



# ***COST OF LIVING AND ECONOMICS COMMITTEE***

## **Members present:**

Mr LP Power MP—Chair  
Mr RA Stevens MP  
Ms AJ Camm MP  
Mr MJ Crandon MP  
Hon. SJ Hinchliffe MP  
Mrs MF McMahon MP

## **Staff present:**

Mr T Horne—Committee Secretary  
Ms M Salisbury—Assistant Committee Secretary

## **PUBLIC BRIEFING—INQUIRY INTO THE REPORT OF THE STRATEGIC REVIEW OF THE QUEENSLAND AUDIT OFFICE**

### **TRANSCRIPT OF PROCEEDINGS**

**Monday, 15 April 2024**

**Brisbane**

## MONDAY, 15 APRIL 2024

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### **The committee met at 10.31 am.**

**CHAIR:** Good morning. I declare this public briefing open. I respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. We are very fortunate to live in an extraordinary country where we have the two ancient continuing cultures of Aboriginal and Torres Strait Islander peoples whose lands, winds and waters we all share.

My name is Linus Power. I am the member for Logan and chair of the committee. The other members of the committee are: Mr Ray Stevens, the member for Mermaid Beach and deputy chair; Ms Amanda Camm, the member for Whitsunday; Mr Michael Crandon, the member for Coomera and Mrs Melissa McMahon, the member for Macalister. Joining us as a guest today, substituting for Adrian Tantari, is the Hon. Stirling Hinchliffe, the member for Sandgate. The purpose of today's briefing is to assist the committee with its inquiry into the report on the strategic review of the Queensland Audit Office.

This briefing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. The proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. I also remind all of those present that you may be filmed or photographed during the proceedings and images may appear on the parliament's website or social media pages. Before we proceed, please ensure that any mobile phones are switched to silent mode.

**LAM, Mr Michael, Audit and Assurance, Moore Australia (via videoconference)**

**O'CONNOR, Professor Emeritus Ian AC, Lead Strategic Reviewer**

**SPEED, Ms Robyn, Audit and Assurance, Moore Australia**

**CHAIR:** I now welcome Emeritus Professor Ian O'Connor and supporting reviewers from Moore Australia. Thank you very much for agreeing to brief the committee today. I now invite you to make some opening comments after which committee members will have some questions for you.

**Prof. O'Connor:** We very much appreciate the invitation to address the committee today. I will speak very briefly at the beginning. Obviously, we have a written report and we are very happy to take questions.

The first thing I wanted to say—and in one sense it is overall good news—is that we believe that the QAO's functions are performed economically, effectively and efficiently. We believe that the people of Queensland and the state of Queensland get good value from its investments in the QAO. However, like all organisations, there is room for improvement. We believe that this strategic review, just by the fact of its timing, comes at a very opportune time. There are a number of reasons for that. One is that it just happens to coincide with the process of the expiring of the term of one auditor-general and the appointment of a new auditor-general. In that sense, we have tried to shape a number of recommendations as recommendations for an incoming auditor-general to consider, particularly those recommendations that focus on the internal functioning of the organisation and the operation of the Queensland Audit Office.

The second thing is that it obviously coincides with the legislative activity last year and I think in recent weeks in terms of passing the two integrity acts that enhance the independence of the QAO, change a number of processes and, particularly, provide an enhanced relationship with this committee or the committee that is responsible for the QAO. In that context, we have reflected on that. We have also offered some suggestions to make the most of that new relationship.

We reviewed the implementation of the 2017 review, which is outlined in the report in some detail. We believe that on the whole the QAO made very substantial efforts to implement those recommendations to the extent that they were within their own particular grasp. In particular, my colleagues from Moore Australia looked at both the financial audits and the performance audits. We have recommendations in relation to that but, quite clearly, they are generally well regarded. Indeed,

in one sense this review provides some very good news in that, from our reading of the 2017 review, there has been a significant enhancement in the perception of the QAO, particularly in relation to financial audits between the 2017 review and our own review.

In relation to financial audits, almost all organisations that we spoke to spoke positively in relation to the processes of the QAO, their experience of the QAO and some suggestions for improvement, but it was a very different tone. I think if you go back and read that report you would see the difference in tone. The situation in relation to performance audits I would say is still more mixed, with probably slightly more critical views from a number of parties that are subject to performance audits. I detailed that in the report.

The final thing I will say is that part of the terms of reference for this strategic review, which were different to the last one, was the addition of really not only looking at the recommendations of the 2017 review but, in particular, looking at the recommendations that have emerged out of Peter Coaldrake's work. I have very carefully tried to go through all of those recommendations. Indeed, I have devoted a separate final chapter that looked at what I referred to as the independence recommendations. I have given an assessment of where I see the response to those recommendations are at. I have noted where the Auditor-General has slightly different views to me in relation to that. I think that there has been substantial progress in relation to that implementation. However, all of my assessment in relation to those independent recommendations are really dependent, one, on both legislation being passed, which they now have, and now on the proclamation of the parts of the second piece of legislation that went through recently. I am very happy to take any questions or comments on the review.

**Mr STEVENS:** Professor, it is wonderful to have you here to go through your very considered review. Our current Auditor-General has always been very worried about his independence, tied to funding issues obviously through the Treasurer's department and has looked at concerns that he has had about his independence of audit being controlled by budgetary issues. Can you tell the committee about your recommendations in relation to the budget and how that would maintain an independent view by the Treasurer? I would like to ask a follow-up question, Chair. Could you explain about the funding issue to maintain the independence of the Auditor-General?

**CHAIR:** I note your follow-up question.

**Prof. O'Connor:** Let me know if I do not respond with enough detail. I think the first thing to say, if we go back to the 2017 review, the 2017 review made very strong recommendations in relation to the Auditor-General's funding. In fact, it recommended a significant increase in funding. That essentially did not happen. That recommendation of the parliamentary committee when it wrote its report on the strategic review and then the government's response to that was to invite the Auditor-General's office to come forward in relation to a funding submission. The QAO did not do that for a range of reasons that I am sure the Auditor-General has been through with you.

I think there are two issues of principle. One has been the Treasurer's role in having to approve the base charge-out rate. In the period that I have reviewed, those recommendations that the Auditor-General has seen or asked for an increase in the charge-out rate—that has been granted. The only time that there has been a direct impact on the current funding level—and I will come to the specifics of your question—was in relation to an efficiency dividend and so on that was imposed around the period of COVID. It actually had a differential impact on the QAO because they did it across the whole budget but, in fact, the charge-out rates and the financial audits were obviously covered but not for the performance audit. That took a bit of a chunk of cash out of that so that was a problem.

The issue in relation to the funding is really one of actuality, particularly in relation to that reduction and I set that out in the report. It is also one of perception. My understanding from my conversations with the Auditor-General and with the QAO has been that the impact is more on the view that the executive in one sense determines the funding rather than necessarily the QAO determining what an appropriate amount of funding is. When I look at some of the issues about implementation, whilst we are assured it had not been an issue, my own view is that, in fact, there probably is an overall issue in relation to the funding level. What that is I am not that sure. What I recommended in this report was that the invitation that the committee and the government extended to the previous Auditor-General to reconsider the overall funding base of the QAO should be re-extended to the incoming auditor-general to make some assessment in that space.

The proposed changes in the legislation I think enhance the independence by removing some of the approval processes, by giving a greater role in relation to this committee in relation to funding, but is still in one sense determined by the executive. It will be much more transparent because, in

fact, if the Auditor-General requests particular finances or particular funding and that does not happen supported by the committee, the reason for the committee support needs to be published but the reason for it not being given also needs to be published. I think that enhances transparency.

What I have suggested in my report is that there are, however, significant changes that have come through in the new legislation and that should be given an opportunity to work out over a two-year period. Then the committee should review that and, in particular, review what has happened in New South Wales with their new funding arrangements where they have set up a special unit within Treasury. They have in one sense removed it from the executive but they have removed it from the Premier's department, which is looking at the funding of all of the integrity agencies. I am not sure whether I have addressed your question.

**Mr STEVENS:** Yes, I think so. Looking at the 26 per cent loss in audit staff from QAO, one of my other areas of concern relates to funding. The performance audits are always a little subjective—a lot of them are very worthwhile, some of them I am not so sure about. You indicated there should be a better use of expert advice in those particular performance areas to gain a truer picture of the performance audits. How can we be assured of the independence of experts if the QAO takes them on board?

**Prof. O'Connor:** I will give you an initial answer to that question and if you are happy, I will ask Michael Lam, who has the expertise in relation to performance audit, to answer further.

**Mr STEVENS:** Thank you.

**Prof. O'Connor:** It was one of the recommendations that they should engage with subject matter experts in more cases and at an earlier stage. The reason for that—I will come to your question about independence—is that it helps to better scope the particular review that is being undertaken. The feedback that I as a reviewer had, and that Michael had, from a range of people is that there is never a question about the intent of the audit process, but in a number of cases there is a question about expertise in the particular area of the audit. Quite clearly, one of the challenges for any independent audit office such as the QAO is to ensure if it engages others in the process, they are independent in exactly the same way.

**Mr Lam:** I agree with that because through our review and our questioning there is a process for the QAO to go through before they engage with a subject matter expert. They have to be sure that they are unbiased, that there are no political affiliations and various other matters. There is a process, and that is where the challenge is because being a subject matter expert is limited to an extent and at the same time, you have to find the right person. Quite often they say they have to seek subject matter experts from overseas and that is also a challenge.

**Mr STEVENS:** And expensive.

**Mr Lam:** Yes, and expensive.

**Prof. O'Connor:** I want to make one comment on the expense. It potentially is expensive, but one of the costs to the committee in what you see published, of course, is the cost to the QAO of undertaking the audit and paying the subject matter experts. There is, however, with any audit—as you would know given your background—very significant costs for the body that is being audited. In relation to performance audits, if in particular cases there is a person who has subject matter expertise it will potentially reduce the cost not only to the QAO but also to the organisation because you have someone with a deep knowledge and understanding of that particular area. I am not contesting what you are saying but I think it probably does result in savings on that side.

**CHAIR:** Performance audits are a relatively narrow initiative of policy. As a committee we often talk to outside experts who often have very strong opinions about policy that can be diametrically opposed. Given that performance audits have a very narrow scope to not question the policy objectives of the institution, would an outside expert understand the nature of the act about which they are giving their expertise? Is that tension live, real and problematic?

**Mr Lam:** With a subject matter expert, you are talking about a particular subject. When I do a performance audit, I do not tend to look at the political aspect of the matter—it is more about the subject matter that I am an expert in, and that is what we should be focusing on. Political standing, I do not know—

**CHAIR:** I do not know if I made myself clear. Mr Lam, I was not meaning to say whether or not someone was partisan, more that they often have strong historical and professionally-held views about a particular policy and its efficacy. That is not necessarily partisan or political in a capital P sense, but they may come with a certain set of assumptions that may be contradictory to the policy that is being put forward.

**Prof. O'Connor:** Let me respond in a different way. If you select a subject matter expert with the appropriate understanding that they are not assessing the policy but the implementation of the policy, they should have the knowledge base to understand whether that is actually being implemented in an appropriate way. I am not doubting that it is an issue, but it is potentially equally an issue when a person with very good intent is undertaking an audit but has no content knowledge about what is actually being done. Clearly, often these performance audits are in very sensitive areas which require some understanding and expertise, so I think you achieve the balance if you have a very strong and rigorous performance audit and trained performance auditors involved in the process. In some cases it would be an advantage to actually have someone who has a detailed understanding of implementation in a particular context.

**Mrs McMAHON:** I want to piggyback on the work around the subject matter experts but also link that into the recommendation about greater budget breakdowns within the audits. Obviously there are various different phases, but your recommendation was in relation to the subcategories in each of those phases. Linking that to the inclusion of subject matter experts earlier on, say in a planning phase, where do you see those subject matter experts involved? What kind of subcomponents of a planning phase would you see gives greater clarity and potential efficiencies in reporting how a subject matter expert could be useful in more efficient planning?

**Mr Lam:** The recommendations relate to the four categories. When the QAO staff perform particular tasks, they break them down to four categories. They are very broad categories. During our review and discussion with various staff, we noted that certain tasks take a lot of time—more time than others. In relation to your question regarding the subject matter expert, one of the areas where they can come in is right at the planning phase and even at the selection of the topics stage. Getting the scope correct is very important. The subcategory of scope development, which is part of the project plan and getting an agreement on that, getting a subject matter expert in that area to make sure that the scope is relevant and is poignant to the particular subject that you are looking at, is quite critical.

The other part—not directly related to your question—is related to the reporting stage. They spend a lot of time in reporting. When you have one category such as reporting and a large amount of time has been allocated to it, it is very difficult to say which area of reporting requires it: is it during the review period, resubmitting the report, writing the report? By having a different category, you can pinpoint it. One of the areas that we made a recommendation on, as well, is the types of reviews and the reviews by the AAG—it seems to go through several iterations of reviews. By narrowing that down, they can probably improve on the process. I hope that addresses your question.

**Prof. O'Connor:** I want to slightly broaden the conversation and link it to another recommendation in the report because this committee is clearly interested in the effective and efficient operation of the QAO in both financial and performance audits. Chapter 6 is the corporate chapter. I made a series of recommendations that related to the performance measures. I see those measures as being particularly important. For this committee or indeed the parliament to make an assessment of the work, I believe it is important that you have some good indicators of that.

The main indicator is people's own perceptions, but the other indicator is that the entities are surveyed as to their satisfaction or otherwise with the report, which matters. I have recommended a couple of things. I have recommended that, in fact, rather than merging the satisfaction ratings of performance audit and financial audit, which are very different things, that they be reported separately.

The second thing that I have recommended is this. I have reviewed the performance indicators that equivalents of the QAO interstate and internationally have been using. There are a number of indicators that I think the QAO and this committee would be well served if they were used. One of those, for example—and it is on page 80 of the report—is one of the ANAO's measures which picks up as an indicator of effectiveness or otherwise the percentage of ANAO performance recommendations that are implemented within two years of the recommendation being made.

There are a number of issues in relation to performance audits but clearly if there is a recommendation made and accepted, it should be implemented. Question 1 is: are the recommendations being implemented? There are ways in which that is looked at. Perhaps that requires more detail. They are not going to be implemented within a couple of months, particularly given the significance of these, but actually having indicators which give this committee some view about whether, in fact, value is being derived through implementation of the recommendations I think would be helpful.

Part of what we have been focusing on and what the totality of the recommendations are about is ensuring: one, that good value is received from them; two, that action happens as a response to them; and, three, that there is visibility to this committee as to how that is being played through. So a number of the recommendations in the report are pretty important for the whole package. Subject matter experts we believe are important, too, but it is about looking at the whole life cycle of the review.

**Mrs McMAHON:** Your report went into the potential workload of looking at those implementations, potentially in cases where the recommendations are not implemented and the reasons for that. I was wondering if you could comment on the performance so far of the Audit Office in reviewing the implementation of its various reports and how it value-adds in reporting when a recommendation is implemented or not and whether it has enough fidelity in examining the reasons they are not and then perhaps some subsequent advice following the report.

**Prof. O'Connor:** I will start, and then ask Michael for his commentary if that is okay. In following up a performance audit and their recommendations, each of the entities that are subject to them are asked to respond. In some cases there are very large numbers of entities. You are running across a very large number of organisations with different capacities—anything that relates in some way to local government and has a recommendation that cuts across local government. Leaving that to one side, I will come to the broad principle. There is a self-report against implementation and the Auditor-General follows that up annually and publishes it.

In a sample of cases, performance audit money is, in one sense, devoted to whether in fact the implementations of a particular report had been implemented, and that will often give a slightly different view. That is part of the reason I think budget is worth looking at. The appropriation for a performance audit is 15 per cent, a nominal amount, and in fact it is contracted a bit over time. Resources that are put into a formal performance audit on follow-up obviously goes against that appropriation budget and therefore reduces the number of performance audits overall that can be undertaken. Again, it is one of the reasons it is suggested that the budget itself needs to be looked at. Quite clearly, it matters whether recommendations are implemented. You will get much more fidelity to the extent that they are formally followed up. You will not get them all followed up in somewhere like local government; you would, and should expect, in all of the large councils, but where you have very small councils, the capacity to do it is quite difficult. Will it be alright if I ask Mr Lam if he has comments on that issue?

**Mr Lam:** In a performance audit, there should be balanced review. There should be positives and so-called room for improvement or improvement opportunities. In most reports, you will see that there are a number of positives. At the same time, the recommendations in the report are very important. What we have found is that in some of the reviews where recommendations were made, they do a self-assessment where the auditee will respond to say, 'Yes, we have completed this and completed that.' However, interpretation is very important and the degree of compliance is important. One person's compliance might be different to what the QAO see as an actual compliance. When they complete the self-assessment, quite often certain recommendations are, yes, completed at 100 per cent or 90 per cent, but in actual fact the degree of completeness could be quite different based on the interpretation. It is very important that recommendations are followed up and they should be selective. Often rankings of the recommendations can be made as well, as in high risk, medium risk or low risk, where recommendations for high risk should definitely be followed up. Low risk is something that is nice to have, and medium risk is subject to interpretation again. I agree with the professor that recommendations of particular risk should be followed up and it should be part of the budget.

**Prof. O'Connor:** Part of the reason we suggested that performance indicator is, one, acceptance of the recommendation and then, two, implementation within 24 months. Our view is that if both entities in the QAO were both held more to account, one, you would end up with recommendations which potentially had been worked through and more likely to be implemented and, two, that the organisations themselves would be held to account for the implementation.

**Ms CAMM:** Professor, my question is in regards to your report 3.6, the forward work plan, and how you articulated that the Queensland Audit Office really identifies and takes the lead in regards to whole-of-government risk, and that is internally developed. In regards to recommendation 3.5, around what the incoming auditor-general needs to consider in regards to how they can enhance the engagement with stakeholders, for us on the committee, given that the auditors-general release their work plan in draft now that we have just been briefed upon, are there any further details that you could share with the committee that would help us in monitoring what the incoming auditor-general does by way of that stakeholder engagement, firstly? Secondly, did you recognise it as a cultural

leadership style issue that is preventing that, or is it more broadly the function of the Audit Office in the traditional way it engages, instead of looking at purely risk, not showcasing to those in leadership that there is real value in identifying that? The other part to it is, for example, I do not expect the Auditor-General to undertake a stakeholder engagement plan for me as a member of the committee, but looking at elements of the forward plan, an example would be AI and the impact of that across whole-of-government. We are not subject matter experts—we have already talked about that—but that identification piece is critical to get buy-in and support from those leaders. Can you expand upon your thoughts around that?

**Prof. O'Connor:** The first thing I would say is that nothing in this report in relation to the forward work plan was in any way a criticism of what the current Auditor-General has done. One of the things that Mr Worrall has done, I think, really exceptionally—and if you look at the last report and compare it to this—is there is pretty clear evidence of very broad spread engagement with a range of stakeholders across the state, across the region. The process of developing the forward work plan, I think, is pretty impressive in terms of extent of review and that that actually happens. However, this is a two-sided thing; not just the Auditor-General. The process would be enhanced if there was a more active engagement on both sides—on both the executive and the QAO—in relation to developing that forward work plan.

There is a process of consultation. There is a process where then the Auditor-General sends out a draft of that report to committees and to all of the departments, entities and so on. The responses that come back to that primarily focus on the particular audit, and in particular the particular performance audit that had been nominated. They are not long or critical comments but suggest, 'This might happen at a later date.' My own view is that there is a lot of work done in scoping up what those broad risks are to government—the whole-of-government risks—and it would be useful if there was a broader engagement on that from both sides.

**CHAIR:** To clarify, one of the things which is quite clear in the act is that there is an independent ability. For instance, there was pushback against or some anxiety around a vote of the House; the parliament determining a direction to look at a particular thing, even though that has been very rarely used. Given that atmosphere, is there a concern that if an executive was too proactive in utilising the roles as a stakeholder, that they might be seen as attempting to push the independence of the Auditor-General in a particular direction? That, I think, is one of the tensions that the executive—

**Prof. O'Connor:** I agree, that absolutely is a tension. The QAO and the Auditor-General go through a very broad process in terms of determining what he or she—in this case, he—sees as a risk to whole of government, and that process involves him making a determination of that. Much of this, as I say, is focused on the next person. When you have someone new coming into a role, then you have opportunities for different sets of discussions. I understand the point about independence and it is fiercely protected, and people are very careful not to seek to infringe on the independence of the Auditor-General—

**CHAIR:** Perhaps overcareful is your point.

**Prof. O'Connor:** Not even necessarily overcareful. I think people are very respectful. But to have a conversation not about what the particular audit is, but about what are the big issues that we are facing, what are the risks that we are facing, and what are the concerns. The new example in relation to AI is an important one, for example. That has not been a criticism of how the process has been undertaken; it is about a suggestion how it could be broadened going forward. That will require active engagement on both sides.

**Mr HINCHLIFFE:** Professor O'Connor, including in your answers to the last question, you have made a number of references to the recommendations that have been made to an incoming auditor-general to give consideration to. I want to highlight one and allow you to flesh it out a bit further. In relation to the question about whether there might be an opportunity to engage the auditor-general in another state to perform the monitoring activities and the QAO's quality management system, I wanted to give you a chance to flesh out whether this recommendation was discussed with the current Auditor-General and if there were any feedback that was given around why that has not been done to date? I want to give you a chance to talk about it more generally.

**Prof. O'Connor:** I will commence and then I will pass it across to Robyn to speak to it more. All of the recommendations were discussed with the current Auditor-General and the QAO. Where the Auditor-General felt strongly enough to have a different view, I have recorded that in the report. For example, in a couple of those suggestions I have made about the ANAO recommendations, he was not as warmly disposed towards those; he did not have big problems with them. Similarly, in relation to some of my assessments about the independence, whether it had met the criteria of

independence, he specifically had slightly different views to mine, and I have noted those. The QAO has been very good about publishing its transparency report in recent times, but I think it is becoming a much broader practice within the audit fraternity that they be taken via external folk. ANAO does this.

**Ms Speed:** He did not have a problem with this actual one, but when we discussed it, there are current ad hoc reviews being done by other states, but they are ad hoc. This was more a recommendation in terms of putting through something a little more formalised in terms of an annual or every second year, a biannual type approach in terms of review. I will be honest: being from an audit firm, what it does is open you up to opportunity in terms of learning. You are learning from other people in terms of when you get reviews and certain things you can improve upon or certain things that are not done to standard. It is an improvement opportunity; that is all.

**Mr CRANDON:** Thinking about the independence again and perhaps to follow on from questions that have been asked before, did you turn your mind to the seven-year term, given we have a new auditor-general coming in? There are a couple of things running around in my mind. The first of them is we have now gone to four-year terms. Four plus four is eight years. This is a seven-year term. I have in the back of my mind that seven-year terms were ideal when there was a three-year rotation. There would be more terms of parliament that an auditor-general would come into. I have also done a little bit of research. The federal Auditor-General enjoys a fixed 10-year term. I see New South Wales is seven. Victoria is seven and seven, apparently.

**Prof. O'Connor:** I thought it was eight plus two, or seven plus three, actually.

**Mr CRANDON:** Andrew Greaves was reappointed in 2023 for another seven. Thinking about the independence, there will come a time in these four-year terms where there will be only two terms of government in which an auditor-general will be in office.

**Prof. O'Connor:** Let me say a couple of things about that. The most important component of it is that it needs to be for a reasonable period of time, whether that is seven or 10 years. Ten years is a long time for anybody in a job like this. They are pretty demanding roles. The most important thing is that it needs to be one term—a fixed term. You are appointed and you have the responsibility to discharge that responsibility. I am not suggesting it would be, but the issue about reappointment should not be one that actually comes up. The actual length of term has to be a reasonable period of time. Seven years is a reasonable period of time. You are quite right, the term of the parliament has extended. In one sense, whether you get a person who would do a full 10 years is an issue too. The important bit is that it is a substantial period covering more than one term of government and that it is a fixed term, basically.

**Mr CRANDON:** Thank you. I was just thinking from the perspective of independence in that regard.

**Prof. O'Connor:** That is my view about there not being one fixed term. That is why that is important for independence; at no stage are you looking for reappointment, you are looking to discharge your duties.

**Mr CRANDON:** Yes, I understand that. We have, for example, the chair of the CCC being appointed for five years and then an additional five years or, in fact, senior people within the CCC being appointed for up to 10 years but five and five. I take your point there.

**Prof. O'Connor:** I was not commenting on the CCC, I must say. I only know about this very specific area.

**Mr STEVENS:** Michael's point is a pretty good ones in terms of two parliamentary terms plus one which gives the new auditor-general time to get in the saddle, if you like, and get ready in that third parliamentary term. If we are now looking at fixed four-year terms, yes, seven comes to the end of the second period. Would it be, perhaps not 10, but if we got to nine, would that be a better outcome—the first year in the third term? I am just relating it to the importance of the parliament interacting with the Auditor-General's office.

**Prof. O'Connor:** As I say, I do not have a strong view about the absolute link, other than it has to be a substantial period of time. I presume that you will be meeting with the Auditor-General in relation to this report. Seriously, it would be interesting to hear his view given—

**Mr HINCHLIFFE:** Having lived it.

**Prof. O'Connor:** Having lived it, and being at the end of that term and no doubt reflecting on what his career was in terms of getting there. It is interesting that in Australia we have a couple of Auditor-General positions turning over—the Queensland position; and the New South Wales

Auditor-General has just come to the end of their term. It has to be a substantial period of time for those relationships and depth of knowledge. I am not sure whether there is an exact, right number. You would not want it to be shorter than seven years.

**Mr CRANDON:** My other question relates to the conversation that we have been having around outside experts—consultants in another way. The Auditor-General's office is very critical of state governments using consultants, overusing consultants if you like, and he has been on that bandwagon year after year. It has not been just a one-off by any stretch. Do you want to make any comments around that with regard to the need for the Auditor-General to use outside auditors because of the workload but also from the consultancy perspective where you are talking about specific expertise in an area?

**CHAIR:** And no reflection on Moore Australia, Michael.

**Prof. O'Connor:** No reflection on Moore Australia—certainly not. My understanding is that for all of the state auditors-generals and the federal Auditor-General there is a significant amount of audit service providers or using of other firms to undertake financial audits. I do not think, for a couple of reasons, the QAO or any audit office could undertake all of the audit work. In terms of scale and, in some cases, the level of expertise, some of the big entities of this state require very significant expertise and a lot of staff in that space. What I did turn my mind to was the issue around QAO in the regions. We engaged with people in the regions and went to see people. I had initially speculated and had some conversations in my own mind as to whether it would be essential to have a QAO office in a regional location.

I decided against that being a recommendation for three reasons. The first of those is that if you did have an office you would still have the whole issue of a lot of the audits in sizeable regional cities still requiring external service providers to be involved simply because of the expertise, capacity and the size of the office. The second is in a number of those cities, towns or locations what impact would setting up a particular state office have in terms of the draw from the private profession? Rather than enhancing the size and scale of the profession in a particular location, it potentially would undermine that. How could you do one location and not a series. I did think a lot about that as a particular issue.

In relation to the subject matter experts in performance audits, performance audits are pretty tightly budgeted. It would be a pretty small component of the overall QAO office and it would be in a similar way in relation to some of the financial audits where they are dealing with very complex entities that they will get in some particular external providers.

**Mr CRANDON:** A relatively small component of the total, unlike the government, based on what the Auditor-General has been saying anyway.

**CHAIR:** We have had a fair bit of discussion about auditing councils and how they are very different organisations. Their financial capacity and their ability to engage is very different to the expectations that the QAO has of a department. Nonetheless, after speaking with the deputy chair, we see that attempts to engage with them adds a certain rigour to all sorts of councils but especially the smaller councils. Is there any feedback on that, because in some ways the QAO cannot apply the high standards that it expects of other departments but we do think there is a lot of value in that. Do you have any reflection on that role?

**Prof. O'Connor:** I totally agree with you. It does a range of things. Obviously in this state—and you know much better than me—we have some very significant and large local governments. In fact, part of the QAO's engagement with councils across the state is actually sharing that expertise. It is a bit rough to say it is a professional development exercise, but it is actually providing expertise, support and resourcing to those local governments. In a number of those cases, the actual audit itself might be taken by an audit service provider, but the QAO will still be supporting that in an intensive way. Many of us in different parts of our life have been engaged with the QAO or engaged with auditors. Generally, they add very significant value to what you are doing and what you are trying to do. I think it is important that they remain in local government. It is only in recent years in New South Wales that I think all of the local government had been taken back into the Auditor-General's office. I think they do it because it is important. One of the things that the current Auditor-General has done very well is his deep engagement with those local councils. He has travelled the state extensively.

**CHAIR:** With that, I wanted to thank those who have appeared here today, specifically, Emeritus Professor Ian O'Connor. The process of engagement that you have had with the committee over time was quite productive and gave us an understanding of where your thinking was going on these issues. Thank you for the professionalism of your report and your continued commitment to good governance. There were no questions taken on notice. Thank you for the information you

provided today. Thank you, of course, to our fantastic Hansard reporters and broadcast staff for their assistance. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. The deputy chair says to thank Moore Australia's Ms Robyn Speed and Mr Michael Lam for their appearances here today. I thought I would collectively get it, but the deputy chair wants to single you out.

**Mr STEVENS:** We singled out the good emeritus professor..

**CHAIR:** This shall be duly recorded in the transcript by Hansard! With that, I declare this public briefing closed.

**The committee adjourned at 11.25 am.**