

Your ref:
Our ref: 11508
Ms K Johnson – 3149 6017



17 February 2017

IN-CONFIDENCE

Ms P Smith
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Mr G Carpenter
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Dear Ms Smith and Mr Carpenter

Strategic Review of the Queensland Audit Office

Thank you for conducting your strategic review of the QAO. You have provided my executive team and I with important perspectives on ways we can further improve the value we provide to Queensland's system of government and citizens through the independent assurance we provide. I have found the strategic review process to be a useful mechanism in providing 'checks and balances' to the QAO, and supporting the independence of the role of the auditor-general.

We appreciate your strategic assessment that:

"In our view, the QAO is fundamentally sound. It is valued by Parliament, and its relationships with its other stakeholders are mostly good. It is operating economically and efficiently, and in accordance with its legislation. The measures recommended in 2010 are now largely in place. It is pleasing that few of the issues discussed by the reviewers in 2010 have come to our attention in 2016. The QAO has made good progress in many of those areas since 2010 and, in addition, has made impressive progress in other areas, particularly in the increased application of data analysis to its audit work".

I acknowledge that the key message of your review is that to achieve full effectiveness there are some client relationship issues that if they were to become widespread, would limit our potential.

The vision that we adopted around a year ago of *better public services*, recognises the importance we place of focusing on our clients at the heart of what we do. We are continuously looking to improve the services that we deliver to ensure they continue to contribute to this vision. Your advice on increasing our external focus supports and confirms our strategic direction and we appreciate your acknowledgement of the work that is already under way.

Strategic recommendations

I accept the recommendations that the QAO:

- institute an annual programme of visits with directors-general and chief executives [4.3 (iv)]
- undertake a review of the 2016-17 fee budgets for financial audit services [6.3 (i)].

I support the recommendations that the government:

- double QAO's funding for performance audits to enable us to engage earlier and better with our clients, increase our use of external experts and increase sector knowledge, and to provide a wider range of assurance on the performance of Queensland public sector entities [5.7 (iv)].

This will enable the QAO to realise its full potential in effectiveness and we are well placed to apply additional funding to good effect in improving the efficiency, effectiveness and economy of government service delivery.

- amend the Auditor-General Act 2009 to enable me to employ QAO staff under this Act rather than the Public Service Act, to allow me to employ the staff necessary to carry out the auditor-general's functions, and to enable me to determine the remuneration and other terms and conditions of employment of QAO staff [6.3 (ii)].

This is a fundamental issue that has been raised as recommendations in successive strategic reviews. We have done everything that we can do within our constraints, but we require a change to our legislation to mitigate the associated risks you have identified.

Operational recommendations

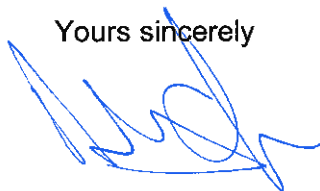
I accept all recommendations within our control relating to the provision of financial audit services, and accept all recommendations relating to the provision of performance audit services and Better Practice resources, subject to the approval by government of strategic recommendation 5.7 (iv).

I support all recommendations outside of our control where legislative change is required [operational recommendations 4.3 (iii), 5.8 (iv), 7.10 (i), 7.10 (ii), 8.6 (i), 8.6 (ii), and 8.6 (iii)]. My office has already undertaken consultation and prepared a submission paper on assuring the independence of the auditor-general, as well as draft legislation changes associated with administrative issues. I await further consideration from the Finance and Administration Committee.

Phillippa and Graham, I would like to thank you both for the manner in which you undertook your strategic review. You spent significant time understanding QAO's strategies and operations and meeting with a wide range of our stakeholders.

Finally and most importantly, I would like to recognise the efforts and outcomes achieved by QAO's workforce over the period of strategic review, and thank you for demonstrating QAO values of engaging, delivering, challenging and caring.

Yours sincerely



Anthony Close
Auditor-General (acting)