



# ***ECONOMICS AND GOVERNANCE COMMITTEE***

**Members present:**

Mr LP Power MP—Chair  
Mr MJ Crandon MP  
Mrs MF McMahon MP (virtual)  
Mr DG Purdie MP  
Mr RA Stevens MP  
Mr R Skelton MP (virtual)

**Staff present:**

Ms L Manderson—Committee Secretary  
Ms M Westcott—Assistant Committee Secretary  
Ms R Mills—Assistant Committee Secretary

## **PUBLIC BRIEFING—OVERSIGHT OF THE AUDITOR-GENERAL**

### **TRANSCRIPT OF PROCEEDINGS**

**MONDAY, 29 MARCH 2021**

**Brisbane**

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### **The committee met at 1.11 pm.**

**CHAIR:** Good afternoon. I declare this public briefing open. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay my respects to elders past and present. We very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander peoples, whose lands, winds and waters we all share.

My name is Linus Power; I am the member for Logan and chair of the committee. The other members of the committee are: Ray Stevens MP, the member for Mermaid Beach and deputy chair; Michael Crandon MP, the member for Coomera; Melissa McMahon MP, the member for Macalister; Dan Purdie MP, the member for Ninderry; and Rob Skelton MP, the member for Nicklin, who is substituting today for the member for Hervey Bay, Mr Adrian Tantari, who is unable to be with us for these proceedings.

The purpose of this briefing is to assist the committee with its oversight responsibilities over the functions of the Auditor-General. The briefing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. We are now broadcasting on the parliament's website, but due to technical difficulties the Auditor-General will be audio only. As you can see on the website, we do have vision of the members of the committee. I remind everyone to ensure that phones are switched to silent mode.

**FLEMMING, Mr Patrick, Assistant Auditor-General, Queensland Audit Office (via teleconference)**

**WORRALL, Mr Brendan, Auditor-General, Queensland Audit Office (via teleconference)**

**CHAIR:** Thank you for agreeing to brief the committee today. I invite to you make some opening comments, after which committee members may have some questions for you.

**Mr Worrall:** Firstly, congratulations to all members on your appointment to the committee and thank you for the opportunity to brief you today. Thank you kindly for postponing last week's meeting due to the rain event that closed several roads close to home.

The statutory position of Auditor-General has existed in Queensland since 1860. I am now over halfway through my seven-year non-renewable term, which commenced in July 2017. The Auditor-General Act governs the powers and functions of the position. The act promotes the independence of the Auditor-General and provides the legal basis for our access to information and the freedom to report the findings from our audits.

The Queensland Audit Office, QAO, supports me in my role as Queensland's independent auditor for state and local government public sector entities. We are a key part of the integrity framework of government and provide independent valued assurance and insights and better public services for Queenslanders. My auditors, both QAO staff and contracted, have ongoing contact with every public sector entity in various industries and sectors throughout the state. This gives me a unique insight to report to parliament on the performance of the public sector, including local government. The QAO continues to operate as a sustainable and contemporary public sector audit practice. Our audit work funds the majority of QAO's operating costs each year, with the balance provided by parliamentary appropriation.

When I met with the committee last April we were unsure how COVID-19 would impact QAO's business. I am pleased to report that, despite the pandemic's impact across the public sector, our clients did remarkably well to prepare their financial statements on time. We delivered most of our audit work as planned, but this did create additional pressures for some QAO and client staff, particularly where clients were greatly disrupted.

In 2021 our total revenue is estimated to be \$45.9 million. This includes a budget appropriation of \$6.6 million. Staff costs continue to be our biggest expense. Award based staff salaries will increase in September 2021 and March and September 2022. Office accommodation costs have also

increased annually by four per cent. In the current budget process we are asking the Queensland Treasurer to increase our charge-out rates by 2.5 per cent per annum for two years to better reflect our cost allocations and recovery at the audit engagement level. There is no revenue impact from this. We have committed to keep the 2021 audit fees the same or lower than 2020 fees for each client unless there is a change in audit scope.

Attracting and retaining the right people and developing our staff is fundamental to our service delivery. We invest in training our professional workplace to support our clients. This benefits the wider public sector through the assurance and insights our staff provide and when our staff transfer to other government entities. The FTE establishment cap and restrictions on external recruitment have raised risks for QAO. Our particular type of skilled staff is in demand and we find it even harder to recruit in the current environment. All of the big four accounting firms shed large numbers of staff in 2020. They are now aggressively in the recruitment market. I am committed to exercising our best endeavours to work within the FTE establishment cap and acknowledge that the Public Service Commissioner recognises that the recruitment pathway of auditors into QAO is from the private sector.

One of the key accountability measures in our legislation is the five-yearly independent strategic review. We have actioned 27 recommendations from the 2017 report and are finalising another two. Last April I discussed with the committee three recommendations requiring legislative change, particularly around independence. Discussions with the government about these were placed on hold due to COVID-19 and the state election. I am keen to see these progress prior to the next strategic review, which is due in 2023.

To provide assurance to the parliament, it is critical to preserve our independence. In 2017, QAO's strategic review concluded that the legislative framework was not appropriate for an audit office in a mature democracy. The lack of flexibility in the employment of staff and inability to set basic rates for audit fees without the Treasurer's approval were cited as practical examples of QAO's lack of independence from executive government. The Australasian Council of Auditors-General commissioned a report last year into auditor-general independence. It assessed legislative frameworks against eight core independence principles that are essential for effective public sector auditing. While Queensland received a strong independence score, our ranking fell from third to sixth out of 10 jurisdictions. This is mainly due to not having an oath of office or independence from executive control and the 2019 changes to section 53 of the act which enable the sharing of protected information with the Treasurer or Queensland Treasury.

A 2020 audit by the New South Wales Auditor-General found their government's approach to the funding for the New South Wales integrity agency presents independence threats and does not sufficiently recognise that the roles and functions of integrity agencies are different to other agencies. I encourage the committee to read that report, which is available on the Audit Office of New South Wales website. Similar constraints exist here.

The Financial Accountability Act requires that my annual report is tabled by the Premier. QAO's 2019-20 financial statements were certified on 19 August and the report submitted on 24 August, but our annual report was not tabled for another six weeks. We continue to encourage public sector entities to improve the timely release of their audited statements, but I have no control over when this is done for QAO. We want to ensure our information is provided to the public while remaining up to date so the impacts of major events such as COVID-19 do not result in the need for financial information to be reassessed owing to the release of the financial statements.

When the Queensland Ombudsman provides an annual report to the minister, the Ombudsman Act states they must also give a copy to the Speaker and the parliamentary committee. Providing QAO's annual report directly to the Speaker for tabling would better reflect my accountability to parliament and be consistent with the existing process for tabling my reports on the results of audits.

We have tabled 15 reports in 2020-21, including six on the results of financial audits and nine assurance reports. We have 10 assurance reports in progress or commencing shortly, and we expect to table another eight reports by 30 June. Several reports were tabled later than planned in 2021 due to the state election caretaker period and the deferred estimates hearings. As our tabling protocols call for, we generally do not table during these periods.

Our strategic audit plan, which we call our forward work program, outlines the audits I propose to conduct over the next three years. This gives early notice to audit clients on what our focus is going forward. We are currently consulting with stakeholders on our proposed 2021-2024 forward work program, which we provided to the committee on 4 March.

We have recently developed an online system for all of our clients to self-assess their progress in implementing the recommendations we make in our reports. We expect to table our first report to parliament later this year on the progress that entities report to us. This year we voluntarily published our first transparency report to provide insights into the way we audit and manage our internal quality control processes. I encourage you to read this report, which is on our website.

As previously advised, on 5 November 2020 we started publishing summaries of requests for audits from members of parliament and councillors. I am doing this to increase transparency around the requests we receive and the work we do. I will not, however, publish requests from parliamentary committees. I have published two such requests on our website: one from Councillor Kylie Farinelli of the Cassowary Coast Regional Council and more recently one from Dr Mark Robinson MP, the member for Oodgeroo.

We continue to engage with members of the new parliament, assisting committees as requested with their inquiries into the subject matter of our reports and briefing new MPs, committees, ministers and shadow ministers. Later this year I plan to host a workshop for portfolio committee chairs and deputy chairs. Despite the disruptions of 2020, I continue to engage with clients across the state, particularly regional and remote based state and local government clients. At last count I have personally visited 40 of the 77 local governments. I have found the engagement and context of these interactions invaluable.

We are conducting our next MP satisfaction survey after Easter and will use that feedback to better meet your needs and those of ministers and all members of parliament. Thank you for your time. I look forward to working with you during your term. I welcome any questions the committee has at this time.

**CHAIR:** Thank you very much, Auditor-General. As the Economics and Governance Committee, we take our role in oversight as representatives of the parliament very seriously. The deputy chair and member for Mermaid Beach has a question.

**Mr STEVENS:** Welcome, Mr Worrall. It is good to catch up with you again in these strange circumstances. Thank you for your efforts over a very difficult year. One of the things I noted in your report to parliament relates to the timeliness of financial reporting for government entities. Further to that, I notice that in your review of the QFF you have stated that it would be enhanced if it included a requirement for financial statements to be prepared, audited and made publicly available for each fund created under the QFF and, importantly, these financial statements should include information on the underlying investments that support each fund. That has been rejected by the Under Treasurer on the basis that it already shows income and expenditure in relation to these matters through section 62 of the Financial Accountability Act. Would you comment to the committee in relation to how much this matter would be improved if those sorts of funds run by the QFF did relate more to the New South Wales model, which shows the basis on which these funds are invested?

**Mr Worrall:** Yes. Having one set of financial statements for each fund or group of funds I think would provide the best transparency because the information would be provided in one spot, not only the revenue and expenses of the fund but also any assets and what those assets are intended to be used for, which is really to potentially pay down debt and things like that. Without going to a single set of financial statements, the information will not be necessarily presented in the one place. You will have some of the information in the Queensland Treasury departmental administered financial statements, and from what I know at the moment potentially you will have other information, such as the assets of the fund, reported by the Queensland Investment Corporation. Having it all in one spot would just enhance transparency and make it easier for everybody.

**Mr STEVENS:** In your opening statement you mentioned publishing audits requested by members. I noticed that there was one in relation to QYAC on North Stradbroke Island. Once that matter has been requested, what is the process for you to consider the matter and either follow up on the matter or not?

**Mr Worrall:** That is a good question, so thank you. The matter has been requested, and that request is on the website in a summarised format. In terms of process, we will publish what our response is to each of these requests. It may be that we will do an investigation or it may be that it is outside our jurisdiction, in which case we may not do anything. Whatever we are planning to do or not do, we will publish that on our website. What we will not publish is the results of those inquiries. If we follow up and actually do some further audit activity and there are matters that are significant then that would find their way in the report to parliament, but if they are matters that are not significant but still may require some attention by entities involved we would report those matters to the public sector entity to take care of and we would just manage their action through the normal audit process.

**Mr STEVENS:** We will be informed, is what you are saying?

**Mr Worrall:** Yes, that is exactly right.

**Mr CRANDON:** Thank you for making your time available, Brendan; it is very much appreciated. I look forward to looking at that New South Wales Audit Office report you referred to. You made a comment in your opening statement about a workshop being made available for chairs and deputy chairs. Is it a numbers issue as far as availability, or would it be open to other committee members if they put their hands up?

**Mr Worrall:** I think it is not a numbers issue, so that would be available. We are happy to accommodate committee members.

**Mr CRANDON:** Thank you. Your predecessor, Andrew Greaves, did an audit regarding procurement practices in his day. It came about as a result of some concerns around the rollover of contracts. There was nothing suggested that was necessarily nefarious in what was going on, but the report was quite interesting reading. That is now several years ago. I note in your forward audit program there is nothing that resembles—unless I am reading it wrong—an audit of procurement practices between now and 2023-24. Is there a reason you would not look at that, given the potential for corruption risk in that area?

**Mr Worrall:** We do plan to look at procurement in relation to major infrastructure but not in terms of normal procurement. If the committee thinks that is something we should look at, then certainly we would welcome that feedback as part of the consultation process. It has not been left in or out for any specific reason; we are just really trying to manage the number of topics and where the priorities go. If that is seen as a priority, we are happy to actively consider that.

**Mr CRANDON:** I recall in the media from time to time over the last few years there have been questions asked of individual entities within a department. There have been questions asked about what is going on with nepotism with regard to offering contracts to family members of senior people within a particular entity within a department and that type of thing. It has been around five years, if not more, since the last audit of procurement practices was made. I will defer back to the committee and we will have some further conversation about that. That was my only question.

**CHAIR:** We also note, Auditor-General, that you have asked us for feedback on your forward plan. We have the option of not just the other committees, from which we will get correspondence, but also our committee giving feedback on your forward plan as part of that process.

Auditor-General, in 2019-20 the Audit Office undertook a major body of work to evolve the methodology that you use to conduct your audits. Can you give us some advice about the outcomes that have resulted in changes to the methodology of auditing?

**Mr Worrall:** I think, Chair, you are referring to the performance audit methodology. What we have done there was not really a change in methodology, per se, but more a change in the way we report on our audits. Previously we tended to have a large piece of work which would take a long period of time plus cost a bit of money. What I have sought to do is maybe table reports more around topics that may lend themselves to less evaluation and more information. A good example of that would be the report that I did on the government's economic response to COVID. There was not really any evaluation in that report. It was really just trying to compile, from quite a number of different sources, what the economic response was and then put that in a format that was sort of readily digestible.

Another one where I have done some evaluation but not really a complete audit would be the effectiveness of audit committees in departments and statutory bodies. We did some of that by questionnaire and interviews, but we did not really pore over a whole lot of audit committee meeting papers and things like that. It is really just trying to map some products which are a bit more agile and a bit cheaper to produce with topics that would lend themselves to that. Not every topic will lend itself to that.

I think that two-thirds to three-quarters of my reports will still be in the traditional, deep-dive type report, but there will be a smaller number that may lend themselves to not as much work, not so much of a deep dive. Hopefully, I can then get those reports into parliament in a shorter time frame, which I think is important when there are emerging topics that I want to respond to sooner rather than later.

**CHAIR:** We have noted the change in the formats, especially responses in a more timely way. One more thing is that, of course, reports have recommendations, especially when they are accepted by the department. That process of implementation is very important. Can you please give us an update on the development of the new online tool for tracking progress made by entities that are implementing recommendations you have made in audit reports?

**Mr Worrall:** Yes. We are rolling out, as we speak, a new online reporting tool. It will be using SharePoint online. We are rolling it out to all the significant entities that would have had recommendations made in a report to parliament that were either specific to them or general to them. That is initially in the state sector. What that will enable them to do is just provide an update to us using that tool. This is something we did on an annual basis, but it was all old school where we wrote out to each of the chief executives and asked them to provide a written response. Now they have a tool to do that electronically. There are protocols in there, so each of those entities has a contact officer. It still needs to be approved by their chief executive before they submit it. Then we will collect that information I think in a more efficient way for them but also for us.

What I plan to do with that information is include that in a report to parliament in the second half of this calendar year. I am not planning to provide any assurance over what they are telling me but at least report what they are telling me, because that is probably the most frequent question I get from parliamentary committees: how are entities going about implementing recommendations that have been made? I think that will provide a lot more transparency to members of parliament, and I think it will hopefully put a bit of pressure on entities to not drag the chain on their implementation timetable.

**CHAIR:** Many of those entities would take note of what you are saying in the committee today.

**Mr STEVENS:** Mr Worrall, in your draft forward program 2021-2024 you have the COVID-19 economic stimulus spending and early impacts. Obviously it is ongoing as of the lockdown today. Can you just expand on when you are going to table that report? It is important, I suppose, in terms of this ongoing problem that we look at our spending as a parliamentary team, if you like, in these difficult circumstances. What sort of timing is involved with the initial impact, and how is the ongoing effect going to affect that particular audit?

**Mr Worrall:** I would be looking to table that by 30 June next year. I am looking to table it in the 2021-22 financial year. That is a report that we would need to start in the second half of this calendar year. It is really just trying to look at what impact that stimulus spending has actually had. It is probably not looking at every aspect of stimulus spending, but it is probably trying to focus on some of those larger ticket items that were included in the report I tabled last year on the economic response. I acknowledge that it will not be without challenges, given that we are still in this pandemic and we are still prone to lockdowns and other things impacting on us.

**Mr STEVENS:** That sort of indicates it will not be for another 14 months, and I feel that there is a serious necessity to have an updated report by 30 June this year. That is not going to happen, but in 14 or 15 months time I have the feeling that we might not be able to respond as well as we could have if it could be done earlier.

**Mr Worrall:** I am happy to take that on board and get feedback on the program. If that is seen as an early priority then we can definitely move things around to fund that piece of work sooner. The pace of tabling is not that long away that it is more like in that first quarter of the new calendar year, perhaps?

**Mr STEVENS:** Yes, that would be excellent. Thank you.

**CHAIR:** Mr Worrall, thank you very much for appearing before us. We have already had your appearance postponed by floods and now you are prevented from being in front of us because of pestilence. We owe you a cup of tea and a sandwich. We do hope that there is no fire or plague locusts to interrupt our next meeting and that we can do it face to face. Thank you very much for appearing before us. No doubt we will have more questions for you in future regarding other audits. Thank you for the information. Thank you to our Hansard and broadcast staff. A transcript of the proceedings will be available on the committee's parliamentary webpage in due course. I note that in this case there were no questions taken on notice. I declare this public briefing closed.

**The committee adjourned at 1.41 pm.**