



QUEENSLAND PARLIAMENT **COMMITTEES**

Consideration of Auditor-General Reports to Parliament

Governance, Energy and Finance Committee



Report No. 9

58th Parliament, June 2025

Governance, Energy and Finance Committee

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All references and webpages are current at the time of publishing.

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Chair's Foreword

The Governance, Energy and Finance Committee is responsible for considering the Auditor-General's reports to Parliament under section 94 of the *Parliament of Queensland Act 2001*. The Auditor-General's reports to Parliament assist the committee with assessing the integrity, economy, efficiency and effectiveness of government financial management.

This report presents a summary of the committee's examination of two Auditor-General reports — Report 11: 2024-25 – State Entities 2024 and Report 12: 2024-25 – Managing Queensland's debt and investments 2024.

On behalf of the committee, I thank the Auditor-General and Queensland Audit Office for providing its assurance and insights. I also thank the Parliamentary Service staff.

I commend this report to the House.



Michael Crandon MP

Chair

Executive Summary

The Auditor-General provides the Parliament with independent assurance of public sector accountability and performance by reporting to Parliament on the results of its financial and performance audits.

As a portfolio committee, the Governance, Energy and Finance Committee (committee) is to consider a report of the Auditor-General (a Report to Parliament) referred to it by the Committee of the Legislative Assembly (CLA). On 1 May 2025, the CLA referred the following Auditor-General reports to the committee for consideration:

- Report 11: 2024-25 – State Entities 2024, and
- Report 12: 2024-25 – Managing Queensland’s debt and investments 2024.

For Report 11, the QAO summarised the audit results of 236 Queensland state government entities, including the 21 core government departments. The QAO found that state entities’ 2023–24 financial statements are reliable and comply with relevant laws and standards. The state’s expenditure grew, while revenue remained largely consistent. The QAO also reported internal systems and processes (controls) entities have in place to support reliable financial reporting are generally effective but there are control deficiencies that require attention.

As a result of its consideration of the report, the committee encouraged relevant entities to continue to improve controls over information systems, as well as internal controls over governance, payroll, accounts payable and expenditure, and procurement and contract management to manage security and financial management risks.

Report 12 examined how the Queensland Government is managing its debt and investments. It also reports on recent transactions, risks and their management strategies. The QAO found that in 2023–24, net debt increased because the government borrowed more for capital projects. The increase in net debt was partly offset by increases in the value of the government’s investments. Temporary increases in royalties revenue has contributed to managing debt, but it is expected that net debt will increase over the coming years to support the capital program. The QAO also noted that Queensland Treasury Corporation issued green bonds that will provide additional investment into initiatives in Queensland to help manage the effects of climate change, and that the Queensland Government announced an investment into quantum computing through PsiQuantum, in conjunction with the Australian Government.

The committee noted the increases in debts and investments and advised it will watch the investment in quantum research and innovation with interest.

The committee made 1 recommendation: that the House note the contents of the report; the recommendation can be found at page v of this report.

Recommendation

Recommendation 1 2
The committee recommends that the House note the contents of this report

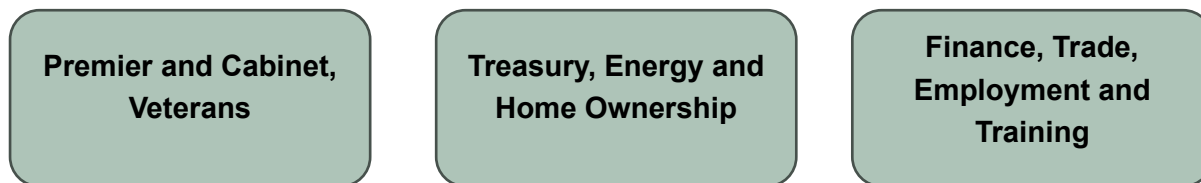
Glossary

CLA	Committee of the Legislative Assembly
Committee	Governance, Energy and Finance Committee
QAO	Queensland Audit Office
QTC	Queensland Treasury Corporation

1. Role of the Governance, Energy and Finance Committee

The Governance, Energy and Finance Committee (committee) of the 58th Parliament was established by the Queensland Legislative Assembly on 28 November 2024 as a portfolio committee.¹

The committee's portfolio areas of responsibility include:²



The committee's role also includes statutory oversight of the Auditor-General (along with a monitor and review function in relation to the performance of the functions of the Cross-Border Commissioner and Energy and Water Ombudsman Queensland).³

1.1. Role of the Auditor-General

The Auditor-General, supported by the Queensland Audit Office (QAO), is parliament's independent auditor of all of Queensland's state and local government public sector entities. These entities include departments, government owned corporations, statutory bodies, controlled entities, and the state's 77 councils.⁴

The Auditor-General provides the Parliament with independent assurance of public sector accountability and performance by reporting to Parliament on the results of its financial⁵ and performance⁶ audits.

1.2. Reports to Parliament

As a portfolio committee, the committee is to consider a report of the Auditor-General (a Report to Parliament) referred to it by the Committee of the Legislative Assembly (CLA).⁷

On 1 May 2025, the CLA referred the following Auditor-General reports to the committee for consideration:

- Report 11: 2024-25 – State Entities 2024 (tabled 11 April 2025), and
- Report 12: 2024-25 – Managing Queensland's debt and investments 2024 (tabled 16 April 2025).

¹ *Parliament of Queensland Act 2001*, section 88 and Standing Order (SO) 194, Standing Rules and Orders of the Legislative Assembly.

² SO 194 and schedule 6, Standing Rules and Orders of the Legislative Assembly.

³ SO 194 and schedule 6, Standing Rules and Orders of the Legislative Assembly.

⁴ Queensland Audit Office (QAO), Annual Report 2023-24, p 4.

⁵ A financial audit assesses whether the information contained in the financial statements of public sector entities is accurate, can be relied upon and is prepared in accordance with Australian Accounting Standards and relevant legislative requirements. (QAO Practice Statement – Financial statement audit, p 1).

⁶ A performance audit evaluates whether an agency or government program is achieving its objectives effectively, economically and efficiently, and is compliant with relevant legislation. It does not consider the merits of government policy. Rather, it focuses on how that policy is implemented. (QAO Factsheet - About us, p 2).

⁷ SO194B, Standing Rules and Orders of the Legislative Assembly.

**Recommendation 1**

The committee recommends that the House note the contents of this report.

2. Report 11: 2024-25 – 2024 State Entities 2024**2.1. Background**

Each year the QAO prepares a report summarising the audit results of government entities and identifies deficiencies and opportunities for improvement in the audit results. Report 11: 2024-25 – State Entities 2024 (Report 11) summarises the audit results of 236 Queensland state government entities, including the 21 core government departments.

The report also made four overarching observations about state entities during the reporting period:

- financial statements are reliable
- the state's expenditure grew this year
- new deficiencies in information systems control identified
- state entities have generally effective controls, but weaknesses are still present.⁸

2.2. Audit results

The QAO issued unmodified opinions for 97.5 per cent of the 2023–24 financial statements audited (2022–23: 97.6 per cent) as at 14 March 2025. Most entities (88 per cent) had their audit opinions certified within their legislative deadlines (2022–23: 91 per cent).⁹

All the departments, government owned corporations, and all but 7 statutory bodies (being 4 water authorities, 2 water boards, and one drainage board) received unmodified audit opinions.¹⁰ Of the 7 modified opinions the QAO issued, it qualified 5 opinions¹¹ and disclaimed 2 opinions^{12,13}

2.2.1. Earlier tabling of annual reports

Because of the state government election in October 2024, tabling deadlines were brought forward to 13 September 2024 and as a result, the average time between certifying financial statements and tabling annual reports for state entities improved – reducing by a week.¹⁴

⁸ Report 11, p 1.

⁹ Report 11, p 5.

¹⁰ Report 11, p 5.

¹¹ This occurs when the financial statements comply with relevant accounting standards and legislative requirements, except for a specified area

¹² This means the QAO was unable to express an opinion as to whether the financial statements complied with the requirements of the Financial and Performance Management Standard 2019 or the minimum reporting requirements published by Queensland Treasury.

¹³ Report 11, p 6.

¹⁴ Report 11, p 8.

The QAO has routinely encouraged timely tabling of annual reports to improve transparency and so stakeholders and the public benefit from having current, relevant information.¹⁵

2.2.2. Preparing for upcoming financial reporting changes

The QAO reported there are 2 new standards to be considered by reporting entities in future years. Climate-related financial reporting requirements will progressively affect some entities, with the largest government owned corporations reporting from 2025–26. There is also a new accounting standard for insurance applicable from 2026–27.¹⁶

2.2.3. Financial performance and position of the Queensland Government

The Auditor-General issued an unmodified audit opinion on the Queensland Government's 2023–24 consolidated financial statements. This means the financial statements can be relied upon.¹⁷

The total state sector achieved a net operating deficit of \$1.5 billion in 2023–24, representing a \$12.6 billion decline from the prior year result. The state's expenses increased by \$12.8 billion to \$103.8 billion in 2023–24.¹⁸

2.2.4. Major transactions and balances for the state

The QAO examined key financial transactions and events, with a focus on changes in key revenue and expenditure sources. The following transactions and events were noted by the QAO:

- revenue from coal royalties made up 10 per cent of Queensland's total revenue, compared to 15 per cent in 2022-23, with the decrease attributed to the fall in the global price of coal¹⁹
- the value of the concessions budgeted to be paid by the total state sector has increased by 36 per cent over the past 2 financial years to \$8.5 billion in 2023–24 (from \$6.8 billion in 2022–23:), and it is expected to increase further in 2024–25 largely due to the Queensland Government's response to higher cost-of-living pressures²⁰
- total state sector grants increased by \$2 billion to \$15.2 billion in 2023-24, which includes grants paid by the Queensland Reconstruction Authority to councils for disaster recovery and resilience funding (increased by \$519 million to \$1.4 billion) and grants to non-state schools (increased by \$367 million to \$5.3 billion).²¹

¹⁵ Report 11, p 8.

¹⁶ Report 11, p 8.

¹⁷ Report 11, p 9.

¹⁸ Report 11, p 10.

¹⁹ Report 11, p 11.

²⁰ Report 11, pp 12-13.

²¹ Report 11, p 13.

2.3. Focus on information and control

Information systems are the hardware, software (applications), networks, and data that entities use to manage information. They include systems for finance, customer service, and asset management.²²

The QAO expanded its audits to consider not just the applications state entities use, but also their underlying infrastructure – such as their databases, operating systems, and network access.²³

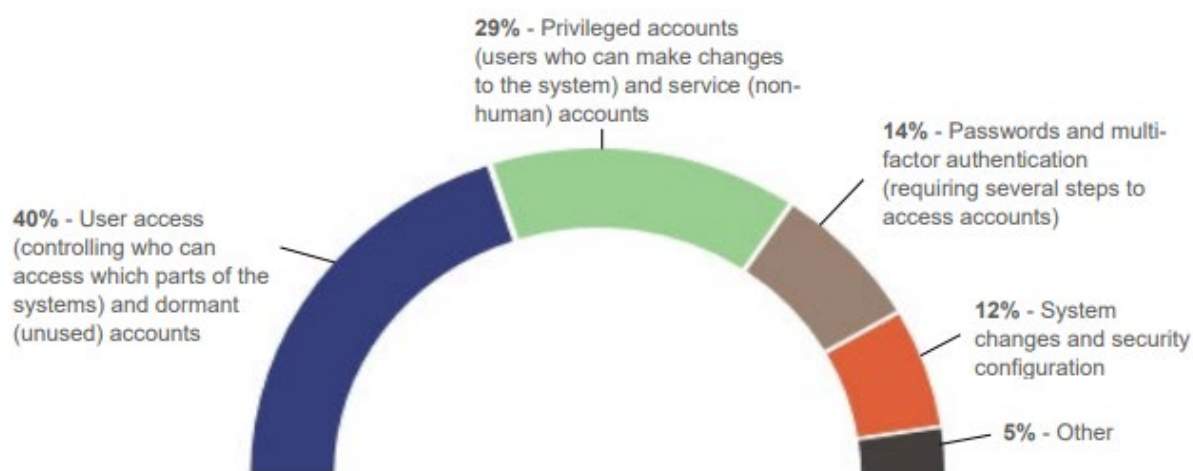
Sixty-five per cent of new deficiencies and significant deficiencies identified as part of the QAO's audits this year related to information systems controls. This year, the QAO also included all deficiencies at state sector entities in the report, unlike past reports which only reported significant deficiencies for these entities.²⁴

2.3.1. Weaknesses identified in information systems controls

The QAO continued to find recurring issues, not just in how access is controlled, but also in how risks are managed where information systems or data processing is managed by vendors external to government.²⁵

The following figure shows the deficiencies found in information systems controls at state entities:

Types of deficiencies we found in information systems controls at state entities this year



Source: Compiled by the Queensland Audit Office

²² Report 11, p 17.

²³ Report 11, p 17.

²⁴ Report 11, p 17.

²⁵ Report 11, p 1.

2.3.2. Planning for digital projects

In terms of the delivery of digital projects, the QAO found that while departments are assessing and reporting that most projects are on track, around half have had approval for increased expenditure from original estimates or have extended their time frames for delivery. The QAO suggested greater focus may be required during the project planning phases.²⁶

2.4. Internal controls at state entities

Each year, the QAO assesses whether the people, systems, and processes (internal controls) used by entities to prepare financial statements are reliable.²⁷

The QAO found that while key controls at state entities are generally effective, internal controls can be further improved. Particular deficiencies were found in controls over payroll, accounts payable and expenditure, governance and procurement and contract management.²⁸ The QAO stated that ‘Entities must have strong robust controls to reduce their exposure to fraud, legal, and reputational risks. Effective controls also ensure accountability and reduce the risk of overspending’.²⁹

The QAO reported that strong governance also plays an important part in good internal controls with significant deficiencies related to governance identified at Gladstone Ports Corporation Limited (GPC). These deficiencies included procurement and recruitment policies and processes not being appropriately followed, non-compliance with the board charter and payments being approved outside of authorised delegations.³⁰

In its response to deficiencies found at the GPC, Queensland Treasury advised that ‘GPC is taking appropriate action in response to the issues identified and is continuing to improve systems and processes.’³¹ GPC also responded to the report, advising:

Gladstone Ports Corporation Limited (GPC) acknowledges turnover within key management personnel during the year but has taken steps to address this. GPC is in the final stages of its recruitment for a permanent Chief Executive Officer and a subsequent campaign for other key executive roles will follow.

All of the deficiencies raised have also been addressed by updates to policy documentation and additional mechanisms including education and training. Additional levels of approval have been applied within updated policy documentation to ensure an appropriate level of rigour is required in decision making.

The appointment of a new Chair and with a board consisting of two continuing and three new directors, work with management is well underway to build on improving the culture through an organisation wide reset and the return to a stable and committed organisation.³²

²⁶ Report 11, p 22.

²⁷ Report 11, p 24

²⁸ Report 11, p 25.

²⁹ Report 11, p 1.

³⁰ Report 11, p 32.

³¹ Report 11, p 37.

³² Report 11, p 38.

2.5. Status of recommendations made in State entities 2023

The QAO did not make any new recommendations. Instead, they drew entities' attention to the recommendations from last year that require further action.³³ Appendix E of Report 11 contains tables showing the current status of the issues raised in the QAO's prior reports on state entities.

Committee comment



The committee notes the financial statements of state entities were found to be reliable and complied with relevant reporting requirements.

We encourage the relevant entities to continue to improve controls over information systems, as well as internal controls over governance, payroll, accounts payable and expenditure, and procurement and contract management to manage security and financial management risks.

3. Report 12: 2024-25 – Managing Queensland's debt and investments 2024

3.1. Background

The *Managing Queensland's debt and investments* report is produced annually by the QAO, examining how the Queensland Government is managing its debt and investments. It also reports on recent transactions, risks and their management strategies.

Report 12: 2024-25 – Managing Queensland's debt and investments 2024 (Report 12) made four overarching observations of debt and investment during the reporting period:

- borrowings for major projects are expected to increase
- green bonds are supporting environmental projects
- the value of government investments has grown
- the government is investing in quantum computing.³⁴

No recommendations were made in Report 12.

3.2. Debt

The Queensland Government borrows money mainly to fund capital investment in infrastructure, such as schools, hospitals, and dams. The QAO stated the government needs to effectively manage its debt to attract both domestic and international investors, manage interest costs and manage costs of providing significant projects or services across several years.³⁵

3.2.1. Borrowings for major projects are expected to increase

Report 12 stated that as of 30 June 2024, the state non-financial sector's total borrowings were \$139.2 billion (compared to \$132.2 billion in 30 June 2023), and its net debt was \$24.8 billion (compared to \$24.3 billion in 30 June 2023).³⁶

³³ Report 11, p 2.

³⁴ Report 12, p 1.

³⁵ Report 12, p 4.

³⁶ Report 12, p 4.

The report identified that in 2023–24, net debt increased because the government borrowed more for capital projects and stated that borrowings with QTC are forecast to increase over the forward estimates to \$159 billion in 2027–28.³⁷

To manage interest on the debt, the non-financial public sector, which includes the general government sector, used 3.5 per cent of its operating revenue to service the cost of debt in 2023–24; and this is forecast to grow to 9 per cent by 2027–28.³⁸

The QAO also stated that temporary increases in revenue from royalties contributed to managing debt. However, while royalty revenue may have helped fund expenditure in recent years, coal prices are expected to normalise over the forward estimates and the state will have more of a reliance on borrowings.³⁹

3.3. Investments

The Queensland Government holds investments to help fund long-term obligations and support future expenditure.⁴⁰

The QAO reported that the value of the long term asset portfolio has steadily increased from 2019–20 to 2023–24. This is due to positive returns and deposits into the portfolio. Report 12 identified an increase in the fair value of investments in 2023–24, with strong investment returns despite withdrawals to fund projects.⁴¹

Report 12 noted that the most recent assessments of Queensland's credit rating by the rating agencies are as follows:

- S&P Global: AA+ (outlook negative)
- Moody's Ratings: Aa1 (outlook stable)
- Fitch: AA+ (outlook stable).⁴²

There has been no change to the state's credit ratings from last financial year, however S&P Global announced in February 2025 that they have revised the outlook from stable to negative.⁴³ The QAO reported that a rating outlook is an indication of the direction for a long-term credit rating over the shorter term (generally 6 to 24 months). A negative outlook means that a credit rating may be lowered. According to the QAO, if the S&P Global rating were lowered to AA, the rating would still suggest a very strong capacity to meet financial commitments.⁴⁴

³⁷ Report 12, pp 6,7.

³⁸ Report 12, p 9.

³⁹ Report 12, pp 7,8.

⁴⁰ Report 12, p 11.

⁴¹ Report 12, p 13.

⁴² Report 12, p 16.

⁴³ Report 12, p 16.

⁴⁴ Report 12, p 16.

3.4. Significant transactions

To help manage the finances of the state, the government will enter into transactions and implement strategies to manage revenues, expenses, and investment for Queensland. In 2023–24, the government:

- continued to receive additional royalties revenue from coal prices remaining above the long-term average
- through Queensland Treasury Corporation (QTC), issued green bonds that will provide additional investment into initiatives in Queensland to help manage the effects of climate change
- announced an investment into quantum computing through PsiQuantum, in conjunction with the Australian Government.⁴⁵

Report 12 stated that QTC has identified \$18.6 billion worth of projects contributing to climate change management in Queensland, and as of 12 June 2024, QTC had \$12.5 billion of green bonds on issue. This represents a net increase of \$2 billion from the previous year.⁴⁶

Investment in quantum research and innovation was heralded in October 2023 when the Queensland Government launched its Queensland Quantum and Advanced Technologies Strategy. This strategy, with \$76 million of funding attached, aims to support development of several areas of quantum research and innovation, including quantum computing.⁴⁷

In April 2024, the Queensland and Australian governments announced a joint investment of approximately \$940 million (\$470 million each) in American technology company PsiQuantum Corp and its Australian subsidiary. Through this investment, the state government will support PsiQuantum to establish a quantum computer in Brisbane.⁴⁸

The QAO advised that Quantum computers are still in the early stages of development and are not yet proven at a commercial level, which ‘increases the risk around this investment’.⁴⁹

Committee comment



The committee notes the increases in both borrowings and the value of the long-term asset portfolio. The committee will watch the investment in quantum research and innovation with interest.

⁴⁵ Report 12, p 18.

⁴⁶ Report 12, p 19.

⁴⁷ Report 12, p 19.

⁴⁸ Report 12, p 20.

⁴⁹ Report 12, p 20.