



# Examination of Auditor-General Reports

**Report No. 44, 57th Parliament**  
**Economics and Governance Committee**  
**April 2023**

## **Economics and Governance Committee**

<b>Chair</b>	Mr Linus Power MP, Member for Logan
<b>Deputy Chair</b>	Mr Ray Stevens MP, Member for Mermaid Beach
<b>Members</b>	Mr Michael Crandon MP, Member for Coomera
	Mrs Melissa McMahon MP, Member for Macalister
	Mr Dan Purdie MP, Member for Ninderry
	Mr Adrian Tantari MP, Member for Hervey Bay

### **Committee Secretariat**

<b>Telephone</b>	+61 7 3553 6606
<b>Email</b>	<a href="mailto:egc@parliament.qld.gov.au">egc@parliament.qld.gov.au</a>
<b>Technical Scrutiny Secretariat</b>	+61 7 3553 6601
<b>Committee webpage</b>	<a href="http://www.parliament.qld.gov.au/egc">www.parliament.qld.gov.au/egc</a>

### **Acknowledgements**

The committee acknowledges the assistance provided by the Auditor-General and officers of the Queensland Audit Office. The committee also acknowledges the engagement of the relevant departments and entities with the findings and recommendations of the Auditor-General's reports.

All web address references are current at the time of publishing.

## Contents

<b>Chair’s foreword</b>	<b>ii</b>
<b>Recommendations</b>	<b>iii</b>
<b>Executive Summary</b>	<b>iv</b>
<b>1 Introduction</b>	<b>1</b>
1.1 Role of the committee	1
1.2 Role of the Auditor-General	1
1.3 Committee examination of Auditor-General reports	2
<b>2 QAO Report 14: 2021-22—<i>State entities 2021</i> and QAO Report 11: 2022-23—<i>State entities 2022</i></b>	<b>3</b>
2.1 Machinery of government changes	4
2.2 Rapid response to support businesses during COVID-19: Case study	6
2.3 Timeliness of financial reporting and other reporting considerations	7
2.3.1 Timeliness of financial reporting	7
2.3.2 Annual reporting considerations	8
2.4 Internal controls at state entities	10
2.4.1 Information system control issues	11
2.4.2 Other control issues	11
Committee comment	13
<b>3 QAO Report 17: 2021-22—<i>Appointing and renewing government boards</i></b>	<b>14</b>
3.1 The right mix of skills and experience	14
3.1.1 Diversity of boards	14
3.1.2 Identifying skills and experience needed	14
3.1.3 Searching for people with the right skills and experience	15
3.2 Recruitment time frames and the suitability of candidates	16
3.3 Recommendations and department responses	17
Committee comment	19
<b>4 QAO Report 2: 2022-23—<i>Improving grants management</i></b>	<b>20</b>
4.1 Distribution of grants expenditure – findings, recommendations and responses	20
4.2 Management of grants processes – findings, recommendations and responses	22
Committee comment	25
<b>5 QAO Report 3: 2022-23—<i>Managing Queensland’s COVID-19 economic response and recovery</i></b>	<b>26</b>
Committee comment	28
<b>6 QAO Report 4: 2022-23—2022 status of Auditor-General recommendations</b>	<b>29</b>
Committee comment	32
<b>7 QAO Report 6: 2022-23—<i>Managing workforce agility in the Queensland public sector</i></b>	<b>33</b>
Committee comment	36
<b>Appendix A – Officials at public briefings</b>	<b>37</b>
<b>Appendix B – Abbreviations</b>	<b>38</b>

## Chair's foreword

This report presents a summary of the Economics and Governance Committee's examination of 7 Auditor-General reports referred to the committee between May 2022 and March 2023.

In examining the reports, the committee noted the findings and recommendations of the Queensland Audit Office (QAO) and considered the responses of departments and entities to the QAO's recommendations, including relevant implementation actions being taken.

The committee also discussed with the Auditor-General some of the issues raised in the reports and asked questions during public briefings on 28 March 2022 and 28 November 2022.

On behalf of the committee, I thank the Auditor-General and QAO staff for their assistance with the committee's examination of the reports. I also acknowledge the engagement of departments and entities with the findings and recommendations of the QAO.

I commend this report to the House.



Linus Power MP

Chair

## Recommendations

<b>Recommendation 1</b>	<b>2</b>
The Economics and Governance Committee recommends that the Legislative Assembly notes the content of this report.	2

## Executive Summary

Portfolio committees are responsible for dealing with reports of the Auditor-General that are referred to them. A portfolio committee may deal with this type of referral by considering and reporting on the matter and making recommendations about it to the Assembly.<sup>1</sup>

This report provides a summary of the Economics and Governance committee's consideration of the following Auditor-General reports as referred to the committee:

- Queensland Audit Office (QAO) Report 14: 2021-22—*State Entities 2021* (referred 12 May 2022) and QAO Report 11: 2022-23 – *State Entities 2022* (referred 16 March 2023)
- QAO Report 17: 2021-22—*Appointing and renewing government boards* (referred 26 May 2022)
- QAO Report 2: 2022-23—*Improving grants management* (referred 18 August 2022)
- QAO Report 3: 2022-23—*Managing Queensland's COVID-19 economic response and recovery* (referred 18 August 2022)
- QAO Report 4: 2022-23—*2022 status of Auditor-General's recommendations* (referred 10 November 2022)
- QAO Report 6: 2022-23—*Managing workforce agility in the Queensland public sector* (referred 1 December 2022).

The committee considered the findings and recommendations of the QAO, and the responses of entities to those recommendations, including their identified implementation actions and timeframes.

The committee also engaged with the Auditor-General and QAO representatives in relation to the findings of some of the reports at public briefings on 28 March 2022 and 28 November 2022.

While the committee will not be taking any further action in relation to the reports, we welcome further action from entities to ensure that the issues identified by the Auditor-General continue to be addressed.

Ongoing improvements in entity processes and enhancements to governance, controls, monitoring and reporting, will help facilitate more effective, efficient and transparent public service delivery.

The committee recommends that the Legislative Assembly notes this report.

---

<sup>1</sup> Standing Order 194B, *Parliament of Queensland Act 2001*, s 92(3).

## 1 Introduction

### 1.1 Role of the committee

The Economics and Governance Committee (committee) is a portfolio committee of the Legislative Assembly which commenced on 26 November 2020 under the *Parliament of Queensland Act 2001* and Standing Rules and Orders of the Legislative Assembly.<sup>2</sup>

The committee's primary areas of responsibility are:

- Premier and Cabinet and Olympic and Paralympic Games
- Treasury, Trade and Investment
- Tourism Industry Development, Innovation and Sport.

The committee has responsibility within its portfolio areas for assessing the integrity, economy, efficiency and effectiveness of government financial management by:

- examining government financial documents
- considering the annual and other reports of the Auditor-General.<sup>3</sup>

### 1.2 Role of the Auditor-General

The role of the Auditor-General is to provide parliament with independent assurance of public sector accountability and performance. This is achieved through reporting to Parliament on the results of financial and performance audits undertaken by the Queensland Audit Office (QAO).<sup>4</sup>

A financial audit examines a public sector entity's financial statements 'to ensure proper accounts have been kept, that they fairly present the entity's financial performance and position', and that they 'comply with relevant reporting requirements'.<sup>5</sup> Ensuring these statements can be relied upon is an important part of the public sector accountability framework.

The QAO's performance audits examine government programs 'to consider if public money is being used well and that government is meeting taxpayers' expectations around service delivery'.<sup>6</sup> These audits do not consider the merits of a particular government policy. Rather, they focus on how that policy is implemented (ie, whether it is achieving its objectives effectively, economically and efficiently, and in keeping with relevant legislation).<sup>3</sup>

In reporting to parliament on these audit results, and on any information and insights identified through the audit process, the QAO makes recommendations for improvements to enhance financial reporting practices and support better public service delivery for Queenslanders.<sup>7</sup>

<sup>2</sup> *Parliament of Queensland Act 2001*, s 88 and Standing Rules and Orders of the Legislative Assembly, Standing Order 194; Schedule 6.

<sup>3</sup> *Parliament of Queensland Act 2001*, s 94(1)(a).

<sup>4</sup> Queensland Audit Office (QAO), 'Fact sheet: About QAO', p 1, [https://www.qao.qld.gov.au/sites/default/files/factsheets/about\\_qao.pdf](https://www.qao.qld.gov.au/sites/default/files/factsheets/about_qao.pdf); QAO, 'Fact sheet: How we prepare our reports to parliament', p 1, 2021, [https://www.qao.qld.gov.au/sites/default/files/2021-01/Fact%20sheet%E2%80%94How%20we%20prepare%20our%20reports%20to%20parliament\\_0.pdf](https://www.qao.qld.gov.au/sites/default/files/2021-01/Fact%20sheet%E2%80%94How%20we%20prepare%20our%20reports%20to%20parliament_0.pdf)

<sup>5</sup> QAO, 'What is an audit', *Understanding an audit*, webpage, 2023, <https://www.qao.qld.gov.au/audits/understanding-audit>. See also QAO, 'Fact sheet: Financial audit practice statement', p 1, [https://www.qao.qld.gov.au/sites/default/files/factsheets/financial\\_audit\\_practice\\_statement.pdf](https://www.qao.qld.gov.au/sites/default/files/factsheets/financial_audit_practice_statement.pdf)

<sup>6</sup> QAO, 'Fact sheet: Performance audit engagements', 2020, p 1, <https://www.qao.qld.gov.au/sites/default/files/2020-11/Fact%20sheet%E2%80%94Performance%20audit%20engagements.pdf>

<sup>7</sup> QAO, 'Factsheet: How we prepare our reports to parliament', 2021, p 1, [https://www.qao.qld.gov.au/sites/default/files/2021-01/Fact%20sheet%E2%80%94How%20we%20prepare%20our%20reports%20to%20parliament\\_0.pdf](https://www.qao.qld.gov.au/sites/default/files/2021-01/Fact%20sheet%E2%80%94How%20we%20prepare%20our%20reports%20to%20parliament_0.pdf)

### 1.3 Committee examination of Auditor-General reports

Standing Order 194B provides that the Committee of the Legislative Assembly shall, as soon as practicable after a report of the Auditor-General is tabled in the Assembly, refer that report to the relevant portfolio committee for consideration. A portfolio committee may deal with this type of referral by considering and reporting on the matter and making recommendations about it to the Assembly.<sup>8</sup>

This report provides a summary of the committee's consideration of the following Auditor-General reports as referred to the committee:

- QAO Report 14: 2021-22—*State Entities 2021* (referred 12 May 2022) and QAO Report 11: 2022-23 – *State Entities 2022* (referred 16 March 2023)
- QAO Report 17: 2021-22—*Appointing and renewing government boards* (referred 26 May 2022)
- QAO Report 2: 2022-23—*Improving grants management* (referred 18 August 2022)
- QAO Report 3: 2022-23—*Managing Queensland's COVID-19 economic response and recovery* (referred 18 August 2022)
- QAO Report 4: 2022-23—*2022 status of Auditor-General's recommendations* (referred 10 November 2022)
- QAO Report 6: 2022-23—*Managing workforce agility in the Queensland public sector* (referred 1 December 2022).

In examining the reports, the committee asked questions of the Auditor-General and QAO representatives at a public briefing on 28 November 2022.

In addition, some of the matters outlined in the reports were discussed at a general oversight briefing on 28 March 2022.

A list of officers who participated in these briefings is available at Appendix A. Transcripts of the briefings can be accessed on the committee's webpage.<sup>9</sup>

#### **Recommendation 1**

The Economics and Governance Committee recommends that the Legislative Assembly notes the content of this report.

---

<sup>8</sup> *Parliament of Queensland Act 2001*, s 92(3).

<sup>9</sup> <http://www.parliament.qld.gov.au/egc>



## 2 QAO Report 14: 2021-22—*State entities 2021* and QAO Report 11: 2022-23—*State entities 2022*

QAO Report 14: 2021-22—*State Entities 2021* (Report 14) and QAO Report 11: 2022-23—*State Entities 2022* (Report 11) set out the results of the QAO's annual financial audits of state public entities, including the 21 core government departments, for the financial years ending 30 June 2021 and 30 June 2022 respectively.

Both reports found that the financial statements of all departments and government owned corporations, most statutory bodies, and the entities they control, are reliable and comply with relevant laws and standards.<sup>10</sup> However, the 2 reports identified:

- opportunities to improve the timeliness with which financial statements are made public, reporting recurring issues in this regard
- some common weaknesses in the internal controls (people, systems, and processes) that entities have in place, some of which were carried forward and observed in both years.

Report 14 also highlighted challenges associated with the restructuring of departments following the 2020 state election, and with implementing government initiatives as part of the rapid response to COVID-19.<sup>11</sup>

Report 14 included 8 recommendations for departments and entities in light of the QAO's findings regarding challenges arising from the restructure of departments, the timeliness of financial reporting and related reporting issues, and common internal control weaknesses.<sup>12</sup>

Report 11 identified that, despite corrective action taken by some entities to address the recommendations of Report 14, many of the findings remained applicable in 2021-22. While the report only made one recommendation, it directly referenced the importance of further action to implement the recommendations of Report 14 (see below).

**QAO recommendation 1 (Report 11) – Audit committees to actively monitor the implementation of audit recommendations (including internal audit recommendations) and encourage the timely resolution of outstanding internal control weaknesses (audit committees of all entities)**

We recommend that audit committees of public sector entities actively monitor the implementation of audit recommendations and encourage the timely resolution of outstanding internal control weaknesses. This should ensure the agreed recommendations address the underlying cause of the issue and issues are resolved in accordance with agreed timelines. Audit committees play an integral role in ensuring effective internal controls, including holding management to account so that identified weaknesses are resolved appropriately and in a timely manner.

In finalising Report 11, the QAO invited responses from the ministers and chief executive officers of relevant departments and entities<sup>13</sup> in relation to both its single recommendation and the 8 recommendations of Report 14.

Key findings of the 2 reports, including the recommendations of Report 11, and the responses from entities to the 2 reports, are set out below.

<sup>10</sup> QAO, Report 14: 2021-22—*State Entities 2021*, April 2022 (Report 14), p 2; QAO, Report 11: 2022-23—*State Entities 2022*, March 2023 (Report 11), p 1.

<sup>11</sup> Report 14, pp 2, 7-16. Note – Report 11 also included a section considering relevant developments for the year, providing an analysis of the financial performance of the government which highlighted an improvement in the state's financial position in 2021-22, with a reported net operating surplus of \$1.3 billion, after the \$3.2 billion deficit recorded in 2020-21. See: Report 11, pp 5-11.

<sup>12</sup> Report 14, pp 3-4.

<sup>13</sup> In accordance with s 64 of the *Auditor-General Act 2009*.

## 2.1 Machinery of government changes

Machinery of government (MoG) changes (changes to department names and responsibilities) are an accepted practice of government and a common occurrence after elections, with many functions having been moved over the past decade. Such changes may seek to align services with governments' objectives and ministers' skills and backgrounds, while allowing for ministerial oversight.<sup>14</sup> However, in Report 14, the QAO sought to highlight its observations that they 'are rarely quick, inexpensive, or simple', and have historically given rise to or exacerbated certain challenges.<sup>15</sup> For example, the QAO noted:

- The transfer of employees, assets, information systems and records can be lengthy and complicated and can sometimes take years to complete, with associated costs.<sup>16</sup>
- From a cultural perspective, functions that move frequently between departments are more likely to become insular and resist fully integrating into their new departments, which can affect the flow of information and how risks are managed and decisions made.<sup>17</sup>
- During implementation, resources and attention are naturally directed to the restructure, which can distract agencies from their other responsibilities, such as the coordination of service delivery and engagement with key stakeholders. These activities can also be affected by disruptions to relationships with suppliers and customers (through changes to department names, to people in executive positions, and to employee contact details).<sup>18</sup>
- The changes can make it more difficult to assess the financial and performance information of departments over time (because the nature of their operations, and therefore the composition of their financial results, changes with each restructure of government).<sup>19</sup>
- Each change requires entities to re-establish their cultures and develop consistent internal controls, with regular changes potentially reducing the focus a department puts on such controls and reducing the ability for them to develop and mature.<sup>20</sup>

The MoG changes implemented following the 31 October 2020 election (announced on 12 November 2020) resulted in 17 departments being restructured, with 2 departments abolished, one new department established, and 14 others affected by the transfer of 23 core functions. Over 6,200 staff and approximately \$8.3 billion in assets and \$3.3 billion in liabilities were transferred between the departments.<sup>21</sup>

The QAO's observations in respect of the 2020 restructure included that:

- While all finance and payroll system changes were made within months of the MoG changes, at the conclusion of 2021 many departments continued to operate on multiple networks.<sup>22</sup> The QAO warned that using multiple networks 'can increase a department's information security risk, as well as impact on employees' ability to easily access the information and systems they need to perform their job'.<sup>23</sup>

---

<sup>14</sup> Report 14, p 7.

<sup>15</sup> Report 14, pp 7-8. The report noted that over 190 functions had been transferred between departments as a result of machinery-of-government changes over the past 12 years (including the 23 function transfers in 2020).

<sup>16</sup> Report 14, p 10.

<sup>17</sup> Report 14, p 9.

<sup>18</sup> Report 14, p 12.

<sup>19</sup> Report 14, p 12.

<sup>20</sup> Report 14, p 10.

<sup>21</sup> Report 14, p 7.

<sup>22</sup> Report 14, p 11. The QAO noted that this often occurs because of old systems that operate on those networks, the cost associated with migrating them to a new network, and the continued availability of skilled employees to manage those systems in the new department.

<sup>23</sup> Report 14, p 11.

- At the conclusion of 2021, many departments were yet to establish consistent financial policies, approval processes or risk management practices across their departments (the QAO noted that many were planning to update their policies and procedures in 2022).<sup>24</sup>
- Queensland Shared Services<sup>25</sup> (QSS) estimated the cost for executing the system changes and transfers for the 2020 MoG changes to be approximately \$2.2 million, which equates to 17,000 staff hours. The QAO noted that this ‘does not include the time spent by departments to implement these changes’.<sup>26</sup>
- While the QAO acknowledged that QSS cost estimates for MoG changes have trended down in recent years, particularly with more consistency in the finance and payroll systems being used across government,<sup>27</sup> there are no measures set centrally or at individual department level to track the benefits of the restructures and help inform future decision making in this regard. The QAO considered there would be value in outlining the expected benefits of restructures and capturing the associated costs, ‘so that these can be actively monitored and managed’.<sup>28</sup>

The QAO therefore made the following recommendation in Report 14.

**QAO recommendation 1 (Report 14) to central agencies – Advise on machinery of government changes, set performance measures, and monitor costs**

We recommend the Department of the Premier and Cabinet and Queensland Treasury take the following actions for future government restructures:

- Provide advice to the incoming or returning government on potential impacts of restructures, including the key risks to be managed and estimated costs to implement, drawing on lessons learnt from past machinery of government changes.
- Require departments to articulate, measure and report on the benefits to be achieved from the machinery of government change and the cost to implement the restructure. This should include guidance on how to measure and report benefits and costs.

The Auditor-General also sought to highlight this recommendation during the public briefing on 28 November 2022, making reference to the significant changes in ‘the control environment and the governance environment’ following restructures, including in terms of shifting personnel (and associated personalities), interactions with other systems, and cyber risks.<sup>29</sup>

In responding to Report 14, the Department of the Premier and Cabinet (DPC), which also addressed recommendation one on behalf of Queensland Treasury,<sup>30</sup> expressed ‘in principle agreement’ with the recommendation. DPC noted that MoG changes are generally made ‘within days from the date the outcome of an election becomes clear’.<sup>31</sup> However, DPC confirmed: ‘Advice will be provided on the impacts of implementing the proposed MoG changes to support these decisions’.<sup>32</sup>

In Report 11, the QAO also made references to issues relating to MoG changes, including noting that it had previously identified a control weakness in an area of one department but ‘machinery of government changes meant it had not been adequately resolved’.<sup>33</sup>

<sup>24</sup> Report 14, p 11.

<sup>25</sup> Queensland Shared Services is the shared service provider for most departments’ payroll, expenditure, and general ledger services, which tracks the costs of MoG changes. See Report 14, p 11.

<sup>26</sup> Report 14, p 11.

<sup>27</sup> Report 14, p 11.

<sup>28</sup> Report 14, p 8.

<sup>29</sup> Public briefing transcript, Brisbane, 28 November 2022, p 3.

<sup>30</sup> Report 14, p 34 (Queensland Treasury noted that DPC would ‘address this recommendation’ in its response).

<sup>31</sup> Report 14, p 35.

<sup>32</sup> Report 14, p 35.

<sup>33</sup> Report 11, p 23.

In providing a further response to the recommendation of Report 14 when responding to Report 11, DPC stated that it had ‘undertaken significant work on this recommendation’, which was expected to be completed ahead of schedule (for the 2024 state election).<sup>34</sup>

## 2.2 Rapid response to support businesses during COVID-19: Case study

During the COVID-19 pandemic, the Queensland Government provided significant additional grants and loans to businesses as part of its response to the COVID-19 pandemic, chiefly through the Queensland Rural and Industry Development Authority (QRIDA).<sup>35</sup> QRIDA delivered multiple programs and millions of dollars in business support as part of the government’s *Economic Recovery Plan*, including the \$1 billion COVID-19 Jobs Support Loan Scheme and the Small Business COVID-19 Adaption Grant Program (Round 2).<sup>36</sup>

In Report 14, the QAO noted that there had been initial problems in estimating the extent to which the loans provided under the COVID-19 Jobs Support Loan Scheme were recoverable (due to the unknown impact of the pandemic on the credit outlook for loan recipients, and a lack of historical or future performance indicators for them). This resulted in the QAO issuing a qualified audit opinion<sup>37</sup> for QRIDA in 2019-20.<sup>38</sup> However, in Report 14, the QAO advised that as at 30 June 2021, it was able to verify the recoverability estimates made by QRIDA, and that:

- approximately 95 per cent of recipients in 2019-20 and 2020-21 were identified as having a minimal to low or average to moderate credit risk rating
- the majority of loan recipients were complying with the repayment schedules.<sup>39</sup>

In terms of the large expansion required to administer these initiatives (with an increase in full-time equivalent (FTE) employees from 118 in 2018-19 to 201 in 2019-20, and continued engagement of 189 FTE in 2020-21), the QAO reported that while QRIDA provided training to employees during this period of rapid expansion, it did not adhere to some policies and procedures. In addition, the systems and processes (internal controls) QRIDA had in place, which were appropriate for a smaller entity, were not adapted as the size, complexity, and risk of the entity increased.<sup>40</sup>

The QAO identified 10 internal control deficiencies in QRIDA systems and processes, but noted that since the completion of the audit, QRIDA:

- had implemented the QAO’s recommendations for 8 out of the 10 control deficiencies and was working to resolve the remaining deficiencies<sup>41</sup>
- was in the process of implementing improved practices to alleviate the pressure put on the entity during future surge periods.<sup>42</sup>

While Report 14 did not include any further recommendations going forward, the QAO emphasised that, in seeking to respond quickly to the challenges faced by communities and businesses, ‘administrators and program owners must ensure that controls can adapt to changes in the nature and volume of services they deliver’.<sup>43</sup>

---

<sup>34</sup> Report 11, p 28.

<sup>35</sup> Report 14, p 13.

<sup>36</sup> Report 14, p 13.

<sup>37</sup> The QAO issues a qualified audit opinion when financial statements are fairly presented, with the exception of a specified area.

<sup>38</sup> Report 14, p 14. See also QAO, *Report 13: 2020-21—State entities 2020*, February 2021, p 8.

<sup>39</sup> Report 14, p 14.

<sup>40</sup> Report 14, p 15.

<sup>41</sup> Report 14, p 16.

<sup>42</sup> Report 14, p 16.

<sup>43</sup> Report 14, p 16.

## 2.3 Timeliness of financial reporting and other reporting considerations

### 2.3.1 Timeliness of financial reporting

Report 14 noted that Queensland public sector entities have made continuous improvements to their financial reporting processes, which has resulted in most financial statements being signed well before the legislative deadline (30 September) – on average, 25 August for departments and statutory bodies in 2021.<sup>44</sup> However, the QAO observed that in 2020-21, the financial statements of these entities were published an average of 56 days after they were certified, with 98 per cent of annual reports (in which they are published) tabled in the last week of September 2021, or after the legislative deadline.<sup>45</sup>

The Auditor-General further commented on the delay in finalised financial statements being made public, and the issues surrounding this, at the public briefing on 28 March 2022:

The legislative requirement for state entities, departments, statutory bodies and GOCs is that they have to have their financial statements signed as audited by 31 August. I would say that is probably the leading target around the country. That is probably a month earlier than most other jurisdictions. In all honesty, none of the state entities struggle to meet that target. Some of the GOCs are probably getting signed off in early August. It is not an issue about them meeting the targets.

The issue comes in relation to when that information enters the public domain, because they cannot release that information until their annual report is tabled in parliament. In my last two years of reports on state entities I have highlighted that the tabling of annual reports is all happening in those last few days of September, because there is also a statutory deadline to table annual reports. What happens is that entities may have signed their financial statements off in early August or late July even, but that information is not hitting the public domain until the last couple of days of September. I think that is an unacceptable delay.

If you think about a listed entity that is also widely owned, like these public sector entities are, they would release their financial information pretty much the day the auditors sign it. I guess the thing with financial information is that the older it gets the less utility it has and the less relevance it has. In a way, I think it is a little bit disrespectful to the public sector entities themselves. They are doing the right thing, they are doing this timely financial reporting and, as I said, I think they have good systems and processes to do that, but then there is this delay before that information hits the public domain. That is really the issue.

I have reported on it in the last few years and I will be reporting on it again.<sup>46</sup>

Report 14 included the following recommendation to address this issue.

**QAO recommendation 2 (Report 14) to departments and relevant ministers – Improve timeliness of financial statements being made public**

Departments and their ministers should explore opportunities for releasing the audited financial statements of public sector entities in a more timely way. This could involve departments progressively providing annual reports to the minister, instead of waiting to provide all annual reports in the portfolio at the same time.

Queensland Treasury should consider legislative change to specify the maximum number of days between financial statement certification and tabling. This is the case for Queensland local governments, which must table their annual reports in council within one month of certifying their financial statements. Alternatively, the annual reports for abolished state government entities must be tabled within 14 days of being provided to the minister.

In response to this recommendation, Queensland Treasury undertook to ‘communicate with Directors-General encouraging them to table all departmental and statutory authorities and bodies’ annual reports at the earliest opportunity, rather than waiting for the legislative deadline’.<sup>47</sup> The Department of Employment, Small Business and Training (DESBT) confirmed that it would seek to further

<sup>44</sup> Excluding category 2 water boards, river improvement trusts and drainage boards due to their small size. See Report 14, p 19.

<sup>45</sup> Report 14, p 19.

<sup>46</sup> Public briefing transcript, Brisbane, 28 March 2022, p 4.

<sup>47</sup> Report 14, p 34.

improve the timeliness of its reporting,<sup>48</sup> while the Minister for Health and Ambulance Services, in responding on behalf of Queensland Health and its entities, noted the recommendation but highlighted potential challenges for its implementation.<sup>49</sup> The Minister stated:

... [A]nnual reports contain a diversity of information beyond the audited financial statements. While financial statements may be suitable for release as soon as they are certified on or by 31 August 2022, the remainder of the annual report requires a detailed review for consistency with those financial statements, and a final check against whole of government and legislative requirements as well as a final quality assurance check, before progressing to the Minister to table by the end of September. The QAO's recommendation that annual reports are provided progressively to the Minister as a way of improving timeliness is noted. However, such an approach may not necessarily alleviate the time and resourcing pressure on the Minister's Office to review all reports for approval to table in the Legislative Assembly within a short period of time in the second half of September.<sup>50</sup>

In Report 11, the QAO identified a significant improvement in the timeliness with which financial statements were released, reporting an average of 32.8 days between 2021-22 financial statements being signed and made publicly available in tabled annual reports (compared to the 56-day average in 2020-21).<sup>51</sup> Further, 99 per cent of annual reports were tabled before the legislative deadline of 30 September, compared to 72 per cent in 2020-21 and 70 per cent in 2019-20.<sup>52</sup>

The QAO noted that this improvement was largely driven by the health portfolio, for which all entity annual reports were tabled on 30 September 2022 (in contrast to the 2 preceding years, in which the minister approved most entities extending their annual reporting timeframe due to ongoing staffing shortages from the response to the COVID-19 pandemic<sup>53</sup> – a matter discussed further in section 2.3.2 below). In addition, the QAO observed that quite a number of ministers had moved to table their reports progressively as had been suggested by the QAO, with 10 ministers tabling annual reports over multiple days prior to the legislative deadline in 2022.<sup>54</sup>

In closing, however, the QAO stated:

Although entities have been encouraged to table their annual reports as early as possible, Queensland Treasury and the Department of the Premier and Cabinet have not changed the formal process or deadline for tabling annual reports. An opportunity remains for Queensland Treasury to introduce legislation that allows financial statements to be published independent of the annual report, or to specify the maximum number of days between financial statement certification and tabling the annual report. Further action should also be taken by entities and ministers to streamline the process for publishing financial statements to improve the timely release of information. This will go some way towards demonstrating a genuine commitment to openness and accountability, consistent with the observations of Professor Coaldrake.<sup>55</sup>

Queensland Treasury, in responding to Report 11, noted the identified improvement in the timeliness of tabling of annual reports, and stated that it would 'continue to support this process', including by continuing to communicate with Directors-General to encourage tabling of annual reports at the earliest opportunity.<sup>56</sup>

### **2.3.2 Annual reporting considerations**

A minister may extend the period for tabling an annual report beyond the legislative deadline, and Report 14 noted that the Minister for Health and Ambulance Services had done this for 3 of the last

---

<sup>48</sup> Report 14, p 41.

<sup>49</sup> Report 14, p 32.

<sup>50</sup> See Minister's response, Report 14, p 32.

<sup>51</sup> Report 11, p 16.

<sup>52</sup> Report 11, p 16.

<sup>53</sup> Report 11, p 17.

<sup>54</sup> Report 11, p 18.

<sup>55</sup> Report 11, p 18.

<sup>56</sup> Report 11, p 30.

4 years.<sup>57</sup> For each of these years, all annual financial statements were certified on time, and most annual reports were prepared within the legislative deadline. The QAO advised it is the department's practice to provide the annual reports for all hospital and health services to the minister at the same time, which has contributed to delays in tabling annual reports that were prepared well before the deadline.<sup>58</sup>

The QAO noted that the *Financial Accountability Handbook* published by Queensland Treasury indicates delayed tabling should only occur in exceptional circumstances, 'but does not provide any guidance or examples of what an exceptional circumstance might be'.<sup>59</sup>

In addition, the QAO considered that the role of ministers in tabling all of the annual reports within their portfolios is not clearly and consistently defined in accountability requirements, with some variation in the detail of requirements as set out in legislation<sup>60</sup> and in the *Annual report requirements for Queensland government agencies* (ARRs) and *Financial Accountability Handbook*.<sup>61</sup> The QAO explained:

Most consistently, the accountable officer or statutory body is required to approve the annual report, while the minister is required to table the annual report in parliament. The *Financial Accountability Handbook* is the only document that refers to ministers reviewing the annual reports, but the nature or purpose of the review is not defined. The annual report guidelines do not refer to the minister reviewing or approving annual reports prior to tabling.<sup>62</sup>

To address these issues, the QAO made the following 2 recommendations in Report 14.

**QAO recommendation 3 (Report 14) to central agencies – Provide guidance on the exceptional circumstances that may result in a minister extending the tabling of an annual report beyond the legislative deadline**

Department of the Premier and Cabinet and Queensland Treasury should update accountability requirements to provide clear and consistent guidance on the exceptional circumstances that are likely to require a minister to extend the tabling of an annual report beyond the legislative deadline. This should include examples of exceptional circumstances that impact on the preparation of the annual report. This may be included in the *Annual report requirements for Queensland Government agencies* published by the Department of the Premier and Cabinet and/or the *Financial Accountability Handbook* published by Queensland Treasury.

**QAO recommendation 4 (Report 14) to central agencies – Update accountability requirements to provide clarity and consistency on the minister's role in relation to annual reports**

Department of the Premier and Cabinet and Queensland Treasury should review accountability requirements to ensure they provide clarity and consistency on the minister's role in relation to annual reports. This should be aligned with the minister's responsibilities for the portfolio, and support the timely release of information.

In response to recommendation 3, DPC and Queensland Treasury indicated they are available to provide officer-level assistance to support agencies in understanding requirements for extending the tabling of reports.<sup>63</sup>

<sup>57</sup> Report 14, p 21.

<sup>58</sup> Report 14, p 21.

<sup>59</sup> Report 14, p 21.

<sup>60</sup> The *Financial Accountability Act 2009* and Financial and Performance Management Standard 2019.

<sup>61</sup> Report 14, p 23.

<sup>62</sup> Report 14, p 23

<sup>63</sup> Report 14, pp 34, 35.

In relation to recommendation 4 of Report 14:

- DPC stated that the minister's role in relation to annual reports as outlined in the ARRs is clear and consistent with the prescribed requirements. DPC advised that it undertakes an annual review of the ARRs to ensure they reflect current reporting requirements.<sup>64</sup>
- Queensland Treasury undertook to 'consider this as part of our regular quality assurance reviews of our accountability reference tools to ensure there is consistency regarding the requirements for annual reports'.<sup>65</sup>

In Report 11, the QAO advised that recommendations 3 and 4 of Report 14 had been fully implemented.<sup>66</sup>

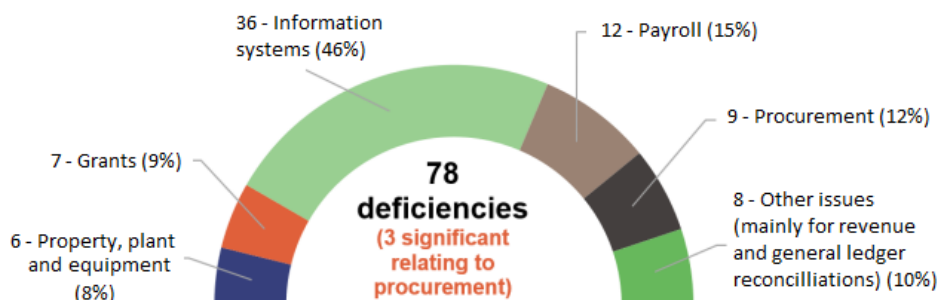
## 2.4 Internal controls at state entities

In Reports 14 and 11, the QAO found that the internal controls that entities have in place are generally effective. Further, in each report, the QAO noted that it had identified and reported less control deficiencies to departments than in the previous year.<sup>67</sup> However, both reports highlighted room for improvement, with the same common weaknesses in controls identified across both years, as also consistent with reporting for the 2019-20 financial year.<sup>68</sup>

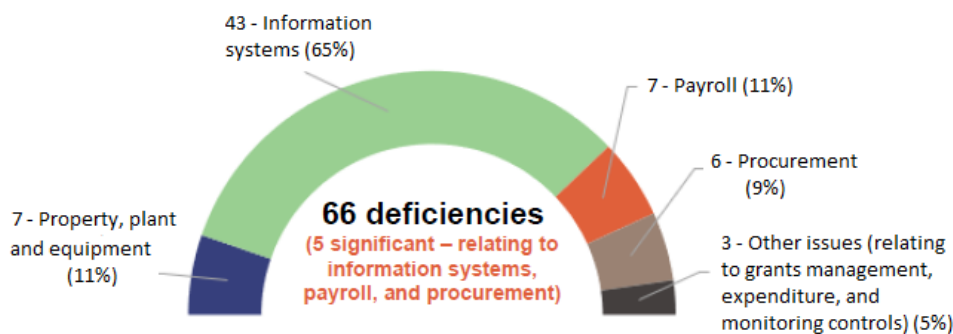
Chief among these were weaknesses in information systems, which were responsible for 36 (46 per cent) of the 78 identified control issues in 2020-21 and 43 (65 per cent) of the 66 identified control issues in 2021-22.<sup>69</sup>

**Figure 1 – Reported internal control issues in 2020-21 and 2021-22**

### Overview of internal control issues raised in 2020-21



### Overview of internal control issues raised in 2021-22



Source: Adapted from Figure 5A, Report 14, p 25 and Figure 4A, Report 11, p 20.

\*Note – Percentages are rounded to the nearest whole number and may not add to 100 per cent.

<sup>64</sup> Report 14, p 35.

<sup>65</sup> Report 14, p 34.

<sup>66</sup> Report 11, p 39.

<sup>67</sup> Report 14, p 24; Report 11, p 20.

<sup>68</sup> Report 14, p 2; Report 11, p 20. Report 14 noted that the same common weaknesses had arisen over the last 2 years.

<sup>69</sup> Report 14, p 25; Report 11, p 20.



### 2.4.1 Information system control issues

In Report 14, the QAO noted that weaknesses in information systems increase the risk of undetected errors or financial loss, including fraud, and are particularly relevant in light of significant increases in malware threats and in the frequency and sophistication of cyber attacks.<sup>70</sup> Further, the QAO noted that it had previously (in its 2019-20 audit of state entities) recommended that all entities strengthen the security of their information systems, including by taking a number of identified actions.<sup>71</sup>

While the QAO considered that entities had mostly taken the specific actions it had recommended, it noted that 'ongoing changes in people and systems means new control weaknesses continue to be identified'.<sup>72</sup> The QAO therefore reiterated the importance of all entities taking action to address this previous recommendation and continuing to strengthen their information systems.<sup>73</sup>

### 2.4.2 Other control issues

In addition to information system weaknesses, identified deficiencies in internal controls for the management of payroll, procurement, grants, and property, plant and equipment, also featured across the 2 years, with the QAO issuing 3 recommendations in relation to these issues in Report 14.

In relation to payroll controls, the QAO had advised that it had identified:

- instances where departments did not review payroll reports
- inconsistencies between supporting documentation completed and the requirements outlined in internal policies and procedures for processing of employee terminations
- inconsistent approval and lack of evidence of employee overtime across business areas.<sup>74</sup>

The QAO noted that this followed identified issues in 2019-20 with entities not independently verifying requests to change employee and bank account details, including where supplier details are updated by the department or a shared service provider (and which led to a recommendation at that time).<sup>75</sup> The QAO cautioned of these weaknesses:

Without effective review of key payroll reports and consistencies in processing, approving, and monitoring of employee payroll transactions, there is an increased risk that errors, or fraudulent transactions such as invalid payments for termination, overtime, or allowances, will not be detected.<sup>76</sup>

The QAO noted that in some cases in 2020-21, the control weaknesses resulted in overpayments to employees.<sup>77</sup>

In relation to grants management, and the financial delegations and systems for grant approvals, in Report 14, the QAO:

- identified a deficiency in a department's financial delegations, where the minister was granted a delegation to approve payments<sup>78</sup> (The QAO noted that the minister may be involved in the process to provide approval to start a grant program, give feedback on the design of the program, and ensure the department's operations are aligned with government policy, but 'all grants require financial approval from the director-general or their delegate'.)<sup>79</sup>

<sup>70</sup> Report 14, p 25.

<sup>71</sup> Report 14, p 26.

<sup>72</sup> Report 14, p 45.

<sup>73</sup> Report 14, p 26.

<sup>74</sup> Report 14, p 27.

<sup>75</sup> Report 14, p 27. See also recommendation 4 of QAO, Report 13: 2020-21—*State entities 2020*, February 2021.

<sup>76</sup> Report 14, p 27.

<sup>77</sup> Report 14, p 27.

<sup>78</sup> Report 14, p 27. This matter was also raised in QAO Report 6: 2022-23—*Awarding of sports grants*, tabled in September 2020, which was also considered by this committee.

<sup>79</sup> Report 14, p 27.

- identified deficiencies across departments where grant expenditure had been approved by officers who did not have the delegation to approve that much expenditure. (The QAO noted that when this occurs, it increases the risk of grants being inappropriately approved and unauthorised grant payments being processed by departments.)<sup>80</sup>

In respect of procurement, finally, Report 14 identified weaknesses in procurement policies and manuals across departments ‘where the policies did not provide enough guidance on key decisions and documentation requirements in the procurement process’.<sup>81</sup>

To address these control issues, Report 14 made the recommendations set out below.

**QAO recommendation 5 (Report 14) – Promptly review employee payments (all entities)**

In addition to our recommendation from 2020–21 to promptly review payroll reports, we also recommend entities:

- provide staff with internal policies and manuals that outline payroll processes
- ensure staff consistently comply with these, particularly for processes such as employee terminations and approval of employee overtime.

**QAO recommendation 6 (Report 14) – Automate financial approvals and monitoring of internal controls (all entities)**

Departments should review their delegations and ensure all financial authority rests with the director-general or their delegate. Entities should ensure staff understand their roles, responsibilities, and assigned financial delegations, and should ensure enough controls are in place to prevent grants being approved by staff who do not hold delegations with high enough financial limits.

**QAO recommendation 7 (Report 14) – Ongoing compliance with financial accountability requirements following a machinery of government change (departments)**

Entities should review their procurement policies and manuals to ensure they give clear guidance for staff to follow when making procurement decisions. The policies and manuals should also specify what documentation staff should maintain to record the process and decisions.

A number of responding entities provided general comments which acknowledged these recommendations, and/or confirmed their commitments to further strengthening their internal controls as required.<sup>82</sup>

In Report 11, the QAO called for more immediate action by management to address recurrences of the control issues that were the subject of these recommendations, noting:

Some of these weaknesses require immediate action by management. Over a quarter of deficiencies raised with departments in 2020–21 were not resolved in accordance with agreed time frames. This exposes the departments to a higher risk of operational failures, non-compliance, fraud, or error.<sup>83</sup>

As previously noted, the QAO sought to highlight the importance of audit committees in holding management to account and recommended that these public sector committees actively monitor the implementation of audit recommendations and ‘encourage the timely resolution of outstanding control weaknesses’ (Report 11, recommendation 1).<sup>84</sup>

Responses from 6 entities were included in Report 11, all of which noted the report’s single recommendation, and the QAO’s observations regarding recurrences of issues the subject of

---

<sup>80</sup> Report 14, p 28.

<sup>81</sup> Report 14, p 28.

<sup>82</sup> Report 14, pp 38-41.

<sup>83</sup> Report 11, p 1.

<sup>84</sup> Report 14, p 2.

recommendations in Report 14.<sup>85</sup> A number of entities made reference to their established independent Audit and Risk Management Committees, and the processes those audit committees have in place to monitor any required actions to address QAO recommendations.<sup>86</sup>

**Committee comment**

The committee welcomes the QAO's ongoing engagement with the public sector regarding the key themes and challenges affecting entities' management and reporting of their expenditure of public funds each year.

The committee notes the findings and recommendations of Report 14 and Report 11, and the responses of entities to those reports. The committee looks forward to considering the results of the next annual financial audit of state entities, for the year 2022-23, which we hope will reflect further improvements and actions taken to implement the QAO's recommendations, under the stewardship of audit committees and other entity leaders.

---

<sup>85</sup> Report 14, pp 28-35.

<sup>86</sup> Report 14, pp 28, 32, 33.

### 3 QAO Report 17: 2021-22—*Appointing and renewing government boards*

DPC provides guidelines for departments that manage the recruitment for government boards. However, departments have different policies and practices for appointing and renewing board members across different bodies (government owned corporations, statutory bodies, and hospital and health services).<sup>87</sup>

The Auditor-General's Report to Parliament No. 17: 2021-22—*Appointing and renewing government boards* (Report 17) is an audit insights report examining the board recruitment processes of the 4 departments responsible for the largest government boards—the Department of Health, DESBT, the Department of Regional Development, Manufacturing and Water (DRDMW), and Queensland Treasury.<sup>88</sup>

In undertaking the audit, the QAO used guides on 'better practice', mainly from the ASX Corporate Governance Council and the Australian Institute of Company Directors (AICD), to steer its recommendations.<sup>89</sup>

#### 3.1 The right mix of skills and experience

##### 3.1.1 Diversity of boards

The QAO looked at the diversity and skills of board members of large Queensland government boards, which it identified as important for effective governance.<sup>90</sup> In terms of diversity, data was available on the qualifications of board members and proportion of women on boards, with the QAO noting that the government set a target in 2015 to achieve gender balance on most government boards. In 2021, the proportion of women on most boards was 53.7 per cent.<sup>91</sup> For the large entities within the scope of the audit, the QAO noted that 55.4 per cent of board members were women, with some variation across sectors.<sup>92</sup>

However, the QAO found DPC does not collect data on other aspects of board diversity, such as the number of Aboriginal and Torres Strait Islander peoples, people from culturally and linguistically diverse backgrounds, or people with disability.<sup>93</sup> The QAO noted that better practice as identified by the AICD recognises that a contemporary board needs diversity in terms of gender, age and culture, with directors to be chosen on merit, in alignment with the board's purpose and strategy.<sup>94</sup>

##### 3.1.2 Identifying skills and experience needed

The QAO noted that departments need to work with boards to:

- identify the skills and experience they need, so the departments can find them the best people
- identify the skills of any board member whose term is expiring
- determine whether members who are seeking reappointment are performing well, and if the board needs new skills to address emerging risks or changes in strategy (eg with regards to cyber security).<sup>95</sup>

The QAO found the Department of Health and DESBT use a skills matrix to identify gaps in their boards' skills, which is considered best practice. However, DRDMW and Queensland Treasury do not complete

---

<sup>87</sup> QAO, Report 17: 2021-22—*Appointing and renewing government boards*, May 2022 (Report 17), p 2.

<sup>88</sup> Report 17, pp 1, 37.

<sup>89</sup> Report 17, p 5.

<sup>90</sup> Report 17, p 5.

<sup>91</sup> Report 17, p 7.

<sup>92</sup> Report 17, p 7.

<sup>93</sup> Report 17, p 7.

<sup>94</sup> Report 17, p 7.

<sup>95</sup> Report 17, p 8.

a formal matrix, relying only on informal consultation with the chair and/or minister (or department).<sup>96</sup>

Furthermore:

- There is no formal requirement for board members to undertake a performance review prior to reappointment, and DPC's guidance does not require boards of statutory bodies to regularly undertake any individual or collective performance evaluations.<sup>97</sup>
- While government boards have members with mixed experience, there is no guidance for departments on how to consider the optimum length of tenure for board members. (The QAO noted that better practice recommends that boards annually assess the independence of each member, including taking tenure into account.)<sup>98</sup>

### 3.1.3 Searching for people with the right skills and experience

The QAO advised that better practice recommends entities have a formal, rigorous, and transparent process for the appointment and reappointment of directors.<sup>99</sup> However, while the *Hospital and Health Boards Act 2011* requires the minister to advertise board positions, most other legislation for statutory bodies and government owned corporations does not specify the process on how to fill board vacancies.<sup>100</sup>

The QAO reported that departments tend to use a combination of different measures to search for and identify candidates, though all must search for potential candidates on the Queensland Register of Nominee (QRON), a talent pool of people who have registered their interest in serving on a board, which is maintained by DPC.<sup>101</sup> QRON also publishes limited information on the roles and functions of boards and the details of board members on the Queensland Register of Appointees.<sup>102</sup> The QAO advised that data on the success rate of candidates from QRON is not broadly available, with the Department of Health advising that of the 138 current members (as of June 2021) on hospital and health boards, it had identified 3 successful candidates (2.2 per cent) through QRON.<sup>103</sup>

In terms of the advertisement of positions, DPC encourages all agencies to use the 'Join a Board' website to advertise board vacancies, and departments can also use national/international advertising campaigns.<sup>104</sup> The QAO reported that:

- the Department of Health; DESBT; and DRDMW have publicly advertised vacancies on their boards, formed selection panels, and developed selection criteria clearly listing the skills they are seeking, even though they were not legislatively required to do so.<sup>105</sup>
- Queensland Treasury is the only department that has not developed selection criteria, formed selection panels, or advertised vacancies to fill board positions for government owned corporations. Instead, Queensland Treasury has used QRON, internal networks, and recommendations from chairs or the minister to search for suitable candidates.<sup>106</sup>

<sup>96</sup> Report 17, p 9. Note – the QAO noted that Queensland Treasury does maintain a list of existing board members and potential skills gaps for the recruitment process, though it does not complete a formal matrix.

<sup>97</sup> Report 17, p 9.

<sup>98</sup> Report 17, p 10.

<sup>99</sup> Report 17, p 12.

<sup>100</sup> Report 17, p 11.

<sup>101</sup> Report 17, p 11.

<sup>102</sup> Report 17, p 11.

<sup>103</sup> Report 17, p 11.

<sup>104</sup> Report 17, p 11.

<sup>105</sup> Report 17, p 11

<sup>106</sup> Report 17, p 12.

In reference to this finding, the QAO raised concerns that Queensland Treasury may miss opportunities to identify a broader range of potential candidates to fill board roles.<sup>107</sup> Further, the QAO stated:

A lack of openness about how government identifies and appoints board members can create a perception that it is making appointments for reasons other than securing highly qualified, experienced, and diverse candidates. This can be a disincentive for prospective candidates, as they may not wish to invest their time and effort in a process perceived as unfair.

The New South Wales and Victorian governments both require departments to:

- publicly advertise vacancies
- develop selection criteria
- use panels to assess candidates.<sup>108</sup>

On remuneration, the QAO advised that DPC centrally sets the remuneration rates for board chairs and members, and that the rates had remained the same for 7 years.<sup>109</sup> The QAO noted that Queensland government boards compete for members with interstate government boards and the private and not-for-profit sectors, and that out-of-date remuneration rates are a barrier to attracting and retaining the best quality board members.<sup>110</sup>

### 3.2 Recruitment time frames and the suitability of candidates

The departments undertake the recruitment process for board directors on behalf of, and in conjunction with, the relevant minister's office. Departments have no approving authority for appointments. Instead, ministers are responsible for recommending board appointments for government owned corporations and statutory bodies to the Governor in Council.<sup>111</sup>

The QAO found there is no guidance for departments and approvers on indicative time frames for each stage of the appointment process. The average duration of an appointment process across the 4 departments is 12 months, with candidates having to wait an average of 6 months for confirmation of approval of appointment.<sup>112</sup> The QAO suggested that applying the same rigour and courtesy to selections for board positions that are used in the recruitment process for public servants could improve the pool of applicants:<sup>113</sup> 'There is competition for good board directors, and ...[c]ompleting each step within a reasonable time ensures boards do not lose quality candidates to other (interstate, private, or not-for-profit) boards'.<sup>114</sup>

The QAO also noted potential impacts on the operation of boards where recruitment processes are not conducted efficiently, noting that at times, some board members have not been replaced in a timely manner when they resigned or when their term expired. This leads to a risk that if one of the remaining members were to resign suddenly or be temporarily unavailable, leaving the board without quorum, the board could be left unable to make decisions about such things as endorsing and signing financial statements within statutory time frames.<sup>115</sup>

Further, the QAO observed that the guidance to departments regarding recruiting for statutory boards is 12 years old, while the guidance for government owned corporations is relatively

---

<sup>107</sup> Report 17, p 12.

<sup>108</sup> Report 17, p 12.

<sup>109</sup> Report 17, p 13.

<sup>110</sup> Report 17, p 13.

<sup>111</sup> Report 17, p 14.

<sup>112</sup> Report 17, pp 14, 20.

<sup>113</sup> Report 17, p 14.

<sup>114</sup> Report 17, p 14.

<sup>115</sup> Report 17, p 15.

current (2019). Regardless, the QAO considered that neither aligns with better practice nor focuses on achieving reasonable time frames.<sup>116</sup>

In terms of the suitability of candidates, the QAO found that the 4 departments it reviewed checked on a candidate's suitability by accessing criminal history, bankruptcy, and disqualified directors' databases. Only the Department of Health checks a candidate's academic qualifications, creating a risk the other departments may not identify candidates who overstate or exaggerate their qualifications, potentially resulting in the appointment of unsuitable people to boards.<sup>117</sup>

The QAO also observed that the process for appointing new directors does not include an opportunity for candidates to ask questions about their interests or discuss with the chair how they may or may not manage their conflicts. The QAO suggested this creates a risk that some conflicts may not become apparent until after new directors attend some board meetings and gain a greater understanding of the entity's business.<sup>118</sup>

The committee raised the issue of conflicts of interest with the Auditor-General at the public briefing on 28 November 2022. The Auditor-General advised that conflicts of interest do not preclude the appointment of a candidate, but it means 'that everybody needs to be aware of the conflict and you can put in place safeguards to manage around that conflict'.<sup>119</sup> The Auditor-General also expressed support for the idea of involving board chairs 'more closely in the appointment and renewal process to allow candidates to discuss potential conflicts of interest and determine if they can be managed successfully or not'.<sup>120</sup>

Of the 4 departments the QAO audited, only the Department of Health regularly evaluates the effectiveness of its appointment process.<sup>121</sup>

### 3.3 Recommendations and department responses

The QAO made 5 recommendations, with 4 recommendations focused on developing a whole-of-government approach to appointing and renewing government boards. Recommendation 5 called for the departments that manage recruitment processes for the ministers responsible for large government boards to implement the whole-of-government framework once developed.<sup>122</sup>

#### ***QAO recommendations – Whole-of-government approach***

##### **We recommend that the Department of the Premier and Cabinet:**

1. collects consistent information on the diversity characteristics of all people appointed to boards to allow it to analyse the diversity of members and report publicly on how boards reflect the diversity in the broader community
2. develops, in collaboration with Queensland Treasury and relevant departments, a whole-of-government, overarching framework (aligned to better practice as outlined by the ASX Corporate Governance Council and the Australian Institute of Company Directors) for the appointment process for large boards that includes:
  - a) requiring departments to request boards complete a formal skills matrix (including qualifications) to inform performance evaluation, succession planning and to determine the skills needed for each vacancy

<sup>116</sup> Report 17, p 16.

<sup>117</sup> Report 17, p 17.

<sup>118</sup> Report 17, p 18.

<sup>119</sup> Public briefing transcript, Brisbane, 28 November 2022, p 4.

<sup>120</sup> Public briefing transcript, Brisbane, 28 November 2022, p 4.

<sup>121</sup> Report 17, p 20.

<sup>122</sup> Report 17, p 4.

- b) requiring departments to request board members have a performance evaluation completed prior to reappointment
  - c) providing advice to boards on how to determine if a member's long tenure has affected their independence
  - d) providing advice to ministers and departments on the benefits of improving transparency and the applicant pool, by publicly advertising vacancies
  - e) requiring checks of the academic qualifications of candidates
  - f) involving board chairs more closely in the appointment and renewal process, to allow candidates to conduct their own due diligence and discuss potential conflicts of interest and determine if they can be successfully managed
  - g) proposing indicative time frames for each phase of the appointment process, including for approval
  - h) setting timeliness performance targets to evaluate the effectiveness of the appointment process
3. evaluates the effectiveness of the Queensland Register of Nominees database to readily identify people with the skills needed
  4. sets fair and competitive remuneration rates for board members, commensurate with size, complexity and responsibility.

**QAO recommendation – Department-led recruitment**

5. We recommend that departments managing the recruitment process for ministers responsible for large government boards implement the whole-of-government framework developed by the Department of the Premier and Cabinet in Recommendation 2.

In response to the first recommendation regarding the collection of information on the diversity of board members, DPC advised:

Upgrades to the Queensland Register of Appointees to Government Bodies will be required to support the collection and reporting of diversity data. In the meantime, the department will explore alternative approaches in conjunction with agencies to collect the data.<sup>123</sup>

The timeframe for implementation (quarter and financial year) is Q4 2022-23.<sup>124</sup>

In response to Recommendation 2, that an overarching framework on appointing and renewing government boards be developed, DPC advised:

The department has reviewed *Welcome Aboard: A guide for members of Queensland Government Boards, committees and statutory authorities* (Welcome Aboard).

The department will further review Welcome Aboard and other relevant guidance material, taking account of the recommendations of the Queensland Audit Office, in collaboration with Queensland Treasury and other relevant departments.<sup>125</sup>

DPC advised that the timeframe for implementation is Q1 2023-24.<sup>126</sup>

---

<sup>123</sup> Report 17, p 25.

<sup>124</sup> Report 17, p 25.

<sup>125</sup> Report 17, p 25.

<sup>126</sup> Report 17, p 25.



Further:

- In response to recommendation 3, that the effectiveness of QRON be evaluated, DPC advised it 'will consult with agencies to identify possible enhancements to the register', with implementation by Q2 2022-23.<sup>127</sup>
- DPC advised in response to recommendation 4 that it 'will review the *Remuneration Procedures for Part-time Chairs and Members of Queensland Government Bodies* by Q4 2022-23.<sup>128</sup>

In response to recommendation 5, that departments implement the whole-of-government framework developed by DPC as outlined in Recommendation 2, Queensland Treasury, Queensland Health, DRDMW and DESBT all expressed their agreement with the recommendation, subject to the delivery timeframe and outcomes of Recommendation 2.<sup>129</sup>

In addition, Queensland Treasury suggested 'there is a need for flexibility of approach in implementing the whole-of-government framework, particularly given the diversity of government business boards and their specific requirements'.<sup>130</sup>

### **Committee comment**

The committee notes the findings and recommendations of the QAO, and the responses of departments.

The committee notes the importance of ensuring the public is appropriately represented on our government boards through the engagement of people with diverse perspectives and specialist expertise, to support informed and effective strategic decision making.

The improvements that the QAO has recommended should help ensure the recruitment and appointment of our government board members is consistent with better practice, including through more formalised consideration of the skills needs of boards and their composition, and more efficient, consistent, and transparent recruitment processes.

<sup>127</sup> Report 17, p 26.

<sup>128</sup> Report 17, p 26.

<sup>129</sup> Report 17, pp 27, 30-36.

<sup>130</sup> Report 17, p 30.

## 4 QAO Report 2: 2022-23—Improving grants management

The Auditor-General’s report to Parliament No. 2: 2022-23—*Improving grants management* (Report 2) is an audit brief providing insight into the distribution of grants expenditure in Queensland, based on a review of the grant payments published on the Queensland Government’s Open Data website in 2020-21, and of the grants expenses reported by entities in their financial statements for the same period.<sup>131</sup>

The report also included an assessment of the strengths and weaknesses of the internal controls used by 5 departments in managing 8 grant programs. The departments were selected based on the dollar value and risks of the grants they manage.<sup>132</sup>

The findings and recommendations of the report, and entity responses to those recommendations,<sup>133</sup> are set out below.

### 4.1 Distribution of grants expenditure – findings, recommendations and responses

Report 2 revealed that in 2020–21, Queensland Government entities, including the 21 core departments and 46 other entities, recorded \$11.7 billion in total grant expenses (including distributed Australian Government grant funding).<sup>134</sup>

Open Data records for the same period reported \$2.8 billion in exclusively state government grants payments, as distributed to community groups, local governments, businesses, and others, to support the objectives and priorities of the government. There were 17,028 grant recipients of this \$2.8 billion in total, with an average grant per recipient of \$166,227.<sup>135</sup>

In terms of the regional distribution of the state government grant payments:

- South East Queensland, in which 73 percent of the state’s population lives, received 32.5 per cent of grants. These grants had a strong community focus, including programs relating to sport and recreation facilities, kindergarten programs, and arts initiatives. Many programs also had an employment and education focus through training schemes and COVID-19 assistance packages.<sup>136</sup>
- Regions outside of South East Queensland received 44.3 per cent of grants, with most grants going to the Townsville, Cairns and Whitsunday local government areas (with Townsville and Cairns, which have the largest population outside South East Queensland, particularly receiving grants through COVID-19 employment assistance packages, and Whitsunday receiving significant natural disaster funding).<sup>137</sup>
- Approximately 22.1 per cent of grants were provided for state-wide purposes (eg as contributions to public training providers, or to benefit multiple regions).<sup>138</sup>

---

<sup>131</sup> QAO, Report 2: 2022-23—*Improving grants management*, audit brief, July 2022 (Report 2), pp 1, 38-39.

<sup>132</sup> Report 2, pp 14, 38.

<sup>133</sup> In accordance with section 64 of the *Auditor-General Act 2009*, a copy of the report was provided to the responsible ministers and directors-general of the Queensland Treasury and the 5 audited departments for their response. A copy of the report, with the option of providing a response, was also provided to the Premier and Minister for the Olympic and Paralympic Games and to a number of other relevant departmental and entity representatives. See Report 2, p 27.

<sup>134</sup> As reported in the 2020-21 *Report on State Finances of the Queensland Government – 30 June 2021*. See Report 2, p 5.

<sup>135</sup> Report 2, p 5.

<sup>136</sup> Report 2, p 9.

<sup>137</sup> Report 2, p 9.

<sup>138</sup> Report 2, p 9.

- While the average amount of grant paid across the state in 2020-21 was \$542 per person, 16 local government areas received more than \$10,000 in grant funding per person, usually for high dollar value infrastructure projects and often after a natural disaster or to support economic development in a region.<sup>139</sup>

In terms of the reporting of the grant information, the QAO noted that while most of the Open Data information about the distribution and use of the grant payments was complete, there were gaps in the reporting of some details, including:

- because agencies had not collected information in the format required
- because in some instances agencies had left several information fields blank, or provided data that was not fully compliant with the reporting requirements set out by Queensland Treasury<sup>140</sup>
- to protect the privacy of individuals
- for commercial-in-confidence or other reasons.<sup>141</sup>

The QAO observed that when, in such circumstances, the reasons why information is not presented are not clear, it may reduce the public's confidence in the quality and integrity of the grants process, as well as potentially:

- limiting agencies' ability to check for overlapping funding to the same recipient for the same purpose<sup>142</sup>
- limiting the ability of businesses and community groups (including those who have previously applied for grant funding or may do so in the future) to understand what grants the government has provided, and how they can apply for future funding and work with government in their service delivery.<sup>143</sup>

In addition, the QAO expressed a view that:

- information needs have changed since the current approach of reporting raw data was adopted in 2018, following engagement with existing users at that time
- the website's information could be presented in a more accessible and interactive way, particularly given user statistics indicate that numbers of website visitors and data downloads are currently low
- the monitoring of the use of an interactive informational resource could provide opportunities to rationalise data collection and allow agencies to better focus their attention on collecting and checking the data that is of most relevance to people.<sup>144</sup>

In light of these observations, the QAO made the following 3 recommendations.

**QAO recommendation 1 – Queensland Treasury should reassess developing an interactive tool to provide useful information on grants**

We recommend Queensland Treasury reassess the costs and benefits of developing an interactive dashboard for the public using the *Queensland Government Investment Portal – Expenditure Data*. The interactive dashboard could then be monitored to better understand the information needs of users and what data should be collected and published in the future.

<sup>139</sup> Report 2, pp 5, 9.

<sup>140</sup> Report 2, p 11.

<sup>141</sup> Report 2, pp 11-12.

<sup>142</sup> Report 2, p 12.

<sup>143</sup> Report 2, p 12.

<sup>144</sup> Report 2, p 12.

**QAO recommendation 2 – All departments should provide explanations for why information has been omitted**

Queensland Treasury should update the instructions sent to agencies on preparing grant information for publication on the Open Data website as part of the *Queensland Government Investment Portal – Expenditure Data*, to require agencies to explain why mandatory information has not been provided for some grants. Examples of appropriate exclusions should be included in the instructions. The explanation should then be published with the grant information.

**QAO recommendation 3 – All departments and the Queensland Reconstruction Authority (agencies) should improve their collection and checking of grant information to ensure published information is complete**

When agencies initially assess grant applications, we recommend they collect all information that is required to be published on the Open Data website as part of the *Queensland Government Investment Portal – Expenditure Data*. We also recommend agencies check the completeness of grant information provided to Queensland Treasury for publishing to ensure there is no missing information.

In response to recommendations 1 and 2, Queensland Treasury committed to:

- exploring opportunities to engage with current and potential users to determine whether they would find a dashboard of benefit
- adding another column to the spreadsheet for recording Open Data information, to enable agencies to provide explanations, including providing explanations where they have not provided certain information (eg due to commercial-in-confidence).<sup>145</sup>

Other responding entities also made broader commitments to continuous improvement in their management and reporting of grants,<sup>146</sup> with the Department of Environment and Science (DES) specifically addressing recommendation 3 by confirming its focus on ‘providing clearer information about grants’.<sup>147</sup>

**4.2 Management of grants processes – findings, recommendations and responses**

The QAO found that the departments responsible for the 8 audited grant programs had demonstrated at least basic competency in managing them, and that some had improved their processes over time to reflect better practice.<sup>148</sup> Older programs (which have had more time to improve their internal controls) tended to have more efficient and effective systems and processes than those established more recently.<sup>149</sup>

Overall, the QAO reported:

- For all 8 of the programs, departments have developed and applied clear eligibility guidelines in considering applications for grants, and have consistently assessed applications against the published criteria. The automation of eligibility and assessment processes presents opportunities to improve the efficiency of assessments, with certain online application systems having highlighted these potential benefits.<sup>150</sup>
- Grant approval and acquittal processes were the least mature aspects of grants management (in terms of the extent to which the efficiency and effectiveness of these processes has been increased over time). The QAO noted that these areas are important in ‘demonstrating

<sup>145</sup> Report 2, p 29.

<sup>146</sup> See various responses, Report 2, pp 30-36.

<sup>147</sup> Report 2, p 33.

<sup>148</sup> Report 2, p 1.

<sup>149</sup> Report 2, p 1.

<sup>150</sup> Report 2, pp 1, 5, 20.

impartiality in approving grant allocations and, at the other end of the process, in ensuring grants have been used appropriately and have delivered the desired results'.<sup>151</sup>

- Only one grant program had strong collaboration with other Queensland Government entities, as it was part of a broader Queensland Government initiative. The QAO warned that if agencies do not collaborate, there are risks that different departments may provide multiple programs with a similar objective, diluting the benefits of individual programs and duplicating administrative processes and costs. The QAO noted that the Department of State Development, Industry, Local Government and Planning (DSDILGP) was commencing a program to improve grant maturity across government, and that other identified collaborative initiatives and options for whole-of-government consistency in grants management are 'an important step towards building greater consistency, economies of scale, and flexibility'.<sup>152</sup> The QAO considered DSDILGP was well positioned to perform a leadership role in driving such efforts across government.<sup>153</sup>
- Risk management was the area in which departments could improve the most. While all assessed grant programs had documented some risks in a register, they had not always consistently recorded all relevant risks or identified the people responsible for ensuring they are managed. In addition, in some instances, they had not clearly outlined the actions required to address the risk, or actively managed and monitored those actions.<sup>154</sup>

The QAO also concluded that while all programs use a range of metrics (for example, applicant numbers, budget spent, or the number of jobs created), more needs to be done to objectively measure the performance of the recipients and the outcomes of program.<sup>155</sup>

During the public briefing on 28 November 2022, the Auditor-General made particular reference to this finding, asserting the importance of ensuring performance-based measures are in place when establishing grants programs, to alert departments early in the process 'where programs are at risk of not achieving targets'.<sup>156</sup> The Auditor-General advised:

These measures will help entities understand how effective initiatives are, what decisions need to be made about future funding allocation and whether programs should be modified or even discontinued.<sup>157</sup>

The QAO made 5 recommendations in response to these findings, one of which was directed at DSDILGP and the remainder of which were directed at all departments. The recommendations are set out below.

**QAO recommendation 4 – All departments should self-assess their grant management processes against the Queensland Audit Office's maturity model and report the outcome of the self-assessment to those charged with governance**

All departments should use the grants management maturity model available on our website to self-assess the strengths and improvement opportunities of their grant programs. The result of the maturity assessment should be reported to audit committees or other relevant oversight bodies. Where the results do not meet performance expectations, a plan should be developed and implemented to strengthen internal controls over a specific period. This should include working closely with other departments on whole-of-government grants initiatives.

<sup>151</sup> Report 2, p 16.

<sup>152</sup> Including DSDILGP's new 'Grants to Local Government Model', which will greatly reduce the number of departments local governments have to deal with to access grants available only to local government, with the grants to be streamlined and focused under key 'outcome' streams and with program application and other documentation to be standardised. See Report 2, p 17.

<sup>153</sup> Report 2, pp 17-18.

<sup>154</sup> Report 2, p 19.

<sup>155</sup> Report 2, pp 1, 25.

<sup>156</sup> Public briefing transcript, 28 November 2022, p 2.

<sup>157</sup> Public briefing transcript, 28 November 2022, p 2.

**QAO recommendation 5 – The Department of State Development, Infrastructure, Local Government and Planning should lead improvements in grants management across government**

The Department of State Development, Infrastructure, Local Government and Planning should work with other departments to:

- formalise and expand the deputy director-general advisory group to enhance the oversight of grants management initiatives and enable the sharing of learnings across the Queensland Government. This may involve establishing other departments as the leads for grants in different sectors, while maintaining central oversight
- establish an overall project plan with clear milestones and performance measures, and with regular reporting against the plan to the deputy director-general advisory group
- develop consistent processes including standardised templates, governance frameworks, acquittal processes and other grant documentation that can be adopted and tailored by other departments as they establish new grant programs
- facilitate access to a common information technology system (or suite of systems) for grants management across government that departments can access when procuring a new grants management system
- develop skilled grants management staff who can be called on as needed.

**QAO recommendation 6 – All departments should enhance risk management of grants**

We recommend all departments assess the risks of grant programs from the perspective of:

- performance – the risk of decisions not being based on complete and accurate information, or of not achieving program objectives and therefore department or government objectives
- finance – the risk of insufficient funding, or of fraud or error
- compliance – the risk of not complying with relevant legislation, of not obtaining appropriate approvals, or of conflicts of interest not being appropriately managed
- operations – the risk of staff not being available to assess applications promptly and appropriately. All departments should document these risks in a register, identify the individuals who will be responsible for ensuring the risks are appropriately addressed, and clearly outline the actions required to address the risks and how they will be monitored.

**QAO recommendation 7 – All departments should enhance the acquittal of grants**

We recommend all departments enhance the acquittal of grants by:

- assessing if existing acquittal processes address the risks in the grant program
- implementing online systems for recipients to submit grant acquittals
- automating the monitoring of grant acquittals and of outstanding deliverables
- obtaining sufficient evidence to demonstrate if the grant was used according to the funding agreements before making further instalments.

**QAO recommendation 8 – All departments with significant grant programs should develop and implement stronger key performance measures to better monitor grant program performance and outcomes**

- We recommend all departments with significant grant programs ensure they develop and periodically monitor key performance metrics to measure:
- their performance in delivering a grant program
- the achievement of milestones and deliverables by grant recipients
- the grant program's ability to achieve outcomes. For similar programs across government, consistent performance metrics should be developed, to enable benchmarking across government. This will support ongoing improvements in the efficiency and effectiveness of grant programs.

In response to the recommendation 5, DSDILGP affirmed that it is already leading a grant maturity project to support improvements in grants management, in which it has engaged the advisory group of deputy directors-general across government. While the initial focus of the project was industry grants, DSDILGP stated that 'learnings, improvements or artefacts created will be shared with all agencies to see if and how they can be adopted by social services grants providers too'.<sup>158</sup> DSDILGP advised that the next steps for the project would involve the development of an overall project plan incorporating the process, technology and capability improvements identified in the QAO's report.<sup>159</sup>

DSDILGP and the other 4 departments responsible for the 8 audited grants programs – the Department of Education, DESBT, DES and the Department of Tourism, Innovation and Sport – also each confirmed that they will continue to focus on best practice grants management and will engage with the findings and recommendations in their delivery of grants and support programs.<sup>160</sup>

DPC and the Department of Transport and Main Roads (DTMR), while not directly audited, also took the opportunity to acknowledge the 5 recommendations for all departments. DPC advised that it would 'consider how best to implement the proposed recommendations and continue to improve its existing grant processes, such as those administered by the Office for Veterans'.<sup>161</sup> DTMR stated that it would 'assess our performance against these recommendations and report the results to our Audit and Risk Committee within the 2022-23 Financial Year'.<sup>162</sup>

### **Committee comment**

The committee acknowledges the ongoing work of the QAO in helping to drive improvements in processes, communication, risk management, evaluation and collaboration in the management of grant funding in Queensland, and to support transparent and accessible reporting on the distribution of grant payments.

---

<sup>158</sup> Report 2, p 30.

<sup>159</sup> Report 2, p 30.

<sup>160</sup> Report 2, pp 30-34.

<sup>161</sup> Report 2, p 36.

<sup>162</sup> Report 2, p 35.

## 5 QAO Report 3: 2022-23—*Managing Queensland’s COVID-19 economic response and recovery*

In early 2020, the global economic outlook was characterised by uncertainty and volatility, with the COVID-19 pandemic expected to drive a severe economic downturn. In response, the Queensland Government implemented a range of health and economic policies and measures, including committing \$17.2 billion for economic response and recovery initiatives.<sup>163</sup>

The Auditor-General’s report to Parliament No. 3: 2022-23—*Managing Queensland’s COVID-19 economic response and recovery* (Report 3) is an audit brief examining the extent to which the Queensland Government’s COVID-19 economic response and recovery initiatives were designed and managed effectively.<sup>164</sup>

The QAO noted that the audit did not assess pandemic management, or the impacts of decisions on border closures.<sup>165</sup> Rather, the audit looked at the design, delivery and evaluation of a selection of 6 initiatives which involved total funding of \$3.7 billion, as well as examining the central monitoring of all initiatives based on the Queensland Government response’s to an earlier QAO report.<sup>166</sup> That earlier report, which provided an initial overview of COVID-19 response measures (and which was also examined by this committee), called for agencies to identify ways to measure the effectiveness of initiatives in meeting their objectives, as well as monitoring the uptake rates of the response measures and the actual costs of delivering the measures.<sup>167</sup>

Report 3 found that the 6 examined initiatives – together with the containment of the COVID-19 case numbers and economic stimulus from all levels of government – contributed to a faster-than-expected economic recovery through to December 2021.<sup>168</sup> However, the QAO also identified a number of key learnings for the future, including identifying factors which contributed to some initiatives more successfully reaching intended users and or meeting scheme objectives.

In terms of central monitoring of the implementation of initiatives, the QAO found that Queensland Treasury:

- had established processes to centrally monitor spending for each COVID-19 initiative
- also aims to collect data on the objectives and completion dates, though entities do not consistently provide data on the achievement of objectives for all initiatives.<sup>169</sup>

The QAO noted, however, that there is no central oversight of whether individual initiatives are meeting their objectives, or when initiatives are due to end, which ‘makes it difficult to track performance across the portfolio of initiatives and take corrective action where required’.<sup>170</sup> The QAO considered that, given the size of the portfolio of COVID-19 economic response and recovery initiatives, a central governance body should provide oversight until the portfolio is closed.<sup>171</sup>

The QAO made a series of 6 recommendations as informed by these identified lessons and conclusions, with the aim of helping to improve the design and management of future initiatives.<sup>172</sup>

---

<sup>163</sup> QAO, Report 3: 2022-23—*Managing Queensland’s COVID-19 economic response and recovery*, July 2022 (Report 3), p 1.

<sup>164</sup> Report 3, p 1.

<sup>165</sup> Report 3, p 1.

<sup>166</sup> Report 3, p 1.

<sup>167</sup> QAO, Report 3: 2020-21—*Queensland Government response to COVID-19*, September 2020, p 2.

<sup>168</sup> Report 3, p 1.

<sup>169</sup> Report 3, p 13.

<sup>170</sup> Report 3, p 13.

<sup>171</sup> Report 3, p 13.

<sup>172</sup> Report 3, p 2.



The recommendations are set out below.

**QAO recommendations – Designing, delivering, and evaluating rapid response initiatives**

***Lead delivery entities***

We recommend that, for future initiatives, lead delivery entities:

1. ensure the needs of target users are considered throughout the life of the initiatives – that is, during design, implementation, and monitoring
2. ensure their risk management has a key focus on risks to achieving the objectives of the initiatives
3. enhance inter-agency collaboration to explore ways of sharing information and external data within legislative requirements to improve uptake rates and prevent ineligible applications being approved
4. consult with relevant stakeholders to identify all key target users and ensure communications about the initiatives reach these users
5. evaluate the extent to which each initiative achieves its objectives and use this information to direct initiatives as they progress and in designing future initiatives.

**QAO recommendation – Monitoring rapid response initiatives**

***Queensland Treasury***

6. We recommend that Queensland Treasury enhances the oversight of the portfolio of economic response and recovery initiatives through:
  - a governance body that continues to provide oversight of the portfolio’s performance until the portfolio is closed
  - enhancing its data collection and reporting to enable oversight of the timely achievement of objectives and whether initiatives need to be modified or discontinued for optimal outcomes
  - recording and monitoring the full costs involved in delivering all key economic response and recovery initiatives and using this information to inform future initiatives.

In accordance with section 64 of the *Auditor-General Act 2009*, the QAO gave a copy of the report with a request for comments to Queensland Treasury and the other 3 entities responsible for the 8 audited initiatives – QRIDA, DESBT, and DSDILGP. Responses were received from each of these entities, and from the Department of Agriculture and Fisheries (DAF), whose Jobs Support Loans Scheme QRIDA administered. The responses were incorporated in an appendix to the report.

In responding to Report 3, each of DAF, QRIDA and DESBT, in addition to expressing their support for the QAO’s recommendations to lead entities,<sup>173</sup> sought to highlight the significant positive impacts of the measures they administered or oversaw, including referencing the role of the initiatives in supporting Queenslanders and their businesses through unprecedented and difficult economic conditions.<sup>174</sup>

DAF provided the QAO with an assurance that ‘both DAF as an owner of initiatives such as these, and QRIDA as a delivery agency, will take your recommendations into account in the design and delivery of future initiatives of this type’;<sup>175</sup> while DESBT similarly affirmed that it would ‘incorporate the recommendations’ in future program implementation.<sup>176</sup>

<sup>173</sup> Report 3, pp 17, 21-23, 25.

<sup>174</sup> Report 3, pp 17, 21, 25.

<sup>175</sup> Report 3, p 17.

<sup>176</sup> Report 3, p 21.

DSDILGP also noted the QAO's recommendations for lead delivery entities, stating that it would:

- consider and apply the recommendations in its administration of future funding rounds of its COVID-19 Works for Queensland Program
- work to consider the recommendations for other future rapid response initiatives and incorporate them in its grants maturity improvement project (for ongoing improvement in grants management) as applicable.<sup>177</sup>

Queensland Treasury, in respect of recommendations 1 to 5, confirmed that it would continue to support lead entities in their design and delivery of current and future rapid response initiatives.<sup>178</sup>

Queensland Treasury also acknowledged the report's recommendation to enhance oversight of the portfolio of economic response and recovery initiatives (recommendation 6). However, it indicated that given the Queensland Government response to COVID-19 has moved 'from an emergency response to a rebuild and recovery to a growth phase', it would not be establishing a central body for this purpose:

Treasury is taking steps to finalise the process of collecting quarterly information from agencies on their COVID-19 expenditure and activity. Treasury oversight of COVID-19 initiatives will continue, but through standard fiscal monitoring processes.<sup>179</sup>

### **Committee comment**

The committee notes the findings and recommendations of the QAO, and the commitments of entities to continuous improvement in their delivery, management and monitoring of rapid response initiatives.

The committee considers that the lessons learned by our public sector entities in swiftly delivering measures to support Queenslanders and their businesses during the COVID-19 pandemic, as further advanced and refined by the QAO in this report, will stand them in good stead for future crisis responses.

---

<sup>177</sup> Report 3, p 24.

<sup>178</sup> Report 3, p 19.

<sup>179</sup> Report 3, p 20.

## 6 QAO Report 4: 2022-23—2022 status of Auditor-General recommendations

The Auditor-General's Report to Parliament No. 4: 2022-23—2022 *Status of Auditor-General's recommendations* (Report 4) is a report on the self-assessed progress of 56 public sector entities in implementing 454 QAO recommendations contained in 34 reports to the Queensland Parliament between 2015–16 and 2019–20.<sup>180</sup> The report covers:

- 17 reports, containing 343 recommendations, finalised during the financial years 2018–19 and 2019–20
- an update on the 111 outstanding recommendations (partially implemented and not implemented recommendations) from Report to Parliament No. 4: 2021–22 *Status of Auditor-General's recommendations* (Report 4: 2021–22), which covered 17 reports.<sup>181</sup>

The data in the report is based on entity self-assessments provided to the QAO in June and July 2022. Entities were asked to assess whether they had fully, partially, or not implemented our recommendations, or whether they assessed the recommendations as no longer applicable. The responses from entities have not been audited by the QAO, meaning the QAO cannot provide assurance over the completeness and accuracy of the information.<sup>182</sup>

As the report provides an update on the status of recommendations, no recommendations were made by the QAO. However, based on the previous 5 years of audits and the findings of Report 4, the Auditor-General, in his foreword to the report, identified the following 4 areas as vital to addressing the strategic risks facing the public sector:

- strengthening governance and oversight
- using information technology and data better
- managing contracts and projects effectively
- understanding the impact of government restructuring.<sup>183</sup>

The Auditor-General considered that to manage these risks, effective leadership within public sector entities, and the need for entities to accept change and learn from past experiences to improve the delivery of public services, are key.<sup>184</sup>

The QAO analysed all of the recommendations made in 2018-19 and 2019-20 to identify the recommendations made the most often, and grouped them into the following 10 categories:

- complying with and reviewing legislation
- governance
- interagency coordination and information sharing
- performance monitoring and reporting
- procurement, contract, and project management
- reviews and evaluations
- risk management
- strategic planning
- information systems and data management
- workforce capability and planning.<sup>185</sup>

Report 4 found that while the QAO examines many different aspects of the public sector, the same issues often emerge in each audit, meaning the recommendations are often similar across reports.

<sup>180</sup> QAO, *Report 4: 2022-23— Status of Auditor-General's recommendations*, October 2022 (Report 4), p 4.

<sup>181</sup> Report 4, pp 5, 9.

<sup>182</sup> Report 4, p 5.

<sup>183</sup> Report 4, p 1.

<sup>184</sup> Report 4, p 1.

<sup>185</sup> Report 4, p 5.

The 3 categories with the highest number of outstanding recommendations in 2018-19 and 2019-20 were:

- performance monitoring and reporting (70 recommendations)
- procurement, contract, and project management (66 recommendations)
- governance (56 recommendations).<sup>186</sup>

The QAO also analysed the 10 categories to identify which had the highest number of outstanding recommendations. The most common type of outstanding recommendations related to governance, followed closely by performance monitoring and reporting, and risk management.<sup>187</sup>

The QAO highlighted the following insights from the responses received:

- in most cases, entities are keeping better track of recommendations and have more mature processes for monitoring implementation, such as keeping a register of recommendations
- some entities still do not have adequate systems and processes for tracking their progress
- some entities have established working groups and cross-agency committees to help oversee and coordinate implementation, which the QAO notes are useful when a coordinated approach across entities is required; but responsibility for implementation of the recommendations rests with the relevant organisation, not the group
- audit committees play a critical role in the governance of an entity.<sup>188</sup>

In implementing the 454 performance audit recommendations from 34 reports between 2015–16 and 2019–20, entities reported that they had:

- fully implemented 64 per cent (291)
- partially implemented 29 per cent (131)
- not implemented 3 per cent of the recommendations (15).<sup>189</sup>

They also reported that 4 per cent (17) of recommendations were no longer applicable to them.<sup>190</sup>

Of the 2019-20 reports, all 7 had some recommendations still to be fully implemented, though the QAO noted that 5 recommendations were no longer applicable, as they related to an entity that had been dissolved.<sup>191</sup>

For the 2018-19 reports:

- entities reported fully implementing all recommendations from 3 of the reports tabled in parliament, or assessed the remaining recommendations as no longer applicable<sup>192</sup>
- the remaining 7 reports to parliament from 2018–19 have outstanding recommendations, though 9 recommendations from these 7 reports were no longer applicable, most commonly due to changes in government policy.<sup>193</sup>

---

<sup>186</sup> Report 4, p 6.

<sup>187</sup> Report 4, p 6.

<sup>188</sup> Report 4, p 8.

<sup>189</sup> Report 4, p 9.

<sup>190</sup> Report 4, p 9.

<sup>191</sup> Report 4, pp 10, 12.

<sup>192</sup> Report 4, p 13.

<sup>193</sup> Report 4, pp 13, 14.

The QAO noted that in Report 4: 2021-22, 111 recommendations were highlighted as outstanding. Of those 11 outstanding recommendations, entities reported that in 2022-23 they had:

- fully implemented 40 per cent (45)
- partially implemented 48 per cent (53)
- not implemented 9 per cent of the recommendations (10).<sup>194</sup>

The remaining 3 per cent of recommendations were no longer applicable.<sup>195</sup>

In terms of timeframe issues, the QAO found that, on average, the outstanding recommendations from Report 4: 2021–22 are 5 years old. Recommendations to local government were the longest outstanding recommendations yet to be, or partially, implemented.<sup>196</sup>

The QAO analysed reported progress in implementing recommendations by departments, hospital and health services (HHSs), local governments, and other entities. The QAO reported:

- Departments were asked to self-assess their progress in implementing 202 recommendations issued to them in 2018–19 and 2019–20 and 27 outstanding recommendations from Report 4: 2021–22. They reported implementing 74 per cent of the 229 recommendations.<sup>197</sup> Some departments provided detailed comments explaining the action they had taken and the outcomes of those actions, while others lacked sufficient detail, such as not explaining why a recommendation hadn't been implemented. Few entities clearly explained the outcome of their actions, despite being asked to provide such an explanation.<sup>198</sup>
- Eleven HHSs were asked to self-assess their progress implementing 36 recommendations made to them in 2018–19 and 2019–20 and 42 outstanding recommendations from Report 4: 2021–22. Five HHSs reported implementing all recommendations, while 6 reported having outstanding recommendations.<sup>199</sup>
- Local governments (councils) were asked to self-assess their progress implementing 37 recommendations made to them in 2018–19 and 2019–20 and 40 outstanding recommendations. Councils reported implementing 26 per cent (20) of the recommendations. The other 57 remain outstanding. The QAO noted that although councils reported a high number of outstanding recommendations, in many cases they are acting on them.<sup>200</sup>
- The Auditor-General also made 17 recommendations to the GasFields Commission Queensland, Queensland Building and Construction Commission and TAFE Queensland. These entities reported implementing 65 per cent (11) of the recommendations and partially implementing 35 per cent (6).<sup>201</sup>

In 2018–19, the Auditor-General tabled 3 follow-up reports examining entities' effectiveness in implementing the recommendations made in the initial reports. The majority had been implemented, with only a small proportion currently partially implemented.<sup>202</sup>

In accordance with section 64 of the *Auditor-General Act 2009*, the QAO gave a copy of the report with an invitation to comment to the Premier and Minister for the Olympic and Paralympic Games, chief

<sup>194</sup> Report 4, p 15.

<sup>195</sup> Report 4, p 15.

<sup>196</sup> Report 4, p 15.

<sup>197</sup> Report 4, p 16.

<sup>198</sup> Report 4, p 17.

<sup>199</sup> Report 4, p 17.

<sup>200</sup> Report 4, p 18.

<sup>201</sup> Report 4, p 19.

<sup>202</sup> Report 4, p 20.

executive officers of the 56 audited entities, and the respective ministers for the 56 audited entities.<sup>203</sup> The QAO received responses from the Directors-General of the Department of Education and DESBT.

The Department of Education noted the report provided some insights on trends, challenges and shared learnings on how entities implement the QAO audit recommendations.<sup>204</sup> The response from DESBT advised that work will continue to progress full implementation of the QAO's recommendations and that DESBT will continue to work in partnership with the QAO on the recommendations.<sup>205</sup>

### **Committee comment**

The findings of Report 4 build on the work of the QAO in its Report 4: 2020-21, the first of the Auditor-General's reports on entity self-assessments on the status of their implementation of recommendations.

In addition to providing an important accountability mechanism, by highlighting outstanding recommendations and implementation delays, these reports have provided valuable overarching insights into the strategic risks facing the public sector.

The committee notes that the QAO's accompanying interactive online dashboard allows public users to view this information in a format most relevant to them – including allowing searches of implementation status by year, report, entity, and parliamentary committee and implementation status.

The committee welcomes the ongoing efforts of the Auditor-General and QAO to leverage the findings of audits and report on these matters in transparent and accessible way, encouraging a culture of continuous improvement in the public sector.

---

<sup>203</sup> Report 4, p 22.

<sup>204</sup> Report 4, p 23.

<sup>205</sup> Report 4, p 24.

## 7 QAO Report 6: 2022-23—*Managing workforce agility in the Queensland public sector*

The Auditor-General's report to Parliament No. 6: 2022-23—*Managing workforce agility in the Queensland public sector* (Report 6) is a report on a QAO performance audit examining the extent to which workforce planning within the public sector effectively supports an agile and flexible workforce that can meet changing needs and government priorities.<sup>206</sup>

The audit was informed by recognition of the importance of ensuring the sector is responsive to evolving workforce developments, including changes in citizen demographics and expectations of government services, digital transformation, employee demand for new and differing workforce models, and challenges in attracting skills and talent in a highly competitive labour market.<sup>207</sup>

In undertaking the audit, the QAO:

- audited the Public Service Commission's (PSC's) workforce management frameworks, strategies and support to agencies
- examined available workforce data for the 20 core departments and engaged with each department through a survey
- undertook a detailed review of workforce planning and management activities in 3 selected departments – the Department of Children, Youth Justice and Multicultural Affairs (DCYJMA); the DTMR; and the Department of Resources.<sup>208</sup>

Report 6 found that, in terms of workforce planning and leadership, greater direction and leadership are needed to develop an integrated approach to strategic workforce planning, and to shift from operational to transformational approaches.<sup>209</sup> The QAO stated that the current workforce planning framework, underpinned by the PSC's *10-year Human Capital Outlook* and *3-year Human Capital Strategic Roadmap*, is broad and visionary but has not provided enough practical direction to departments to translate to effective planning strategies.<sup>210</sup>

The pandemic showed that departments face and meet workforce challenges, but they do not have specific strategies to address all obstacles and support change. Workforce plans are more likely to include business-as-usual actions than specific initiatives or projects, with measures of success, to address challenges. There is an opportunity for more integrated and harmonised planning across the sector.<sup>211</sup>

Report 6 also found that the Queensland public sector's current assessment of the impact of technology on the workforce is inadequate to provide insights into how the workforce could change, and to identify opportunities to improve service delivery.<sup>212</sup> The QAO noted that the PSC had (in 2019) commissioned work on future shifts in the public sector operating environment, with the resulting report identifying possible impacts of automation and new technology, and associated changes in the types of services and skills in demand. However, the QAO identified that the resulting information has not been broadly communicated or built into departmental strategies, and that many departments are not assessing the impacts and benefits of emerging technology on the services they deliver.<sup>213</sup> The QAO therefore

<sup>206</sup> QAO, *Report 6: 2022-23—Managing workforce agility in the Queensland*, November 2022 (Report 6), pp 1, 35.

<sup>207</sup> Report 6, p 2.

<sup>208</sup> Report 6, pp 35-36.

<sup>209</sup> Report 6, p 1.

<sup>210</sup> Report 6, pp 1, 5.

<sup>211</sup> Report 6, p 1.

<sup>212</sup> Report 6, p 1.

<sup>213</sup> Report 6, p 13.

considered more analysis is needed on how to improve workforce skills, tools, and abilities, to keep up with unfolding changes.<sup>214</sup>

Further, the QAO reported that barriers to attracting and retaining talent mean that many departments lack the right resources and skills to operate efficiently and effectively. Highlighting current talent shortages which will continue to affect the public sector workforce – particularly for specialist skills and deep expertise – the QAO concluded that:

- Public sector remuneration is a barrier to attracting and retaining talent, with uncompetitive salaries in some roles making it difficult to attract and retain staff, and limited options available to provide higher remuneration or incentives.<sup>215</sup>
- Employees are now looking for greater workplace flexibility through hybrid work models, offering employees the autonomy to choose where, how, and when to work productively. Workplace flexibility can be used as a tool for engaging and retaining employees.<sup>216</sup>
- Greater workforce mobility may allow the public sector to address the challenges of scaling up or down and managing workload peaks and troughs, as well as nurturing an adaptable workforce that can be mobilised where needed. Common job roles for key occupations would ease mobility across the sector, including smoothing government changes (the QAO noted that currently there are no standard role descriptions for common jobs across the sector – For example, ‘a customer service role in one department may have a different role description to one in another department at the same classification level requiring similar skills and capability’).<sup>217</sup>

The audit resulted in 4 recommendations being made to the PSC regarding leadership on strategic workforce planning, developing contemporary recruitment and selection practices, guidance on practical and sustainable hybrid workforce models, and championing cross-sector workforce mobility programs and common job descriptions. Three recommendations were also made for all Queensland Government departments, as intended to help ensure workforce planning is driven by leaders and integrated with organisational planning, to support the practical implementation of strategies to address challenges and attract and maintain a skilled workforce.<sup>218</sup>

The recommendations are set out below.

**QAO recommendations – We recommend the Public Service Commission:**

1. provides greater central leadership and an integrated approach to strategic workforce planning to address current and future challenges. This includes
  - a. providing practical guidance on specific initiatives to address key workforce challenges
  - b. supporting agency human resources staff to develop skills needed for strategic workforce planning and to address challenges
  - c. developing clear indicators of success to measure performance and progress across the sector
2. develops contemporary recruitment and selection practices that support the timely recruitment of a diverse workforce. This includes revisiting the sector's employment value proposition
3. develops whole-of-government guidance on practical and sustainable hybrid workforce models
4. champions cross-sector workforce mobility programs and common job descriptions to build and nurture a capable and adaptable workforce.

---

<sup>214</sup> Report 6, pp 1, 13.

<sup>215</sup> Report 6, p 16.

<sup>216</sup> Report 6, p 17.

<sup>217</sup> Report 6, p 18.

<sup>218</sup> Report 6, p 3.



**QAO recommendations – We recommend all Queensland Government departments:**

5. ensure strategic workforce planning is driven by leaders and integrated with organisational planning. This includes considering their workforces as part of the broader sector workforce to support greater mobility
6. implement better strategies to address challenges and create a skilled workforce. This includes
  - a. undertaking a robust assessment of existing and future workforce skills needed to meet goals, and identifying any skills gaps
  - b. assessing the impact of emerging technology and digital transformation on service delivery, workplace infrastructure, and workforce demand
7. move from traditional recruitment practices to contemporary talent acquisition approaches. This includes
  - a. modernising and simplifying job roles that focus on skill needs, facilitate mobility across the sector, and better align with comparable private sector roles
  - b. finding more innovative ways to attract and retain talent.

In accordance with section 64 of the *Auditor-General Act 2009*, the QAO gave a copy of the report with a request for comments to the PSC and the 3 departments subject to detailed review as part of the audit, all of which provided responses that were included in appendices to the report.

The PSC advised that it supports the QAO's recommendations, noting that they strongly align with the recommendations set out in *Let the Sunshine In*, the report of Professor Peter Coaldrake AO on his review of culture and accountability in the Queensland public sector.<sup>219</sup> The PSC also outlined a range of implementation actions it was taking, including:

- providing updated guidance on strategic workforce planning through the Specific Purpose Planning requirements, with further guidance to be developed to support implementation of the Public Sector Bill (since enacted as the *Queensland Public Sector Act 2022*, effective 1 March 2023)
- providing practical guidance for employees, managers and executives on flexible and hybrid work models (for intended finalisation in December 2022 and implementation across the sector in early 2023)
- continuing to develop practical guidance on key issues such as flexible work, recruitment and selection, and health, safety and wellbeing
- developing a new recruitment and selection directive and releasing contemporary attraction strategies, as well as consulting agencies on strategic talent acquisition issues, including the sector's employment value proposition
- strengthening the 2022 Working for Queensland survey to 'ensure data informs strategic workforce priorities, including clear measures of performance'
- continuing to promote cross-sector mobility through an ICT enabled platform to support career growth and meet emergent business priorities, and the development of guidance to address barriers to agility.<sup>220</sup>

The PSC also confirmed that it would 'work with all other state government entities to support the timely and effective implementation of talent acquisition and workforce mobility recommendations'.<sup>221</sup>

<sup>219</sup> Report 6, p 23.

<sup>220</sup> Report 6, pp 24-25.

<sup>221</sup> Report 6, p 23.

DCYJMA, DTMR and the Department of Resources also expressed their agreement with the recommendations provided for all government departments, with each outlining a range of actions they are undertaking in response.<sup>222</sup>

**Committee comment**

The committee notes the recommendations of the QAO, and the responses of the PSC and departments to those recommendations.

The committee considers the audit was timely, presenting an opportunity for our state government entities to leverage lessons learned from the COVID-19 pandemic and other recent crisis management experiences, to build a dynamic and flexible workforce that is responsive to emerging technological developments and changes in the employment landscape and society.

---

<sup>222</sup> Report 6, pp 26-34.

## **Appendix A – Officials at public briefings**

### **Public briefing – Oversight of the Office of the Auditor-General – 28 March 2022**

#### **Queensland Audit Office**

- Mr Brendan Worrall, Auditor-General
- Mr Patrick Flemming, Assistant Auditor-General
- Ms Michelle Reardon, Assistant Auditor-General

### **Public briefing – Queensland Auditor-General Annual Report and reports currently under consideration by the committee – 28 November 2022**

#### **Queensland Audit Office**

- Mr Brendan Worrall, Auditor-General
- Mr Patrick Flemming, Assistant Auditor-General
- Ms Michelle Reardon, Assistant Auditor-General

## Appendix B – Abbreviations

AICD	Australian Institute of Company Directors
ARRs	<i>Annual report requirements for Queensland government agencies (as overseen by the Department of the Premier and Cabinet)</i>
committee	Economics and Governance Committee
DAF	Department of Agriculture and Fisheries
DCYJMA	Department of Children, Youth Justice and Multicultural Affairs
DES	Department of Environment and Science
DESBT	Department of Employment, Small Business and Training
DPC	Department of the Premier and Cabinet
DRDMW	Department of Regional Development, Manufacturing and Water
DSDILGP	Department of State Development, Industry, Local Government and Planning
DTMR	Department of Transport and Main Roads
FTE	Full-time equivalent
GOC	Government owned corporation
HHSs	Hospital and health services
ICT	information and communication technology
MoG	machinery of government
PSC	Public Service Commission
QAO	Queensland Audit Office
QRIDA	Queensland Reconstruction and Development Authority
QRON	Queensland Register of Nominees
QSS	Queensland Shared Services
Report 2	Queensland Audit Office, Report 2: 2022-23— <i>Improving grants management</i>
Report 3	Queensland Audit Office, Report 3: 2022-23— <i>Managing Queensland’s COVID-19 economic response and recovery</i> , July 2022
Report 4	Queensland Audit Office, <i>Report 4: 2022-23— Status of Auditor-General’s recommendations</i> , October 2022
Report 4: 2021-22	Queensland Audit Office, <i>2021 status of Auditor-General’s recommendations</i> , November 2021
Report 6	Queensland Audit Office, Report 6: 2022-23— <i>Managing workforce agility in the Queensland public sector</i> , November 2022
Report 11	Queensland Audit Office, Report 11: 2022-23— <i>State Entities 2022</i> , March 2023
Report 14	Queensland Audit Office, Report 14: 2021-22— <i>State Entities 2021</i> , April 2022
Report 17	Queensland Audit Office, Report 17: 2021-22— <i>Appointing and renewing government boards</i> , May 2022