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Briefing for audit committee chairs

13 May 2025

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



Agenda

10:30 am–10:55 am

Auditor-General's address

Rachel Vagg, Auditor-General

10:55 am–11:05 am

Information systems (controls and IS audit)

Sumi Kusumo, Senior Director

11:05 am–11:20 am

Information systems (legacy systems and systems implementation risk)

David Toma, Senior Director

11:20 am–11:45 am

Technical update, control issues, and climate reporting

Charles Strickland, A/CFO and Head of Quality

11:45 am–11:55 am

Forward work plan

Joel Godwin, Senior Director

11:55 am–12:00 pm

Questions





AG's address

Audit committee chair survey feedback

We value your feedback in helping us work more effectively with you.

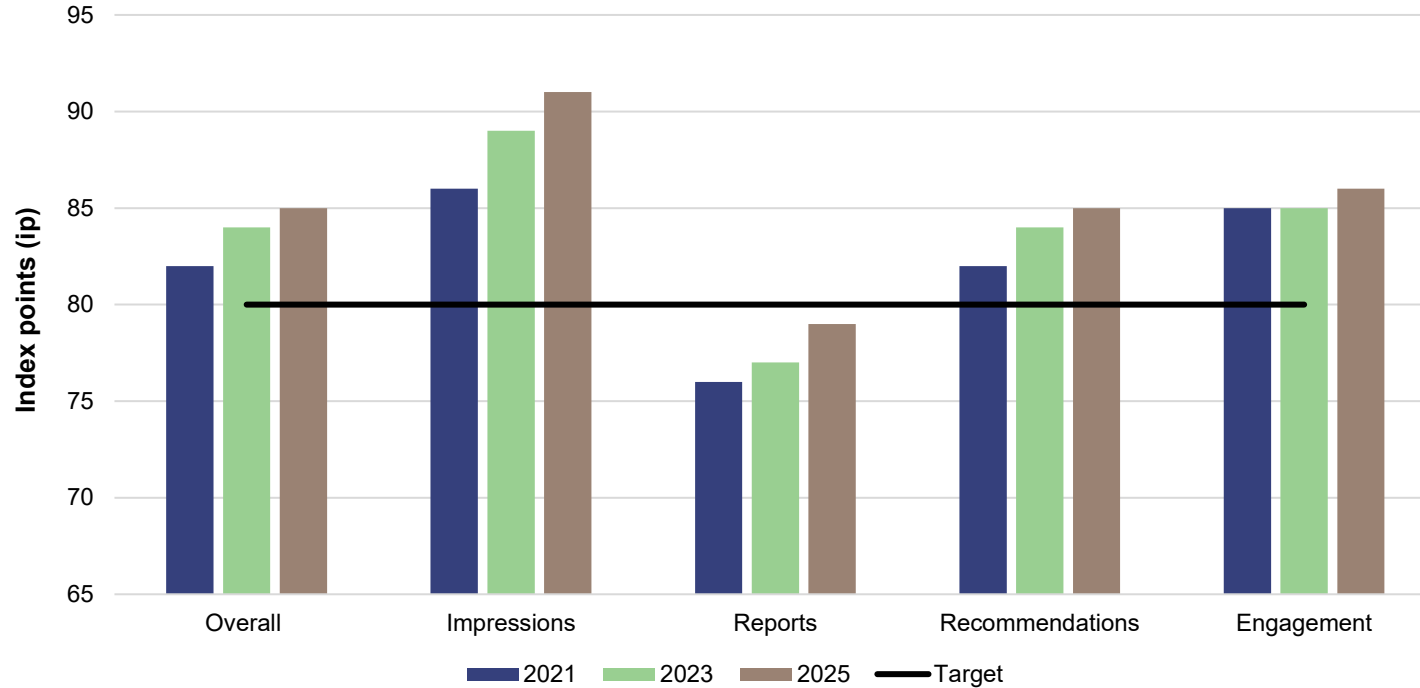
- Our most recent biennial survey was in March.
- You reported improvements across all survey areas.

You also told us you want:

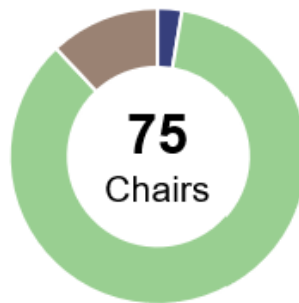
- to be kept informed and value our briefings
- timely submission of papers
- regular catch-ups and communication
- to hear more better practice and success stories from us.

Survey highlights

Average satisfaction rating for audit committee chairs



Response rate
59%
of clients



■ Councillors
■ Independent
■ Public sector employees



■ Departments
■ Local government
■ Stat. bodies & GOCs

What you told us

99%

felt we met needs and expectations

36%

felt audit experience was better than last year (63% felt it was the same)

86%

felt we managed auditor transitions well

95%

felt our meeting attendance adds value

93%

felt we work collaboratively with ASPs

New AG Auditing Standards

Our new standards were tabled on 2 April.

- They apply to all of our authorised auditors and scaffold the work we do.

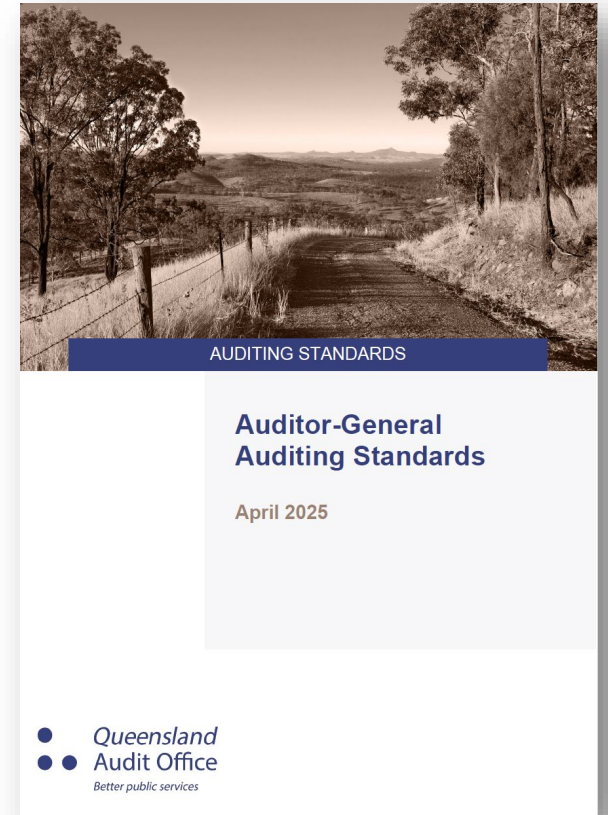
They are a key mechanism for:

- ensuring auditors' work is of the highest quality and based on firm evidence
- providing clarity and transparency around our work – helping support trust in the system of government and the public sector.

What's new or different?

- We provide clarity around the public sector audit objectives that have been developed and applied over the Auditor-General of Queensland's 165-year history.

AG standards



Public sector audit objectives

AG standards



Our updated auditing standards create greater clarity about the role we play.

- Appropriate stewardship
- Public trust and confidence
- Value for money
- Efficient, effective, and economical delivery of their services.



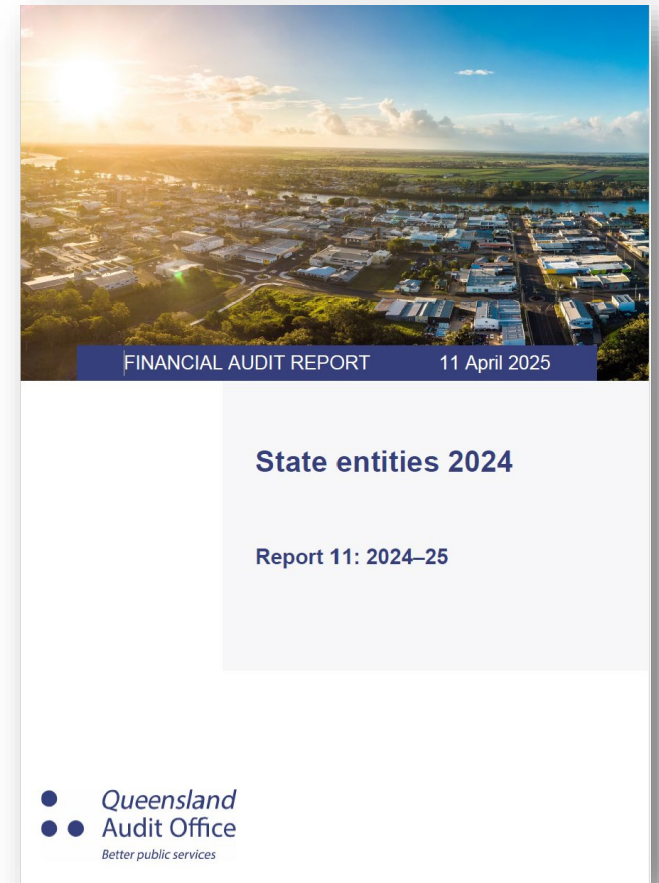
Refined areas of focus

Recently tabled reports

Reports tabled this calendar year

- ✓ Health 2024
- ✓ Major projects 2024
- ✓ Insights on audit committees in local government
- ✓ State entities 2024
- ✓ Managing Queensland's debt and investments 2024
- ✓ Local government 2024
- ✓ Managing Minjerribah Futures funding

Strengthening information security controls is a key theme for entities – we included a chapter on this subject for the first time, in our recent *State entities 2024* report.



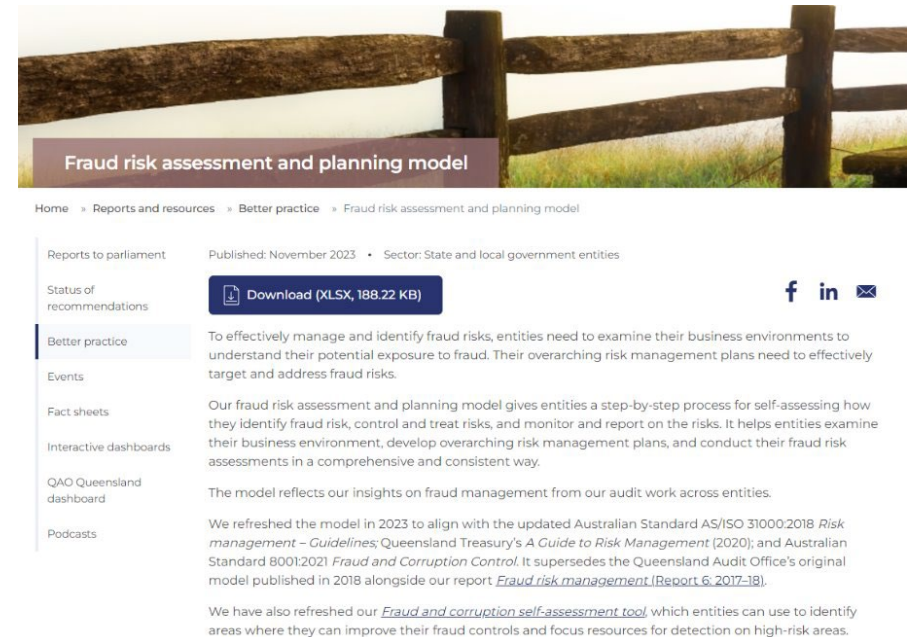
Resources

Resources that can help

Our resources can help you work more effectively with us:

- Tools like assessment, planning, and maturity models
- Blogs on related topics
- Dashboards
- Ongoing commitment to fostering stakeholder engagement

Visit www.qao.qld.gov.au





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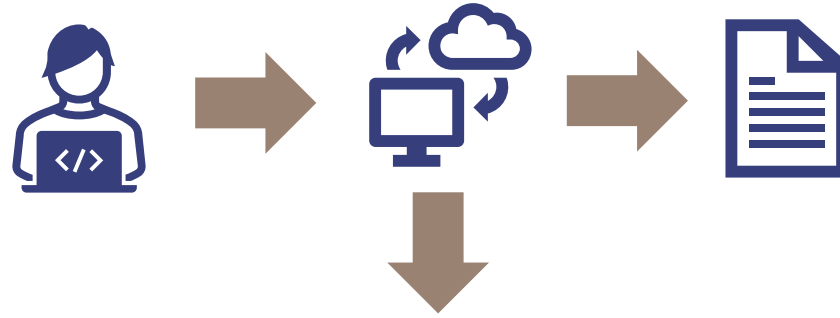


Deliver

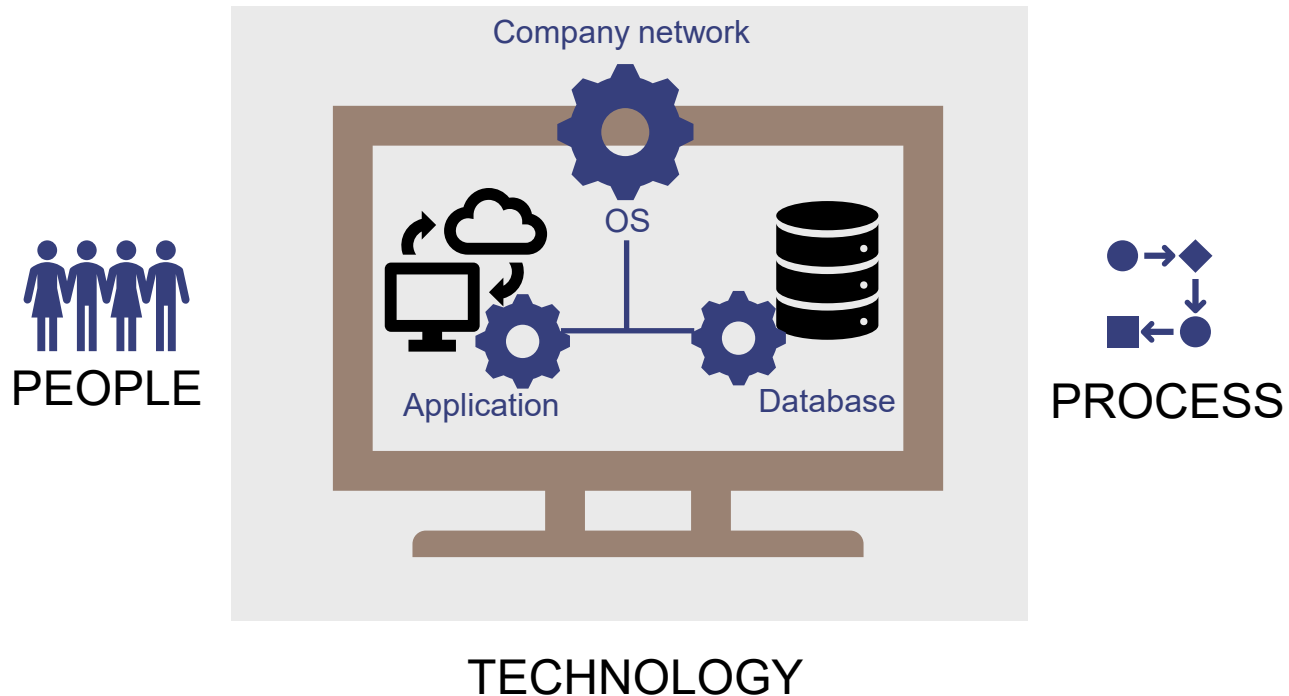
Information systems (controls and IS audit)

Sumi Kusumo, Senior Director

What is IS audit?



General IT Controls (GITC)



General IT Controls (GITC) area of review

Managing:

- system access
- users with privileged access
- security
- changes to IT environment
- IT operation.

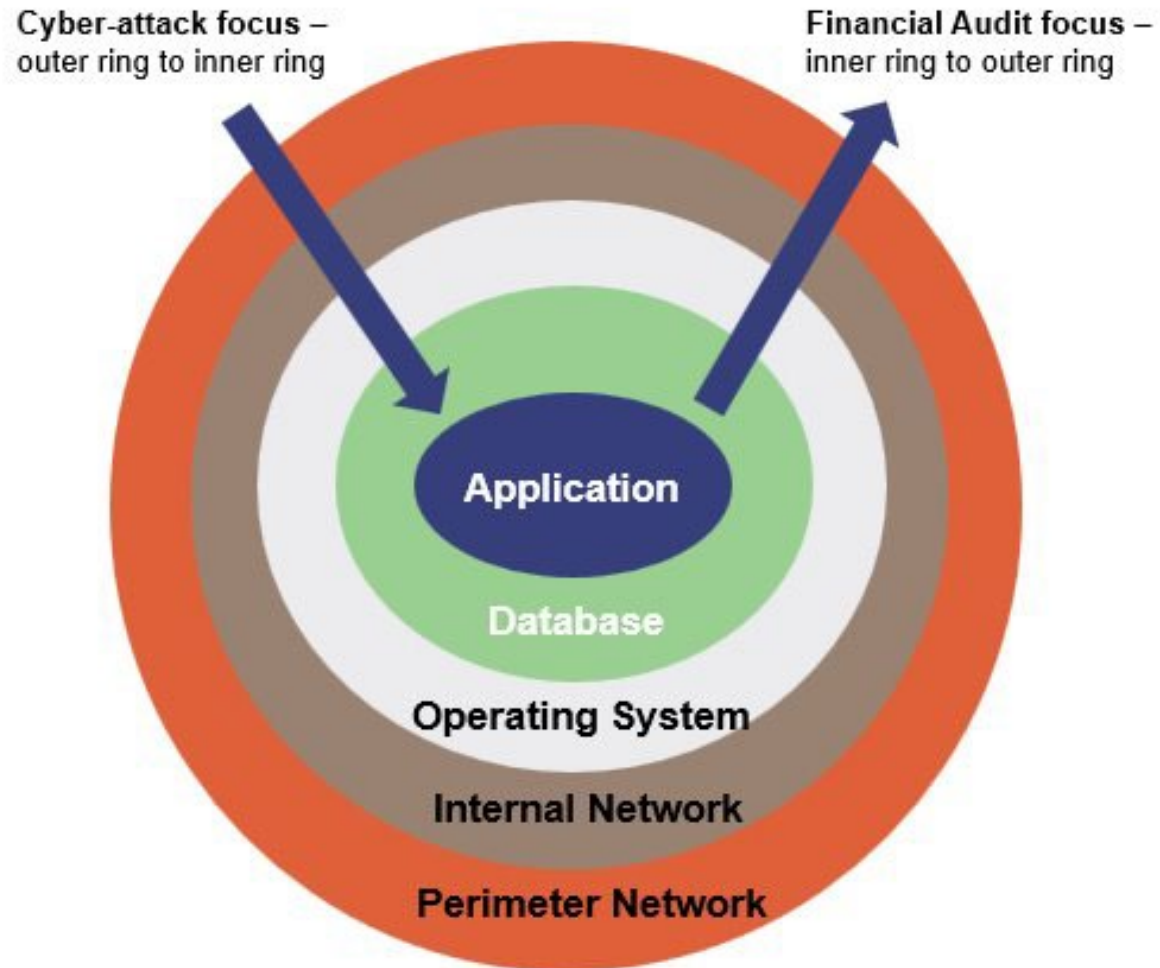
Are controls:

- designed?
- implemented?
- operating effectively?

Can we rely on General IT Controls that maintain and process financial statements?

GITC audit is not cyber audit but provides important insights

IS audit and controls



***State entities 2024* highlighted a range of weaknesses**

System access management



Password controls



High access user accounts



System changes



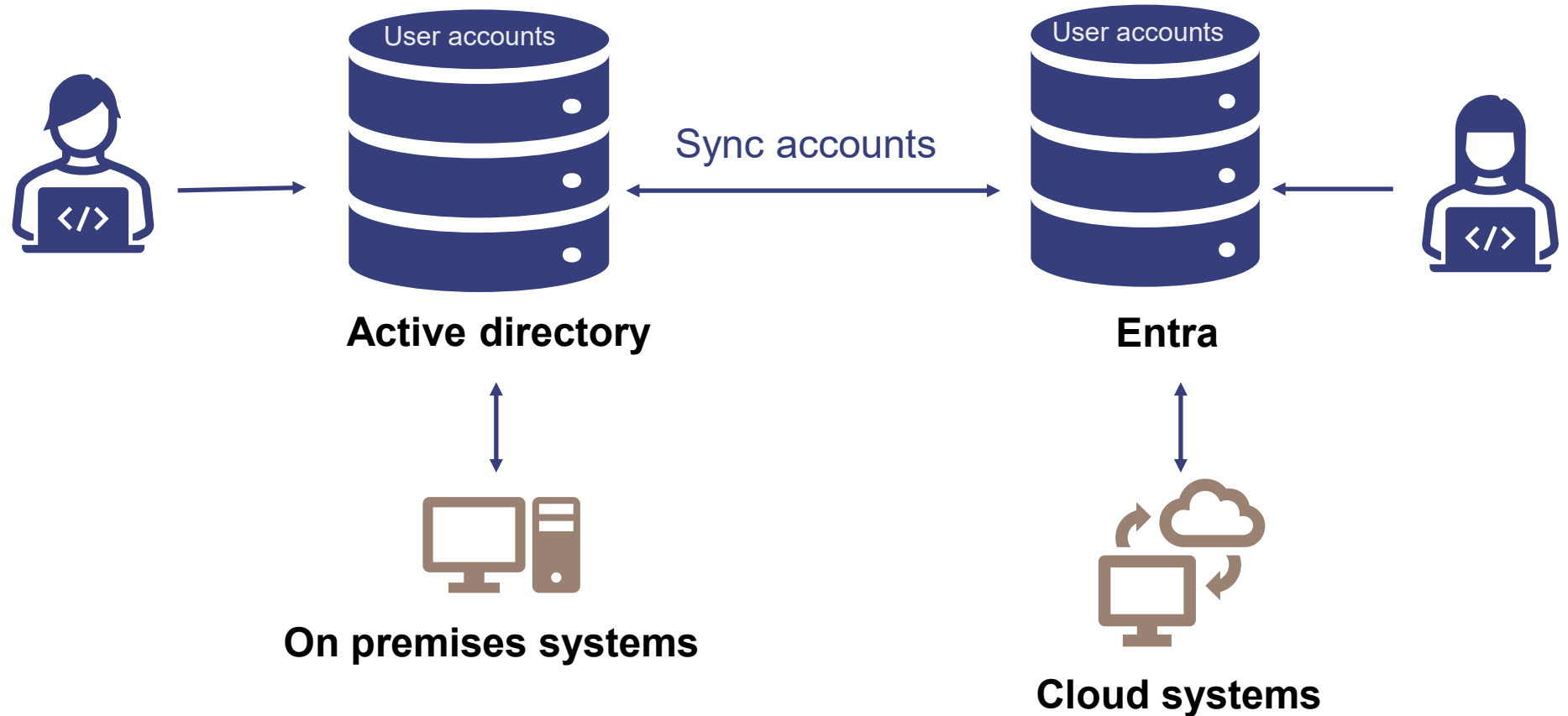
Access by third parties



Areas of focus and emerging issues

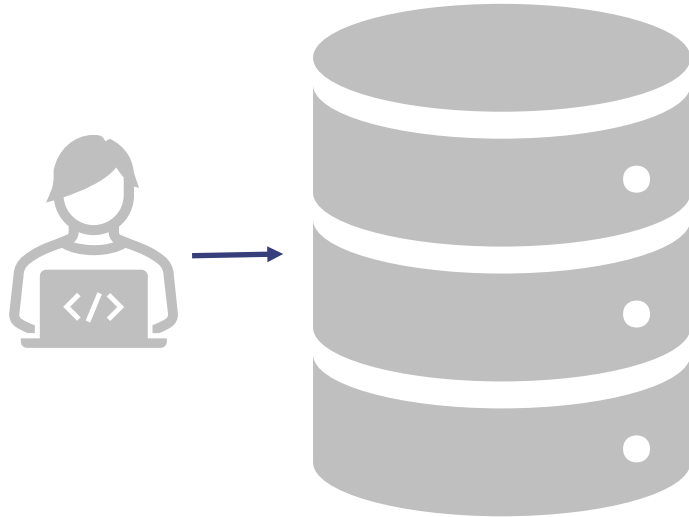
Managing network access – Active Directory and Microsoft Entra [2024 and 2025 (follow up)]

IS audit and
controls



Key findings

Appropriateness of users with full access (**domain admins**)

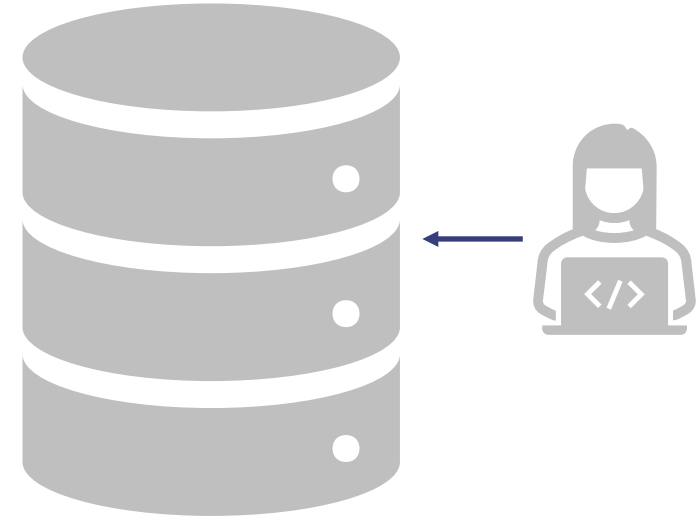


Active directory



On premises systems

Appropriateness of users with full access (**global admins**)



Entra



Cloud systems

Sync accounts

Syncing accounts with domain and global admins

Managing service accounts

Key takeaways

- ✓ Are your General IT Controls designed, implemented, and operating effectively for key systems?
- ✓ Have you assessed your entity's systems against identified areas of weakness?
- ✓ What steps can you take to further strengthen controls?
- ✓ How do you balance operational requirements versus security?



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Information systems (legacy systems and systems implementation risk)

David Toma, Senior Director

Risks associated with legacy systems

- Security vulnerabilities** ➡ can be targets for hackers
- Reduced productivity** ➡ often inefficient to run and costly to maintain
- Service continuity** ➡ disruptions or cyber attacks can cause severe impacts
- Service delivery needs** ➡ often less adaptable for current and emerging needs
- Staffing** ➡ difficult and costly to find staff to maintain older technology and programming languages

Tips on managing the risks of legacy systems

- ✓ Conduct risk assessments
- ✓ Develop modernisation plans
- ✓ Enhance your cyber security measures

We conducted a red team exercise as part of our *Managing cyber security risks* (Report 3: 2019–20).

Our consultants identified numerous systems were running outdated applications and operating systems that had not been supported by the vendor for several years.

New system implementations

Past failures can create a sense of fear and anxiety, making new system implementations seem daunting.

But they can be done well when:



Information
systems

QAO resources that can help

Our new Information systems 2025 report will highlight the risks to government services from legacy systems across the public sector.

Reports to parliament:

[Delivering successful technology projects](#)

[Monitoring and managing ICT projects](#)

[Effectiveness of the State Penalties Enforcement Registry ICT reform](#)

Better practice guides:

[Delivering successful technology projects](#)

[Learnings for ICT projects](#)

Key takeaways

- ✓ Do you know your entity's legacy systems?
- ✓ Do risk assessments show consideration of security, compliance, and operational efficiency risks for legacy systems?
- ✓ Has management identified vulnerabilities and potential threats with the current systems?
- ✓ What steps can you take to manage the risks?
- ✓ Has management been putting off necessary technology projects out of fear of failure?



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Technical update

Charles Strickland, A/CFO and Head of Quality

What's happening now?

Queensland Treasury is developing a whole-of-government framework and has been piloting tools and models



QAO will undertake pre-assurance work over the framework before it is finalised



The reporting and assurance commencement dates have not been determined

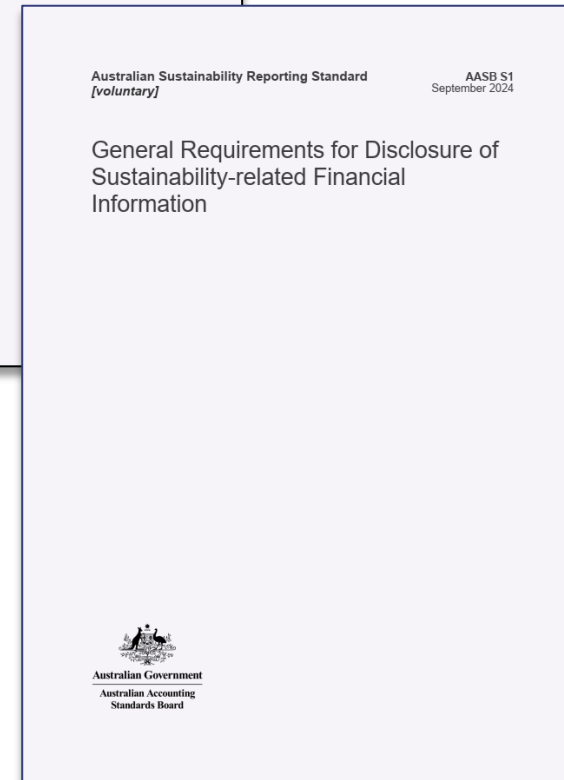
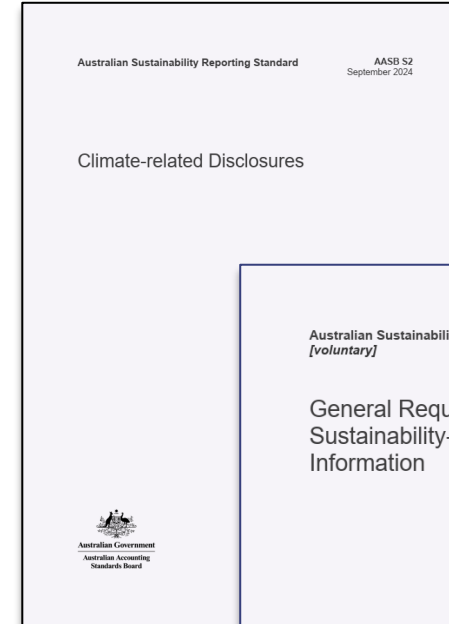
Ensure you know your entity's reporting group and reporting timeline.

- **Group 1** – 2025–26
- **Group 2** – 2026–27
- **Group 3** – 2027–28 (some controlled entities may be in scope)

Australia's sustainability reporting regulatory environment

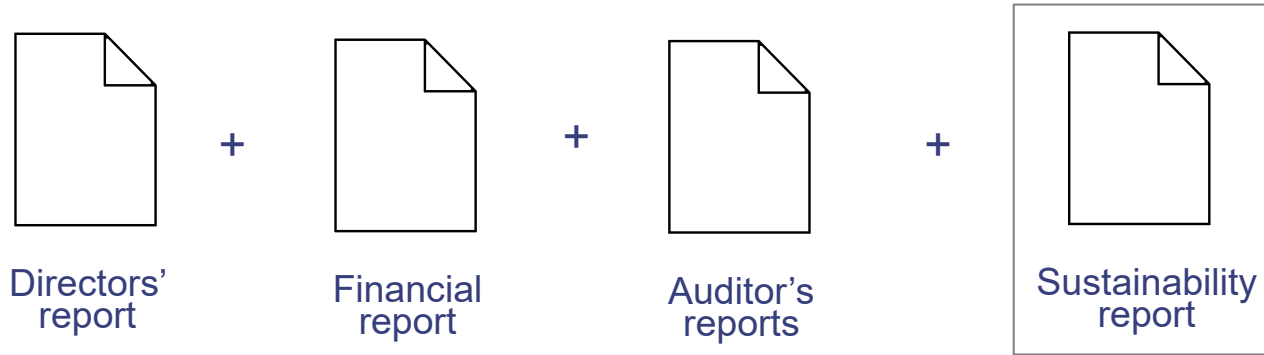
Australian Sustainability Reporting Standards
issued by AASB on 20 September 2024:

- **AASB S1** General Requirements for Disclosure of Sustainability-related Financial Information (voluntary standard)
- **AASB S2** Climate-related Disclosures (mandatory application)



Climate reporting

Requiring an assured sustainability report



The sustainability report for a financial year includes:

- climate statements
- notes to the climate statements
- directors' declaration about these.

Climate disclosures lodged within existing financial reporting time frames

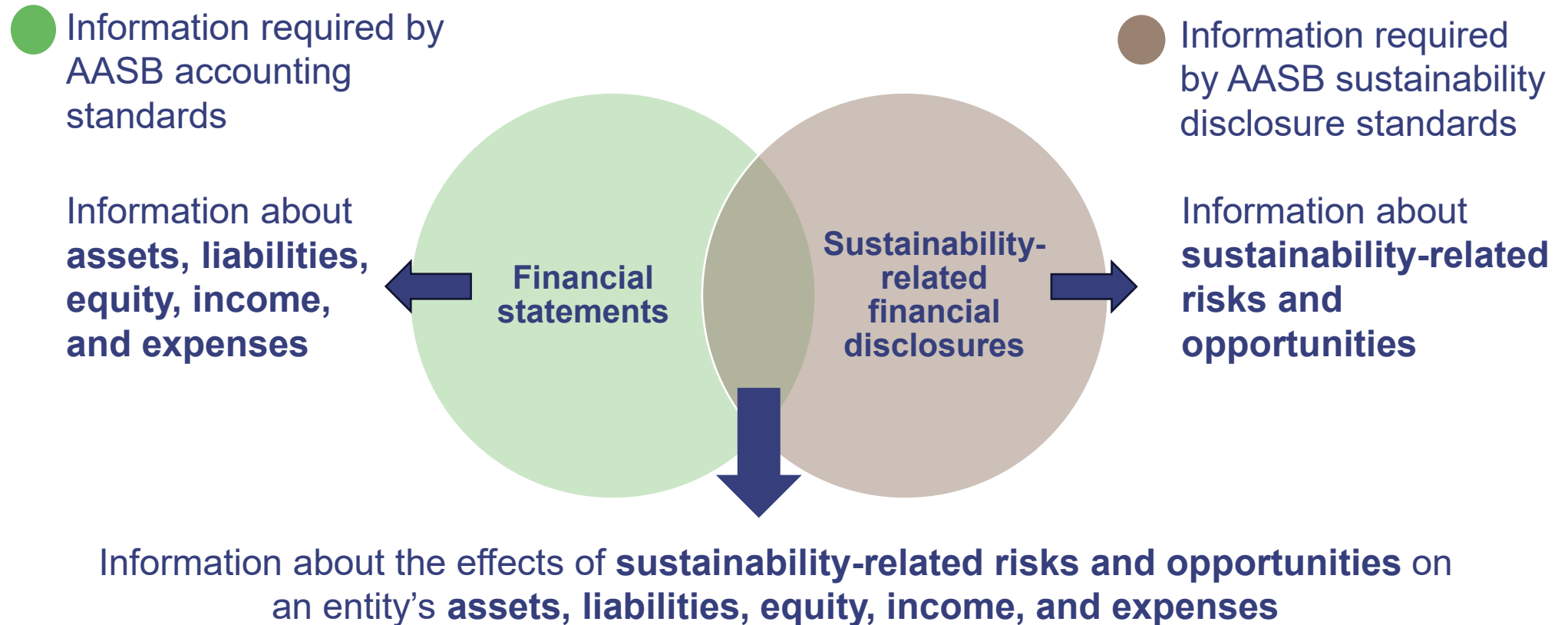
Transitional relief for the first 3 years from 1 January 2025



Directors' declarations

Modified liability for directors

Complementary objectives



Note: The diagram is not intended to represent relative proportions of reported information.

Source: IFRS webcast: connectivity between the financial statements and sustainability-related financial disclosures.

Understanding impacts

Recent disaster events in Queensland

- Disclosing assets that have been written off
- What to address in your sustainability report
- Complementary reporting without duplication of information

Physical risks

- Rainfall variability
- Extreme weather events
- Sea level rising
- Extreme heat
- Desertification

Transition risks

- Emission controls
- Carbon pricing
- Other policy/legal levers
- Debt/equity investor demands
- Customer/stakeholder preferences
- Changes in technology

Assurance phasing timeline

	YEAR 1*	YEAR 2	YEAR 3	YEAR 4
Scope 1 & 2	Limited	Limited	Limited	Reasonable
Governance				
Strategy – risks and opportunities**	Limited***			
Climate resilience assessments/scenario analysis	None			
Transition plans				
Risk management				
Climate-related metrics and targets				
Scope 3 emissions	NA no disclosures			

*The same assurance pathway applies to Groups 1, 2, and 3.

**The phasing for assurance on statements where there are no material climate-related financial risks and opportunities is the same as for 'Strategy – risks and opportunities'.

***Only paragraphs 9(a), 10(a), and 10(b) of AASB S2 Climate-related Disclosures.



A photograph of a waterfall cascading over dark, jagged rocks. The water is white and frothy as it falls. In the bottom left corner, there are three small white dots arranged in a triangular pattern.

Preparations

Preparing for climate assurance

- Methodology
- Resourcing
- Timing

For **entities not under the *Corporations Act***:

- consider your planning
- consider your risks.

Our engagement with you will have the same professionalism, skill, and expertise that you already know from our financial and performance audit programs.

Major projects 2024

Queensland's large infrastructure build program will continue in the lead up to the 2032 Brisbane Games.



Queensland
continues
significant
investment in
major projects



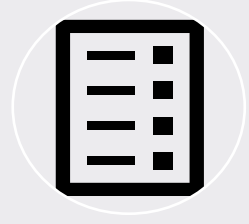
Ongoing
major
projects



Progress of
the Cross
River Rail
project



Challenges
in the
construction
sector



Looking
ahead –
Major
projects 2025

Capitalisation framework

- current status and life cycle, aligned with government's Project Assessment Framework (PAF)

- financial, regulatory, and technical hurdles.

Major project capitalisation model - [insert client name]					
Teams are required to assess the project and colour code the matrix	Completed				
	In progress				
	Not started				
	Not applicable				
	Guidance				
PROJECT STAGES					
	Usually EXPENSED	Case by case	Usually CAPITALISED	CAPITALISED	
	Concept planning & early design feasibility	Exploratory works	Main works design & approvals	Main works construction	
	PAF stage 1. Preliminary evaluation and business case development.	PAF stage 2. Detailed design stage.		PAF stage 3. Implementation stage (construction and commissioning).	
APPROVAL HURDLES	Financial approvals	Contract(s) awarded for business case / early feasibility studies.	Contract(s) awarded for exploratory works.	Contract(s) awarded for main works design.	
		Contract(s) awarded for main works construction.			
	Business case / concept design funding approved.	Exploratory works funding approved.	Main works design funding approved.	Main works funding approved.	
	Regulatory approvals	Environmental / social assessments submitted for early / exploratory works.	Not applicable	Environmental / social assessments submitted (eg: EIS for main works submitted).	Not applicable
		Environmental / social assessments approved for early / exploratory works.	Not applicable	Environmental / social assessments approved (eg: EIS for main works submitted).	Not applicable
	Technical approvals	Detailed business case / concept design commenced.	Exploratory works commenced.	Main works design commenced.	Main works construction commenced.
Detailed business case / concept design approved.		Exploratory works completed with no major technical impediments.	Main works design approved.	Main works construction completed and asset is approved for use.	

The framework will help preparers and auditors know **when to start capitalising and not expensing a major project's costs.**

Inter-agency asset transfers

What can go wrong?

- **Operational uncertainty** – no clear agreement on asset handover dates
- **Inaccurate financial reporting** – transfers not correctly reflected in the financial statements (equity versus revenue)
- **Governance oversight** – lack of clarity on responsibilities; inadequate stakeholder engagement.



Ensure you have a transfer notice if you want an equity adjustment.

Control issues

Areas for improvement identified in our *State entities 2024* report

➤ Payroll and employee controls



➤ Expenditure and accounts payable controls



➤ Contract management and procurement practices



➤ Governance, culture, and accountability



Key takeaways

Climate-related financial disclosures

- Understand your entity's preparedness for climate-related financial disclosures; and understand your role as an ARC chair.
- Embed the discussion of risks and opportunities into your BAU.

Major projects

- Know your entity's build program and the impact on your financial statements.

Controls

- Is your audit committee sufficiently independent?
- Do you have policies in place to determine and approve special payments?
- Are you appropriately monitoring the resolution of control deficiencies?



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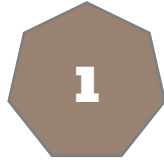


Deliver

Forward work plan

Joel Godwin, Senior Director

Our planning process



Environmental scanning

- Intelligence gathering
- Strategic risk assessment.



Topic development and prioritisation

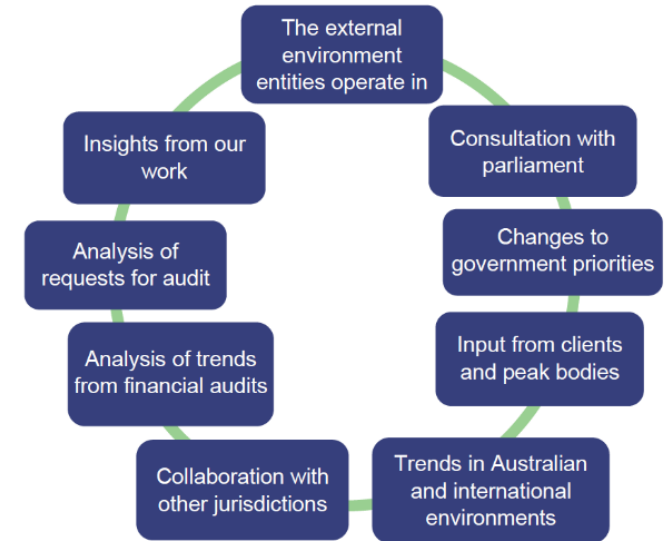
- Topic development and viability assessment
- Topic prioritisation (impact/importance/influence)
- Plan moderation
- Selection of audits for follow-up.



Finalisation and publication

- 42-day draft consultation period required under the *Auditor-General Act 2009*
- Annual publication on QAO's website
- Includes planned topics and focus areas for the forward 3-year period, changes and acquittal of plan.

Sources for intelligence gathering



Forward work plan

Forward work plan

Our audit focus areas and potential topics

- Approximately 10 performance audit topics per year
- 8 yearly financial reports
- Status of A-G recommendations





Forward work plan

Insights on local government audit committees

- Recently tabled report to parliament (March 2025)
- Appendix D will be of specific interest

D. Actions for council audit committees

This report covers audit committees for local governments in Queensland. The audit committee is typically a subcommittee of council and, as such, reports to the council.

Actions to improve audit committees in local governments

- 1 Charter**
Council regularly reviews the roles and responsibilities in the audit committee charter to clearly define the objectives of the committee and ensure the committee has the authority to perform its role.
- 2 Annual work plan**
Council and the audit committee prepare an annual work plan that is informed by the key risks and challenges facing council. The number, length, and focus of meetings are planned to ensure the committee delivers on all responsibilities in its charter.
- 3 Information**
Council supports the audit committee by providing it with timely agendas and meeting packs that consist of clear and concise management reports that provide needed information and address council's key risks.
- 4 Membership**
Council engages independent members that align with the needs of its business. A skills matrix should be used to identify suitable candidates for membership.
- 5 Member induction**
New audit committee chairs and members have access to appropriate induction, training, and other resources to ensure adequate knowledge of the role and other subject matter areas relevant to committee discussions. Council should provide induction training on:
 - the committee's roles and responsibilities
 - topics included in the committee's annual work plan
 - council's key strategic and operational risks and financial reporting risks.
- 6 CEO engagement**
Council CEO engages with the audit committee, which is demonstrated by:
 - the CEO and audit committee chair meeting regularly throughout the year and outside of audit committee meetings
 - ensuring, where practicable, the CEO attends all meetings agreed with the audit committee chair and provides an update on emerging issues and risks (better practice is a written report).
- 7 Reporting**
Audit committee chair provides a summary written report to council as soon as practical after a meeting of the audit committee so that all elected members of council are informed of the committee's discussions and recommendations.
- 8 Audit committee performance**
Council reviews the audit committee's performance annually to ensure that:
 - members possessed the right skills to deliver on the work plan
 - members contributed to committee discussions
 - the committee met its responsibilities within the charter
 - the committee provided sufficient reporting to council.

Upcoming reports to parliament

August

- Overseeing the ethical use of Artificial Intelligence
- Reducing organic household waste sent to landfill

September

- Attraction and retention of teachers in regional and remote Queensland

October

- Supporting industry development
- 2025 status of A-G recommendations

Key takeaways

- QAO's new forward work plan is in progress.
- The recently tabled *Insights on audit committees in local government* report has some important findings and recommendations.
- 5 performance audit reports are in the pipeline for the remainder of 2025.

Questions and discussion



Recent reports and resources



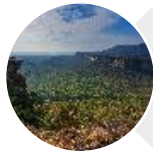
Reports to parliament

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



QAO blog

www.qao.qld.gov.au/blog



Fact sheets

www.qao.qld.gov.au/reports-resources/fact-sheets



Better practice guides

www.qao.qld.gov.au/reports-resources/better-practice



Interactive dashboards

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We also welcome your feedback via a short survey: www.surveymonkey.com/r/ACCBMay25





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