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Audit Committee Chairs briefing

2 December 2025

Today's agenda

Auditor-General's welcome and address

Rachel Vagg, Auditor-General

2025 Status of Auditor-General's recommendations

Joel Cooper, Director

Addressing technology risks

Damon Olive, AAG – Financial Audit

Information systems and controls

Sumi Kusumo, Senior Director

Recent reports and what's ahead on our Forward work plan

Joel Godwin, Senior Director

Other key updates

Damon Olive, AAG – Financial Audit

Closing remarks

Damon Olive, AAG – Financial Audit



Acknowledgement of country

I begin today by respectfully acknowledging the Yugara and Turrbal People who are the Traditional Owners of the land on which this event is taking place, and Elders past and present.

I also recognise those whose ongoing effort to protect and promote Aboriginal and Torres Strait Islander cultures will leave a lasting legacy for future Elders and leaders.

Welcome





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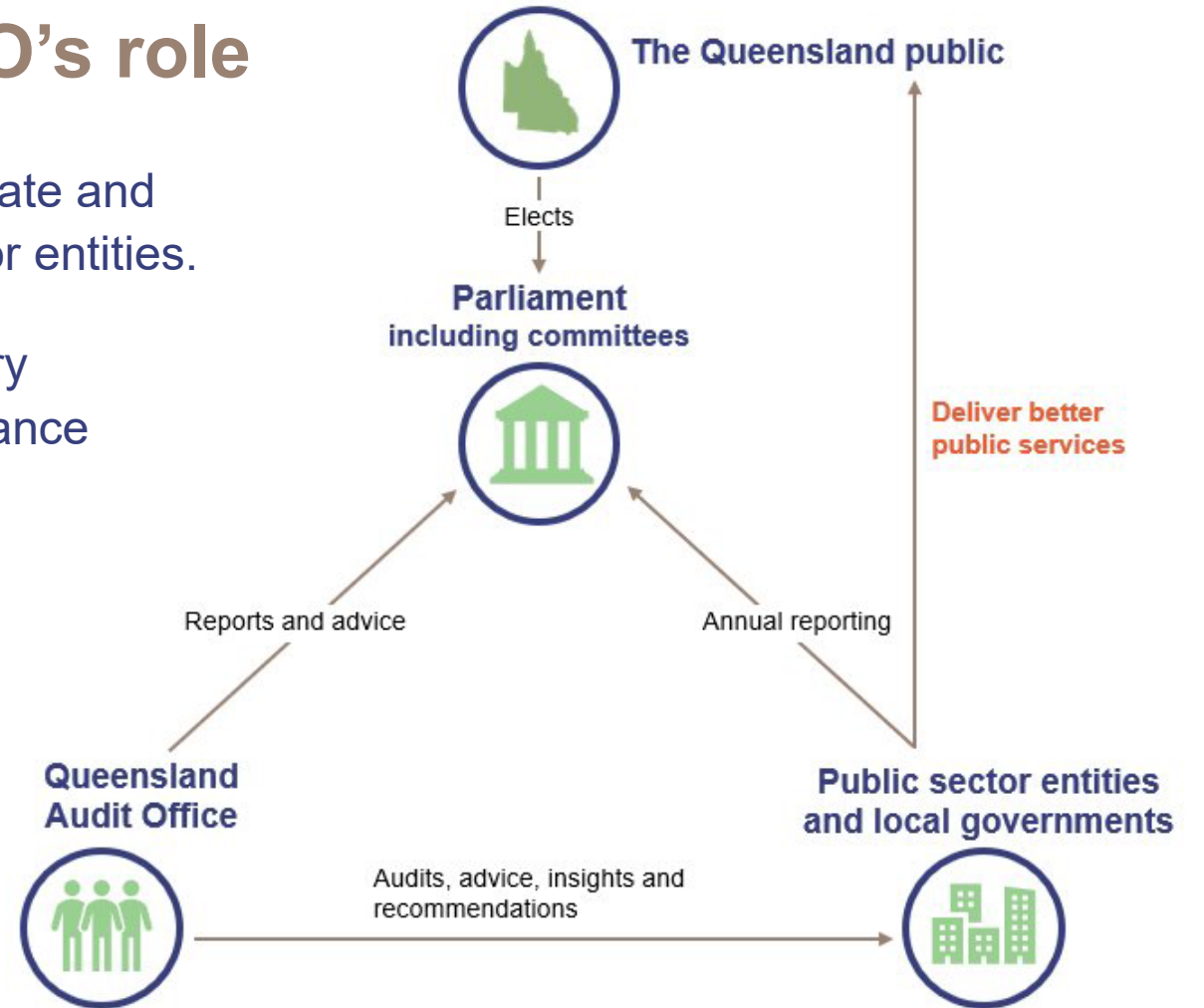
Auditor-General's address

Rachel Vagg, Auditor-General

An overview of QAO's role

- The independent auditor of state and local government public sector entities.
- Overseen by the parliamentary Governance, Energy and Finance Committee.

Our work can have a lasting impact. It's about making sure public money is being spent well and that Queenslanders receive the services they need and expect.



About us

Our team



Rachel Vagg
Auditor-General



Patrick Flemming
Deputy Auditor-General



Damon Olive
Assistant Auditor-General
Financial Audit



Darren Brown
Assistant Auditor-General
Performance Audit



Georgina Crundell
Assistant Auditor-General
Technology Audit

Increasing our focus on:

- ✓ public sector risk and response
- ✓ technology risk
- ✓ client experience

Industry-led senior directors

Bhavik Deoji – education

Brydie Morris – public finance

David Adams – general government

David Toma – health

Irshaad Asim – energy

Sri Narasimhan – local government

Vaughan Stemmett – infrastructure and transport

Sumi Kusumo – information systems

Joel Godwin – performance audit

QAO



Recently tabled and upcoming reports

Reports tabled this Financial Year

- ✓ 2025 Status of Auditor-General's recommendations
- ✓ Managing the ethical risks of artificial intelligence
- ✓ Reducing organic household waste sent to landfill
- ✓ Supporting industry development
- ✓ Attracting and retaining teachers in regional and remote Queensland

Reports tabling before the end of 2025:

- Information systems 2025
- Energy 2025
- Major projects 2025

First half 2026:

- Health 2025
- State entities 2025
- Debt and investments 2025
- Local government 2025
- Managing 3rd party cyber security risks
- Delivering social housing services
- Managing funding from the mental health levy
- Rehabilitating and reintegrating prisoners
- Improving the sustainability of local governments
- Accessing legal aid

Our forward work plan

Our forward work plan continues to reflect and respond to our changing landscape.



Our planning process

- 1** Environmental scanning
- 2** Topic development and prioritisation
- 3** Finalisation and publication



Accounting and reporting of major transactions

Major matters

Financial reporting

- Timeliness and quality
- Depreciation expense and sustainability
- Major transactions of government

Approvals for contracts and expenditure

- Leases – prescribed requirements
- Statutory bodies financial arrangement act
- What can constitute a contractual commitment

Climate reporting

AASB S1 (voluntary) and S2 now apply.

S2 mandatory for certain entities reporting under the Corporations Act – entities have been identified and limited assurance audit reviews will be performed this year

Grant management



- Effective internal controls are essential – helping ensure entities are accountable, transparent, and neutral in decision making.
- Consider changing risks

Vendor controls and fraud



- Fraud and corruption risks are pervasive to all organisations.
- Fraud attempts often involve business-as-usual activities – vigilance is key.
- Independent checking of vendors and payments

Expenditure, procurement and ex-gratia payments



- No legal requirement to make ex-gratia and may lack transparency
- Potential for extra public scrutiny as they involve the use of public money
- Value for money assessments
- Conflict of interest declarations, documentation and management

Areas of focus

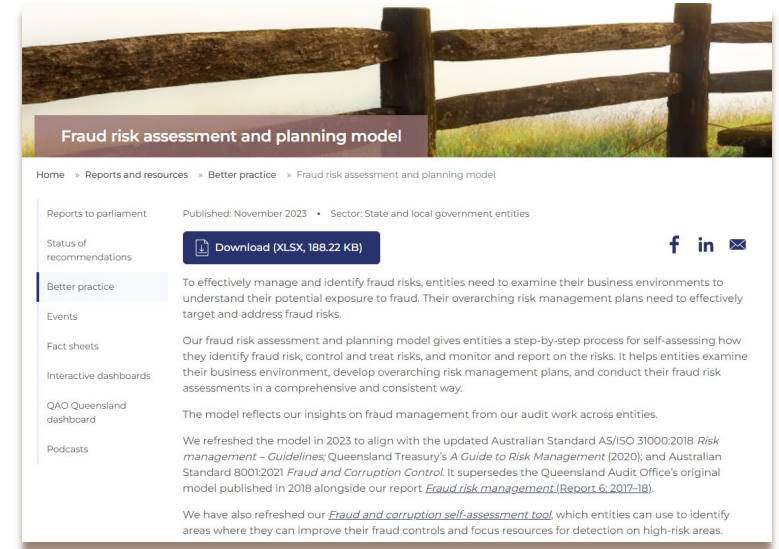
Resources

Better practice guides

- ✓ [Grant management maturity model](#)
- ✓ [Fraud and corruption self-assessment tool](#)
- ✓ [Fraud risk assessment and planning model](#)

Blogs

- ✓ [Are your everyday internal controls strong enough to prevent a fraud attempt?](#)
- ✓ [Keep fraud risks front and centre](#)
- ✓ [Ex-gratia payments – what those charged with governance need to consider](#)



Reports to parliament - grants

- ✓ [Supporting industry development](#)
- ✓ [Improving grants management](#)
- ✓ [Awarding of sports grants](#)



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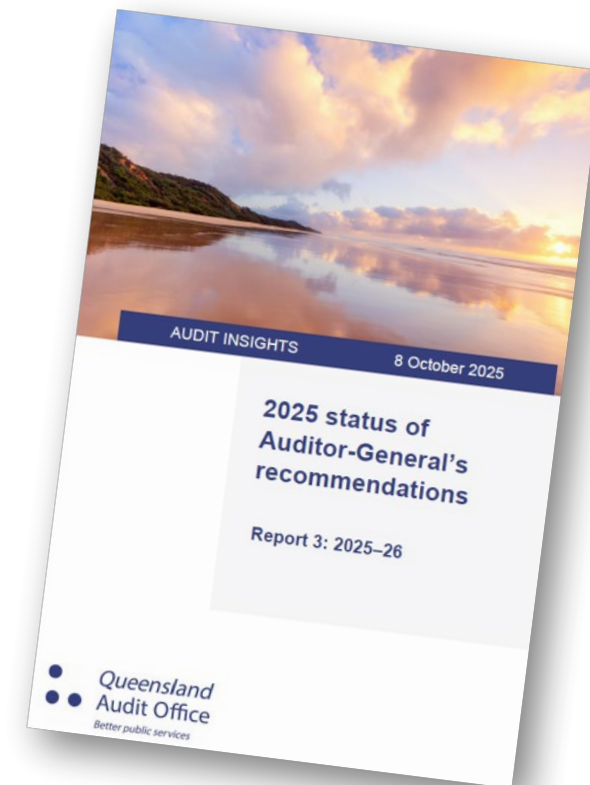
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2025 Status of Auditor-General's recommendations

Joel Cooper, Director



What do we ask entities to do?

- ➔ Each year we ask entities to self-assess their progress implementing performance audit recommendations from our reports.
- ➔ We do not audit the actions that entities report they have taken.
- ➔ The CEO is responsible for endorsing their entity's self-assessment.

Audit committees play an important role monitoring the performance of entities

They can:

- regularly assess entity progress in implementing recommendations
- follow up outstanding recommendations to understand key barriers and risks
- examine the outcomes of the actions entities have taken.

What did we follow up this year?



92 recommendations from 6 reports tabled in 2023–24

- Managing invasive species
- Improving asset management in councils
- Deploying police resources
- Minimising gambling harm
- Responding to & recovering from cyber attacks
- Reducing serious youth crime



270 outstanding recommendations from 30 reports tabled 2016–2022

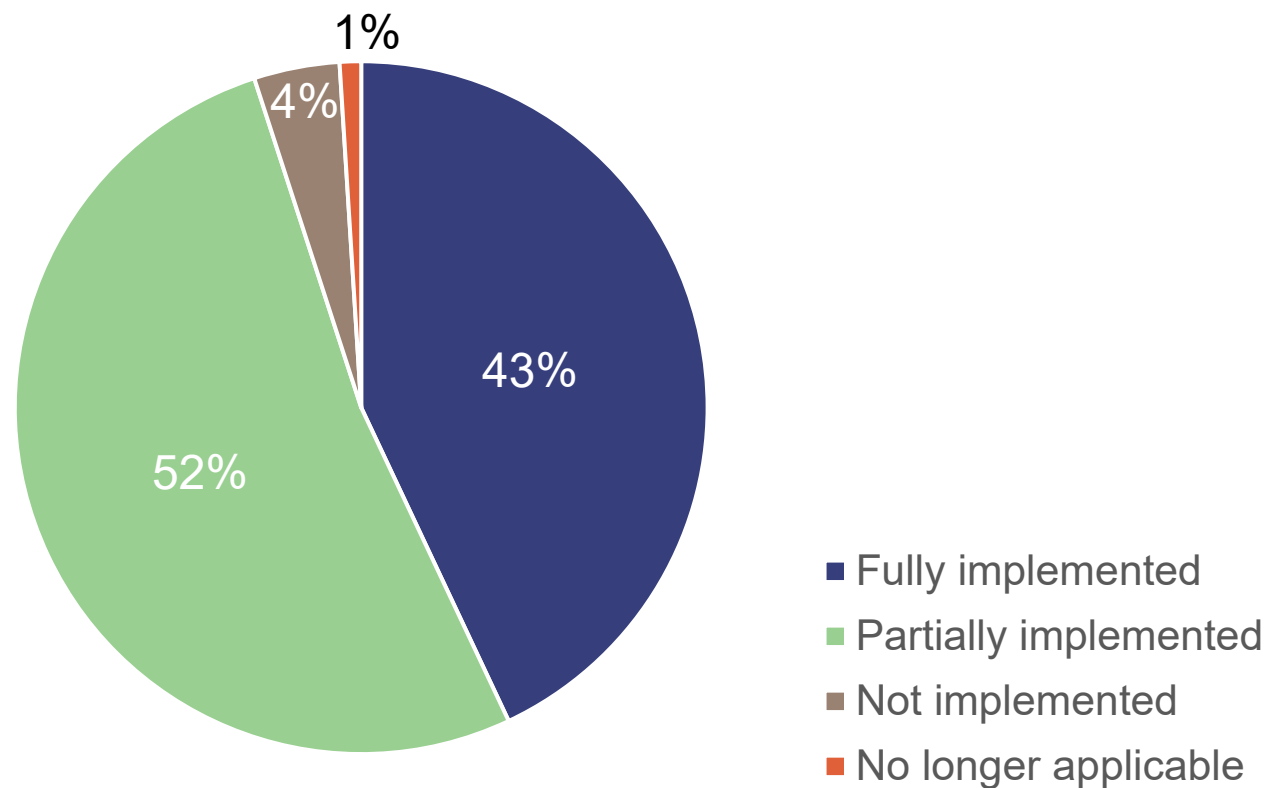
- Outstanding recommendations are recommendations that entities have partially implemented or not implemented from prior years.

Overall
status

What did entities report?

Of the 362 recommendations:

- **43%** (156) were **fully implemented**
- **56%** (203) remain outstanding (**partially implemented** and **not implemented**)
- **1%** (3) were **no longer applicable**.



Overall
status

Most
frequent

What were the most frequent recommendations?

The 3 most common categories of recommendations we made in the 36 performance audit reports from 2016–17 to 2023–24 were:



163 governance
arrangements and oversight
recommendations



145 information systems
and data management
recommendations



137 performance monitoring
and reporting
recommendations

What were the least implemented recommendations?

Strategic and operational planning



- **116** recommendations focused on strengthening entities' planning approaches
- **35%** remain outstanding
- Entities reported a lack of funding, competing priorities, and other factors were barriers

Information systems and data management



- **145** focused on improving the accuracy and sharing information
- **19%** remain outstanding
- Entities reported procuring and testing new systems.

Workforce capability and planning



- **98** focused on building more adaptable workforces
- **29%** remain outstanding
- Entities reported being in the process of trialling new workforce approaches

Least
implemented



Which reports will we follow up next year?

Next year, we intend to include recommendations from reports tabled in 2024–25, and we will continue to request information from entities on the progress of outstanding recommendations.

This includes:

- Insights on audit committees in local government
- Managing Queensland's regional water quality
- Protecting students from bullying
- Preparing for the Brisbane Games
- Central agencies' coordination of the state budget
- Delivering forensic medical examinations (follow-up audit)

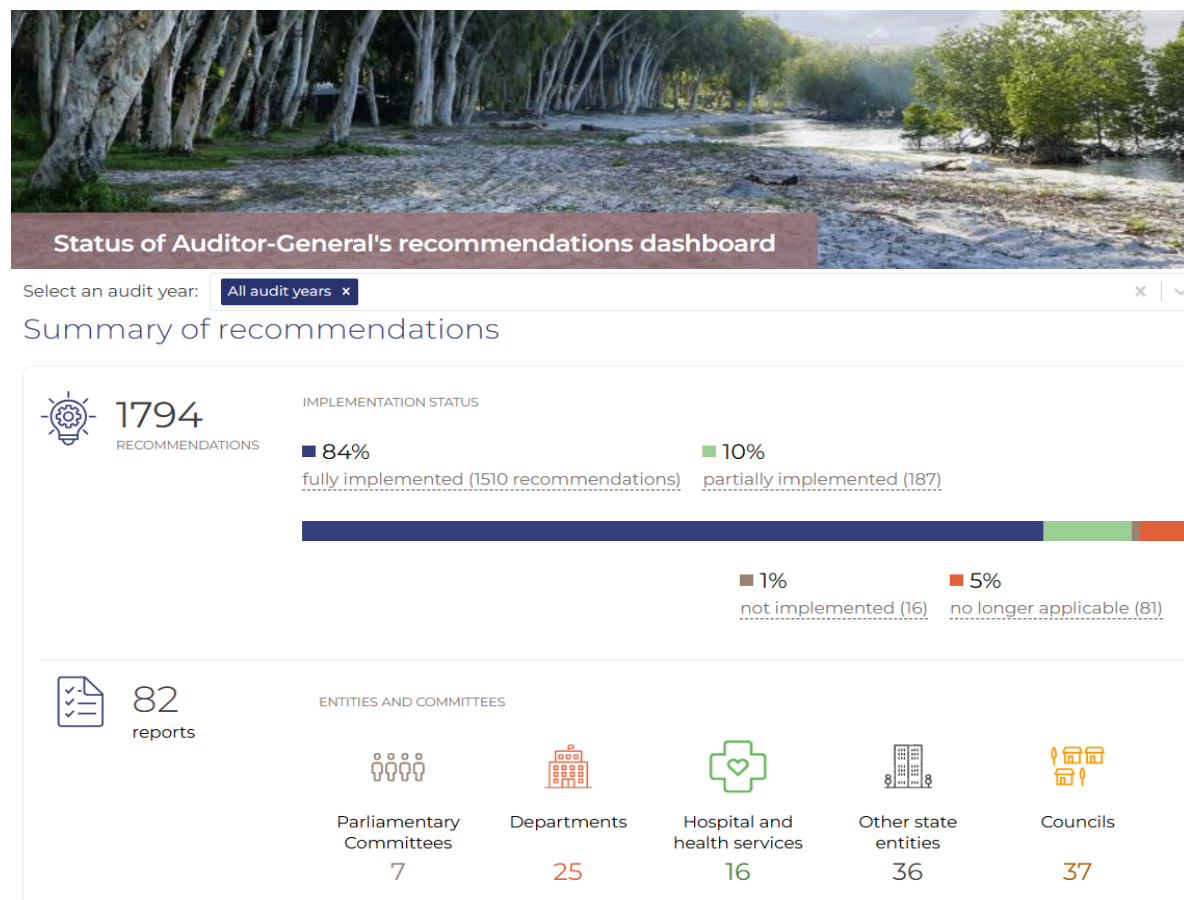
Next year

Where can you keep track of your entities' progress?

The interactive dashboard on our website allows you to explore entities' self-assessed progress in implementing the recommendations we make in our reports to parliament.

You can tailor your search by year, report, entity, parliamentary committee, and implementation status. It reflects entities' responses for the period in which they completed their self-assessments.

Interactive dashboard





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Addressing technology risks

Damon Olive, AAG – Financial Audit

QAO's new Technology Audit function covers:

Information systems auditors supporting the financial audit



Data Analytics team



Strategic internal projects such as AI, technology advancements

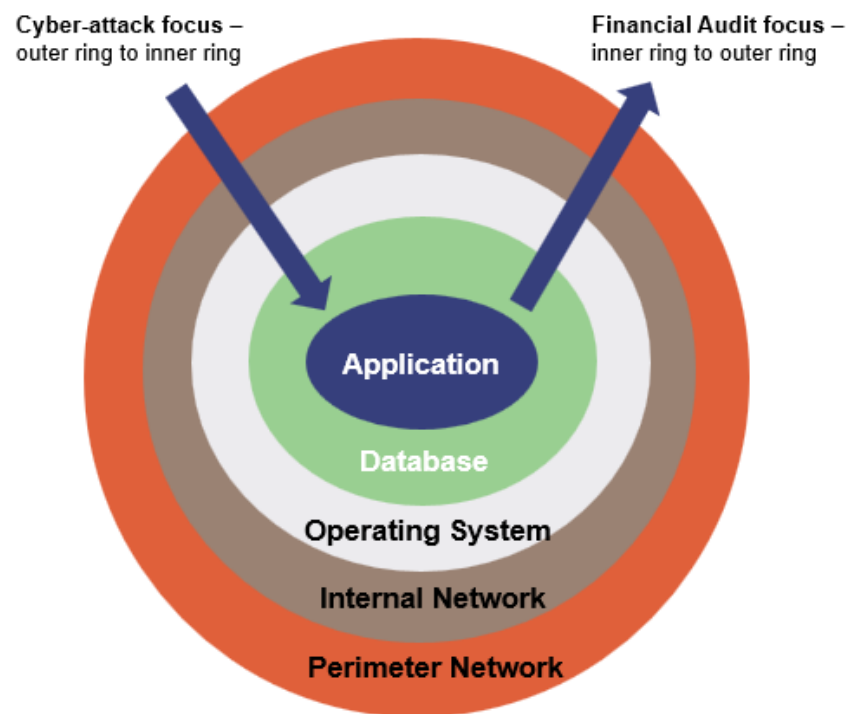


Technology
Audit

Information systems controls

What we do as part of information systems audits

- Finance systems and the way they process data to support the financial audit
 - System-based controls and automation
- ➔ Our work results in the auditor being able to rely on data in the systems



IT system defences need strengthening



Prior year issues need addressing

Our first information systems report to parliament



Are we getting better at IS controls?



How are we prioritising investment on risky systems?

Queensland public sector entities:

- 21 core departments
- statutory bodies
- government owned corporations

**Report to
parliament**

Greater attention is needed to strengthen IT systems defence

IT general controls

System access



Password authentication



Security configuration



Detective controls



Third party security



Our report includes a checklist that can help.

Guidance






Governance and oversight



Access management and security configuration



Better practices

Area	Questions
 Governance and oversight	<ul style="list-style-type: none">• Are processes and controls in place for newly implemented systems from the time the system goes live?• Are end-to-end processes and controls documented (by the entity or a third party if it is outsourced to a third party)?• What cyber security controls and protocols are in place for the system?• Are adequate contracts in place:<ul style="list-style-type: none">– to check that service providers are managing security in line with the entity's requirements or security better practices, or– for the service providers to demonstrate they have effective security processes and controls?
 Access management and security configuration	<ul style="list-style-type: none">• Who has full or elevated system access? Is this appropriate?• How will user access be managed for staff, contractors, and service providers?• What monitoring is in place for full or elevated access to the systems and to detect unauthorised actions and activities?• What is management's approach to managing technology providers' access for effective security management? Does management only provide access when technology providers need to provide their service? How does management check on their activities in the system?
 Better practices	<ul style="list-style-type: none">• Has management examined the service provider's cyber security incident management processes?• Has management established an ongoing process for monitoring vendor performance, security posture, and adherence to contractual obligations to maintain an effective and secure system environment?



Half of finance systems are at end of life or beyond

Legacy systems



High prevalence of legacy systems

Incomplete understanding of the extent of legacy systems



Systems in use past their useful life



\$1 bil. digital fund



Risks associated with legacy systems

- Security vulnerabilities
- Reduced productivity
- Service continuity
- Staffing and skills
- Meeting service delivery needs



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Information systems and controls

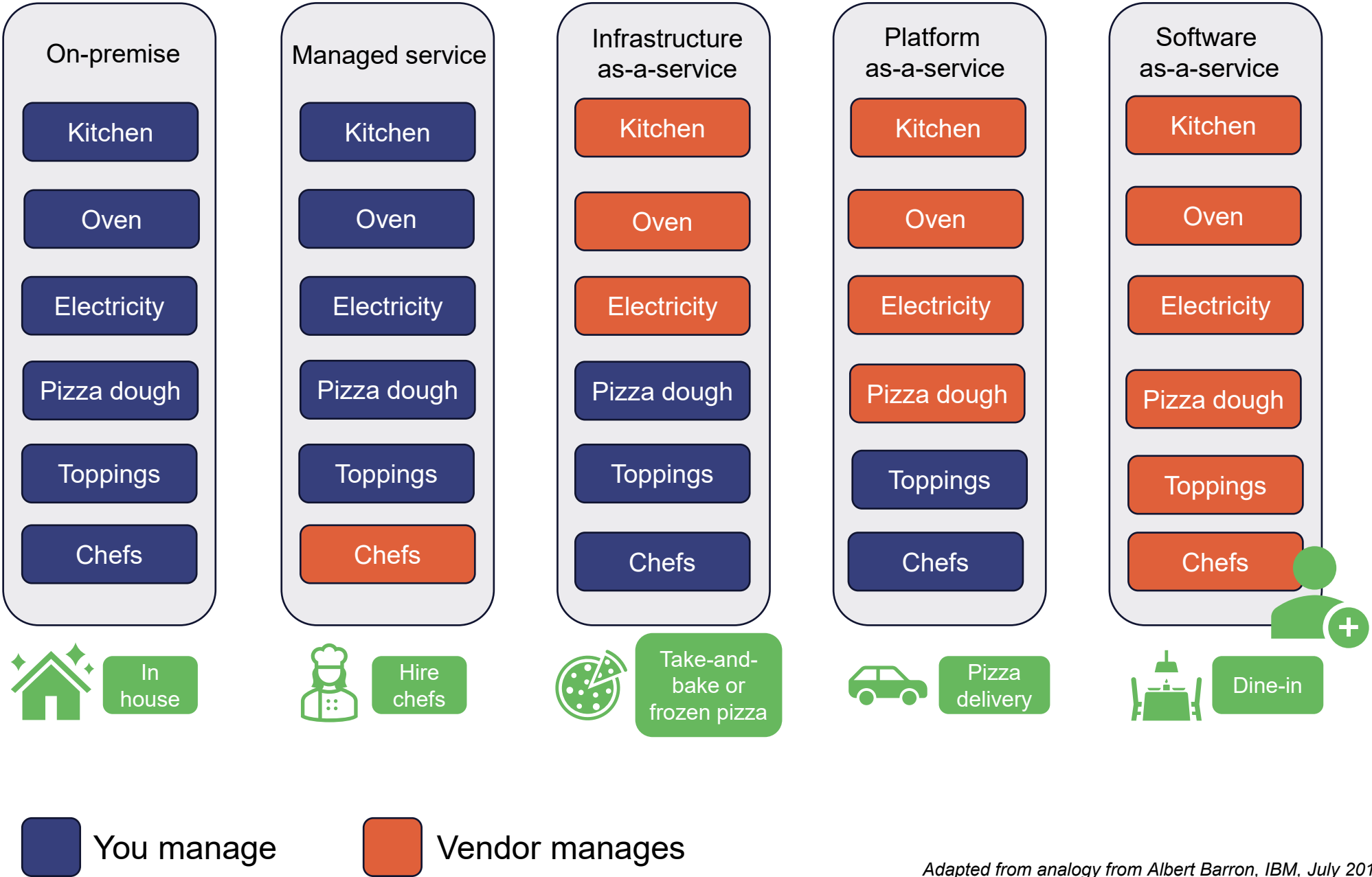
Sumi Kusumo, Senior Director

Who are the third parties?



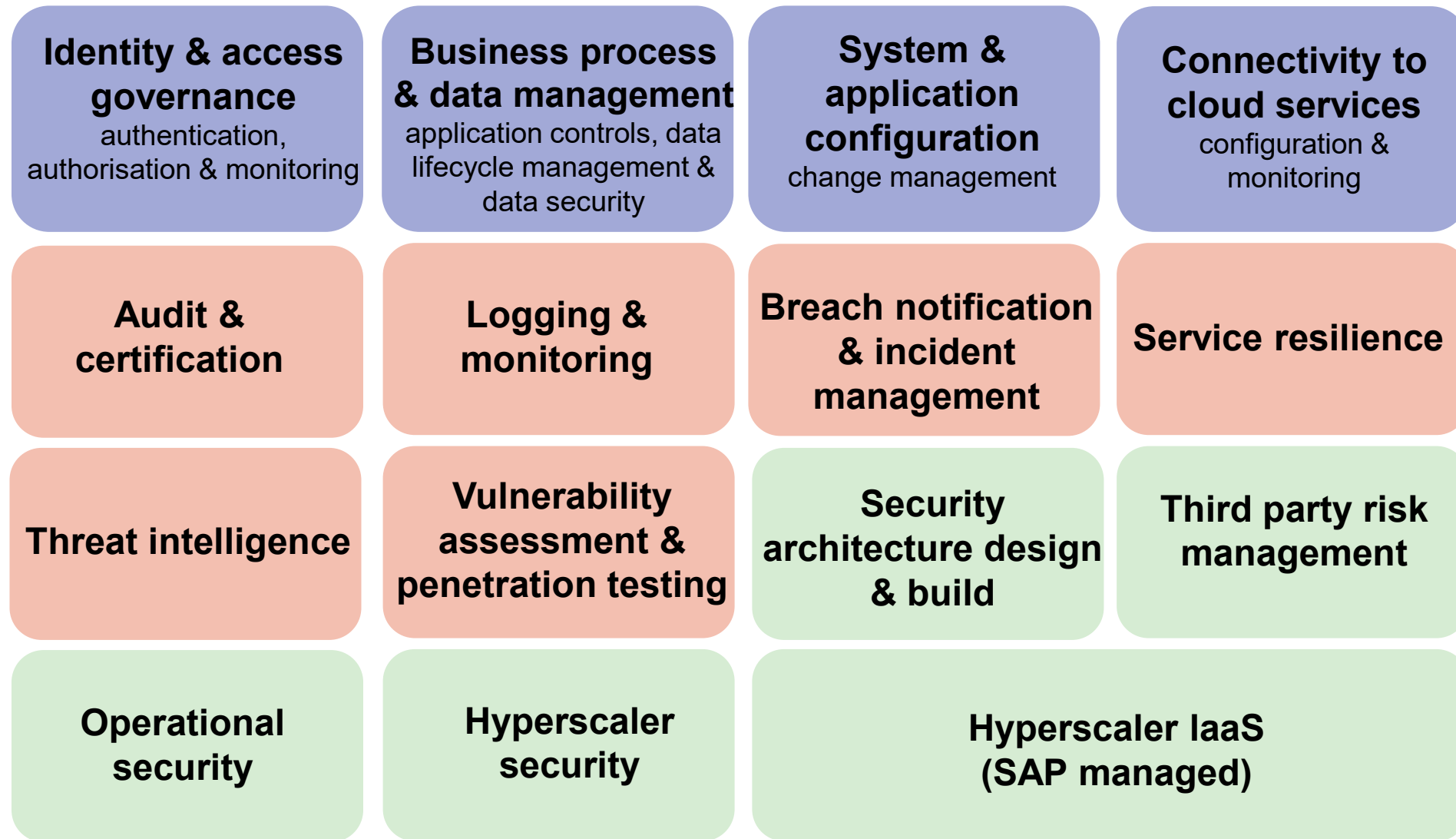
Managing third-party cyber security risks

What is IT as-a-service?



Guide to managing third party cyber – SAP example

Responsibilities: customer (blue), SAP (green) and shared (orange).

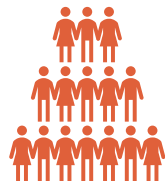




Managing third-party cyber security risks



- **Identify who is responsible for what.**
- **Identify end-to-end controls:**
 - Expected controls from the IT service provider
 - Controls that should exist at the entities using the IT service provider.
- **Define security requirement and implement appropriate contractual agreement.**
- **Verify that controls exist and are operating effectively:**
 - Control assurance reports from IT service provider and/or right to audit
 - Assessment or audit of own controls.



Identify their use of third-party services, the extent of reliance on controls of third-party services, and related security risks.

Have effective processes to vet and monitor new and ongoing third-party services.

Define security standards and contractual agreements to manage risks.

Continually assess how well third parties manage and respond to security risks and incidents.





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Recent reports and what's ahead in our Forward work plan

Joel Godwin, Senior Director

Reports tabling in 2025–26



5 reports tabled



6 reports in progress

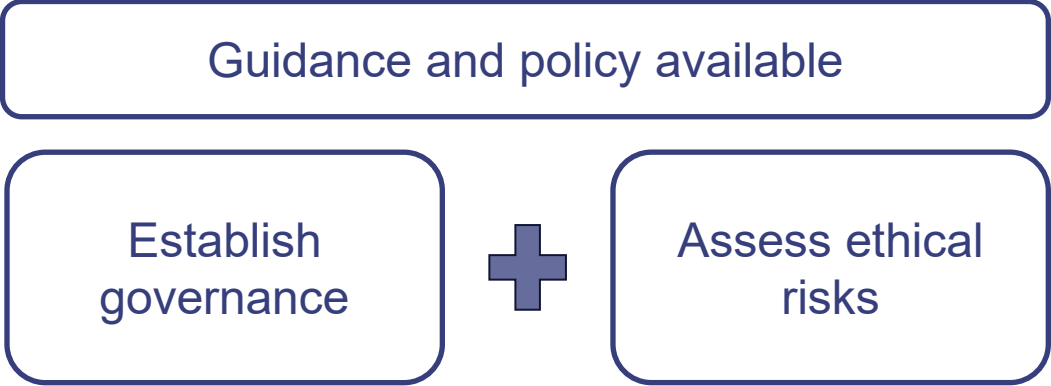
- Managing 3rd party cyber security risks – tabling **March 26**
- Preventing prisoners from reoffending – tabling **May 26**
- Funding mental health services – tabling **May 26**
- Follow-up audit: Delivering social housing services – tabling **June 26**
- Improving the sustainability of local governments – tabling **June 26**
- *Accessing legal aid services* – tabling **June 26**



Replacing *Managing variations to contracts in transport infrastructure projects*

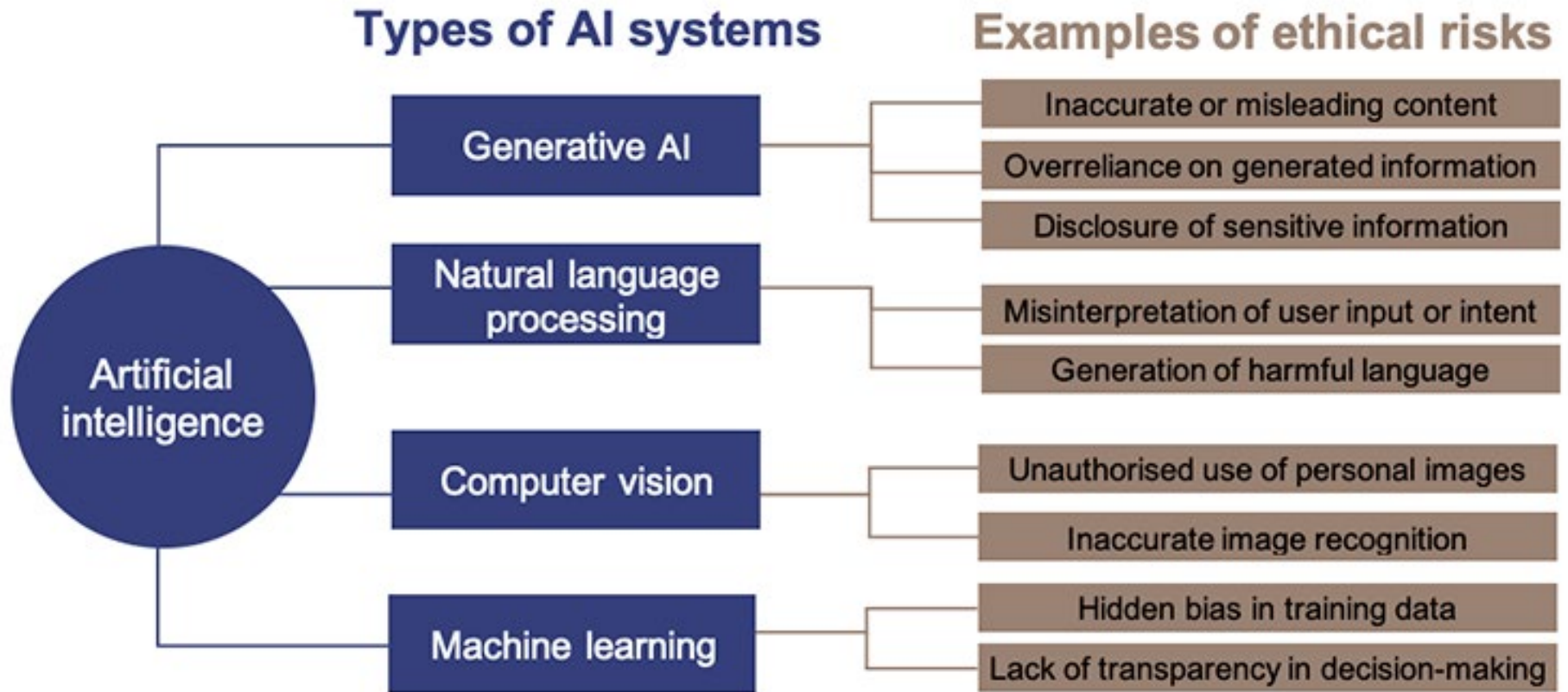
Audits in progress





Report overview:

Ethical use of AI





Strengthening ethical risk management of artificial intelligence systems

Support questions available in the report:

Have you updated your governance arrangements?

- Clear authority, responsibility and appropriate training
- Governance and oversight, risk mitigation

Do you have visibility of usage and purpose?

- Understanding of usage, purpose and outputs
- Information security and controls

Have you assessed your ethical risks?

- Wellbeing, human values, safety, fairness, transparency, accountability, privacy, and contestability
- Recommendation included in report to all entities

Do you have plans to grow staff capability?

- Plan to build capability
- Incorporating ethical use

Report overview:

Ethical use of AI

Workforce planning – an important focus area for all entities

We audited DoE's teacher workforce strategies, but there are areas for all entities to consider

Report overview:

Attracting and retaining teachers in regional and remote QLD

Attracting and retaining teachers in regional and remote Queensland

Report 5: 2025–26

The importance of comprehensive workforce analysis

Investing in planning to enable successful workforce strategies

Regularly reviewing and evaluating workforce strategies

Report
overview: Major
projects 2025



Major projects 2025

Repe

DRAFT

Insights into Queensland's
significant infrastructure projects
and analyses costs to the
Queensland Government.

Total estimated cost of
Queensland capital projects

\$153 billion ↑ **\$107 billion**
(2025-26) (2024-25)

Workforce shortage

18,200

average shortfall of construction workers
in Queensland over next 8 years

Cross River Rail additional cost
and time

\$19 billion

2029

New total project
cost

First passenger
services



**32 projects in the budget greater than
\$500 million**



Deeper dive of progress of major projects



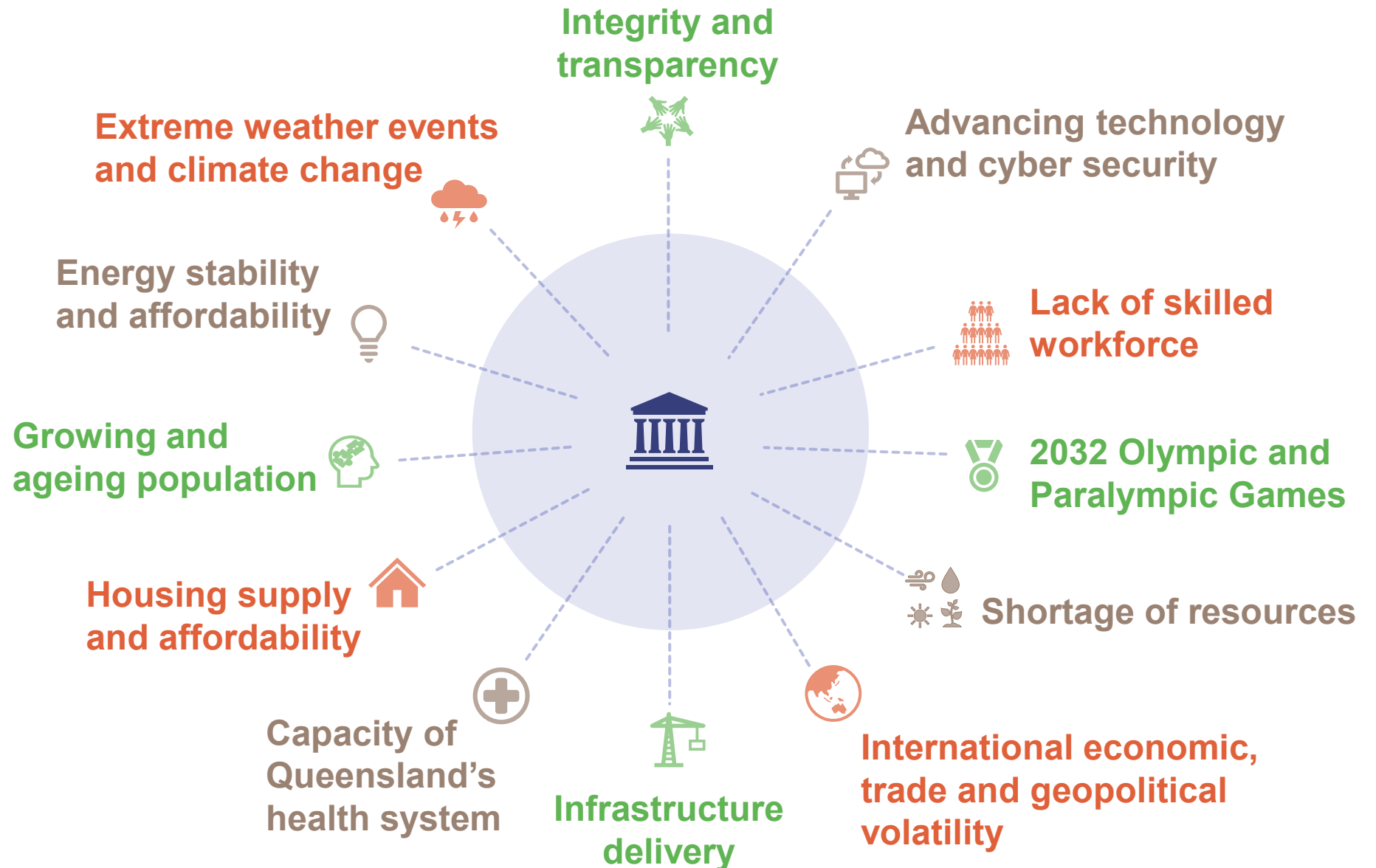
Progress of the Cross River Rail project

Report overview:

**Major projects
2025**



Global and domestic risks impacting on delivery of services by state and local governments



What's coming:

QAO's forward work plan

Our forward work plan

What's coming:

QAO's forward work plan



Highlights and emerging themes for forward years

Looking ahead

Olympics
series



Increased
GOC focus



Response to
emerging
matters:
Unify



Helpful resources



Reports to parliament

- Attracting and retaining teachers in regional and remote Queensland
- Supporting industry development
- Managing the ethical risks of artificial intelligence



Blogs

- How emerging technologies and data are supporting more effective audits
- Strengthening ethical risk management of artificial intelligence systems



Interactive dashboards

- Explore entities' progress in implementing our recommendations
- Learn more about the region you live in and the public services you receive



Better practice guides and tools

- Asset management maturity model
- Risk management maturity model
- Cyber response and recovery governance checklist



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Questions and closing remarks

Damon Olive, AAG – Financial Audit



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Briefing for audit committee chairs – 2 December 2025.



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