



LOCAL GOVERNMENT, SMALL BUSINESS AND CUSTOMER SERVICE COMMITTEE

Members present:

Mr SM Dillon MP—Acting Chair
Mr AJ Baillie MP
Mr MA Boothman MP
Mr MPT Healy MP
Mrs ME Nightingale MP
Ms JE Pease MP

Staff present:

Ms M Westcott—Committee Secretary
Mr Z Dadic—Assistant Committee Secretary

PUBLIC BRIEFING—CONSIDERATION OF THE AUDITOR-GENERAL'S REPORT 7: 2024-25— MANAGING QUEENSLAND'S REGIONAL WATER QUALITY

TRANSCRIPT OF PROCEEDINGS

Wednesday, 11 June 2025

Brisbane

WEDNESDAY, 11 JUNE 2025

The committee met at 10.30 am.

ACTING CHAIR: Good morning. I declare open this public briefing with the Queensland Audit Office on its *Report 7: 2024-25—Managing Queensland's regional water quality*. My name is Sean Dillon, member for Gregory and chair of the committee today as a substitute for the member for Southern Downs. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay respects to elders past and present. With me here today are the deputy chair and member for Inala, Margie Nightingale; the member for Townsville, Adam Baillie; the member for Theodore, Mark Boothman; the member for Cairns, Michael Healy; and the member for Lytton, Joan Pease.

This briefing is a proceeding of the Queensland parliament and it is subject to 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 briefing at the discretion of the committee. I remind committee members that officers are here to provide factual or technical information. Any questions seeking an opinion about policy should be directed to the minister or left to debate on the floor of the House.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and my direction at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. Please turn your mobile phones off or to silent mode.

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

GUERRERO, Mr Tony, Director, Queensland Audit Office

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

ACTING CHAIR: Welcome. I invite you to make some introductory remarks.

Ms Vagg: Good morning. I would like to acknowledge the traditional custodians of the lands throughout Queensland including the Turrbal and Yagara people, who are the custodians of the land on which we meet today. Thank you for the opportunity to brief the committee on my report *Managing Queensland's regional water quality*, which was tabled in December last year. With me today are Darren Brown, who is the Assistant Auditor-General, leading our performance audit program, and Tony Guerrero, who was the engagement leader for this audit.

Delivering safe and reliable drinking water in regional Queensland requires capable staff and well-maintained, fit-for-purpose infrastructure. In regional Queensland there are 72 providers that provide drinking water, and 65 of those are local governments. The other providers are two water boards, the River Commission, government owned corporations and one private company. The Department of Local Government, Water and Volunteers is responsible for regulating these 72 entities.

This audit covered two aspects: one, how effectively four regional and remote local governments supply safe drinking water to their communities—and those councils were Cherbourg Aboriginal Shire Council, Fraser Coast Regional Council, Western Downs Regional Council and Winton Shire Council; and, secondly, how effectively the department regulates drinking water quality across the state.

The 72 entities, as water providers, are registered by the department and have drinking water quality plans. The department approves the plans and requires that they are checked through an independent audit every four years. With three of the four councils we audited there were 12 instances of noncompliance with their own plans and there were issues with non-recording of testing, inspections, maintenance and incidents as well as not performing the required testing and adequately protecting their assets. The three councils also did not report all recorded incidents to the regulator,

who will always put corrective actions in place when incidents occur. The department, as regulator, is taking a long time to review the audits that are undertaken of those plans and to take action. In some instances, the issues found in those independent audits are still outstanding.

As part of those drinking water quality plans, the councils perform risk assessments to identify areas on which they need to focus. This could include complex actions like infrastructure upgrades and maintenance and also more routine activities like training and preparing standard operating procedures. There are 84 risks across the four councils that are higher than their desired 'acceptable' levels. While most of the councils have actions in place to address these risks, Winton and Cherbourg have some actions outstanding for up to four years. These two councils had also not tested their emergency response plans, which means they may not be prepared to respond to an emergency.

We also provided findings related to governance, workforce challenges and planning and made four recommendations for all councils to improve their drinking water services. While I audited four councils, I made recommendations to all councils across the state who are water service providers.

Turning to the department as regulator, it registers water service providers, approves their management plans and monitors their compliance. It also delivers support and education and monitors in response to water incidents reported by councils. The department has designed a risk-based approach to identify providers that may not comply with their obligations; however, they had not fully performed the risk assessments during 2022-23 or 2023-24 and are not using this process to develop specific actions to manage high-risk providers.

The department also collects testing results from water service providers annually, but it is not in a format where it can easily monitor trends or identify potential emerging problems with water quality. The department also needs to better plan to respond to incidents, fully deliver its compliance program and review independent audits in councils' annual reports in a timely way. It has started workforce planning to better resource these activities and to help identify and address potential problems earlier. The department has also started projects to improve council capability and identify infrastructure needs. However, it has not formalised how it will collaborate with other agencies within state government and across councils.

The department's guidelines for managing drinking water align with Australian Drinking Water Guidelines; however, there are health-based targets in the guidelines that have not been adopted by the state department. The department advised that this is due to the potential costs and infrastructure and staffing issues associated with implementing those targets. These national standards may be further updated after a national consultation relating to PFAS levels in drinking water. I made seven recommendations to the Department of Local Government, Water and Volunteers across these issues, and the committee may benefit from hearing from the entities identified in this audit, including their progress in implementing our recommendations. I am happy to take any questions from the committee.

ACTING CHAIR: Thank you very much, Auditor-General, for your opening statement. I will lead off with a question regarding council capability. An area that was highlighted in your report was actually around workforce capability specifically. Is there a linkage between the risks that you identified and workforce capability from an audit perspective? From your audit's perspective, is there a direct link that you could perhaps expand upon?

Ms Vagg: In terms of the issues identified with regard to compliance with their own water management plans, yes, there is a connection between access to capability and the delivery of those plans. That was identified by the individual councils and is acknowledged by the department.

Mrs NIGHTINGALE: Thank you for appearing again and for giving us this update. For me, I think it is really interesting to know, in terms of the quality of water, what you think are the top issues and priorities currently facing your office.

Ms Vagg: In terms of the challenges, there were challenges that were identified in terms of responding to the plans. Capability was one of them. There is the quality of infrastructure that may be in place and ongoing needs for maintenance of that infrastructure as well as upgrades to the infrastructure. Then there is more day-to-day activities. How testing is undertaken and then how testing is reported and responded to is an issue, as well as actual documentation—so record keeping of those activities in themselves and then reporting back to the regulator. There are many aspects that are contributing to water quality outcomes that we identified within those four councils and also the behaviour of the regulator.

Mrs NIGHTINGALE: Are you seeing any problems or complicating factors that are going to lead to it being difficult for you to carry out your tasks in that way?

Ms Vagg: It is not for us to carry out the tasks. It would be for the councils and water providers themselves to carry out the tasks as well as the department to regulate its activities. We have made recommendations across a number of areas. One is appropriately understanding responsibilities and then keeping appropriate records in terms of the response to those activities at a council level, long-term planning of councils about how they will deliver those particular services, and then recommendations to the department about appropriate planning and allocation of resources to deliver their regulatory responsibilities.

Mr BOOTHMAN: Following on from the member for Gregory's question about workforces, obviously this is quite a burden for councils, especially to fund these water projects and to ensure they have the infrastructure and high quality. How much of a burden is this on council budgets? Obviously we want to get the proper infrastructure out there, and in these areas where we have bore water there are different qualities and different turbidity in the water, so what type of burden is this on council budgets?

Ms Vagg: There are three key responsibilities for council: water, roads and waste. In terms of contribution to a council's budget, it is a cost to be part of budgeting of a council. That is the cost of day-to-day delivery, which can include people and processes that are at a day-to-day level, as well as long-term infrastructure, maintenance and replacement. It should be identified within a council's budget. Council management in terms of access to appropriate revenue sources to fund that long-term budgetary need is part of council's responsibility. They also work closely with the state Department of Local Government, Water and Volunteers to understand what those funding sources look like and alternative means of funding those responsibilities. To answer your question, it should be a fundamental part of the budget process.

Mr BOOTHMAN: In South-East Queensland we have massive councils and massive populations. For these more regional councils it would certainly be quite a large burden. I am curious to see how much of a proportion it would be.

Ms Vagg: The forecasts of councils are public. Each one of them publishes their 10-year forecast. They also publish in their financial statements their actuals in terms of costs, so it is quite transparent in terms of the information that is available. The costs associated with water are included in there. There are funding sources available to councils through various means. There are rates and specific water charges, which may form part of those rates bills or be separately charged. Then there is often access to other funding sources such as grants—there are standard grants programs of government. Then there are often specific water related grants, particularly when it comes to infrastructure delivery in the longer term.

Ms PEASE: I am really intrigued about how you undertake these audits. You have to have a very broad skill set, no doubt. That is what my question goes to. You have done an audit on councils and also with the local government authority. How do you undertake that? Do you have staff that have the capability to read those documents and understand what is involved with water as opposed to what local government does? Your organisation has such a broad remit. How do you find the staff to do the audit and what do they do?

Ms Vagg: We are very fortunate that we have a base level of skilled workforce who understand how government works and in particular how local governments deliver their services. We audit every single local government every year in a financial audit sense, so we do understand how they operate, and that includes water assets. Then we have a performance audit function. They are skilled performance audit practitioners and they understand how to research a topic, identify risks and then develop audit criteria—things we are going to look at within the scope of the audit. That is their career and their skills are in that space.

Then when we actually engage and review material that we obtain through the audits—how we have our conversations, how we inspect assets and then how we review technical material—where we identify that there is something without our skill remit that we have within the Audit Office, we engage technical SMEs to assist specifically in those areas. Say we are diving into how a particular water test occurred or how a piece of maintenance occurred, we may access a resource specifically to assist us in that sense. In terms of when we go ahead and engage a subject matter expert, we often consult with the agencies we are auditing about whether they consider that person to be an expert, because we need to make sure the expertise we are accessing is appropriate and suitable from both our side and our auditees' perspective.

Ms PEASE: Are your audits welcomed or is there pushback by the different councils and then, of course, the department?

Ms Vagg: No-one always likes an auditor to turn up to deep-dive into an activity of an organisation, but overall in terms of what we do in providing activity findings and recommendations about the efficiency and effectiveness of a process, that is welcomed generally on the balance of the activities. So the activity might be a bit challenging as we are working through an audit process, but, on the balance, once the report is issued and our clients can see the benefit of the recommendations we make, they are welcomed.

Mr BAILLIE: I have similar interests as the member for Lytton with regard to the audit and how it is carried out. Is it more of a desktop audit when you go into these ones, or do you have those technical SMEs there looking at the calibration of the instruments that measure turbidity and all of the rest of the things that are concerned with water? Do you get right into weeds and confirm the readings of whatever instrument is measuring whatever contaminant or the water quality? Do you get right down to that level or is it more a desktop audit based on reports and results?

Ms Vagg: What we were looking at here was the council's or the water provider's process to undertake those particular activities. We did not perform any water quality testing. In fact, we did not conclude on the water quality delivered by those particular water providers. What we were looking at is how they plan to deliver safe drinking water and then how they monitor and respond to their own situations. It did not require technical expertise from that very deep level, but it takes expertise for understanding how a regulatory process would work and then how a council or a water provider should behave in those instances. From a procedural perspective, that is where we have great expertise sitting within the Audit Office, and the department can also assist us in terms of providing knowledge of how they expect processes to be undertaken at the water provider level.

Mr Guerrero: I can add that we did site visits. They were roughly four to five days at each council. We used SMEs from the University of Sydney and the Australian National University. Those SMEs have professional memberships in engineering and are members of the Australian Water Association and they help us with providing advice on the preventive measures councils should have and their water systems.

Mr BAILLIE: Just to clarify, it was not an assessment of whether these councils were successful in providing clean and safe drinking water; it was more an assessment of the processes and systems they have in place to achieve safe drinking water? Is that accurate?

Ms Vagg: We did not retest the water or make an assessment of the water at that particular point. It was actually about the greater control environment and how they operate to deliver safe drinking water.

Mr HEALY: I understand there has been a line of questioning about when you do the audits, but, as a result of the audit, what do you see are the real risks to water quality, particularly in regional areas? Are we talking about infrastructure or the age of infrastructure or lack of? That is something that would interest a lot of people. What is happening in that space and where are the concerns?

Ms Vagg: We visited only four councils, so I could not speak to all water providers, but it is all of those things—access to capable workforce and then the quality of assets used to deliver drinking water. Those assets really do vary. Some councils might have one particular group of assets to deliver drinking water. Some councils may have many of those. There are different challenges, depending on the particular location. It would mostly be access to the right people as well as maintaining assets to a suitable quality.

Mr HEALY: Is it a costly exercise to put fluoride into water if the council is not doing it and wants to do it? What is the implementation of that process?

ACTING CHAIR: I am going to—

Mr HEALY: I am just wondering, because some councils do and some do not.

ACTING CHAIR: That was probably outside the scope of your audit, Auditor-General?

Ms Vagg: It is outside of the scope and I would not be able to comment.

Mr HEALY: Thank you, Chair.

ACTING CHAIR: It was a neat attempt, member for Cairns. It is duly noted. My question goes to the risks the member for Cairns was asking about as well as to the financial aspect. In your audit, did you look at the processes and the costs of those processes versus the risk? If I can tease that out a little more, whilst your earlier evidence stated that water is and should be a key core function for local governments—obviously, financial constraints means they have to spread that over a number

of areas—did you investigate whether the financial allocations set aside for the continuity of the process that you audited were suitable for what was there? You have obviously identified shortcomings in council's ability to undertake their process, but did you investigate the budgetary allocations to undertake those activities?

Ms Vagg: We look at outcomes—so a particular thing that a local government or water service provider wants to achieve—and whether they achieve that particular outcome, and there are reasons why an outcome might be achieved or not. Sometimes budgetary allocation is one of those things. Sometimes it is access to supply chains. Sometimes it is access to capability. It is one element of that.

This was very much focused on outcomes. We took very much a risk-assessment approach to that: at the water provider level or the council level, how have they assessed risks of whether they can achieve the outcomes they set out in their water management plan and have they have appropriately allocated resources to achieve the risk outcome that they desire? That is where I highlighted there are 84 risks identified across some of those councils where they have not achieved the desired risk outcome. Then when I turn to the department, they also have a risk-based approach to regulation and their regulatory compliance exercises. Both of them are very much risk-driven, and funding is one of the reasons you have a risk-based approach, because you need to get best bang for your buck in that area.

Mrs NIGHTINGALE: There has been some discussion in the report and here today about shortages in the employee space and skilled employees. Do you think that is indicative of a broader skills shortage in this space across Queensland or is it just a different set of circumstances?

Ms Vagg: No, it was highlighted in the report about access to capable resources in the four councils that we visited. Three of those councils discussed with us access to capability, as did the department. We see access to capability as an issue in many of the other audits we do across other parts of regional Queensland, so it is identified in there. There can be many reasons for access to capability. We have highlighted in the report where training is available to uplift capability of people who already live in the community as well as training others to do this type of work. Access to appropriate training is an issue we have identified here.

Mrs NIGHTINGALE: Do you have a consolidated space where across all of your audits you found there is a one go-to—this is what is needed in terms of skills and the implications for skills shortages across all of that—or is that piecemeal in each different area?

Ms Vagg: It is in each report. Where we see themes of reasons there might be an issue, we identify it across our reports. Then annually there is a report on the status of Auditor-General's recommendations. We actually check to see how agencies are implementing recommendations and we often pull those themes out into that particular report, where it could be quite helpful. There are also other areas where those themes are responded to. One is in our support material that I publish on our website—things like blogs and better practice material. They are focused very much on those themes that we identified, particularly in the financial reporting space. Then annually I set out a forward work plan, which sets out the areas of performance audit focus for the next three years. Those historical themes that we see in each of the performance audits and financial audits actually drive many of the risk areas that are identified into that forward work plan. If we can see that we need to do more work in a particular area, it will then be highlighted in that particular report. They are the places where those themes are identified and reported.

Mr BAILLIE: During your introduction you mentioned the misalignment between the national guidelines and the Queensland guidelines. Was that with regard to particular water quality benchmarks or was that more with regard to the measures that were undertaken as far as processes go?

Ms Vagg: There are Australian Drinking Water Guidelines, which the department has adopted at the higher level. There are specific health-based targets included in those guidelines which the department has not adopted. They are included at the high level, but those very specific targets have not been adopted by the department. They have provided reasons they have not yet adopted them, including the cost and the ability, through the current infrastructure system, to comply with those particular guidelines. It was part of the findings and recommendations of the report that the department consider those guidelines and work out a forward plan about whether and how they would be adopted by the state.

Mr BAILLIE: Can you elaborate on where the gaps were?

Mr Guerrero: The department has implemented part of the health-based targets by undertaking the risk assessment which categorises different water sources, but it has not actually implemented the targets themselves.

Ms PEASE: I understand there have been some reports generated by the department with regard to infrastructure in local councils. From my understanding, those reports have yet to be released. Do those reports have any impact on the recommendations you have developed? In that context, if those reports have not been made public, would that assist you in your audit and bring out different recommendations from your report?

ACTING CHAIR: Member for Lytton, I wonder if there is some confidentiality there. I will look to you, Auditor-General, but I am also thinking about the pertinent confidential nature of that.

Ms Vagg: I can answer in general terms. In terms of material prepared by the department and at a water provider level—a local council level—we have access to any material that we need to deliver our audits. That is a legislative ability to access whatever material is required by our auditors. The department, through our process of auditing them as a regulator, has provided the information that we have seen as necessary to deliver the audit. I have not had any concern about access to material. I have a good understanding of the plans of the department. In terms of those specific reports, I could not comment directly on those.

Mr BOOTHMAN: In your report about noncompliance and identifying with the independent audits of the three councils, one of the dot points talks about protecting water reservoirs or pipes that supply town water. Could you elaborate, especially when it comes to pipes? Every once in a while in South-East Queensland we get a burst pipe, obviously with an aging water supply system. How does that work and how does it affect these regional councils? Obviously it is a very expensive exercise, but would you care to elaborate on any concerns there?

Ms Vagg: I will talk to it in a general nature and then I will get Tony to give some more information. What we looked at for these four audits, as well as more generally when we audit local governments, is an understanding of maintenance and then long-term asset management plans, which should include appropriate inspection and maintenance of things like pipes if they are necessary for the delivery of critical services. One thing that we do audit in both of those situations is whether those maintenance plans are in place and then long-term strategic asset management—when you should do your maintenance, to what depth and what effect both of those things have on the longevity of an asset that is used by a local government or water service provider. We did a separate report in the local government space on strategic asset management which dealt with that very issue about whether processes are sufficiently in place to deliver strategic asset management. In terms of this specific issue, I will turn to Tony to see if there is something extra he can add.

Mr Guerrero: Protecting the pipes in the system is important because they are sources of potential contamination. In these audits they related to backflow prevention and also to protect the reservoirs where the hatches are.

Mr BOOTHMAN: We require these pipe networks in our townships, and the simple maintenance of them is very expensive because obviously they are under the ground. Are we learning to better maintain them? The reason I ask is that every once in a while we get a news article, 'We have a sinkhole appearing here, a sinkhole appearing there,' and it is mainly because of a burst water main. Again, it is a very difficult thing to actually do. I am curious as to your recommendations about how we could better manage this. It is a tough one, I know.

Ms Vagg: Yes, and it is probably a question better asked of each of the individual councils as well as the department. What we look for is appropriate maintenance activity that has been identified by the council and is often risk-based, and then for that maintenance and long-term asset replacement activity to be incorporated appropriately into long-term forecasting—financial forecasting of local governments—to ensure they are able to achieve funding to deliver the outcomes they desire.

Mr HEALY: What was the selection process to identify the four councils? I know that so many would be so keen!

Ms PEASE: Champing at the bit!

Mr HEALY: I am wondering about the process of assessment there.

Ms Vagg: When we select for any performance audit, we are looking for a sample that best reflects the risk of what we are looking at and then some diversity of location, population type, council type and water supply type. We used all of those aspects to determine which ones we would select. Then often with local governments we are looking for spread over the years within our audits as well, to make sure we are not always focusing on the same provider or local government.

Mr HEALY: I am sure they would make you aware if they were feeling that was the case.

Ms Vagg: They do, yes.

Mr HEALY: At the completion of that, once all the documentation is done, that is disseminated through other councils as a guideline. What is the process of engagement there?

Ms Vagg: With each of these specific findings, we wrote to each of the four local governments with any specific recommendations with details for them. When I published the report to parliament, what I said with regard to the recommendations made in here is that they actually apply to all local governments. Then I wrote to each of those local governments to make them aware of this report and the recommendations in this report that apply to them. We will then follow that up during our normal audit process.

Mr HEALY: That is good. They are getting to see what was highlighted in the audit and then you engage with them to say, 'Just so you are aware—1, 2, 3 and 4'?

Ms Vagg: Yes.

ACTING CHAIR: When it comes to risk design and expectation management, does your audit venture an opinion or did you make an observation that, perhaps whilst you have to report on the fact that they have not met their expectations, either for risk or for appropriate maintenance undertakings or inspections, there is enough maturity around councils' ability and planning in this respect? Is there a sense of overachieving through goal-setting and then under-delivering, that the gap is overly optimistic? I will retract that last statement because that would venture into asking you for an opinion. Is there an audit opinion around the maturity of their risk setting and infrastructure maintenance and replacement programs for the four that you audited?

Ms Vagg: In terms of these particular four councils that we audited, yes. We were looking at how they have assessed the risk and then their plans to respond to it. The regulator approves their plans and the risks identified within those plans, so there is the regulatory oversight model there which should be the first port of call when challenging those water providers about their own risk assessment, their own mitigation strategies and the appropriateness of those. Is there anything else you want to add there, Tony?

Mr Guerrero: The department provides guidelines for these local governments to assess these risks, so they are supported there with those assessments.

ACTING CHAIR: You have opened the door there. In the four councils you used as sample councils for this audit, were there risk settings or targeted expectations that exceeded the parameters that are provided in the department's guidelines?

Mr Guerrero: These assessments are made by the local governments based on the hazards they face with their audit systems. They might say it is a higher risk for a certain microbial instance, and the department will review that.

Mrs NIGHTINGALE: Firstly, I want to say that your knowledge across this area is very impressive. Thank you for that and for being so forthcoming. I am interested in the decision-making tool that guides the escalation of actions. Can you provide us with more information about what that tool entails?

Mr Guerrero: The department has various actions it can take through enforcement when noncompliance is identified. They could call the provider to understand it, they could issue warning letters or they could escalate up to issuing fines. The tool is there to help support them with a consistent assessment. They put the noncompliance through the tool and it provides a recommended action for the department.

Mrs NIGHTINGALE: How has that tool helped in managing those escalations or when action needs to be taken?

Ms Vagg: What it should be doing is directing resources into the right place and then the right level of enforcement activity. We have made recommendations for improvement in both of those spaces within the department.

Mr BAILLIE: Thank you all for your input so far, but I note, Darren, you have not had the opportunity to provide any input. If there anything you wish to add and furnish us with, that would be fantastic.

Mr Brown: My job is to make sure that Tony is well supported and Tony is doing his job fantastically, so I have succeeded.

ACTING CHAIR: That concludes this public briefing. I thank everybody from Hansard through to the QAO and the committee for their attendance and participation today. A transcript of these proceedings will be available on the committee's webpage in due course. There were no questions taken on notice, so there is no need to report on that. I now declare this public briefing closed.

The committee adjourned at 11.10 am.