



EDUCATION, EMPLOYMENT AND TRAINING COMMITTEE

Members present:

Ms KE Richards MP—Chair
Mr JP Lister MP
Mr MA Boothman MP
Mr N Dametto MP
Mr BL O'Rourke MP
Mr JA Sullivan MP

Staff present:

Dr A Beem—Acting Committee Secretary
Dr S Dodsworth—Assistant Committee Secretary

PUBLIC BRIEFING—CONSIDERATION OF AUDITOR-GENERAL REPORT 19: 2021-22— *EDUCATION 2021*

TRANSCRIPT OF PROCEEDINGS

MONDAY, 15 AUGUST 2022

Brisbane

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The committee met at 10.28 am.

CHAIR: Good morning. I declare open this public briefing. My name is Kim Richards. I am the member for Redlands and chair of the Education, Employment and Training Committee. I would like to acknowledge that we are meeting on the custodial land of the world's oldest continuing living civilisation in Aboriginal and Torres Strait Islander people and I pay my respects to the Turrbal and the Jagera people and their elders past, present and emerging. With me here today from the committee are: Mr James Lister, the member for Southern Downs and our deputy chair; Mr Mark Boothman, the member for Theodore; Mr Nick Dametto, the member for Hinchinbrook; Mr Jimmy Sullivan, the member for Stafford; and Mr Barry O'Rourke, the member for Rockhampton.

The purpose of the briefing today is to provide the committee with an opportunity to examine in more detail the results of the audit of entities in Queensland's education sector by the Auditor-General, reported in Report 19: 2021-22 titled *Education 2021*. The committee's proceedings today are proceedings of the Queensland parliament and are subject to the parliament's standing orders. The proceedings are being recorded by Hansard and broadcast live on the parliament's website. Witnesses will not be required to give evidence under oath, but I remind everyone that intentionally misleading the committee is a serious offence.

DEOJI, Mr Bhavik, Senior Director, Queensland Audit Office

REARDON, Ms Michelle, Senior Director, Queensland Audit Office

CHAIR: Good morning and thank you for agreeing to brief the committee today. I invite you to make some opening comments, after which the committee will have some questions for you.

Ms Reardon: Thank you for the opportunity to brief the committee on *Education 2021*. This was our report No. 19 for the 2021-22 financial year and it was tabled in June 2022. This report summarises the audit results of entities in Queensland's education sector including the Department of Education; the Department of Employment, Small Business and Training; TAFE Queensland; the seven universities; eight grammar schools; and other statutory bodies.

The financial statements of all education entities are reliable and comply with relevant reporting requirements. We issued unmodified audit opinions for all entities in the education sector within their respective legislative deadlines. Entities were able to prepare good quality financial statements highlighting the maturity of their processes.

Overall, we found the internal controls entities have in place to ensure reliable financial reporting are generally effective, but they can still be improved. Out of the 90 internal control deficiencies identified this year, 55 related to information security and access management controls. This was an increase of 19 from the previous year. Security of information systems continues to be the most common weakness across the public sector. With the number and severity of cyber attacks increasing, we continue to recommend entities strengthen controls around the security of their information systems.

COVID-19 continued to have a significant impact on the sector last year. Universities, TAFE Queensland and schools continued to adapt the delivery models throughout the lockdowns. University revenues improved this year by almost half a billion dollars because of an increase in Australian government funding and also higher investment revenue, but some of this funding may not be guaranteed in the future. Revenue from international students decreased again this year because of the continued border closures at the time, impacting the longer term student pipeline. It remains uncertain whether the international student numbers will return to their pre-pandemic levels.

TAFE Queensland's financial results have been deteriorating over the last four years and it is expected this will continue. It should carry on working with the Department of Employment, Small Business and Training and Queensland Treasury to design and implement strategies to support its broader financial sustainability. The federal and state governments are discussing reforms to the vocational education and training sector, and a new national skills agreement is expected to be developed in 2022.

Finally, the Department of Education is continuing its construction program to ensure it can meet future demands for schools. In reviewing its forward plan for schools, the department has focused its investment in areas with anticipated significant population growth. In the prior year we noted that both the Department of Education and the Department of Employment, Small Business and Training were in the process of updating information on the condition of their assets. This process is still ongoing and we recommend they complete this as soon as possible.

I also encourage you to review the interactive data visualisation accompanying the report. It allows you to explore the financial performance of education entities in different regions. It includes revenue, expenses, assets and liabilities, and other measures such as student numbers and staff numbers. The map also allows you to compare regional information on internet speeds per student, school IT funding and whether students had access to the internet during the 2020 COVID lockdowns and what types of devices they had access to. The committee may benefit in hearing from the entities themselves on the progress of implementing our recommendations. I welcome any questions the committee has on the report.

CHAIR: Thank you very much.

Mr LISTER: I thank the representatives of the Queensland Audit Office for coming. It is great to hear from you. Regarding the asset management in Education Queensland, are there barriers to proper management of assets because doing so is an impost on the department? When I look at, for instance, local government, often they are reluctant to recognise assets because they then have to depreciate them and they are expected to fund that depreciation. Does the same thing apply on a larger scale in the department?

Ms Reardon: I would say the department has good internal controls in terms of recording their expenditure and recognising assets. We have not tended to find issues in this space in terms of unrecognised assets in the past. What we do find is probably more about the time it takes to maintain the condition of information. They do have a lot of assets across the state, and so we are finding that condition information is now at least five years old and they are still in the process of updating that information.

In the meantime, the maintenance works they are doing and the investment and renewal works they are doing across their asset portfolio are continuing, but it will only be as they update those condition assessments that we will know if they have been doing those works in the right place. Certainly from a funding perspective we have not noticed any issues, and their internal controls are good in that space.

Mr LISTER: Is asbestos a factor in the estate?

Ms Reardon: The schools all maintain asbestos registers. That is something they address as they need to when they do works. It is not something that is a significant impost, but it is not specifically part of our audit.

CHAIR: I can tell you I have done two asbestos training sessions with our P&Cs—in fact, one only three weeks ago—where the P&Cs trained in the asbestos management plans. The work the schools are putting into that, on my observation in my patch, is really quite incredible. It is very detailed.

Mr BOOTHMAN: Thank you for coming today. It is always very interesting to hear from you. With the effects that COVID had on our schools in that it forced quite a few teachers to stay away and therefore the schools had to find relief staff, which is obviously at great expense, did the Audit Office look into the costs this has had on our schools?

Ms Reardon: That is something that will be coming through in our current-year audit as well. There is an increasing demand and pressure on teachers, particularly as we are not so much doing lockdowns at the moment. Obviously we are living with COVID and that has an impost on students and teachers within schools. That will be coming through in the current year's audit. We have recognised that that is a risk for schools, both in response to COVID and also broadly within the sector. We have an audit on managing supply of teachers on our forward work plans. That is something we will also be looking at in the future.

Mr DAMETTO: I would also like to thank the Queensland Audit Office for presenting today and giving us some information about what has been happening over the last 12 months. My question is in relation to TAFE Queensland and the assets they have in regional Queensland. We understand they have quite a substantial asset register. Unfortunately, we are not seeing as much service delivery as we once saw in those smaller regional towns. Has the Audit Office actually helped them understand better ways they can deliver services in those areas to ensure the value of those assets remains?

Ms Reardon: TAFE Queensland is working very closely with the Department of Employment, Small Business and Training and Queensland Treasury in undertaking a number of reviews to look at their course delivery and the use of their campuses. They are actively looking at that at the moment and ways they can improve that. It is not something we have looked at specifically. They are very active in that space.

Mr Deoji: They are working quite closely with the Department of Employment, Small Business and Training and with Queensland Treasury to manage that process and better understand—

Mr DAMETTO: It is my understanding that it would cost a fair bit of money to keep these buildings in the condition they are in at the moment. If we are not utilising them we are not getting the full value out of those assets and it would be detrimental to have them in the portfolio.

Ms Reardon: I think the nature of the work that TAFE delivers is often quite asset intensive in terms of the need for skills and trades. There is a significant impact on the asset portfolio that they need to maintain to be able to deliver the courses.

Mr O'ROURKE: Good morning and welcome. My question is around education facilities and condition audits. There are some schools that are direct to market and some that use QBuild. In your audits do you actually look at how each of those systems is working?

Ms Reardon: Not specifically. We do not make a distinction specifically between those two. That said, as part of our work each year we look at the asset valuation work that is done. As part of that we look at the condition of the assets and how that then impacts the asset values. Through that we have not noted any distinction in terms of the maintenance works at either the direct-to-market, which tends to be the independent public schools, or the state schools.

Mr O'ROURKE: In terms of those schools that go direct to market, locally in Rockhampton I have seen where they do not prioritise the jobs like QBuild would in terms of those with the highest risks. Do you look at that side and what that priority is? Is there a set of guidelines they work within in that space?

Ms Reardon: This is something that will come through on the condition assessments the department is doing. They are looking to do these condition assessments across the asset portfolio which will then determine the assets that need the most attention and the best way to prioritise that maintenance work. It is my understanding that will be done for all schools. They can then use that information to inform their asset management plans, which all schools are required to have, which should then inform that priority maintenance work.

Mr SULLIVAN: You mentioned the impact of COVID on TAFE in particular in terms of international students. Did you do any analysis of the income they gain from international students coming here? I understand that TAFE is also a significant provider of education overseas on a commercial basis. Has there been any analysis of the impact financially on the provision of significant training and skills overseas?

Mr Deoji: The work we would have done is really understanding what impacts there would have been on their revenue for the current year. Whilst there was a reduction in international students, that was largely offset by some of the increases they would have seen from a domestic perspective with some of the initiatives that have been put in place, particularly from a COVID response perspective as well. That would be the extent of the work we would have done—from a financial statements perspective.

Mr SULLIVAN: From a revenue point of view, do you know if they took a hit to the revenue they generate from the provision of overseas—they do it on a commercial basis. They have contracts with South Korea, New Zealand, Malaysia and those sorts of places. Do you know if those revenue sources were maintained, or did they take a hit as well?

Ms Reardon: I think it is safe to say that we do not look at it on an individual contract-by-contract basis. More broadly, we noted international students were down.

Mr SULLIVAN: It is more broadly their bottom line?

Ms Reardon: Whether that was from international students located here or through contracts overseas overall, at that financial statement level it was down.

Mr SULLIVAN: On a different issue, I think you described TAFE work and vocational education more broadly as asset intensive. Is it fair to say that you think the vocational sector and TAFE in particular took a bigger hit under COVID than, say, the university sector? With no offence to academics in the room, it would be a bit easier to transition a lecture or a tutorial in the university setting to online rather than on-the-tools training. Is that logical? Is that what we saw in the bottom line?

Ms Reardon: I am probably speaking more anecdotally from conversations that we had with TAFE and universities at that time. Similarly, universities where there is prac teaching or placements for nurses and things like that—

Mr SULLIVAN: Or teachers, yes.

Ms Reardon: Anywhere it had to be face-to-face, there were definitely difficulties experienced in facilitating that. They did put processes in place to work around that, but it was a little bit more difficult perhaps to switch to something online.

CHAIR: Particularly plumbing and electricians and all of those trades. You can only imagine how difficult that would have been.

Mr BOOTHMAN: In relation to identifying weaknesses when it comes to the information technology areas, can you explain what you found and how it potentially could put data at risk of getting into the wrong hands?

Ms Reardon: Absolutely. This has been a significant focus of our audits in recent years in response to the increasing risk from cyber attacks. Issues relate to security of information systems, looking at things like: are systems patched in a timely manner so that any known vulnerabilities are addressed; do entities have things like multifactor authentication in place; and are they managing their access to the system? Usually it is not so much when providing access initially to people but it is about maintaining that, because it is when people leave the organisation or change roles that entities need to keep their processes up to date in that space. That is where we find a number of weaknesses identified in entities. It is about remaining vigilant to keep those processes up to date.

That said, because we have broadened our scope this year to look at more systems, to look at network access and things like that, entities are doing a good job to be able to maintain their processes but it is about remaining vigilant. It is about them being quick to respond when positions move or vulnerabilities are identified because with any sort of vulnerability that is when cyber attacks can occur and be successful.

Mr BOOTHMAN: It is more to do with the department itself making sure that when individuals move on from an area their usernames and passwords are removed from the system?

Ms Reardon: Yes. Departments, TAFE, universities and grammar schools—all of those entities—all maintain what we call sensitive information, be it staff or student information or research information. Any sort of vulnerability—whether it is weak passwords or if people have moved on from an organisation and they have not deactivated them—presents an opportunity for that system to be accessed.

Mr DAMETTO: Is the Department of Education keeping up with cybersecurity threats? From the review done by the Audit Office, are they spending enough time and money on fixing this problem or keeping up to speed?

Ms Reardon: Can you ever spend enough time and money?

Mr DAMETTO: No.

Ms Reardon: They are continuing to invest in this space. We obviously have a focus on their financial systems. They run a number of systems that we do not look at. They use internal audits and do other activities to try to protect themselves and be ahead of the game in terms of keeping that information secure. We also have another audit on cybersecurity in schools on our forward work plan—that is due to be done next financial year—recognising the risk in this space.

CHAIR: I think it affects everybody. We see it here in parliament too, how easy it is to be duped by emails.

Mr DAMETTO: They keep sending me emails to change my login account details.

CHAIR: That 'Australian Post' delivery is on its way!

Mr O'ROURKE: Across the Queensland Public Service and other organisations, is Education leading in the cybersecurity space or are they all struggling? What would be your assessment across the board generally?

Ms Reardon: I think it is a really challenging space. I do not think Education is behind the game. I do not know that they are necessarily leading in that space either. It is a really challenging position to be in. It is about remaining vigilant and keeping those controls as tight as possible.

Mr SULLIVAN: I have a question around the financial results details on pages 33 and 34 of your report in terms of the interface between vocational education and the universities—in particular, Central Queensland University. Were their revenues combined and put under Central Queensland University or were they separated out under TAFE—I know they are not TAFE but as a public provider?

Ms Reardon: CQU in their financial statements do separate out what is higher education versus vocational education. In our analysis here we have just grouped them together.

Mr SULLIVAN: You have grouped them together under TAFE or under CQU?

Ms Reardon: CQU.

Mr O'ROURKE: With that model in terms of CQU and TAFE, do you see a lot of benefits in having TAFE and the uni together or having them separate? I am curious.

Mr Deoji: It is a hard to say whether there is any benefit in terms of the model and the decisions that the university has made in terms of going with that model. From an audit perspective, we look at the profitability of that aspect in terms of the VET aspect of CQU and look at the overall university performance as well. We will not really look at any strategic decisions that would have been made to come up with that model.

Mr BOOTHMAN: Obviously when you develop software you employ security professionals to properly test the software for penetration attacks et cetera. After the software has been implemented in the department, is that done purely by internal auditors or do they allow external providers to come in to test the software? Do they develop systems and updates of software or do they rely on the manufacturers of the software to do security updates?

Ms Reardon: I will take the last part of your question first. In terms of security updates, my understanding is that they do rely on the software providers to provide those patches. Then it will be people within the department or the organisation who are applying those patches as they come through. Some of them can come through monthly. Some of them can come through every six months or 12 months. It is quite resource intensive. When those patches do come through it is up to those IT staff to test them and make sure they are not going to cause any anomalies within their system before applying them. That is one of the things we do look for. It is about them being quick to respond and applying recent updates to the systems to keep them secure. Sorry, I have forgotten the first part of your question.

Mr BOOTHMAN: Do they get external auditors to come in to review the system on a continuous basis?

Ms Reardon: Departments and statutory bodies are required to have an information security management system in place which assesses the risks of their systems and requires them to put appropriate internal controls in place. Depending on the risk of the system to the organisation, they will then do penetration testing on that system as required. Some of them will do every 12 months or every three years. That then helps to identify if somebody could access the system. That may be done through an internal audit unit or it might be done separately through the Chief Information Officer. Even where it is done as part of the internal audit findings, oftentimes they will outsource that work just because of the particular skills and expertise required to be able to do that.

CHAIR: I might give a shout-out to our IT teachers from each of our schools too. Over the course of COVID they pivoted extraordinarily rapidly to deliver a whole lot of things online that we have never seen before. In that IT space there has certainly been an acceleration in every sense in how we use technology and how we provide those right protections. Thank you to all of those people.

Thank you both for appearing before us today. There have been no questions taken on notice. That concludes our questions and our briefing this morning. Thank you very much. I also thank our Hansard reporters and the parliamentary broadcasting service for their assistance. A transcript of these proceedings will be available on the committee's inquiry webpage in due course. I declare this public briefing closed.

The committee adjourned at 10.53 am.