



# ***FINANCE AND ADMINISTRATION COMMITTEE***

**Members present:**

Mr PS Russo MP (Chair)  
Mr RA Stevens MP (Deputy Chair)  
Mr DC Janetzki MP  
Ms DE Farmer MP  
Mr SJ Minnikin MP  
Mr LP Power MP

**Staff present:**

Ms A Honeyman (Committee Secretary)  
Ms H Rae (Assistant Committee Secretary)

## **PUBLIC BRIEFING—OVERSIGHT OF THE QUEENSLAND AUDIT OFFICE**

### **TRANSCRIPT OF PROCEEDINGS**

**WEDNESDAY, 14 JUNE 2017**

**Brisbane**

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Committee met at 10.02 am

**BIRD, Ms Daniele, Assistant Auditor-General, Performance Audit Services, Queensland Audit Office**

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

**CHAIR:** I declare open the public hearing of the committee's oversight of the Queensland Audit Office. My name is Peter Russo, member for Sunnybank and chair of the committee. With me today is Ray Stevens MP, member for Mermaid Beach and deputy chair; David Janetzki MP, member for Toowoomba South; Steve Minnikin MP, member for Chatsworth; Linus Power MP, member for Logan; and, in accordance with standing order 202, Di Farmer MP, member for Bulimba, will be attending in place of Jo-Ann Miller MP, member for Bundamba, who has been unable to attend today's briefing. I express my appreciation to the member for her participation.

The purpose of the briefing today is to consider the Queensland Audit Office's draft strategic audit plan. The program for today has been published on the committee's web page. Whilst the hearing is open to the public today, it will not be broadcast. I invite you to make an opening statement in briefing the committee after which the committee will have some questions.

**Mr Close:** Thank you, Chair. I thank the committee for the opportunity to discuss our proposed strategic audit plan for 2017 to 2020. As you would be aware, our process is one of significant stakeholder engagement and research into global trends, national trends and state based trends to try to get the most value out of our performance audit program.

We have a number of themes and, as you can imagine, education and health represent about 50 per cent of the spend of the Queensland government and consequently we will always be performing performance audits in those particular sectors. The key focus that we have seen in terms of education is improving student outcomes as a primary focus of the education sector. The resulting performance audit that we are focusing on in the immediate future is around the Investing for Success program, to look at whether the success of a needs based funding model aimed at improving student performance has actually achieved those results. That is, if you like, the lead indicator in terms of the direct results based on that funding program but also in terms of the lag outcome of translating educational outcomes into employment outcomes. We will also look at a performance audit subsequently in the education program around the VET work. We will basically examine if students are receiving comparable outcomes through public and private vocational education and training providers. That is a new area for us to look at.

In terms of health, the key issue that the performance audit program is focusing on in this sector is around the funding pressures and the key megatrend of an ageing population—having to do more with the same or slightly more. We will look at a performance audit around integrated care, so looking across each of the different types of care options available to patients and seeing how effectively those are being brought forward.

In terms of growing the economy through innovation and digital innovation, this is a very strong theme from a global perspective, as well as a national and state perspective. Our program will look at aspects of the ICT program, particularly monitoring and managing ICT projects, and also how in the education sector the digital future has been rolled out.

Moving on to local government, we have the mandate around the local government sector. From my recent performance audit around financial sustainability, if you think of that as a portfolio performance audit looking at issues around long-term sustainability, we now have a forward plan to break that down into things such as the rating practices, so looking at the revenue side of the equation, and then moving forward into some of the costs and grants et cetera. If you think of that as an extension of our initial report in that space, that sits very well to identify ways that the local government sector can be more efficient and more effective.

In terms of the environment and natural resources, as you would be aware, our performance audit program looks at both financial and social and economic factors as well as risks. Some of the key issues from feedback that we have seen is around the monitoring of environmental conditions for

mining activities. We have introduced a new performance audit proposed around the ERAs, the regulation associated with mining, and how effectively it is being run. We use the example of the Adani mine approvals that have occurred. Later on in our audit program we think is an appropriate time to look at those.

In relation to the process as it stands, I wrote to you in April showing the draft program, and there has been significant consultation and feedback with each of the stakeholders in Queensland government and also the committees themselves. We have tested our proposed topics with the agencies with the same draft we have provided to you and we are in the final stage of considering feedback from clients. Also, the announcements from the budget yesterday may impact on our proposed program.

We would like to acknowledge the feedback from yourselves in terms of the FAC recognising the SPER audit, and I am happy to talk about that further in questions, but also from the Public Works and Utilities Committee where we have changed the oversight committee from the FAC to Public Works for the regulating the builder registration performance audit proposed.

The other key updates that have come from this consultation process have been around the Queensland government's 10-year Housing Strategy. The new strategy has obviously been announced in the budget and so I am contemplating the impact on that and the suitability of the timing. The topic is still obviously important, but we will look at the timing associated with that within our program and whether it is appropriate for the next financial year or perhaps a couple of years down the track.

In terms of domestic and family violence, several initiatives have been brought in by the Queensland government, including victim support and specialist courts. The topic remains in, and we have it in 2018-19 as well to give those initiatives time to better embed to then be able to test their efficiency and effectiveness.

The National Disability Insurance Scheme is another area where we have had significant feedback. Contributing around \$2 billion a year to the NDIS scheme, with the Australian government providing the balance, is obviously a significant issue. It remains a topic on our program but we are proposing to bring it forward to 2017-18, based on consultation with the departments involved, particularly the department of communities.

In the education sector in terms of timing, part of the consultation has sought to bring forward our VET performance audit, proposed in 2018-19, and shift the Students with Disabilities out to 2019-20. There have been some timing shifts and moves in that. Feedback is still coming in from the different stakeholders and we will contemplate that in the final strategic audit plan that we publish.

I will leave that there as an opening to give you a sense of where we are and what the key shifts and moves are from what you have seen as the key themes in the stakeholder areas. I am open for any questions that you may have of us around our proposed strategic audit plan.

**Mr STEVENS:** What are some of the external impacts of the strategic audit plan in terms of how it affects how the QAO manages requests for audits received during the cycle? You mentioned earlier that you may drop the public housing one out of the immediate plan and look at it down the track after the new budgetary measures were included. Energy pricing and energy problems are very much at the top of the agenda, even for the federal government, and obviously have great ramifications for the state. Why would that not be replacing the public housing? What are the external impacts in this period and how do you deal with that in terms of people's requests et cetera?

**Mr Close:** In terms of energy, it is certainly front and centre in our visibility. If you think across both of our reports to parliament around performance audits but also into our results of financial audit, I deal with the pricing, particularly focusing on the price path of energy, within that report. That is not to say that there is not a very good performance audit that looks further than the results of the financial audit in that space that we may look at it.

As you would be aware, with the Finkel review front and centre and the government contemplation, both at the Commonwealth and state level, being a factor there at the moment in terms of timing, I feel that the focus within our funding envelope around the financial audit and the impact on the price path et cetera is sufficient in that space, but certainly there may be additional work required, noting that the responsiveness of timing is probably not the main factor; it is looking at the impact of implementation of government policy which generally, in a period of high churn, requires a couple of years to stabilise and be able to assess effectively. It is certainly at the very front and centre, particularly with significant changes around renewable targets and those types of things as well—diminishing bases et cetera.

**Ms FARMER:** Given you have what appears to be an extremely well thought out plan for the next three years but there are issues emerging or there may be other similar issues, if there is something that you think you should be considering over and above your plan, do you have capacity to then engage external contractors to undertake those audits so that you do not have to drop one that is on your plan? Do you reach a point where you may have planned for an audit to have occurred in the last year of the cycle and events have overtaken you and you realise it is really not justified any longer? How are the swings and roundabouts managed?

**Mr Close:** There are a couple of good questions in there. Certainly from the resourcing perspective, I allocate a portion of the appropriations, specialist skills and capabilities required to support our performance auditors. They do need to supplement because it is a very small and specialist skill base understanding the performance auditing standards, appropriate approaches to evidence based performance auditing and also the construction of reporting to focus on the key issues to create the impact in that space. That skill and capability is not readily available in the market given the small size of performance auditing in Australia and overseas. Specialist skills will generally supplement those capabilities. In terms of capacity, there is a point at which if I do not have a performance audit lead I will not be able to produce any more performance audit reports. Certainly in the vein of the proposal through the recommendation of the strategic review we are taking steps and means to proactively mitigate the risk if we are able to increase our portfolio by building skills and capabilities in that space.

The second part of your question is around responsiveness. What I have done from the previous year to this year, 2017-18, is reduce the number of performance audit reports that we have committed to produce; I have dropped one off. The intention there is not to do one more potentially but to have some capacity to be more flexible and more responsive as we need. Again, it is a drop in the ocean from where I would like to be, but within our current funding restraint I feel it has been the appropriate way to deal with both workload issues and also the opportunity to be more responsive.

**Ms Bird:** Obviously this is a rolling plan as well, so we do revisit it each year. We take into account the fact that, of the 35 topics that we have proposed on that three-year plan, almost half are new because we are taking into account the new challenges and the changes that are occurring—

**Ms FARMER:** It is a strategic direction for you.

**Ms Bird:**—and what is important for us to look at, yes.

**Mr Close:** If I can bring that to a specific point and tie it into Ray's question, we have an audit on our long list around the effectiveness of energy pricing deregulation as well.

**Ms Bird:** Outside the three years, yes.

**Mr POWER:** I note the implementation of the National Disability Insurance Scheme. Obviously that is a key goal for governments—state and federal. Given the vulnerable and tough nature of the lives of the people who are benefitting, it is really important that you are doing that, so I applaud that. One of the key goals of the National Disability Insurance Scheme is to give consumer choice. I know there are a lot of mentions of consumers. In this case we are talking about vulnerable people who often are not consumers in the informed economic sense of the word. Given that it is a key thing to give empowerment and choice to disabled people, how would the Audit Office engage with that subjective and difficult policy objective in auditing it? I want to get an understanding of, where you have those things that do not mesh well necessarily with hard dollar economic goals, how you see whether that policy goal is being met?

**Mr Close:** That is a really good question. I look at it from both a quantitative and a qualitative perspective. We would look at the stated aims associated with the social settings that you have described there and assess on an evidence basis, where applicable, achievement towards that but noting that it would be qualitative generally. The focus of the NDIS performance audit as I have described in the proposed SAP is more around the implementation of the NDIS. If you think about it, it has been running from 2016 and it is proposed to be fully implemented by 2019. There is significant investment by both the state and the Commonwealth governments and we would be looking at how well it has been implemented. The focus of your question may be something that you would look at in greater detail subsequently, some years down the track of operations, noting that it is still in that implementation phase. It may focus more around the review of the implementation approach and its efficiency and effectiveness in that space.

**Ms Bird:** Because that is a 2017-18 year topic, we are just working through what our audit strategy will be for that particular audit. That will obviously be circulated to you. It will be an interesting one to look at, as we said, moving forward because the model is changing and there is a federal component to it. We will be looking at which jurisdiction going forward. We will also look at the likes  
Brisbane

of what you have said in terms of the effectiveness of that new model because it is a national body—so whether it is the ANAO for instance versus ourselves or the audit offices in other states. We are working out in the new operating model for disability who will have the jurisdiction over auditing the various components of it as well.

**Mr POWER:** I think it is a really big challenge because of the diverse needs of people with diverse disabilities to make consumer choice and—

**Ms Bird:** Yes.

**Mr POWER:**—how that is reflected in the new open market environment. There is a whole variety of things that are coming in.

**Ms Bird:** It is a brand-new model where the funding flows to the individual.

**CHAIR:** My question relates to the performance audits. Is it usual for the committee to receive draft audit strategies?

**Mr Close:** It is not unusual. Again, if you think to the role of the Auditor-General, there is oversight by the parliamentary committee and a stronger alignment. I think it is entirely appropriate but, again, that is more of a question for the committee. I was certainly encouraged by the stronger focus and stronger alignment between the QAO—

**CHAIR:** Going forward, when there is something going on we can expect that we would be provided with it?

**Ms Bird:** Yes, for information.

**CHAIR:** You would be aware that this committee reported on the State Penalties Enforcement Amendment Bill on 28 April. Obviously the passing of that legislation means that the way fines are collected is now going to be different. How do you believe that will impact? My view is that perhaps it is going to take time for that to wash through because of the complexities that we identified.

**Ms Bird:** We were aware of that bill. It obviously had not been passed at the time we were planning this particular audit. Obviously it is a long end-to-end process around the fines management. We are looking at the entities—the agencies that are feeding those fines up to SPER—and looking at the efficiency and effectiveness of their processes. The ability for SPER to recover is somewhat reliant on the effectiveness of the processes that the agencies implement before it has even escalated. We are predominantly looking at the feeding of those fines through to SPER.

**CHAIR:** Will you go back as far as the fine issuer? For example, if magistrates issue fines—

**Mr Close:** That is entirely my focus. Being aware of what is happening in the SPER amendment bill, it is predicated on the debt and how you clear the debt using alternative ways of paying or recovering that debt. I am more interested in how it gets there in the first place. Think of the simple issue of where you would send a fine to a homeless person, for example, as a way of demonstrating that sometimes the way of implementing the government policy may not always be as effective as it could be. That is an extreme example, but I am interested in the size of the debt and how effectively that as a mechanism is being used by the departments in the first place.

**CHAIR:** Just to harp on a little bit about that, obviously you refer to the homeless person. Sometimes the disproportionality of a fine that is imposed and the ability for that individual to pay that fine can have an effect on why the fine is not being finalised.

**Ms Bird:** Yes.

**CHAIR:** Would you be looking at the effectiveness, for example, of seizing a person's car—I am trying to think of something. It may be a fairly inexpensive vehicle such that the auction costs for the sale of that vehicle would far outweigh the fine recovered and then you have a person who does not have a vehicle to get to work. There is a whole range of social underlying currents that affects all this.

**Mr Close:** As an example, that would speak to the efficiency of the process and certainly that is something we can look at in there. Again, we would look to see what the intent of the fine arrangement was around the policy setting—obviously, things like fines are set to drive behaviours in the community—looking at both the efficiency of the process and your point around it perhaps costing more to administer that type of arrangement, does value returned to clear that debt et cetera equal the fine, alternative means and measures in that space, the effectiveness of it and potentially looking at the recidivism et cetera around those types of issues.

**CHAIR:** How long do you think that would all take?

**Mr Close:** Our average is 9.1 months at the moment.

**Mr STEVENS:** One of the things that was raised repeatedly in the inquiry we had into the SPER bill was the fact that agencies were not talking with each other. Is that part of your audit?

**Ms Bird:** Yes. We have a number of agencies involved. Our experience has been, particularly for audits like this where it does require the integration and cooperation of different agencies, that us bringing them together in the planning phase to go through what that end-to-end process looks like is invaluable to get them all in a room and talk to one another about how it works and how it flows from one to the other. That will definitely be a part of it. That is one of the valuable things that we can do—obviously having a mandate across all of the agencies, to do the ones across agencies like that.

**Mr MINNIKIN:** Daniele and Anthony, thank you for your time this morning. Anthony, through the chair, a special ‘thank you’ to you and your staff for the site visit we did a few weeks ago.

**Mr Close:** My pleasure.

**Mr MINNIKIN:** My question picks up on what the member for Mermaid Beach talked about in relation to fraud risk management and interagency support. Can you explain how you determine the scope and the resourcing of cross-agency performance audits? As a follow-up question, do you intend to follow up only some agencies or across-the-board with the performance audit?

**Mr Close:** To your second question first, within the funding envelope we have we need to take a sampling approach. The capabilities that we have demonstrated previously enable us to do more than we have been able to do previously. In terms of the lines of inquiry, the audit itself is around the processes that agencies have to identify and assess fraud risk, so we will be looking at the internal controls associated with that and also the responses: are they applying the appropriate risk treatments to those areas of fraud in that space? As you would be aware, we get a lot of referrals from members of the public, from the Public Service et cetera. Those types of referrals will help inform where we can best direct our energy to find valuable recommendations for the public sector.

**Mr POWER:** Obviously there is an attraction for the Audit Office and for some departments to continue to gather data. With high-quality data, you can make more informed decisions. There must be a point of diminishing returns, where the act of collecting data begins to have a greater cost to efficiency and the delivery of service. When you make recommendations about increasing the analytics and data within departments or agencies, is there a cost benefit on the time that it takes to collect that data and those processes? Internally, does that mean that sometimes you do not recommend the collection of data due to the marginal or negative cost of collection?

**Mr Close:** Absolutely.

**Mr POWER:** I ask that question because there is an attraction for the Audit Office, and I think departments as well, to have more and more data.

**Mr Close:** There are two parts to that question, one around QAO and the other around the wider public sector. I will deal with the QAO first. Under my mandate, I can only collect the data required for financial audits and performance audits. We have strict processes in place through our data governance to ensure that what we collect is data that we have collected for a significant number of years via more manual processes. We also have strict processes in place around data retention and things like that, so that it is not just absorbing more and more data for the sake of absorbing data. Our data governance focuses on what data we need to collect, when we need to collect it, how we collect it and why, which is the most important question that we ask before we take data into our organisation.

On the question around the wider Public Service, you will recall from our strategic procurement report to parliament that we have made a statement that we will work with the Queensland government to help make this capability available. One of my primary drivers is the efficiency and effectiveness and supporting our vision of better public services. Accordingly, we are working with DSITI around an effective way of making that capability more widely available. We continue to pursue that very proactively in this space, to ensure that the risk you described of many people collecting many elements of data is not realised.

**Mr POWER:** For instance, in the education department, teachers complain that their time is consumed with the collection of data and the implementation of process. Do departments do a proper costing of the end-time constraints and the opportunity costs lost for various public servants at a very low level to collect that data in a relatively time-consuming way?

**Mr Close:** That sounds like an excellent performance audit. What I can say is that one of the areas you will see on the performance audit plan is around the Open Data Strategy, which has been in place for a number of years. The question I would like to ask through that performance audit is

whether the intent and the returns are being achieved. As you can imagine, there is a significant amount of effort going on in relation to making that data available. Is it achieving its intended outcomes—

**Mr POWER:** Does it lead to a policy change or a change in behaviour in a particular department.

**Mr Close:** While I may not be currently looking at Education et cetera, that intent and that theme is very front and centre for me to make sure that it is being used to get either the quality or the efficiency associated with the decisions that can be made as a result of collecting that data.

**Mr POWER:** I know that the education department would not be alone. There would be a diminishing return sometimes to collecting data that is then not actioned or part of a process.

**Mr Close:** Certainly there are simple ways. At QAO we monitor access of the data. Clearly, if nobody is using it then we probably did not need to collect it is the simple answer.

**Mr POWER:** I think sometimes in bureaucracies we go through a process of beginning to collect data, evaluate the data, make a decision on it and the continued collection of it does not necessarily give much more input, except to the original decisions, but the data continues to be collected.

**Mr Close:** Yes.

**CHAIR:** Going back to the performance audit on SPER, I do not think the question was ever answered in relation to the number of toll debts, for want of a better word, that formed the overall debt. Purely from memory and some of what I have read, it did not appear to be as significant in relation to the overall number that was outstanding. I remember an example that you could have a \$500 debt that is a component of not paying your toll over time. That debt then ends up at \$3,000. My understanding is that that is the fees and whatever added on to it, which were disproportionate to the penalty and the cost of going through the tunnel. At a maximum, you are paying about \$4.50 or maybe \$5, so a \$5 debt has escalated to \$3,000. Is that something that you will look at?

**Mr Close:** Again, as an example, it may be a specific case that we may pursue as part of our lines of inquiry, but it has to come back to the policy setting, the directive, the strategy of the departments involved. Is it the most efficient and effective way of achieving that? Certainly, as it stands, it seems that a strong collaboration with the parliamentary committee as we implement that and learn of some of the key cases et cetera may be appropriate. We can certainly get our performance audit engagement lead to knock on your door and use you as a key input into that particular performance audit. Certainly, as it speaks to the effectiveness of that escalation, maybe that is something that we would look at in the performance audit.

**CHAIR:** From the inquiry, it would appear that there is a series of agreements between the tolling companies and government in relation to the collection of these debts under contracts or agreements.

**Mr STEVENS:** Correct.

**CHAIR:** My understanding is that all of those agreements and contracts have different end dates and some of the dates were quite staggering. They would be way past my use-by date. Would the performance audit look at the effectiveness of those agreements? Would you be looking at whether that is the most efficient way for government to be participating with a private entity holder?

**Mr Close:** Again, probably the first dimension that I would look at in relation to that specific example is proportionality: what proportion of the overall users of that service are in that particular case? Is it an increasing trend? Is it comparable benchmarking to other jurisdictions with these types of relationships or contracts in place? That would potentially create more investigation around the specific settings in that space and, again, tie it back to the way the original strategy or the policy was set against that.

**CHAIR:** I know there are restrictions on the Audit Office in relation to conduct with the media. Is the Audit Office going to do anything in relation to gaining information from the public, which is at the receiving end of some of these things? How are you going to manage that?

**Ms Bird:** Our website has all of our performance audits that are active. Members of the public can contribute and do. For instance, managing mental health is a current performance audit, where we are getting inundated with submissions from the public. It is there. We try to advertise as broadly as we can that members of the public can put submissions on there.

**CHAIR:** How do you get that information out there? I accept that it is on a web page, but, for example, are you able to advertise in the local paper, issue a press release or whatever? Is there capacity for that?

**Mr Close:** The ability is there, and certainly other jurisdictions have taken that approach in specific cases. Examples that we have used are more focused around specific stakeholder groups, such as surveys to the teaching population, principals et cetera in that space. Keeping in mind the performance audit is an evidence based approach, your general approach to that type of action is more around perceptions et cetera, which is entirely appropriate sometimes if that is the focus of the performance audit. Again, I bring it back to the lines of inquiry to ascertain whether or not that type of approach was necessary to draw the public perspective. As we have described to the committee on other occasions, we have more sophisticated ways of undertaking sentiment analysis using text mining and social media analysis as well. Those may be other avenues that I would look to use if I were to look for that type of sentiment from the public as well.

**CHAIR:** There being no further questions from the committee, once again I thank you for coming down and participating in today's proceedings. It is always very informative. I declare the briefing closed.

**Committee adjourned at 10.43 am**