



# ***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 (Research Director)  
Ms K Shalders (Principal Research Officer)  
Ms N Ryan (Support Officer)

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

### **TRANSCRIPT OF PROCEEDINGS**

**WEDNESDAY, 22 MARCH 2017**

**Brisbane**

## WEDNESDAY, 22 MARCH 2017

---

### Committee met at 9.11 am

**CHAIR:** Good morning. I declare open the public hearing with the Queensland Audit Office. The Finance and Administration Committee is responsible for assessing the integrity, economy, efficiency and effectiveness of government financial management by examining government financial documents and considering reports of the Auditor-General. In addition to other functions, the Auditor-General Act 2009 tasks the committee with reviewing the annual reports of the Auditor-General. Additionally, under schedule 6 of the standing rules and orders, the committee has oversight responsibility for the Queensland Auditor-General.

I am Peter Russo, the member for Sunnybank and chair of the committee. With me here today are Mr Ray Stevens MP, the deputy chair and member for Mermaid Beach; Mr David Janetzki MP, member for Toowoomba South; Mr Linus Power MP, member for Logan; Mr Steve Minnikin MP, member for Chatsworth; and Ms Di Farmer MP, member for Bulimba, who is attending in place of Mrs Miller MP, who has commitments as chair of a select committee.

Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath, but I remind witnesses that intentionally misleading the committee is a serious offence. These proceedings are similar to parliament and are subject to the Legislative Assembly's standing rules and orders. In this regard, I remind members of the public that under the standing orders the public may be admitted to or excluded from the hearing at the discretion of the committee.

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 might be filmed or photographed during the proceedings. I ask everyone present to turn mobile phones off or to silent mode. The program for today has been published on the committee's web page and there are hard copies available from committee staff.

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

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

**CHAIR:** I welcome the representatives from the Queensland Audit Office. I invite you to make an opening statement, after which committee members may have some questions for you. I apologise for the late start.

**Mr Close:** That is all right. First of all, thank you very much for the opportunity to be here today and for the valuable oversight that your committee provides to the QAO. We commence by focusing on the annual report. You might have noticed that the report that we tabled is different in nature. It is utilising a concept called integrated reporting. The intention of integrated reporting is to focus more—if you think of financial results as the result, it is about what activities and material issues of an organisation that drives the creation of value are in place. It is a fundamentally different way of annual reporting and demonstrating leadership in public sector transparency. We used it for the first time for the 2015-16 annual report.

The benefits that we see to it is that it allows us to better communicate how we create value as an organisation back into the public sector and to yourselves. It also allows us to better align our performance reporting on how we are performing against our objectives. As an executive team at the QAO, it enables us to focus our decision-making. I hope you found that changed approach more valuable, open and transparent for yourselves and we would be very happy to take questions around it shortly.

Within the annual report, I will draw your attention to page 8, which is what we call a service logic model. It is the business model that the QAO operates on. As you may be aware through our report to parliament in 2013—report No. 18—around performance monitoring and management, the service logic model is an important way of focus the energy of the organisation towards adding the value that it provides. On page 8 we represent the service logic model for the Queensland Audit Office

and, particularly within that, I draw your attention to the outcomes that we look to achieve better public services. As you would probably be acutely aware, maintaining confidence in the financial reporting, transparency and accountability of the public sector entities that we audit through our financial audits and through our performance audits increase the efficiency, effectiveness and value for money of public sector service delivery.

Further areas in terms of really bringing home the vision that we strive for around better public services is increasing the capability and maturity over time of the way organisations in the public sector report and undertake their financial reporting. For us, that is the focusing model, if you like, around everything that we do. It has been responsible for the efficiencies and increased economy that the QAO has been able to provide in its own operations, such as the average cost of financial audits between 2011 and 2015 reducing by 16.5 per cent—a five per cent reduction in the time taken for performance audits—and I think also in terms of increased customer and client satisfaction that we have been able to achieve across both parliamentarians and public servants.

In terms of moving forward, I have provided a briefing to the committee around our focus for 2016 and I would like to touch on a few of those in terms of how. We focused on further strengthening our client relationships. We have in place a fairly focused stakeholder engagement strategy, which we will continue to refine and evolve to better meet the needs of our clients. You would particularly note in the briefing the question around how we engage with parliamentarians is a question that we are seeking to resolve and we would certainly appreciate any feedback.

Our campaign approach to improving public sector capability is aligned with that third outcome. That has led us to campaigns around timeliness and quality for public sector entities in their financial reporting obligations. We are noticing an uplift in all sectors based on the traffic light reporting under which we produce each of our reports to parliament now. It benefits both the public sector, particularly the finance departments, in smoothing their workload and also the QAO in smoothing our workload. It is one of our strategies as better timeliness improves the quality of the financial statements but also it assists with trying to limit our resourcing workload—an issue, which you will note, is one of our material issues.

The other campaign that we are really focused on at the moment is around asset management and improving the way assets are viewed and registered. We will release next month a draft for consultation of a better practice guide for asset valuation—a very comprehensive guide—that is entirely focused around the public sector. There has been a considerable lack of information and guidance available generally, so we are filling the gap with that draft, noting the unique nature of the way assets are valued in the public sector. We are also focusing our audit analytics on providing better visibility and information around the asset registers and information so that it can be more represented accurately in our clients' financial statements.

Our strategic audit planning is progressing well. It is on track. We will be providing a draft for consultation with the committee next month. In terms of improving our capabilities around strategic audit planning, we are focusing on better environmental scanning, having improved previously our approach to the prioritisation of the performance audit topics that we undertake. We will now be doing social media analysis to understand what is important to Queenslanders and have started to do concept mapping around what is important to parliamentarians through text mining of the *Hansard* data, for example. We are bolstering our capabilities using our audit analytics to look not just at the numbers but also at the perspectives and issues et cetera that are important to key stakeholder groups.

In terms of the resourcing shortfalls, we note the continuing impact of the legislation constraint that we have since the strategic review of 2003 and again in 2010. The employment of my staff under the Public Service Act constrains our ability to fight for talent in a very competitive market. We have been able to partially solve that through an attraction and retention incentive scheme aligned with a PSC directive for particular cohorts within the QAO, but it still remains an issue for us. In addition, I think we are covering off everything that we can within the constraints that we have.

The new innovation and insights is the other part of the briefing. We will continue to collect and aggregate analysis data for our audits, but we recognise the significant value that the public sector can obtain from the information and the processes that we have developed. As a further update, I am meeting with the leadership council of the government this month and also meeting with the DG council to try to progress a way forward. As I say in our briefing, I have come to the conclusion that we are very constrained around the legislation. I particularly draw your attention to section 53—confidential clauses—which requires us to bring in the data but only be able to divulge or disseminate that using an instrument of the audit as defined in our act, so things like performance audits et cetera.

**CHAIR:** That is something that you spoke about the previous time.

**Mr Close:** Yes.

**CHAIR:** It is something that you would encourage an amendment to the act to allow that?

**Mr Close:** Yes. I think it is important to brief the committee and maintain the oversight. I am just providing an update of where we are.

**CHAIR:** Thank you.

**Mr Close:** In terms of opportunities for greater autonomy, we await the results of the strategic review, which I understand should be tabled shortly, and we look forward to the committee's response in that space. In terms of our current audit program for 2016, 11 performance audits have been tabled and we are on track to deliver another 10 before 30 June—two in financial audit in Education and Local Government and eight performance audits as well.

I hope that I have given you a good overview of progress and where we are at. Certainly, I am happy to take any questions that you may have around our annual report or any of the topics in the briefing.

**CHAIR:** Obviously, one of the issues for any department is funding. On page 18 in your annual report you say that you expect you will be able to undertake fewer performance audits given that parliamentary funding has not changed significantly over the past five years. Could you outline for us what particular funding issues are affecting the performance? Are you able to give an estimate of what the Audit Office requires in funding? Probably the best way to explain is that there is the gold standard and then there is what can be expected in a fairly tight fiscal environment. Probably to add to that, the reason I ask the question is, to me, I think it is important that we know what is needed.

**Mr Close:** Thank you, yes. There are two very good questions in there. As you would be aware, the funding provided for performance audits is through appropriation. That has remained largely consistent since we have had our performance audit mandate. One of the constraints of our independence is, obviously, if the Public Service Act enterprise bargaining agreement creates an increase in salaries. That reduces the number of performance audits, or the hours that we are able to devote, because the costs go up. Rent—those types of things—all impact the expenses side. If you think of the appropriation as our revenue remaining consistent and nothing else changing over time, it will translate to fewer performance audits.

We counter that through our audit approach by how we scope the lines of inquiry and look at sampling in deep detail sufficient to be able to demonstrate the issue that we are looking to identify but, in the current environment with a consistent appropriation, certainly, if you think of a particular sector where there are multiple divisions, we might look at three out of 10 rather than potentially all 10, which may be of more value to our clients, but, equally, that costs more. We try to balance within the performance audits that we do. The challenge over time will be that the number of performance audits will simply need to reduce and it will become ineffective to take that more balanced or sampling approach to our performance audits.

I would like to think of a performance audit as an insurance policy for the Queensland government. It demonstrates the checks and balances nature of the Audit Office and the role of the Auditor-General. Consequently, the questions are around, 'How much do you need?' 'What sort of insurance would you like?' Sorry, there is not a simple answer. I could, effectively, look at the capacity of the organisation. I think that I could double the performance audit appropriation tomorrow and I think that I would get better results but, again, it would be a matter for those charged with governance in our authorising environment to determine.

If I were to double it tomorrow, it would not translate to necessarily doubling the number of performance audits. If I bring you back to our service logic model, we have put a lot of time and energy into the efficiency and economy of the organisation. Where we are really focusing strategically moving forward is on the effectiveness and the client relationship, as I describe in the briefing. With more appropriation, I would look to increase things like better practice guidance, the follow-up around our recommendations—moving from the outputs, the reports that we produce, to the outcomes that we can achieve towards better public services through following up the recommendations and assisting the public sector to implement and improve as a result of the issues that we identified and a range of other things that we would also utilise that funding for.

**CHAIR:** How do we get to the point where you can put a number on achieving those results? I understand that what you are saying is the amount of dollars that you have is impacted on by a number of factors such as pay increases and rent. There are many external factors that in five years you would have seen significant rises in—wages, entitlements and possibly rent. You have those

factors that will occur on a yearly basis. Is it a number that you would know easily now what it would be to help you achieve those results or is it a number that you cannot articulate without a little bit more research?

**Mr Close:** We have done a lot of investigation and there are a range of factors. I spoke about the capacity of the organisation to ramp up its performance audit program on one side. The other factors that would have an impact are, if you like, the revenue of the government and also the asset base are a way of ascertaining a relativity for; if you think about an insurance policy, what percentage of that would you seek to apply performance audit governance over. The other way we look at it as well is relativity to other jurisdictions and certainly organisations similar to Victoria, New South Wales, et cetera, but also with a local government mandate that some have not had in that space. I think we are very underfunded in that space as well. I am very happy to put together a paper around it for the committee if that is of value.

**CHAIR:** I need to think about that for a moment. Could I hand over to the deputy chair.

**Mr STEVENS:** In your opinion are there any particular entities that are either government controlled or supported by government funding that you are concerned about in terms of their financial operations and whether this committee would be justified in doing further inquiries that may achieve information that you possibly cannot achieve through your audit process?

**Mr Close:** The financial audit process itself identifies those public sector entities where we have ongoing concern issues and they are well publicised in our reports to parliament. In terms of access, I do not feel constrained around the information or data that I can obtain in that space. I am confident we have full powers under our act to be able to access the information we need to determine those.

**Mr STEVENS:** Following on from the chair's question, in terms of the expanding size and roles of government by the very nature of growth in the state, have you looked at a formula that would allow for increase in rents and all the cost factors that you mentioned earlier? Have you looked at a formula that would provide an ongoing independent funding model for the audit office that would survive different governments in different economic circumstances to ensure that the integrity of an independent report keeps coming forward through the audit office to the people of Queensland? In other words, have you looked at a CPI increase or a whatever model that you could come up with rather than going cap-in-hand, 'Please, sir, can I have some more?', for funding for your performance audits and all the other matters that you are required to follow?

**Mr Close:** That is a very interesting question and, yes, I have looked around particularly the asset base and the revenue of the Queensland government as one way of ascertaining that. That does add variability year by year as well, which can be overcome with smoothing those types of things as well. As you would be aware from our submission to the previous government's parliamentary committee inquiry around strengthening the independence of the Auditor-General, the alignment more towards the role of the Auditor-General as an officer of parliament rather than reporting through the lines of the government of the day is probably an important factor here as well. One model is recognising the performance audit mandate has been in place for about five years and there was an initial amount and it could be resetting what that is and then applying an indexing type approach to our funding to cater for rent increases, wage increases, those types of things. The other model is that it becomes more responsive. If we were to be provided oversight as an officer of parliament through to the committee, more focused, the budget setting would occur with the parliamentary committee and that would provide the ability to be able to increase or decrease based on the issues and strengthening the SAP process to say if I look at it now I have around 90 performance audit topics that I could undertake and working with the parliamentary committee based on our prioritisation we constrain it at around the 10 to 13 depending on funding it may be that the numbers could be more dynamic around our funding based on the topics that we are looking to pursue.

**Mr POWER:** At pages 9 and 10 we have the client relationships and the values. In relation to the survey sample and consistency, obviously with the MPs there is a limit of 89. When I got the survey I printed it out and looked through it. I was yet to be on the FAC but had taken some interest in the previous committee, but did not feel I had the knowledge to be able to give a quantifiable number so I chose not to complete the survey, being an MP for only two years, and to make a judgement on your organisation. Reasonable interaction but not complete. The MP sample is obviously not very large. At least one did not fill it out. Are there survey samples and consistency problems with that data?

**Mr Close:** Thank you for the question. The simple answer to that one is no. The surveys are undertaken as independent surveys. We do not undertake those, they are outsourced to a research firm. Part of the results that they provide test for validity of the survey, that it is representative, and if

they were not we would not publish or produce those. I appreciate the approach to the survey. We value the results we get and we have a very robust process around reviewing our approach based on the feedback that we get. I will flag the index points that we describe are actually positive statements made by the survey respondents—in this case parliamentarians—so it is not a neutral or a negative or a strongly negative so it is either they agree or strongly agree with the statements made as well, which is obviously a harder target to achieve than not being negative that you may see in some survey responses.

**Mr POWER:** Where the audit office is giving tough audits and trying to force a change in culture, that might make the role of the Auditor-General less popular within the Public Service but he is doing a better job because he is more actively taking on the role. Is this useful? There are remarks about professionalism. When you are trying to force cultural change on your clients, if you are undertaking a change in the attitudes or accepted practice, those numbers may go down but it may not reflect a poorer performance from the audit office.

**Mr Close:** Yes, certainly. What you are describing for me is the difference between client satisfaction and impact. Sometimes those two things can align and sometimes they can be very divergent indeed. We have discussed and debated this in great detail over time and I think it is important to reflect that it is important to have the measure, it is important to have the target, but it is also important to realise that sometimes, based on the examples that you describe, that you are not going to meet that target but understanding and being prepared for why is also important. If any of these things are a surprise to us then we probably do not have our finger on the pulse to the level we should. We look at the performance audits we do particularly and we look at how that may impact based exactly on that. Having said that, as I spoke to in my opening statement, our focus for the last couple of years has been on the efficiency and the economy of the office. To be truly effective we need to be able to also skilfully provide that cultural change or highlight, put a spotlight on, the issue, but also take the clients on a journey more so. As I have described, our funding certainly is one of the constraints through under resourcing and our ability to do that to the level that I would personally like to be able to, which still puts customer satisfaction front and centre.

**Mr MINNIKIN:** Thank you for your time this morning. I notice on page 21 of your annual report, one of the fast facts on the left-hand side is that 94 per cent of your financial auditors are professionally qualified or are working towards their qualifications. My question is how many financial auditors are employed by the Queensland Audit Office?

**Mr Close:** It changes day by day, but it is around 134-ish at the moment. Obviously we hire qualified accountants but doing their professional year either through CEA or CPA. That is a measure of the professional standards that we set.

**Mr MINNIKIN:** Given the fact that there is a percentage that are undertaking financial audits that are technically—not technically, in absolute terms—unqualified, what are the risks and impacts of the financial audits of those not holding professional qualification? I guess, importantly, how does the Queensland Audit Office manage that risk internally?

**Mr Close:** Just to clarify, they are qualified accountants but one of our strategic challenges is that you do not get an auditor out of an accounting degree. We take qualified accountants and have a very rigorous graduate program to give them the skills and capabilities.

**Mr MINNIKIN:** Postgraduate qualifications?

**Mr Close:** Yes.

**Mr MINNIKIN:** They have a bachelor of business in finance or whatever and they are qualified to do an audit under supervision, but then in turn they are looking to get a postgraduate qualification.

**Mr Close:** Yes, such as acceptance to CPA or CEA so that is what that measure is looking at. In terms of our graduate program, I have put a lot of time and energy into strengthening that and also the recruitment process around graduates. We treat the first year in which our auditors come in as a learning year. We get them to work on audit procedures. We have rigorous quality processes in place. But really we are investing in graduate auditors for the first year and we will do things like rotate them through different parts of the business. Each of our graduate auditors will go into performance audit, they will go into our audit analytics team, for example, and see how other parts of the business work so that we get a more integrated approach into what we do.

**Mr MINNIKIN:** I guess I am just seeking comfort that all the financial audits are ultimately signed off by someone who is not only qualified but also has postgraduate qualifications as well.

**Mr Close:** Yes. The six per cent is around the graduate auditors. Team leaders, engagement leaders, signing officers, et cetera, will have many years of professional membership.

**Ms FARMER:** Thank you very much for the opportunity to talk to you. I just wanted to go back to the engagement strategy that the member for Logan was asking about. I have a couple of questions. Regarding your relationship with MPs and with parliament, you referred to needing to resolve—I think was the word you used—your relationship with parliament. Can you explain what that means?

**Mr Close:** In the briefing that I provided to the committee, we had taken the approach and we are very keen to work with parliament again to achieve the outcomes and not just keep sending you reports. The way we have done that is through briefings available to members of parliament and we have generally run those on Thursdays, at lunch time. Recognising the sitting weeks and the competing pressures for time and things like that, we have not had a high turnout. Those who have attended have found it useful and valuable to really, one, get an overview of the report and, two, if they have read the report to seek any answers to questions directly from either myself or the performance audit manager who ran the performance audit. In terms of efficiency, et cetera, I think the model is not as useful as it could be, so we are investigating different ways of doing that. One of the options that we are working through with parliamentary staff is around the potential to provide one-on-one briefings across the week, to be able to better allocate time that is suitable to yourselves and have a direct engagement around the performance audit topic that we have tabled on, but we are very open to other ideas as well.

**Ms FARMER:** You referred to text mapping of Hansard and I want to go onto the social media mapping that you discussed, as well. What are you actually looking for in the text mapping? Without actually knowing how that is done, it sounds like an enormous amount of time and work. How exhaustive is that process? What are you looking for and what are you getting out of it? If there is some concern from you about the way to engage with members of parliament, I wonder whether, in fact, this committee could help you with that. We know better than anybody how and when members of parliament like to be engaged. There might be a very practical way for this committee to assist you.

**Mr Close:** We would appreciate that.

**Mr POWER:** To add to that, our honourable and loyal opposition sometimes get obsessed about a particular thing. The data coming back—

**Mr STEVENS:** About you, Linus.

**Mr POWER:**—from that text mapping may not be reflective of the broader concerns. Often in parliament particular things happen.

**Ms FARMER:** That is why I am keen to unpack what it is that you are looking for in the text mapping. Is it yielding what you are looking for? How exhaustive a process is that?

**Mr Close:** It is actually to the contrary. It is a way that we can more efficiently understand the key issues. If I bring it back into the context of our strategic audit planning, there are two parts to what we do. We undertake environmental scanning, so we look at international trends, national trends, state-based trends and sector-based trends to help, as an input, determine what is important, what are the trends and themes, et cetera, that we should be putting more investigation and effort into. One of the challenges we have around that is understanding, from a complex set of stakeholder groups, what is important to them, what they are talking about and those types of things. We are not dealing in facts; we are dealing in perspectives here.

**Mr POWER:** Can you give us a concrete example of something that might have come out of that type of text data mapping?

**Mr Close:** I am very happy to share, if I may just finish the first question. The way we have done that traditionally is by auditors reading through a significant amount of documentation, which is very labour intensive. They may look at a range of things, including *Hansard*, which was an example. Having bedded down the numbers side of our audit analytics, we are now exploring text mapping as an innovation in that space. We have been able to accelerate the labour-intensive work that some auditors have needed to do in understanding a topic or understanding the different perspectives as part of that strategic audit planning, into a high-level concept map. Specifically, that is drawing the repetition in numbers around whatever information you put in, whether it is *Hansard* or something else, and looking at the proximity of different words to each other. It is not an onerous or onerous effort, but it helps to focus the auditor's attention. It does not replace auditors, but it helps them to focus their attention to where that particular concept or text field is important against other inputs and then focus their research more effectively than they have been able to before.

**Ms FARMER:** I am sorry, Mr Chair, I am conscious I am hogging the time. I would be keen to get an example, as the member for Logan raised. If I think of any one week in parliament, it is going to be influenced by the legislation that is going through and by whatever messaging either or all of

the political parties wishes to get up that week, which is not necessarily a reflection of what our overall—with the greatest respect to everyone here—priorities are. This is politics played out for particular purposes. Therefore, I am keen to get an understanding of what sorts of results you yield and how that influences you. I do not think the repartee in parliament is necessarily a reflection of overarching priorities.

**Mr Close:** I 100 per cent agree. It is an input, as I described; it is not the result. The other comment that I would make is around the temporal nature of what you have described: we do not look week by week; for us, it is providing a level of efficiency and automation to a once-a-year process around the strategic audit planning that we do. You find much different results looking at that type of text and data over time than you would, say, week by week. In that example, if you were talking about something every week over eight months it would probably have higher prominence than if you spoke about it that week in parliament and then never spoke about it again.

It is important to reflect that this is part of our innovative approach. The way I do it is that we iterate and we contain it and apply it and see if there is value towards our audit delivery or the quality of what we do. If so, we will roll it out more widely in that space. We are finding benefits, as I described, around the auditor efficiency in targeting where they look across a range of different stakeholder inputs.

**Mr JANETZKI:** I want to return to a couple of specifics on the financial audits. Before I start, I commend the QAO for the quality of the reporting. It is really good.

**Mr Close:** Thank you.

**Mr JANETZKI:** In particular, I want to go to the 2015-16 results of financial audits, I think it is appendix C, where you list out audit opinion results and you list out per minister the various audits that have been undertaken. I want to go to the Minister for Health and Minister for Ambulance Services.

**Mr Close:** Can I ask what page you are on?

**Mr JANETZKI:** It is page 76. Does the QAO undertake an audit of every entity that falls under the minister's remit in any one year? I notice that a whole range of hospital and health services do not appear to have had a financial audit undertaken.

**Mr Close:** We undertake financial audits of every public sector entity as it is defined through appropriation or other means. The process is that, if an entity is created, the minister will write to me and request the Queensland Audit Office to undertake a financial audit of their operations on an ongoing basis in general terms; there are variations, as well. We do exempt some small- and low-risk audits. If they have passed the test of being both small based on revenue and a number of other factors and risk, then we allow them to engage their own auditor. That is a very small exception. On the specifics of the ones that you feel are missing, perhaps it would be helpful if you—

**Mr JANETZKI:** For instance, towards September or October 2016, there was a significant concern with the Cairns and Hinterland Hospital and Health Service. I do not see them on this list. Did QAO undertake an audit of that particular service?

**Mr Close:** Yes. We audit all 16 HHSs, as well as the department of health.

**Mr JANETZKI:** Under what heading would that fall in that table?

**Mr Close:** I am on a different page, at the moment. Page 76 is the glossary.

**Mr JANETZKI:** I am sorry; I am looking at the 2015-16 results of financial audits.

**Mr Close:** It is a different document, yes. Yes, we did undertake a financial audit on the Cairns HHS.

**Mr JANETZKI:** Where would that be listed in this particular table?

**Mr Close:** I do not have the document in front of me, but I will say that the—

**CHAIR:** I am sorry, Mr Close, but I am conscious of time and I have one more question that I need to ask before we close. Should this be a question taken on notice?

**Mr Close:** Certainly, but I can answer it quickly in that the reports are available. We comment on the Cairns HHS in the report to parliament around the health services. The details are all available in our report.

**Mr JANETZKI:** I was intrigued that it was not in this particular table. Maybe it was consolidated under another heading. To follow on from that, did you ever receive any instruction from the minister or the health service itself to undertake an additional audit, given the financial issues that were uncovered towards the end of last year?



**Mr Close:** I would not use the word 'instruction'. We do get requests and we treat those as referrals which we assess: one, is it in our mandate and, two, is there something of significance that I would want to investigate in that space? We did receive a referral around the Cairns HHS and we did look further. I chose to put the results of the investigation that my team undertook in our report to parliament around health. We focused on the financial stability of each of the HHSs in there and identified a few that are starting to indicate financial stress. We also flagged the response by the department of health system manager to look at that on top, very closely monitoring through their governance, as well. They were very timely in their response, which you will find in that report, as well. We will continue to monitor the financial sustainability of each of the HHSs. You will see those in each of my annual reports on the results of the financial audits for the health services.

**CHAIR:** Mr Close, this will be the last question: in report No. 1 of 2016-17 there was a referral to expectations and there has been a report prepared, I am not sure by whom, in relation to strategic procurement and expected savings. Who prepared that report?

**Mr Close:** I am not aware if the departments have prepared a report. That may be a better question—

**Mr STEVENS:** There was a report done that identified that there could be savings of up to \$1.3 billion or 13 per cent of the \$10 billion expenditure for procurement. We talked this matter through in terms of possible government savings. The committee would like to see the basis for that assessment and where the figure came from that, as a Queensland government and on behalf of all Queenslanders, we could see \$1.3 billion in savings. From where was that figure derived? It came from an independent advice to the Audit Office for the review into the procurement process to proceed. We would like to look at how they managed to get to the figure that there could be a 13 per cent savings if there was that bulk-buying power right across all government from the original central purchasing process.

**CHAIR:** My understanding was that a report was prepared.

**Mr Close:** We are happy to take that as a request and investigate as to whether we can—

**CHAIR:** We would like a copy of that report provided to the committee.

**Mr Close:** Sure.

**CHAIR:** I am conscious of time and, although we had a late start, we have time restraints on us today. That concludes the briefing with the Queensland Audit Office. Thank you for your attendance today. Thank you, Hansard. A transcript of proceedings will be available on the committee's parliamentary website in due course. The secretariat will follow up with you in regards to the report. I declare this public hearing closed.

**Committee adjourned at 10.00 am**