Queensland Audit Office

Brief for Audit Committee Chairs

Innovations in risk

1 June 2016

Agenda

Welcome
Strategic audit planning
Managing fraud and corruption risk
Risk and innovation
Q&A
Closing

Strategic audit planning

Daniele Bird

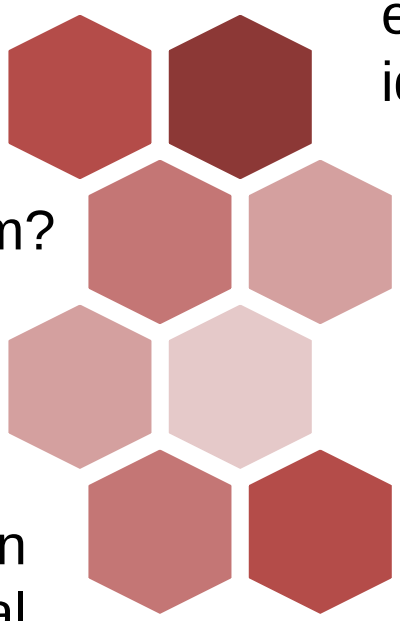
Assistant Auditor-General

The business problem

How do we:

ensure good topic ideas are collected?

generate maximum impact from our program?



increase our potential for selecting the right topics?

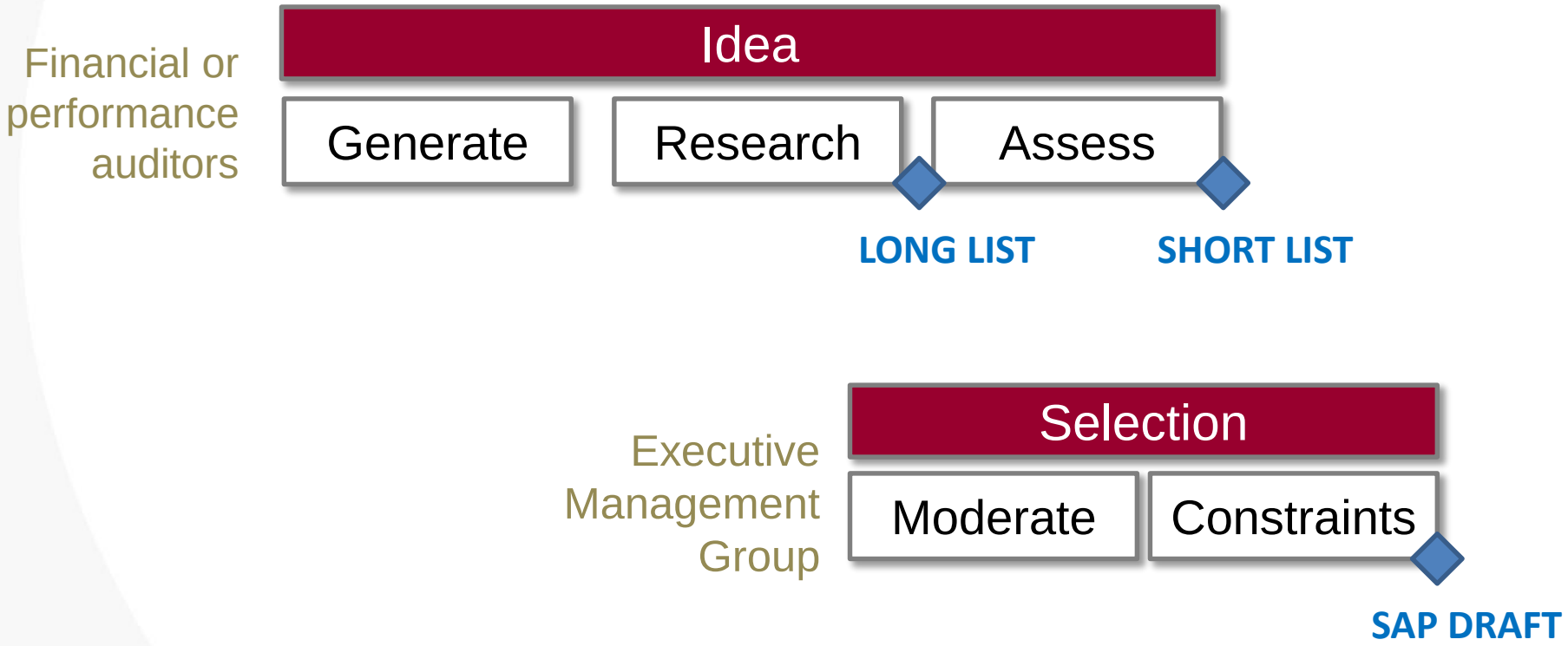
make this an organisational capability?

Our approach

We continuously engage with our stakeholders throughout the year. We capture and assess potential topics regularly.

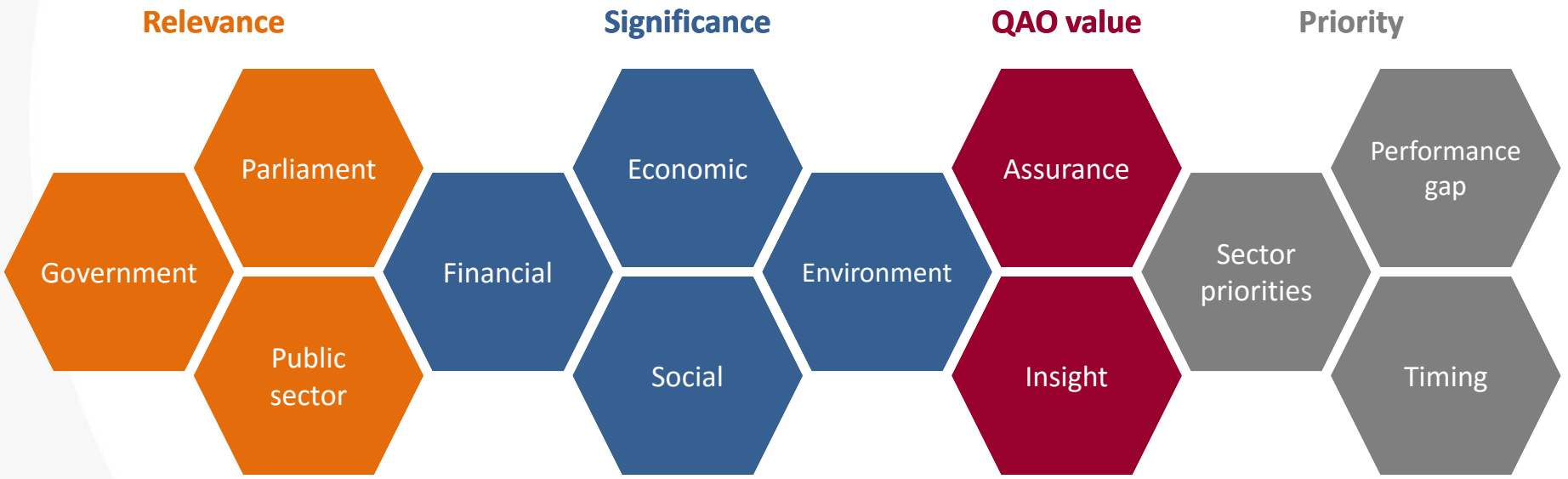
Our workflow

We have formalised the capture of ideas throughout the year, with each ‘gate’ asking ‘why continue?’



Idea assessment

The idea is assessed using a robust and disciplined approach.



Selection moderation

Potential topics are reviewed by the EMG:

- scores and comments inform the debate
- some scores are ‘black and white’
- some are subject to much debate
- rationale for score changes is documented

The debate generates new queries which strengthens decision-making, however most information is available in the meeting.

Summary

Disciplined approach

Ongoing intelligence gathering

Senior staff as gatekeepers

Informs debate

Moderation is required

Ease of access is critical

Fraud and corruption self-assessment tool

David Toma

Director

Self-assessment tool

Fraud-related performance audits:

- *Fraud risk management* (Report 9: 2012-13)
- *Fraud management in local government* (Report 19: 2014-15)

Tool helps entities identify the areas where they need to improve their fraud controls

Based on our audit observations and *AS 8001 – 2008 Fraud and Corruption Control*

Self-assessment tool

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Queensland Audit Office - Fraud and corruption control self-assessment for public sector entities

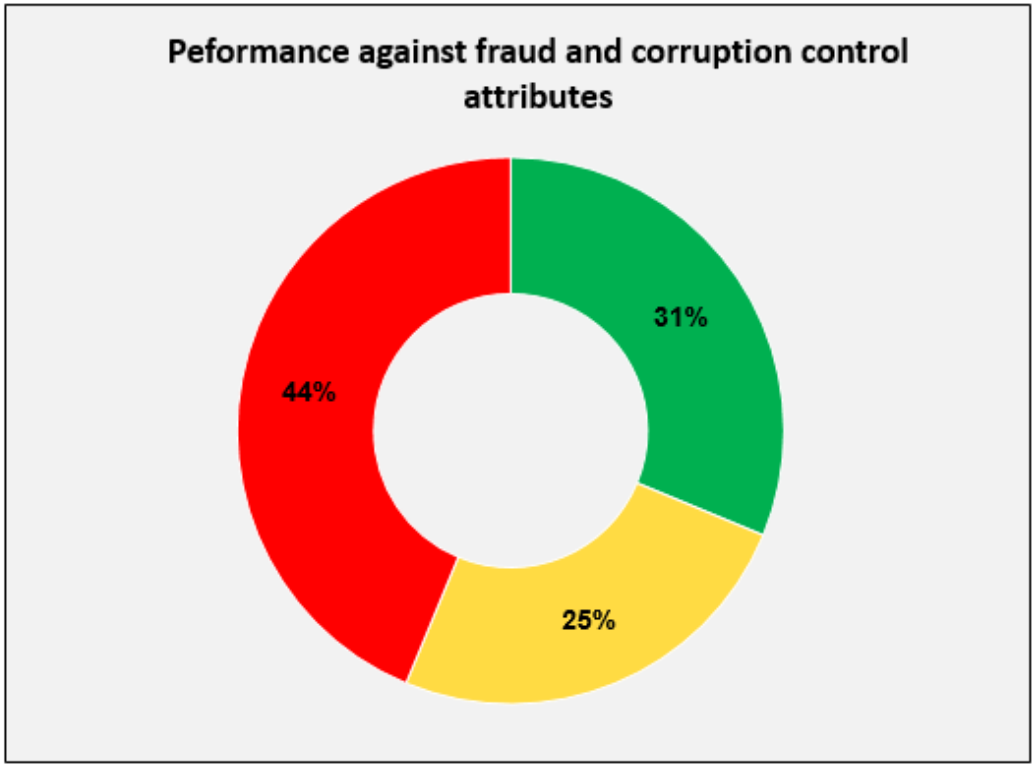
Better practice attributes	Assessment criteria	Self-assessment	Result
	Fraud/corruption prevention		
1. Fraud/corruption control strategy The fraud control strategy is holistic and establishes your entity's policy as well as a plan that sets clear actions and targets.	Your entity has an approved policy to help employees understand what fraud is, your entity's attitude to fraud, and what staff should do if they suspect fraud is being perpetrated.	< >	**Partially**
	Your entity has completed a preliminary assessment of fraud and corruption risks to help design a fraud and corruption control plan around its business functions and services.	< >	**Partially**
	Your entity has a fraud and corruption control plan. This plan: - is tailored to your entity's business requirements and services based on management's understanding of specific risk exposures within its operations - documents your entity's approach to managing fraud and corruption exposure at both strategic and operational levels - details how your entity will implement and monitor fraud and corruption prevention, detection and responsive initiatives, and the officers responsible for implementing those initiatives - considers any existing fraud and corruption risk policies and procedures. - is approved by your entity's senior executive.	< >	**Yes**
	Your entity has established a program to monitor the implementation of the fraud and corruption control plan. It outlines the objectives to be achieved, key milestones and resources. This includes assigning actions to officers to monitor the fraud and corruption control plan's implementation.	< >	**No**
	Your entity acknowledges the fraud and corruption control plan as a living document and reviews and updates it at least once every two years to meet the rapidly changing business environment.	< >	**No**

Self-assessment tool

Entity name:	ABC
Completed by:	Fraud control officer
Assessment date:	18 May 2016

Fraud and corruption control - self-assessment results

Prevention	Fraud Control Strategy	🔴
	Senior Management Commitment	🟡
	Ethical Framework	🔴
	Fraud awareness	🔴
	Fraud risk assessment	🔴
	Internal controls	🔴
	Line manager responsibility	🟡
	Responsibility structures	🟢
	Internal audit	🟡
	Employment screening	🟢
	Third party due dilligence	🔴
Detection	Fraud detection program	🔴
	Fraud reporting system	🟡
Response	Recovery	🟢
	Investigations	🟢
	Insurance	🟢



Self-assessment tool

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Fraud and corruption control self-assessment results

Your entity's performance against the fraud control attributes

Amber	Red	Green

Your entity's performance against the assessment criteria

No	Partially	Yes

Refresh | Print

Fraud control attribute

Ethical Framework	Fraud awareness	Fraud Control Strategy	Fraud detection program	Fraud risk assessment	Internal controls
Third party due dilligence	Employment screening	Fraud reporting system	Insurance	Internal audit	Investigations
Line manager responsibility	Recovery	Responsibility structures	Senior Management Commitment		

Area	Fraud control attribute	Better practice statement	Assessment criteria	Your entity's performance against the assessment criteria
Detection	Fraud detection program	The entity uses data and intelligence as strategic tools to efficiently and effectively detect fraud.	Your entity conducts detailed data analytics in areas it has identified as most susceptible to fraud/corruption and includes identifying: - suspicious activities or anomalous transactions - opportunities for efficiency improvements - overpayment and cost recovery opportunities - risks of particular vendors - targetted testing of operational hot spots (business units or personnel)	No
			Your entity uses the results of data analytics to inform ongoing development of fraud/corruption control programs.	No
			Your entity uses the results of environmental scanning (e.g. fraud surveys of the public sector, fraud cases in other jurisdictions) and sources of intelligence to inform its fraud/corruption detection program.	No
Prevention	Ethical Framework	An ethical framework incorporating the code of conduct and ethics and integrity documentation is central to establishing a culture that resists fraud.	Your entity delivers ongoing ethics training to all staff (training held at least every two years)	No

Questions you should ask

Who completed the self-assessment

Does the assessment cover **all business** areas

What **evidence** supports the assessment

What are the **next steps** – who and when

Q&A

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Risk and innovation

Andrew Greaves
Auditor-General

Risk appetite

The degree of risk considered acceptable, and at or below which further risk mitigation is not required

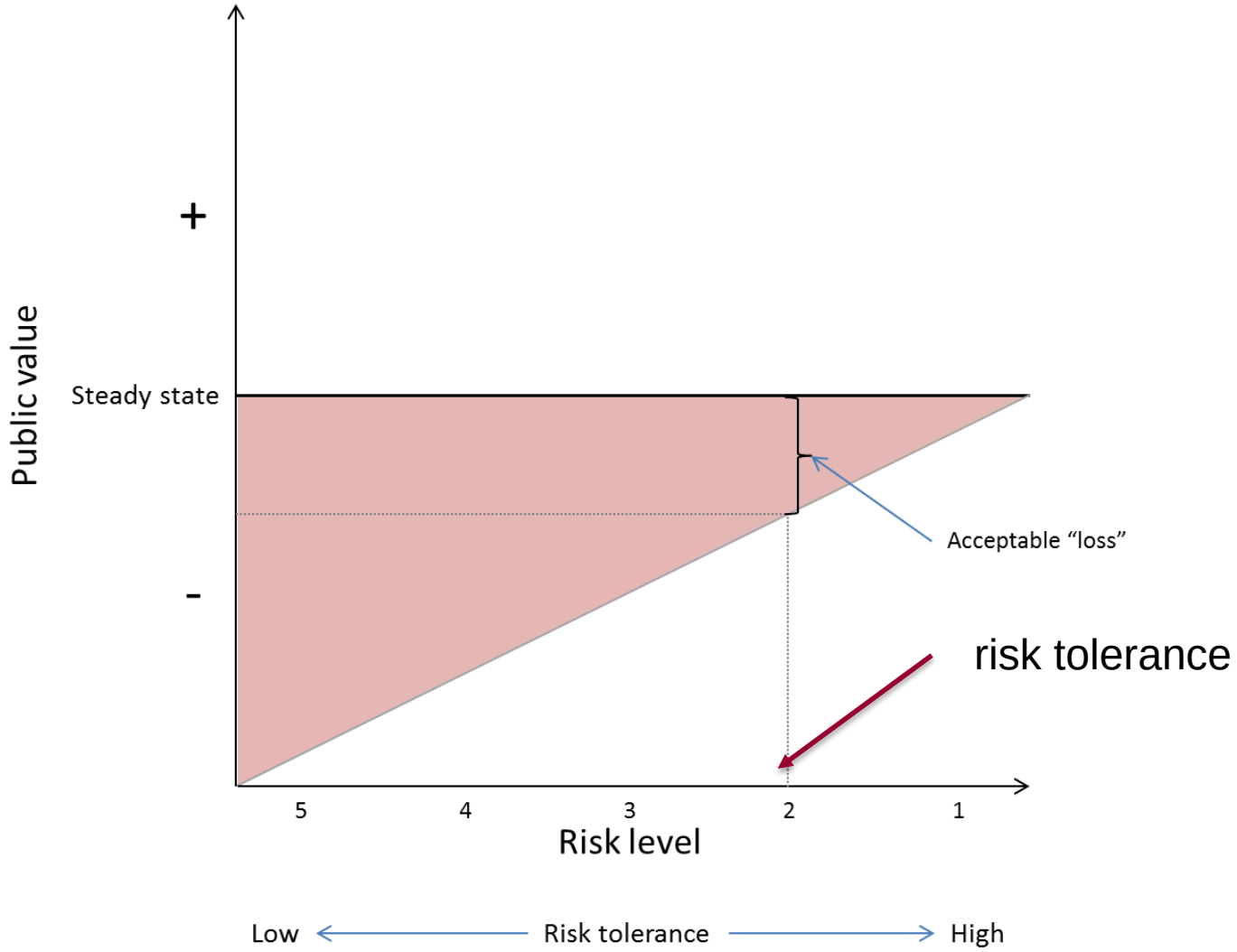
Enables risks to be evaluated, and also signals the level at which risks should be escalated and treated

May vary over time and within entity across programs, depending on whether the objective is to preserve public value or to enhance public value

Guided by considerations of where we are in the innovation space

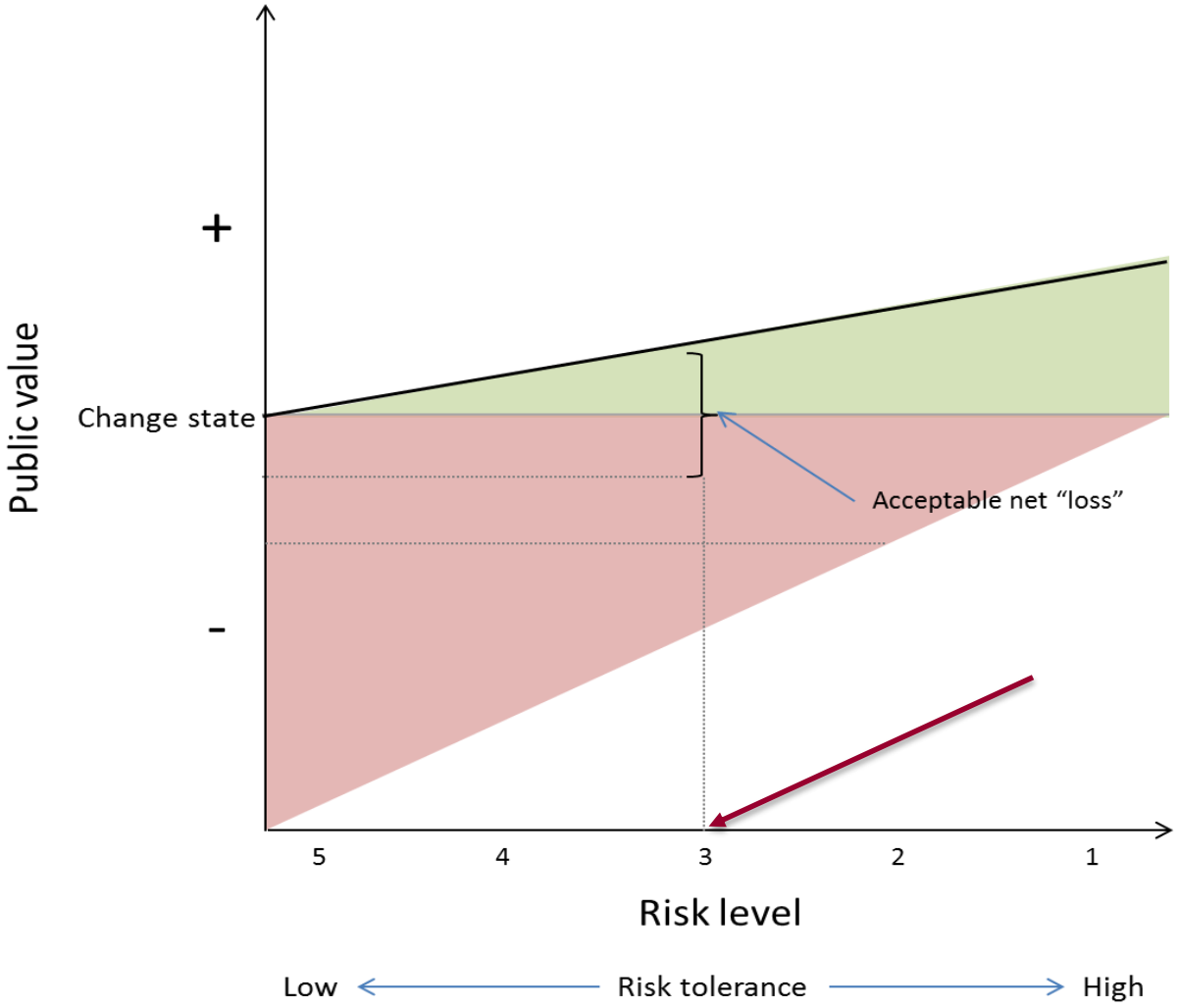
Preserve value: steady state

Conservative approach is to de-risk.



Grow value: change state

Informed approach is to balance risk and reward.



risk tolerance can be higher than would otherwise be the case.

Closing

Anthony Close

Deputy Auditor-General

Valuable resources

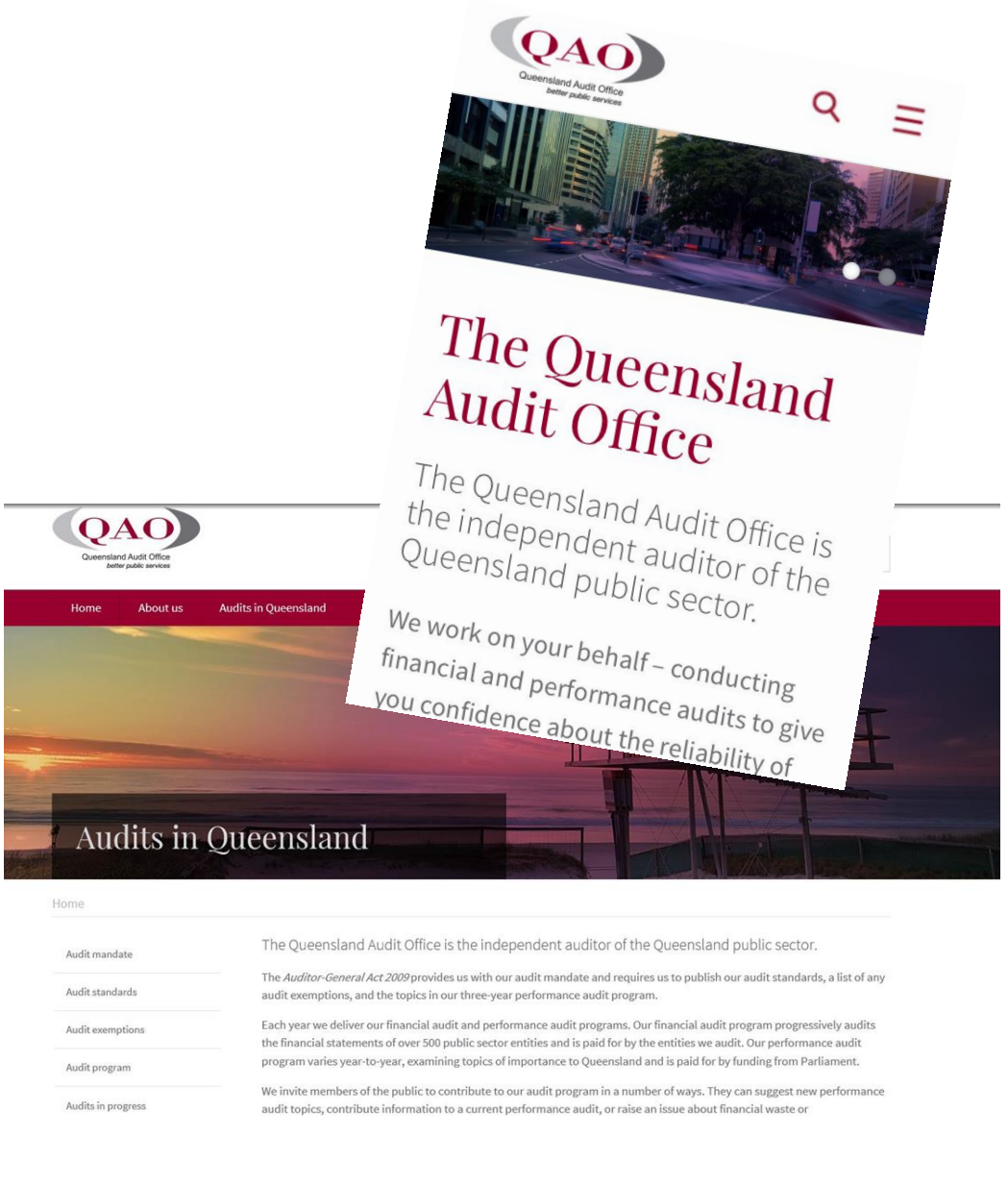
New website

Good practice guides

Fact sheets

Newsletters – *Insights*

Presentations



Feedback

Prior briefing 10 Dec 2015, we asked:

- ✓ Are our topics useful?
- ✓ Did our briefing assist you in your role as chair?
- ✓ Would you like more than two briefings per year?

Keep responding to our post-event surveys so we can provide what you need

Thank you

Any questions please contact the Queensland Audit Office:

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