.2009	24.07.2009	24.07.2009	U	

Auditors' opinion key: U=Unmodified auditor's opinion E=Emphasis of matter Q=Qualified auditor's opinion A=Adverse opinion D=Disclaimer of auditor's opinion

²⁴ The Minister for Local Government approved extensions to the statutory deadline for these entities for the tabling of their annual report, including audited financial statements, by the dates listed.

Entity name	Balance date	Statutory deadline	Financial statements		
			Financial statements signed	Auditor's report signed	Auditor's opinion
Med-e-Serv Pty Ltd	31.12.2008	30.04.2009	Not completed	Not completed	
Joint controlled entities					
Western Queensland Local Government Association	30.06.2008	No deadline	Not completed	Not completed	
The Grammar Schools of Queensland Association Inc.	31.12.2008	No deadline	11.06.2009	08.07.2009	U
Western Sub Regional Organisation of Councils (WESROC)	30.06.2008	No deadline	05.05.2009	17.06.2009	E
Whitsunday Hinterland and Mackay Bowen Regional Organisation of Councils Inc.	30.06.2008	No deadline	24.08.2009	24.08.2009	U
Local governments					
Aurukun Shire Council	30.06.2008	30.11.2008	28.08.2009	21.09.2009	D
Diamantina Shire Council	30.06.2008	30.11.2008	23.04.2009	19.06.2009	E
Local governments - abolished					
Belyando Shire Council ²⁵	14.03.2008	31.12.2008	Not completed	Not completed	
Biggenden Shire Council ²⁵	14.03.2008	31.10.2008	25.09.2009	28.10.2009	E
Crows Nest Shire Council ²⁵	14.03.2008	21.10.2008	12.06.2009	26.06.2009	Q E
Eidsvold Shire Council ²⁵	14.03.2008	31.10.2008	Not completed	Not completed	
Gayndah Shire Council ²⁵	14.03.2008	31.10.2008	10.07.2009	19.08.2009	E
Monto Shire Council ²⁵	14.03.2008	31.10.2008	19.06.2009	06.08.2009	E
Mundubbera Shire Council ²⁵	14.03.2008	31.10.2008	Not completed	Not completed	
Perry Shire Council ²⁵	14.03.2008	31.10.2008	Not completed	Not completed	
Pittsworth Shire Council ²⁵	14.03.2008	21.10.2008	12.06.2009	26.06.2009	Q E
Statutory bodies					
North Burdekin Water Board	30.06.2008	15.09.2008	14.10.2009	02.11.2009	Q E
South Burdekin Water Board	30.06.2008	15.09.2008	29.09.2009	02.11.2009	Q E
Palmgrove Water Board	30.06.2008	15.09.2008	Not completed	Not completed	
South Maroochy Drainage Board	30.06.2008	15.09.2008	Not completed	Not completed	
Wambo Shire River Improvement Trust	30.06.2008	15.09.2008	07.08.2009	31.08.2009	E

²⁵ The Minister for Local Government approved extensions to the statutory deadline for these entities for the tabling of their annual report, including audited financial statements, by the dates listed.

Entity name	Balance date	Statutory deadline	Financial statements		
			Financial statements signed	Auditor's report signed	Auditor's opinion
Torres Strait Island councils - abolished					
Bamaga Island Council	14.03.2008	No deadline	09.03.2009	02.09.2009	E
Saibai Island Council	14.03.2008	No deadline	10.06.2009	23.10.2009	D
Ugar Island Council	14.03.2008	No deadline	01.05.2009	09.09.2009	E

5.3 Dormant entities for 2008-09 financial year

The following 52 entities with a financial year ending on 30 June 2009 were dormant and not subject to audit in 2008-09.

Entity name
Advanced Moulding Technologies Pty Ltd
Canberra Centre Investments Pty Ltd
Dumaresq-Barwon Border Rivers Commission
Eastland Property Holdings Pty Ltd
EDWF Holdings 1 Pty Ltd
General Fund No. 2
Innovis Investments Pty Ltd
International WaterCentre Pty Ltd
Kabtec Limited
Metering Dynamics Pty Ltd
Pacific Echo Pty Limited
Pan Pacific Masters Games Limited
QBF No. 1 Pty Ltd
QBF No. 2 Pty Ltd
QIC Asia Real Estate Investments Pty Ltd
QIC Coomera Pty Ltd
QIC Developments Pty Ltd
QIC Growth Fund No.2

Entity name
QIC Helensvale Pty Ltd
QIC Hi Yield Pty Ltd
QIC Infrastructure Management No. 2 Pty Ltd
QIC Infrastructure Management Pty Ltd
QIC International Equities Absolute Return Fund
QIC International Equities Focus Fund
QIC International Real Estate Investments Pty Ltd
QIC Logan Hyperdome Pty Ltd
QIC Merry Hill Pty Ltd
QIC North America Investments Pty Ltd
QIC North Asia Real Estate Investment Pty Ltd
QIC Office Pty Ltd
QIC Property Investments (Jersey) No. 1 Limited
QIC Property Investments (Jersey) No. 2 Limited
QIC Property Management Pty Ltd
QIC Real Estate Funds Pty Ltd
QIC Real Estate Pty Ltd
QIC Retail (No. 2) Pty Ltd

Entity name
QIC Ringwood Pty Ltd
QIC Robina Pty Ltd
QIC Section 63 Trust
QIC Strategy No. 1 Pty Ltd
QIC Strategy No. 1A Pty Ltd
QIC Strategy No. 2 Pty Ltd
QIC Strategy No. 2A Pty Ltd
QIC Toowoomba Pty Ltd
QIC Westpoint Pty Ltd
QMI Solutions Ltd
QPC Investments No. 1 Pty Ltd
Queenland Trade & Investment Office Pty Ltd
SE CSE Pty Limited
Sunshine Locos Pty Limited
Swanbank Energy Pty Limited
Watergardens Pty Limited

The following statutory bodies have not operated since being established under the *Water Regulation 2002* on 7 November 2008. No financial reports were prepared for 2008-09.

- Callandoon Water Supply Board Employing Office
- Gladstone Area Water Board Employing Office
- Glamorgan Vale Water Board Employing Office
- Merwood Water Board Employing Office
- Mount Isa Water Board Employing Office
- North Burdekin Water Board Employing Office
- Pioneer Valley Water Board Employing Office
- South Burdekin Water Board Employing Office
- Yambocully Water Board Employing Office.

6 Appendices

6.1 Types of auditors' opinions

As the independent external auditor for Queensland's Parliament, the Auditor-General issues an independent auditor's report on the financial report of public sector entities. The independent auditor's report provides the people of Queensland, through Parliament, assurance as to the veracity of the financial reporting of public sector entities including compliance with prescribed requirements. One of the following auditor's opinion types may be expressed when issuing independent auditors' reports in respect of the financial report of an entity. The types of auditor's opinion issued are in accordance with Australian Auditing Standard (ASA) ASA 700 *The Auditor's Report on a General Purpose Financial Report* and ASA 701 *Modifications to the Auditor's Report*.

Unmodified auditor's opinion

An unmodified auditor's opinion is an auditor's opinion which has been issued without qualification and has not been modified by the inclusion of an emphasis of matter paragraph (see below). An unqualified auditor's opinion is issued on financial reports where:

- all of the information and explanations required have been received
- the financial report gives a true and fair view or is presented fairly in accordance with the requirements of the applicable financial reporting framework, and
- in the Auditor-General's opinion, the prescribed requirements of applicable legislation have been complied with in all material respects in relation to the establishment and keeping of accounts.

Modified auditor's opinion

A modified auditor's opinion may be expressed either to highlight a matter affecting the financial report or where the auditor is unable to express an unqualified auditor's opinion on the financial report. A modified auditor's opinion is only issued after an auditor has, in a timely fashion, exhausted all reasonable steps to be able to express an unmodified opinion. There are four types of modified auditors' opinions:

- **Emphasis of matter** is included when the Auditor-General wishes to highlight disclosures made in the notes to the financial statements that more extensively discuss a particular matter impacting on the financial report. An emphasis of matter can accompany either an unqualified opinion, qualified opinion, disclaimer of opinion or adverse opinion. An emphasis of matter paragraph is expressly stated to be made "without qualification" to the auditor's opinion.

The most common example of emphasis of matter paragraphs arise where the Auditor-General identifies the existence of significant uncertainty in relation to either an entity's ability to continue as a going concern or judgements used by management in the calculation of complex accounting estimates (e.g. asset fair values or liabilities provided for). In determining whether an emphasis of matter paragraph will be sufficient without qualification of the auditor's opinion, the Auditor-General takes into account the degree of objective data to support the reasonableness of the accounting estimate and the extent and appropriateness of the disclosures included in the financial report.

- **Qualified opinion** is expressed when the Auditor-General concludes that, except for 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, the remainder of the financial report can be relied upon.
- **Adverse opinion** is expressed when the effect of a disagreement between the Auditor-General and the management of an entity or there is a conflict between applicable financial reporting frameworks is so material and pervasive that the Auditor-General concludes that the financial report taken as a whole is misleading or of little use to the addressee of the audit report.
- **Disclaimer of opinion** is expressed when a limitation on the scope of the audit exists that is so material and pervasive that the Auditor-General is unable to express an opinion on the financial report.

6.2 Stakeholders' responses

6.2.1 Infrastructure project procurement (Section 3.2)

Department of Infrastructure and Planning response

The Deputy Coordinator-General provided the following response:

'The Department of Infrastructure and Planning (the Department) is committed to ensuring effective delivery of the Government's infrastructure investment and I am encouraged by your support of the Department's role in leading whole of government improvement through the Project Assurance Framework (PAF).'

Department of Transport and Main Roads response

The Director-General provided the following response:

'The Eastern Busway (Princess Alexandra Hospital to Buranda) was procured as an extension to the Boggo Road Busway Alliance which was responsible for delivering the Boggo Road Busway from the Princess Alexandra Hospital to the Eleanor Schonell Bridge.'

A detailed business case including alignment options analysis and assessment of different procurement methods was undertaken in early 2007 in accordance with the Department of Transport and Main Roads' (the department) OnQ methodology. Although the business case was undertaken prior to the government's endorsement of the Project Assurance Framework (PAF), the business case was undertaken in consultation with Treasury Department and the Department of Infrastructure and Planning to ensure the principles of the PAF were included in the business case.

The department's OnQ system was used at the time of the development and assessment of the project as it was regarded as best practice. The OnQ system is continually updated as improvements to best practice are identified and the system has now been updated to better align with the current PAF. Consistent with best practice the establishment and implementation of a probity plan is now common practice for the procurement of significant projects undertaken by the department.'

7 Acronyms, glossary and references

7.1 Acronyms

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
A-G Act	<i>Auditor-General Act 2009</i>
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CWMF	Capital Works Management Framework
FA Act	<i>Financial Accountability Act 2009</i>
FA&A Act	<i>Financial Administration and Audit Act 1977</i>
FMS	<i>Financial Management Standard 1997</i>
FPMS	<i>Financial and Performance Management Standard 2009</i>
GOC	Government owned corporation
GOC Act	<i>Government Owned Corporations Act 1993</i>
PAF	Project Assurance Framework
PAPWC	Public Accounts and Public Works Committee
QAO	Queensland Audit Office

7.2 Glossary

Accountability

Responsibility on public sector entities to achieve their objectives, about the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

Auditor's opinion

Positive written expression within a specified framework indicating the auditor's overall conclusion on the financial report based on audit evidence obtained.

Authorised auditor

The Auditor-General or Deputy Auditor-General, or a member of staff of QAO, or a contract auditor.

By arrangement audit

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.

By arrangement – under trust deed audit

An audit of a trust fund where the Auditor-General is specified as the auditor in the trust deed. A trust fund is not a public sector entity.

Contract auditor

An appropriately qualified individual, who is not a staff member of the Queensland Audit Office, appointed by the Auditor-General to undertake audits of public sector entities on his behalf.

Controlled entities

Entities where another public sector entity has control or ownership because of its shareholding.

Effectiveness

The achievement of the objectives or other intended effects of activities at a program or entity level.

Efficiency

The use of resources such that output is optimised for any given set of resource inputs, or input is minimised for any given quantity and quality of output.

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.

Federal Government stimulus package

National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now

Financial report

A structured representation of financial information. A financial report 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 therein for a period in accordance with a financial reporting framework.

Going concern

Means an entity is expected to be able to pay its debts as and when they fall due, and continue to operate without any intention or necessity to liquidate or wind up its operations.

Governance

The role of persons charged with the oversight, control and direction of an entity.

Impairment

When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.

Independent auditor's report

Issued as a result of an audit and contains a clear expression of the auditor's opinion on the entity's financial report.

Prescribed requirements

Requirements prescribed by an Act or a financial management standard, but do not include the requirements of a financial management practice manual.

Public sector entity

A department; a local government; a statutory body; a GOC, an entity controlled by one, or more of a, department, local government, statutory body, GOC or another entity controlled by one or more of a department, local government, statutory body or GOC.

7.3 References

Department of Infrastructure and Planning, *South East Queensland Infrastructure Plan and Program*.

Department of Public Works, *State Procurement Policy*, December 2007.

S Webbe and Prof P Weller AO, *A Public Interest Map – An Independent Review of Queensland Government Boards, Committees and Statutory Authorities*, December 2008.

S Webbe and Prof P Weller AO, *Brokering Balance: A Public Interest Map for Queensland Government Bodies – An Independent Review of Queensland Government Boards, Committees and Statutory Authorities*, March 2009.

Treasury Department, *Financial Reporting Requirements for Queensland Government agencies*, February 2009.

Treasury Department, *Guidance Paper - Reporting and Accounting Requirements for Statutory Bodies and Employing Offices*, April 2008.

Treasury Department, *Non-Current Asset Policies for the Queensland Public Sector*, February 2008.

8

Auditor-General's Reports

8.1 Tabled in 2009

Report No.	Subject	Date tabled in Legislative Assembly
1	Auditor-General's Report No. 1 for 2009 Results of local government audits Financial and Compliance Audits	20 May 2009
2	Auditor-General's Report No. 2 for 2009 Health service planning for the future A Performance Management Systems Audit	9 June 2009
3	Auditor-General's Report No. 3 for 2009 Transport network management and urban congestion in South East Queensland A Performance Management Systems Audit	23 June 2009
4	Auditor-General's Report No. 4 for 2009 Results of audits at 31 May 2009 Financial and Compliance Audits	30 June 2009
5	Auditor-General's Report No. 5 for 2009 Management of patient flow through Queensland hospitals A Performance Management Systems Audit	29 July 2009
6	Auditor-General's Report No. 6 for 2009 Providing the information required to make good regulation A Performance Management Systems Audit	18 August 2009
7	Auditor-General's Report No. 7 for 2009 Follow-up on government owned corporation and budget sector performance measurement and reporting A Performance Management Systems Audit	27 October 2009
8	Auditor-General's Report No. 8 for 2009 Results of audits at 31 October 2009 Financial and Compliance Audits	November 2009

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