



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
Mrs MF McMahon MP (via teleconference)
Ms JC Pugh MP

Staff present:

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

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

TRANSCRIPT OF PROCEEDINGS

Monday, 19 August 2024

Brisbane

MONDAY, 19 AUGUST 2024

The committee met at 10.29 am.

CHAIR: Good morning. I declare this public hearing open. I would like to respectfully acknowledge the traditional custodians of the land on which we are participating in this meeting today and pay my respects to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in those 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, member for Mermaid Beach and deputy chair; Ms Amanda Camm, member for Whitsunday; Mr Michael Crandon, member for Coomera; Mrs Melissa McMahon, member for Macalister, who joins us via teleconference; and Ms Jess Pugh, member for Mount Ommaney.

The purpose of today's hearing is to assist the committee with its inquiry into the report on the Strategic Review of the Queensland Audit Office. The hearing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. While the hearing is open to the public to watch—and we thank you for your attendance—only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence.

These 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 those present that you may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. Before we proceed, can we please ensure mobile phones are in silent mode.

FLEMMING, Mr Patrick, Assistant Auditor-General, Queensland Audit Office

VAGG, Ms Rachel, Auditor-General, Queensland Audit Office

CHAIR: Welcome and good morning. Thank you both for being here today. Auditor-General, I invite you to make an opening statement before we start questions.

Ms Vagg: Good morning. I acknowledge the traditional owners and custodians of the land on which we meet today, the Yagara and Turrbal people, as well as those across our state. Thank you for the opportunity to meet with you today. I began my term as Auditor-General of Queensland last week, and it is an honour to be the 24th Auditor-General—the first female and one of the few who has spent part of their career within the office. I am committed to ensuring QAO delivers valued, trusted and efficient services as one of the state's leading integrity bodies. I have worked and led within QAO in senior positions and have strong knowledge of public sector operations as well as relationships across the sectors. I have also spent the last two years as a partner in a Big Four global accounting and consultancy firm. While there, I continued to provide risk governance and controls advice and assurance to the Queensland public and local government sectors. My time within the firm also extended and broadened my thinking about the challenges and opportunities facing the sectors, as well as exposure to global methodologies, expertise and approaches. It is also reassuring to find that many of the challenges faced by QAO are faced by other organisations.

I am pleased to return to QAO and to find an organisation that is performing strongly. There have been significant changes to the independence of QAO from the legislative changes that have happened, a new form of parliamentary relationship and changes to business and people management. I am working through with the executive as to what this means from a performance and operational perspective. External reviews do bring valuable insight into an organisation's performance and also provide access to external perceptions that are not always as identifiable from within the business. As an incoming CEO, I am finding this very helpful.

I was pleased to see that the 2023 reviewers concluded that QAO has served the state well, Queensland gets good value from its investment in QAO, and QAO's functions have performed economically, effectively and efficiently, but there are always areas for improvement and I will take some time to settle into the business and to assess and work through the nine specific

recommendations made to me. I can see merit in the recommendations and they will be a key focus for me over the coming months. I note that QAO has accepted the other recommendations in the report and is now working through implementation strategies. There are also some key themes from those recommendations, including strategic relationship management, performance audit delivery and people management, and we will need to reflect those into business strategy and planning processes. We will continue to keep you informed of our progress along the way.

As you know, we do have some changes on the horizon, including the implementation of climate reporting standards, and I note that the committee has approved QAO's recent request to increase basic rates of fees. I will focus on ensuring that the public sector achieves value for money from our services, and I look forward to working with the committee on these matters. Thank you for your time. It is great to meet you today. I am happy to answer any questions you might have.

Mr STEVENS: Welcome, Ms Vagg. It is great to have you on board. You are a classic example of one of the issues, according to Mr Worrall, we have had with the Audit Office in terms of staff retention. We have generously upgraded the charging fees. As you would be aware, the committee is now in charge of those matters. How do you intend to address the ongoing issue, as I take it, of staff retention in the Audit Office?

Ms Vagg: It is a challenge for the sector as a whole and has been a challenge for QAO over the years. The attrition rate has steadied a little at the moment, but it is a challenge which will be ongoing for us. It is making sure that we have appropriate remuneration structures in place for our workforce, that we attract the right people with the right incentives to work with us, and that we continue to promote the value of the work performed by QAO. A great attraction strategy is to actually promote what we do. We will continue to do those things.

Mr STEVENS: The review found that the cost and time overruns were typical of the QAO's performance audits which is always an area of not concern but interest to me. There was a duplication of a lot of the reviews. How do you intend to address that moving forward? I know it is early and you are still coming to grips with these things, but are you aware of those particular issues?

Ms Vagg: Performance audit brings huge value to the state, so I think it is a really important part of QAO's business and our operations, but it is also really important that we prepare them and review them in an effective and efficient manner. That is something I will look at with the executive as a matter of priority.

CHAIR: With regard to the role of performance audits, we heard from the previous auditor-general about bringing in subject matter experts. Performance audits often concentrate on a relatively narrow area of government, and we bring in subject matter experts, but the act has real constraints governing the evaluation of policy. Subject matter experts often have very strong opinions about the efficacy of a particular policy, about which the act constrains the Auditor-General's office. How would you incorporate the subject matter experts, who often come from a particular policy perspective, into that, knowing that you have statutory limitations in the role of doing performance audits?

Ms Vagg: QAO is the expert on performing audits. With regard to how we go about those, we apply auditing standards as well as our own methodology for approaching performance audits. Both of those things tell us to consider subject matter expertise as we go about the performance audits themselves. You are right: QAO does not have a role in assessing policy—that is not part of our performance audit program—so it is important that our methodology addresses the way we use subject matter experts as well as the way we engage them. It is a methodology and controls approach that we need to have in place.

Ms CAMM: In your opening statement you referenced the recognition that other industries and sectors are facing. With regard to the work plan which the committee approved over the course of several years—and at different times there may be reviews required or different prioritisation—have you been able to at a high level reflect upon what that forward work looks like? In the context of your experience outside of the Audit Office, did you see any areas—for example, security, telecommunications, cybersecurity, given recent events that have occurred in the last several months—which are top of mind that you want to bring to this committee or internally to discuss where you see the priorities and risks that are aligned with that work plan?

Ms Vagg: The work plan does go through a development process. I think one has been recently issued, as you referenced. From my perspective, the work plan needs to reflect the current risks of government, and we need to bring insights from both within government and outside of government to understand those risks. We also need to think about the risks of the future or the emerging risks and whether or not we are adequately addressing them in the plan. If I think about

references to cyber and other types of risks in that space, that would be a key risk of nearly organisation within government and outside, so it is important for us to think about how that fits within the forward work plan. We also need to think about where there are gaps within government and where QAO can bring value from the performance audit plan. It is something we will work through; it is something we will reflect on in the coming period of time.

Mr CRANDON: In our last meeting with the previous auditor-general—and your recent experience from outside would be key, I think, in being able to answer this question—we discussed the concept of getting better value for money from longer contracts or longer agreements with outside specialists. What are your views on, for example, locking in three-year term agreements with outside specialists to assist you, as opposed to doing it on an ad hoc basis or a 12-month basis? Could you give us feedback there?

Ms Vagg: One of the advantages of having a forward work program and a plan for performance audits, as well as our financial audits, is that we have an idea of the expertise we are going to need going forward. I think you are right: there is probably value. If we need ongoing expertise in a particular area then there is the potential for longer term arrangements to be in place. However, often we do very specific pieces of work that we only touch once in a while, and there is probably less value then of having subject matter expertise in a longer engagement, but I think it is definitely something to consider.

Ms PUGH: Workplace and staffing challenges have been something that a number of our public service agencies have touched on. You have mentioned the pay and remuneration aspect and also highlighted the value of the work that the organisation does, which may not be something that people are aware of. I am interested to hear if you have any thoughts around how to communicate that, being fairly new in the role, and also if there are any other aspects and any other challenges that you see that you want to expand on in terms of both attracting and retaining staff for the organisation.

Ms Vagg: It is a good point about how QAO actually publicises the value of our work. I think we have good relationships about the specific work we do, but then it is actually thinking about how we recruit staff, where we are advertising, what we do and how we talk about it. We probably need to think through the strategy of what that looks like. I like being an active person, out and about talking to people and the like, and I think active engagement by executives of the business is really important in terms of publicising the importance of what we do. If I reflect over the last five to 10 years or so, there has definitely been a change in the way QAO's information is accessed. I think we have seen good uplift in terms of access of reports as well as things like blogs and podcasts and other things that are arranged. All of those things add up to promoting QAO into the sector where we would like to recruit people. In terms of any other thoughts on challenges, I probably just need to settle in for a bit and get a good take on what things are looking like within the organisation right now and then what strategies we need to put in place.

Ms PUGH: Having been in the role only one week, another way of posing that question would be to ask what feedback you are getting from your staff about what they like about working for the organisation as well. I am sure that that feedback will also inform how you go about attracting more people.

Ms Vagg: Definitely. I think a very important part of the strategy is to understand why people work in a certain organisation and to continue to promote that.

CHAIR: Auditor-General, this is probably a bit broad and wide ranging, but you may know that the deputy chair is an accountant and the role of accountancy firms during the member for Mermaid Beach's career has certainly changed and there is a lot more involvement in business consulting, policy direction and policy consulting now. We have seen that bring with it integrity issues that the whole profession must have reflected upon. Is that something that, in our use of outside consultants and outside accounting firms, we have to be concerned about? How would we proceed with that? What reflections do you have on the professional changes that have occurred in the profession separate to the Audit Office? It is a wideranging question, I admit.

Ms Vagg: It is. In terms of the Audit Office itself, it uses accounting firms for a couple of purposes. One is as an audit service provider—so helping us from an augmentation perspective to deliver the core services of QAO. There are methodologies and approaches in place in terms of the way we go about those procurement practices. It is very clear about what the information can be used for as well as the protections of the act. That is very clear as we go through that engagement process.

There is also the engagement of firms for expertise, say, in the performance audit program as well as for valuation and other risks that need to be responded to. The same similar processes are undertaken. The same controls are in place. There is a constant reminder from QAO about whose information firms actually access.

To answer part of your second question, firms are an important part of the delivery of accounting services. Government uses accounting firms in a certain way. QAO uses accounting firms in a certain way. It is making sure we have suitable controls and oversight in place for the work that they are doing.

Mr STEVENS: Further to that, Mr Worrall clearly announced that, as soon as he became aware that those professional standards were blurred, that particular group was no longer tied up with the QAO, which is a good thing.

CHAIR: Blurred being a soft word for it.

Mr STEVENS: Very soft word. Recommendation 6.13 a) of the strategic review recommends the incoming Auditor-General reviews the overall QAO budget and reports that review's findings to the parliamentary committee—that is, us. We are in charge. Do you have any timeframes in mind for that review to come back to this committee?

Ms Vagg: Probably not a specific timeframe yet, but it is something we have already had discussions about this week. This is a new process. It is a new relationship. It is a new form of provision of information by QAO. It is a different way to present information from perhaps what we have previously given to central government. We will work through options about what that looks like and the right timing, and we will seek feedback from you and your staff about what changes are needed and the suitability of that information. It is not too far away. It is something that we are thinking about. Patrick, did you have anything to add to that?

Mr Flemming: No. I think it is important. Obviously, we go through the same budgetary cycle, and there are certain changes coming through the legislation that will come through this committee. We want to make sure we have done those things in advance of that timing. One aspect is working out with you the best timing to work through that annual process going forward. Obviously, this bit needs to be done before that annual process starts.

Mr STEVENS: So I might be something early 2025. Is that the timeframe?

Mr Flemming: We obviously have to go through it before we get to the next budget cycle, and the next budget cycle will be around then.

Mr STEVENS: Thank you.

CHAIR: We have had discussions here that, under the previous system, in funding the Auditor-General's office, the Treasurer was accountable to the parliament and could be openly questioned in the parliament. In some ways, the process of doing that within the committee means it is not as directly accountable to the parliament. We are trying to take our responsibilities very seriously. So, building on that question, we think that we do need to have significant information for our oversight purposes.

As one example, we obviously do not run a department, so we do not get feedback from departmental financial controllers and accountants about the direct role of the Auditor-General. In that way, our oversight is limited. We do think that this information that is statutorily required is important for us to make those decisions.

Ms Vagg: If we go back to the principles of transparency and accountability, the principle is there. We are happy to provide the right information and as much information as you need and as regularly as you need it. The principles will definitely apply in terms of providing the right amount of information.

CHAIR: Do you have anything to build on that, Deputy Chair?

Mr STEVENS: No. It is important now that we have an increased role, and I think it is good for independence and all those sorts of things—they were major steps forward that Mr Worrall supported greatly in his mantra of keeping the independence of QAO right up at the top. We look forward to receiving as much information as possible for our decision-making process, and we are here to support the QAO at every opportunity.

We think the QAO is an integral and important part of our deliberations, and we are here to support. Obviously, if we are going to give support, we need to make sure that we are doing it on a firm footing and that everything that we as a committee recommend to the parliament is sustainable and not open to any questions or any embarrassment for us as a committee. Thank you in advance for the full disclosure for all the matters that will come up going forward.

CHAIR: I think that that has universal support of the committee. I do not know if you want to add anything to that or whether that is just a comment to ensure that we are on a unity ticket on this one.

Mr STEVENS: We are.

Mr CRANDON: Perhaps winding things up, as we are close to 11 o'clock, do you envisage implementing any of your learnings from the private sector? The previous auditor-general talked about the renewal cycle and the seven-year term for the auditor-general in Queensland. It is different in other states and also for the feds. Is there anything about renewal from your private sector learning that you can see being implemented?

CHAIR: Have you learnt anything in your previous career, Auditor-General?

Ms Vagg: I have learned a couple of things, thank you. It has built up over the years, and it is from where I have worked—within both QAO and other places—and also from being exposed to clients. We spend a lot of time assessing other businesses and we learn a lot from those about good processes and good culture as well as bad processes and bad culture. All of that comes together in terms of the thinking from a chief executive perspective.

QAO brings a whole lot of value. I would like to think about how we can bring more value to the public sector. We audit every organisation and it is really thinking about how that audit process as a whole brings insights and recommendations to improve the sector. That is a very general response but really that is on my mind about making sure we have enough focus on our methodologies and our approach to bring value to the sector.

CHAIR: Thinking of clients, we obviously have enormous organisations like Education or Health, but you also have oversight over very small organisations in very small councils. We have spoken in previous years about the very wide variety of standards in their accountancy practices. You would have experienced that previously. Do you have any insights about adding value to those small organisations that do not necessarily have the investment in the standards—

Mr STEVENS: Capacities.

CHAIR: Capacities, yes. It would not be of good value for such a small organisation to have necessarily the same accountancy standards that Education or Health has.

Ms Vagg: They are different. They also have different budgets. They have different risks. They have different abilities to attract resources within those organisations. For us, adapting our approach so that it is suitable for the size and risk of an organisation is really important. It has been in the past and I think it will continue to be.

QAO has also had a significant investment in a data and analytics function. In a smaller organisation, we need to think about the value that we can bring by applying data and analytics and then focusing on the key risks in terms of our audit process. It is already there but it is something that we can continue to improve.

CHAIR: Thank you for the information you have provided us here today. It is great to have a first interaction as the responsible committee. I note that the whole committee takes its role as having a statutory oversight over the Auditor-General's office quite seriously. Thank you for the information.

Thank you, of course, to our Hansard reporters and our broadcast staff for their assistance. A transcript of the proceedings will be available on the committee's parliamentary webpage in due course. My understanding is that no questions were taken on notice. With that, I declare this public briefing closed.

The committee adjourned at 10.56 am.