



**Tasmanian**  
Audit Office

# Senior Management and Members of Audit Committees Information Session


4 May 2023



**Tasmanian**  
Audit Office

## Welcome and introduction

Rod Whitehead  
Auditor-General



The Auditor of the Future


International Meeting of Performance Audit Critical Thinkers

# IMPACT 2023 Conference

19 – 20 April 2023  
Canberra, Australia

Hosted by SAI Australia in  
collaboration with Australian  
ACT Audit Office

3 'E's of performance audit –  
economy, efficiency, effectiveness



The Auditor of the Future

International Meeting of Performance Audit Critical Thinkers

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6 'E's of performance audit –  
economy, efficiency, effectiveness,  
ethics, equity, environment



## Environment



## Social



## Governance



# Ethics and integrity



“The importance of ethics in government programs has been highlighted in several audits, particularly in procurement and grants administration.

A theme that we have identified across a number of audits is a lack of adequate documentation and records to support the rationale for decisions made and actions undertaken.

Where entities are technically compliant with the rules and policy framework, this behaviour sometimes falls short of meeting the intent behind such frameworks.”

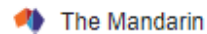


**Australian Government**

**Australian Commission for  
Law Enforcement Integrity**

“Poor integrity undermines public trust in government.

A systemic issue is a lack of appreciation of the value of **information**, **decisions** and **contracts**.”

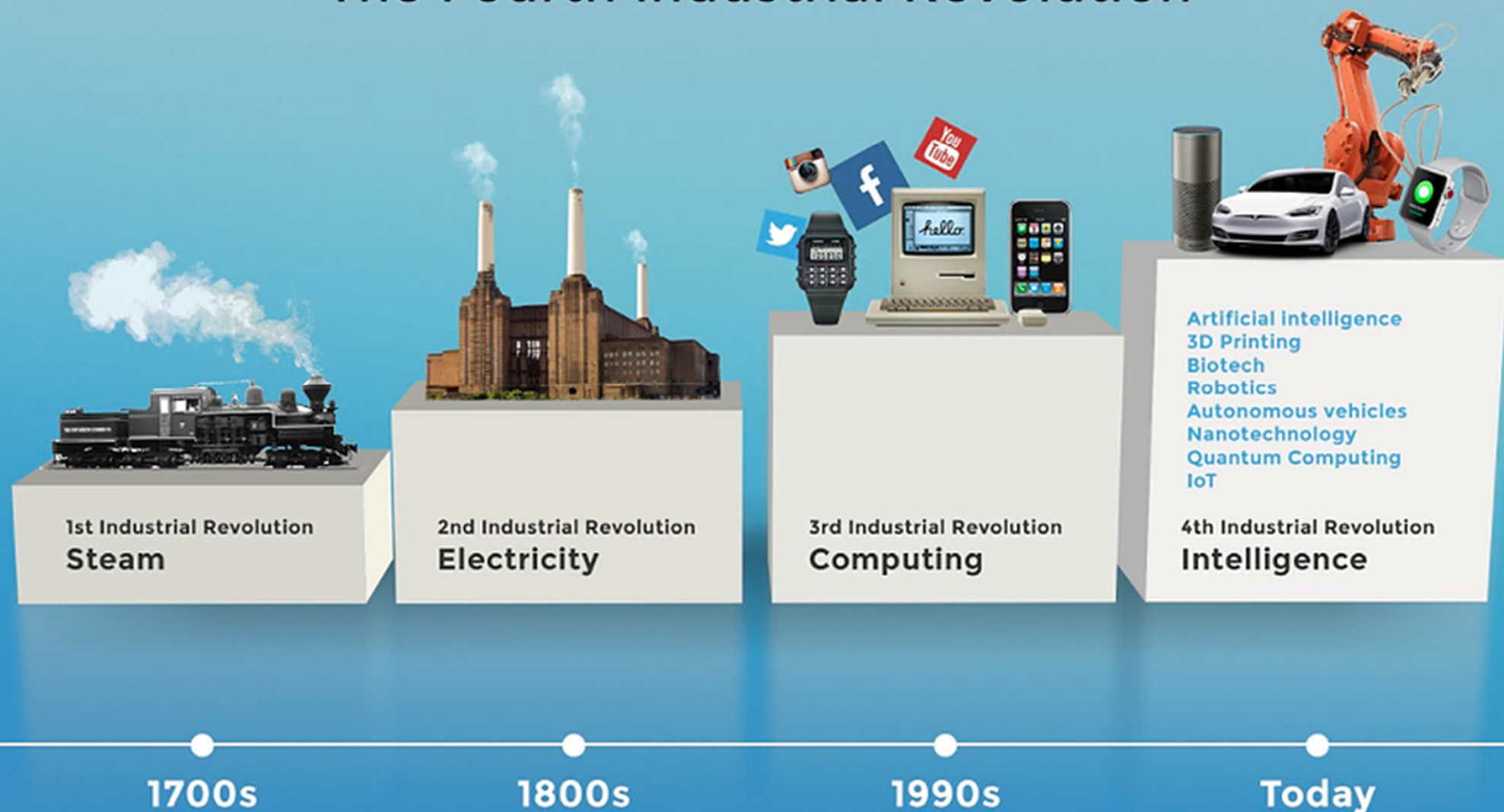


## [APS Integrity Taskforce set up in response to robodebt RC](#)

The taskforce will be responsible for putting together a “comprehensive action plan for APS-wide integrity” to identify gaps.

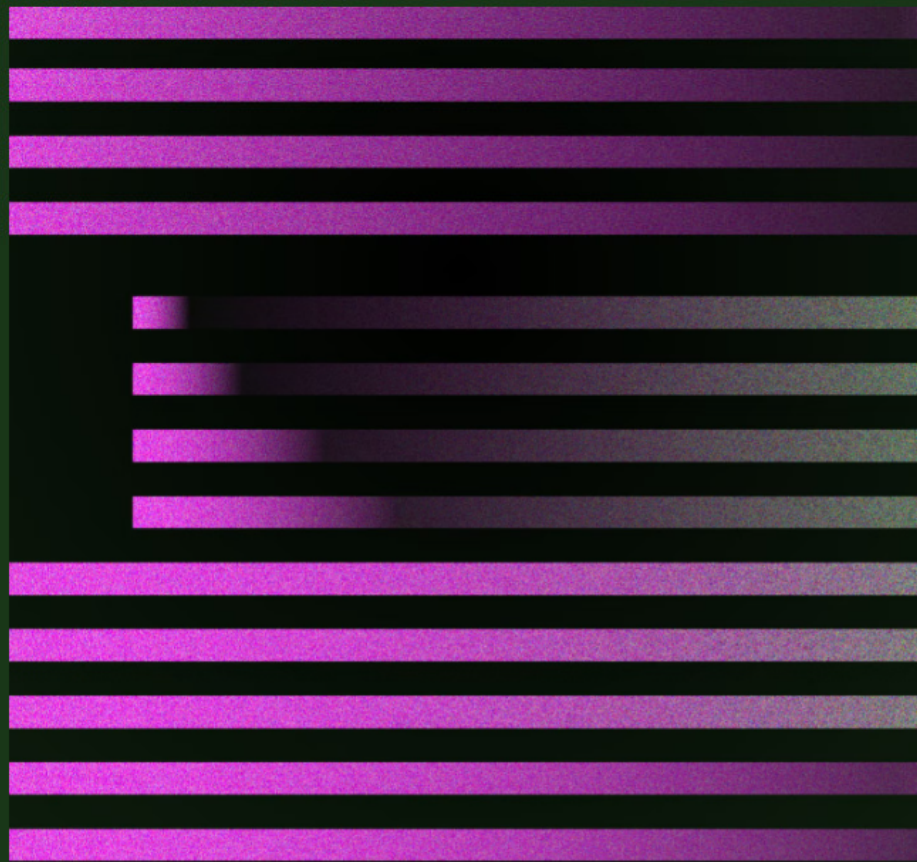
16 Feb 2023

# The Fourth Industrial Revolution



We've trained a model called ChatGPT which interacts in a conversational way. The dialogue format makes it possible for ChatGPT to answer followup questions, admit its mistakes, challenge incorrect premises, and reject inappropriate requests.

[Read about ChatGPT Plus](#)





Tell me an auditor joke



Sure, here's an auditor joke for you:

Why did the auditor cross the road?

To bore people on the other side with stories about their audit findings!







**Tasmanian**  
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## Audit findings and audit focus areas

Stephen Morrison  
Tasmanian Audit Office

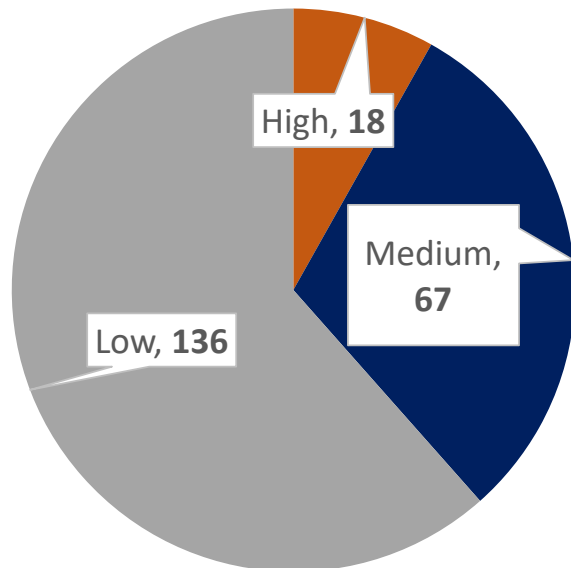
# Topics

- Findings and observations from 2022 audit cycle
  - Audit findings
- Recap on some audit focus areas in 2022 audit cycle
- Audit focus areas for 2023 audit cycle
  - Internal control focus areas for 2023
  - Key management personnel disclosures
  - Contractual arrangements with third parties

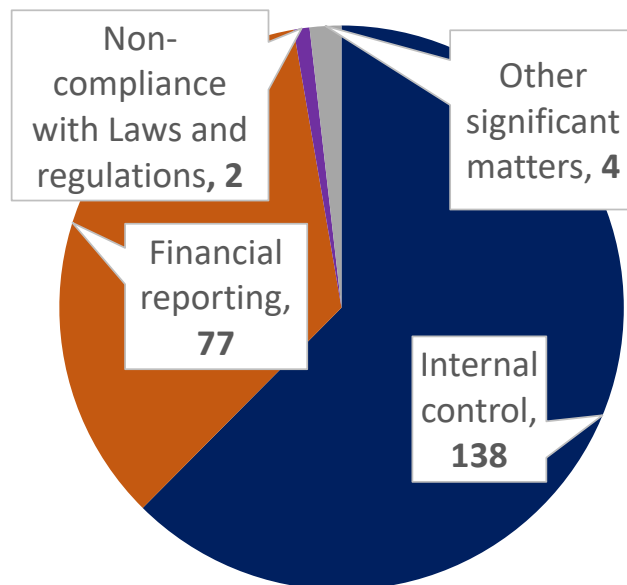
# New 2022 findings (by risk rating)

- 221 new findings in 31 December 2021 and 30 June 2022 financial statement audits

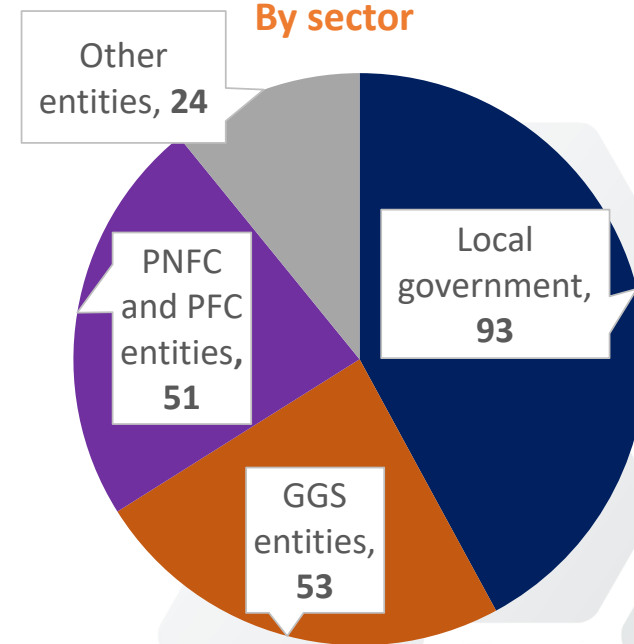
By risk rating



By classification



By sector



# Recap on focus areas 2022 audit cycle

- Risk assessment for financial reporting obligations
- Documentation of key controls
- Variety of approaches
  - Broader risks versus financial statement line item risks
  - Flow charts versus narrative style
- Examples from the field

# Recap focus areas 2022

## Broader risks with risk ratings





| Financial reporting risk                           | Description and impact of the financial reporting risk   | Inherent Risk rating | Mitigating control for financial reporting risk  | Other assurance activities | Residual risk rating |
|--|--|----------------------|--|----------------------------|----------------------|
| Inaccurate Provisioning for Bad and Doubtful Debts | provisioning for bad and doubtful debts is inaccurate resulting in higher than provisioned write-offs that impact profitability. | Medium               | <ul style="list-style-type: none"> <li>Bad and doubtful debts model established that is updated and reviewed monthly based on rolling 12 month roll-rates.</li> <li>Management consider broader economic impacts for incorporation as part of valuation considerations of Accounting &amp; Finance Matters Papers.</li> <li>Treasury Committee meetings incorporating operational credit risk reporting and discussion.</li> </ul> | • TAO External Audit       | Medium               |
| is incorrectly deemed a going concern              | is incorrectly assessed as a going concern and its financial statements are incorrectly prepared on this basis.                  | Medium               | <ul style="list-style-type: none"> <li>undertakes an assessment of its going concern each quarter as part of its Accounting &amp; Finance Matters Paper to (which is also reviewed by TAO). This assessment is informed by its most recent approved financial reforecasts and annual four year Corporate Plan.</li> </ul>  |                            | Low                  |
| Inadequate financial team capability               | finance team is inadequately skilled leading to errors in financial reporting.   | Medium               | <ul style="list-style-type: none"> <li>All senior members of the team are qualified Chartered Accountants (CA) and Certified Practising Accountants (CPA) and must undertake Continuing Professional Development (CPD) training hours to maintain qualification.</li> </ul>  |                            | Low                  |

| Financial reporting risk                            | Description and impact of the financial reporting risk  | Inherent Risk rating | Mitigating control for financial reporting risk  | Other assurance activities   | Residual risk rating |
|---|---|----------------------|--|--|----------------------|
|   |   |                      | monthly as part of Board reporting.<br><ul style="list-style-type: none"> <li>Data Engineer/Analyst engaged to support enhancement of existing processes and implementation of analytics, reporting and reconciliation.</li> </ul>   |  |                      |
| Commitment of Fraud                                 | With the exception of its billing systems, the input of financial information to financial accounting system is undertaken through journal entries and as such there is a risk of material misstatement due to fraud. | Medium               | <ul style="list-style-type: none"> <li>System delegations restrict the ability to process journals to finance team members.</li> <li>General ledger reconciliations to source information.</li> </ul>  | <ul style="list-style-type: none"> <li>Fraud and Corruption Internal Compliance Audit</li> </ul> | Low                  |
| Non-compliance with Australian Accounting Standards | does not comply with existing or new Australian Accounting Standards in the preparation of its financial statements.  | Low                  | <ul style="list-style-type: none"> <li>Management undertakes a review of new and amended accounting standards quarterly as part of its Accounting &amp; Finance Matters Paper to (which is also reviewed by TAO). This is informed by via its ongoing tax and technical accounting service from</li> </ul> |  | Low                  |



# Recap focus areas 2022





## Line item risks with detailed risk cards

| Category  | Value \$'000 | Inherent Risk Rating  | Residual Risk Rating  | Control Evaluation   | Limitations / Gaps   |
|---|--------------|---|---|--|--|
| Statement of Profit and Loss  |              |   |   |  |  |
| <p>sales, fees, and changes</p> <ul style="list-style-type: none"> <li>- related sales</li> <li>- Fees and Charges</li> </ul> |              |  <p>HIGH</p> |  <p>MEDIUM</p> | <p>Controls are effective.</p> <p>These P&amp;L lines relate to product / Current methods of raising invoices / fee waivers / refunds / concessions and the limitations of the system have meant that proof in totals to provide confidence that all revenue has been billed in the period can not be achieved. There are some limitations in tracking budgets due to concessions and payment methods.</p> | <ul style="list-style-type: none"> <li>- Limitation in controls that can be put in place due to data quality.</li> <li>- Limitation in budget tracking, data analysis and analytical procedures to provide confidence on revenue completeness.</li> </ul>  |
| Government contracts  |              |  <p>HIGH</p> |  <p>MEDIUM</p> | <p>Controls are effective.</p> <p>There are timing issues at the end of the financial year that may require estimations of final grant amounts based on activity data. There have been data quality issues in the past that may warrant adjustment if it is materially different from the estimate.</p>  | <ul style="list-style-type: none"> <li>- Timing issues of annual statements in relation to preparation of financial statements lend to the use of estimates and the need for subsequent events to be required.</li> <li>- As low-quality activity-based data is being used for some government payments, there is a risk of the year end values are incorrect or that amounts have been placed in the wrong cut-off period.</li> <li>- Reliance is placed on the acquittal process.</li> </ul> |

# Recap focus areas 2022

## Line item risks with detailed risk cards

### Profit and Loss Statement Items

| Grant Revenue   |  |  |   |
|---|--|--|---|
| Items Included (\$'000)   | Grants/Deed of purchasing  |  | Capital grants  |
| Inherent risk rating:   | <br>HIGH  |  | <br>HIGH   |
| Post-mitigation risk rating:  | <br>LOW   |  | <br>LOW  |
| Related policies (obtained from accounts):  | <ul style="list-style-type: none"> <li>Grant revenue, where there is a sufficiently specific performance obligation attached, is recognised then/ satisfies the performance obligation and transfers the promised goods or services.</li> <li>Grant revenue without a sufficiently specific performance obligation is recognised when gains control of the asset.</li> </ul> |  |   |
| <b>Associated Key processes/Accounts</b> <ul style="list-style-type: none"> <li>Receivables</li> <li>Cash</li> <li>Contract Liabilities</li> <li>PPE</li> <li>Payments</li> </ul> | <b>Controls/ Mitigation procedures:</b>  |  |   |
|   | <b>Daily/Weekly controls</b> <ul style="list-style-type: none"> <li>A WIP balance is maintained through the use of project codes.</li> <li>Segregation of duties for invoicing, cash collection, and cash deposits.</li> </ul>   | <b>Monthly Controls</b> <ul style="list-style-type: none"> <li>Invoice for monthly spending (listed in contract).</li> <li>Invoice sent to process.</li> <li>Mid-month reconciliation completed.</li> <li>Grant tracking for smaller/non-major Grants.</li> <li>Track capital grant amounts which are required to be acquitted through project codes.</li> <li>Project codes also used to track how much is left in the different grant projects.</li> <li>Project managers review budget codes with Finance One reports in place to enable review to be completed.</li> <li>Cashflow reporting and tracking.</li> <li>Project committee in place</li> </ul> | <b>Yearly controls</b> <ul style="list-style-type: none"> <li>Reviewed against Deed of Purchasing Arrangement.</li> <li>Yearly Budget allocations agreed to Year-end accounts figure.</li> <li>Review of grant income against</li> <li>Yearly Budget allocations agreed to Year-end accounts figure</li> <li>Delegations' policy for approving/signing off on grant income.</li> <li>Yearly review of budget against expenditure, with investigations completed or variances to ensure that they are reasonableness.</li> <li>Reviews when the grant is received to ensure that the receipt of the grant monies is in accordance to standards (normally recognised when received).</li> </ul> |

# Recap focus areas 2022

## Line item risks with detailed risk cards

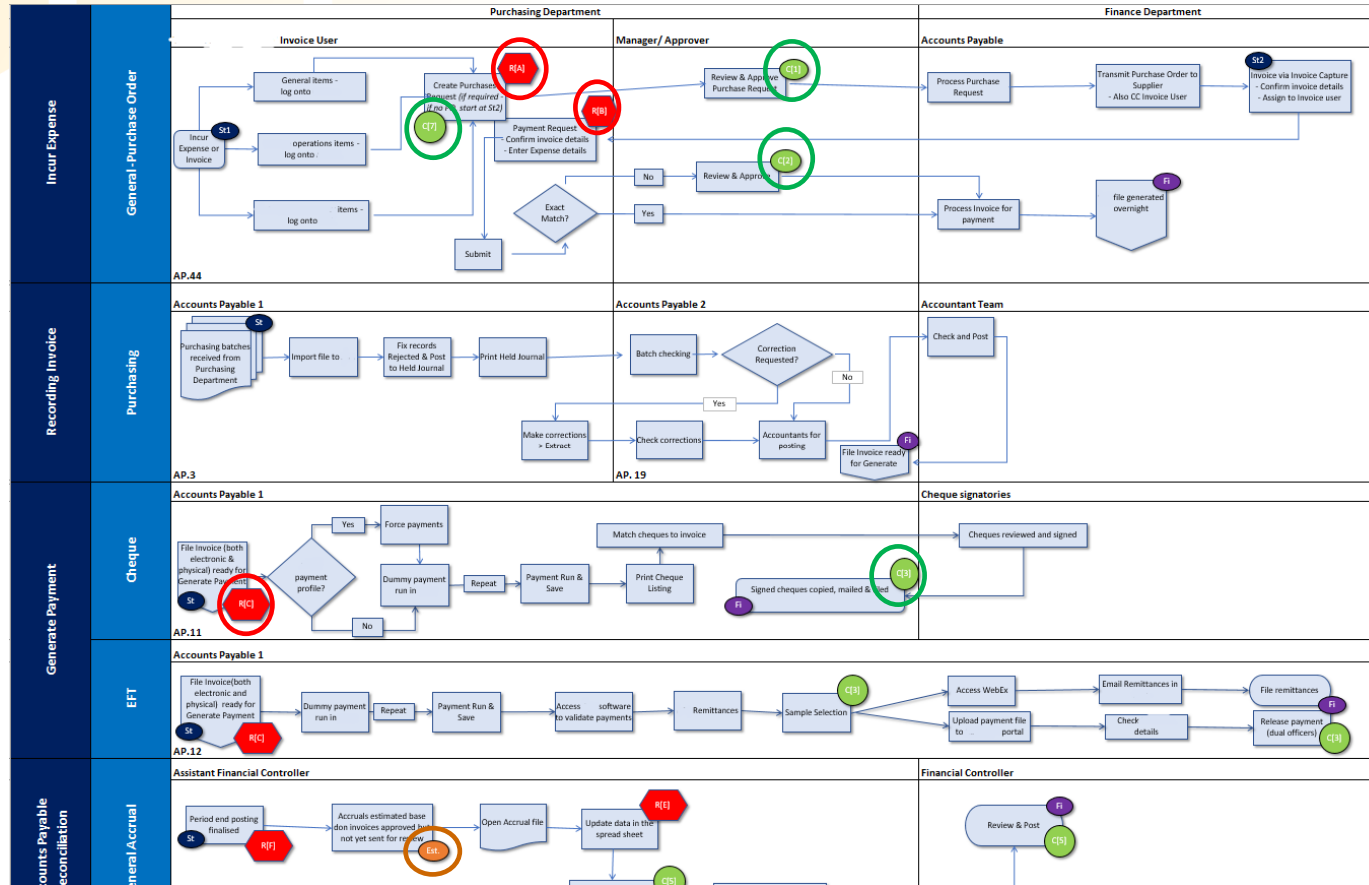
|  | Daily/Weekly controls  | Monthly Controls | Yearly controls |
|--|--|------------------|-----------------|
|  | <ul style="list-style-type: none"><li>• Requests to invoice are received from [redacted] and reviewed and inputted by an accounts receivable officer. Once complete the file is reviewed &amp; certified by the next senior officer and notated in: [redacted] that the invoices are approved for issuance.</li><li>• Once issued the invoices are posted by the Manager Financial Operations (segregation of duties).</li></ul> | N/A              | N/A             |
| Specific controls for fraud and errors:  |  |                  |                 |
| <ul style="list-style-type: none"><li>• Reviews of agreements and spends vs budget completed</li><li>• Segregation of duties between the invoicing processes and posting to the GL.</li><li>• Delegations' policy is in place for grant processing.</li><li>• Segregation of duties for invoicing, cash collection, and cash deposits.</li></ul> |  |                  |                 |
| Estimates/ Key Judgements involved:  |  |                  |                 |
| <ul style="list-style-type: none"><li>• N/A</li></ul>  |  |                  |                 |
| Oversight/ Governance aspects in place:  |  |                  |                 |
| <ul style="list-style-type: none"><li>• Grant income/expenditure is signed off by a delegated staff member.</li><li>• Policies and procedures are signed off by the Board.</li><li>• Acquittals are required to be produced and signed off.</li><li>• Policies for recognition of grant income is signed off regularly.</li></ul>                |  |                  |                 |
| Any known exposures / gaps / concerns  |  |                  |                 |
| The following were flagged as potential issues:  |  |                  |                 |
| <ul style="list-style-type: none"><li>• Fraud risk - some grants are applied for outside of central team (e.g. cyber grant) where there may not be an awareness within the Finance Team of the grant. Risk of the use of personal accounts used to transfer grant monies.</li></ul>  |  |                  |                 |

# Recap focus areas 2022

## Risk/control documentation not rated

| Process                     | Reference                              | Risks  | R[A] | Controls  | C[1] | Related process details and non-key controls (if applicable)   | Finance Manual Reference  |
|-----------------------------|--|--|------|---|------|--|---|
| Entity Level Business Risks | Not applicable - Entity level controls | There is a material misstatement reporting in the financial statements, either fraudulently or in error. |      | Active Audit Committee who oversee both internal and external audit, as well as implementing any recommendations.   |      | Audit committee is responsible for the overall management of financial reporting risk. As defined, the scope of the Audit Committee is to manage and oversee financial reporting, regulatory obligations, internal and external audit and risk management framework.   | Not applicable - Not related to any individual business process |
|                             |  |  |      | Sufficient segregation of duties across all processes in order to mitigate the overall business risk.   |      | Throughout the entity, all employees must seek relevant approval and review on entering or completing certain transactions. This is based on a risk approach to identify areas in which puts XXXX at risk of fraud or error.   |   |
|                             |  |  |      | Implement an entity wide delegation authority in which all staff and TCV/G must adhere to.  |      | All employees (including TCV/G) must abide by a Board approved delegation policy. This lowers the over risk of material inappropriate expenditure and contracts.   |   |
|                             |  |  |      | Own, maintain and implement a Code-of-Conduct that all staff must adhere to.  |      | The Code of Conduct and Ethics (Code) governs operations and the conduct of Directors, employees, consultants and all other people when they represent XXXX.   |   |
| Expenditure                 | Risk A - R[A] and Control 1 - C[1]     | Items not appropriately ordered  |      | Purchase requests are approved  |      | PO systems being used include:<br>- System A<br>- System B<br>- System C.<br><br>System A is primarily used for general purpose goods and capital expenditure. Purchase requests are reviewed and approved before the purchase order is issued to the supplier. System B purchase orders are often initiated from Group A then reviewed by Group B. System C maintain order pricing and threshold with in the system, Purchasing manager also has access to a dashboard to manage the status of purchase orders in process. System A also has dollar enforced approval limits. | AP.44   |
|                             | Risk B - R[B] and Control 2 - C[2]     | Invoices recorded/classified incorrectly   |      | Expense details are entered by invoice user<br>Invoices are approved prior to payment   |      | There are multiple review points for invoice date, number, amount and supplier - both in the purchasing departments and within System A and the AP process. Classification of coding such as correct general ledger or expenditure / capital expenditure classification is done on final review prior to posting and at month end expense GL's are reviewed against budget and prior year costs, commentary is provided to the CFO on significant variances.   | AP.44   |
|                             | Risk C - R[C] and Control 3 - C[3]     | Misappropriation of funds during payment process   |      | Staff sign off on two sample check.<br>Two signatories on cheques.<br>Two authorisation in xxxx on EFT payments   |      | Payments are generated from System X which creates supplier remittances and bank files. File is uploaded as created. During the review process it may be identified that there is an error with a supplier payment, in this instance the whole payment line is removed (payable amount not amended) and journal processed to adjust the payment. Files are saved on network drive, amended discussed is a group WebEx space and version controls of documents are stored. Two authorities required to process a payment.   | AP.12   |
|                             | Risk D - R[D] and Control 4 - C[4]     | Risk of misappropriation of funds by changing of creditor details  |      | - Master file data amendments performed and validated currently by corporate services team member.<br>- Bank file is sample checked against original invoices by independent reviewer, however all parties have access to source all source documents.<br>- Batch check is performed by a second AP |      |  | AP.5  |

# Recap focus areas 2022



Process documentation  
(including key controls) –  
flow chart style

Risks

Control points

Areas of estimation



# Recap focus areas 2022

## Process documentation (including key controls) – narrative style

### 3 General Finance Processes

#### 3.1 Fraud Prevention

##### 3.1.1 Detailed controls to prevent fraud

#### 3.2 Journals

##### 3.2.1 Processes

##### 3.2.2 Key Risks

##### 3.2.3 Detailed controls

#### 3.3 Cost Allocation Methodology (CAM)

##### 3.3.1 Processes

##### 3.3.2 Key Risks

##### 3.3.3 Detailed Controls

### 4 General Ledger Accounts

#### 4.1 Revenue

##### 4.1.1 Processes

##### 4.1.2 Key Risks

##### 4.1.3 Detailed Controls

#### 4.2 Expenditure

##### 4.2.1 Processes

##### 4.2.2 Key Risks

##### 4.2.3 Detailed Controls

#### 4.3 Assets

##### 4.3.1 Processes

##### 4.3.2 Key Risks

##### 4.3.3 Detailed Controls

##### 4.3.4 Material Judgements and Estimates

## 4 General Ledger Accounts

### 4.1 Revenue

XXXXX derives its revenue from contracts with customers for the transfer of goods and services both over time and upon completion. Revenue is recognised at fair value of the consideration received or receivable net of the amount of GST payable.

#### 4.1.1 Processes

- Invoicing** – Approved invoicing requests are sent to accounts receivable. The approval of the invoice is per the delegations framework. Invoice requests are received either via email attaching the invoice request form, a xxxxx template (monthly billings) or a xxxxx request (daily invoices). Invoice requests are sent to accounts receivable via the xxxxx inbox.
- Accruals** – work completed not yet invoiced to the customer are entered into the system as manual accruals. Income accruals are determined and processed by Finance as part of the month end reporting process. Accruals are entered into xxx via a journal (see section 3.1). Accrual journals must be supported by independent verification of the requirement for and value of the accrual.
- Unbilled services provided** – As part of the month end financial reporting process, a report and associated data is extracted from the xxxx Billing System which details estimated unbilled services. This information is extracted by xxxx as part of their month end processes and provided to Finance for high-level review prior to being processed as a month end journal (see section 3.1).
- Income received in advance** – revenue recognition rules under Australian Accounting Standards require the performance obligation to be completed prior to the recognition of revenue in the financial statements. XXXXXX has a large number of jobs that require invoicing and payment by the customer prior to the commencement of works as well as a number of contracts for long-term xxxxxxx. These invoices are allocated to income received in advance by the Senior Treasury Analyst and a monthly revenue recognition journal (see section 3.1) is completed by the Senior Treasury

#### 4.1.2 Key Risks

- Completeness of revenue for the year, not all transactions may be captured or there may be duplication of transactions.
- Fraudulent transactions
- Invoicing occurs without approval
- Timing of revenue recognition into the correct month and financial year

#### 4.1.3 Detailed Controls

**Delegations Framework** – provides a number of reserved functions and general controls around revenue including:

- Invoicing approval limits; and
- Income/income stream approvals.

**System Controls** – invoices can only be raised by the Accounts Receivable team.

**Regular Reporting** – Revenue is recognised and reported on as part of the monthly performance report.

**Reconciliations** – reconciliations are completed and reviewed each month for a number of general ledger accounts associated with revenue such as income received in advance and accrued revenue.

**Checklist** – the unbilled services process has a checklist of steps that are required to be completed to verify the process, data and review.

**Credit Risk Committee** – oversees the follow up of outstanding debtors amounts which would have initially been revenue. This oversight ensure control against fraudulent or incorrect invoices (these would remain unpaid).

**Audit** – All billing data and processes (used to generate revenue invoices) are subject to 6 monthly audits.

# Internal control focus areas 2023

- General Information Technology Controls (GITC)
  - Initial review on GITC in 2022
  - More detailed review in 2023 – Details on slides from client information sessions
- Revenue controls
  - Not all controls will be relevant to all entities will depend on revenue types and systems used
  - Include grant agreements, customer application and ordering processes
  - Provision of goods and services
  - General invoicing, receipting, adjustments and system interfaces
  - Revenue recognition, disclosures and management oversight processes

# Key management personnel disclosures

- Discussing with the Department of Treasury and Finance
  - Enhancing template document
- Consistency of calculation between entities, eg:
  - Other non-monetary benefits (including FBT impact)
  - Personal use vehicle costs (including FBT impact)

# Third party providers

- Contractual arrangements (including service level agreements)
  - Documented
  - Breadth of services
  - Key performance indicators
- Risk assessment - Remains the responsibility of management
- Monitoring and oversight processes
  - Ongoing contract management
  - Service Organisation Control (SOC) reports (Type 1 and Type 2)
  - Anything else?



**Tasmanian**  
Audit Office

## Developments in sustainability reporting

Carl Harris

Partner Deloitte, Hobart





## Developments in sustainability reporting

Carl Harris

TAO Audit Committee Update | 4 May 2023



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## State and Federal Government

### Climate Change (State Action) Act 2008

- Sets the Tasmanian Government legislative framework for action on climate change.

### Climate change (State Action) Amendment Bill 2021

- Established a nation leading framework and a target of Net Zero Emissions, or lower, by 2030

### Climate change (Greenhouse Gas Emissions) Regulations 2022

- Measure and report greenhouse gas emission across various industry sector in Tasmania.

### Renewables, Climate and Future Industries

- 200% Renewable energy generation target by 2040
- Taking practicable action to reduce the State's emissions and respond to conditions of a changing climate.

### Tasmania's Climate Change Action Plan 2023-25

- Reporting - Annual reporting through a greenhouse gas emissions report and climate change activity statement.
- Next steps - Develop a new action plan in 2025 to ensure it takes into account the findings of Tasmania's first Statewide Climate Change Risk Assessment and the actions identified through the development of sector-based Emissions Reduction and Resilience Plans.

# State and Federal Government

## Federal Government policy initiatives

As part of the 2022 Federal Election, the Australian Labor Party announced that in government, as part of its “Powering Australia” policy, it would work with large businesses to provide greater transparency on their climate-related risks and opportunities.

On forming government, the October 2022 Federal Budget included funding for Treasury and the Australian Accounting Standards Board to develop and introduce climate reporting standards for large businesses and financial institutions in line with international reporting requirements. Subsequently, Treasury released two consultations seeking feedback on sustainability reporting related topics:

- Exposure draft legislation that would provide the AASB with the explicit power to make sustainability reporting standards
- Consultation paper seeking feedback on proposals to implement and mandate the disclosure of sustainability and climate-related financial risks and opportunities in Australia, and to ensure Australia’s financial reporting bodies are appropriately positioned for climate and sustainability reporting

## Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD) framework is the most widely-adopted recommendations on climate-related financial disclosures

TCFD is linked to the upcoming Taskforce on Nature-related Financial Disclosures (TNFD)

Mandatory climate risk disclosures by corporate regulators also being considered/introduced in the US, UK, the EU, Switzerland, Hong Kong, Japan, Singapore and New Zealand.



The Task Force developed **four widely-adoptable recommendations** on climate-related financial disclosures, published in June 2017, that are applicable to organizations across sectors and jurisdictions.

**The recommendations are structured** around four thematic pillars that represent core elements of how organizations operate.



**Governance:** The organization's governance around climate-related risks and opportunities

**Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

**Risk Management:** The processes used by the organization to identify, assess, and manage climate-related risks

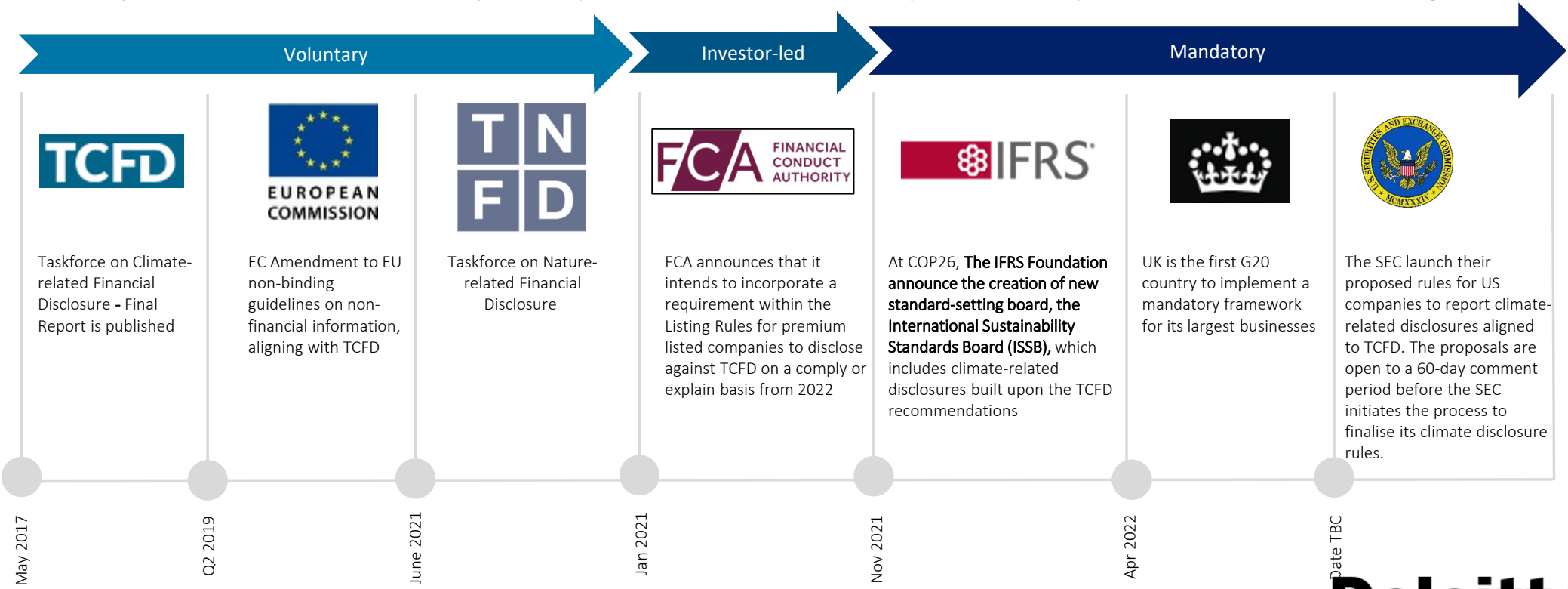
**Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities

# Trending towards mandatory disclosure

The TCFD has moved at speed over the last four years.

The role of TCFD is to help organisations publish decision-useful disclosures on the financial impacts posed by climate change. It, however, also presents a significant opportunity for business resilience. It provides the right tools and decision-useful disclosures for climate change risks and opportunities.

Currently, the framework is voluntary to adopt in Australia, and its adoption relies upon the discretion of the organisation.





## **International Sustainability Standards Board (ISSB)**

At COP26, The IFRS Foundation announce the creation of new standard-setting board, the International Sustainability Standards Board (ISSB), which includes climate-related disclosures built upon the TCFD recommendations.

The International Sustainability Standards Board builds on the TCFD recommendations but seeks to develop a comprehensive global baseline for Sustainability Reporting disclosures.

It extends beyond climate related risks and opportunities and requires more granular detail within disclosures particularly on the intermediate steps required to achieve targets and on financial costs.

Essentially, convergence is taking place, and other frameworks and standards globally are being guided by, and informed by the TCFD framework with a focus on capital markets.

## The changing landscape

Climate change is driving a market shift.

It is the most significant systemic issue of our time and pervasive across all spheres of business. It is leading to transformational changes in how we think of business, how we determine enterprise value, how we will report financial results and how we will audit this information to give trust and confidence to capital markets.

### The future of climate and sustainability reporting


In March 2022, the International Sustainability Standards Board (ISSB) published its first two exposure drafts which drew heavily from the existing Taskforce on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) frameworks:

- [Draft] IFRS S1 - *General Requirements for Disclosure of Sustainability-related Financial information*
- [Draft] IFRS S2 - *Climate Related Disclosures*

The ISSB Exposure Drafts are the **start of the convergence of sustainability information with financial information.**



Final standards  
expected June  
2023



“The world is at an incredible turning point with the emergence of the ISSB exposure drafts ...  
[ISSB] matters to all companies and all directors; and not just listed, because it will eventually affect everybody.”

**ASIC Deputy Chair Karen Chester**

(at the Australian Institute of Company Directors, Climate Governance Forum)

## Myth busting

### Myth

### Truth

01

What's all this fuss about? The ISSB reporting is years away...

**Climate change** is **already impacting businesses**. Organisations need to be thinking about this now and defining actions. Upskilling, resourcing and other changes take time.

02

The company already prepares a sustainability report that is signed off by experts so we are all good !

Are you really? To what degree has the risks and opportunities in the **sustainability report been mapped and considered in the risk assessment** for financial statement risks? (That is not part of the expert's assurance opinion.) Is there a **clear, documented link** of identified **physical and transitional** climate risks to **businesses risks** ?

Does the **sustainability report** include any **statements that contradicts assumptions** used to determine **financial statement balances**? How have these been considered?

03

The sustainability report does not form part of the financial statement audit, so I don't see the issue.

Proposed disclosures contained in the Exposure drafts **will** form part of the financial statements.

04

I don't see the value when the ISSB reporting obligations will only impact us years from now.

The **ISSB has given companies the tools** to **enhance their risk assessment** and **questions to ask** in respect of climate and sustainability-related **data and governance of the entity**. The **governance and data requirements** under the new proposals are **immense**, in many cases far in **excess of what currently underpins** companies' sustainability reports.

All of this means you need to **do additional work now** in order to be ready for this transformational shift in reporting obligations – even if years away.

## The four core pillars of Climate-related Financial Disclosures

The objective of ISSB standards are to provide regulation over the presentation of sustainability information. The current exposure drafts are structured based on four core pillars of the Taskforce on Climate-related Financial Disclosures.

Disclose information about the strategy for addressing sustainability-related risks and opportunities that could affect the entity's business model and strategy over the short, medium and long term.

Disclose information about the information used to assess, manage and monitor the entity's performance in relation to sustainability-related risks and opportunities over time.

There are seven core cross-industry metrics which will be supported by industry-specific metrics.



Disclose information over the governance processes, controls and procedures used to monitor and manage sustainability-related risks and opportunities.

Disclose information about the processes the entity uses to identify, assess and manage sustainability-related risks.

## The standards

### [Draft] IFRS S1 - *General Requirements for Disclosure of Sustainability-related Financial information*

- Significant sustainability-related risks and opportunities that are useful to the primary users of general purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity
- Sustainability related financial information is broader than information within the financial statements and could include
  - Governance of sustainability related risks and opportunities and the strategy for addressing them
  - Decisions made that could result in inflows or outflows that have not yet met the recognitions criteria in the financial statements
  - The entity's reputation, performance and prospects as a consequence of the actions it has taken; and
  - Any development of knowledge-based assets.
- Disclosures required for:
  - **Governance** – process, controls and procedures used to monitor and manage sustainability related risks and opportunities
  - **Strategy** – approach for addressing risks and opportunities that could affect the business model and strategy over the short, medium and long term
  - **Risk management** – the processes the entity uses to identify, assess and manage risks; and
  - **Metrics & targets** – information used to identify, assess, manage and monitor the entity's performance in relation to sustainability related risks and opportunities over time.



# The standards

## [Draft] IFRS S2 - *Climate Related Disclosures*

- Requires disclosures about exposure to significant climate-related risks and opportunities that are useful to the primary users of general purpose financial reporting to:
  - assess the effects of the risks and opportunities
  - understand how they use resources and corresponding inputs, activities, outputs and outcomes support the response to and strategy for managing risks and opportunities; and
  - evaluate the entity's ability to adapt its planning, business model and operations to significant climate related risks and opportunities.
- Applies to
  - climate related risks the entity is exposed to, including but not limited to physical risks from climate change (physical risk); and risks associated with the transition to a lower-carbon economy (transition risk)
  - Climate-related opportunities available to the entity.
- **Governance**
  - Disclose information about the governance bodies with oversight of climate-related risks and opportunities (identity, terms of reference, skills and competencies, information flow, strategy, management policies, targets and management's roles)
- **Strategy**
  - Disclose information about the climate-related risks and opportunities impacting the business model, strategy, decision making, and financial statements, and how climate resilient its strategy is.

## The standards

[Draft] IFRS S2 - *Climate Related Disclosures (cont)*

- **Risk management**

Disclosure of the processes used to:

- Identify climate-related risks and opportunities
- Identify climate-related risks for risk management purposes
- Prioritise climate-related opportunities
- Monitor and manage climate-related risks and opportunities

Disclosure of how climate-related risk identification assessment and management are integrated into the entity's overall risk management processes and how climate-related opportunity identification, assessment and management are integrated into the entity's overall risk management processes

- **Metrics & targets**

- Greenhouse gas emissions
- Transitions risks
- Physical risks
- Climate related opportunities
- Capital deployment towards climate related risks and opportunities
- Internal carbon prices
- Remuneration - % linked to climate related considerations, how climate considerations are factored in
- Climate related targets.

## The impact

These standards will have a far reaching impact on Australian business in that will require disclosures of the following as part of general-purpose financial reporting:

- **Future financial positions and company strategy** around climate and sustainability
- **Scope 3 emissions reporting** (along with Scope 1 and 2) \*
- **Specific details** relating to the use of carbon offsets in achieving targets; and
- **Details of an organisations approach** to climate and sustainability related risks and opportunities, including governance and risk assessment methodologies

*\* Scope 1 – direct emissions (i.e. vehicles)*

*Scope 2 – Indirect emissions produced to generate the power used by the company (i.e. electricity purchased)*

*Scope 3 – Indirect emissions produced in the consumption or use of a company's goods & services (i.e. up and down the value chain)*

*Scope 1 and 2 are owned by the company, whereas Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it.*

These standards are about so much more than disclosure – with an emphasis on the future and most material risks to enterprise value.

It will support access to capital and improved decision making in assessing the impact of climate and other material sustainability on the business.

It also provides the opportunity to integrate these considerations into existing governance mechanisms and capital allocation decisions.

It will require investment in systems to support better and more timely access to climate and sustainability data.



## What is next ?

### Phasing

Deloitte supports a phased approach for reporting

- Large listed
- Financial institutions
- GBE's
- Small listed
- Large Pty Ltd
- Etc

Likely 2024/25 phased implementation

Phased assurance – limited and then reasonable

### Five steps for climate-led transformation

*Commit to a climate change and sustainability aspiration*

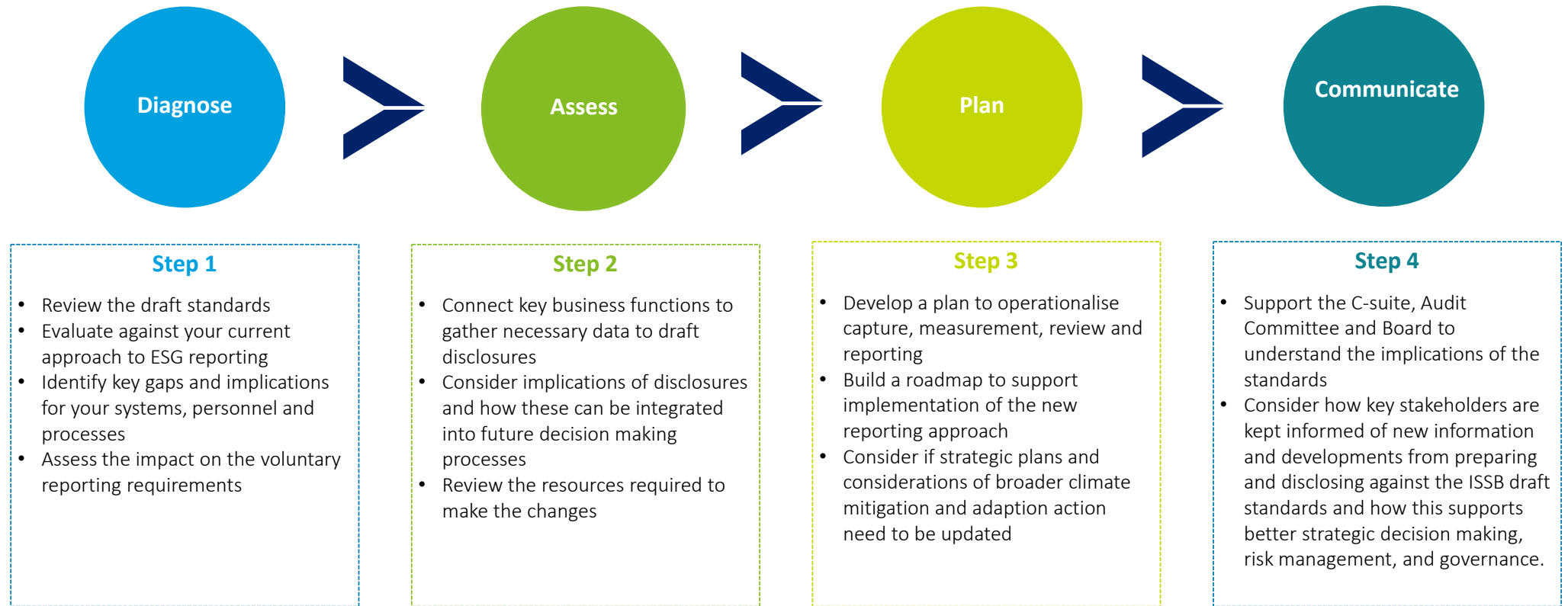
*Develop a climate change and sustainability strategy*

*Align your organisational model*

*Enhance organisational capability*

*Monitor and report*

## Priorities – financial reporting







## Towards mandatory sustainability reporting in Australia

Treasury has released two consultations that set the scene for mandatory sustainability reporting to be introduced in Australia in a phased implementation, possibly from 2024-25

In summary:

- Consistent with Federal government announced policies, Treasury has released two consultations that seek to introduce mandatory sustainability reporting in Australia
- The consultations seek to introduce a standardised and internationally-aligned framework for disclosing sustainability related risks and opportunities, underpinned by four pillars: governance, strategy, risk management, targets and metrics
- The requirements may be aligned with the IFRS<sup>®</sup> Sustainability Disclosure Standards once they are available
- The initial thematic focused on climate-related financial risks and opportunities are aligned with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations
- Mandatory reporting would initially be focused on large listed entities and large financial institutions, and may later be extended to other entities and government
- Initial application has not been determined, but it is suggested as an example, that first reporting could be required for the 2024-25 financial year
- The broader consultation closes for comment on 17 February 2023.

"We welcome the introduction of mandatory and internationally aligned sustainability reporting requirements in Australia. This will address market expectations, ensure consistency and assist Australian companies to access capital on a global basis"

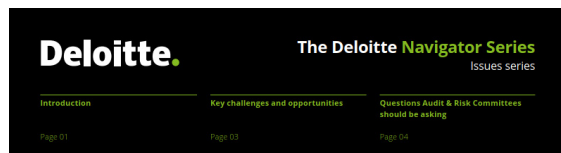
Jo Gorton  
Managing Partner, Audit and Assurance

## Key proposals

The table below provides a high-level overview of the areas for feedback under the consultations:

|   |  |
|---|--|
|    | <b>Implementation</b> <ul style="list-style-type: none"><li>• <b>Phased approach</b> to implementation, commencing with large, listed entities and large financial institutions (such as banks, insurers, credit unions and superannuation funds)<sup>1</sup></li><li>• <b>Mandatory application</b> which could (noted as "for example") commence in 2024 for 2024-25 financial years</li><li>• Consideration of whether <b>phased introduction of disclosure requirements</b> should occur (e.g. Scope 3 greenhouse gas emissions).</li></ul>  |
|    | <b>Base for disclosures</b> <ul style="list-style-type: none"><li>• Possibility of mandating sustainability standards, such as the <b>IFRS Sustainability Disclosure Standards</b>.</li></ul>  |
|    | <b>Regulatory framework</b> <ul style="list-style-type: none"><li>• Options being sought on the best approach to incorporate obligations for climate disclosures (governance, strategy, risk management, targets and metrics) <b>into the Australian regulatory framework</b></li><li>• <b>Location</b> of the climate disclosures to be mandated, specifically whether they should be included in the operating and financial review (OFR), or a separate report included as part of the annual report</li><li>• How <b>materiality judgements</b> should be applied</li><li>• Whether <b>assurance</b> should be required for climate disclosures and, if so, who should provide that assurance</li><li>• The <b>forward-looking statements</b> and the <b>proportionate application of liability</b>, including consideration of the suitability of the 'reasonable grounds' requirement in the Corporations Act 2001, to ensure entities provide accurate, comprehensive, and timely disclosures</li><li>• <b>Interaction</b> of climate reporting requirements with other reporting obligations (including continuous disclosure and fundraising documents).</li></ul>                                    |
|    | <b>Sustainability standard setter</b> <ul style="list-style-type: none"><li>• The Exposure Draft would see the <b>AASB</b> have <b>authority</b> to formulate sustainability disclosure standards</li><li>• The Consultation Paper seeks views on whether the <b>AASB</b>, a <b>separate board</b> (following the IFRS Foundation model) or a <b>single, flexible entity</b> (similar to the New Zealand External Reporting Board) should be created.</li></ul>  |
|    | <b>Metrics and transition plans</b> <ul style="list-style-type: none"><li>• Feedback is sought on the interaction of the disclosure of <b>Scope 1 and Scope 2</b> greenhouse gas emissions and how they interact with existing Australian emissions reporting frameworks (e.g. the National Greenhouse &amp; Energy Reporting (NGER) framework)</li><li>• It is proposed that some form of <b>Scope 3</b> emissions will also be required</li><li>• Consideration of whether <b>standardised metrics</b> for disclosures, including economy wide or industry-specific metrics, should be defined (such as is included in Exposure Draft IFRS S2)</li><li>• <b>Transparent disclosure</b> of how an entity <b>manages climate related risks, transition plans</b> and the use of greenhouse gas emissions <b>offsets</b> to meet published targets</li><li>• Consideration of <b>data and capability challenges</b> in the Australian environment</li><li>• Whether a particular authority should be responsible for providing <b>supporting information</b> (e.g. climate scenarios, or standardise calculation of Scope 3 emissions) for use in climate related financial disclosures in Australia.</li></ul> |
|  | <b>Other matters</b> <ul style="list-style-type: none"><li>• Whether <b>flexibility</b> should be included to incorporate growth of other sustainability reporting, including social and governance disclosures (e.g. labour standards, tax transparency, diversity, relations with First Nations stakeholders)</li><li>• Whether <b>digital reporting</b> should be mandated for sustainability risk reporting.</li></ul>   |

# Deloitte Guidance



November 2022



## Bold leadership on climate reporting will inspire confidence

Society at large needs to overcome a myriad of challenges to effectively address climate change and the transition to a net zero future. Addressing these challenges presents us with the need – and more importantly the opportunity – to transform the way we live and work, which requires transformation at scale.

It isn't easy.

Take the ever-changing nature of global and national climate regulation and stakeholder expectations. As Audit and Risk Committee executives, it's important that you and your organisation's leadership, Environmental, Social and Governance (ESG), strategy and finance teams navigate a complex landscape of disparate climate and sustainability reporting and disclosure requirements to develop a consistent global baseline for sustainability-related financial disclosures.

01

Why? Because if you don't clearly and constantly show what your organisation is doing to take climate action and decarbonise, your employees, customers and investors will likely be drawn to those that do.

"The ISSB represents a unique opportunity to end the current confusion resulting from competing definitions, frameworks and metrics and to give investors the information they need to understand sustainability risks and opportunities."

Elizabeth Seeger, inaugural member of the International Sustainability Standards Board (ISSB), July 2022

## Questions Audit & Risk Committees should be asking

Asking and answering these questions will ensure you're using the evolving nature of climate and sustainability reporting and disclosure to confidently inspire climate action and spearhead the way towards a net zero future in your sector and beyond.

### 1 Strategy

Do we have a clearly defined climate and sustainability ambition and strategy – and can its implementation be accurately measured in a reliable, unambiguous manner?

### 2 Data

What data do we need to support the successful implementation of the climate and sustainability strategy, so we can confidently report in line with likely ISSB requirements? How will we satisfy ourselves that such data is complete and accurate?

### 3 Evidence

What is our track record on disclosure and commitments – and what lessons can we learn from this?

### 4 Team

Do we have the right project team in place, with the right representation from around the business, to effectively implement the reporting requirements when finalised?

### 5 Governance

What should our Board and Committee governance structures be to effectively oversee implementation of this new way of ESG reporting?

### 6 Role

Has the Audit Committee's role regarding climate-related matters been recognised in its terms of reference or charter?

### 7 Operation

What processes and controls do we have in place to address evolving climate and sustainability risks and related disclosures?

### 8 Expertise

Has our management engaged with auditors on how to evolve and mature our ISSB reporting to meet the increasing requirements of the market and regulators?

### 9 Remuneration

Are our reward strategy incentives appropriate and incorporating the right degree of challenge?

# Deloitte.

# Greenwashing

## What is 'greenwashing'?

ASIC considers 'greenwashing' as the practice of **misrepresenting the extent** to which a **financial product or investment strategy** is **environmentally friendly, sustainable or ethical**

Tuesday 2 May 2023



## 23-110MR ASIC issues infringement notice to superannuation fund promoter for greenwashing

ASIC has issued an infringement notice to superannuation fund promoter, Future Super Investment Services Pty Ltd (Future Super), in further action against alleged greenwashing.

Future Super is the promotor of the Future Super Fund. ASIC was concerned that a Facebook post by Future Super may have been false or misleading by overstating the positive environmental impact of the Fund. The post included the statement *'Naysayers don't join together and move nearly \$400million out of fossil fuels.'*

Tuesday 28 February 2023



## 23-043MR ASIC launches first Court proceedings alleging greenwashing

ASIC has launched its first court action against alleged greenwashing conduct, commencing civil penalty proceedings in the Federal Court against Mercer Superannuation (Australia) Limited (Mercer) for allegedly making misleading statements about the sustainable nature and characteristics of some of its superannuation investment options.

ASIC Deputy Chair Sarah Court said, 'This is the first time ASIC has taken an Australian entity to court regarding alleged greenwashing conduct, and it reflects our continuing efforts to ensure sustainability-related claims made by financial institutions are accurate.'

ASIC alleges Mercer made statements on its website about seven 'Sustainable Plus' investment options offered by the Mercer Super Trust, of which Mercer is the trustee. These statements marketed the Sustainable Plus options as suitable for members who 'are deeply committed to sustainability' because they excluded investments in companies involved in carbon intensive fossil fuels like thermal coal. Exclusions were also stated to apply to companies involved in alcohol production and gambling.

# Greenwashing

## The role as auditors

Auditors role is to **comply with and perform the procedures prescribed by the auditing standards**. This includes the application of **professional scepticism** when considering factors identified that may indicate an elevated risk of fraud or a potential breach in laws and regulations through greenwashing.

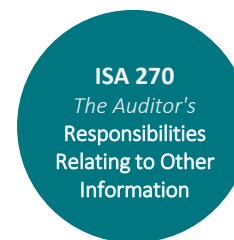
### Greenwashing examples:

- 1 **Innocent**: insincere TV adverts
- 2 **Keurig**: misleading recycling claims
- 3 **Ikea**: accredited illegal logging
- 4 **Windex**: misleading plastic packing claims
- 5 **H&M**: insincere sustainable fashion claims
- 6 **Hefty**: false representation of the product
- 7 **Ryanair**: false low-emissions claims
- 8 **Quorn**: unverifiable carbon-footprint claims
- 9 **Shell**: gaslighting of the general public
- 10 **Unilever**: unclear environmental claims
- 11 **KLM**: misleading carbon-neutral claims
- 12 **HSBC**: misleading climate ads


Source: [Greenwashing: 12 recent stand-out examples \(the.sustainableagency.com\)](https://the.sustainableagency.com/greenwashing-12-recent-stand-out-examples)

## Guiding principles

The concept of **greenwashing does not create something 'new' for auditors to consider**. As with all climate and sustainability-related considerations, it **forms part of our existing methodology** and the **Australian & International Auditing Standards**.



## Example approach

- 01 Understand and document management's *processes and controls* over (1) disclosures of products and services, and (2) over ESG-related financial statement disclosures (with particular attention to information that may be at risk of 'greenwashing'.)  
 Refer to the [Australian Financial Reporting Guide](#) (Chapter 8) for further guidance.
- 02 Where contradictory statements or disclosures have been identified between the F/S and other information, discuss with management and consider potential impact on the financial statement audit.
- 03 Consider whether any of the risks identified in step 2 could result in a material misstatement (RoMM).
- 04 Where no RoMM has been identified as a result of factors identified in step 2, document that conclusion and the rationale thereof.



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**Tasmanian**  
Audit Office

## Financial reporting update

Jeff Tongs

Tasmanian Audit Office



# Standards for 30 June 2023

| Amendment   | Implications   |
|-------------|--|
| AASB 2022-3 | <i>AASB 15 Revenue</i> - Adds an illustrative example for Upfront fees accompany goods or services such as joining, membership, or enrolment fees and other set-up fees at inception or renewal  |
| AASB 2020-3 | <i>AASB 116 PPE</i> – recognition of sale proceeds before asset it is ready for use to be recognised in the profit or loss inline with <i>AASB 108 Inventories</i><br><br><i>AASB 137 Provisions</i> – onerous contracts, costs directly related to fulfilling the contract <ul style="list-style-type: none"><li>• Incremental costs – Direct labour and materials</li><li>• Allocated costs – directly related – e.g. depreciation</li></ul> |

# Standards – deferred until years beginning on or after 1 Jan 2024

| Amendment  | Implications   |
|--|--|
| AASB 2020-1<br><i>Classification of Liabilities</i>                                | Clarified that to classify a liability as non-current, an entity needs to have the right at the end of the reporting period to defer settlement for at least 12 months<br><i>(supposed to start this year)</i>   |
| <u>Amended by:</u><br>AASB 2022-6<br><i>Non-current Liabilities with Covenants</i> | A right to defer settlement of liabilities for at least 12 months after including conditions (or 'covenants'):<br><ul style="list-style-type: none"><li>a) information about the covenants nature and timing to comply and liability carrying amount</li><li>b) facts and circumstances, if any, that indicate the entity may have difficulty complying. (may also include facts and circumstances after reporting period)</li></ul> |

# *AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement for Not-for-Profit Public Sector Entities*

AASB 13 *Fair Value Measurement* amendments:

1. Highest and best use = current use? .... Unless
  - classified as held for sale or held for distribution to owners (AASB 5)
  - it is highly probable to be used for an alternative purpose
2. Developing unobservable inputs
  - Can use own assumptions where market price or participant data not available
3. Application of the cost approach, guidance on:
  - the nature of costs to include in the replacement cost
  - the identification of economic obsolescence

Application – prospectively, periods beginning on or after 1 January 2024.

# *AASB 1053 Application of Tiers of AASs*

## **11 Application of Tier 1 Reporting Requirements**

The following types of entities shall prepare general purpose financial statements that comply with Tier 1 reporting requirements:

(b) the Australian Government and State, Territory and Local Governments.

*Departments / FMA entities / Councils*

*NB: Per TIs – All GBE's, SOC's & Subsidiaries apply Tier 1 & AASB 8 Operating Segments  
A separate TI exempt certain subsidiaries for 2021-22 financial year, only.*

# AASB 1053 *Application of Tiers of AASs*

## 12 Application of Tier 2 Reporting Requirements

Tier 2 reporting requirements shall, as a minimum, apply to the general purpose financial statements of the following types of entities:

- (c) **public sector entities, whether for-profit or not-for-profit**, other than the Australian Government and State, Territory and Local Governments

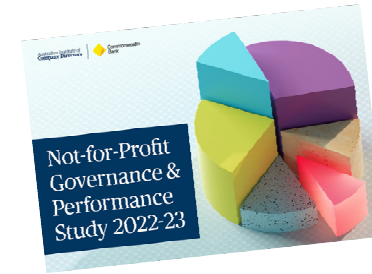
*All other State Entities created under legislation  
Can elect to apply Tier 1*

# AASB 1060: *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

- “**Reporting Entity**” concept introduced by IASB. “An entity that is required, or chooses, to prepare general purpose financial statements.”
- Conflicted with Australian concept of a “reporting entity” and “non-reporting entity” based upon “dependent users”. Changed, to be compliant with IFRS.
- AASB 1060 introduces the ‘Simplified Disclosures’ framework for Tier 2 entities - disclosures now combined into a single standard (*Replaces ‘Reduced Disclosure Requirements’*).
- **Tier 2 minimum for public sector entities** (*per AASB 1053*).
- 1060 Applies to annual periods beginning after 1 Jan 2022 but before 1 Jan 2023.

## Recent activity

- ASIC Activity – Calls for better disclosure, *including*:
  - Adequacy of disclosure of material business risks
  - Impairment: recoverability assessments, reasonableness of cash flows and assumptions
  - Provisions: adequacy and related disclosures
  - Revenue recognition: multiple performance obligations which may impact the timing
  - Non-IFRS profit measure: representing statement of profit or loss
- Greenwashing concerns – distortion/misleading/deceptive? (*Greenhushing*)
- Governance Resources:
  - Governance principles for boards of public sector entities in Australia
  - Not-for-Profit Governance & Performance Study 2022-23







**Tasmanian**  
Audit Office

## Performance audit update

Janine McGuinness  
Tasmanian Audit Office

# And now a brief word from Performance Audit

## Report of the Auditor-General No. 3 of 2022-2023: Strategic procurement in local government



# Report of the Auditor-General No. 3 of 2022-2023: Strategic procurement in local government

The objective of this audit was to examine how local government councils derived value from procurement that benefited the council, the supplier and the community.

(City of Hobart, City of Launceston, Burnie City Council, Waratah-Wynyard Council, West Tamar Council, Tasman Council)

# Audit criteria

1. Have councils identified strategies to achieve value through procurement?
2. Have councils effectively embedded strategies to achieve value in their procurement processes?
3. Have councils effectively monitored value derived from procurement?

# Recommendations

## Councils:

1. Document how procurement-related activities support the achievement of strategic goals and objectives.
2. Ensure staff carrying out procurement are provided with regular procurement related training.
3. Develop processes to monitor and review the value derived from procurement activities, including the establishment of performance targets and measures.

## Local Government stakeholders:

4. Collaboratively enhance strategic procurement guidance and opportunities for councils.

# Procurement maturity scale

|  | Minimal   | Developing   | Mature  | Leader  | Innovator  |
|--|---|--|---|---|--|
| Strategies to achieve value                | <ul style="list-style-type: none"> <li>Follows the processes outlined in the Act/LGA and Code.</li> <li>Procurement policy includes principles to support approach.</li> <li>Limited connection to strategic objectives.</li> </ul> | <ul style="list-style-type: none"> <li>No procurement strategy, but Code/policy has been expanded to help achieve value.</li> <li>Connection to strategic objectives.</li> </ul>   | <ul style="list-style-type: none"> <li>Procurement strategy developed with initiatives applied in multiple procurement processes.</li> <li>Procurement strategy has a direct alignment with strategic plan objectives.</li> </ul> | <ul style="list-style-type: none"> <li>Senior management recognise importance of procurement strategy in driving change in processes.</li> <li>Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant).</li> </ul> | <ul style="list-style-type: none"> <li>Data-driven approach to strategic procurement.</li> <li>Procurement strategy drives achievement of strategic objectives and is embedded across council operations.</li> </ul> |
| Processes embed strategies                 | <ul style="list-style-type: none"> <li>Limited training, documented processes, guidance and templates.</li> <li>Elected members approve high value procurements as required under the LGA.</li> </ul>                               | <ul style="list-style-type: none"> <li>New approaches and ideas applied in isolated procurement processes.</li> <li>Sufficient training, documented processes, guidance and templates.</li> </ul>  | <ul style="list-style-type: none"> <li>Comprehensive training, documented processes, guidance and templates.</li> </ul>   | <ul style="list-style-type: none"> <li>Training provided across council on meeting procurement strategy actions.</li> <li>Elected member engagement is delivering better results across all procurement activity.</li> </ul>  | <ul style="list-style-type: none"> <li>Elected member engagement is contributing to the success of strategic procurement decision-making.</li> </ul>   |
| Monitoring of value to enhance procurement | <ul style="list-style-type: none"> <li>Internal audit used to monitor compliance and review processes.</li> </ul>   | <ul style="list-style-type: none"> <li>Internal audit used to monitor compliance and review processes.</li> <li>Changes implemented following these audits/reviews have resulted in improvements to the procurement function.</li> </ul> | <ul style="list-style-type: none"> <li>Senior management is regularly informed on procurement strategy.</li> </ul>  | <ul style="list-style-type: none"> <li>Regular monitoring of value derived from procurement activity.</li> </ul>  | <ul style="list-style-type: none"> <li>KPIs are used to monitor and measure value derived from procurement, including impact on the community.</li> <li>Lessons learned shared with other councils.</li> </ul>       |

# Report of the Auditor-General No. 3 of 2022-2023: Strategic procurement in local government

The intent of the Report was to start a broader conversation on strategic procurement and encourage councils to consider how they can derive more value from procurement.





Engage



Respect



Inspire



Deliver

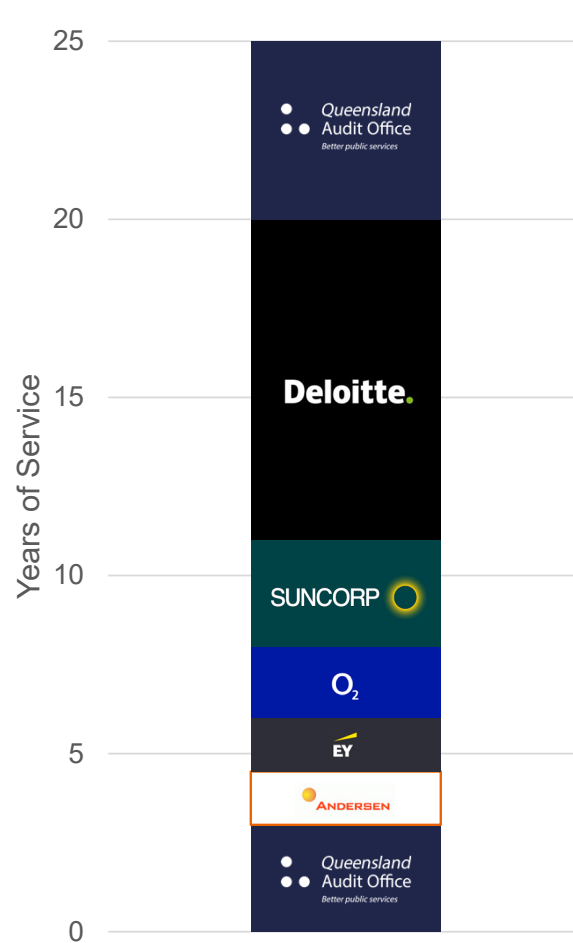
# Queensland Audit Office

## Data and Analytic Learnings

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## About me

## Senior Director



Service areas



**Delivering the QAO Data and Analytic Strategy**

**Helping business work smarter not harder**

**Analytic SME with transparency**

**Data respect with governance education**

**One Public Sector & One QAO Mindset**

## How we operate?

Formalise how the D&A team deliver their services to maximise resources, ensure solutions are co-designed and delivery is transparent.



### Clarity

Know how to engage D&A resources depending on your need.



### Collaboration

Ensure new analytic requests are co-designed and audit support requests are identified early.



### Transparency

Know what work is prioritised and how it's tracking against agreed timeframes.

## What does this look like in practice



### Clarity

Know how to engage D&A resources depending on your need.

## D&A strategy clearly aligned to business strategy

Queensland Audit Office

### QAO Data and analytic strategic plan 2022–2025

#### Vision

Across QAO our analysis-driven culture optimises service delivery to enhance client value and contribute to better public services

#### Purpose

Better audits, better insights and better public services

#### Strategic objectives

|                   | Strategic objective   | Strategic Initiatives (NTI)  |   |  |
|-------------------|---|--|---|--|
|                   |   | 2022   | 2023  | 2024   |
| Our people        | Our people are supported and empowered to leverage data, analytics and advanced data science techniques that help deliver enhanced client experiences   | NTI 1 – Strategic plan for data and analytics  | Progress against strategy and benefit realisation   |  |
|                   |   | NTI 3 – Know your data   |   | Analysis driven culture across QAO supported by analytic champions |
| Our relationships | We design contemporary analytic solutions collaboratively with staff and our clients that are trusted and valued  | NTI 4 – Practical data governance  | Clear understanding of data governance role and data governance risks with effective monitoring of compliance |  |
|                   |   | NTI 5 – Data Analytic Operating model  | Transparent measurement and reporting of data and analytic service delivery                                   |  |
| Our services      | We recognise data is a strategic asset and focus on performing analysis that enhances the relevance of our insights and drives efficiency and effectiveness in our audit and assurance services | NTI 2 – Audit-driven analytic solutions  |   | Data science-based analytics, including advanced automation        |
|                   |   | NTI 6 – Platform modernisation supporting integration, scalability and future technologies |   | Established partnerships to support advanced analysis              |

Across QAO our analysis driven culture optimises service delivery to enhance client value and contribute to better public services

Better audits, better insights and better public services

## Simplified service areas

01

New analytic Request



New solutions and enhancing existing

Work smarter not harder

02

Help desk support



Support for solutions

Helpdesk with service levels

03

Engagement support for audits



Analysis support

Integrated analysis that is part of the audit

04

Data management



Data supply, data models and platforms

Data and environment that supports quality analysis



# What does this look like in practice

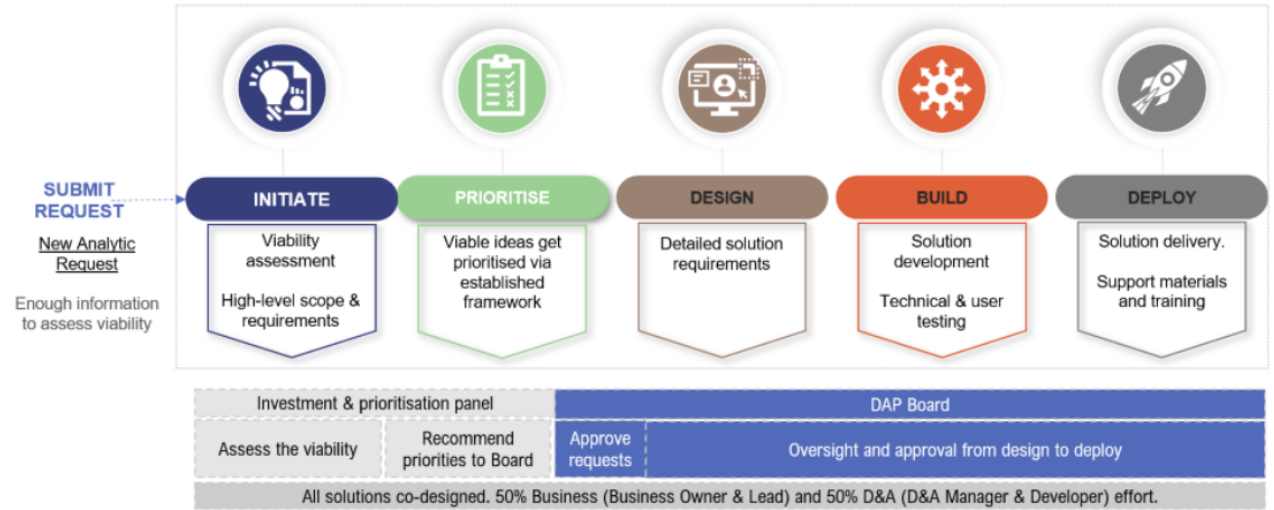


## Collaboration

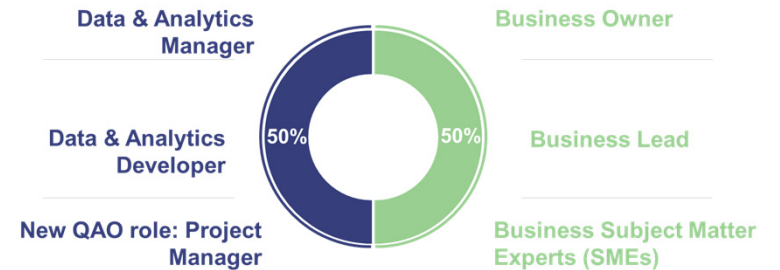
Ensure new analytic requests are co-designed and audit support requests are identified early.

## Business driven and business oversight

### High-level process



50/50



# What does this look like in practice

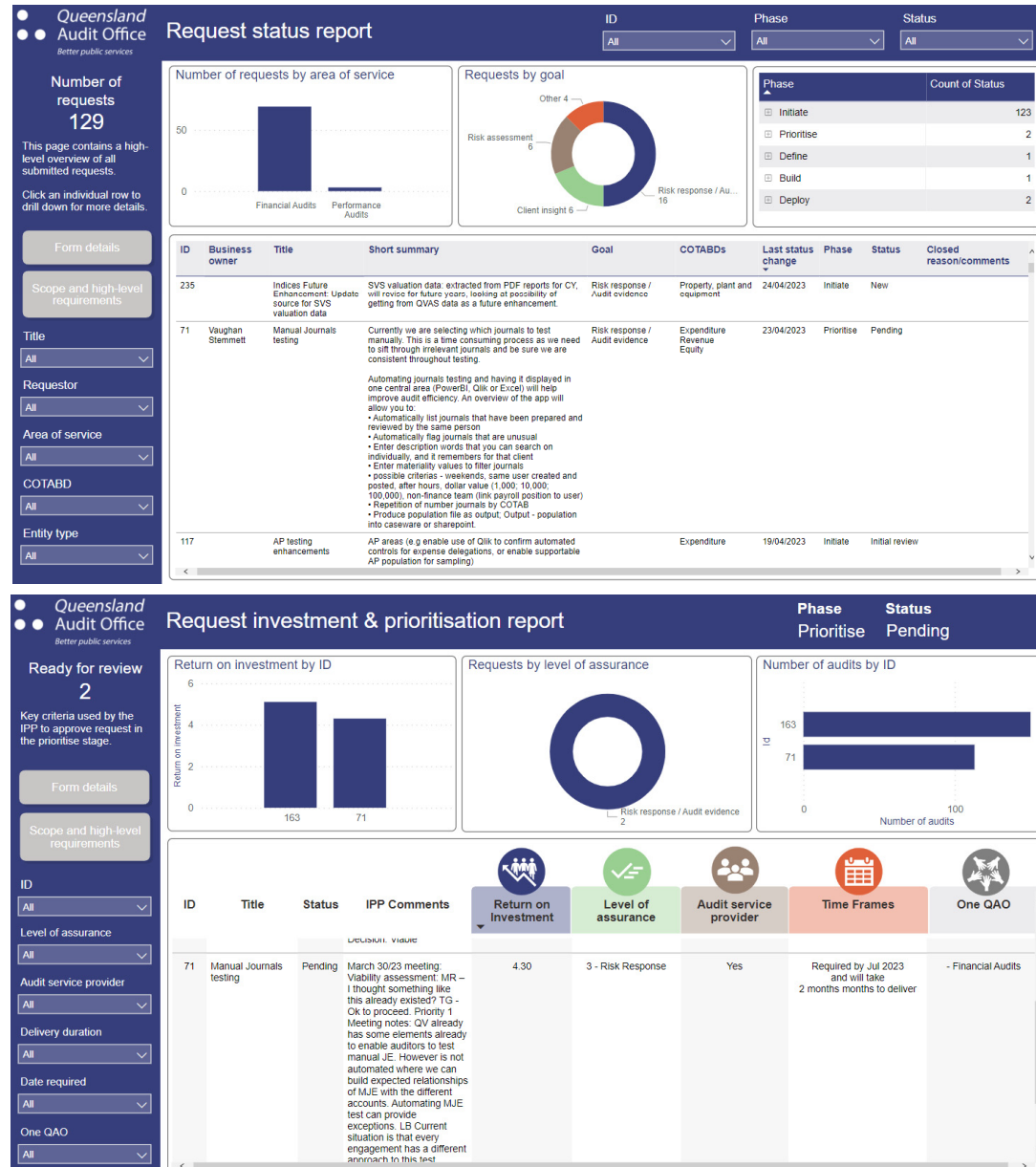


## Transparency

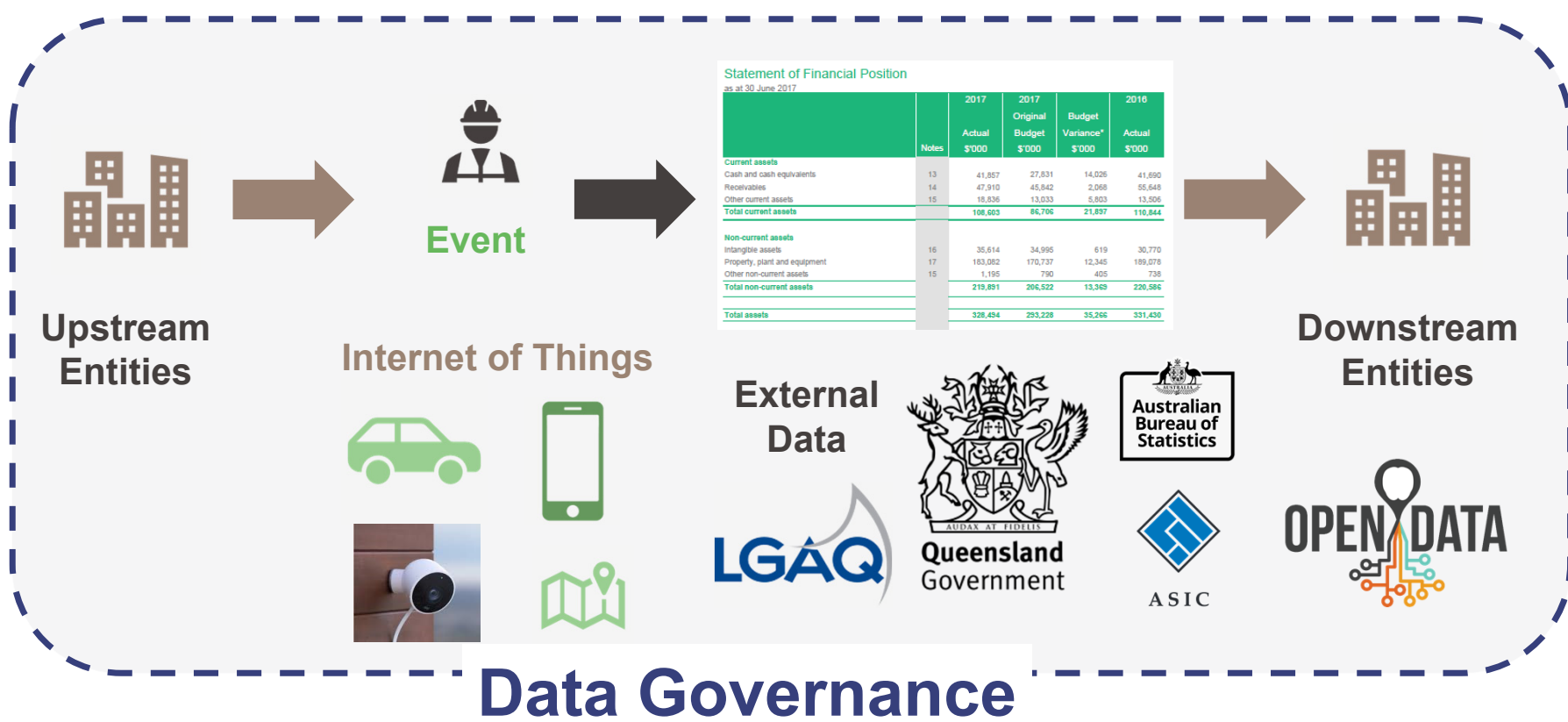
Know what work is prioritised and how it's tracking against agreed timeframes.

## Status of your idea

## Transparency on decision



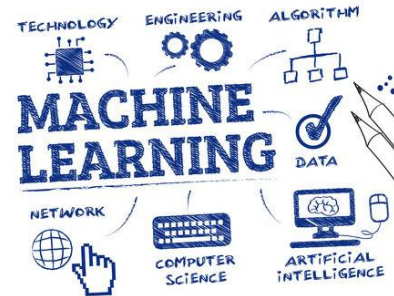
# Modern day analytics



Thinking



Technology



Techniques



Accessible





Automates key risk assessment and risk response procedures for property, plant and equipment.

### 40+ Audit clients

(Departments, GOC and Hospital Health Services)

**Risk Assessment** – Identify material areas and movements within PPE

**Risk Response** – Recalculation of balances (Depreciation)

**Client insight** – Benchmarking of asset useful life (including RUK) between similar entities

### Comprehensive PPE View

Pages associated with major PPE audit perspectives.

## PPE (PowerBI)

Pages <<

App information

Overview

Reconciliation

Movement table

Yearly comparison

Residual values

Additions

Disposals

Transfers

Replacement year

Depreciation recalc

Useful life benchmarking

Useful life changes

Asset component

Asset location

Detail data

Automated PPE movement reconciliation by calculating and adding movement amounts by asset class

Recalculated depreciation for comparison to client financials

Review of useful lives in comparison to replacement cost and better insights into componentisation



# Depreciation Recalculation example

This page automates your depreciation recalculation.

Use the summary statistics at the top of the page to identify whether the recalculation is within your tolerable threshold or not.

Entity type

Departments (includi... ▼

Entity

D, ▼

Company

All ▼

Period end

30/06/2022 ▼

FS line item

Property, plant and e... ▼

Class

All ▼

Sub class

All ▼

Asset id string

All ▼

Absolute variance

0

29,461

| Financial years selected | Entities selected | Actual depreciation<br>(as per asset register) | Recalculation<br>(based on RUL *) | Absolute variance (asset<br>register vs audit recal) | Net variance (asset<br>register vs audit recal) |
|--------------------------|-------------------|--|-----------------------------------|--|---|
| 1                        | 1                 | 19M  | 20M                               | 1M   | 758K  |

**Summary insight**  
Focuses the auditor

## Depreciation: Audit recalculation vs Asset register amount by Asset

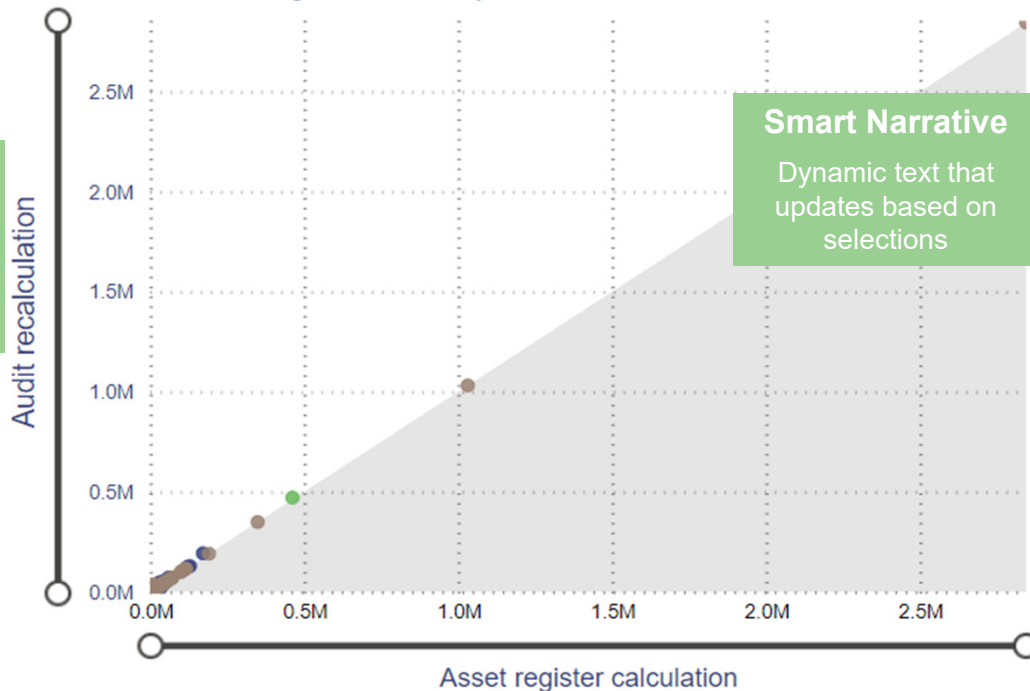
- Buildings
- Infrastructure
- Plant and equipment

### Standard design

Page design that is consistent across all pages

### Filter what you need

Standardised filters that allow you to compare entities and asset classes



## Summary stats

Based on your selections,

- There is a total recalculation variance between the audit recalculated depreciation and actual depreciation is **\$0.76 million** or **3.95 %** per cent.
- Asset ID **1000030306-0000** (**VESSEL - KI ROSS**) has the largest variance, at **\$29,461** or **355.89 %**.

Possible data anomalies

- There are **19** assets that are fully depreciated but still in use.
- There are **0** assets that have negative depreciation amount. The negative depreciation amount totals **\$0.00 million**.
- There are **219** assets with no depreciation (excluding land and CAPWIP). The current net book value of these assets is **\$16.16 million**.
- Use the "Data checks" filter on the Detail data page to identify these assets.

| Financial year | Period end | Asset id string | Class               | Sub class         | Description                            | Asset description            |
|----------------|------------|-----------------|---------------------|-------------------|--|------------------------------|
| 2022           | 30/06/2022 | 1000030306-0000 | Plant and equipment | Plant & Equipment | P&E C/ DUV Vessels 15 Metres or Larger | VESSEL - KI ROSS             |
| 2022           | 30/06/2022 | 1000010215-0000 | Plant and equipment | Plant & Equipment | P&E O - Artwork                        | ARTWORK SERIES - STEEL AR    |
| 2022           | 30/06/2022 | 1000030710-0000 | Plant and equipment | Plant & Equipment | P&E OE - Navigation Equipment          | KI ROSS BRIDGE ELECTRONIC    |
| 2022           | 30/06/2022 | 1000023980-0000 | Buildings           | BUILDINGS         | Buildings - Other                      | AQUACULTURE & STOCK ENHA     |
| 2022           | 30/06/2022 | 1000029374-0000 | Buildings           | BUILDINGS         | Buildings - Laboratories               | S BLOCK RESEARCH LAB BAR     |
| 2022           | 30/06/2022 | 1000030711-0000 | Plant and equipment | Plant & Equipment | P&E OE - Airconditioners               | KI ROSS AIRCONDITIONING - IN |
| 2022           | 30/06/2022 | 1000013625-0000 | Buildings           | BUILDINGS         | Buildings - Plant Nursery              | GLASSHOUSE NO 4              |
| 2022           | 30/06/2022 | 1000030712-0000 | Plant and equipment | Plant & Equipment | P&E OE - Airconditioners               | KI ROSS AIRCONDITIONING - E  |

### Detail when you need it

Asset data that can be extracted for further analysis or evidence in file.



## Links to the audit workpaper

### CaseWare template

Links to audit workpapers

## PPE (PowerBI)

|   | A   | B   | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|-----------|----------------------------------|--|---|---|----------------------|---|----------------------------|--|---|---|--|--|--|--|--|--|
| 1                                       | <b>Substantive tests of detail</b>  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 2                                       | Client name   | Quest Library   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 3                                       | Year end  | 30/06/2021  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 4                                       | COTAB number  | G.12  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 5                                       | COTAB name  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 6                                       | CaseWare document ref   | G.300   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 7                                       | CaseWare document name  | ToD - Property, plant and equipment (interim) (where  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 8                                       | Interim period  | 10  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 10                                      |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 12                                      | Purpose:  | Obtain audit evidence from substantive tests of details that is sufficient and appropriate to address the residual risk for each assertion for the interim period.  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 14                                      | Audit test:   | Refer G.10  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 15                                      |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 16                                      | Client contact details:   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 18                                      | Data used:  | <table border="1"><thead><tr><th>Information required for testing</th><th>Our evaluation (or cross-reference to our evaluation) of whether the information is sufficiently reliable for our purposes</th></tr></thead><tbody><tr><td>Power BI Report</td><td>Reconciled to the general ledger with satisfactory results (refer tab 1. GL Rec) confirming we have complete data. The audit program is designed to test the reliability of the data.</td></tr><tr><td>Asset transfer forms</td><td>Evaluated concurrently with performing the audit procedures in tab 4. Transfers</td></tr><tr><td>Default useful lives table</td><td>Evaluated concurrently with performing the audit procedures in tab 6(c) Depn</td></tr><tr><td>Disposal forms/supporting documentation</td><td>Evaluated concurrently with performing the audit procedures in tab 7. Disposals</td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></tbody></table> |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           | Information required for testing | Our evaluation (or cross-reference to our evaluation) of whether the information is sufficiently reliable for our purposes | Power BI Report                           | Reconciled to the general ledger with satisfactory results (refer tab 1. GL Rec) confirming we have complete data. The audit program is designed to test the reliability of the data. | Asset transfer forms | Evaluated concurrently with performing the audit procedures in tab 4. Transfers | Default useful lives table | Evaluated concurrently with performing the audit procedures in tab 6(c) Depn | Disposal forms/supporting documentation | Evaluated concurrently with performing the audit procedures in tab 7. Disposals |  |  |  |  |  |  |
| Information required for testing        | Our evaluation (or cross-reference to our evaluation) of whether the information is sufficiently reliable for our purposes  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| Power BI Report                         | Reconciled to the general ledger with satisfactory results (refer tab 1. GL Rec) confirming we have complete data. The audit program is designed to test the reliability of the data. |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| Asset transfer forms                    | Evaluated concurrently with performing the audit procedures in tab 4. Transfers   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| Default useful lives table              | Evaluated concurrently with performing the audit procedures in tab 6(c) Depn  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| Disposal forms/supporting documentation | Evaluated concurrently with performing the audit procedures in tab 7. Disposals   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 27                                      | Sampling parameters/details:  | Refer individual testing tabs, where applicable   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 29                                      | Work performed:   | <table border="1"><thead><tr><th>Procedure</th><th>Link</th></tr></thead><tbody><tr><td>Refer 'Procedures and Results' tab</td><td><a href="#">Procedures and Results'A1</a></td></tr></tbody></table>  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   | Procedure | Link                             | Refer 'Procedures and Results' tab   | <a href="#">Procedures and Results'A1</a> |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| Procedure                               | Link  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| Refer 'Procedures and Results' tab      | <a href="#">Procedures and Results'A1</a>   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 32                                      | Conclusion:   | We have obtained sufficient and appropriate to address the residual risk for each assertion for the interim period.   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |
| 34                                      |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |           |                                  |  |   |   |                      |   |                            |  |   |   |  |  |  |  |  |  |



# Journal Processing



Is there journal processing occurring out of hours?



Financial Transactions



Expected people



Days and times

**Traditional**  
Identify transactions that fail a rule

| Date      | Description | Amount    | Day of week | Public holiday |
|-----------|-------------|-----------|-------------|----------------|
| 14/8/2019 | Dagwoods    | \$5,000   | Wednesday   | Ekka           |
| 7/10/2019 | Staplers    | \$100,000 | Monday      | Labour Day     |



Subset



Lacks context

Understand the question

Out of hours

Material transactions?

At times I would not expect?

By people I would not expect?

Understand the data

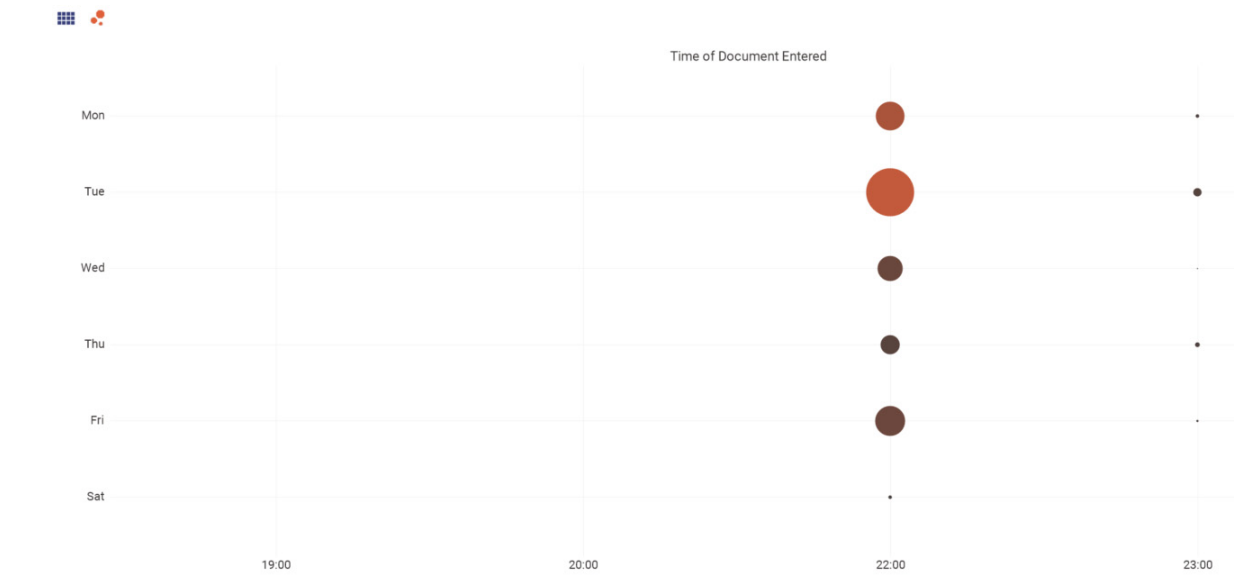


Visual that facilitates insight



| User                     | User System Details | FY16 NET \$ | FY17 NET \$ | FY18 NET \$ |
|--------------------------|---------------------|-------------|-------------|-------------|
| WF-BATCH Workflow System | -                   | 2,761       | 3,109       | 3,356       |
| 10003692 Nox             | Shared              | 1,614       | 1,046       | 2,012       |
| 10006054 Anton           | Department          | 1,179       | 714         | 1,035       |
|                          |                     | -33         | 1,347       | 307         |

# Journal Analysis



| User String              | User System Details | FY16 NET \$ | FY17 NET \$ | FY18 NET \$ |
|--------------------------|---------------------|-------------|-------------|-------------|
|                          |                     | 2,761       | 3,109       | 3,356       |
| WF-BATCH Workflow System | -                   | 1,614       | 1,046       | 2,012       |
| 10003692 Noe             | Shared              | 1,179       | 714         | 1,035       |
| 10006054 Anton           | Department          | -33         | 1,347       | 307         |

# Social Network Analysis



Are there relationships and are they appropriate?



Employees



Vendors

## Traditional

Direct compare employee and vendor details from same system

| Entity Type | Name    | Address       |
|-------------|---------|---------------|
| Employee    | George  | 1 Fraud Drive |
| Vendor      | ABC Inc | 1 Fraud Dr    |



Hard to read



Primary relationship focus

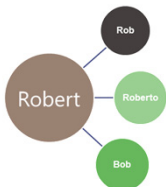
Enhance with independent data



ASIC



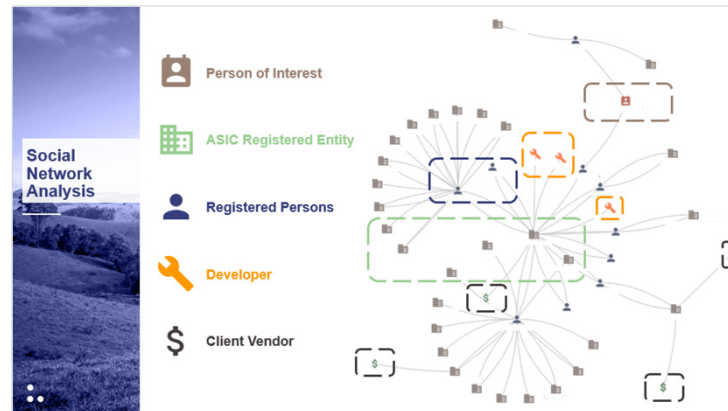
Australian Government  
Australian Business Register



Better technique  
Social network analysis



Visual that facilitates insight



# Social Network Analysis



Person of Interest



ASIC Registered Entity



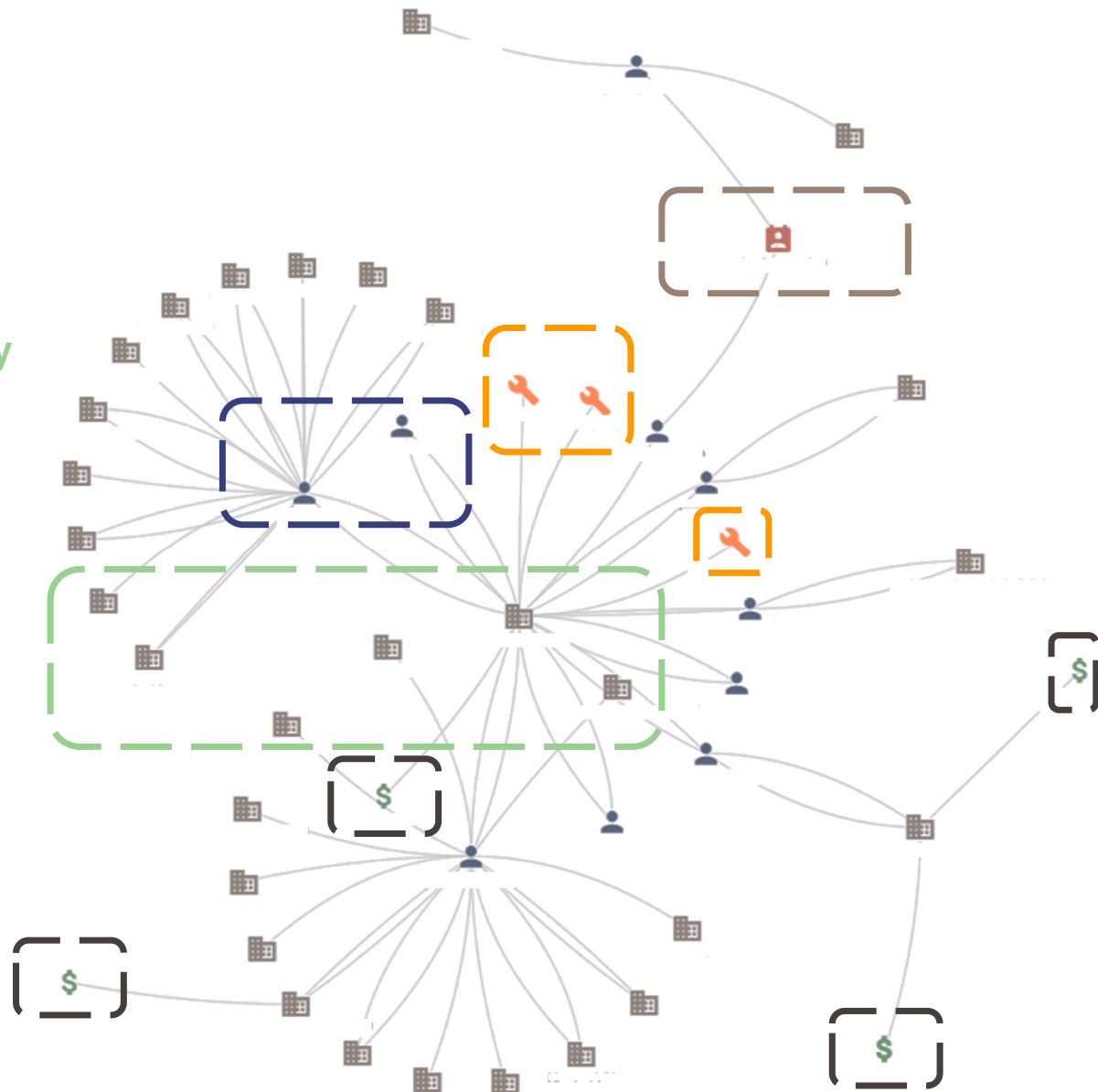
Registered Persons



Developer



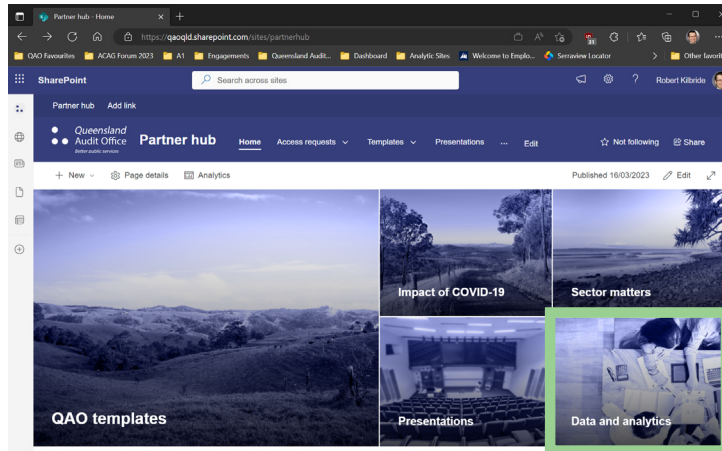
Client Vendor





# What is available?

## Partner Hub



- Analytic solutions available for you to use
- Guides on how to use them
- Business glossary on the client data in the solution and fields we calculated
- How to contact us if you need further help or assistance

[data.and.analytics@qao.qld.gov.au](mailto:data.and.analytics@qao.qld.gov.au)

Partner hub

Add link

Queensland Audit Office

Partner hub

Home

Access requests

Templates

Presentations

...

Edit

Not following

Share

New

Send to

Promote

Page details

Immersive Reader

Analytics

Published 14/04/2023

Edit

## Data and analytics

Data & Analytics

**Welcome.**

The site is about providing you with QAO data and analytics support and solutions. Here are the services we provide:

**Data supply**

- General Ledger and Payroll data supply where the client is on the QAO Strategy

**Analytic solutions**

- Access to QAO developed analytic solutions where possible e.g. Financial Audit App and PPE Report
- Support materials for getting the best out of using the analytic solutions
  - User Guides that highlight how to use the app and where it could be used on your audit
  - Business Glossary that highlights what key fields in the app/report are in a language that can help with conversations with the client.
  - Short how-to videos providing tips on using the applications

**Helpdesk support for the data supply and analytic solutions referenced on this site**

**QAO Data & analytics strategy**

Conversations with clients regarding QAO data strategy, data governance and cyber security

**Financial Audit Solutions**

LG rates revenue workpaper

Health revenue dashboard

PPE report

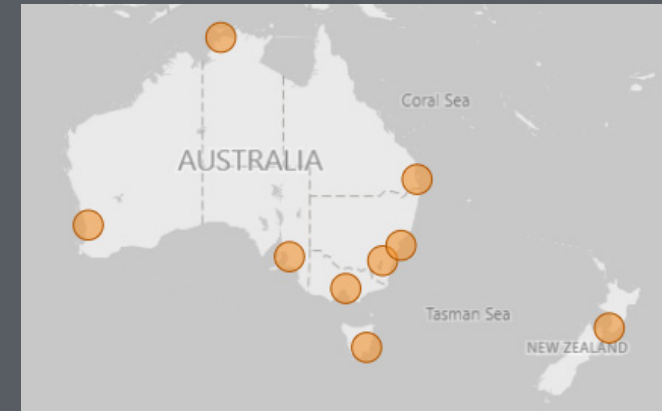
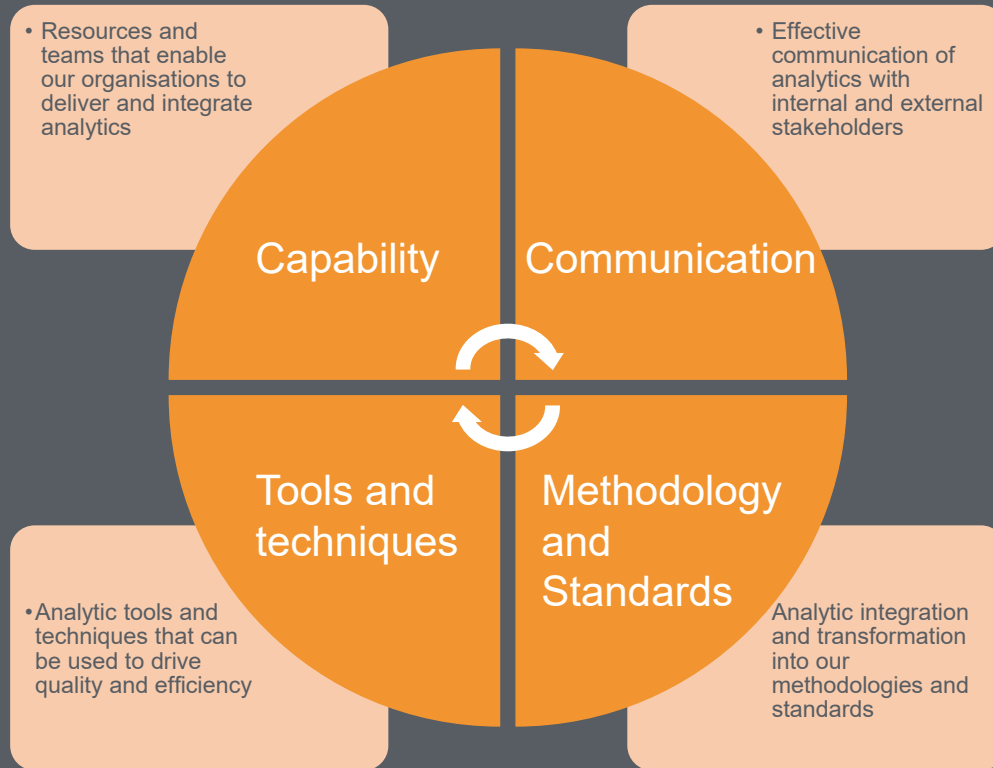
**Questions or feedback? Contact us.**

Email: [data.and.analytics@qao.qld.gov.au](mailto:data.and.analytics@qao.qld.gov.au)

**FA App Training**

(How to use the FA App)

# Data and Analytic Sub-Group



## Shared Learnings

- Lunch and Learns
- Platform collaboration

## Shared resources

- Solution design
- Secondments

## Collaborative Design

- Design thinking
- Common solutions like Journal



Q&A



● *Queensland*

● ● **Audit Office**

*Better public services*

## Disclaimer

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In essence, you are free to copy, communicate and adapt this presentation, as long as you attribute the work to the State of Queensland (Queensland Audit Office)

Data and Analytic Learnings



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## **Any questions please contact us**

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W: [qao.qld.gov.au](http://qao.qld.gov.au)

 [Queensland Audit Office](#)

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# *TASMANIAN AUDIT OFFICE DATA ANALYTICS*

Rolf Miezeitis and  
David Bond



**Tasmanian**  
Audit Office



# *TOPICS*

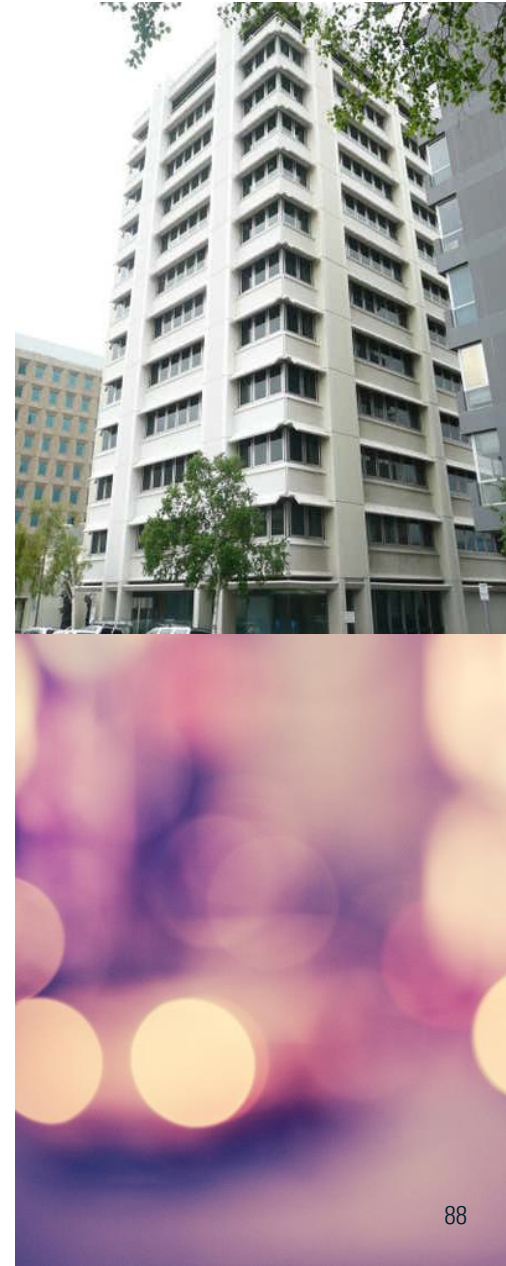
Processes

Intended Objectives

Future Scope



**Tasmanian**  
Audit Office





# *TEAM*



**Tasmanian**  
Audit Office



**David Bond**

Assistant  
Auditor-General



**Rolf Mieзитis**

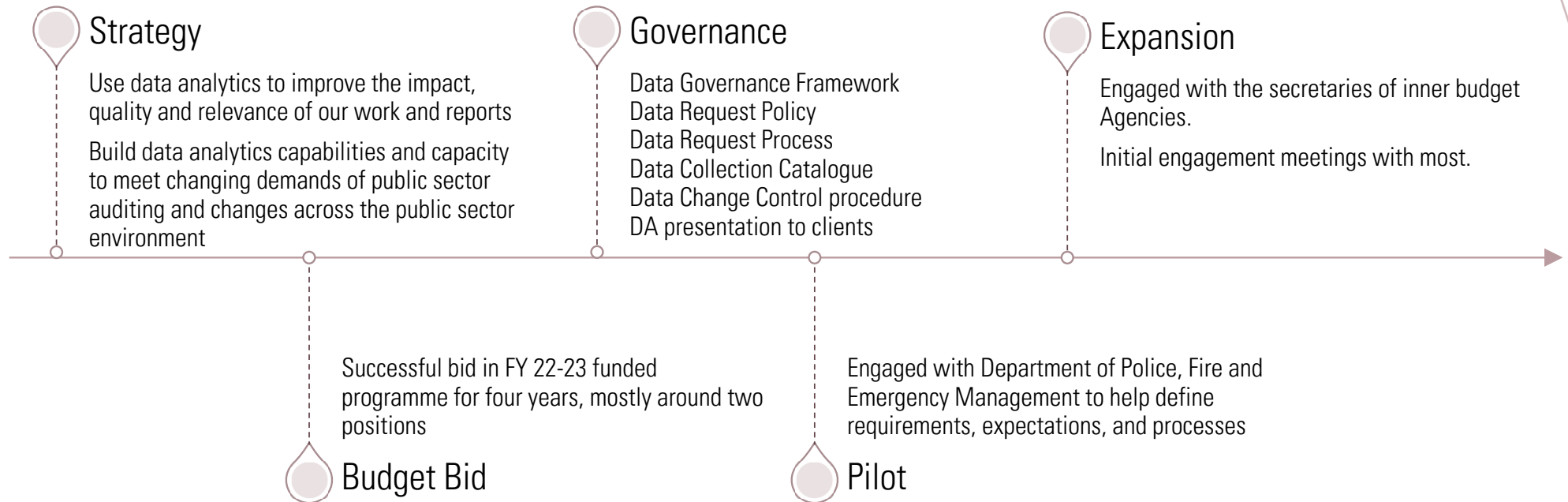
Senior Manager  
– IT Audit



**Nizar Nahaji**

Assistant  
Manager – Data  
Analytics

# *TIMELINE*



How we engage with clients

# *PROCESSES*



Tasmanian  
Audit Office



# *PROCESSES*

## CURRENTLY

- Formal invitation from the Audit General to the head of your organisation
- TAO engages with the assigned officer to initiate the engagement
- Discussions with client's IT to determine transport and storage methodology
- Discussions with business areas to determine data required
- Presentation to client of Process document, sample outcomes, and Data Specification
- TAO performs analysis
- TAO issues a report of findings to client

# *PROCESSES*

## INITIATIVES

- Initiatives are self-driven by the DA team due to size of office and recent introduction of the programme
- Some performance audit work has been undertaken
- TAO needs to determine what can be realistically achieved with limited resources

## HOW TAO CAN ACHIEVE PROGRESS

- Leverage off other jurisdictions
- Actively participate in ACAG
- Establish a library of analytical tests that can be applied across the board
- Utilise commonly used tools
- Restrict scope of tests initially to Finance and HR/Payroll
- Educate auditors in basic DA techniques





# *INTENDED OBJECTIVES*

What outcomes are expected for Tasmanian Audit Office and their clients.



**Tasmanian**  
Audit Office

# *INTENDED OBJECTIVES*

## OVERALL

- Perform audits on full population data rather than samples
- Automate data gathering to reduce workload on TAO and clients
- Receive data sets more frequently to enable better depth and trend analysis
- Enable audits to enhance client's business functions by providing more timely and targeted results
- Expand scope of client applications under audit analysis
- Use a wider range of tools and techniques to further enhance analysis
- Better understanding of client's business practices to improve audit focus
- Improved client satisfaction with audit results

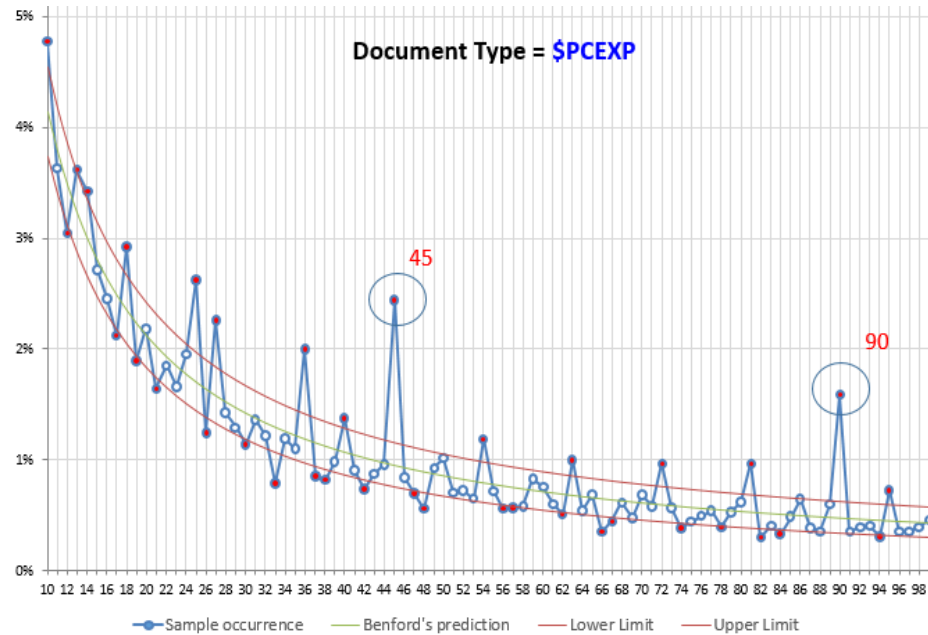
# *INTENDED OBJECTIVES*

## EXAMPLE BUSINESS ANALYSIS

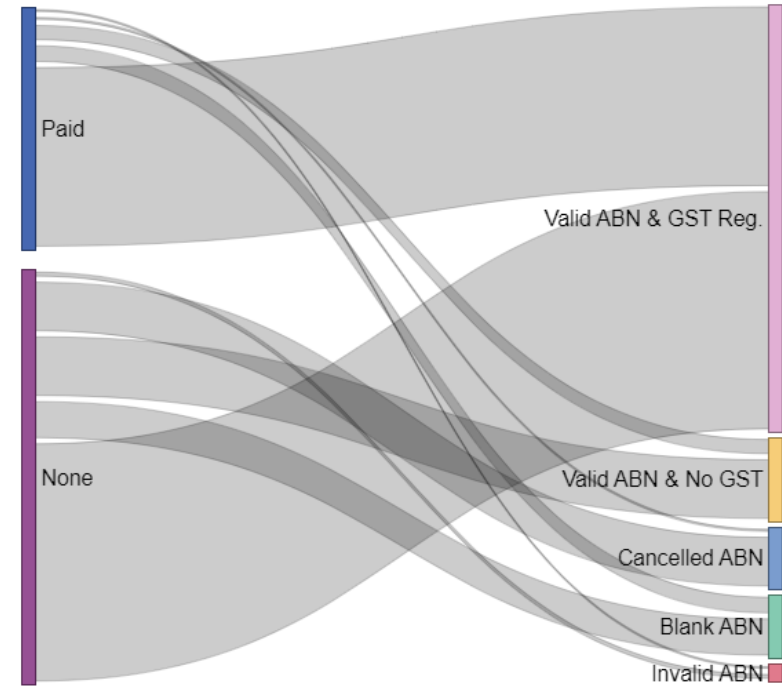
- Payee Masterfile checking
  - ABN validity and currency
  - GST registration and refund maximisation
  - Masterfile change and reversal checking
- Corporate credit card usage
- Financial process alignment and improvement
- Fraud identification and prevention
  - Address and account matching
  - Appropriate delegation checks
  - Duplication and outlier identification
  - Payment timing anomalies
  - Journal entry correction



# SAMPLE FINDINGS



Benford's test outliers



Sankey flow diagram on ABN matching

# ABN ANALYSIS

|                               | Count | Amount Paid incl. GST |
|-------------------------------|-------|-----------------------|
| All Payees                    | 8000  | \$400,000,000         |
| Payees with 21/22 payments    | 3000  | \$400,000,000         |
| Valid ABN & GST Reg.          | 2500  | \$198,000,000         |
| Valid ABN & No GST Reg.       | 100   | \$1,000,000           |
| Blank ABN                     | 150   | \$800,000             |
| Cancelled ABN                 | 30    | \$150,000             |
| Invalid ABN                   | 10    | \$50,000              |
| Dept. of Treasury             | 10    | \$200,000,000         |
| Payees with no 21/22 payments | 5000  | -                     |
| Valid ABN & GST Reg.          | 3000  | -                     |
| Valid ABN & No GST Reg.       | 800   | -                     |
| Blank ABN                     | 500   | -                     |
| Cancelled ABN                 | 650   | -                     |
| Invalid ABN                   | 50    | -                     |



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# *FUTURE SCOPE*

Ways that TAO may be able to expand its DA abilities

# *FUTURE CAPABILITIES*

## THE TEAM

- Grow the team as demand requires
- Inform financial auditors of DA advantages
- Provide financial auditors with knowledge to apply to annual audits
- Make the most of collaboration and memberships
- Continue training and skills growth of the team

## THE PROCESS

- Integration to annual financial audit process
- Form a library of standard analyses
- Engage with clients to improve interaction and benefits
- Formalise an internal request process for initiatives

## THE SERVICES

- User driven dashboards
- Embrace DPaC's Open Data Policy
- Track and audit data collection access and manipulation
- Enhance performance audit reporting
- Apply new technologies where applicable and capability exists

# *SUMMARY*

Tasmanian Audit Office has just embarked on a journey with Data Analytics. With client cooperation, collaboration with mature jurisdictions like QAO, the quality, depth, and scope of audits provided can enhance client's business more effectively.



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# *THANK YOU*

Rolf Miezitis and David Bond

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# Tasmanian public sector risk management insights from the risk survey

Jonathan Wassell  
Deputy Auditor-General

# Session outline

- Please allow me to introduce myself...
- Context – building on our session in 2022
- What do you think about risk in 2023? – highlights from the risk survey
- What does an independent authority find?



# Context - Building on our session from 2022

- High profile failures in corporate governance
- Areas for improvement
- WLF spoke about essential elements of internal control
- WLF case study - the highest primary risk factor in financial statement frauds was:

Poor tone at the top

What have we put in practice since then?

# The risk survey

- All senior managers and Chairs of audit committees were invited to participate
- The purpose was to gauge how you are thinking about risk
- And rate your organisation's maturity in identifying and setting effective controls for key risks in your sectors,
- There were 15 questions with a mix of yes/no, rating scale and free form text responses,
- The survey asked respondents to list their organisation and role to enable analysis by sector and level

# 2023 Risk survey

## Response Rates

54 respondents from 41 entities

## Entity Representation

|   |              |       |
|---|--------------|-------|
| Local Government ( <b>LG</b> ):           | 17 out of 48 | (55%) |
| General Government Sector ( <b>GGS</b> ): | 9 out of 36  | (47%) |
| Other entities ( <b>Other</b> ):          | 15 out of 74 | (36%) |

# 2023 Risk survey results Yes/No (n=54)

## Select High YES responses

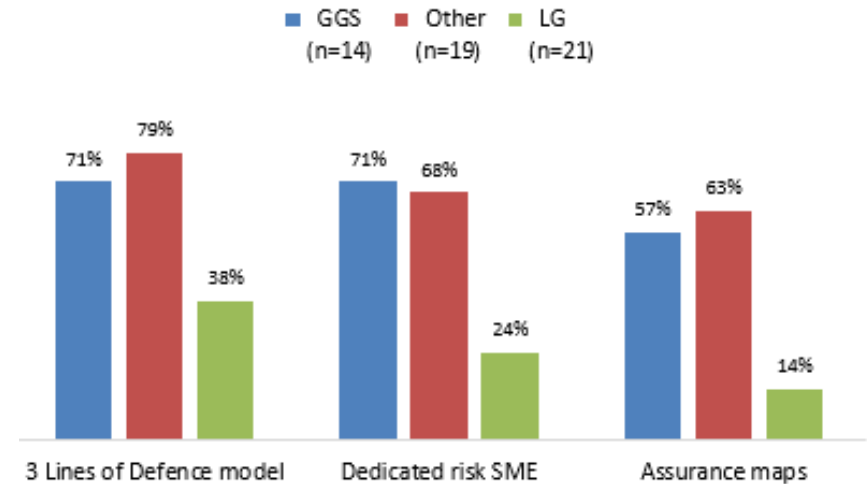
1. Identify and rate inherent risks (95%)
2. Identify and rate strength of mitigating controls (91%)
3. Identify and track additional risk treatments (88%)
4. Use risk management to inform internal audit activity (85%)
5. Have an internal audit function (81%)



# 2023 Risk survey results Yes/No

## Select Low YES responses

1. Adopt the 3 lines of defence model? (63%)
2. Have a dedicated risk manager/specialist? (52%)
3. Prepare an assurance map? (42%)



Note: The “Other” category includes public non-financial corporations (PNFCs), public financial corporations (PFCs) and other entities.

# An example assurance map

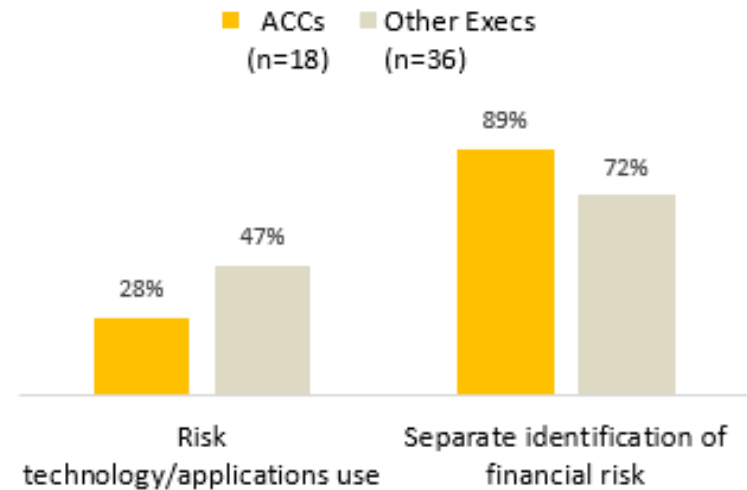
|                            | 1st Line          |                   | 2nd Line                |                            |                  |                  | 3rd Line  | 4th Line          |                   |
|----------------------------|-------------------|-------------------|-------------------------|----------------------------|------------------|------------------|---|-------------------|-------------------|
|                            | Control Framework | Management Review | Control Self Assessment | Risk and Compliance review | Group Legal      | Board Review     | Internal Audit                                      | External Auditors | Other Third Party |
| Financial Reporting        | High Assurance    | High Assurance    | Medium Assurance        | Medium Assurance           |                  | Medium Assurance | High Assurance                                      | High Assurance    |                   |
| Financial Controls         | High Assurance    | High Assurance    | Medium Assurance        | Medium Assurance           | Low Assurance    | Medium Assurance | High Assurance                                      | Medium Assurance  |                   |
| Legal                      | Low Assurance     | Low Assurance     |                         | Medium Assurance           | High Assurance   | Low Assurance    | Low Assurance                                       |                   |                   |
| IT                         | Low Assurance     | Low Assurance     | Medium Assurance        | Low Assurance              | Medium Assurance | Low Assurance    | Low Assurance                                       |                   |                   |
| Treasury                   | Medium Assurance  | Medium Assurance  | Low Assurance           | Medium Assurance           | High Assurance   | Medium Assurance | Low Assurance                                       | Low Assurance     |                   |
| Tax, Pension and Insurance | Medium Assurance  | Medium Assurance  | Low Assurance           | Low Assurance              | Low Assurance    | Low Assurance    | Low Assurance                                       | Low Assurance     |                   |
| Human Resources            | Medium Assurance  | Low Assurance     | Low Assurance           | Medium Assurance           | Low Assurance    | Medium Assurance | Low Assurance                                       |                   |                   |
| Fraud                      | Medium Assurance  | Low Assurance     | Medium Assurance        | Low Assurance              |                  | Low Assurance    | Low Assurance                                       | Low Assurance     |                   |
| Health & Safety            | Medium Assurance  | Medium Assurance  | Medium Assurance        | Medium Assurance           | Low Assurance    | Low Assurance    | Low Assurance                                       |                   | High Assurance    |
| KEY                        | High Assurance    |                   | Medium Assurance        |                            | Low Assurance    |                  | No assurance - but should be assurance in this area |                   | Not Applicable    |

# 2023 Risk survey results Yes/No

## Select responses by role

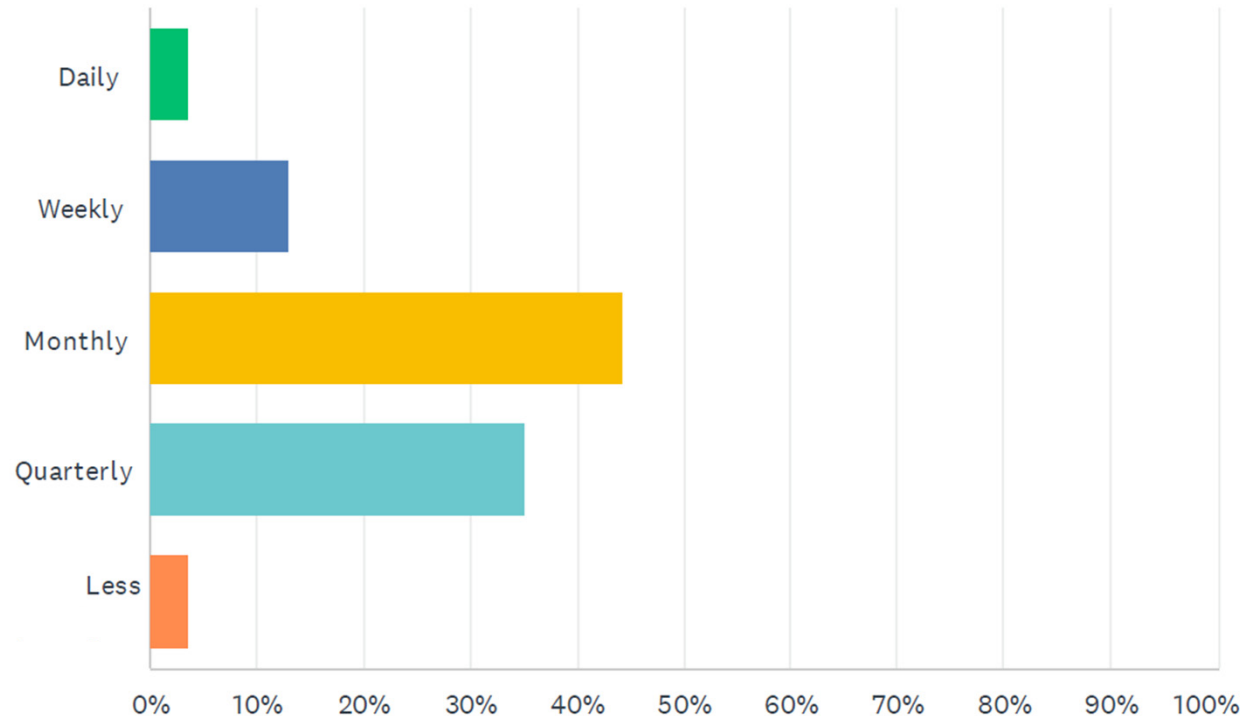
1. Utilise risk management technology or applications? (42%)

2. Separately identify/prioritise financial reporting risks?(79%)



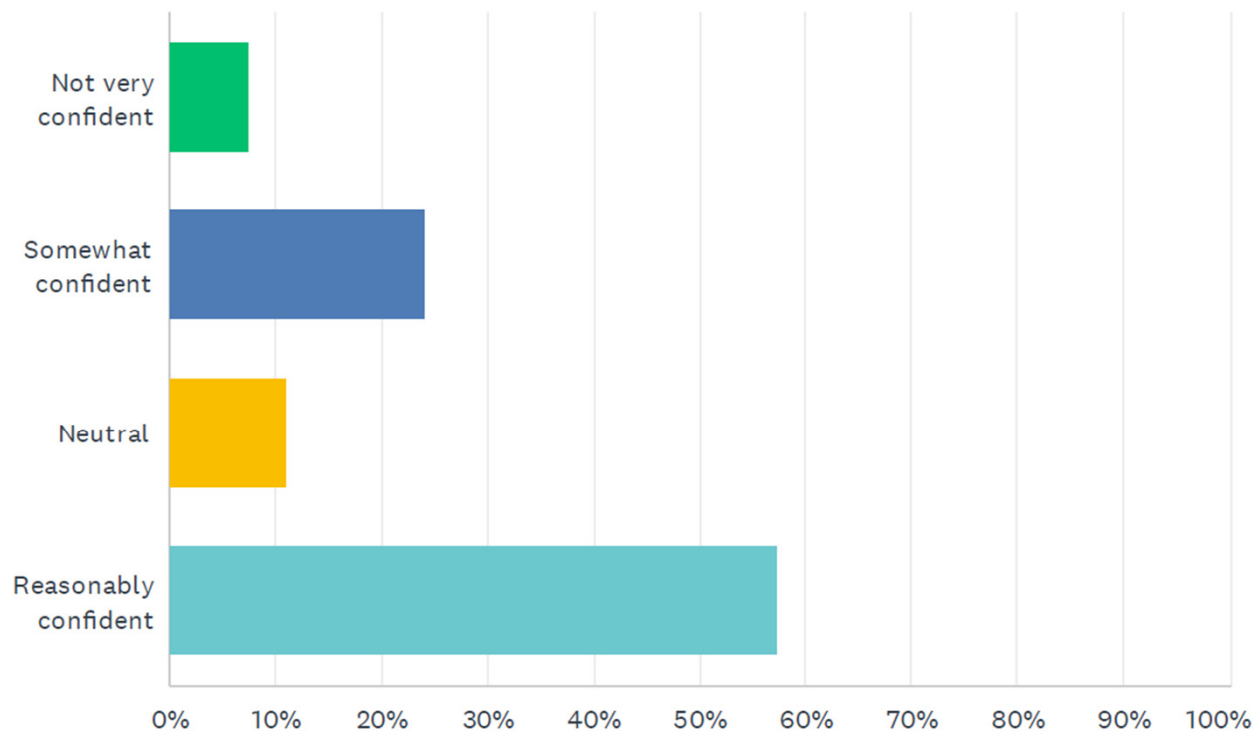
## Q4 How frequently does risk get formally discussed (e.g. on meeting agendas) at the governance or executive level of your organisation?

Answered: 54 Skipped: 0



## Q5 How confident are you that your organisation's risk management is aligned to the organisation's strategic goals and objectives?

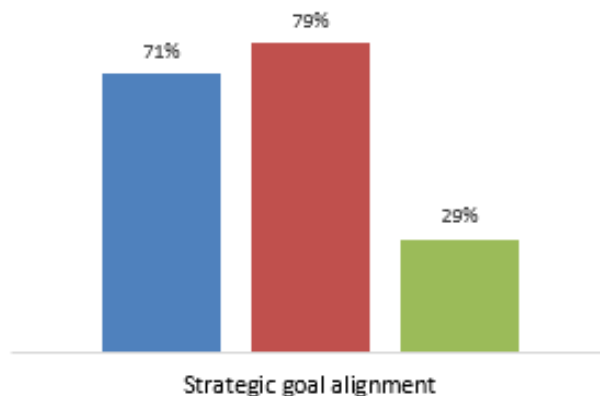
Answered: 54 Skipped: 0



## Q5 How confident are you that your organisation's risk management is aligned to the organisation's strategic goals and objectives?

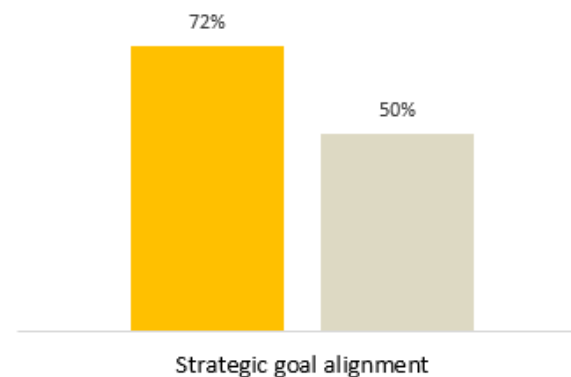
By Sector  
Reasonably or completely confident

■ GGS (n=14) ■ Other (n=19) ■ LG (n=21)



By Role  
Reasonably or completely confident

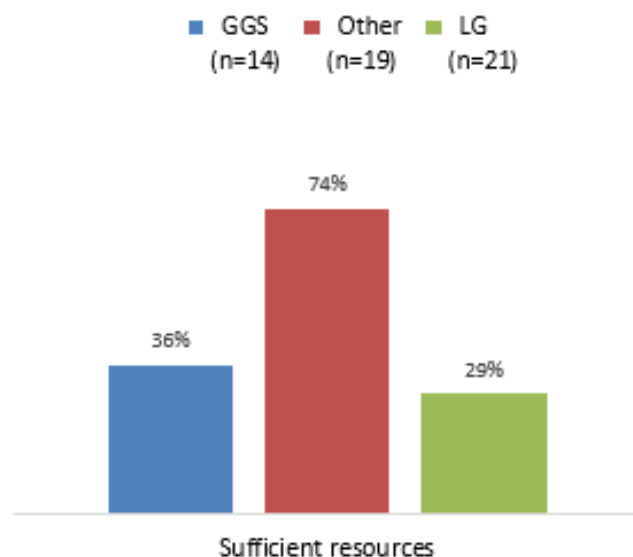
■ ACCs (n=18) ■ Other Execs (n=36)



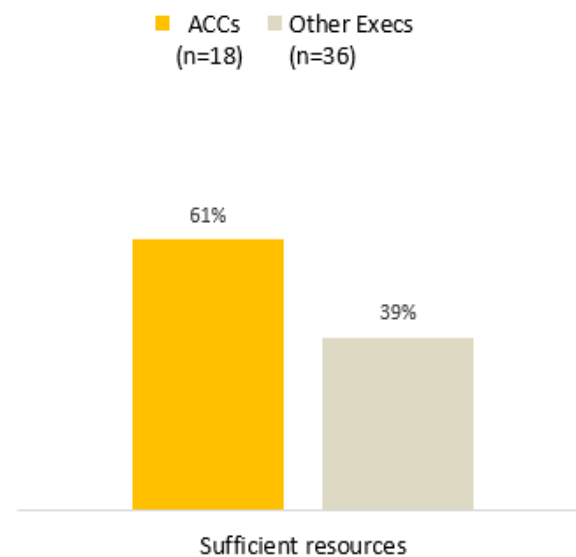


## Q6 How confident are you that you have sufficient resources to manage risks effectively (e.g. personnel, technology, equipment, and training)?

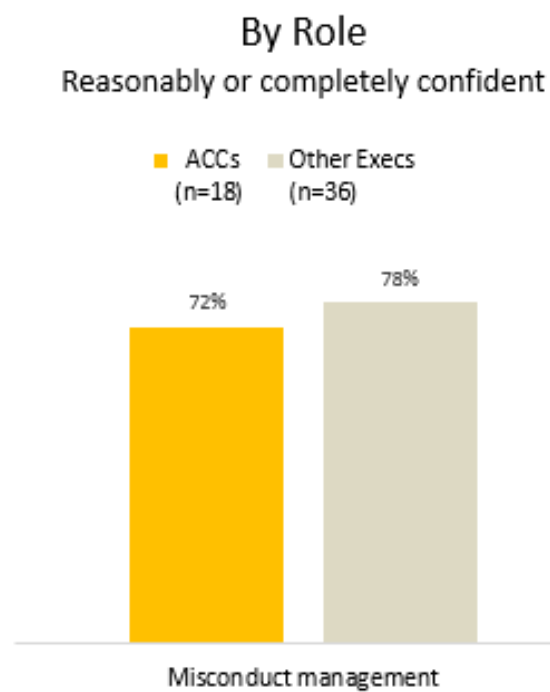
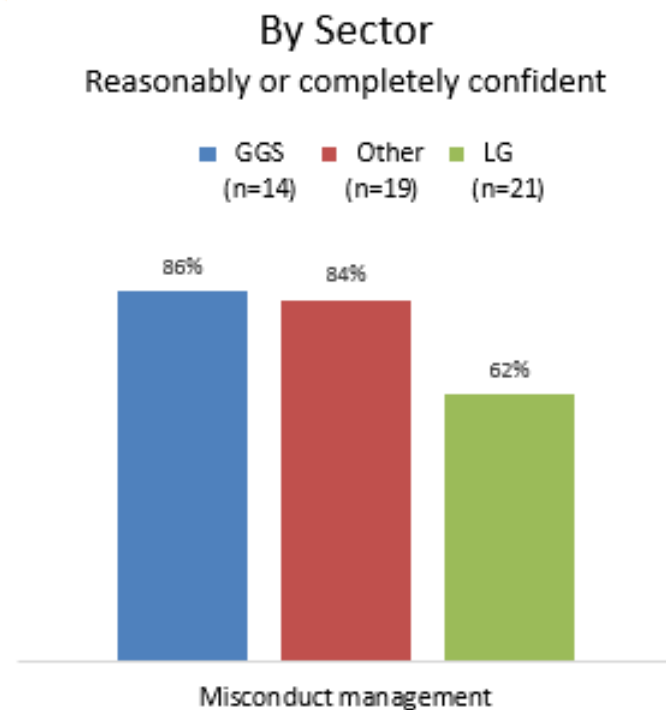
By Sector  
Reasonably or completely confident



By Role  
Reasonably or completely confident

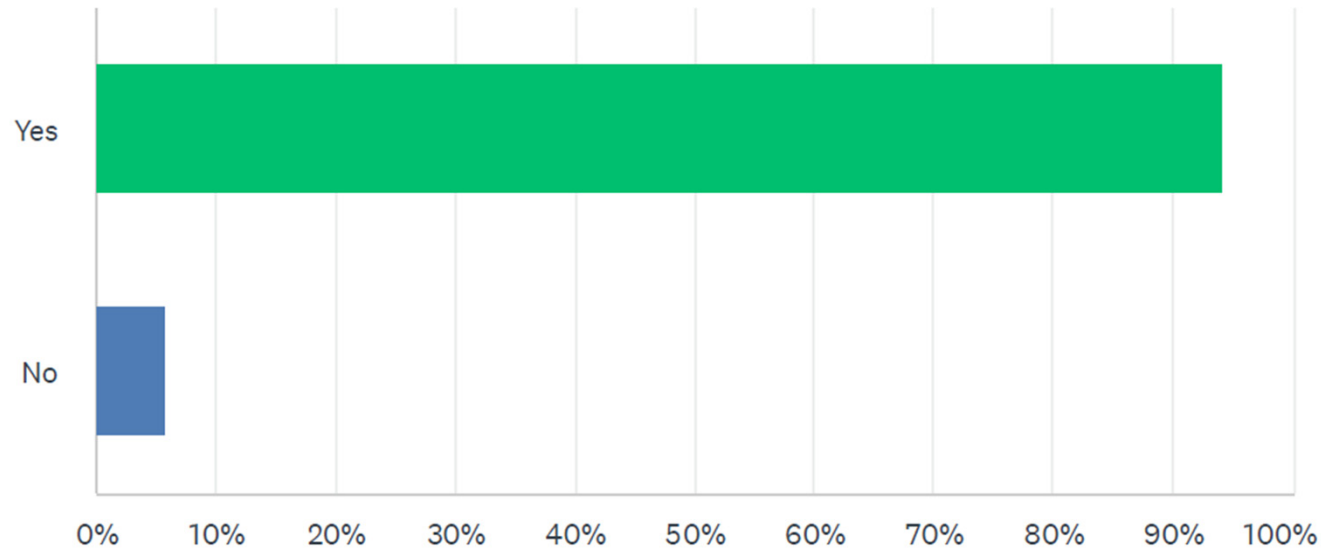


## Q7 How confident are you that misconduct behaviour is appropriately identified and addressed?



## Q12 Is your organisation taking steps to create a risk aware culture to ensure that risks are managed effectively?

Answered: 53 Skipped: 1



# Thematic Summary (GGS)



Processes to identify risks, create a risk aware culture and improve risk management approach Qs 9, 13, 15

Processes to identify risks, create an aware culture and improve risk management approach Qs

Processes to identify risks, create a risk aware culture and improve risk management approach Qs 9, 13, 15

# Thematic Summary (LG)

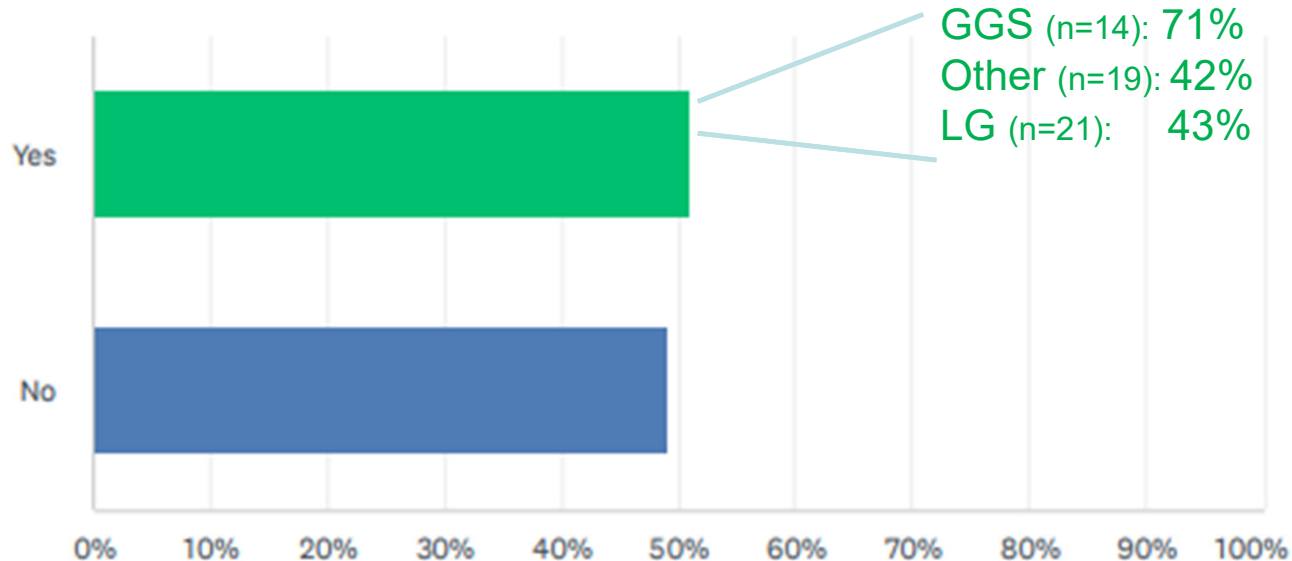


Processes to identify risks, create a risk aware culture and improve risk management approach Qs 9, 13, 15



## Q10 Did the COVID-19 pandemic change the organisation's approach to risk management?

Answered: 53 Skipped: 1



# COVID-19 change themes\*



# Comparison of risks rated by you and an independent authority

## SMAC members

1. Cyber security and business continuity
2. Financial sustainability
3. Workforce, culture, WH&S
4. Political and stakeholder
5. Natural disaster and the environment
6. Service delivery sustainability
7. Contract management and 3<sup>rd</sup> party risks

## ChatGPT

1. Cybersecurity threats
2. Budget constraints
3. Compliance and regulatory risks
4. Political and reputation risks
5. Workforce management
6. Environment
7. Health and safety



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## Panel discussion – exploring organisational responses to cyber, data and climate related risks

Facilitated by Rod Whitehead  
Tasmanian Audit Office



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## Closing comments

Rod Whitehead  
Tasmanian Audit Office