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Briefing for audit committee chairs

1 May 2024



Agenda

10:30 am

Welcome

10:35 am–10:55 am

How QAO is preparing to audit climate reporting

Joel Godwin, Acting Assistant Auditor-General

10:55 am–11:30 am

Our new forward work plan, common trends in implementing our recommendations, risk considerations in an election year

Patrick Flemming, Assistant Auditor-General

11.30 am–11:50 am

Closing remarks

Brendan Worrall, Auditor-General

11:50 am–12:00 pm

Discussion and questions





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How QAO is preparing to audit climate reporting

Joel Godwin, Acting Assistant Auditor-General

Climate reporting – the journey so far...

Key milestones – the standard setters

- Nov 2021 – International Sustainability Standards Board (ISSB) formed
- Mar 2022 – AASB supports voluntary adoption of climate change disclosures
- Jun 2023 – ISSB issues sustainability standards - S1 and S2
- Aug 2023 – IAASB issues ED ISSA 5000 sustainability auditing standard
- Oct 2023 – AASB issues ED equivalents of S1 and S2 – ‘climate-first’

Australian and Queensland adoption

- As above, Australia has elected to adopt climate-first
- Feb 2024 – Commonwealth Treasury released draft legislation for comment
- Mar 2024 – Commonwealth Treasury – bill introduced
- 2022 and 2023 – Queensland Treasury FRRs
 - Agencies not to adopt climate change reporting, or ISSB standards
- Queensland Treasury 2024 FRRs – position remains the same as prior years



Climate and
sustainability
reporting

What entities will be impacted?

Climate and sustainability reporting

As of today, Australian entities who prepare and lodge financial reports under Chapter 2M of the *Corporations Act 2001*.

- Phased approach with 3 groups – size criteria or any National Greenhouse and Energy Reporting Obligations.
- Queensland entities expected in-scope for Group 1: **All GOCs except 3 smallest ports.**
 - Additional analysis required on Groups 2 and 3 impact entities.

We expect all public sector entities to fall into scope in some form eventually – for now, no requirements for departments, statutory bodies, or councils.

- Consultation with Queensland Treasury indicates preference for whole-of-government response rather than entity level. No formal decisions yet – policy is still being formed.
- Strong messaging from Queensland Treasury that departments and statutory bodies are **NOT** to early or voluntarily adopt.

What are the assurance requirements?

- What are we auditing?
 - Climate disclosures
- Type of audit report – a transitioned approach
 - Limited assurance and Reasonable assurance – 30 June 2026
 - Reasonable assurance – 30 June 2028 year ends



Limited assurance

- Lower level of assurance
- Interviews
- Analytical reviews
- Recalculation of metrics



Reasonable assurance

- Higher level of assurance
- Vouching to supporting documentation
- Greater understanding of process and controls

What are the assurance requirements?

ATTACHMENT 1 – Possible Assurance Phasing

Group	Disclosure topic area	Years commencing 1 January 2025 to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
1	Governance	None	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Qualitative scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Climate resilience assessments	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Transition plan and climate-related targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 1 and 2 emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	None	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable

Climate and sustainability reporting



Climate and sustainability reporting

QAO will audit the sustainability reports

- We will engage specialists and contract auditors to supplement our team
- We will focus on entities for whom reporting will become mandatory
- Early and voluntary reporters will be considered on a case-by-case basis.

Departments and statutory bodies do not need to prepare climate reports, but they do need to refer to the FRRs and talk to Queensland Treasury if they have any questions or concerns.

Councils do not need to prepare climate reports, but the Department of Local Government may elect to mandate this. If not, Councils will be able to make their own decision whether to adopt.



If considering voluntary reporting, you need to plan and prepare well. Don't underestimate the work required, or it will be more effort in the long run.

Early planning is encouraged. Entities should start thinking about what will be required. This may include developing position papers – particularly for those entities who have to adopt in 2025–26.

How is QAO preparing for the audit?

QAO has established a working group to develop our approach



 Identifying affected clients

 Working within our legislative mandate

 Identifying training needs

 Developing audit methodology support

 Engaging with SMEs

 Monitoring issues in exposure drafts

 Collaborating with other audit offices

Climate and sustainability reporting



Client considerations for climate reports

Climate and sustainability reporting

Roles and responsibilities



- Who will be responsible within the entity?
- Who are the key stakeholders across the business?

Sources of emissions



- Sources of emissions will need to be identified.
- These may be:
 - scope 1: Direct emissions
 - scope 2: Indirect emissions
 - scope 3: Indirect emissions in the supply chain.

Boundaries/scope



- What gets included and excluded in calculations?
- Financial and operational control concepts apply.

Client considerations for climate reports



Materiality

- Materiality concepts remain.
- Different subject matter and at times more subjective.
- Disclosures on material risks and opportunities.



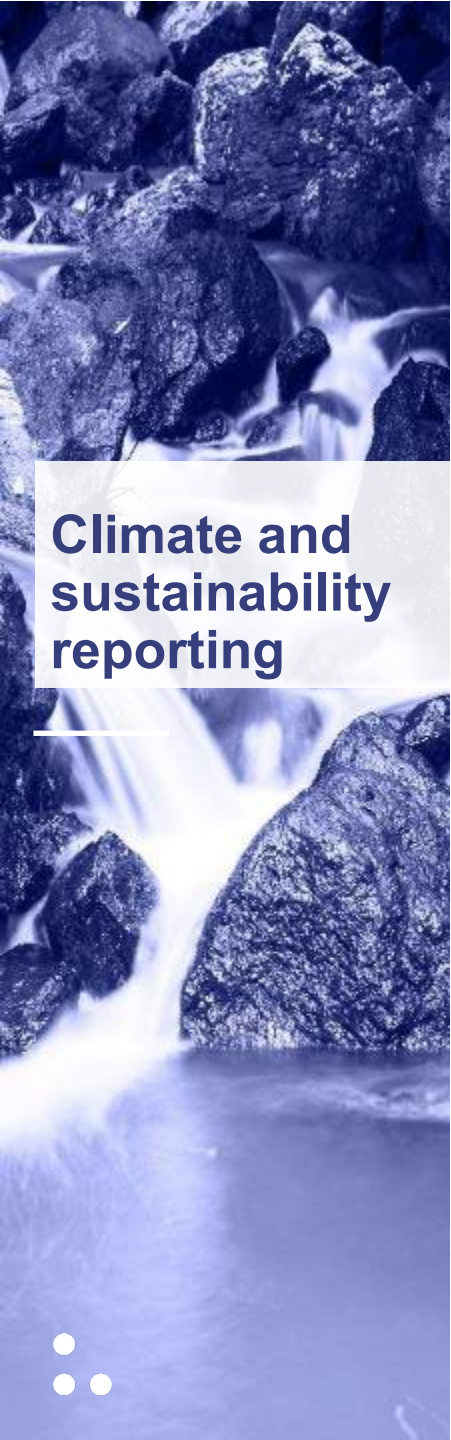
Data governance

- Disclosures to be supported by underlying data and evidence.
- Who are the data owners?
- Who will be responsible for accuracy and completeness of data?



Systems and processes

- How will you set up systems and processes to capture information to report?
- Policies may need changing.
- New processes may need to be put in place and overseen.



Climate and sustainability reporting

Client considerations for climate reports



Criteria and metrics

- What criteria and metrics will be used and linked to material risks and opportunities?
- We will be expecting consistency in metrics across sectors.
- Criteria and calculations should be documented.



Scenario analysis

- How will internal and external scenarios impact disclosures?
- May require quantitative and qualitative analysis.



Consistency in financials and SR

- Need to ensure consistency in messaging between reporting (e.g. financial and climate).



Next steps

We will communicate our approach for each client in our 2025–26 audit plans.



- We will be starting our discussions with clients during our audit planning for FY26, focusing on:
- ✓ sources of emissions
 - ✓ reviewing internal audit reports
 - ✓ processes
 - ✓ data collection
 - ✓ information systems used.

For other entities – we will continue to share information. We encourage entities to reach out to their QAO contacts if they have any questions.

Discussion and questions





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Our new forward work plan, common trends in implementing our recommendations, risk considerations in an election year

Patrick Flemming, Assistant Auditor-General



Oct 2023 – Feb 2024
Planning and development

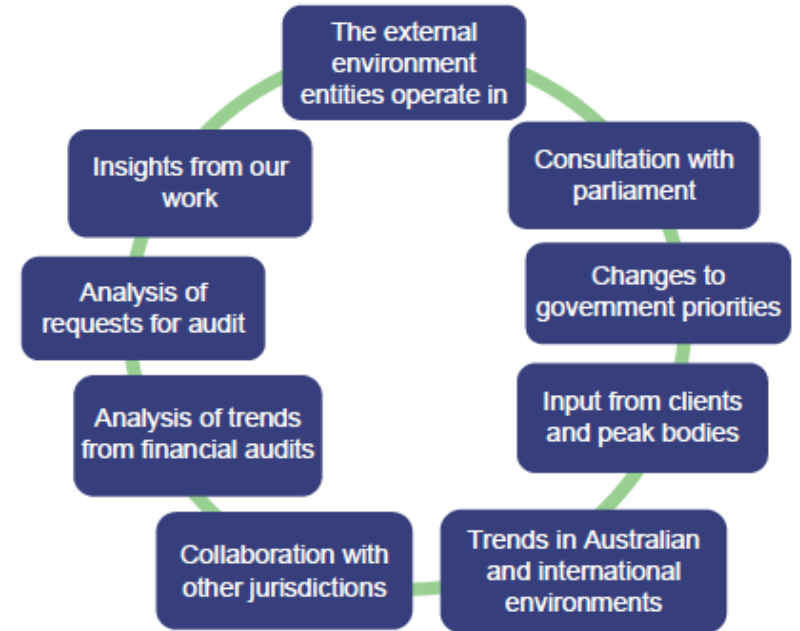
March – April 2024
Consultation

June 2024
Publish the new plan

Forward work plan

To ensure we select audit topics that matter most to Queensland, we apply a strategic planning approach to identify the risks and opportunities facing public service delivery and align our audit topics in response.

Sources for intelligence gathering



Focus areas guide all our audit activity

 Technology risk and opportunities

 Sustainable communities and environment

 Governance of government

 Healthy and safe Queenslanders

 Infrastructure investment

 Economic risk and recovery

Upcoming reports

Responding to and recovering from cyber attacks

Insights and lessons learned on entities' preparedness to respond to and recover from cyber attacks.

Queensland's regions 2023

Analyses data on state and local government service delivery and support for Queensland's regions, and considers other regional growth and sustainability measures, including employment and economic activity.

Education 2023

Analyses the education entities' financial performance and position.

Diverting young offenders from crime

Whether youth justice strategies and programs are effective in reducing crime by serious repeat offenders and improving community safety.

Protecting students from bullying

Whether the Department of Education's strategies are effective in supporting the protection of students from bullying.

Managing Queensland's regional water quality

How effectively state and local government entities ensure communities can access safe water.

Insights on audit committees in local government

Insights into the effectiveness of audit committees at local governments.

Follow-on audit: Delivering forensic services

Whether the entities have effectively implemented the recommendations relating to forensic medical examination services and the effectiveness of those services in meeting the needs of victims and the forensic system.

Preparing for the Brisbane Games

We intend to deliver a series of audits examining the planning, delivery, and benefits of the Games. This will be our first report on the initial preparation and planning for delivering the Games.

Examining the state budget framework

How the framework for preparing the state budget supports the government's identified fiscal principles and the objectives and measures identified in key economic plans.



Forward work plan

www.qao.qld.gov.au/audit-program

Implementation of recommendations

We asked



98
entities

To report on



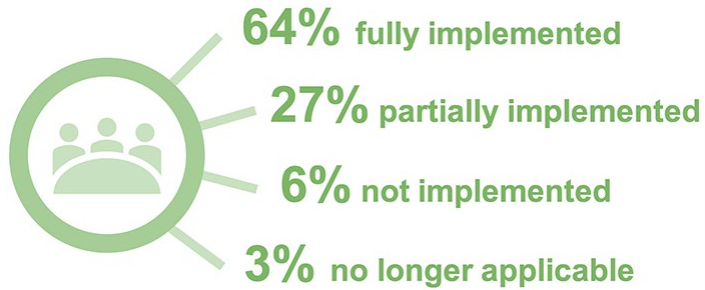
678
individual
recommendations

From



41
reports to
parliament

What we found



The most common type of recommendations entities failed to implement relate to **regulatory and oversight practices**.

Some entities remain uncertain about their progress because they do not have effective systems to track it.

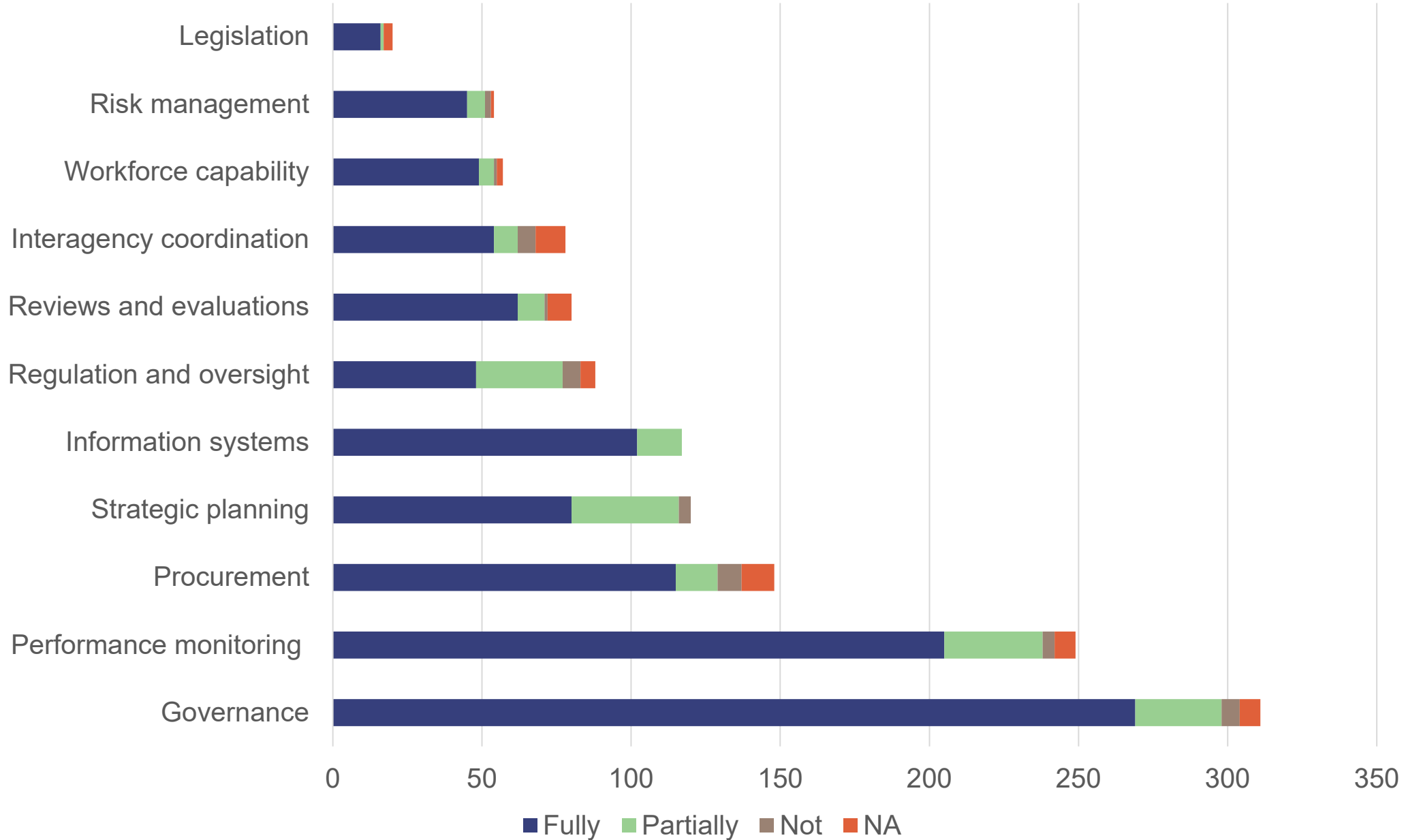
Common areas from 1,322 recommendations in 67 performance audit reports since 2015–16:

- Governance and oversight arrangements
- Performance monitoring and reporting practices
- Strategic planning.



Recommendations by category and status

**Common
challenges in
implementing
recommendations**




New reports for 2024

Tabling year	Report title
2022–23	Delivering social housing services (Report 1)
	Improving grants management (Report 2)
	Managing Queensland's COVID-19 economic response and recovery (Report 3)
	Keeping people safe from domestic and family violence (Report 4)
	Managing workforce agility in the Queensland public sector (Report 5)
	Protecting our threatened animals and plants (Report 6)
	Growing ecotourism in Queensland (Report 7)
	Health outcomes for First Nations people (Report 8)
	Implementing machinery of government changes (Report 9)

Previous reports with greatest number of outstanding recommendations

Report	# outstanding
Regulating animal welfare services (Report 6: 2021–22)	33
Planning for sustainable health services (Report 16: 2020–21)	26
Contract management for new infrastructure (Report 16: 2021–22)	23
Measuring emergency department patient wait time (Report 2: 2021–22)	20

Status of
recommendations
2024







Based on our experience, elections can give rise to heightened risk at both the entity and transaction level.

Potential risks to the entity:

➔ significant changes following elections can have an impact on an entity's overall culture and control environment.

Transactions that may pose greater risk

-  Payment of grants and other discretionary payments.
-  Appointments and terminations of key staff, including payments to terminated staff.
-  Related party transactions.
-  Awarding of major contracts.



Queensland Treasury updated the guidelines in October 2023 →

Included new requirements regarding the independence of audit committee members

Treasury guidelines for committees

	Requirement	Description
Immediate	Independent Chair	Agencies should appoint an independent chair.
	Independent Member	Agencies should appoint at least one other independent member (excluding the chair).
	External majority	Should have a majority of external members. An independent member can be treated as an external member for the purposes of achieving a majority. External – not an employee of the agency.
Short-term By 30 June 2025	Independent majority	Should have a majority of independent members (one of which is an independent chair). Independent – independent of management and is not an employee of the agency/entity or another Queensland state government entity.
Medium-term From 1 July 2025	Fully independent	Fully independent membership.

Discussion and questions





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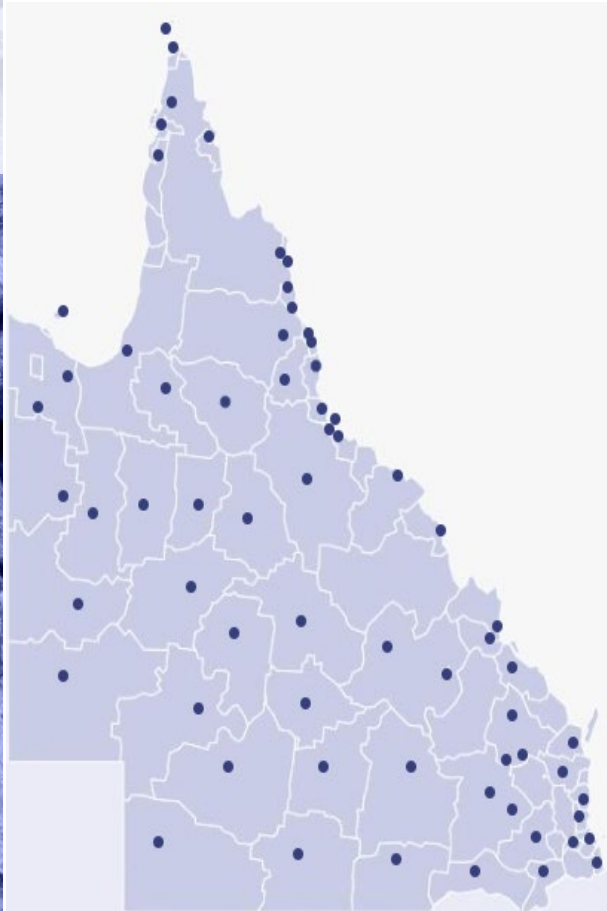
Closing remarks

Brendan Worrall

It has been a privilege to lead QAO over the past 7 years.

Thank you to you as chairs, your committees, our clients, and our workforce including our audit service providers.

Without, we could not strive towards our vision.





111 reports to parliament with 397 recommendations; impact from our work.

Strengthened our independence.

Navigated significant change.

Implemented a new operating model to support consistent client services.

Enhanced our client and parliamentary engagement – receiving high or increased satisfaction survey results.

  465 engagements.
73 local government visits.

- ✓ **Seeing firsthand the unique challenges our clients face.**
- ✓ **Appreciating the diverse operating environments for entities across Queensland.**
- ✓ **Receiving feedback on our services.**

Thank you



Key themes that have emerged

-  **Strengthening governance and oversight**
-  **Using information technology and data better**
-  **Role of regulators, and regulatory practices**
-  **Managing contracts and projects effectively**
-  **Understanding the impact of government restructuring**
-  **Better sharing and acting on learnings**

Accepting the need for change and learning from the past.

Change comes from the resolve and action of entities through a culture of learning.



‘This review finds that overall, the QAO’s functions are performed economically, effectively, and efficiently. Queensland gets good value from its investment in the QAO. But, as with all organisations, there are opportunities for improvement.’

58 recommendations

- 47 for QAO
- 8 for parliament to address, incl. legislative changes
- 1 for public sector entities
- 2 that no further action is required on previous recommendations.

We are tracking progress and reporting regularly to our governance committees.

Blog

What we learned from an external review of our office

Shares tips from our planning for the strategic review to assist clients in their planning for audits.



2023 strategic review of QAO



Questions and discussion



Presentation slides will be emailed to you and on our website

www.qao.qld.gov.au/reports-resources/events

Please answer our quick survey so we can improve our events:

www.surveymonkey.com/r/May24ACCB

Discussion

