



GOVERNANCE, ENERGY AND FINANCE COMMITTEE

Members present:

Mr MJ Crandon MP—Chair
Ms B Asif MP
Mr JT Barounis MP
Mr LR McCallum MP
Ms KJ Morton MP
Mr LP Power MP

Staff present:

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

PUBLIC HEARING—OVERSIGHT OF THE AUDITOR-GENERAL

TRANSCRIPT OF PROCEEDINGS

Wednesday, 19 February 2025

Brisbane

WEDNESDAY, 19 FEBRUARY 2025

The committee met at 10.29 am.

CHAIR: Good morning. I declare open this public hearing. My name is Michael Crandon. I am the member for Coomera and the chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander peoples whose lands, winds and waters we all share.

With me today are Mr Linus Power, the member for Logan, who is substituting for Mr Chris Whiting, the member for Bancroft and deputy chair; Ms Bisma Asif, the member for Sandgate; Mr John Barounis, the member for Maryborough; Mr Lance McCallum, the member for Bundamba; and Ms Kendall Morton, the member for Caloundra. This hearing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee.

This hearing is not being broadcast but you may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. Please remember to press your microphone on before you start speaking and off when you have finished. Please turn your mobile phones off or to silent mode.

BROWN, Mr Darren, Assistant Auditor-General, Queensland Audit Office

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

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

CHAIR: Good morning to you all. Would you like to make an opening statement before we start our questions?

Ms Vagg: Thank you, Chair, and good morning. I, too, would like to acknowledge the traditional custodians of the land throughout Queensland, including the Turrbal and Yagara peoples. Thank you for the opportunity to brief the committee on the Queensland's Audit Office's annual report, our budget process and my recent reports to parliament. With me today are Patrick Flemming, my Deputy Auditor-General, who coordinates the QAO's budget and annual report; and Darren Brown, my Assistant Auditor-General, who supports the delivery of the reports to parliament that we will discuss today.

I will step through the key points of the QAO's annual report and budget as well as the two reports to parliament. The 2023-24 annual report summarises the QAO's performance, operation and business highlights. The QAO, through our financial and performance audits and reports, provides assurance, recommendations and insights to state and local government entities. This helps to keep them accountable and improve the services that they deliver. The Auditor-General Act 2009 governs the powers and functions of my role, including the types of audits that I undertake. I further define the way I go about those audits in the Auditor-General Auditing Standards. These standards include the legislative requirements of the Australian Auditing and Assurance Standards and definitions of my public sector mandate. This mandate provides assurance to parliament on the appropriate stewardship over public sector entities and decision-making over the use of public resources. These standards are updated regularly and we are currently reviewing them to better reflect those public sector objectives. Once updated, the revised standards will be tabled in parliament.

The QAO progressively audits the financial statements of all public sector entities, state and local governments through our financial audit program. In 2023-24, we issued 414 audit opinions and tabled eight reports to parliament on the results of those audits. To fund those audits, we charge fees to public sector entities structured for full cost recovery over time. Last year, this represented \$46 million in revenue.

The QAO also examines the performance of state and local government entities and highlights opportunities where they can meet their objectives more efficiently, effectively and economically. These are known as performance audits. In 2023-24, we tabled seven performance audit reports. For all reports to parliament and some operating costs, I receive an appropriation. Last year that was \$8 million. The fee for financial statement audits and appropriations for performance audits represented total revenue for the office of \$54 million.

We deliver our work programs by employing a highly skilled and qualified workforce of around 200 people who are all suitably remunerated. We also work with private sector firms known as audit service providers. Those providers delivered 45 per cent of our financial audits, all outside of government departments. The audit service providers are subject to all the same confidentiality and independence requirements as my officers. These arrangements also give us insight into our fee rates and remuneration and how it compares with the private sector.

The QAO remained financially sustainable in 2023-24, I focused on driving efficiency and improving operational management and we continue to do so. We manage our productivity to ensure our resources are efficient and effective. We benchmark our productivity and the cost of our services delivered against other Australian audit offices each year. Over the past five years, the QAO has consistently achieved higher productivity rates than our peers and has the second lowest cost per hour charged for audit work. Like all organisations though, there are some areas for focused improvement, including the cost and timeliness of reports to parliament and ensuring we continue to embrace technology to support the delivery of our program. I am also responding to the recommendations made for improvement in the 2023 external Strategic Review of the Queensland Audit Office.

Looking now to the future and our budget process, as part of the state government's budget process the QAO provides the annual budget submissions to Queensland Treasury through the Premier. We have new requirements under the Auditor-General Act in which I give proposals for additional funding to this committee. Examples of additional funding may include funding for significant asset purchases or systems replacement. I do not expect to request additional funding for the 2025-26 budget year and I will confirm this in writing to the committee after this briefing.

This committee is also responsible for approving increases in the basic rates of fees we use to calculate our audit fees for financial audits—that is, the 414 opinions. We calculate the revenue we earn for each of our audits using those hourly rates and multiply it by the actual number of hours undertaken by my staff. Last year, the former Cost of Living and Economics Committee approved a 10 per cent increase in our basic rate. This has translated to an increase in audit fees of approximately six per cent in 2024-25. I expect last year's rate increase will be sufficient to cover our planned expenses this year. While I do not intend to request another rate increase or any additional funding for 2025-26, this may be required in future years.

Climate reporting may impact our budget in the future and we are also expecting to be impacted by EBA wage, service provider and other operating cost increases. I will continue to consult with this committee on finalising the budget process. I can step through at any point how our budget is developed. There may be some benefit in developing protocols outlining the roles and responsibilities of all relevant parties and relevant timeframes, and there are examples in other governments within Australia that we can use to base those protocols on.

As mentioned previously, one of the key accountability measures in our legislation is the five-yearly independent strategic review of the QAO. We are currently addressing the recommendations from the 2023 strategic review and have closed 13 of the 47 recommendations made to the QAO. The review has also made two recommendations to this committee and five other recommendations requiring legislative or other changes, including that the appropriation budget of the QAO is not subject to efficiency dividends or similar. I will also provide a more detailed written update on the status of these recommendations after this briefing.

Moving on to the reports now, the 2024 status of Auditor-General recommendations report summarises the progress entities told us they are making to implement the recommendations from our reports tabled in 2022-23 and any outstanding recommendations from previous years. We are monitoring entities' progress and, where we see that more priority is needed, we may adjust our audit program to include additional focus in those areas.

In September 2024, I tabled my report, *Central agencies' coordination of the state budget*. The state budget is the foundation for directing funding for government services and assets. We found that, while the process Queensland Treasury is using for preparing the state budget is generally effective, there are opportunities for improvement. The budget submissions made by agencies and

assessed by Queensland Treasury differed in detail, especially about costing, staffing requirements and stakeholder consultation. We made several recommendations to help improve the quality and review process of those submissions.

Since tabling the report, I have written to the directors-general of departments to highlight the recommendation I made to all departments emphasising the importance of early engagement with Queensland Treasury and the Department of the Premier and Cabinet when developing budget submissions. It is important to note with that report that our audit did not form any view about the appropriateness of the budget, the reliability of financial estimates or the sustainability of the state's budget. I look forward to working with this committee during the 58th Parliament and am happy to take any questions that you might have.

Mr POWER: We have regularly talked about the need to attract and retain staff and the competitiveness of outside employment for highly skilled accountants and others. What is the market for staff retention and what efforts are you putting in to both attract and retain staff?

Ms Vagg: It is definitely one of the greater challenges of our office. Our workforce is critical to the success and performance of the QAO. For the QAO, like private sector entities, it is definitely a challenge to attract staff. We have been working very hard on our employee value proposition: what is it that makes the QAO special to work at and what can we do to attract staff into the QAO? The tagline of better public services is important to us internally but it is also important in the way we attract and recruit staff. We find attracting graduates and other staff to contribute to good public sector outcomes is a good way to go.

In terms of our attrition rates, they have reduced over the past couple of years—in fact, they have halved, which is really good to see for us. It means the cost of recruiting staff and training staff has reduced, but it is always something that we need to watch and maintain. We are quite fortunate that we are able to suitably remunerate our staff as well. It is a key point where we compete with the private sector that we have suitable remuneration frameworks.

Mr POWER: After such a significant increase last year, which was called upon with some urgency and also with a considerable call for a change in the legislation, it is surprising that this year there is not any call for an increase.

Ms Vagg: Our costs are now being recovered through the 10 per cent increase. It is converted into a six per cent increase in audit fee revenue that we can use to increase over time as well. It is covering our costs as needed. We do have some emerging cost pressures coming. We have a back office system replacement that is required. While we have been saving over time for that, they are expensive to implement. Our audit service provider costs are increasing, as are our wages over time. For this year's budget, we are okay with that fee increase but we will need to look at it going forward.

Mr McCALLUM: Thank you for your opening statement and welcome to today's hearing. We appreciate your time. I refer to your report that looked at central agencies' ability to track a line agency's budget submissions et cetera. Would it be fair to say that your report found that Treasury's ability to monitor performance against the submissions was challenging? It mentioned a system called TriData. Could you please expand on that and perhaps give us a bit of an explanation about what the limitations and the challenges are?

Ms Vagg: I can. There are two systems that we talk about in our report. One is BudgetPlus, where budget submissions are entered into that system. That system is used for submissions through the budget process itself. When there are submissions outside of the usual budget cycle that system is not actually used so there is a limitation, therefore, on monitoring. TriData is where budget updates and actual performance is entered or collected by Queensland Treasury. That system is very old. It is 25 years-plus old and it does not have the functionality to have any performance outcomes included in that particular system. We are aware that Treasury at the moment is running a process to replace the TriData system. It is in the early stages of system replacement, but it is my understanding the intention of Treasury is that information will be able to be collected and monitored through the implementation of a new system.

Mr McCALLUM: How does your report, and the limitations that you have spoken about, relate to the Mid-Year Fiscal and Economic Review? Would TriData, or the other system, provide or take into account any information or feedback? By the sounds of it, your report did not look at MYFER because that is outside of normal annual budgeting processes.

Ms Vagg: You are right that we did not look at the budget itself or the midyear fiscal and economic update—they were excluded. We were looking at the process of the collection of information for the budget, and the quality of those submissions in terms of comparability and the

ability for Treasury to review that information. It was a very process driven audit, as opposed to assessing the quality of the budget overall. There are certain factors that affect the information in the budget. The government's objectives and direction to the Public Service about the content of the budget can affect the outcomes that are reported, as well as the timing and availability of information to prepare budget submissions. Overall, I would not have a comment on the midyear fiscal and economic update.

Ms ASIF: My question is in regard to the budget process and budget submissions from agencies. You did a review into that. Did you find any particular feedback or trends that could now be used to progress any submissions coming forth—especially this year with the upcoming budget?

Ms Vagg: There were some elements in there. The consistency of information provided by line agencies to Treasury was something we identified; that is, the information included on things like costings, staff implications and other aspects. It differed between the submissions that we looked at. We suggested to Treasury—in fact, we recommended to Treasury—that they develop guidelines to agencies to help them form up budget submissions which are consistent and can support a greater review by Queensland Treasury. That should help in terms of the information provided to Treasury and their overall ability to assess the submissions.

The other part is the timeliness of submissions. We recognise that in some instances a perfect process cannot be adhered to—things happen—but, where possible, we have asked departments to work towards a more timely process of providing information in those submissions to Queensland Treasury.

Ms ASIF: In your recommendation to Treasury, did you find any particular trends that multiple agencies were finding that they could fix or use?

Ms Vagg: No, not in the submissions we reviewed.

Mr BAROUNIS: Would you be able to give us some more information about the savings you mentioned before? Also, are you able to go a few years back and give us some more information about the savings you have made please?

Ms Vagg: The savings of QAO and our focus on productivity?

Mr BAROUNIS: Yes, please.

Ms Vagg: There are a number of elements that we have focused on in terms of productivity. One is actually setting performance targets for our staff and the number of hours they are available to spend on fee-producing work. The setting of targets and the oversight and monitoring of those targets has been important for us. Another aspect has been the professional development of staff in terms of the improvement of their skills in delivering our audits. We have had a significant project related to learning and development which has been significant for us in terms of improving professional outcomes. This correlates to our staff being able to work more effectively and spend more time on fee-producing work.

We have more recently been looking at the structure of delivery within QAO in response to the strategic review. That is adding more clarity around reporting lines and responsibilities within QAO. I have appointed a head of performance audit to focus on that particular part of our business to ensure not only the volume of our reports is suitable but also the cost of reports is managed, so it is an area of focus within QAO. Looking back further, a few years ago we replaced our audit toolset—a system that we use to document our audits—and implemented a new toolset which has brought some savings as well.

Ms MORTON: Thank you for such a thorough briefing. In one of these papers, you have referenced making recommendations to 84 different entities and there are over 600 individual recommendations. I understand it is quite complex but can you explain what the impact is, after you know which recommendations have been implemented either fully or partially, to the Queensland budget—the mechanism for following up on the work that you have done and then the impact it has overall.

Ms Vagg: In terms of the process, we prepare reports to parliament. Those reports contain recommendations to various entities within the public sector. They are the ones that we follow up every year. Closer to our audit level, we prepare management letters to responsible and accountable officers for improved performance within their organisations. In terms of our follow-up process, annually we write to each of the accountable officers and have a system where they update whether they have implemented and responded to our recommendations. Those outcomes are published in our report to parliament—the Auditor-General's recommendation report.

In terms of the link to the state budget, all of those recommendations from performance audit reports are about improving the efficiency and effectiveness of the public sector so it is at a more detailed level within the agencies that we are making those recommendations and we do not quantify the effect on the budget of those recommendations.

Mr POWER: I have always been curious about satisfaction as a metric. Obviously outside auditors are not necessarily there to make people please; the nature of outside auditors is they are there to look at assumptions in a different way. I was curious that there was a drop in satisfaction from 83 per cent to 52 per cent. Building on the recommendations theme, is that a meaningful metric? When you challenge key stakeholders and clients they are perhaps going to be less pleased about things but it may not be a reflection—how do you analyse that metric?

Ms Vagg: There are two key elements that we look at. For our financial audits—the audit opinions that we provide for every financial statement audit—it is really important to us because we deliver a service. We ask questions about the timing of our work—are we getting the timing right for the impact of the business—the impact of our work through the audit process and then the reasonableness of fees that we charge. It is a test. We take that very seriously. That metric is actually sitting in a reasonable position from our side. If a metric from a certain client is not where we expect it to be, or where we would like it to be, we spend time with our client to understand what we need to change to improve that metric.

Mr POWER: It is not anonymised across a parcel of clients or departments; you have direct data, a dashboard where you can see where a particular local government department or entity had issues or felt unsatisfied?

Ms Vagg: Yes, that is right. We survey them. We ask that question in an annual survey and we do use that. From a performance audit perspective, after each performance audit we also send out a survey from a satisfaction perspective. We do not issue that many performance audits each year. It is usually less than 10; it sits a bit below that. They are more difficult, in terms of relationships, to manage. We are looking at the processes outside of financial processes of agencies, and sometimes we raise quite difficult things in our findings and conclusions. That adds to the variability of that particular performance metric. We use the same process, though. If we have a particularly low performance metric, which we can identify from a particular audit, we try to understand why that may be the case and if there is something that we need to change in the way that we engage with the entity. We do not necessarily use it as a quality reflection—that side is more about stakeholder management reflection.

Mr POWER: Publicly that data is not split out by performance audit or unit audit?

Mr Flemming: It is now. In our last annual report we did split them by the two.

Mr POWER: Just into those two groups?

Mr Flemming: Yes. There was an overall—across the whole business—and then there was one for financial audit which was 82 per cent and one for performance audit which was also 82 per cent last year. It was different the year before.

Mr McCALLUM: I have two more questions. How do you see your role and your organisation working alongside the proposed Queensland Productivity Commission, and do you see any overlap or challenges?

Ms Vagg: I do not see any challenges. We are both working towards efficient public services and public sector agencies so I do not see any tension between the two. Efficiency and effectiveness and economy of the Public Service is an important part of my mandate. I am likely to have focused reviews through the performance audit program—so looking at up to 10 programs a year—whereas the Productivity Commission typically has a broader mandate of work they might do. The fundamentals of having the right people, the right systems and the right processes in place to support productive outcomes aligns to both of our pieces of work.

Mr McCALLUM: My final question is in relation to your current work and potential future work. I note there is some work being done in relation to transferring risk in infrastructure projects at the moment centred around Transport and Main Roads and Queensland Health. Would there be any plan or intention in the future to look into infrastructure associated with the Olympics?

Ms Vagg: Infrastructure is such a big part of government spending. It is likely to be included in our performance audit work program every year, as well as being quite fundamental to our financial statement work program. We are currently developing the forward work plan for the coming three years now. We are keen to get feedback on the topics that are in there, so thank you for that question today.

In terms of the Olympics and the delivery of both infrastructure and the event of the Olympics, we are planning an ongoing series of work related to the Olympics. We have already tabled one report which focused on the governance and risk management of the Olympic structure and infrastructure delivery is likely to be included as part of our performance audit program.

Mr POWER: The Auditor-General's officers rightly emphasised and defended their independence, especially the decision-making about what areas they looked at for performance audits, and there is obviously some connection and crossover. There is a suggestion that the Productivity Commission not have that independence and be directed; would it be a concern if similar was done to the Auditor-General's office?

Ms Vagg: It would absolutely be of concern if our work is directed by government. It is very important to have an independent office here providing oversight of the public sector and assurance back to parliament on the efficient and effective performance of the public sector. The independence of the Auditor-General and the office is critically important for trust of government. In terms of the government's own Productivity Commission, they can set that up how they please. Within which mechanism it sits, either within a government department or as a separate body, it has taken that form in various ways over the years and that would be up to the discretion of government.

Mr POWER: I understand it is up to the discretion of government, but a lot of models interstate have given independence to those sorts of commissions to find greater productivity within government in those sectors. If there was that mechanism it would fundamentally undermine an organisation like the Auditor-General's and its credibility and independence.

Ms Vagg: I would not think so. Our independence and our credibility is based on the work that we do and the structures that we have in place to provide reliable information to parliament. I would not think it would affect the work that we do. We are likely to focus on slightly different things.

Mr POWER: If you were directed to do certain forms of performance audits, it would undermine that independence.

Ms Vagg: Yes, it would.

Mr BAROUNIS: I have two questions. Looking at page 6 of your report it says, 'The QAO found the following'—and there is one note I would like to ask you about please. It says, 'Queensland Treasury's ability to monitor performance against agency submissions or expected outcomes is limited.' Have you found this based on the last financial year or the year before? How far back do you go?

Ms Vagg: We looked at two years worth of budget submissions. We are talking there about the BudgetPlus system which does not include submissions outside of the usual annual budget process. Not having those systemised and not having the ability to follow up does limit Treasury's ability to review the submissions over time. Darren, did you have anything further on the actual dates that we covered in terms of those submissions?

Mr Brown: No, Rachel, you are correct in the period that we looked at.

Mr BAROUNIS: To enable Treasury to improve the services, what is the timeframe?

Ms Vagg: That is up to Treasury. What we do is make recommendations for an outcome that we see needs to happen. What we want is for agencies to tell us a reasonable amount of time to respond to that—so being honest with themselves—and also in terms of enabling a process which is going to be effective. The overall system replacement of TriData that I spoke to you about before is a very large system replacement. It will affect every government department, statutory body and GOC. In terms of having suitable structures in governance and time available for the replacement of that particular project, it needs to be in place from Treasury's perspective.

Mr BAROUNIS: It looks like, based on your reports and working together with the Productivity Commission and the government, the future outcome will be positive for everyone.

Ms Vagg: In terms of our recommendations, we make the recommendations based on the scope of work that we have done. We have made recommendations to improve Treasury's monitoring of the budget process. In terms of the work that the Productivity Commission does, that is quite separate from the work that we do so I could not speak to that.

Ms MORTON: Just to clarify, if one of the mandates of the QAO is to have an efficient and effective Public Service, do you have some examples of how an audit has had a direct impact on a government department in order to achieve that mandate?

Ms Vagg: All of our performance audits are probably examples of improving the effectiveness and efficiency of government processes—that is, the implementation of government policy. Seeing as we are talking about the budget audit, our recommendation to Treasury to issue guidelines to the

public sector about the way they prepare budget submissions should actually improve the effectiveness of Treasury's review of those budget submissions. It can also reduce the amount of time Treasury spends reviewing those submissions because they are all similar, they can apply consistent guidelines and think about things, so there should be some cost reduction associated with it as well as improved outcomes. That would be an example of improved efficiency and effectiveness from our recommendation. That is in every performance audit that we do. Is that helpful?

Ms MORTON: It is, yes, except the language that you use is 'it should help'. The bit I am trying to figure out is you do all this great work, you make these recommendations, but are there outcomes from your recommendations at the other end that are being achieved and how do we ensure that you are not spending all of this time and resources making these recommendations and yet it is not having an overall impact on the efficiency and effectiveness of the Public Service? I want to clarify whether or not the role that you and your team play in this is achieving that mandate even, say, over the last four years, and if there is a tangible measurement we can hold on to to know what is working and what is not working.

Ms Vagg: There are two elements that help us test whether we are making the right recommendations to improve Public Service outcomes. One is the follow-up of our recommendations. If we see an agency has implemented our recommendations, that is a good sign that they have agreed with them, analysed them and implemented them. We also seek feedback on the quality of the recommendations that we have made and how they have affected the outcomes of those government departments. Secondly, we have a five-year strategic review of QAO which assesses whether the work that we do is efficient and effective. They do that through benchmarking with other states and they do that by interviewing many of the directors-general and the like. In terms of an actual metric, there is not one available other than the implementation of the work that we do. That is not just an issue for the QAO. That is something that can be found in other jurisdictions, in fact internationally, in terms of the measurement of the impact of performance audit recommendations. It is quite a difficult area to put a dollar impact on.

Ms ASIF: I have a couple of questions regarding a few pieces of work you are currently undertaking. You have an audit into the insights on audit committees in local governments and you also had another audit into local governments in 2024. I was wondering if there was anything you could share in terms of how far along that is and if there are any insights in terms of recommendations that will be going to the government and the importance of following those recommendations?

Ms Vagg: I will speak to the audit committees for local governments first. We are very close to issuing that report for comment from key stakeholders. I am expecting tabling of that particular report within about a month. Many of the recommendations that we have in that report are aligned to the report that we did a few years ago into the state government public sector and that is looking at the skills that sit within audit committees, their performance and what they are focusing on. Within the local government space, there is also whether or not local governments have audit committees. We see audit committees as a very important element of good governance in all organisations. In particular, independent audit committees are very helpful. That one is not too far away.

In terms of our annual local government report, it is probably within the next two months. We are in the final stages of drafting that particular report now. That one is a collation of all of the results of our financial statement audits across local government entities. There are always a number of internal control recommendations that we make in that report. Information systems controls are always an area of focus for us and always an area of reporting. We are also looking at emerging issues or emerging discussion points within the local government space, including depreciation. That will be in that report. That is within the next couple of months.

Ms ASIF: You have mentioned the importance of having independent audits on a lot of the spending in local government. Something I wanted to check was would you also be looking at if there was a potential audit into finance and how that was appropriated in local government or whether they actually do reviews of the money that is being spent in their annual budgets?

Ms Vagg: We audit the financial statements of every local government and the outcomes of their spending. We give an opinion about whether it is a true and fair representation of what has happened. In terms of the allocation of budget and performance, we do not audit, again, the budget of a local government, but what we may do and what we have done over time is do performance audits over local governments. We have had a series of reports which have focused on the sustainability of local governments. We have looked at service, how services are determined, asset management, and we have also looked at forecasting within local governments, which includes that process for preparing budgets. While that report is a few years old, the elements of that report still stand in terms of good practices within local government for forecasting and budgeting.

Mr McCALLUM: Could you please update the committee on the progress of your current piece of work into overseeing the use of artificial intelligence? It is just such a rapidly changing and dynamic area.

Ms Vagg: And will be an important element in terms of productivity. I might turn to Darren to give an update on that particular audit.

Mr Brown: We are at the end of our detailed planning for that particular audit and about to commence the field work for that particular audit. It will look at the application of the ethical principles around applying artificial intelligence and we will be looking at the overarching government frameworks to guide agencies, as well as looking at specific applications and projects related to AI in more detail.

Mr McCALLUM: When are you hoping to have that report finalised?

Mr Brown: August or September for that audit is our target.

Mr BAROUNIS: What is the role of the federal government in working with you?

Ms Vagg: We do not work with the federal government. We have jurisdiction within Queensland. There is an Auditor-General over the federal government, the Australian National Audit Office. Our engagement in terms of funding from the federal government is we may audit funding flows into Queensland and the allocation of that funding if it forms part of our audit. We also have the ability to work with the Australian National Audit Office in a collaborative sense if needed. We have never applied that particular piece of legislation, but it is available to us.

CHAIR: I have a few questions—with a few comments amongst them. First of all, touching on that local government audit that you undertake, I note that I have been here for 16 years and there are a few regular ones that continue to have some difficulties in managing their affairs so we have to stay on top of that. In relation to system replacements, tread carefully. Once again, in 16 years I have seen some absolute messes come out of that. I have become aware recently of Queensland Health rolling out two systems, one for staff management and one for patient management. They seem to be going along very well, although, as you would expect, there is some pushback from the staff side, but the training is in place, it is going well and the rollout seems to be working very well. That is better than it was some 15 years or so ago. Forgive me for asking this question, I should have the answer myself here somewhere, but do you audit the QBCC?

Ms Vagg: Yes, we do.

CHAIR: In what way?

Ms Vagg: We audit the financial statements of QBCC. That includes financial processes and internal controls of QBCC. They also sit within the mandate of agencies where we can do a performance audit, and we have done a performance audit at QBCC before. It was quite a number of years ago. It was about the education programs that sit within QBCC.

CHAIR: I became aware recently of a review that was done, I think, in 2022. I do not believe it was by you; it was an independent review. In doing that, I noticed that it had been some time since there was an update on that particular review, where they are at with it—that is the first thing. The second thing is that they had only managed to implement just over 50 per cent of the something like 66 recommendations; they were just into the early 30s—that type of thing. How often do you audit the QBCC? Is it annually?

Ms Vagg: We audit them annually and we take into consideration other external reviews of organisations.

CHAIR: That would have been wrapped in?

Ms Vagg: Not necessarily part of our audit. We assess the risk of things being incorrect in our audit and we use those to actually help with our assessment of risk. They help inform what we focus on. However, external reviews to QAO also help inform our performance audit program. We do not do a performance audit generally where there are a number of other reviews ongoing, because there is already sufficient focus often in those particular areas. Having said that, once a review might have happened, fully implemented, it might be a reason for us to do a performance audit, just to see how things are performing there. It helps inform our program.

CHAIR: Perhaps the raising of that here today might cause you to have a look at it, but that is entirely up to you. You mentioned very early in the piece that 55 per cent of the work is carried out internally and 45 per cent by audit service providers. I am wondering how that dovetails in with your staffing turnover, staff levels and so forth. What portion of that 45 per cent is because they have a

particular knowledge base and understanding of more complex areas? Then what percentage of it perhaps could be—you might have to take this on notice—because you do not have the capacity internally? Can you give us a bit of feedback on that?

Ms Vagg: It is quite a directed and structured approach to delivering the audit. It is not just because we do not have capacity. We manage staff to a certain number, and then we use the private sector to deliver the 45 per cent. Like you mentioned, there are a couple of reasons we use the private sector. One is the peak workload through the financial reporting timetable. It helps manage that. It also helps with the presence in the regions. We work very closely with regional firms to help deliver our local government and regionally placed government departments. That is the focus for us. As you mentioned, sometimes we engage audit service providers because there is a particular risk within an entity of something very complex in terms of calculations, methodologies, assumptions or reporting, and we work then with accounting firms that have that specialty within their organisation. We have an obligation under our own auditing standards to check the work that they do, but that is one reason we would engage them. If I could have a percentage for you, it would be those often in the government owned corporation space because of the complexity of the work they do, particularly in the energy sector, as well as transactions and balances, say, associated with taxation which we do not usually audit within government departments. It would sit around 10, I would say, if that is sufficient. I can go into more detail.

CHAIR: That gives us an understanding, yes. Dovetailing into that recruitment, the first notes I wrote down here was around 200 staff. I was going to ask you about recruitment. You touched on recruitment, upskilling and what have you. Then you made a comment where you said—and I commend you for this; I am not criticising it—you have an intensive professional development program. Does that in turn cause you to have a higher turnover, losing people that you have put through the professional development program? I do not know what the answer is as to how you would overcome that, but could you make a comment on that?

Ms Vagg: It certainly makes it attractive; that is for sure. The most important thing for our office is the quality of the work that we do. We need to have a very high standard of financial statement and performance audit work. So, if I think about that as the No. 1 priority, it means I need to recruit the right people and train them well. I think that needs to be the focus. Yes, it does make them attractive to other organisations, but I need to keep staff connected to QAO through the work that we do and the meaningful work that we—

CHAIR: As you said earlier, you are competitive with the external market in relation to salary and what have you.

Ms Vagg: Yes.

Mr POWER: I want to build on the chair's question about outside providers. I put this question to the previous witness: we all looked with horror at the breakdown of the accountancy consulting fundamentally by PwC and the tax department federally, and then using that information for their own client base. Do you have a continued concern about private providers having access to government information and whether they have the security and professionalism to maintain those silos or walls sufficiently within their businesses?

Ms Vagg: I just spoke to quality being the No. 1 focus. The No. 2 focus is probably about the protection of the information that we have access to and that we hold within QAO. That is not only my own employees but also the service providers who work for me. We have contractual obligations that they hold.

Mr POWER: As do the tax department.

Ms Vagg: This is true. Then we do what we call firm reviews in terms of looking at the quality of the controls they tell us that they have in place to our requests. Our own staff members do quality checks over those particular firms to make sure they do what they say they are going to do for us.

Ms ASIF: I have one question on a piece of work which you are about to take on. It is accessing mental health services. I note that quite significant funding was allocated in the 2022-23 budget, about \$1.6 billion, and you will be undertaking a piece of work looking at how that is impacting Queensland. Are you able to expand on what that will look like and when that is likely to be tabled?

Ms Vagg: The extent of funding does help influence our performance audit program as well. We often do pieces of work where there is significant funding allocated to a delivery element of government. In terms of scoping up that piece of work, we are starting that now, so we are in the early stages of scoping that particular review. In terms of timing, Darren?

Mr Brown: It is likely we will be tabling that audit probably in the first quarter of next year. It takes a considerable amount of time to undertake the audit, and we are only in the very early stages of initial discussions with the agencies before initiating the audit.

Ms MORTON: When was your last five-year strategic review?

Ms Vagg: It was 2023.

Ms MORTON: So it will be due in 2028?

Mr Flemming: It is a little bit complicated. It is due from the date of the government's response to the strategic review. I think the committee published their report in September last year, I think.

Mr POWER: An excellent report.

CHAIR: Outstanding, was it, member for Logan?

Mr Flemming: Whether there is a government response from that or whether it goes from that date, I am not entirely sure, but it is probably from the end of last year.

Ms MORTON: Was there an overall finding of the review that you are achieving the mandate?

Ms Vagg: Yes, that is right. That we are acting efficiently and effectively; yes, there was.

Ms MORTON: What about the Public Service, as a result of your recommendations, is it acting efficiently and effectively? That is the gap that I am struggling with. I can see you are providing recommendations, you are doing your report, as an entity how you are operating seems very clear, but when you make those recommendations—this is the bit I am struggling to clarify—is the ultimate outcome an efficient and effective Public Service?

Ms Vagg: The strategic reviewer looks to see that we are structured to be able to deliver that and that there is feedback that we are acting efficiently and effectively which would include the outcomes of the work that we do. That inclusion would encompass those particular outcomes. Patty, Is there anything else you can add to that?

Mr Flemming: It is probably important to note that we make recommendations to the organisations that we audit. We do not have any ability, nor should we, to enforce those recommendations. The implementation of anything we recommend is with the heads of the various organisations, and then ultimately the parliament is to oversee whether those entities are implementing the recommendations and, if not, why not? Through our status of recommendations report, we try to at least capture the self-assessments that the organisations are providing, so that we can present that information to parliament so that you have visibility over where those organisations are going, what they say they are doing, and how long. We do follow-up audits on a couple of topics every now and then to see if what they have said they have done they have actually done. Again, they are all public reports that we make in that respect.

In terms of an auditor-general's role and an audit officer's role, we do not have any ability to make someone implement recommendations. We do try to work collaboratively to make sure we have recommendations that are workable and that will resolve the findings that we have. That is certainly part of our work progress, to work with the organisations—to identify the issue and then, 'Well, we think you have to do something about this,' and try to get to a position where we both agree on the recommended course of action, but we cannot make them.

Ms MORTON: I do understand you have limitations on that. My concern is that, as we have heard from Treasury, the current Office of Productivity and Red Tape Reduction also makes recommendations and cannot enforce them, so if we are all invested in setting up the Productivity Commission, how do we ensure these things are measurable and we are not just having multiple organisations make recommendations that are then not even measured or followed up on? Does that make sense? I understand your limitations. I think that any responsible government should be invested in outcome driven policy.

Ms Vagg: I will make a couple of comments there. There are some questions you can ask of agencies about implementing recommendations for improvement, as well as improving their efficiency and effectiveness, so those questions can be asked of directors-general. There can also be elements put into their performance assessment and the way they measure success to see how they actually respond to these types of recommendations. It is the ultimate assessment—our Service Delivery Statements and the outcome measures that sit within those particular statements. They are the ones that should give indication about whether those government departments and agencies are delivering the outcomes that they set out to achieve.

Mr POWER: The Auditor-General's office also does reports following up on the recommendations, highlighting for us as parliamentarians whether the recommendations have been acted on by the various departments and entities; is that fair to say?

Ms Vagg: That is correct. In our annual status of recommendations report, if we do see long outstanding recommendations or recommendations that are not being acted on, that is one reason we might do a follow-up or follow-on audit in that particular area. We tabled one on forensic medical examinations last year, so that is an example of a more recent follow-up report.

Mr BAROUNIS: Are you going to conduct a review or make any recommendations in regards to our corrections system?

Ms Vagg: In terms of the corrections system, we have a proposed performance audit about prisoner reoffending at the moment within that system. That is on our forward plan. We focus on corrections as we focus on all other areas of government each year. We often, and quite regularly, have reviews into the justice and corrections system in our forward work plan.

CHAIR: Thank you very much. There being no further questions, I will conclude this hearing. Thank you very much to all of you for being across your brief and able to answer all of our questions. There were no questions taken on notice. Thank you to our Hansard reporters. A transcript of these proceedings will be available on the committee's webpage in due course. I declare this public hearing closed.

The committee adjourned at 11.29 am.