



FINANCE AND ADMINISTRATION COMMITTEE

Members present:

Mr PS Russo MP (Chair)
Mr RA Stevens MP (Deputy Chair)
Mr GW Elmes MP
Mrs DE Farmer MP
Mr DC Janetzki MP
Mr LP Power MP

Staff present:

Ms A Honeyman (Committee Secretary)
Ms N Ryan (Committee Support Officer)
Ms H Rae (Assistant Committee Secretary)

PUBLIC BRIEFING—STRATEGIC REVIEW OF THE QUEENSLAND AUDIT OFFICE BRISBANE

TRANSCRIPT OF PROCEEDINGS

WEDNESDAY, 10 MAY 2017

Brisbane

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Committee met at 8.47 am

BRAHMAN, Mr P, Acting Deputy Auditor-General, Queensland Audit Office

CLOSE, Mr Anthony, Acting Auditor-General, Queensland Audit Office

CHAIR: Good morning. I declare open the public briefing regarding the report on the strategic review of the Queensland Audit Office. On 23 March 2017 the Premier tabled the report of Phillippa Smith and Graham Carpenter titled *Strategic review of the Queensland Audit Office*. Under section 70(7) of the Auditor-General Act 2009 and section 92(2) of the Parliament of Queensland Act 2001, that report stands referred to the committee for its consideration. The briefing today is to seek some information from the Queensland Audit Office around the findings of the strategic reviewers and comments in their report.

My name is Peter Russo, the member for Sunnybank and chair of the committee. Other committee members are Mr Ray Stevens MP, the member for Mermaid Beach and deputy chair; Linus Power MP, the member for Logan; and David Janetzki MP, the member for Toowoomba South. In accordance with standing order 202, Ms Di Farmer MP, the member for Bulimba, will attend in the place of Mrs Miller MP, the member for Bundamba; and Mr Glen Elmes MP, the member for Noosa, will attend in place of Mr Minnikin MP, the member for Chatsworth, both of whom are unable to attend today's meeting. The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. The proceedings are being recorded by Hansard and broadcast live on the parliament's website. Media may be present and will be subject to the chair's direction at all times. The media rules endorsed by the committee are available from committee staff if required. All those present today should note that it is possible you may be filmed or photographed during the proceedings.

Only the committee and invited officials may participate in the proceedings. As parliamentary proceedings, under the standing orders any person may be excluded from the hearing at the discretion of the chair or by order of the committee. The purpose of today is to assist the committee with its consideration of the report on the strategic review of the Queensland Audit Office. The program for today has been published on the committee's web page and hard copies are available on request. We will now hear from Mr Anthony Close, Acting Auditor-General, and Mr Braham, Acting Deputy Auditor-General. Good morning, gentlemen. I invite you to make an opening statement, after which committee members will have some questions. It is intended to close the public briefing at 9.15.

Mr Close: Good morning, Chair, and thank you very much for the opportunity to speak to you. I will be brief, noting the amount of time and also the fact that we have spoken about the strategic review previously as well. What I will do is reiterate the fact that we welcome a strategic review as an important mechanism assuring our oversight. Having a fresh set of eyes looking at the strategies that we have designed, executed and are progressing towards our vision of better public services is not only useful; it is essential to our operations.

In terms of the actual strategic review itself, it looked at the functions and the role of the Auditor-General and the Office of the QAO and the efficiency, effectiveness and independence, as you are well aware. The key messages for me in this role have been around a very good sign around the risk to client relationships. It is an interesting point for an independent function such as ours balancing the impact required of making useful recommendations that speak to the efficiency, effectiveness and economy of government service delivery as well as the need to balance that with the relationships to ensure that they are adopted wholeheartedly. It is a risk that we take very seriously and it is one that has been front and centre of our strategic plan for the last two years and is one that we are very active on and I think it is a very timely reminder.

The second issue around funding both around our performance audit program and our financial audit program is interesting, and I will deal with the first one. We certainly appreciate and support the recommendation by the independent reviewers around an increase to our performance audit program. The use of the words 'critical mass' I think are quite relevant to us. If I can bring it down to a very simple issue, if we have someone sneeze in our office when we are dealing across seven Brisbane

different sectors given the range and complexity and sophistication of government service delivery it does have an impact and we think we can add significantly more value with a larger performance audit program.

In relation to the financial audit services, I think we would say it is not often you will have an independent strategic reviewer saying you should probably raise your costs, so we will take that as quite a good sign on one level, but it also does recognise the need to mature our pricing models et cetera in that space. As you would be aware, systems implementation such as the legacy systems refresh implementing new ERPs were absolutely critical dependencies to enable us to do that, and that is definitely on our strategic pathway in the right priority to do so.

The third area is around wider resourcing and it is closely aligned to the core issue that the strategic reviewers speak to—one of independence. For us it is our No. 1 strategic initiative around increasing and assuring the independence of the Auditor-General. We think it is absolutely critical, as we have said on a number of occasions since 2014. We are very comfortable with the mandate of the office as a mature, independent function operating with the Queensland government, but the management and autonomy of the office does constrain us. I will not go over those in detail, but I am certainly happy to take any questions. My intent today is to help give you comfort around any of the actions that we intend to pursue moving forward. Thank you, Chair.

Mr STEVENS: Good morning, Mr Close. It is nice to see you again and thank you for giving a great oversight of the issues to the reviewers and being very forthright. We note that in that annual report it includes information on the annual Working for Queensland survey for the QAO, and I think it was in the paper this morning about Health and matters there—I have seen it somewhere this morning—in terms of staffing. Noting information in the strategic review that you have put in place a range of measures, are these measures effective and are you implementing any other measures to improve the health and wellbeing of Queensland Audit Office staff?

Mr Close: The simple answer to the extent that I am aware is, no, they are not as effective as they can be; they are the best that we can do within the constraints that we have. The issue around workload health and safety in the QAO that our staff have clearly identified to us through the employee opinion survey Working for Queensland is one that is fairly clear. To bring it into a real issue as it stands today, I have a shortfall of a reasonable number of auditors as we move into the busy period of signing those statements. In terms of the ability to attract those staff, the efforts that we have undertaken have not resulted in the outcomes that we would seek to achieve, and the basic reason for that is that our ability to attract lateral hires from the private sector from the talent pool of accountants and external auditors that we draw from is limited at certain levels by the remuneration that we can pay, compounded by some of the conditions of employment relating to working hours, to the benefits et cetera associated in that space.

It is a unique issue within the Queensland Public Service. We will generally build and grow capability that is useful to other government departments, but our ability to draw in from government departments into our organisation is fairly limited. We accordingly take an approach of building more so than trying to attract laterally based on our current constraints, and the issue I have with that is lead time. We have increased our number of graduate auditors over the last couple of years to try and address and better plan for the future for the higher levels and have invested significantly in learning and development, in training and in competency based approaches supported by methodologies, more systemised approaches and better quality assurance to make them more effective more quickly. However, it is all predicated on a bunch of assumptions that may or may turn out including that the expected turnover rate at certain levels et cetera is sometimes many years out. Consequently, the ability to match the resource requirements—the supply and demand factors—does become quite difficult over that period of time. I hope that gives you a bit of an overview as to some of the issues.

Mr STEVENS: It does but, in terms of the health and stress factors that have been identified, is the corollary of that that people are moving out of the Audit Office because of those sorts of reasons? Obviously, if people are out in private enterprise and you are trying to attract them in and there is this health and stress factor in the Audit Office it is going to make it pretty unattractive to bring people in. It does not matter what you do—lift your wages et cetera—because that can make it unattractive for people coming into the Audit Office itself. Is that an issue?

Mr Close: I think the issue is in terms of solving those gaps immediately. We have an incredibly loyal and focused team that ensure that they do the effort to ensure that the work is done and the client outcomes are achieved. However, it does translate based on conditions of employment into

some fairly large balances of flextime and those types of things when you are potentially working up to 70 hours a week during a peak time to meet statutory deadlines et cetera. It can be challenging and we can only trade on that loyalty and value for so long, hence why we have it as our No. 1 strategy and our No. 1 focus. It is our wicked problem. It is something we have been focused on for years.

Mr STEVENS: Thank you.

Mr POWER: Mr Close, you spoke about a seasonal demand in order to meet statutory deadlines. Is there any way where that workload could be smoothed? Would that be a better way to deal with issues to do with the health and wellbeing of the staff? Presumably when you are in a time where there is less demand on staff their health and wellbeing is in a better state. Is it something in that both of those surveys are seasonal but also is there a way where that workload could be more effectively spread over the year?

Mr Close: That is a really good question. Within our constraints it is one of the levers that we can pull. This year we are targeting 70 per cent of our work to be done before 30 June across most of our sectors. In previous times that could be anywhere from 50 to 60 per cent.

Mr POWER: What was the target?

Mr Close: Between 50 and 60 per cent, depending on the sector. We have smoothed our work program trying to bring forward the work that we do as one of our constraints. It is a double-edged sword though because the busy period is going to be busy. It is a function of an audit cycle. Traditionally we were able to provide a bit of time to bring down flex time balances and those types of things. Smoothing the work program means that you are also filling in that void as well, and that is compounded by additional resources in addition to working with our clients.

I started a campaign last year around bringing forward the work from a client perspective so each of our clients will be acutely aware that we are trying to bring forward things like their asset valuations and other work that is required as part of the audit cycle to the benefit of not only our staff but also the finance areas within our client organisations, and we remain very focused on that.

Mr POWER: In bringing that forward, are some departments and some areas better at being able to work than others and is that identified?

Mr Close: There certainly are. In reports to parliament around the results of financial audits that is the key reason we have the red, amber green status light system to identify those that are meeting their goals.

Mr POWER: Including early reporting of data and information?

Mr Close: Absolutely. We have been raising the bar over a couple of years. It is different for different sectors. We have had a little bit of grumbling about bringing things forward sometimes, but we are also starting to see an understanding of why it is important in that space as well. It has been quite an effective tool to get to that target of 70 per cent this year.

Mr ELMES: Mr Close, in this annual Public Service Working for Queensland survey, I am suspecting that Working for Queensland is a new name for the annual survey that is done year after year in the Public Service. Is the result that you got this year better or worse than the previous year?

Mr Close: The use of the survey is trend information, so I look at it on a longer-term basis. Our target is that we would like to perform in the top first or second quartile across the range. We have achieved that for seven out of 10 of the measures this year, which is a stronger result, but we have declined in areas. Particularly workload and health are the key issue we have.

Mr ELMES: The trend is going which way?

Mr Close: Better.

Mr ELMES: You talked about the amount of overtime that some of your staff were being asked to do around this busy time and you mentioned up to about 70 hours a week or thereabouts, which is a significant amount of extra workload, and then you talked about flex time off. How does that work? If you have a lot of people doing a lot of hours today, where is the flex time taken at some other point?

Mr Close: I spoke predominantly about flex time; overtime is a separate issue as well. The reality is that the conditions of employment contained in the act that my staff are employed under are constrained. If you work back from the basis of flex time, it is from about the 1950s. I think it was introduced around typing pools et cetera, where 15 minutes at the start or finish mattered to the next time. The world has moved on in that respect and certainly its appropriateness for us as a professional

service firm is less relevant, but it is a constraint that is in place. Part of those requirements are rules that require you to take the leave within a certain time period or lose it, and we are in the unfortunate position—which also compounds the perceptions of our staff—that a lot of the flex time is lost.

Mr ELMES: Is there some way that the Public Service Commission can help you when they look at working conditions and reviews and so forth?

Mr Close: That is a great question. That is certainly an avenue we have pursued in previous years. In terms of the inquiry around the independence of the Auditor-General, the PSC advised that there were options and opportunities that we can pursue within the Public Service Act. We have implemented all of those; however, the issues that are core to the conditions of employment issues remain for us. We have partially—but not fully—solved those issues for the wider staff.

Ms FARMER: I wanted to ask some questions about the self-efficacy of agencies. There are a range of comments throughout the review about better practice resources, about agencies not necessarily understanding the performance audit process or about understanding what the compliance is around their business environment. Can you comment on better practice resources and ways in which the Audit Office can assist agencies to increase their self-efficacy?

Mr Close: That is a great question; thank you, Di. It is an interesting philosophical approach to performance auditing and the achievement of better government service delivery outcomes. As I look around different audit offices et cetera, there are varying levels of the use of things like better practice guidance and those types of approaches that are not about the review and audit of the government service delivery functions but are more about setting the benchmarks and target of what 'good' looks like. My view is that, in terms of that client relationship and establishing relationships that are required in achieving outcomes of more efficient, effective and economic service delivery, materials such as better practice guidance are absolutely critical. We do the work anyway as part of our performance audit to have a framework by which to assess the level of operations of each of the functions that we look at in our program, and so it makes sense to not wait until we do that to then determine what good practice is.

Within our funding envelope that we provide, one of the small improvements I have been able to implement is the concept of wider learnings from each of our performance audits. Part of our methodology now, as part of the finalisation of the performance audit, looks at what lessons may be useful for other agencies and other clients in this space. That becomes part of the communication material that we provide, whether it be through presentations through our insight newsletters, through one-on-one meetings with our sector directors with clients et cetera in that space. The feedback I get is that it is quite useful. Audit committees particularly find great value in being briefed on the lessons learned so that they can look at their risks more proactively.

The philosophy that is useful around better practice guidance speaks to the perception of the 'gotcha' mentality that is spoken about in performance audits. A performance audit can be that approach if you are operating or not operating at the expectations. That usually works its way out in, 'Well, you don't understand the context of service delivery. I had these issues occurring prior, and I'm really happy I'm here but you're not happy I'm not here.' The basis, if I am able to implement more through more appropriation, would be around recognising that there is a continuum or a road map of capability; that best practice or better practice or good practice different levels with certain minimums are required; and setting an understanding of where you are and, most importantly, where you would like to be in that space. Not every agency, rightly, should be at the highest level of maturity around service delivery. Time and responsiveness to a committee may be more important than the quality of the service delivered, and rightly so in different circumstances. I strongly advocate the use of better practice guidance and those types of things focused on a capability maturity approach.

Mr JANETZKI: I think I may have previously asked my questions but I will go again. Just picking up a little bit on the performance audit question, I asked Graham and Phillippa when they appeared whether it was a bit of an ambit claim to ask for a doubling of resources in performance audits. Can you explain how that would improve QAO's performance in respect of those particular audits?

Mr Close: There are a couple of dimensions. Obviously with a larger performance audit program we can do more performance audits. Our strategic audit planning process, which we will be providing to the committee shortly in draft for comment, elicits a range of topics or areas that we could look at in government service delivery, upwards towards 100 audits, that without the constraint of funding resources we believe would be quite useful topics to improve government service delivery. In that space the volume that we could produce to the effect of better outcomes for the Public Service and for the community in general would be one area.

The second area is based on the appropriation being contained to the level it has for five years, so effectively reducing in real terms. Our approach has had to appropriately be implemented on a minimum basis to achieve the impact or outcome required. What I mean by that is we may undertake an audit and perform the field work and sample a metropolitan division, a regional division and a rural division to form a broader conclusion. Certainly in discussions with Phillippa the ability to take a wider approach and do more of a review, so increase that to the benefit of the department, would be there.

In terms of the overall value—and we have had the question before around how much is the right amount—I can certainly say that doubling is a minimum. We are always happy to help more in that space, but if I look at it in comparison to the investment in consulting budget across government, I certainly think a shift and move in this space with the independent integrity organisation would be very well-placed.

Mr JANETZKI: It feels like one of the themes through the strategic review—and the member for Bulimba picked up on it a little bit—is that the value the QAO can offer the business is underestimated, and perhaps underestimated by the departments or entities that are being audited. How best do you persuade—you do not want to coerce—that the QAO is not coming out like you said. It is not ‘gotcha’; it is partners in delivering the best outcomes for Queensland taxpayers. There is talk about more regular meetings with DGs and things of that nature. How best can the QAO take that step towards the businesses they are auditing?

Mr Close: The simple reality is that we have been working towards that for some time. As I said earlier, one of our key strategic initiatives is around the relationship with the client. We have been addressing that at different levels of the organisation as we move forward. The sector director model that we have in place is a useful and valuable tool, but again it is a little bit constrained by the disparity between our financial audit program and our performance audit program. Roughly 85 per cent of our work is in the financial audit program and 15 per cent is in the performance audit program, and in effect we are looking at the result more than the drivers that achieve those results. Increasing the appropriation to allow us to do more in that space gives us more space to then enable our sector directors to build that relationship more and understand the context associated with that as well.

Within our current constraints I am planning to reduce the number of outputs that we produce to give our performance auditors more time up-front and, post tabling of the report, to work through the issues and understand the reasoning why to gain better adoption in that space. It is certainly something that I would do significantly more if I had the funding to do so. Recognising the recommendation from the strategic review, as you have mentioned, myself and the new Auditor-General I am sure will be putting significantly more effort well above and beyond that recommendation. Since acting into this role I have taken the approach of either myself or Brahman meeting with each of the DGs or senior members of the performance audits that we undertake at the start, generally as we are refining and shaping recommendations. I think that is working quite well, so more of that will be undertaken.

CHAIR: That brings to a conclusion the public briefing. A transcript of the public briefing will be available on the committee’s parliamentary web page in due course.

Committee adjourned at 9.16 am