



# QUEENSLAND PARLIAMENT **COMMITTEES**

## **Queensland Audit Office Annual Report 2023-24**

Governance, Energy and Finance Committee



**Report No. 5**

**58th Parliament, April 2025**



## **Governance, Energy and Finance Committee**

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

### **Acknowledgements**

The committee acknowledges the assistance provided by Queensland Treasury.

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## Chair's Foreword

The Governance, Energy and Finance Committee has oversight responsibility for the Auditor-General under Schedule 6 of the Standing Rules and Orders of the Legislative Assembly and is responsible for considering the entity's annual report under section 94 of the *Parliament of Queensland Act 2001*.

This report presents a summary of the committee's examination of the Queensland Audit Office Annual Report 2023-24.

The committee reviewed the 2023-24 Annual Report and held a public hearing with representatives of the Queensland Audit Office on 19 February 2025.

On behalf of the committee, I thank the Auditor-General, Deputy Auditor-General and Assistant Auditor-General for assisting the committee with fulfilling its oversight responsibilities. I also thank the Parliamentary Service staff.

I commend this report to the House.



Michael Crandon MP

Chair

## Executive Summary

On 5 August 2024, the Queensland Audit Office (QAO) submitted its Annual Report 2023-24 (Report) to the Department of the Premier and Cabinet. Under Schedule 6 of the Standing Rules and Orders of the Legislative Assembly, the Governance, Energy and Finance Committee maintains oversight of the Queensland Audit Office and, pursuant to the *Parliament of Queensland Act 2001*<sup>1</sup> the committee is responsible for considering the entity's annual report.

The Report detailed the QAO's performance and financial position for the financial year, information about its leadership and governance frameworks, the impact of its services, and plans to build future capacity.

Key results detailed in the Report include:

- the QAO formed 414 audit opinions (the same as 2022–23), with audit service providers (ASPs) delivering 45 per cent of the audits (similar to the 42 per cent in 2022–23)
- reports on financial audits were delivered at an average of \$175,000 per report (\$35,000 above the SDS target of \$140,000, and \$24,000 above last year's average cost of \$151,000)
- overall income from continuing operations was \$54.1 million (over the budget of \$51.5 million)
- total expenses from continuing operations was \$53.9 million (over the budget of \$51.7 million).

The QAO's overall position for the financial year was an operating surplus of \$131,000 against a budgeted deficit of \$191,000. The operating surplus contributed to a positive change in equity, totalling \$18,278,000 as at 30 June 2024.

The committee held a public oversight hearing with staff from the QAO on 19 February 2024 to discuss the Report and other matters. The Auditor-General gave evidence which included information about the role of Audit Service Providers and the controls used to reduce the likelihood of misuse of confidential information, along with strategies used to recruit and retain staff.

The committee found that the Report satisfied the requirements of the *Financial Accountability Act 2009*, Financial and Performance Management Standard 2019, and the Annual report requirements for Queensland Government agencies.

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.

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<sup>1</sup> Parliament of Queensland Act 2001, section 94 (1) (ii)

## Recommendations

<b>Recommendation 1.....</b>	<b>6</b>
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**The committee recommends that the House note the contents of this report.**

## Glossary

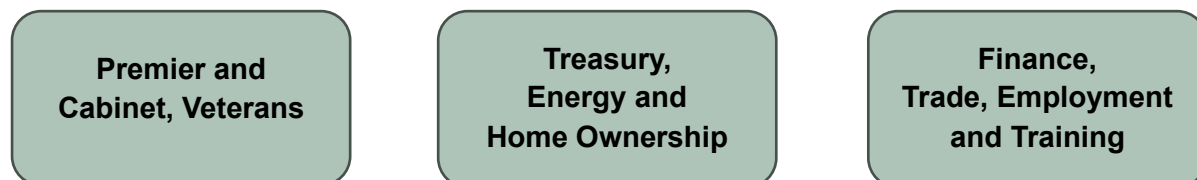
<b>ACAG</b>	Australasian Council of Auditors-General
<b>Act</b>	<i>Auditor-General Act 2009</i>
<b>ASP</b>	Audit Service Provider
<b>Committee</b>	Governance, Energy and Finance Committee
<b>QAO</b>	Queensland Audit Office
<b>Report</b>	Annual Report 2023-24
<b>SO</b>	Standing Order



## 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.<sup>2</sup>

The committee's portfolio areas of responsibility include:<sup>3</sup>



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).<sup>4</sup>

### 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.<sup>5</sup>

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<sup>6</sup> and performance<sup>7</sup> audits.

## 2. Overview of the Report

On 5 August 2024, the Queensland Audit Office (QAO) submitted its Annual Report 2023-24 (Report) to the Department of the Premier and Cabinet. The then-Premier, Hon Steven Miles MP, tabled the report in Parliament on 2 September 2024. Under Schedule 6 of the Standing Rules and Orders of the Legislative Assembly, the committee maintains oversight of the Queensland Audit Office and, pursuant to section 94 of the *Parliament of Queensland Act 2001*, the committee is responsible for considering the entity's annual report.

<sup>2</sup> *Parliament of Queensland Act 2001*, section 88 and Standing Order (SO) 194, Standing Rules and Orders of the Legislative Assembly.

<sup>3</sup> SO 194 and schedule 6, Standing Rules and Orders of the Legislative Assembly.

<sup>4</sup> SO 194 and schedule 6, Standing Rules and Orders of the Legislative Assembly.

<sup>5</sup> Queensland Audit Office (QAO), Annual Report 2023-24, p 4.

<sup>6</sup> 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).

<sup>7</sup> 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).

## Inquiry process

In examining the Report, the committee held a public oversight hearing with QAO staff on 19 February 2025 at Parliament House Brisbane. The committee heard evidence from the Auditor-General, Deputy Auditor-General and Assistant Auditor-General. A transcript of the hearing is available on the committee's webpage.

## Legislative compliance

The committee's deliberations included assessing whether the Report complies with the requirements of the *Financial Accountability Act 2009*, Financial and Performance Management Standard 2019, and the Annual report requirements for Queensland Government agencies.



### Financial Accountability Act 2009

Section 63 of the *Financial Accountability Act 2009* provides that statutory bodies must prepare an annual report in accordance with the requirements stated in the financial and performance management standard, and give the report to the appropriate Minister.<sup>8</sup>

### Financial and Performance Management Standard 2019

Division 3 section 46 of the Financial and Performance Management Standard details the information that must be provided in an annual report:

- a) the annual financial statements, audited by the authorised auditor for the department or statutory body
- b) the certification of the annual financial statements
- c) the authorised auditor's report about the annual financial statements
- d) information on the performance of the department or statutory body required under the annual report requirements document.<sup>9</sup>

### Committee comment



The committee found that the Report satisfied the requirements of the *Financial Accountability Act 2009*, Financial and Performance Management Standard 2019, and the Annual report requirements for Queensland Government agencies.

## 3. Examination of the Report

The Report detailed a positive financial result for the year ended 30 June 2024 returning an operating surplus of \$131,000; the QAO originally budgeted a deficit of \$191,000. Performance of the QAO's services was comparable to the previous financial year; however, performance audits cost more and took longer than the QAO's targets.

This section discusses key themes which were raised during the committee's examination of the Report.

<sup>8</sup> Financial Accountability Act 2009, s 63.

<sup>9</sup> Financial and Performance Management Standard 2019, Division 3 section 46, p 41.

## Performance results

The Report detailed the QAO's key performance results for financial year 2023-24:

- the QAO formed 414 audit opinions (the same as 2022–23), with audit service providers (ASPs) delivering 45 per cent of the audits (similar to the 42 per cent in 2022–23)
- the QAO tabled 15 reports to parliament (compared to 18 reports in 2022–23), and made 70 recommendations (compared to 82 in 2022-23)
- the QAO charged a higher percentage of total (whole of office) paid hours to audit work at 54.2 per cent (compared to the Australasian Council of Auditors-General (ACAG) average of 45.7 per cent)
- the average cost for each hour charged to audits was \$187.70 (compared to the ACAG average of \$206.67)
- reports on financial audits were delivered at an average of \$175,000 per report (\$35,000 above the Service Delivery Statement target of \$140,000, and \$24,000 above last year's average cost of \$151,000)
- the average time to deliver the reports was 6.4 months (longer than the target of 6 months and below last year's average of 8.4 months)
- the average cost of performance audits and reporting, was \$492,000 (\$97,000 over the target of \$395,000, and \$172,000 above last year's average cost of \$320,000)
- performance audit reports were delivered on average in 13.8 months (longer than the target of 9 months and slightly up from last year's result of 11.9 months)
- audit clients' satisfaction with financial audits had an overall result of 82ip, which was slightly lower than last year at 84ip, but exceeded the overall target of 80ip
- audit clients' satisfaction with performance audits at 82ip were higher than last year at 74ip, and exceeded the performance target of 80ip.
- the QAO gave 4 briefings to 4 parliamentary committees covering the findings and recommendations in 5 reports to parliament (compared to 10 briefings on 14 reports in 2022–23)
- on requests for audits, the QAO
  - received 79 requests for audits, and finalised 70 requests, which included completing 14 investigations
  - reported 16 findings or issues directly to entity management in relation to 7 completed investigations, and closely engaged with them to expedite or resolve matters
  - incorporated 13 requests in their current or planned performance audits, and added another 4 to the list of potential topics for the forward work plan.<sup>10</sup>

At the public hearing on 19 February 2025 committee members asked the Auditor-General about the work performed by ASPs. The Auditor-General stated that ASPs are generally used to manage peak workloads and for audits requiring specific expertise.<sup>11</sup> In response to questions regarding the potential information security risks posed by ASPs, the Auditor-

<sup>10</sup> Report, pp 8-13.

<sup>11</sup> Public hearing Transcript, p

General stated that controls including contractual obligations and firm audits are used to reduce the likelihood of misuse of confidential information.<sup>12</sup>

On the issue of staff recruitment and retention, the Auditor-General informed the committee that staff attrition rates had halved in recent years, and the QAO is reviewing its employee value proposition to remain an attractive employer in a competitive labour market.<sup>13</sup> The Auditor-General stated that recruiting graduates and reinforcing the meaningful work performed by the QAO were important aspects of recruitment and retention strategies.<sup>14</sup>

### **Financial position and performance**

The Annual Report states the QAO remains financially sustainable in terms of revenue, staff costs, and net surplus, and that it delivered its services with little impact on its overall financial position, with revenue and operational expenses tracking well against the budget for 2023–24.

The Report showed:

- overall income from continuing operations was \$54.1 million (over the budget of \$51.5 million), with
  - funding from parliament of \$8.13 million
  - fee revenue of \$45.7 million (over the budget of \$43.6 million)
- total expenses from continuing operations was \$53.9 million (over the budget of \$51.7 million), including
  - employee costs at \$29.5 million, (above the budgeted \$28.6 million, due to the need to recruit additional, suitably qualified people from a competitive labour market)
  - supplies and services at \$23.8 million (\$1.3 million over the budget of \$22.6 million, primarily due to increased costs related to information technology (IT) needs, and the need to engage ASPs to help execute the QAO's audit work).

### **Leadership, governance and risk management**

The QAO's governance framework, which has been established to 'promote effective and accountable risk management', includes an Executive Management Group, Audit and Risk Management Committee and several sub-committees. The QAO also undertakes an internal audit program and is required by legislation to be subject to an external audit. The QAO actively manages its risks, which include managing the capacity and capability of its workforce, providing valued client engagement, assuring quality audit services and acting on the evolving risk of cyber security.<sup>15</sup>

<sup>12</sup> Public hearing Transcript, p

<sup>13</sup> Public hearing Transcript, p

<sup>14</sup> Public hearing Transcript, p

<sup>15</sup> Report, pp 20-24.

Other governance matters detailed in the Report included:

- amendments to the *Auditor-General Act 2009* (Act) to enhance the independence of the QAO, including
  - formal recognition of the Auditor-General as an officer of the parliament, employing the QAO's people under the Act, and enabling the QAO to conduct performance audits of government owned corporations, and
  - increasing oversight by the parliamentary committee, including oversight of the appointment of the Auditor-General, reviewing the QAO's funding proposals, approving changes to the basic rates of audit fees and tabling the annual report<sup>16</sup>
- strategic review of the QAO, which considered
  - the functioning and operation of QAO, including how QAO discharges its responsibilities
  - the recommendations in the 2017 strategic review of QAO, and those in the 2022 Coaldrake Review: Let the Sunshine in – Review of culture and accountability in the Queensland public sector.<sup>17</sup>

The Report stated that the QAO accepted the strategic review's 58 recommendations, and that the QAO has prioritised the timing and order for completion of each recommendation based on a combination of risk, complexity, progress of existing initiatives, and corporate capacity to implement changes.<sup>18</sup>

### Impact of the QAO's services

While the QAO's mandate does not extend to forcing entities to act on its recommendations, each year entities are asked to self-assess their implementation progress. The QAO then reports to parliament on the results.<sup>19</sup>

The QAO engages with clients in other ways too. It supports audit committees and local government, and shares its insights more broadly via the following:

- maturity models and other self-assessment tools
- blog on topical matters
- interactive data dashboards
- QAO podcast
- fact sheets on the QAO's role and services
- events for clients.<sup>20</sup>

The QAO also collaborates with peers, including the Australasian Council of Auditors-General, integrity bodies and professional bodies.<sup>21</sup>

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

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

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

<sup>19</sup> Report, p 24.

<sup>20</sup> Report pp 24-26.

<sup>21</sup> Report, p 28.

## Building the QAO's capability for the future

The QAO's workforce comprises 198.98 full-time equivalent employees, with 19.1 per cent who are culturally and linguistically diverse. Fifty-one per cent are women – 32 per cent of them are in leadership roles, 3.8 per cent of staff identify as having a disability, and the Report refers to a wide range of age demographics.<sup>22</sup>

The QAO has established a learning and development framework and supports staff with professional qualifications and international experiences. There were 129 training and development hours per auditor and 3 staff received CA or CPA qualifications.<sup>23</sup>

The QAO also seeks feedback from its employees via the Working for Queensland Survey, pulse surveys and feedback from audit service providers. Overall, ASPs gave the QAO a satisfaction score of 77ip, down slightly from last year's 79ip.<sup>24</sup>

The most recent Working for Queensland Survey adduced that the QAO's overall employee engagement result was 62 per cent, a slight drop from the previous year's survey in 2022. The score for employee engagement for smaller Queensland government organisations, its usual comparator, was 63 per cent.<sup>25</sup>

### Committee comment



This annual report reflects the efforts of the Auditor-General and Queensland Audit Office (QAO) to balance their financial performance with the provision of services and management of staff. The QAO's overall position for the financial year was an operating surplus of \$131,000, rather than the predicted deficit, which reflects the QAO's efforts to focus on driving efficiency and improving how they manage their operations. While there were some aspects where the Auditor-General and QAO didn't meet their set targets, such as the cost to deliver financial and performance audits and the time it took to deliver them, the QAO exceeded its targets in other areas, such as client satisfaction. The committee encourages the Auditor-General to continue to find ways to meet their targets while continuing to deliver professional audit services.

## Recommendations



### Recommendation 1

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

<sup>22</sup> Report, p 29.

<sup>23</sup> Report, p 3.

<sup>24</sup> Report, p 32.

<sup>25</sup> Report, p 31.

## **Appendix A – Public Hearing, 19 February 2025**

### **Queensland Audit Office**

Rachel Vagg	Auditor-General
Patrick Flemming	Deputy Auditor-General
Darren Brown	Assistant Auditor-General