Report No. 8, March 2011

Review of Auditor-General’s Reports – January 2010 to December 2010
Legislative Assembly of Queensland

Public Accounts and Public Works Committee

Review of Auditor-General’s Reports – January 2010 to December 2010

March 2011

Report No. 8
# Contents

Glossary of terms and abbreviations .................................................................................................................. iv

Role of the Public Accounts and Public Works Committee .............................................................................. vii

Chair’s foreword .................................................................................................................................................. x

1. Introduction .................................................................................................................................................... 1

   1.1 Recommendations in this report .................................................................................................................. 1

   1.2 Auditor-General reports reviewed .............................................................................................................. 1

   1.3 Committee’s review .................................................................................................................................... 2

   1.4 What is a Performance Management Systems (PMS) audit? ................................................................. 2

   1.5 What is a Financial and Compliance Audit? ............................................................................................ 3

   1.6 What is an Information Systems Audit? ................................................................................................... 3


   2.1 Introduction.............................................................................................................................................. 4

   2.2 Audit objective and coverage .................................................................................................................... 4

   2.3 Audit results .............................................................................................................................................. 5

   2.4 Audit recommendations ............................................................................................................................ 7

   2.5 Departmental response ............................................................................................................................ 8

   2.6 Committee’s review ................................................................................................................................ 8

   2.7 Committee’s conclusions ........................................................................................................................ 10


   3.1 Introduction.............................................................................................................................................. 11

   3.2 Audit objective and coverage .................................................................................................................... 11

   3.3 Audit results .............................................................................................................................................. 12

   3.4 Committee’s review ................................................................................................................................ 12

   3.5 Committee’s conclusions ........................................................................................................................ 16

4. Auditor-General’s Report No 3 for 2010 – Administration of Magistrates Court Services in Queensland ................................................................. 17

   4.1 Introduction.............................................................................................................................................. 17

   4.2 Audit objective and coverage .................................................................................................................... 17

   4.3 Audit results .............................................................................................................................................. 18

   4.4 Departmental response ............................................................................................................................ 18

   4.5 Committee’s review ................................................................................................................................ 19

   4.6 Committee’s conclusions ........................................................................................................................ 19

5. Auditor-General’s Report No 4 for 2010 – Results of local government audits ........................................ 20

   5.1 Introduction.............................................................................................................................................. 20

   5.2 Audit results .............................................................................................................................................. 21

   5.3 Committee’s review ................................................................................................................................ 22
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Introduction</td>
<td>24</td>
</tr>
<tr>
<td>6.2</td>
<td>Audit objective and coverage</td>
<td>25</td>
</tr>
<tr>
<td>6.3</td>
<td>Audit results</td>
<td>26</td>
</tr>
<tr>
<td>6.4</td>
<td>Better practice principles</td>
<td>27</td>
</tr>
<tr>
<td>6.5</td>
<td>Departmental response</td>
<td>29</td>
</tr>
<tr>
<td>6.6</td>
<td>Committee’s review</td>
<td>29</td>
</tr>
<tr>
<td>6.7</td>
<td>Committee’s conclusions</td>
<td>30</td>
</tr>
<tr>
<td>7.1</td>
<td>Introduction</td>
<td>31</td>
</tr>
<tr>
<td>7.2</td>
<td>Audit objective and coverage</td>
<td>32</td>
</tr>
<tr>
<td>7.3</td>
<td>Audit results</td>
<td>32</td>
</tr>
<tr>
<td>7.4</td>
<td>Departmental response and Auditor-General’s additional comments</td>
<td>34</td>
</tr>
<tr>
<td>7.5</td>
<td>Committee’s review</td>
<td>36</td>
</tr>
<tr>
<td>7.7</td>
<td>Committee’s conclusions</td>
<td>36</td>
</tr>
<tr>
<td>8.</td>
<td>Auditor-General’s Report No 7 for 2010 – <em>Information systems governance and control, including the Queensland Health Implementation of Continuity Project</em></td>
<td>37</td>
</tr>
<tr>
<td>8.1</td>
<td>Introduction</td>
<td>37</td>
</tr>
<tr>
<td>8.2</td>
<td>Audit objective and coverage</td>
<td>37</td>
</tr>
<tr>
<td>8.3</td>
<td>Audit results</td>
<td>39</td>
</tr>
<tr>
<td>8.4</td>
<td>Departmental response</td>
<td>45</td>
</tr>
<tr>
<td>8.5</td>
<td>Committee’s review</td>
<td>46</td>
</tr>
<tr>
<td>9.1</td>
<td>Introduction</td>
<td>48</td>
</tr>
<tr>
<td>9.2</td>
<td>Audit results</td>
<td>48</td>
</tr>
<tr>
<td>9.3</td>
<td>Committee’s review</td>
<td>52</td>
</tr>
<tr>
<td>9.3</td>
<td>Recommendation 1</td>
<td>53</td>
</tr>
<tr>
<td>10.</td>
<td>Auditor-General’s Report No 9 for 2010 – <em>Sustainable management of national parks and protected areas</em></td>
<td>54</td>
</tr>
<tr>
<td>10.1</td>
<td>Introduction</td>
<td>54</td>
</tr>
<tr>
<td>10.2</td>
<td>Audit objective and coverage</td>
<td>55</td>
</tr>
<tr>
<td>10.3</td>
<td>Audit results</td>
<td>56</td>
</tr>
<tr>
<td>10.4</td>
<td>Departmental response</td>
<td>57</td>
</tr>
<tr>
<td>10.5</td>
<td>Committee’s review</td>
<td>58</td>
</tr>
</tbody>
</table>
## Glossary of terms and abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1GP</td>
<td>A1 Grand Prix – A1GP World Cup of Motorsport</td>
</tr>
<tr>
<td>AG Act</td>
<td>Auditor-General Act 2009</td>
</tr>
<tr>
<td>BCC</td>
<td>Brisbane City Council</td>
</tr>
<tr>
<td>BER</td>
<td>Building the Education Revolution</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Finance Officer</td>
</tr>
<tr>
<td>CHI</td>
<td>Centre for Healthcare Improvement</td>
</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>CorpTech</td>
<td>Specialised government business unit providing a whole of government role over the acquisition of information technology</td>
</tr>
<tr>
<td>CSP</td>
<td>Corporate Solutions Program</td>
</tr>
<tr>
<td>DCS</td>
<td>Department of Community Safety</td>
</tr>
<tr>
<td>DEIR</td>
<td>Former Department of Employment and Industrial Relations</td>
</tr>
<tr>
<td>DERM</td>
<td>Department of Environment and Resource Management</td>
</tr>
<tr>
<td>DET</td>
<td>Department of Education and Training</td>
</tr>
<tr>
<td>DETA</td>
<td>Former Department of Education, Training and the Arts</td>
</tr>
<tr>
<td>DIP</td>
<td>Department of Infrastructure and Planning</td>
</tr>
<tr>
<td>DJAG</td>
<td>Department of Justice and Attorney-General</td>
</tr>
<tr>
<td>DoC</td>
<td>Department of Communities</td>
</tr>
<tr>
<td>DoCS</td>
<td>Former Department of Child Safety</td>
</tr>
<tr>
<td>DoH</td>
<td>Former Department of Housing</td>
</tr>
<tr>
<td>DPC</td>
<td>Department of Premier and Cabinet</td>
</tr>
<tr>
<td>DPW</td>
<td>Department of Public Works</td>
</tr>
<tr>
<td>DSQ</td>
<td>Disability Services Queensland</td>
</tr>
<tr>
<td>DTMR</td>
<td>Department of Transport and Main Roads</td>
</tr>
<tr>
<td>DTRDI</td>
<td>Former Department of Tourism, Regional Development and Industry</td>
</tr>
<tr>
<td>EBA</td>
<td>Enterprise Bargaining Agreement</td>
</tr>
<tr>
<td>EDD</td>
<td>Estimated date of discharge</td>
</tr>
<tr>
<td>EFT</td>
<td>Electronic Funds Transfer</td>
</tr>
<tr>
<td>ESP</td>
<td>Electronic rostering program used by Queensland Health in conjunction with the LATTICE payroll system</td>
</tr>
<tr>
<td>FA Act</td>
<td>Financial Accountability Act 2009</td>
</tr>
<tr>
<td>FMS</td>
<td>Financial Management Standard</td>
</tr>
<tr>
<td>FPMS</td>
<td>Financial Performance and Management Standard 2009</td>
</tr>
<tr>
<td>GCEC</td>
<td>Gold Coast Events Company</td>
</tr>
<tr>
<td>GCMEC</td>
<td>Gold Coast Motor Events Company</td>
</tr>
<tr>
<td>GOC</td>
<td>Government Owned Corporation</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>HR</td>
<td>Human resources</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communication technology</td>
</tr>
<tr>
<td>ICTC</td>
<td>ICT Consolidation program</td>
</tr>
<tr>
<td>IDES</td>
<td>Identity, Directory and Email Services</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>LATTICE</td>
<td>Former payroll system used by Queensland Health</td>
</tr>
<tr>
<td>LGAQ</td>
<td>Local Government Association of Queensland</td>
</tr>
<tr>
<td>MCB</td>
<td>Magistrates Courts Branch, Department of Justice and Attorney-General</td>
</tr>
<tr>
<td>MOG</td>
<td>Machinery of Government</td>
</tr>
<tr>
<td>NAPLAN</td>
<td>National Assessment Program – Literacy and Numeracy</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-government organisation</td>
</tr>
<tr>
<td>OnQ</td>
<td>Project management framework used by DTMR. The aim of the framework is to ensure that the department has the project management capability to successfully deliver projects. The framework consists of policies, principles, project governance, methodology, templates, tools and project support.</td>
</tr>
<tr>
<td>OPR</td>
<td>Operational Performance Review</td>
</tr>
<tr>
<td>PAC</td>
<td>Former Public Accounts Committee</td>
</tr>
<tr>
<td>PAPWC</td>
<td>Public Accounts and Public Works Committee</td>
</tr>
<tr>
<td>PAF</td>
<td>Project Assurance Framework</td>
</tr>
<tr>
<td>PFS</td>
<td>Patient Flow Strategy</td>
</tr>
<tr>
<td>PMF</td>
<td>Performance Management Framework</td>
</tr>
<tr>
<td>PMS audits</td>
<td>Performance management systems audits</td>
</tr>
<tr>
<td>PMO</td>
<td>Performance management office within DPC</td>
</tr>
<tr>
<td>PSC</td>
<td>Public Service Commission</td>
</tr>
<tr>
<td>QAO</td>
<td>Queensland Audit Office</td>
</tr>
<tr>
<td>QAS</td>
<td>Queensland Ambulance Service</td>
</tr>
<tr>
<td>QEC</td>
<td>Queensland Events Corporation</td>
</tr>
<tr>
<td>QGCIO</td>
<td>Queensland Government Chief Information Office</td>
</tr>
<tr>
<td>QH</td>
<td>Queensland Health</td>
</tr>
<tr>
<td>QPS</td>
<td>Queensland Police Service</td>
</tr>
<tr>
<td>QPWS</td>
<td>Queensland Parks and Wildlife Service</td>
</tr>
<tr>
<td>QR</td>
<td>Queensland Rail</td>
</tr>
<tr>
<td>QSA</td>
<td>Queensland Studies Authority</td>
</tr>
<tr>
<td>QWC</td>
<td>Queensland Water Commission</td>
</tr>
<tr>
<td>RSI</td>
<td>Road Safety Initiative</td>
</tr>
<tr>
<td>SAP</td>
<td>SAP, which stands for Systems, Applications and Products in Data Processing, is an international technology company providing business software for many industries. SAP HR is one of the software tools developed for the purpose of organising personnel resources.</td>
</tr>
<tr>
<td>SAP HR</td>
<td>HR software system selected to replace the LATTICE payroll system in QH</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>SCI</td>
<td>Statement of Corporate Intent</td>
</tr>
<tr>
<td>SDS</td>
<td>Service Delivery Statements</td>
</tr>
<tr>
<td>SEQ</td>
<td>South East Queensland</td>
</tr>
<tr>
<td>SHI</td>
<td>Social Housing Initiative</td>
</tr>
<tr>
<td>TAFE</td>
<td>Colleges of Technical and Further Education</td>
</tr>
<tr>
<td>TSS</td>
<td>HR system used by Education Queensland</td>
</tr>
<tr>
<td>TTP</td>
<td>Technology Transformation Program</td>
</tr>
</tbody>
</table>
Role of the Public Accounts and Public Works Committee

The Public Accounts and Public Works Committee is a statutory committee of the Queensland Parliament, established by the Parliament of Queensland Act 2001.

The committee’s area of responsibility as described in section 95 of the Act is:

(a) the assessment of the integrity, economy, efficiency and effectiveness of government financial management by —

(i) examining government financial documents; and
(ii) considering the annual and other reports of the auditor-general.

(b) works (public works) undertaken by an entity that is a constructing authority for the works if the committee decides to consider the works.

(c) Any major GOC works if the committee decides to consider the works.

In deciding whether to consider public works, the committee may have regard to:

(a) the stated purpose of the works and the apparent suitability of the works for the purpose; and

(b) the necessity for, and the advisability of, the works; and

(c) value for money achieved, or likely to be achieved, by the works; and

(d) revenue produced by, and recurrent costs of, the works or estimates of revenue and costs for the works; and

(e) the present and prospective public value of the works, including, for example, consideration of the impact of the works on the community, economy and environment; and

(f) procurement methods for the works; and

(g) the balance of public and private sector involvement in the works; and

(h) the performance of—

(i) the constructing authority for the works; and

(ii) the consultants and contractors for the works;

with particular regard to the time taken for finishing the works and the cost and quality of the works; and

(i) the actual suitability of the works in meeting the needs and in achieving the stated purpose of the works.
Government financial documents are defined in section 79 of the Act as:

- a document tabled in the Legislative Assembly under the Financial Accountability Act 2009
- the annual financial statements and annual reports of a government owned corporation
- a document that would be a government financial document if it had been tabled in the Legislative Assembly as required by law.

The term does not include estimates of receipts for the proposed expenditure under an Annual Appropriation Act.

The committee may also refer issues within its area of responsibility to the Auditor-General for consideration.

An entity is a constructing authority for works if the entity is the State or a department. An entity is also a constructing authority for works if:

- the entity is established under an Act, or under State or local government authorisation, for a public, State or local government purpose; and
- the works are funded from the consolidated fund or the proceeds of a financial arrangement within the meaning of the Statutory Bodies Financial Arrangements Act 1982.

A GOC is a constructing authority for works if the works are undertaken specifically or substantially for a community service obligation of the GOC or for major GOC works referred to the committee by the Assembly.

An entity (a commercial entity) is a constructing authority for works if, under an agreement for the works:

(a) the state or another entity representing the State -
   (i) has, or will or may have, a financial liability or interest; or
   (ii) has granted, or will or may grant land, or an interest in land or another right, privilege, monopoly, concession, franchise or interest; or
   (iii) has contributed, or will or may contribute, resources of any kind; and

(b) the works have become, or will or may become, the absolute property of the State or another entity representing the State.

Major GOC works means works (other than public works) undertaken as part of a major infrastructure investment outlined in a GOC’s statement of corporate intent.

If the committee makes a recommendation in a report that a minister should take particular action about an issue, the minister must table a response within three months after the report is tabled.
Chair’s foreword

One of the functions of the Public Accounts and Public Works Committee, as prescribed in the Parliament of Queensland Act 2001, is to consider the annual and other reports of the Auditor-General. This report details the findings of the committee’s review of the audit reports tabled during the period January 2010 and December 2010.

The Auditor-General tabled 13 Auditor-General’s Reports plus QAO’s Annual Report during 2010. These reports provided an extensive body of work for the committee to examine covering a range of agencies, issues and topics. A number of issues highlighted by the Auditor-General in the reports have led to further investigations and inquiries by the committee.

The committee has made four recommendations as follows:

Recommendation 1 – that the Treasurer and Minister for State Development and Trade ensure that entities such as special purpose vehicles companies, trusts and joint ventures are required to comply with the provisions of the Project Assurance Framework.

Recommendation 2 – that the Deputy Premier and Attorney-General, Minister for Local Government and Special Minister of State ensure that the issues raised in the Auditor-General’s report are promoted by the Department of Infrastructure and Planning to all local governments as part of their support and training processes.

Recommendation 3 – that the Treasurer and Minister for State Development and Trade ensure that the Auditor-General’s suggestions in regard to CFO statements be included as a topic for discussion at future CFO forums.

Recommendation 4 – that the Treasurer and Minister for State Development and Trade investigate and implement whatever additional mechanisms are required to ensure that instances of loss and fraud are reported to the Auditor-General as required under the FPMS.

On behalf of the committee, I would like to thank the Auditor-General and the management and staff of the organisations who met with and provided information to the committee during the course of its reviews.

I would like to thank the other Members of the committee for their continuing hard work and dedication in ensuring that the committee fulfils its responsibilities.

Wayne Wendt MP
Chair
1. **Introduction**

1. The Auditor-General has tabled thirteen Reports to Parliament and the Queensland Audit Office’s (QAO) Annual Report during the period under review. Copies of the Auditor-General’s reports are available from the QAO website.¹

2. It should be noted that the committee recommended in its report no 5² that the Auditor-General’s mandate be extended to include performance audits. This recommendation has been supported by government. This will require amendments to be made to the relevant legislation. Audits examined within this report were conducted under the existing audit mandate.

1.1 **Recommendations in this report**

3. The recommendations in this report are addressed to the Treasurer and Minister for State Development and Trade and the Deputy Premier and Attorney-General, Minister for Local Government and Special Minister of State, where applicable, as the responsible ministers³.

1.2 **Auditor-General reports reviewed**

4. This report highlights the issues raised during the conduct of the committee’s review of the following reports:
   - Auditor-General’s Report No 1 for 2010 – *Audit of A1 Grand Prix Agreements* tabled 4 February 2010
   - Auditor-General’s Report No 3 for 2009 – *Administration of Magistrates Court Services in Queensland* tabled 13 April 2010
   - Auditor-General’s Report No 4 for 2010 – *Results of local government audits* tabled 21 April 2010
   - Auditor-General’s Report No 6 for 2010 – *Using student information to inform teaching and learning* tabled 20 May 2010
   - Auditor-General’s Report No 7 for 2010 – *Information systems governance and control, including the Queensland Health Implementation of Continuity Project* tabled 29 June 2010
   - Auditor-General’s Report No 8 for 2010 – *Results of audits at 31 May 2010* tabled 6 July 2010

- Auditor-General’s Report No 9 for 2010 – Sustainable management of national parks and protected areas tabled 5 October 2010
- Auditor-General’s Report No 11 for 2010 – Implementation and enforcement of local laws tabled 9 November 2010
- Auditor-General’s Report No 12 for 2010 – Follow up of 2009 Queensland Health audits tabled 16 November 2010
- Auditor-General’s Report No 13 for 2010 – Results of audits at 31 October 2010 tabled 18 November 2010
- QAO Annual Report 2009-10 tabled 24 September 2010

1.3 Committee’s review

5. The committee invited the Auditor-General to provide briefings on all reports and to highlight the key findings and issues. These briefings enable the committee to question the Auditor-General and provide Members of the committee with a better appreciation of any significant issues raised.

6. The committee assesses issues together with agency responses and, if considered beneficial to the public interest, will examine the matter further. This examination may take the form of written responses, briefings/meetings or public hearings.

1.4 What is a Performance Management Systems (PMS) audit?

7. The Auditor-General Act 2009 provides the Auditor-General with authority to conduct PMS audits. The aim of these audits is to determine whether an entity has systems in place to enable management to assess if the entity’s objectives are being achieved economically, efficiently and effectively. The audit may be conducted as a separate audit or as part of another audit (including an audit of another public sector entity).

8. PMS audits are carried out in accordance with the Guidelines for the Conduct of Performance Management Systems Audit issued by the QAO.

9. A key outcome of PMS auditing is the identification of improvements to financial and non-financial systems to enhance public sector accountability and performance. It is the responsibility of management to implement and maintain the appropriate systems.\(^4\) PMS audits are intended to add value to the quality of public administration and help entities discharge their governance obligations.\(^5\)

---

\(^4\) Queensland Audit Office, Guidelines for the Conduct of Audits of Performance Management Systems, July 2002: i
\(^5\) Queensland Audit Office, Guidelines for the Conduct of Audits of Performance Management Systems, July 2002: 2
1.5 What is a Financial and Compliance Audit?

10. QAO conducts a financial and compliance audit of every Queensland public sector entity every year. During financial and compliance audits QAO looks at the clients’ financial statements to assess whether they are true and fair, and check their account keeping methods to ensure they meet prescribed requirements. Information Systems auditing is an integral part of the QAO audit process where clients’ information systems and services are examined. From these audits QAO can make recommendations to clients on the ways they can improve their financial systems and controls.

11. Financial and compliance audits examine the financial systems and transactions, including an evaluation of compliance with applicable prescribed requirements and the financial data and disclosures for the purpose of expressing an opinion on the financial report prepared by the management of the entity.

12. In addition to an attestation audit over information included in prescribed financial reports, public sector auditing also includes:
   - reviewing the probity and propriety of matters associated with the management of public sector entities;
   - assessing compliance with relevant acts, regulations, government policies and other prescribed requirements;
   - reviewing performance measures adopted by public sector entities and assessing whether they are relevant and fairly represent entity performance; and
   - reporting to Parliament on matters of significance arising from audits or relating to the Auditor-General’s activities.  

1.6 What is an Information Systems Audit?

13. An information systems audit examines the controls within an organisation’s information technology environment and evaluates evidence of its information systems, practices and operations. The evaluation of evidence obtained determines if the information systems are safeguarding assets, maintaining data integrity and operating effectively to achieve the organisation’s objectives.

14. An information systems audit is different from a financial statement audit. A financial audit’s purpose is to evaluate whether an organisation is adhering to standard accounting practices. The purpose of an information systems audit is to evaluate the systems internal control design and effectiveness. This includes, but is not limited to, information systems security, development processes and information technology governance. An information systems audit focuses on determining risks that are relevant to information and in assessing controls in order to mitigate these risks. By implementing controls, the effect of risks can be minimised.

---

2. Auditor-General’s Report No 1 for 2010 – Audit of A1 Grand Prix Agreements

2.1 Introduction


16. The Auditor-General stated that his decision to conduct this audit was in response to the significant public interest generated following the failure of the category to comply with its contractual obligations to participate at the event and speculation on the future of the event.10

2.2 Audit objective and coverage

17. The audit covered four main areas:

- due diligence activities of the Gold Coast Motor Events Co (GCMEC) in contracting the A1GP World Cup of Motorsport (Australia) Pty Ltd (A1GP Australia) to the Gold Coast event;
- ongoing monitoring of the capacity of the A1GP group of companies to deliver the contracted event;
- governance mechanisms in place between the Minister, the Department of Communities (DoC) and key responsible entities; and
- financial, probity and propriety of the termination of the contractual arrangements.11

18. The original scope of the audit was to:

- examine the governance arrangements established by DoC, Gold Coast Events Corporation (GCEC) and GCMEC for the State Government’s contribution to the event;
- consider the appropriateness of the due diligence performed by GCMEC in deciding to contract the A1GP category to participate in the Gold Coast event; and
- consider financial, probity and propriety implications, if any, of the early termination of these agreements.12

---

9 Auditor-General of Queensland, Audit Report No.1 for 2010 – Audit of A1 Grand Prix Agreements, February 2010: 1
11 Auditor-General of Queensland, Audit Report No.1 for 2010 – Audit of A1 Grand Prix Agreement, February 2010: 16
19. The Auditor-General also agreed to consider the following objectives in conjunction with the scope identified above, after discussion with the Director-General, DoC and the reviewer appointed by the government, Mr David Williams of Williams Consulting Services:

- an analysis of the circumstances with a focus on governance and due diligence including the adequacy of contractual oversight and management of the event including the sanctioning agreement with A1GP Australia; and
- provide conclusions and recommendations of the implications for government with regard to governance and due diligence for the future staging of the event.  

2.3 Audit results

20. The audit identified some fundamental weaknesses in current practices. These weaknesses included:

- The due diligence processes for the preparation of the agreement with A1GP Australia were inadequate in a number of material aspects.
- Some of the inadequate due diligence issues impacted on the ability of the GCMEC to address subsequent issues as they arose during the period immediately prior to the 2009 event.
- Contractual arrangements did not include formal commitments from all entities involved with the control of the A1GP category.
- An active risk monitoring program was not developed and implemented in response to the known financial and contract concerns which may have allowed timely action to be taken in the case of potential non-performance.
- Lack of clarity about the roles and responsibilities of the various parties involved in the event.  

Due diligence

21. The Auditor-General advised that there were significant time constraints for the due diligence process as the critical due diligence and contract negotiations did not commence until October 2008 after the conclusion of the 2008 event when it became apparent that GCMEC and the Indy Racing League were unable to agree terms relating to their continued participation of at the event. Negotiations were completed in November 2008.  

22. He advised that the process could have been more adequately undertaken, even with the context of these time constraints, in the following areas:

- Documentation – there was an absence or limited amount of documentation to demonstrate the analysis undertaken and key decisions made during the negotiation process
- Analysis of the relationships and operating structures of the companies within the A1GP group

---

14 Auditor-General of Queensland, Audit Report No.1 for 2010 – Audit of A1 Grand Prix Agreements, February 2010: 1
Analysis of the financial capacity of the A1GP group and A1GP Australia – there were no compensating measures, such as guarantees or formal cross agreements, to minimise the risk or provide a strategy to respond in the event of a failure of A1GP Australia to meet its obligations. The Auditor-General noted that this is not the first time that a party contracted to the event has experienced financial difficulties and that it is an industry where a number of motor sport categories have had financial problems.\textsuperscript{16}

**Contract monitoring**

23. The Auditor-General found that several of the deficiencies identified in relation to the due diligence process significantly impacted on the effectiveness of monitoring activity by GCMEC. The Auditor-General highlighted that some of the decisions taken reflected the lack of knowledge of the relationships and financial dependencies.\textsuperscript{17}

24. These included:
- Not seeking independent advice or undertaking analysis on the capacity of the A1GP group to continue to perform under the agreement once advice was received on 9 July 2009 that A1GP Operations Ltd had been placed in liquidation.
- The first sanction fee instalment being paid one day after the advice of the liquidation was received and 14 days prior to the payment date set under the agreement in consideration of an agreement reached with the A1GP to defer the second instalment to later years.\textsuperscript{18}

25. The audit also found that GCMEC relied on advice provided by A1GP regarding its ability to meet its obligations. This audit found that the position was significantly different to that advised to GCMEC.\textsuperscript{19}

**Governance Arrangements**

26. The Auditor-General found that the company model chosen to own and operate the event was unduly complex with the government’s involvement being through a company owned by State of Queensland, with the Minister as the State’s representative, and a partnership with a private sector event provider.\textsuperscript{20}

27. The following specific governance issues were identified:
- Reliance on verbal briefings with limited written notes or advice being maintained of key conversations or decisions.
- Written reporting processes through the department to the Minister which had been in place for earlier events had lapsed in recent years.
- Lack of clarity about the roles and responsibilities of people involved in the event arrangements.\textsuperscript{21}

\textsuperscript{17} Auditor-General of Queensland, *Audit Report No.1 for 2010 – Audit of A1 Grand Prix Agreement*, February 2010: 3
\textsuperscript{18} Auditor-General of Queensland, *Audit Report No.1 for 2010 – Audit of A1 Grand Prix Agreements*, February 2010: 3
\textsuperscript{19} Auditor-General of Queensland, *Audit Report No.1 for 2010 – Audit of A1 Grand Prix Agreements*, February 2010: 4
2.4 Audit recommendations

28. The Auditor-General has made three recommendations to be applied to the government’s future involvement in major events as follows:
   - A governance structure which enables effective government oversight through formal reporting and monitoring
   - Adequately documented processes for due diligence which ensure that adequate analysis is undertaken of key features of contract agreements to support decisions made during the evaluation and negotiation stages and that critical assertions by the party being contracted are independently verified.
   - Contractual arrangements with formal commitments, guarantees and progressive performance targets to allow for early termination of arrangements where non-performance is identified. Where the nature of the event is such that progressive performance targets are not possible, an appropriate risk identification and monitoring program should be developed and actively implemented.22

29. The Auditor-General also recommended the following improvement opportunities for future major events:
   - All due diligence processes to be adequately documented to ensure written evidence can be produced to support analysis conducted and decisions made.
   - A formal written contract summary be prepared once negotiations for an event agreement have been completed which identifies the major obligations for each party and the risks to the successful completion of the event that are inherent in the agreement.
   - Adequate time is given to those responsible for conducting due diligence processes on all agreements being entered into for the conduct of major events.
   - Contractual arrangements should include formal commitments and guarantees from all entities necessary to ensure that the desired outcome is achievable.
   - Progressive performance targets should be built into agreements to allow for early termination of agreements where non-performance is identified. Where the nature of the event is such that progressive performance targets are not possible, an appropriate risk identification and monitoring program should be developed and actively implemented.
   - Critical assertions made by contracted parties about their capacity to perform in accordance with the agreement need to be independently verified.
   - Payments made under agreements should not be paid earlier than contracted without adequate guarantees of future performance.
   - The use of the company framework within a departmental context for the management of events be reviewed to ensure clarity of the roles and relationships between the Minister, Departmental Director-General and other senior officers who serve as company secretary and/or director.
   - Formal reporting mechanisms, roles in monitoring the operations of GCMEC and processes for the investment of annual government grants by the responsible Minister and the Department of Communities in conjunction with GCEC and GCMEC be reviewed to provide clear expectations of requirements by each party.
   - Significant verbal updates be documented as evidence that due process is being followed.23

---

2.5 Departmental response

30. Extensive responses were provided in the report from the relevant entities. Overall the government supported the Auditor-General’s recommendations and advised that there would be greater alignment with Queensland Events Company, administered under the Premier’s portfolio, which is experienced in the staging of major events.24

2.6 Committee’s review

31. The former Public Accounts Committee (PAC) (50th Parliament) examined the issue of event management in light of the Auditor-General’s report on the failure of the World Fire Fighters Games event in 2003. A copy of that report is available on the committee’s web site. The committee noted at the time that the government needs to control all aspects of event management. It recommended that the following principles should be considered when establishing controlled entities to conduct major events:

- A company structure does not necessarily protect public funds
- The potential for conflicts of interest should be recognised early and managed
- Accountable officers should not be on the boards of entities controlled by their organisations
- There is a clear need for the inclusion of independent directors on boards
- There should be transparent accountability with clarity of roles and responsibilities between management and boards
- It would be good practice to include industry experts in the planning and staging of major events
- Controlled entities established for specific events should be subject to the same level of probity and propriety as the controlling entity
- A robust and effective governance and risk management process is essential to ensure that public moneys are expended in a way that ensures achievement of objectives in an effective and efficient manner
- There should be transparent accounting and accountability with a clarity of roles and responsibilities between the controlled entity and the controlling agency
- Budget control and proper planning are essential, especially where there are long lead times
- Boards should ensure that there is an effective management and reporting framework to monitor the quality of services provided under Service Level Agreements.25

32. The committee found during the course of that inquiry that the best indicator of success or failure in the management of an event is the experience and organisational skills of the event manager.27 The government supported the committee’s recommendations.

33. As part of its review, the PAPWC also considered the report prepared by Williams Consulting Services. Williams Consulting Services was contracted by the government to undertake an independent review of the event. The committee found that the issues identified in both the Auditor-General’s report and the Williams Consulting Services report were similar.

34. The committee wrote to the Department of Premier and Cabinet (DPC) noting the committees concern about the Auditor-General identification a number of fundamental weaknesses in the practices employed by GCMEC and that these failures occurred despite the government agreeing with the former PAC’s recommendations in Report 65 on Event Management.28

35. Whilst acknowledging that the government had agreed with the Auditor-General’s most recent recommendations the committee sought confirmation of the processes to be put in place to ensure that these recommendations were implemented and what action was being taken to ensure that similar failures not occur with other major events.29

36. The committee was advised that DPC has developed, in close consultation with relevant government agencies, including the Queensland Events Corporation (QEC), a Queensland Government Events Policy which forms part of a broader framework. As part of this policy, established in 2004, an Events Coordination Forum was established to provide advice to DPC with respect to the delivery of significant events in Queensland. The Events Coordination Forum continues to meet with a revised charter aimed at enhancing the planning, coordination, leveraging, marketing, evaluation and continual improvement of significant events in Queensland.30 The recommendations from the Auditor-General’s report were circulated to that group in February 2010.31

37. DPC also advised that, as a result of the Williams Review and the Auditor-General’s Report, the government has strengthened links through joint appointments from the Board and senior management of QEC and GCEC.32

38. The committee sought further clarification regarding:
   - what processes the department is putting in place to ensure that the Auditor-General’s recommendations are implemented; and
   - what action has been taken to ensure that similar failures have not occurred with any other major events currently being undertaken.33

39. DPC advised that they will provide advice to the government and the DoC in implementing action from the Auditor-General’s report. The Director-General also advised that QEC and events management generally, are undergoing renewal following the Williams Review. QEC has a new board and Chief Executive Officer (CEO). DPC is represented on the QEC board which has been briefed on the Auditor-General’s report.34

---

28 Correspondence from PAPWC to Mr K Smith, Director-General, DPC, dated 24 February 2010:
29 Correspondence from PAPWC to Mr K Smith, Director-General, DPC, dated 24 February 2010:
30 Correspondence from Mr K Smith, Director-General, DPC, to PAPWC dated 30 March 2010:
31 Correspondence from Mr K Smith, Director-General, DPC, to PAPWC dated 13 May 2010:
32 Correspondence from Mr K Smith, Director-General, DPC, to PAPWC dated 30 March 2010:
33 Correspondence from PAPWC to Mr K Smith, Director-General, DPC, dated 14 April 2010:
34 Correspondence from Mr K Smith, Director-General, DPC, to PAPWC dated 13 May 2010:
40. QEC is re-establishing itself as the lead agency for events in Queensland and has agreed to incorporate the findings in its future operating procedures. The Director-General advised that in recognition of the proven expertise QEC has with event management, QEC (at the executive and management levels) will be directly involved in GCEC which will manage the future V8 Motor Events and the government was considering further strengthening these governance arrangements.  

41. The Director-General also noted that the report findings have been discussed at the departmental CEOs Leadership Team meetings and there has been no indication of any other major events which may have failings similar to that experienced by the A1GP and he was confident that all parties across government that need to be aware of and action the Auditor-General’s findings are doing so.

2.7 Committee’s conclusions

42. The committee is satisfied that DPC is committed to ensuring that satisfactory governance arrangements are in place to prevent a re-occurrence of the issues that arose with the management of the A1GP event with regard to future events.

43. However, the committee reiterates its earlier findings in PAC Report No 65, regarding the principles that should be considered when establishing controlled entities to conduct major events.

---

35 Correspondence from Mr K Smith, Director-General, DPC, to PAPWC dated 13 May 2010:
36 Correspondence from Mr K Smith, Director-General, DPC, to PAPWC dated 13 May 2010:
3. **Auditor-General’s Report No 2 for 2010 – Follow-up of selected audits tabled in 2007**

### 3.1 Introduction

44. The Auditor-General tabled Auditor-General’s Report No 2 for 2010 – *Follow-up of selected audits tabled in 2007* on 23 March 2010. This report was a follow-up of four PMS audit reports tabled in 2007. The report examines the progress made by agencies in addressing the Auditor-General’s original recommendations and issues after a period of approximately 18-24 months.\(^{37}\) It should be noted, however, that due to machinery of government (MOG) changes in March 2009, the agencies consulted for the follow-up audit were different to the original agencies.\(^ {38}\)

45. The performance management systems reports selected were:

- Auditor-General’s Report No 2 for 2007 – Management of funding to non-government organisations
- Auditor-General’s Report No 6 for 2007 – Beyond Audit Risk
- Auditor-General’s Report No 7 for 2007 – Addressing Skills shortages in Queensland

### 3.2 Audit objective and coverage

46. The audit was based on agencies self-assessing the progress they had made against each recommendation in the original audit reports. All responses received by audit in September and October 2009 were reviewed with some responses requiring further discussion with the agency and some having targeted audit testing.\(^ {40}\)

47. The Auditor-General stated that limited audit work had been performed to confirm the information provided by agencies, limited assurance was offered concerning completeness, accuracy or relevance of the responses provided by each agency.\(^ {41}\)

---


3.3 Audit results

48. The Auditor-General concluded that most agencies have adequate systems in place to review, monitor and report on the implementation of audit recommendations. He found that there had been substantial progress made on the recommendations and the main impediment to full implementation noted by agencies was the need to review some systems and policies as a result of the MOG changes in 2009.42

49. The Auditor-General found only one recommendation where there had been no substantial action taken. This recommendation related to Ministerial delegations and the agency advised that this will be considered as part of a broader process review.43

50. The Auditor-General stated that he was satisfied with the progress made by all agencies in implementing the recommendations. He noted that the intent of a PMS audit is to provide independent assurance to Parliament, but also to add value to the quality of public administration through recommendations. He was encouraged by the changes that have been made by agencies in improving their systems.44

3.4 Committee’s review

51. The committee considered the original reports when they were tabled in 2007. The results of that action were conveyed to the Parliament in reports tabled by the committee subsequent to the completion of its inquiries.

52. Subsequent to the most recent report, the committee sought additional information from the Auditor-General regarding the status of each of the original recommendations and what action is being taken to progress the outstanding recommendations.

53. The Auditor-General advised the committee that overall, he is satisfied with the progress made by all agencies subject to the audit.45

54. The results in respect of each of the reports selected for follow up by the Auditor-General are summarised below.

---

42 Auditor-General of Queensland, Audit Report No.2 for 2010 – Follow-up of selected audits tabled in 2007, March 2010: 1
43 Auditor-General of Queensland, Audit Report No.2 for 2010 – Follow-up of selected audits tabled in 2007, March 2010: 2
44 Auditor-General of Queensland, Audit Report No.2 for 2010 – Follow-up of selected audits tabled in 2007, March 2010: 2
45 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 2
Auditor-General’s Report No 2 for 2007 – Management of funding to non-government organisations

55. The report, tabled on 22 May 2007, dealt with whether DoC, Department of Child Safety (DoCS) and Disability Services Queensland (DSQ) had suitable frameworks and appropriate systems to plan, monitor and evaluate funding to non-government organisations (NGOs).  

56. The PAC (52nd Parliament) commenced an inquiry into Auditor-General’s Report No 2 for 2007. The inquiry was completed by the current PAPWC. The committee’s report was tabled in the Parliament on 17 September 2009. The committee made four recommendations to Parliament. The committee’s recommendations, with the exception of the recommendation regarding the implementation of full cost recovery where funding is to be provided to NGOs under a ‘shopping’ type arrangement, were supported in principle.

57. The Auditor-General advised the committee that the recommendations not fully implemented were largely out of control of the department and relate to the implementation of actions associated with whole-of-government approaches which are complex and multifaceted.

Auditor-General’s Report No 6 for 2007 – Beyond Audit Risk

58. Auditor-General’s Report No 6 for 2007 was tabled on 26 September 2007. The report dealt with how the government is able to handle risk both strategically and operationally and at whole-of-government, portfolio and individual agency level.

59. The Auditor-General advised that in January 2007 that the Acting Premier requested assistance from QAO in developing better practice guidance material on whole-of-government risk assessment and management. The Auditor-General noted that he saw the project as having three phases as follows:

- QAO undertaking a PMS audit to provide an overview of the current status of risk management strategies and processes at 23 budget sector agencies
- QAO, the Department of Premier and Cabinet and Qld Treasury preparing guidance material to assist all agencies in their identification and management of strategic risk issues
- Agencies implementing and monitoring the measures that government decides to pursue.

60. The audit report brought together the findings from the audit and guidance material prepared by QAO based on those findings.

---

49 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 11 May 2010: 2
50 Auditor-General of Queensland, Audit Report No.6 for 2007 – Beyond Audit Risk, September 2007: 7
51 Auditor-General of Queensland, Audit Report No.6 for 2007 – Beyond Audit Risk, September 2007: 7
61. At time of the original audit, DPC and Queensland Treasury broadly agreed with the recommendations and agreed to develop guidance material for agencies. The departments acknowledged in their response to the report that while the financial legislation requires agencies to implement risk management practices, the emphasis in the Financial Management Standard (FMS) focussed on financial and operational risk.\(^{52}\)

62. Subsequent to the original audit in 2007, the Financial Administration and Audit Act (FA&A Act) was replaced by the Auditor-General Act 2009 (AG Act) and the Financial Accountability Act 2009 (FAA Act) which is more principles based and therefore allows flexibility in managing agencies. The previous legislation focused on financial and operational risk and as such had a more inward focus rather than looking at how risks identified in the agency may have wider implications for other agencies and government as a whole. The new legislation is supported by additional guidance material developed and disseminated by government and Better Practice Guides developed by the Auditor-General.

63. The current audit shows that governance arrangements have improved. The Auditor-General stated that in 12 of the 13 departments audited, a risk management champion and a risk management committee is in place. He further advised that adoption of an integrated risk management framework and the alignment of risk management with agencies corporate goals has been undertaken by 10 departments.\(^{53}\)

**Auditor-General’s Report No 7 for 2007 – Addressing Skills shortages in Queensland.**

64. The Auditor-General tabled Report No 7 for 2007 on 13 November 2007. The objective of the audit was to determine whether the selected departments had suitable frameworks and appropriate systems in place to identify and address the skills shortages facing industries and businesses in Queensland.\(^{54}\)

65. The audit included the following departments which at the time of the audit played a significant role in addressing skills shortages:

- Department of Education, Training and the Arts (DETA)
- Department of Employment and Industrial Relations (DEIR)
- Department of Tourism, Regional Development and Industry (DTRDI)\(^{55}\)

66. The former PAC (52\(^{nd}\) Parliament) undertook an inquiry into this Auditor-General’s report. The committee tabled its report on 4 December 2008.\(^{56}\) The committee made three recommendations which were supported by government.\(^{57}\) The report was tabled prior to the impact of the global financial crisis being felt. At the time, a key issue facing the Queensland economy was a shortage of trade, technical and professional skills.

---


67. The current audit found that overall departments have made substantial progress in implementing the audit recommendations. Of the ten audit recommendations, six had been fully implemented and four partially implemented.  

68. Changes as a result of the audit recommendations included: the conduct of regular analysis on the factors contributing to skills shortages; the sharing of this information with stakeholders; evaluation of this information; and improvement of governance arrangements.

69. The Auditor-General advised that progress has been made to improving research methodologies to identify future skills shortages, implementation of specific state strategies for professional occupations skills shortages and improved timeframes for developing industry specific plans.

70. He also noted that due to machinery of government changes the leadership and whole of government response recommendation had been delayed.


71. The Auditor-General elected to undertake a PMS audit of the systems implemented by the Queensland Water Commission (QWC) to combat the water crisis in South East Queensland (SEQ) due to the great deal of public interest in the issue. The result of this audit was Auditor-General’s Report No 8 for 2007 – South East Queensland – Towards a short-term water balance which was tabled on 14 November 2007. At the time of the original audit, SEQ was suffering severe drought conditions.

72. The audit reviewed the systems implemented at the QWC to deal with the crisis and in particular the audit independently assessed whether the systems for managing, measuring and reporting the short-term water strategies are soundly based.

73. The original audit found that whilst QWC had in place adequate frameworks and systems to measure the achievement of a short-term water balance for SEQ, the audit identified some improvements that could be made in relation to data integrity and the need for more regular publication of the actual water balance projections.

---

74. The audit also identified that while the QWC received some informal feedback from industry and interest groups on the impact of water restrictions, it does not undertake formal systematic, comprehensive and documented post implementation reviews. The Auditor-General considered that these reviews should assess, in addition to the effects of the measures on the demand for water, the social, environmental and economic impacts experienced by both residential and non-residential users. QWC agreed with the recommendations made by the Auditor-General.  

75. This follow-up audit found that QWC has fully implemented six and partly implemented two of the original eight recommendations.

76. Changes as a result of the recommendations include:

- QWC has moved from hiring contract staff to the employment of specialist staff and providing in-house training on the QWC models used. Intellectual property arrangements on the QWC model have been clarified.
- the requirement that service providers provide assurance over the data given to QWC, and
- that the water balance model chart is included in monthly reports published on the QWC website.

77. The Auditor-General advised the committee that the partially completed recommendations related to how QWC will manage demand. He advised that the planned action for completion of these recommendations was:

- The QWC’s Evaluation and Benchmark Study – Demand Management Measures (Water Restrictions) addresses the identification of the social, environmental and financial impacts of implemented demand measurement measures for both residential and non-residential users in SEQ. The final report from the Evaluation and Benchmark study was scheduled for completion in March 2010. These findings were to contribute to improvements.
- To monitor the forecasting model’s accuracy and to identify which forecast scenarios are most accurate in predicting demand, the QWC commenced a project in early 2009 to enhance its demand forecasting capability. The enhanced Demand Forecasting Module (due to commence in January 2010) together with the WaterHub Consumption Analysis Module will enable the QWC to perform frequent comparative analysis of actual versus planned demand.

3.5 Committee’s conclusions

78. The committee is satisfied that the objectives of the original recommendations have been achieved.

---

69 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 11 May 2010: 12
4. Auditor-General’s Report No 3 for 2010 – Administration of Magistrates Court Services in Queensland

4.1 Introduction

79. The Auditor-General tabled Auditor-General Report No 3 for 2010 – Administration of Magistrates Court Services in Queensland on 13 April 2010. This PMS audit examined whether systems and processes are in place to effectively and efficiently provide court services to support the functions of the Queensland Magistrates Court. The audit also assessed whether the performance measures used are relevant and appropriate. 70

80. The Queensland Magistrates Court is established under the Magistrates Courts Act 1921. It is a court of record and where matters are first heard within the Queensland judicial system. The Department of Justice and Attorney-General (DJAG) administers the act on behalf of the Queensland Government. 71

81. The Queensland Magistrates Court consists of a coordinating branch called the Magistrates Courts Branch (MCB), regional offices and 59 registries which provide administrative services to support individual Magistrates courthouses. 72

82. Cases are heard in 131 locations, including 59 courthouses, 19 Queensland Government Agent Program centres, one departmental office, 43 police stations where police assistant clerks of the court deliver court services and five indigenous communities. 73

4.2 Audit objective and coverage

83. The objective of the audit was to determine whether:

- a sound governance framework is in place and consistent with the departmental objectives and government policy
- there are systems and processes to provide efficient and effective court services
- there are efficient and effective systems and processes in place to measure the performance and evaluation for the delivery of court services to users
- Magistrates Court related performance measures are relevant and appropriate and fairly represent its performance. 74

84. The scope of the audit encompassed the following areas of court administration in the Queensland Magistrates Court:

- court performance with respect to court administration
- court services for all civil and criminal matters
- court services for matters across all geographical areas. 75

70 Auditor-General of Queensland, Audit Report No.3 for 2010 – Administration of Magistrates Court Services in Queensland, April 2010: 1
71 Auditor-General of Queensland, Audit Report No.3 for 2010 – Administration of Magistrates Court Services in Queensland, April 2010: 8
72 Auditor-General of Queensland, Audit Report No.3 for 2010 – Administration of Magistrates Court Services in Queensland, April 2010: 1
73 Auditor-General of Queensland, Audit Report No.3 for 2010 – Administration of Magistrates Court Services in Queensland, April 2010: 8
74 Auditor-General of Queensland, Audit Report No.3 for 2010 – Administration of Magistrates Court Services in Queensland, April 2010: 10
85. The following functions were specifically excluded from the scope of the audit:
   - performance of the judiciary and the outcome of court decisions
   - administration of the Childrens Court, Coroners Court, Land Court, Drug Court, Murri Court, Mental Health Court, Supreme Court and District Court
   - administration of tribunals and court diversion programs.  

4.3 Audit results

86. Overall the audit found that the department administers effective Magistrates Court Services in Queensland and meets its statutory obligations. The high level of Magistrates Court Services is attributed to factors including a knowledgeable and stable work force and the level and quality of support provided to court staff by MCB. The Auditor-General found that there are also good governance systems for developing and distributing policies, procedures and guidance over day to day court operations.

87. However, the Auditor-General found that there were inadequate systems to identify, analyse, communicate and prioritise state-wide court service needs and that the department could further enhance its existing planning systems by better utilising its measurement and analysis of external factors that impact on court service delivery. The audit found that whilst the department has systems to capture external factors such as population increases, changes in population distribution and workforce availability, the formal mechanisms for communicating and reflecting these impacts in future planning are lacking.

88. In considering the relevance and appropriateness of performance measures, the Auditor-General found that these measures meet the relevance and appropriate audit criteria. The Auditor-General also found that these measures align well with the department’s visions and outcomes.

89. The Auditor-General made eight recommendations covering the areas of governance and planning and performance monitoring and reporting.

4.4 Departmental response

90. The Acting Director-General advised that the audit recommendations will provide sound guidance for DJAG in future planning. The department accepted the recommendations and advised that they will form the basis of an implementation plan to be monitored by DJAG’s Audit and Risk Management Committee.
4.5 Committee’s review

91. The Auditor-General provided a private briefing to the committee about this report at its meeting on 2 August 2010. The Auditor-General indicated that he was satisfied with the results of the audit and DJAG’s response to the recommendations.

4.6 Committee’s conclusions

92. The committee is satisfied with the results of this audit and considers that the actions proposed by DJAG are sufficient to overcome the areas for improvement identified by the Auditor-General.
5. Auditor-General’s Report No 4 for 2010 – Results of local government audits

5.1 Introduction

93. The Auditor-General tabled Report No 4 for 2010 – Results of local government audits on 21 April 2010. The report details the results of the financial and compliance audits of local government entities, including Aboriginal Shire Councils, for the 2008-09 financial year for which an auditor’s opinion had been issued as at 31 March 2010.82

94. The local government sector in Queensland was reformed in 2008 with 157 councils being reduced to 73 through the amalgamation of a number of councils. In total, 127 local government entities were abolished. The reform resulted in two different financial periods for the 2008-09 financial statements for local governments, being 15 March 2008 to 30 June 2009 for regional councils and 1 July 2008 to 30 June 2009 for continuing councils.83

95. Auditor-General’s report No 4 for 2010 is the first report to Parliament in which the results of the merged local government have been reported.84

96. At the time of the audit, local governments in Queensland, with the exception of the Brisbane City Council, were governed by the Local Government Act 1993. Aboriginal Shire councils were defined as local governments by the Act and were governed by the Local Government (Community Government Areas) Act 2004. The provisions of the Local Government Act applied except where stated in the Local Government (Community Government Areas) Act.85

97. That legislation (ss530, 531, 532) required the Auditor-General to prepare a report on any audit of a local government. Copies of the audit report were to be provided to the Mayor who was required to table a copy of the report at the next ordinary meeting of the local government. Copies of the audit report were also to be provided to the CEO of the local government and the Minister. The legislation also required the Auditor-General, as part of the annual audit, to examine each local government’s annual financial statements and provide an independent report on those statements. The audited financial statements, with the independent audit report, were required to be included in the local government’s annual report. The annual report was to be presented to the local government for adoption before 30 November unless an extension was granted by the Minister.86

---

82 Auditor-General of Queensland, Audit Report No.4 for 2010 – Results of local government audits, April 2010: 1
83 Auditor-General of Queensland, Audit Report No.4 for 2010 – Results of local government audits, April 2010: 1
84 Auditor-General of Queensland, Audit Report No.4 for 2010 – Results of local government audits, April 2010: 1
85 Auditor-General of Queensland, Audit Report No.4 for 2010 – Results of local government audits, April 2010: 6
86 Auditor-General of Queensland, Audit Report No.4 for 2010 – Results of local government audits, April 2010: 6
98. On 12 June 2009, the *Local Government Act 2009* was assented to. The Act has been implemented progressively.\(^{87}\) The *Local Government (Finance, Plans and Reporting) Regulation 2010* commenced on 1 July 2010. This Regulation contains similar provisions and will apply for the 2010-11 financial year.\(^{88}\) Under the new legislation Aboriginal Shire Councils are treated no differently to other forms of local government and will therefore be required to prepare general purpose financial statements.

99. The Auditor-General also noted that the implementation of the new Act will be a significant challenge for local government for the 2010-11 financial year. He noted that the Act will establish new principles-based local government legislation in place of the prescriptive framework for governance under the previous Act.

### 5.2 Audit results

100. As at 31 March 2010, auditors’ opinions had been issued on 91% of the 2008-09 financial statements for local government entities. This included 11 modified and 132 unmodified auditors’ opinions.\(^ {90}\)

101. The Auditor-General provided the following table summarising the status of the 2008-09 financial statements as at 31 March 2010:

<table>
<thead>
<tr>
<th>Entity type</th>
<th>Total</th>
<th>Modified auditor’s opinion issued</th>
<th>Unmodified auditor’s opinion issued</th>
<th>Auditor’s opinion not yet issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local governments</td>
<td>61</td>
<td>3</td>
<td>57</td>
<td>1</td>
</tr>
<tr>
<td>Joint local governments</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Aboriginal Shire councils</td>
<td>12</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Controlled entities</td>
<td>52</td>
<td>2</td>
<td>44</td>
<td>6</td>
</tr>
<tr>
<td>Jointly controlled entities</td>
<td>24</td>
<td>2</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>Statutory body</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Audited by arrangement</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Total local government entities</td>
<td>156</td>
<td>11</td>
<td>132</td>
<td>13</td>
</tr>
</tbody>
</table>


102. The Auditor-General advised that the audit found that a concerted and resource intensive effort had been undertaken by local governments in the formulation and actioning of implementation plans covering the merger of accounting systems and records of former entities subsequent to the reform process with work still continuing in some councils.\(^ {91}\)

\(^{87}\) *Local Government Act 2009*, s2  
\(^{88}\) *Local Government (Finance, Plans and Reporting) Regulation 2010*, s110, s160, s161, s162  
\(^{89}\) Auditor-General of Queensland, *Audit Report No.4 for 2010 – Results of local government audits*, April 2010: 2  
\(^{91}\) Auditor-General of Queensland, *Audit Report No.4 for 2010 – Results of local government audits*, April 2010: 1
103. The Auditor-General indicated his concern about the on-going issue of the poor quality of financial statements being provided to audit with some requiring a number of versions prior to an audit opinion being issued. He noted that this extended process to finalise financial statements results in inefficiencies and increased audit costs.  

104. The Auditor-General congratulated both the Department of Infrastructure and Planning (DIP) and councils for their improvement in the timeliness of the financial statements for Aboriginal Shire Councils. However, he did comment that there is still some way to go in terms of the quality of some of these councils’ financial statements.  

105. In addition to the above, the Auditor-General highlighted a number of areas of concern including:  
   - Financial sustainability of local government entities  
   - Effectiveness of Management Controls  
   - Impairment of Assets  
   - Infrastructure Asset issues  
   - Transfer of Water Assets  
   - Use of discretionary funds  

5.3 Committee’s review  

106. After reviewing the Auditor-General’s report, the committee sought additional information from the Auditor-General regarding the sustainability issues raised in the report.  

107. The Auditor-General advised the committee that financial statements are generally prepared on a ‘going concern’ basis and the appropriateness of this assertion is assessed as part of the annual audit process, as required by the auditing standards, to determine whether or not an entity can pay its debts as and when they fall due within the next 12 months. He advised that in the absence, until recently, of defined sustainability measures for the local government sector, it has been his practice to undertake further analysis of financial information for each local government based upon internally derived ratios to provide a longer term perspective of sustainability than that required for audit certification.  

108. He noted that whilst he has found this analysis informative it needs to be considered in conjunction with a number of other factors such as standards of governance, financial budgets, asset replacement strategies, cash and investment balances and capacity to generate revenue before the results of the ratio analysis would be a concern. He advised that QAO exercises caution in attempting to draw conclusions from the ratios in isolation.
109. The committee further discussed the issues raised in the report at its meeting with the Auditor-General on 2 August 2010.

110. In October 2010, the committee resolved to conduct an inquiry into Review of Auditor-General’s Reports – Remote Council Issues. The committee tabled a discussion paper about this inquiry on 28 October 2010. A copy of the discussion paper is available on the committee’s website at: http://www.parliament.qld.gov.au/view/committees/PAPWC.asp?SubArea=inquiries. The closing date for submissions to this inquiry has been extended to 31 March 2011.

111. The focus of the inquiry will be Auditor-General’s Report No 4 for 2010. Reference will also be made to prior Auditor-General’s reports on the topic. The main considerations for the committee are:
   - Financial sustainability
   - Funding
   - Accountability and governance
   - Financial statements
   - Consultants and financial controllers
   - Bureau service provider and resource sharing systems
   - Indigenous council ‘champions’
   - Legislative compliance
   - Non-traditional local government business
   - Any other relevant matters

112. The committee will report further on the results of its inquiry at the conclusion of its investigations.

---


6.1 **Introduction**

113. The Auditor-General tabled Auditor-General’s Report No 5 for 2010 – *Performance Reviews – Using performance information to improve service delivery* on 18 May 2010. This PMS audit examined whether the agencies audited had adequate performance review systems in place to enable management to evaluate operational performance to achieve continual improvement in organisational processes and service delivery. As part of the audit, QAO developed a set of better practice principles to assist other departments to implement better systems.\(^99\)

114. A performance review is defined in the Auditor-General’s report as ‘*a series of regular, periodic meetings during which the [executive leaders] use data to discuss, examine and analyse, with the individual [unit director], past performance, future performance objectives and overall performance strategies.*’\(^101\)

115. The purpose of performance review systems is to improve performance by senior executives holding accountable those managers who have the greatest capacity to influence service delivery. A good performance review system uses performance data and qualitative information to drive robust discussion. This discussion seeks to: facilitate responsive decision making; identify problem areas and explore their underlying causes; develop and evaluate strategies for both preventing and addressing problems; and recognise and share better practice across the organisation.\(^102\)

116. The Auditor-General advised that performance monitoring and review has been raised as an issue in a number of previous PMS audit reports. These audits identified that while agencies reported against performance measures, some agencies did not analyse and use the information to monitor and improve performance and to better inform decision making.\(^103\)

117. The committee noted that the Public Service Commission (PSC) provides a range of performance management resources to government agencies. Resources include three guides, each designed for a particular audience with a key role to play in managing organisational performance including executive managers, performance practitioners and managers.\(^104\)


6.2 Audit objective and coverage

118. QAO selected three agencies to be audited based on the similarities of their performance review systems. The agencies audited were:

- Department of Communities (DoC)
- Department of Community Safety (DCS) – Queensland Ambulance Service (QAS)
- Queensland Police Service (QPS)

119. The objective of the audit was to determine whether the agencies audited have adequate performance review systems in place to enable management to evaluate operational performance to achieve continual improvement in organisational processes and service delivery.

120. Specifically the audit examined the Lines of Inquiry and Audit Criteria as follows:

<table>
<thead>
<tr>
<th>Line of Inquiry</th>
<th>Audit Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a structured performance review system?</td>
<td>- The system is well designed.</td>
</tr>
<tr>
<td></td>
<td>- The system assigns accountability and responsibility for operational performance.</td>
</tr>
<tr>
<td></td>
<td>- The right people are involved.</td>
</tr>
<tr>
<td></td>
<td>- The system links with other departmental functions.</td>
</tr>
<tr>
<td>Does the system support adequate analysis of performance information?</td>
<td>- There are systems to set relevant and appropriate performance measures and targets for performance review.</td>
</tr>
<tr>
<td></td>
<td>- Data and performance information is analysed and evaluated to enable issue identification.</td>
</tr>
<tr>
<td>Does the system enable performance improvement?</td>
<td>- There is a process to manage poor performance.</td>
</tr>
<tr>
<td></td>
<td>- Problem solving to address identified issues is encouraged and facilitated.</td>
</tr>
<tr>
<td></td>
<td>- There is a process to ensure follow up action occurs.</td>
</tr>
<tr>
<td></td>
<td>- There is a process to share information and better practice.</td>
</tr>
</tbody>
</table>

Source: Auditor-General of Queensland, Audit Report No.5 for 2010 – Performance Reviews – Using performance information to improve service delivery, May 2010: 10

121. The audit excluded:

- Data collection, including the accuracy and integrity of the data feeding into performance review systems
- Performance management systems at the individual officer level
- How agencies evaluate individual projects and initiatives
- Areas of DCS other than QAS

---

6.3 Audit results

122. The audit found that all three agencies audited have introduced performance review systems, although these systems are at varying levels of maturity. The Auditor-General stated that all have strong foundational elements including a clear purpose and focus, active executive involvement and clearly assigned responsibility and accountability. At all three agencies there is balanced and constructive discussion based around performance information with follow up systems to ensure action is undertaken to improve performance.\(^\text{108}\)

123. The audit found that each agency has followed similar principles but adapted them to suit their needs. This adaptation is partly due to the maturity of the systems and partly due to differing complexities and agency focus. The Auditor-General noted that the different levels of maturity reflect how long performance reviews have been in place in the agency.\(^\text{109}\)

124. The following diagram illustrates the different levels of maturity of each of the agencies audited:

![Diagram showing different levels of maturity]

Source: Auditor-General of Queensland, Audit Report No.5 for 2010 – Performance Reviews – Using performance information to improve service delivery, May 2010: 4

125. The audit found that all three agencies have well coordinated, formal biannual performance review systems with clear lines of accountability and strong leadership involvement. It found that QPS and QAS effectively select, display and analyse performance information and that DoC began reviews using existing information and is in the process of putting in place better measures and data.\(^\text{110}\)

126. The Auditor-General found no adverse issues of significance warranting reporting to Parliament, however, suggestions for improvement were communicated to the individual agencies. He made one recommendation: that all Queensland Government departments consider the better practice principles in adopting or enhancing their performance review process.\(^\text{111}\)

\(^\text{109}\) Auditor-General of Queensland, Audit Report No.5 for 2010 – Performance Reviews – Using performance information to improve service delivery, May 2010: 4
127. The Auditor-General encouraged all departments to consider implementing a similar performance review system that:

- Enables analysis and interpretation of performance information
- Facilitates discussions on how performance can be improved
- Translates these discussions into action

### 6.4 Better practice principles

128. Based on audit findings, observations and research undertaken by QAO during the audit, seven key principles were identified that underpin an effective performance review process. The Auditor-General considers that these principles can be adopted and adapted by other departments to achieve similar outcomes.

129. The following figure is included in the report to show the relationship between the principles and how they operate together to inform a successful system. The Auditor-General noted that the effectiveness of each level of the system is influenced by the robustness of the principles below it. Feedback loops are included in the process to ensure the system is regularly reviewed and improved.

![Diagram showing the relationship between principles](source)

Source: Auditor-General of Queensland, Audit Report No.5 for 2010 – Performance Reviews – Using performance information to improve service delivery, May 2010: 3
130. The key elements for each of the Better Practice Principles are outlined below:

1. **Clear purpose and focus**
   - Clear purpose and tone are set from the top of the organisation.
   - Performance review sessions have clear area/s of focus and priorities.
   - Performance review priorities are aligned with strategic planning.
   - Performance review priorities are communicated across the organisation.

2. **Active executive involvement**
   - Reviews are driven and supported by leaders with clear and explicit authority.
   - Key decision makers attend review sessions.
   - The leadership team understands the business and can interpret performance data.

3. **Responsibility and accountability assigned**
   - Responsibility and accountability is set at an appropriate level.
   - Expectations are clear.
   - Managers are made aware of the benefits of the process.
   - Tools and training help support and enable managers.

4. **Relevant and robust performance information**
   - Performance measures are relevant and appropriate and align with externally reported measures.
   - Data is accurate, reliable and readily-accessible to managers.
   - Information is presented clearly with a basis for comparison provided for all data.
   - Performance measures are regularly reviewed.

5. **Coordinated and documented by a dedicated team**
   - A dedicated team coordinates, documents and communicates the process.
   - The team provides independent analysis of performance information to help focus questioning.
   - The process is regularly reviewed and improved.

6. **Balanced discussion at review sessions**
   - Review sessions are formal, regular and scheduled.
   - Leaders create a constructive environment that encourages honest and open discussion.
   - The discussion focuses on both good and bad results.
   - The process facilitates organisation-wide improvement and is flexible enough to address emerging issues.

7. **Persistent follow up process**
   - Action plans for all areas of the organisation are recorded and communicated.
   - Actions are monitored and progress is reported.
   - Learnings and better practice are shared across the organisation.

131. The audit report contains extensive analysis of each of the principles and includes case studies demonstrating the principle in action.

---

6.5 Departmental response

132. The three agencies audited welcomed the Auditor-General’s report and indicated that they will consider the opportunities for improvement outlined in the report. PSC also supported the seven better practice principles and suggested that the case studies provided to support each principle will be useful to agencies who are looking for practical guidance.

133. DPC, however, while fully supporting the objective of continuous improvement in performance review systems, noted that this needs to be considered in the context of cost and service delivery priorities and that agencies’ primary focus needs to be on service delivery and additional investment in performance management must deliver improved services. The Acting Director-General noted that DPC is happy to incorporate the better practice principles into future iterations of the Guide to the Queensland Performance Management Framework.

6.6 Committee’s review

134. The committee further discussed the issues raised in the report at its meeting with the Auditor-General on 2 August 2010. Additional information was sought from the Auditor-General regarding the relevance of the systems used in the agencies audited to other government agencies.

135. The Auditor-General advised that performance review systems that use data to review performance and inform decision making are used by government agencies nationally and internationally. While the more well known are used by police departments, the concept has spread to other public sector agencies. The key principles identified in the report that underpin an effective performance review process are broad enough to be adapted and adopted by other departments to fit their specific public purposes and circumstances to achieve similar outcomes. He believes that the principles can be applied in a way that responds to the features and complexity of individual agencies.

136. The committee noted that QPS and QAS are reasonably uncomplicated agencies with a single focus, whilst DoC is more complex. The audit found that QPS and QAS are further along the system maturity continuum. The committee sought additional information from the Auditor-General regarding whether the complexity of the agency is significant in implementing performance review processes.

---

119 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 5
120 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 6
137. The Auditor-General advised that while acknowledging DoC has some added complexity compared with some other agencies, the major reason QPS and QAS are further along the system maturity continuum is the length of time they have been operating an operational performance review (OPR) system. QPS and QAS have been conducting OPRs for nine and two years respectively, while at the time of the audit DoC were undertaking and reviewing their first round of performance reviews and refining and documenting frameworks.\(^{121}\)

138. The Auditor-General noted that the experience at QPS has been that it takes time for the staff within the agency to become familiar with the review process and it also takes time for the performance data used in the reviews to reach a level of rigour and maturity that enables good performance discussions to occur. He advised that some of the issues being experienced by DoC, such as the tension between responsibility for performance outcomes by regional service delivery and specialist policy units with Head office, also apply at QPS and have been accommodated in the OPRs as greater experience has been gained with the process.\(^{122}\)

### 6.7 Committee’s conclusions

139. The committee is satisfied with the results of this audit and considers that better practice principles identified by the Auditor-General to be a useful resource for all agencies when planning their operational performance review systems.

\(^{121}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 6

\(^{122}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 6
7. Auditor-General’s Report No 6 for 2010 – *Using student information to inform teaching and learning*

7.1 Introduction

140. The Auditor-General tabled Auditor-General Report No 6 for 2010 – *Using student information to inform teaching and learning* on 20 May 2010. The report details the results of the PMS audit undertaken to examine whether the Department of Education and Training (DET) has effective and efficient systems to use student data to inform literacy and numeracy teaching and learning.\(^\text{123}\)

141. The Auditor-General selected the topic for the audit on the basis that using student data has become increasingly important. Current public debate has centred around education funding and resourcing, responsibility for establishing curriculum and syllabus and national testing. The introduction of the Australian governments’ National Assessment Program – Literacy and Numeracy (NAPLAN) and the MySchool website has drawn public attention to school results.\(^\text{124}\)

142. While the public focus is on the results of national testing, schools undertake other in-class testing and collect data about students. The data collected is then stored in school-based systems by the individual teacher or school. DET has developed the OneSchool system. OneSchool is an integrated information system that has been released in stages and enables the department to collect and store data about students for the duration of their school years.\(^\text{125}\)

143. There are 1038 state primary schools across Queensland.\(^\text{126}\) These schools have the primary role of developing appropriate learning programs and managing the relationship with their communities. All state schools are required to develop their own school specific operational plans and targets which align to the department’s priorities and contribute to achieving the department’s targets.\(^\text{127}\)

144. The assessment of literacy and numeracy standards is also impacted by a number of national agreements and state commitments agreed to via the Council of Australian Governments (COAG).\(^\text{128}\)

\(^{123}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 1

\(^{124}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 47

\(^{125}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 48

\(^{126}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 17

\(^{127}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 16
7.2 Audit objective and coverage

DET was the only department subject to the audit. The audit assessed whether the department had:

- information management systems that allow the department and schools to efficiently analyse student data
- processes in place at the school, region and state level to ensure actions to enhance teaching and learning are informed by the analysis of student data
- a reporting process to allow stakeholders to determine whether literacy and numeracy objectives are being achieved at a state, regional and program level.\(^\text{128}\)

The audit did not cover:

- the validity, integrity and reliability of the input data the department and schools use to assess and monitor student performance. The audit took the input as a given and focused on the reliability of the systems for the management and use of the data.
- the systems of non-state schools
- the systems of high schools and Technical and Further Education (TAFE) colleges
- the systems of the Queensland Studies Authority (QSA)
- the systems individual teachers use to monitor student progress\(^\text{130}\)

The audit was conducted by using a combination of visits to DET’s central office, regional offices and state primary schools and by a web-based survey. The sample for field visits was chosen in consultation with the department, and included an unbiased mix of schools with different characteristics such as location, size, socioeconomic status and academic outcomes. The electronic questionnaire was sent to a sample of 150 schools to broadly assess the systems in place.\(^\text{131}\)

7.3 Audit results

The audit identified that some schools had good practices and systems to support staff to analyse student data and use it to inform teaching and learning. However, there are opportunities for improvements to ensure the systems enable the department to deliver services more efficiently and effectively to all schools.\(^\text{132}\)

The areas for improvement identified by the audit included:

- more guidance and training for teachers to support the analysis of the full range of student data, both NAPLAN and school-based;
- use of a greater range of data by regions to prioritise the support for schools;

---

\(^\text{128}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 48
\(^\text{130}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 48
\(^\text{131}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 48
\(^\text{132}\) Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 1
improvements in the processes to monitor the implementation of school curriculum plans and assessment policies to ensure they meet department standards;

more complete feedback and supervision processes for all teachers in their skills, competencies and development needs to implant school curriculum plans;

clearer planning, monitoring and reporting requirements for delivery of services by regional offices;

more consistent monitoring of the implementation of school annual operational plans;

clearer requirements for storing and accessing student performance data;

more appropriate and relevant information reported to internal and external stakeholders.  

150. At the time of the audit, the Release Two of OneSchool had only been rolled out two weeks before the audit field work was conducted. Release Two includes a range of tools to analyse data on student background, behaviour and performance data and allows a comparison of the literacy and numeracy performances of Queensland Year 3, 5 and 7 students with national benchmarks.134

151. The Auditor-General acknowledged that teachers had had limited opportunities to become familiar with the system and that since the fieldwork was conducted a training module for teachers has been developed. However, he included comments that additional training for teachers and principals is needed to provide the confidence and skill sets to enable comprehensive analysis of OneSchool data and realise its full potential to support literacy and numeracy.135

152. The Auditor-General made eight recommendations as follows:

1. provide teachers and principals with access to further training in the skills and competencies necessary for them to analyse the full range of student data - NAPLAN and school-based.

2. strengthen guidelines for regions about how to use a broad range of data, including information on school systems to prioritise the support provided to schools to improve outcomes for students.

3. ensure that school curriculum plans and assessment policies are regularly monitored for compliance with the department’s standards.

4. strengthen existing performance management processes to ensure feedback is provided to teachers on their skills, competencies and development needs to implement the school’s curriculum plans.

5. revise the department’s model for planning, monitoring and reporting on the delivery of regional services to provide greater clarity of responsibility to this part of the organisation.

6. review school planning processes to ensure that the principal’s supervisor provides regular feedback and monitoring of the implementation of the priorities in school and annual operation plans.

134 Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 2
135 Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 2
7. revise the requirements for school Annual Reports to ensure that information reported allows stakeholders to assess the effectiveness and efficiency of school performance.

8. review the objectives and performance measures relating to schooling in its strategic plan and service delivery statement to ensure they are measurable and relevant.\textsuperscript{136}

153. As part of the audit process, the Auditor-General considered the relevance and appropriateness of DET’s performance measures for primary schooling in the strategic plan and service delivery statements and whether they fairly represent performance. The department has four objectives in its Strategic Plan 2009-2013, one of which was relevant to the audit: ‘Every young person will be well prepared for life success through learning and education’.\textsuperscript{137}

154. The Auditor-General noted that while this objective has been linked back to the government’s desired outcomes it does not define what being prepared for life success means. This lack of clarity made it difficult to measure the progress made towards this objective. Therefore, the Auditor-General was not able to provide an opinion on the relevance or appropriateness of the department’s performance measures in the strategic plan or whether or not they fairly represent performance.\textsuperscript{138}

7.4 Departmental response and Auditor-General’s additional comments

155. The Director-General, DET, provided an extensive response to the Auditor-General’s report which is included on pages 9 to 13 of the report. DET was critical that the report, whilst acknowledging that the new OneSchool application was only released two weeks prior to the audit field work being conducted, drew conclusions that stretched well beyond the recognition that it had only just been implemented.\textsuperscript{139}

156. DET further advised that they have implemented a range of contemporary training and support technologies to ensure teachers can access online support and tutorials in the use of OneSchool and is progressively rolling out its training programs.\textsuperscript{140}

157. DET was also critical that the sample size of 12 primary schools with a short e-survey of 150 other primary schools was insufficient, in view of the fact that DET operates over 1200 state schools. They also feel that the judgements made throughout the report do not fully acknowledge or show a full understanding for the operating environment of schools.\textsuperscript{141}

\textsuperscript{136} Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 8
\textsuperscript{137} Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 7
\textsuperscript{138} Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 9
\textsuperscript{139} Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 9
\textsuperscript{140} Auditor-General of Queensland, Audit Report No.6 for 2010 – Using student information to inform teaching and learning, May 2010: 10
158. DET also questioned the promotion of providing face-to-face training due to the significant costs involved for the department with its size and geographically dispersed workforce. They also disagreed with the inference that NAPLAN data is the only source of data used to judge school performance. They advised that a range of data including enrolment, attendance, Year 2, school opinion survey, Year 12 outcomes and retention data is used in providing schools with feedback about their performance and inform their communities.

159. In relation to teacher performance monitoring the audit found a range of practices across the schools visited, however, DET advised that the e-survey used by audit did not attempt to collect the same information from the other 150 schools.

160. In relation to the strategic measures used by the department, DET advises that the audit appears to have taken a very narrow view of departmental reporting against its strategic objectives and measures. They advised that the department invests significant effort in making a wide range of information available to the community not only through the Service Delivery Statement (SDS) but also through its school and departmental websites.

161. DET noted that in a large department that publishes a wide variety of information about its activities and services, including statements such as ‘more appropriate and relevant information reported to internal and external stakeholders’ without providing specific detail is unhelpful to the department in understanding audit’s intent.

162. Despite these concerns regarding the audit methodology, DET advised that the report provides the department with some pointers for where they can continue to improve their practice in order to lift their performance further.

163. The Auditor-General responded to these criticisms and his comments are also included in the report on page 13. The Auditor-General advised that he had expected to find well established processes for using the data to inform teaching and learning. The audit assessed the systems in place at all levels of the department to use the broad range of available student performance data, not just NAPLAN.

164. The audit visits found that data use across regions was inconsistent. The Auditor-General advised that if the audit finding about actual practices on data use at some regions indicates that these practices are not consistent with departmental policies, it is an issue for the department to address.
165. In regard to the criticisms about the audit methodology, the Auditor-General advised that the audit was undertaking using a methodology which complies with the Australian auditing standard on assurance engagements. An unbiased mix of schools and regions was selected in consultation with the department. He considers the audit methodology provides a sound basis for the audit conclusions and opinions outlined in the report.  

7.5 Committee’s review

166. The committee discussed the issues raised in the report at its meeting with the Auditor-General on 2 August 2010. The Auditor-General explained to the committee the process involved in the selection of the sample for the audit and the requirements in relation to auditing standards.

7.7 Committee’s conclusions

167. Whilst the committee notes the concerns expressed by DET in their response to the report regarding the methodology, the fact remains that inconsistency was found in the results within the sample and this is an issue that needs to be addressed by the department. It maybe that the department finds that this inconsistency is an aberration but it may also be an indication of a much larger problem.

168. However, the committee agrees with the department’s criticism that the general nature of the wording used in some of the Auditor-General’s recommendation can lead to confusion. The committee understands that QAO prepares additional detail relating to the specific audit results which is provided directly to the agency. The committee suggests that the Auditor-General consider this issue in framing of recommendations in future reports.

169. The committee considers that the additional training programs being progressively rolled out by the department will address many of the issues identified during the audit.

170. The committee is satisfied with the overall results of this audit and considers additional action by the committee to be unnecessary at this time.

---

8. **Auditor-General’s Report No 7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project**

8.1 Introduction

171. The Auditor-General tabled Auditor-General Report No 7 for 2010 – *Information systems governance and control, including the Queensland Health Implementation of Continuity Project* on 29 June 2010. The report details the results of an information systems audit to assess whether suitable controls and mechanisms were in place at the Department of Public Works (DPW) and Queensland Health (QH) to support the effective delivery of the QH Implementation of Continuity Project.\(^{151}\)

172. The Auditor-General advised that the audit program for 2010 included an audit of three whole of government information and communication technology (ICT) programs at DPW, as the whole of government ICT provider (Corporate Solutions Program, ICT Consolidation Program and Identity, Directory and Email Services Program). A major audit of the QH Implementation of Continuity Project (SAP HR and payroll) was also undertaken. Other information systems audits covered information technology governance within DET, patient information security within QH and information technology network security.\(^{152}\)

173. The Auditor-General advised that the development and implementation of ICT systems and solutions designed to address the current business requirements of government are large, complex and expensive projects. In this environment, it can be expected that projects may experience changes in personnel, technology, scope and legislative frameworks and these issues need to be adequately managed.\(^{153}\)

174. The audit report is divided into three distinct sections: QH Implementation of Continuity Project; Program Management and Governance; and Information Security.

8.2 Audit objective and coverage

*Queensland Health Implementation of Continuity Project*

175. The scope of the audit was to evaluate the effectiveness of DPW’s program and project management processes and QH’s processes, in relation to the business readiness of, and transition to, new systems.\(^{154}\)

---

\(^{151}\) Auditor-General of Queensland, Audit Report No 7 for 2010 – *Information systems governance and control, including the Queensland Health Implementation of Continuity Project*, June 2010: 17

\(^{152}\) Auditor-General of Queensland, Audit Report No 7 for 2010 – *Information systems governance and control, including the Queensland Health Implementation of Continuity Project*, June 2010: 1

\(^{153}\) Auditor-General of Queensland, Audit Report No 7 for 2010 – *Information systems governance and control, including the Queensland Health Implementation of Continuity Project*, June 2010: 1

\(^{154}\) Auditor-General of Queensland, Audit Report No 7 for 2010 – *Information systems governance and control, including the Queensland Health Implementation of Continuity Project*, June 2010: 17
176. The audit examined:
- the operation of program and project governance processes established to monitor and control the project and related aspects of DPW’s Corporate Solutions Program
- a high level review of business process issues encountered after the system was implemented.\(^{155}\)

177. The audit tested project management controls at DPW and QH including examining:
- Project governance
- Contract management of the prime contractor
- User acceptance and data conversion testing
- System and business readiness at the time of the Go-Live decision
- Lessons learnt that could be applied to other government projects.\(^{156}\)

178. The audit did not include assessment of specific project processes and procedures undertaken within IBM. The management of IBM’s role is a responsibility of CorpTech.\(^{157}\)

Program Management and Governance

179. The objectives of the audit were to determine whether appropriate governance and management controls were implemented over three major programs. The main focus was to ascertain whether processes existed to ensure corresponding benefits were realised from the major investments.\(^{158}\)

180. The following programs were examined:
- ICT Consolidation Program (ICTC), previously known as the Technology Transformation Program (TTP)
- Identity, Directory and Email Services (IDES)
- Corporate Solutions Program (CSP)\(^{159}\)

181. The scope of the audit did not include examining the probity of procurement decisions made as part of managing these projects.\(^{160}\)

---

\(^{155}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 17
\(^{156}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 17
\(^{157}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 17
\(^{158}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 37
\(^{159}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 37
\(^{160}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 37
Information Security

182. The audit examined whether there were suitable systems and frameworks in place to ensure effective safeguarding of patient information. The focus of the audit was the security of patient information within the information technology environment for which QH is responsible. The audit examined information management, security processes and network security in relation to the patient information systems, manual patient files and some of the other support systems that are used to record and share patient information between hospitals and external third parties.  

183. The audit had two broad objectives as follows:

- to determine whether the areas of QH examined as part of the audit had efficient and effective systems for managing patient information throughout the patient lifecycle, in particular, the availability of systems to capture and safeguard patient information when information was shared between hospitals and external third parties.

- to determine whether QH had effective systems for protecting patient information from internal and external threats, specifically, whether there were appropriate and effective policies and systems and controls to safeguard QH’s network from intruders.

8.3 Audit results

Queensland Health Implementation of Continuity Project

184. As part of the Shared Service Initiative established to design and build a whole of government finance and human resources solution, Queensland Government agencies were mandated to implement a standard software suite, including a payroll system (SAP HR), rostering software (WorkBrain) and a finance system (SAP Finance).  

161 Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 49

162 Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 49

163 Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 15
185. The first SAP HR system within this initiative was implemented as a pilot project at the then Department of Housing (DoH) in March 2007.\(^{164}\) It was envisaged that the HR solution for QH would be based on the DoH’s SAP payroll system, with minimal changes required for QH.\(^{165}\) The prime contractor undertook to put in place strategies in the QH project in relation to a number of issues noted as learnings from the DoH implementation.\(^{166}\) The Auditor-General noted that the prime contractor developed a statement of scope assuming that there would be a ‘like for like’ replacement, using the DoH’s SAP system with very little customisation. The audit found that the requirements of QH were significantly more complex than that of the DoH because of the number of staff to be paid and the more complex award and rostering requirements.\(^{167}\)

186. On 14 March 2010, QH went live with the new payroll system (SAP HR) for the processing of payments for all departmental employees and the new rostering system (WorkBrain). Difficulties were experienced with the system implementation and QAO undertook an audit of the major factors which adversely impacted on the system implementation.\(^{168}\)

187. Prior to the introduction of the new system, QH used the LATTICE payroll and the ESP rostering systems which had been in place since 1997. The LATTICE payroll system needed to be replaced as it was no longer being supported by its supplier from July 2008 and there were risks associated with the continued use of an unsupported system.\(^{169}\)

188. The following table illustrates the roles of the key participants in the project:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>CorpTech</td>
<td>Specialised business unit of Treasury Department and subsequently Department of Public Works providing a whole of government role over the acquisition of information technology. CorpTech is the owner of the SAP HR and WorkBrain systems. The primary responsibility during this project was to manage the prime contract.</td>
</tr>
<tr>
<td>IBM</td>
<td>Prime contractor to CorpTech selected under a formal tender arrangement to direct, manage and control the project and to implement SAP HR and WorkBrain solution to replace LATTICE.</td>
</tr>
<tr>
<td>Queensland Health</td>
<td>Business user of the SAP HR and WorkBrain systems responsible for the payment of Queensland Health employee entitlements. Primarily responsible for ensuring business requirements were reflected in the scope of works, undertake data cleansing and migration, user acceptance processes, staff training and ensures business processes and practices were ready to utilise the new system.</td>
</tr>
</tbody>
</table>

Source: Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 2

\(^{164}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 15

\(^{165}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 22

\(^{166}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 23

\(^{167}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 13

\(^{168}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 13

\(^{169}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 2
189. Key findings from the audit of the system implementation included:

- The QH payroll system has complex award structures. There are 13 awards and multiple industrial agreements which provide for over 200 different allowances and in excess of 24,000 different combinations of calculation groups and rules for QH employees who on average total 78,000.

- The governance structure for the system implementation, as it related to CorpTech, the prime contractor (IBM) and QH, was not clear, causing confusion over the roles and responsibilities of the various parties.

- There was inadequate documentation of business requirements at the commencement of the project. This inadequate documentation and agreement of business requirements contributed to the significant increase in the system development costs and timeframe.

- The time taken to reach Go-Live status increased from 8 months to 26 months.

- The absence of a periodic review of the business needs contributed to subsequent difficulties with system testing and the implementation of a system which did not meet the needs of QH’s operating environment.

- System and process testing prior to Go-Live had not identified a number of significant implementation risks and therefore the extent of the potential impact on the effective operation of the payroll system had not been fully understood and quantified.

- System usability testing and the validation of the new processes in the business environment were not performed. As a result, QH had not determined whether systems, processes and infrastructure were in place for the effective operation of the new system.

- A number of critical business readiness activities and practices were not fully developed prior to the implementation of the new system. This was in part a reflection of the view of QH staff that the project involved a ‘like for like’ replacement of the LATTICE system and the lack of an awareness of the full impact of the business rules configured into the new system.

- Business continuity plans were not available and able to be quickly implemented to address payroll issues as they emerged.

- Key system performance reports for use by CorpTech were not available during the completion of the initial payroll processing.

- Several changes to the payroll administration practices, such as new fax server and a re-allocation of processing duties with the QH Shares Services Provider, were introduced at the same time as the release of the SAP HR and WorkBrain systems.\(^\text{170}\)

- No contingency plans were prepared for business cut-over and no testing was undertaken in the production environment to determine whether the pays were correct prior to the first payroll being produced.

- Some of the Enterprise Bargaining Agreement (EBA) conditions and business policies place an unrealistic pressure on the time available for payroll processing.

- The new system has far tighter business rules for many of the processes undertaken during the pay cycle. The full impact of those stricter business rules were not identified and included in the changed business practices needed for the new system.\(^\text{171}\)

\(^\text{170}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 2, 13

\(^\text{171}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 16
There was no one entity or officer monitoring and managing total project budget versus costs being incurred by all the various stakeholders. Therefore value for money and overall accountability for the project costs have not been regularly assessed and managed.\textsuperscript{172}

Considering the number of defects identified in the eight month period prior to Go-Live and the subsequent changes to the system, there should have been an additional parallel test performed to compare individual pay results for a sample of employees.\textsuperscript{173}

The Auditor-General has identified many lessons to be learnt from the experience of the QH Implementation of Continuity Project which should be considered for future system implementations. These issues include:

- Where possible, simplify award structures prior to implementing a new payroll system to remove complexities which will impact on the effectiveness and efficiency of payroll process.
- Establish clear lines of accountability and roles and responsibilities at the initiation of the project to ensure an end to end governance structure. These should be revisited throughout the life of the project to ensure there is continued clarity.
- Ensure the full impact of system change is assessed on the end to end business process.
- Ensure the ultimate decision to Go-Live is based on the readiness of the business and that the system’s application within the business is fully tested.
- Identify all project and system risks and have in place robust contingency plans and risk management strategies to address risks in the event of unexpected system issues.\textsuperscript{174}
- The Queensland Government project management methodology should be used to guide the project through a controlled, well managed, transparent set of activities, to achieve the desired results.
- An end to end governance structure, including a project board, should be established at the outset of a project. Membership of the project board should include business transition or change managers to ensure smooth business transition occurs.
- The governance structure, including roles, responsibilities, accountabilities and key performance indicators of all parties needs to be documented and approved by all key stakeholders. This should be communicated effectively to all key stakeholders to ensure that everyone is clear about the intended outcome, how the outcomes are to be achieved and what responsibilities each party needs to fulfil in order to deliver those outcomes.
- The project manager should control the budget, schedule and scope of the project. Segregation of duties between the senior supplier and the project manager should be implemented to minimise the risk of a potential for conflict of interest.
- A formal and structured project organisation change management process needs to be implemented.\textsuperscript{175}
- Assumptions in the planning phase of projects need to be challenged rigorously by all stakeholders at various stages of the project.\textsuperscript{176}

\textsuperscript{172} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 27
\textsuperscript{173} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 30
\textsuperscript{174} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 3
\textsuperscript{175} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 21
\textsuperscript{176} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 24
Inherent risks with a ‘like for like’ replacement of one system with a different system should be analysed and managed. In particular, business process mapping needs to be performed to analyse the impact of the new system and assess how well the existing business processes, including any system workarounds, will be supported.

There are inherent difficulties in standardising systems and processes across government. Large departments need to review business processes with a view to standardising them across the department in the first instance and then, to the extent possible, with the rest of government agencies. In addition, manual processes should be reviewed with a view to increased automation.\textsuperscript{177}

Adequate time should be allowed for data preparation and data migration.

A detailed risk analysis should be performed and documented prior to changing ratings on user acceptance criteria.

Strict change control procedures should be implemented so that a stable user acceptance testing environment can be maintained for its duration.

System usability testing of end to end business processes is essential in implementing a payroll system of the size and complexity of QH. This testing ensures that those users who prepare data for entry into the system are also involved in the testing phase and the system is tested in the environment similar to that in place once the system is implemented.\textsuperscript{178}

191. The Auditor-General made two recommendations directed to QH and one recommendation directed to Shared Services.\textsuperscript{179}

Program Management and Governance

192. Program management is the coordinated organisation, direction and implementation of a group of projects and activities that together achieve the outcomes and realise benefits that are of strategic importance. The projects in the program should be managed in a coordinated way to obtain benefits and a level of control not available from managing the projects individually.\textsuperscript{180} The audit found that while the Queensland Government Program Management Methodology was being progressively implemented, all programs were behind schedule.\textsuperscript{181}

193. The Auditor-General found that overall, the governance of information technology (IT) program management across all three programs audited needed improvement. There was a lack of transparency in relation to key decisions and the way these decisions would impact on client agencies. The Auditor-General considered that action needs to be taken by DPW to address the identified deficiencies.\textsuperscript{182}

\textsuperscript{177} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 26
\textsuperscript{178} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 30
\textsuperscript{179} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 5
\textsuperscript{180} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 35
\textsuperscript{181} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 36
\textsuperscript{182} Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 4
194. The Auditor-General noted that the governance frameworks for two of the programs audited largely focused on implementing the technology rather than delivering whole of government business outcomes. With the third project, it appeared to be a series of separate projects rather than a coordinated program.\textsuperscript{183}

195. Key mechanisms to ensure that the programs remained viable, and that government obtained the full benefits from the investments, were not fully implemented. As a result the department could not demonstrate whether the government would realise the full benefits, including savings, that were expected from the large scale investment. The Auditor-General stated that governance of investments at the program level was insufficient to demonstrate the delivery of benefits. The baselines, recording, monitoring and reporting of benefits did not form part of program documentation. In addition there was no evidence of a correlation of the savings to costs incurred in achieving those savings.\textsuperscript{184}

\textit{Information Security}

196. Information security means protecting information and information systems from unauthorised access, use, disclosure, modification or destruction.\textsuperscript{185} Failure to address fundamental control weaknesses, leaves public sector entities vulnerable to computer system failures, unauthorised access to information, loss of information and fraudulent activity.\textsuperscript{186}

197. Overall, the audit found that QH appears to have established a satisfactory control environment for both patient information repositories and the information technology infrastructure. Suitable systems and frameworks are in place to ensure effective safeguarding of patient information. The audit found that there were some opportunities to improve the efficiency and effectiveness of the collection, retrieval and storage of patient information. In particular, the paper based clinical information that is recorded and maintained separately by each hospital carries an inherent risk of delays in retrieving records when a patient presents at the hospital.\textsuperscript{187}

198. The Auditor-General noted that QH had reported that the e-Health strategy, when implemented, should improve the availability and accessibility of patient information to clinicians. The e-Health strategy includes a state-wide medical records system.\textsuperscript{188}

\textsuperscript{183} Auditor-General of Queensland, \textit{Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project}, June 2010: 36

\textsuperscript{184} Auditor-General of Queensland, \textit{Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project}, June 2010: 36, 37

\textsuperscript{185} Auditor-General of Queensland, \textit{Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project}, June 2010: 47

\textsuperscript{186} Auditor-General of Queensland, \textit{Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project}, June 2010: 4

\textsuperscript{187} Auditor-General of Queensland, \textit{Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project}, June 2010: 48

\textsuperscript{188} Auditor-General of Queensland, \textit{Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project}, June 2010: 48
8.4 Departmental response

199. The Directors-General, DPW and QH, provided an extensive response to the report. They noted that the QH Implementation of Continuity Project was complex and faced the challenge of an ageing payroll system that was in urgent need of replacement with the withdrawal of vendor support. This influenced deliberations of the Project Board as there was the constant risk of catastrophic payroll failure and the possibility of all QH employees not being paid.\(^{189}\)

200. They acknowledged that governance improvements can be made in respect of all programs audited and committed to the rigorous implementation of the Queensland Government Chief Information Office (QGCIO) program and project methodologies. They also committed to work collaboratively with all agencies to ensure these methodologies are applied to existing and future system implementations so that expected benefits are realised from the significant investments being made by government.\(^{200}\)

201. The Directors-General agreed to the audit recommendations but suggested that recommendations impacting on the legislation should be discussed between the Auditor-General and the Under Treasurer.\(^{201}\)

202. In regard to the management of security of patient information, the Director-General, QH, advised that QH is currently investing in a significant e-Health program, which will result in a stronger reliance on electronic records, rather than paper documents, with the associated benefits of improving access to the ‘right information to the right person at the right time’. The department acknowledged the subsequent need for improved security systems, including people, processes and technology operating effectively together, to underpin high-quality patient healthcare services. QH advised that they are actively working towards planning and implementing secure information management practices which can be relied upon to meet these requirements.\(^{202}\)

203. The Director-General, DET, advised that the department is committed to ensuring that sound ICT governance and project management practices are in place to enable achievement of the department’s information and knowledge goal of creating a capable, agile and sustainable organisation where innovative and efficient business solutions underpin the achievement of priorities.\(^{203}\)

\(^{189}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 7

\(^{190}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 10

\(^{191}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 11

\(^{192}\) Auditor-General of Queensland, Audit Report No.7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project, June 2010: 12
8.5 Committee’s review

204. The committee discussed the issues raised in the report at its meeting with the Auditor-General on 2 August 2010. In particular, the committee discussed the comparisons with the DoH payroll project implementation and the learnings that should have occurred from that project. The Auditor-General also indicated to the committee that he will further examine the issues raised in the report during his finalisation of the 2009-10 financial statements.

205. The committee also sought the Auditor-General’s comments on the committee’s observation that often problems with the implementation of new systems stem from insufficient engagement with agency staff at the beginning of the project.

206. The Auditor-General advised that this issue was quite noticeable in relation to the whole of government ICT infrastructure programs audit where it has been noted that project boards, when formed, were more internally focussed in DPW. In particular, there was a lack of transparency for agencies outside of DPW, who would be impacted by the implementation of the new systems, in the process for making key decisions and the reasons for those decisions. He advised that this scenario perpetuates the culture within agencies that the technology decisions are imposed on them and there is generally a reluctance in uptake of whole of government projects that are rolled out.\textsuperscript{194}

207. He further noted that although the engagement of agency staff is critical in the development of the requirements for new systems, it is also important for that engagement to continue throughout the life of the project to ensure that the project deliverables are achieved and the agencies are able to contribute in the consideration of any changes in project scope.\textsuperscript{195}

208. That Auditor-General also noted that with financial systems implementation, the more prevalent issue is that roles, responsibilities, authority and accountabilities of each party within shared services is not clearly articulated, documented and agreed upon at the outset of the project. This causes confusion amongst the various parties involved within the governance processes which was clearly seen in the QH project.\textsuperscript{196}

209. The committee expressed its concern that issues experienced during the roll out of the QH Implementation of Continuity Project bare a striking similarity to that experienced with the Brisbane City Council (BCC) payroll system implementation in July 2005. The former PAC (51\textsuperscript{st} Parliament) reported on this projected in \textit{Report No 71 – Reports of the Auditor-General, 1 July – 31 December 2005}, tabled on 25 May 2006.
210. The PAC noted at the time that other public sector entities could learn from BCC’s experience. The lessons learned from that project as identified by the then BCC CEO were:

- **Get the business processes right** - ensure that the ‘as is’ business processes are well understood and documented early in the project so that the full extent of the work can be properly assessed. The proposed changes to people’s roles and to business processes need to be clearly explained and users then require relevant and timely training to achieve the required business outcomes.

- **Project management and resourcing** – recruit project managers with proven track records in managing and delivering projects of similar scale and nature. The project managers must be supported with content experts who know the business and are able to work effectively with the key stakeholders. This significantly reduces the potential for a mismatch between what is delivered and what is actually required.

- **Involve the stakeholders throughout the project** – stakeholders need to be actively engaged from project inception to ensure the full scope of the project is understood from the outset and to develop and maintain commitment to the project.

- **Stronger project monitoring** – ensure that probing questions are asked at appropriate stages.

211. The government is well aware of the catastrophic effect of the QH project implementation and the committee is in no doubt that the Minister is committed to rectification of the results of the poor project implementation and is focused on ensuring that hard working staff are paid appropriately and on time.

212. The committee is concerned about the issue of the implementation of IT projects, in general, across the public sector and ensuring that best practice is followed now and into the future. To this end the committee has resolved to conduct an inquiry into the implementation of IT projects. The committee will report separately on the results of this inquiry at the conclusion of its investigations.

---

9. **Auditor-General’s Report No 8 for 2010 – Results of audits at 31 May 2010**

9.1 **Introduction**

213. The Auditor-General tabled Auditor-General Report No 8 for 2010 – *Results of audits at 31 May 2010* on 6 July 2010. The report details the results of the financial and compliance audits of public sector entities with balance dates other than 30 June 2009 and informs on audit issues that have been identified during the interim audits undertaken in relation to the 2009-10 financial year.\(^{199}\)

214. The report covers 123 public sector entities where an auditor’s opinion has been issued since previous reports were tabled or where an auditor’s opinion has not yet been issued. It also includes the results of universities and grammar schools which had a financial statement balance date of 31 December 2009.\(^{200}\)

9.2 **Audit results**

215. The Auditor-General Act 2009 requires the Auditor-General to report to Parliament on the results of all audits each year.\(^{201}\) The following table depicts the status of the 2008-09 audits as at 31 May 2010:

<table>
<thead>
<tr>
<th>Financial reporting period</th>
<th>Total number of entities</th>
<th>Unmodified auditors’ opinions issued</th>
<th>Modified auditors’ opinions issued</th>
<th>Auditors’ opinions not yet issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.07.2008 to 30.06.2009</td>
<td>503</td>
<td>443</td>
<td>53</td>
<td>7</td>
</tr>
<tr>
<td>01.01.2009 to 31.12.2009</td>
<td>83</td>
<td>64</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Other reporting periods</td>
<td>29</td>
<td>15</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>615</td>
<td>522</td>
<td>81</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Auditor-General of Queensland, *Audit Report No.8 for 2010 – Results of audits at 31 May 2010*, July 2010: 1

\(^{199}\) Auditor-General of Queensland, *Audit Report No.8 for 2010 – Results of audits at 31 May 2010*, July 2010: 1  
\(^{200}\) Auditor-General of Queensland, *Audit Report No.8 for 2010 – Results of audits at 31 May 2010*, July 2010: 1  
\(^{201}\) Auditor-General of Queensland, *Audit Report No.8 for 2010 – Results of audits at 31 May 2010*, July 2010: 5
216. The status, by category, of the financial statement certifications are summarised as follows:

<table>
<thead>
<tr>
<th>Entity Type</th>
<th>Total</th>
<th>Previously reported</th>
<th>Unmodified auditor’s opinion issued</th>
<th>Modified auditor’s opinion issued</th>
<th>Auditor’s opinion not yet issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal Shire councils</td>
<td>12</td>
<td>9</td>
<td>0</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Audited by arrangement</td>
<td>49</td>
<td>43</td>
<td>48</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Audited by arrangement – under trust deed</td>
<td>52</td>
<td>48</td>
<td>51</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Controlled entities</td>
<td>170</td>
<td>102</td>
<td>144</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Departments</td>
<td>20</td>
<td>20</td>
<td>19</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Departments – abolished</td>
<td>14</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Departmental agencies</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Government owned corporations</td>
<td>15</td>
<td>0</td>
<td>13</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Jointly controlled entities</td>
<td>36</td>
<td>20</td>
<td>30</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Joint local governments</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Local governments</td>
<td>61</td>
<td>60</td>
<td>57</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Statutory bodies</td>
<td>178</td>
<td>143</td>
<td>145</td>
<td>31</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>615</td>
<td>478</td>
<td>522</td>
<td>81</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Auditor-General of Queensland, Audit Report No.8 for 2010 – Results of audits at 31 May 2010, July 2010: 6

217. The audits of 2008-09 financial statements for 12 entities have not yet been completed and auditors’ opinions issued.202

218. Seven universities are constituted in the Queensland public sector. These universities are statutory bodies subject to audit by the Auditor-General under the requirements of the FA Act.203 Universities are empowered to form or participate in ventures that may further their educational objectives. These include forming companies for fundraising and the commercialisation of technology. By their nature, these companies may generate losses for a period of time until research and development activity results in commercial products that can be licensed or sold, or a decision is made to cease activities.204 Where there is a going concern issue, Australian Auditing Standards require the Auditor-General to provide a modified auditor’s opinion or include an emphasis of matter relating to each company’s ability to continue as a going concern.205

219. The Auditor-General noted that whilst modified audit opinions were issued for some controlled entities of universities, he is satisfied that appropriate governance regimes are in place to maintain their accountability.206
220. Eight public grammar schools are established under the provisions of the Grammar Schools Act 1975. Whilst these schools are considered to be public sector entities and are audited by the Auditor-General, they operate on a fully commercial basis with limited financial benefit being derived from being public sector entities. All grammar schools received unqualified audit reports. 

221. The Auditor-General has undertaken a number of audits of the area of infrastructure project management since 2006. The focus of the current report is on the results of further audits of previously reported matters looking at evidence which supports investment decisions, benefits realisation and the use of independent project verifiers across a range of infrastructure projects at various stages of delivery.

222. Overall the audits found:

- Policy guidance and procedures for the development and management of infrastructure projects has improved significantly, particularly as a result of the introduction of the Project Assurance Framework in 2007.
- Recommendations made in previous Auditor-General Reports to Parliament are progressively being implemented by responsible agencies albeit at a slower pace than committed to originally.
- While the quality of documentation to support business cases has improved, there is a need for lead agency monitoring and reporting on significant infrastructure business cases in the context of risk management and delivery strategies to ensure compliance and the provision of robust analysis and options comparison.
- The up-front exclusion of some delivery options, due to rigid imposition of relatively tight timeframes for the delivery of infrastructure, was identified as a key risk which may negatively impact upon the value for money consideration.
- While few agencies examined had detailed policies on the appointment and role of independent project verifiers, the Department of Transport and Main Roads (DTMR), through the OnQ project management methodology, and DPW, through the Capital Works Management Framework, demonstrated that the verification of project delivery costs and quality were being actively managed.

223. The report also contains the results of audit activity related to the financial compliance audits for 2009-10, including an examination of:

- audit committee guidance
- employment checking
- shared services
- payments processed through Electronic Funds Transfer (EFT) systems
- compliance with the State Procurement Policy
- follow-up of issues previously reported in relation to management of public sector employee housing

---

207 Auditor-General of Queensland, Audit Report No.8 for 2010 – Results of audits at 31 May 2010, July 2010: 11
208 Auditor-General of Queensland, Audit Report No.8 for 2010 – Results of audits at 31 May 2010, July 2010: 14
209 Auditor-General of Queensland, Audit Report No.8 for 2010 – Results of audits at 31 May 2010, July 2010: 14-15
210 Auditor-General of Queensland, Audit Report No.8 for 2010 – Results of audits at 31 May 2010, July 2010: 2
224. Key findings included:

- Audit committee guidance: all entities assessed had established an audit committee and overall, the level of implementation of the guidelines was found to be satisfactory.
- Employment checking: sound procedures were in place in the entities audited to ensure compliance with relevant legislation and established policies with respect to qualification checks, criminal history checks and conflicts of interest.
- Shared services: the ongoing audit of shared services found that while control environments are maturing, some internal controls spanning across agencies or business units within agencies are still not operating effectively.
- Management of public sector housing: positive action has been taken to address the key findings in Auditor-General Report No 4 for 2008 – Results of audits at 31 May 2008, that related to the management of public sector employee housing.
- Payments processed through EFT systems: generally those agencies that operated their own EFT systems had satisfactory controls over payments processed through them. However, there were instances where controls could be further strengthened by ensuring that changes to EFT processes are subject to appropriate change management practices.
- Compliance with the State Procurement Policy: the departments audited were found to be complying with the objectives and requirements of the policy, however, there is no ongoing monitoring undertaken across government over key compliance requirements of the policy.

225. The Auditor-General noted that there has been a renewed focus on reducing the number of finance and human resource systems to migrate unsupported systems into preferred environments. However, there still remains a significant number of legacy systems with eight legacy SAP systems, four Aurion payroll systems, two LATTICE payroll systems and one TSS payroll system. The Auditor-General noted that consolidation of these remaining legacy environments is critical due to the high risks associated with the continued operation and support of legacy systems.

226. He noted that while CorpTech continues to actively manage the existing support arrangements some of these systems are no longer covered by vendor support agreements and more systems will become unsupported from 2013. The number of systems that need to be separately maintained by Corp Tech increases the risk of security failures and data integrity issues. Such failures, if they materialise, could impact on the integrity of financial statements or the correct processing of payroll for public servants. In addition, the cost of auditing these separate system environments is increased.
227. The Auditor-General advised that the **Financial and Performance Management Standard 2009 (FPMS)** states that departments and statutory bodies must have regard to the Project Assurance Framework (PAF). While this captures departments and statutory bodies, the FPMS does not apply to all public sector entities, such as special purpose vehicle companies, trusts and joint ventures. The Auditor-General also noted that the PAF itself does not include guidance on its application and this lack of clarity may contribute to the inconsistent or incomplete compliance with the PAF.\(^{215}\)

9.3 Committee’s review

228. The committee further discussed the issues raised in the report at its meeting with the Auditor-General on 2 August 2010. Additional information was sought from the Auditor-General on the following issues:

- the reasons why audit opinions have not been completed for the 12 entities listed in the report
- the significance of the qualifications issued to the North Burdekin Water Board and the South Burdekin Water Board
- the significance of the PAF not applying to special purpose vehicle companies, trusts and joint ventures
- the segment reporting and Annual Leave Central Scheme audits
- the critical issues associated with Shared Services
- disaster recovery arrangements\(^{216}\)

229. The Auditor-General provided an update on the status of the outstanding financial statements as at 31 August 2010. The financial statements for only two entities remained outstanding at that date.\(^{217}\)

230. The Auditor-General advised the committee that the Shared Services Agency has formed a project team to investigate and correct control weaknesses identified in the audit report. He noted that progress on the resolution of this issue will be monitored by QAO.\(^{218}\)

231. With regard to the PAF, the Auditor-General noted that the FPMS has restricted the application of the Project Assurance Framework, entities such as special purpose vehicle companies, trusts and joint ventures are not required to comply with its provisions.\(^{219}\)

---


\(^{216}\) Correspondence from PAPWC to Mr G Poole, Auditor-General of Queensland, dated 3 August 2010: 2-3

\(^{217}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 2-3

\(^{218}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 9-11

\(^{219}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 13
232. DIP advises that the PAF is the foundation for ensuring that project management is undertaken effectively across Queensland Government Agencies. It aims to deliver value for money from the significant investment in infrastructure projects. The PAF is a whole-of-government project assessment process. It establishes a common approach to assessing projects at critical stages in their life cycle. It aims to maximise the benefits returned to government from project investments.220

233. Queensland Treasury notes that the PAF and its associated guidance material provide broad-based general guidance on project management and set the high-level parameters that may be evaluated in Gateway Reviews and other project management quality assurance processes. They also note that the Project Assurance and Value for Money Frameworks, complemented by any existing departmental project management processes, represent the minimum standards for project management and assurance across the Queensland Government public sector.221

234. The Auditor-General advised that the PAF is considered to be better practice for undertaking major project. Special purpose vehicle companies, trusts and joint ventures may choose to use the principles of the PAF because it represents best practice, but they are not required to do so.222

235. The Auditor-General advised that where the government has established a special purpose company specifically to undertake infrastructure activity, it appears to be inappropriate for the company to be able to operate without regard to the PAF which would be a requirement if the works were undertaken directly by the department.223

236. The Auditor-General also noted that a significant volume of infrastructure projects and expenditure is therefore able to be undertaken outside of the requirements of the PAF simply because of the different requirements placed on different entity structures.224

237. The committee agrees with the Auditor-General’s assessment that the entity structure selected to undertake an infrastructure project should not alter the requirements to comply with the best practice requirements incorporated within the PAF.

Recommendation 1

The committee recommends that the Treasurer and Minister for State Development and Trade ensure that entities such as special purpose vehicles companies, trusts and joint ventures are required to comply with the provisions of the Project Assurance Framework.

221 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 12
222 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 12
223 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 12
224 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 31 August 2010: 12
10. Auditor-General’s Report No 9 for 2010 – *Sustainable management of national parks and protected areas*

10.1 Introduction

238. The Auditor-General tabled Auditor-General Report No 9 for 2010 – *Sustainable management of national parks and protected areas* on 5 October 2010. The audit objective of this PMS audit was to determine if the Department of Environment and Resource Management (DERM) had adequate systems in place to ensure the conservation of the state’s natural and cultural heritage is managed efficiently and effectively.225

239. DERM is responsible for managing protected areas through its Queensland Parks and Wildlife Services (QPWS) division. This includes planning for the protected areas estate, undertaking conservation activities and monitoring and reporting its achievements as prescribed by the *Nature Conservation Act 1992*.226 Under the Act the department is responsible for the protection and management of the protected areas estate while allowing for its ecologically sustainable use. The department meets its legislative mandate through a range of strategies including the dedication and declaration of protected areas, the management of protected areas estate and the protection of native wildlife and habitat.227

240. At the time of the audit (July 2010) the estate comprised 576 protected areas including 315 national parks, 216 conservation areas and 45 resources reserves. These figures do not include marine protected areas managed by QPWS.228

---

225 Auditor-General of Queensland, *Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas*, October 2010: 1
226 Auditor-General of Queensland, *Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas*, October 2010: 1
227 Auditor-General of Queensland, *Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas*, October 2010: 10
228 Auditor-General of Queensland, *Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas*, October 2010: 10
241. The following table illustrates the QPWS management areas and ranger numbers over the period 1997 to 2010.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National park</td>
<td>6,471,088</td>
<td>6,675,829</td>
<td>6,709,768</td>
<td>7,425,155</td>
<td>7,959,276</td>
<td>8,138,792</td>
</tr>
<tr>
<td>Conservation park</td>
<td>28,742</td>
<td>32,930</td>
<td>42,290</td>
<td>64,893</td>
<td>73,253</td>
<td>66,683</td>
</tr>
<tr>
<td>Resources reserve</td>
<td>321,842</td>
<td>350,719</td>
<td>347,857</td>
<td>348,104</td>
<td>366,667</td>
<td>368,662</td>
</tr>
<tr>
<td>Nature refuge *</td>
<td>2,322</td>
<td>13,518</td>
<td>61,352</td>
<td>461,659</td>
<td>750,986</td>
<td>1,711,271</td>
</tr>
<tr>
<td>Coordinated conservation area *</td>
<td>1,170</td>
<td>1,170</td>
<td>1,170</td>
<td>2,121</td>
<td>2,121</td>
<td>2,121</td>
</tr>
<tr>
<td>Forest reserve</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>144,510</td>
<td>143,691</td>
</tr>
<tr>
<td>Total protected area</td>
<td>6,825,164</td>
<td>7,074,166</td>
<td>7,162,627</td>
<td>8,301,932</td>
<td>9,296,817</td>
<td>10,432,239</td>
</tr>
<tr>
<td>State timber forests and other reserves **</td>
<td>0</td>
<td>4,554,576</td>
<td>4,346,702</td>
<td>4,196,808</td>
<td>3,608,130</td>
<td>3,502,545</td>
</tr>
<tr>
<td>Total</td>
<td>6,825,164</td>
<td>11,628,842</td>
<td>11,509,329</td>
<td>12,500,740</td>
<td>12,900,956</td>
<td>14,024,165</td>
</tr>
<tr>
<td>Aggregated QPWS managed areas</td>
<td>6,821,572</td>
<td>11,614,154</td>
<td>11,446,807</td>
<td>12,036,960</td>
<td>12,241,847</td>
<td>12,310,773</td>
</tr>
<tr>
<td>Ranger establishment numbers ***</td>
<td>479</td>
<td>504</td>
<td>684</td>
<td>695</td>
<td>793</td>
<td>763</td>
</tr>
<tr>
<td>Hectares per ranger</td>
<td>14,241</td>
<td>23,044</td>
<td>16,735</td>
<td>17,319</td>
<td>15,437</td>
<td>16,135</td>
</tr>
</tbody>
</table>

* QPWS does not manage the Nature Refuge and Coordinated Conservation Area categories (private land). This category has been excluded from above calculations.
** Includes forest reserve, State forest, timber reserve and other which includes department and official purposes reserve, environmental reserve, reserve for environmental purposes, other reserves, scientific reserve, freehold land EPA
*** Full time equivalent positions.

Source: Auditor-General of Queensland, Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas, October 2010: 11

242. The Auditor-General noted that in July 2010 it was announced by the Minister that ranger positions will be increased to 822 in the 2010-11 year.\(^{229}\)

10.2 Audit objective and coverage

243. The audit specifically assessed whether adequate systems are in place to:
   - ensure comprehensive planning is undertaken for the protected areas estate
   - ensure the implementation of the estate management and conservation activities is carried out efficiently and effectively
   - measure, monitor, evaluate and report on estate management and conservation activities\(^{230}\)

---

\(^{229}\) Auditor-General of Queensland, Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas, October 2010: 10

\(^{230}\) Auditor-General of Queensland, Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas, October 2010: 12
244. The following areas of conservation or management of protected areas were excluded from the scope of the audit:
   - marine parks
   - commercial activities in parks, including forestry (as controlled by Forestry Plantations Queensland)
   - built cultural heritage
   - wild rivers
   - conservation of a particular species
   - strategic planning and analysis for the purpose of identifying future protected areas.\textsuperscript{231}

245. The field audit included visits to four regional offices and six sub-regional offices and the selection of 11 protected areas for the QPWS estate. The sample was chosen in consultation with DERM with the sample including a mix of protected areas with different characteristics.\textsuperscript{232}

10.3 Audit results

246. Overall, the Auditor-General found that DERM has systems in place to conserve the state’s natural and cultural heritage and manage protected areas, although the systems are not applied consistently across the regions. The Auditor-General identified improvement opportunities to ensure the sustainable management of national parks and protected areas.\textsuperscript{233}

247. The audit found that the department has operational systems in place to deliver services, including thematic management strategies such as pest management and infrastructure plans, as well as a robust system of work activities schedules. Annual business plans are in place and assist in identifying and prioritising resources and strategies for the short to medium term.\textsuperscript{234}

248. The Act requires that park management plans identify the key natural and cultural values, and strategies for day-to-day and long-term management to protect these values. The Auditor-General advised that the department has developed park management plans for only 98 of the 576 (17%) protected areas for which they are required.\textsuperscript{235}

\textsuperscript{231} Auditor-General of Queensland, \textit{Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas}, October 2010: 12
\textsuperscript{232} Auditor-General of Queensland, \textit{Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas}, October 2010: 13
\textsuperscript{233} Auditor-General of Queensland, \textit{Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas}, October 2010: 1
\textsuperscript{234} Auditor-General of Queensland, \textit{Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas}, October 2010: 2
\textsuperscript{235} Auditor-General of Queensland, \textit{Audit Report No.9 for 2010 – Sustainable management of national parks and protected areas}, October 2010: 2
249. The Auditor-General noted that the preparation of statutory park management plans can be a lengthy process, as it includes significant state consultation. It is the Auditor-General’s view that the absence of park management plans for most national parks and protected areas creates a risk for the department. Without approved park management plans, conservation activities may be insufficient or be inconsistently applied over the longer term. This also reduces the department’s capacity to measure its success and accurately report its findings to Parliament and other key stakeholders. 236

250. The audit also found that the systems to formally monitor, evaluate, report and improve future planning are lacking. The performance indicators used by the department concentrate on outputs or specific projects and do not enable the department to demonstrate whether the conservation outcomes sought have been achieved. Current systems are not formalised, not applied consistently or not linked to formal review, evaluation and performance reporting systems. 237

251. The Auditor-General made seven recommendations directed to DERM covering the areas of planning, park management plans, coordination, data collection, evaluation and performance indicators. 238

10.4 Departmental response

252. The Director-General, DERM, provided an extensive response to the report. He advised that the audit provided a good opportunity to review the department’s effectiveness and approach to conserving the State’s natural and cultural heritage and provided valuable information which will assist the department to consider and refine its approach to managing the protected area estate. 239

253. The Director-General noted that the preparation of park management plans has been influenced by the time and cost involved in undertaking the planning process and the department is considering opportunities to streamline its approach while still engaging stakeholders meaningfully. He noted that in the park management plans completed to date, the department has undertaken the fullest possible planning process involving extensive information gathering and consultation consistent with legislative requirements. The Director-General estimated that if this approach is adopted in relation to the outstanding protected areas this would require a commitment of 30 years at a cost of approximately $60 million and the use of 600 full time equivalent staff years of effort. He stated that clearly such an approach would not provide the best outcome for the management of the estate nor would it be necessary in order to acquit the key requirements for planning. 240
254. The then Minister for Climate Change and Sustainability reiterated the Director-General’s remarks in a statement to Parliament on 5 October 2010. The Minister advised that the government is reviewing the current management planning frameworks for national parks with a new master plan being developed to streamline bureaucratic processes.\(^\text{241}\)

10.5 Committee’s review

255. The committee wrote to DERM expressing its concern that the department is so far behind in the preparation of relevant management plans for the QPWS estate and that the department’s performance indicators are not relevant or appropriate for the conservation of nature outcomes established by the Parliament and that they cannot fairly represent the department’s performance. The committee sought a report on what action, including the proposed timeframes, is being taken to address the Auditor-General’s concerns and recommendations.\(^\text{242}\)

256. The Director-General acknowledged the committee’s concerns and provided the committee with a detailed report on reach of the audit recommendations.\(^\text{243}\) He advised that the draft Queensland Biodiversity Strategy was expected to be released in the near future.\(^\text{244}\) In December 2010, the draft Queensland Biodiversity Strategy was released for consultation and the department provided the committee with a copy of the consultation draft. The public consultation project was due to close on 18 March 2011, however, due to the recent natural disasters the consultation period has now been extended until 8 April 2011.\(^\text{245}\)

257. The committee also discussed the results of the audit with the Auditor-General at its meeting on 22 November 2010. The Auditor-General advised the committee that while the department has argued that it has system-wide plans and that the process for the development of individual park plans is time consuming, he remained of the view that these plans are a critical part of the overall planning and management framework.\(^\text{246}\)

258. The Auditor-General acknowledged the Director-General’s comments about the cost and time currently involved in the development of park management plans and his commitment to pursuing the preparation of such plans. He noted, however, that it is not clear how he can be confident that the work programs achieve the desired outcomes without the clear guidance that would come from having the detailed assessment of the needs of each park that would be obtained from the completion of the planning process. The Auditor-General also noted that the preparation of these plans is a legislative requirement that has been in place for some considerable time.\(^\text{247}\)

\(^{241}\) Queensland Legislative Assembly, Hon KJ Jones, Ministerial Statements, Parliamentary Debates (Hansard), 5 October 2010: 3491

\(^{242}\) Correspondence from PAPWC to Mr J Bradley, Director-General, DERM, dated 23 November 2010: 1

\(^{243}\) Correspondence from Mr J Bradley, Director-General, DERM, to PAPWC dated 13 December 2010: 3


\(^{245}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 4

\(^{246}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 4
259. The Auditor-General noted that in line with current practice, he will consider undertaking a follow up audit in about 18 months to 2 years to assess the progress made against each of the recommendations in the original audit report.  

260. The committee remains concerned that so few of the management plans have been completed. However, in view of the fact that the department has committed to implementing the audit recommendations the committee will await the results of the follow-up audit before assessing whether further action is required.

---

248 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 4

11.1 Introduction

261. The Auditor-General tabled Auditor-General Report No 10 for 2010 – Expenditure under the Nation Building – Economic Stimulus Plan on 27 October 2010. The report details the results of a financial and compliance audit to determine if the relevant Queensland government departments complied with the requirements of the Commonwealth Government’s Nation Building – Economic Stimulus Plan. Included within the plan were three major programs: Building the Education Revolution (BER); Social Housing Initiative (SHI); and Roads and Safety Initiative (RSI). Queensland was allocated a total of $4.392 billion for its delivery of projects under these programs.249

262. The objective of the BER program was to provide new facilities and refurbishments in Australian schools. Funding was provided under three elements: Primary Schools for the 21st Century, Science and Language Centres for 21st Century Secondary Schools and National School Pride.250

263. The objective of the SHI was to increase the supply of social housing throughout Australia. Funding was provided for the construction of new dwellings and for repairs and maintenance to existing social housing stock.251

264. The objective of the RSI was to provide timely stimulus to local jobs through addressing the backlog in highway maintenance and safety at rail crossings. The initiative provided funding for additional safety projects under the Black Spot program, additional road maintenance projects and installation of boom gates and other control mechanisms at priority open level crossings.252 The funding consisted of three elements: black spot safety projects; installation of boom gates for rail crossings; and additional regional road maintenance.253

11.2 Audit objective and coverage

265. The audit was conducted to determine whether relevant Queensland Government departments complied with the requirements of the National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now. In particular, the audit examined the National Partnerships Agreement’s requirement for states to ensure projects were delivered within the required time frames and that the BER program demonstrated value for money and the SHI followed competitive processes.\(^{254}\)

266. The audit was undertaken as part of QAO’s annual financial and compliance audits of DET, DoC and DTMR. The examination of capital works expenditure at these departments was a material aspect of the audit. DPW was also audited in its capacity as the coordinator for the Nation Building – Economic Stimulus Plan.\(^{255}\)

267. Overall the scope of the audit was to:

- examine the procurement, probity and appropriate authorisation of expenditure;
- examine the reporting, performance and outcome requirements of the plan.\(^{256}\)

268. The audit did not include funding provided to non-state schools under the BER program. The audit was also limited to the assessment of capital grant submissions in relation to the funding provided to not for profit organisations as part of the SHI.\(^{257}\)

11.3 Audit results

269. Overall the audit found that DET and DoC, in conjunction with DPW, and DTMR had designed and implemented appropriate processes to address the requirements of the BER, SHI and RSI. The Auditor-General stated that given the tight timeframes and the large number of individual projects to be completed, he expected to find examples of projects which could have been better managed. However, overall the outcome of the work undertaken by the departments on these programs was positive.\(^{258}\)
270. The Auditor-General identified the key findings for each of the programs to include the following:

**BER**
- Funding was consistent with Commonwealth Government guidelines.
- A number of procurement strategies were utilised, including design and construct, construction management, direct and traditional procurement.
- Independent quantity surveyors were engaged to review costs submitted by potential contractors. Where these costs were deemed to be too high, they were either renegotiated or retendered.
- Costs, compared with equivalent pre-stimulus program projects were on average 9% lower for classrooms and halls, 5% lower for covered areas and similar for libraries.
- Costs appeared to be higher for certain facilities when compared with the lower range of industry benchmarks.
- The allocation of funding to schools identified for potential closure was appropriate.
- Timelines and expenditure goals were on target at the time of the audit.\(^{259}\)

**SHI**
- Average cost of delivery of dwellings was below the cost expected under the program.
- The construction profile across the regions and dwelling types was consistent with the needs identified at the commencement of the program.
- Costs for turnkey, construction on departmental land and by not for profit organisations was not directly comparable due to the different approaches to the land component and other cost impacts.
- The price the department paid for land for turnkey projects was consistent with valuations.
- Costs, when compared with equivalent traditional pre-stimulus program projects, varied depending on the type of dwelling.
- At the time of the audit, only 18% of the target number of dwellings had been completed and 53% of the funding allocation had been spent.\(^{260}\)

**RSI**
- At the time of the audit, 98% of the overall funding allocation had been spent.
- Expenditure was appropriately incurred under existing departmental systems and processes.\(^{261}\)

271. The Auditor-General made two recommendations addressed to DET and two recommendations addressed to DoC.\(^{262}\) These recommendations were supported by the government.\(^{263}\)


\(^{261}\) Auditor-General of Queensland, Audit Report No.10 for 2010 – Expenditure under the Nation Building – Economic Stimulus Plan at 31 August 2010, October 2010: 4

\(^{262}\) Auditor-General of Queensland, Audit Report No.10 for 2010 – Expenditure under the Nation Building – Economic Stimulus Plan at 31 August 2010, October 2010: 4-6
11.5 Committee’s review

272. The committee also discussed the results of the audit with the Auditor-General at its meeting on 22 November 2010. The Auditor-General advised the committee that he had no major concerns in relation to this audit. He advised that overall, the outcome of the work undertaken by the departments audited was positive.264

273. The Auditor-General noted that there does however, remain a need for DET and DoC to better understand the costs of their construction programs, including benchmarking costs with similar activities outside of government and recognised construction industry benchmarks. He advised that the recommendations in the report are designed to address these issues.265

274. The Auditor-General also advised that he is satisfied with the departmental responses and that QAO will monitor progress of the implementation of the audit recommendations.266

11.6 Committee’s conclusions

275. The committee is satisfied with the results of this audit and notes that the Auditor-General will monitor progress of the implementation of the recommendations.

12.1 Introduction

276. The Auditor-General tabled Auditor-General Report No 11 for 2010 – *Implementation and enforcement of local laws* on 9 November 2010. The audit objective of this PMS audit was to determine if councils have documented systems in place to enable them to effectively and efficiently implement and enforce their local laws and manage real or perceived conflicts of interest where councils are both operators and regulators.\(^{267}\)

277. Councils have the power to make, implement and enforce local laws under the provisions of the *Local Government Act 2009* and the *City of Brisbane Act 2010*. These acts require that local laws be properly gazetted and adequate notice provided to the public. Local laws allow councils to protect the community and ensure the good rule and government of the local area. Councils make local laws about a range of issues including animal control, parking and advertising signage. Councils may establish, permit or license activities they want to regulate and can create offences for unacceptable behaviour and issue compliance or abatement notices.\(^{268}\)

278. Queensland local governments have adopted approximately 3000 local laws to assist them in governing their respective areas and have adopted approximately 1300 subordinate local laws to assist in the operation of these local laws.\(^{269}\)

279. The Auditor-General noted that accountable, effective, efficient and sustainable local government relies on clearly documented expectations about how a council operates. These include:

- transparent and effective processes and decision-making in the public interest
- democratic representation, social inclusion and meaningful community engagement
- good governance of, and by, local government
- ethical and legal behaviour of councillors and local government employees.\(^{270}\)

\(^{267}\) Auditor-General of Queensland, *Audit Report No.11 for 2010 – Implementation and enforcement of local laws*, November 2010: 1

\(^{268}\) Auditor-General of Queensland, *Audit Report No.11 for 2010 – Implementation and enforcement of local laws*, November 2010: 1


\(^{270}\) Auditor-General of Queensland, *Audit Report No.11 for 2010 – Implementation and enforcement of local laws*, November 2010: 2
12.2 Audit objective and coverage

280. The audit specifically assessed whether councils have documented systems and procedures in place to enable them to:
   - implement their local laws effectively and efficiently
   - ensure the public has access to and is aware of the requirements of local laws
   - support council officers to enforce their local laws
   - manage real or perceived conflicts of interest where councils are both operators and regulators.  

281. While the documentation provided was reviewed, the audit did not extend to assessing how well the systems are being used by council officers to deliver their services and obligations effectively and/or efficiently.  

271 The audit did not assess the following:
   - state laws implemented and enforced by councils
   - the development of local laws
   - whether councils’ performance measures are relevant, appropriate and fairly represent performance
   - planning and development applications
   - indigenous councils
   - systems to determine fees and charges
   - the Local Government Association of Queensland (LGAQ)

272 The audit was undertaken by self-assessment questionnaire together with the provision of supporting documentation such as examples of training and guidance materials. A sample of 25 councils was selected from metropolitan, regional and rural areas including a mix of councils highly affected by amalgamation as well as those not affected. The Department of Infrastructure and Planning (DIP) was also included in the scope of the audit to determine how effectively it is managing its responsibility as the lead agency. The audit assessment was based on the results of the questionnaires, supporting document analysis and interviews with DIP. The report presents the results of the self-assessments from the 23 councils that were received in time to be included in the report.

273 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 7
274 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 2
275 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 8
276 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 1
12.3 Audit results

283. The Auditor-General found that while most councils responded that they have systems in place to implement and enforce their local laws, an analysis of the documentation identified significant gaps in the training, guidance and support for council officers implementing and enforcing local laws.277

284. The Auditor-General found that most councils responded that they have systems and procedures in place to ensure notice is given to new or changed local laws, but audit assess that the systems are generally not well documented. The audit found that generally guidance for parking enforcement officers is more comprehensive than other enforcement areas and few councils documented inspection programs to ensure compliance with local laws. The audit also found that guidance for enforcement officers regarding the use of discretion when issuing warnings and infringement notices is inconsistent across enforcement areas and across councils. Policies to manage real or perceived regulatory conflicts of interest are in place in only 14 of the 23 councils who responded to the questionnaire. The Auditor-General found that DIP provides support and advice to councils in response to council needs.278

285. The Auditor-General made three recommendations recommending that councils review their policies to ensure that training and support materials for policy and enforcement officers cover the requirements of the Act; that the principles of good decision making are used in the enforcement of local laws; and that they deal adequately with identification and management of real or perceived regulatory conflicts of interest.279

286. The Auditor-General noted that it is possible that council owned businesses such as caravan parks, swimming pools and quarries to receive a competitive advantage over private businesses. He advised that local laws have the potential to create a regulatory burden on private businesses that makes it harder for them to compete with council-owned businesses that may be exempt or treated differently.280

287. The Local Government Act 2009 (s38) states that: A local government must not make a local law that contains an anti-competitive provision unless the local government has complied with the procedures prescribed under a regulation for the review of anti-competitive provisions and a local law, to the extent that it is contrary to this section, has no effect.281 The Local Government (Operations) Regulation 2010 specifies that the procedures prescribed under s38 are those procedures under the public interest test guidelines. The public interest test guidelines is the document called the ‘National Competition Policy Guidelines for Conducting Public Interest Tests on “Possible” Anti-competitive Provisions in Local Laws and Local Law Policies’, version 1, made by the department.282

277 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 1
278 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 13
279 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 4
280 Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 26
281 Local Government Act 2009, s38
282 Local Government (Operations) Regulation 2010, s18
288. The Auditor-General found that there was insufficient evidence to indicate that councils have systems to manage real or perceived conflicts of interest when councils are both operators and regulators. The Auditor-General concluded that it was not clear from the survey results how many council business activities may involve perceived conflicts of interest or how much revenue these activities generate. He noted that governance policies that ensure real or perceived regulatory conflicts are managed appropriately and transparently would assure councils that staff are implementing and enforcing local laws fairly and consistently.\(^\text{283}\)

12.4 Departmental response

289. DIP agreed that the implementation of the proposed recommendations would significantly contribute to a more efficient and effective local law regulatory regime administered by local governments. The Director-General, DIP, advised that the new Local Government Act 2009 and the City of Brisbane Act 2010 require councils to publish their local law register and complaints processes on council websites, which will also further the public’s awareness of activities regulated under council local laws and associated review and appeal rights.\(^\text{284}\)

290. The Director-General also noted that the department’s regional presence provides the unique opportunity to promote key issues identified in the audit and work closely with councils to identify individual priorities in the regions.\(^\text{285}\)

12.5 Committee’s review

291. The committee discussed the results of the audit with the Auditor-General at its meeting on 22 November 2010. The Auditor-General advised the committee that there are a number of specific actions most councils should consider to improve their documentation to give council officers clearer guidance on how to implement and enforce their local laws consistently and fairly. These actions include:

- providing more detailed support materials for enforcement officers to ensure local laws are enforced consistently
- clearly communicating review and appeal processes for local laws
- implementing scheduled inspections to ensure compliance with local laws
- providing guidance and training for enforcement officers in the use of discretion prior to issuing warnings and infringement notices
- developing and documenting appropriate governance policies for council business activities.\(^\text{286}\)

\(^{283}\) Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 26
\(^{284}\) Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 4
\(^{285}\) Auditor-General of Queensland, Audit Report No.11 for 2010 – Implementation and enforcement of local laws, November 2010: 4
\(^{286}\) Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 5
The committee discussed with the Auditor-General the reasons why a self-assessment survey audit technique was used rather than a traditional audit technique for this audit. The Auditor-General advised that a self-assessment approach was chosen as it provides an efficient manner of gaining a broad understanding of the systems being used at a large number of councils across the state rather than a detailed knowledge of the systems at a smaller number of councils. He considered that a self-assessment survey supported by documented examples of council processes provided a cost-effective coverage of a valid and reliable sample of councils and to achieve the same level of coverage by visiting councils would require a significantly larger allocation of audit resources.

The Auditor-General advised the committee of the advantages and disadvantages of this type of audit technique as follows:

**Advantages**
- broad coverage of a large range of councils across the state is possible at a reasonable cost
- less impact and disruption on council resources than field work
- high auditability for mature systems that are well documented and supported by protocols, guidelines and templates
- ability to make recommendations that are applicable to other councils

**Disadvantages**
- assessment by auditees need to be supported by documentation, which is best suited to well documented mature systems
- questionnaires may not be returned in sufficient time to allow analysis and inclusion in the report to Parliament
- systems not tested via walk throughs and discussions on site

The Auditor-General confirmed that the provision of documentary evidence to support the assessments in the survey allows for independent assessment of how well documented council systems were and to allow the identification of better practice and opportunities for improvement.

**12.6 Committee’s conclusions**

The committee was concerned that results from the area of managing real or perceived regulatory conflicts of interest were inconclusive. The committee will consider this issue as part of its examination of remote council issues. Remote councils often are forced to provide additional services which could be impacted by this issue.

---

287 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 5
288 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 6
289 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 6
296. The Auditor-General indicated to the committee that the area of circumstances where a council is both regulator and operator may be considered as a possible area of future audit activity. The committee would be interested in the results of the Auditor-General’s further examination of this area should he choose to undertake an audit in this area.290

297. Whilst the department has noted that they are in a unique position to promote the key issues of identified in the audit report, they have not committed to this action. The committee would like to see the department more actively support the work of the Auditor-General in this area and has recommended that the department address this.

Recommendation 2

The committee recommends that the Deputy Premier and Attorney-General, Minister for Local Government and Special Minister of State ensure that the issues raised in the Auditor-General’s report are promoted by the Department of Infrastructure and Planning to all local governments as part of their support and training processes.

---

290 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 7

### 13.1 Introduction


299. QH committed to implementing the recommendations made in the earlier reports and the Auditor-General agreed to follow-up implementation of this action in 12 months at the request of the department. The Auditor-General noted that the follow-up audit was undertaken earlier than is normal practice due to the significance of the issues raised and the level of public interest. He also noted that, given the shorter timeframe, it was not expected that all the recommendations be fully implemented or all outcomes be measurable at this stage.²⁹²

300. The Auditor-General acknowledged that in April 2010, the Commonwealth, States and Territories entered into a National Health and Hospitals Network Agreement, as part of the Australian Government’s National Health Reform Plan. The National Health and Hospitals Network will be a nationally unified and locally controlled health system, in which the Commonwealth will be the majority funder of public hospital services and the states will be responsible for statewide public hospital service planning and performance, purchasing of public hospital services and capital planning.²⁹³

### 13.2 Audit objective and coverage

301. The audit specifically assessed the quality, appropriateness and maturity of implementation, including appropriate communication strategies and ongoing support at the corporate level. There was particular emphasis placed on assessing whether QH has a:

- sound quality assurance process to ensure initiatives and strategies are implemented and that policies and procedures are adhered to
- clear communication strategy to ensure clinicians are engaged in improvement initiatives as required.²⁹⁴

302. The follow up audit also assessed any better practice planning and patient flow initiatives that have been implemented since the original audit that are proving to have a positive impact.²⁹⁵

13.3 Audit results

303. The Auditor-General found that QH has made substantial progress in a relatively short period of time to address the recommendations from the initial reports. The department has changed their planning processes and introduced new governance arrangements, mandatory requirements and supporting material.296

304. While no district service plans have been completed QH anticipate that over the next 3 years all districts will have an endorse district health service plan. Revision of the Statewide Health Services Plan, Statewide clinical stream planning and some hospital service planning has been undertaken.297

305. In terms of patient flow there is now a statewide approach to better managing the patient journey, through the introduction of a Patient Flow Strategy and proven service delivery models. The Auditor-General noted that more is being done to address patient flow issues at the district and hospital level. However, as the process improvement initiatives are in varying stages of implementation, it will be some time before the material impacts to patient flow and patient outcomes are evident.298

306. The Auditor-General advised that he would expect to see an improvement in hospital performance indicators such as Emergency Department waiting times, admission time from the Emergency Department to hospital wards and ultimately a reduction in elective surgery waiting lists over the coming years.299

307. The Auditor-General also noted that QH has developed appropriate quality assurance processes, which when fully implemented, should ensure endorsed initiatives and strategies are implemented and evaluated and that policies and procedures are adhered to. He also noted that a wide range of communication strategies have been developed and implemented to engage clinicians in service planning and patient flow process improvement.300

308. The Auditor-General advised that he considers that a clear communication strategy to engage clinicians in endorsed improvement initiatives has the following benefits:

- Involving clinicians in shaping the initiatives would lead to greater clinician satisfaction with the final product;
- A broader perspective helps to challenge traditional thinking and encourages innovation in problem solving;
- Greater ownership by clinicians increases the likelihood of successful implementation; and
- Enhanced transparency and communication between corporate and clinicians.301

309. The audit report includes a number of case studies and better practice guidelines.

296 Auditor-General of Queensland, Audit Report No.12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 2
297 Auditor-General of Queensland, Audit Report No.12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 2
298 Auditor-General of Queensland, Audit Report No.12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 2
299 Auditor-General of Queensland, Audit Report No.12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 2
300 Auditor-General of Queensland, Audit Report No.12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 5
301 Auditor-General of Queensland, Audit Report No.12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 32
310. The audit also examined the impact of the National Health and Hospitals Network Agreement on QH. The Auditor-General advised that although these reforms are significant, it is unlikely that they will have a material impact on QH’s ability or need to implement the recommendations made in the original audit reports. \(^{302}\)

311. The audit findings relating specifically to each follow up audit are summarised below.

**Auditor-General’s Report No 2 for 2009 – Health service planning for the future**

312. The Auditor-General identified the following achievements over the last year:

- Revised planning processes and developed new mandatory requirements and supporting material for service planning, including governance arrangements and clear linkages between all service plans. Generally the requirements are clear and comprehensive.
- A key governance body providing central oversight, coordination and endorsement of planning activity at various stages in the process. Part of the role of this body is to ensure all service plans are developed using the endorsed guidelines.
- Transitioning from varied approaches to service planning across the department to a more consistent centrally managed process.
- Service planning has occurred at a state wide level and in some districts at a hospital level, with sufficient coverage to identify the need for further priority service planning that addresses significant population growth, major infrastructure renewal or expansion and/or significant service reform. \(^{303}\)

313. The Auditor-General identified the following work that still needs to be done:

- None of the 15 health service districts have a corporately endorsed district wide service plan. While the draft *Queensland Health Services Plan for 2011-26* was informed by state wide data analysis and other local and state wide service planning, it has not been informed by priorities identified in endorsed district service plans as recommended.
- QH anticipated that a district health service plan will be completed for every district within the next 3 years.
- The *Guide to Health Service Planning* does not adequately cover monitoring, reviewing and evaluating service plans. An implementation supplement is nearing completion which will expand on these elements. This supplement will be informed by other departmental governance and performance management frameworks recently developed.
- Improved systems are needed for primary and community data collection to facilitate the identification of community based services.
- A formal methodology is needed for prioritising service planning activity within the Planning and Coordination Branch of QH. \(^{304}\)


314. The Auditor-General identified the following achievements over the last year:

- Significant activity has been undertaken by all levels (hospital, district and corporate) in addressing and managing patient flow issues.
- The Centre for Healthcare Improvement (CHI) has been established to play a key role in managing patient flow and driving change.
- Evidence that patient flow is now considered to be ‘everyone’s business’ including corporate, district and hospital (management and clinical) staff.
- Coordinated and integrated approach to raising the profile and importance of patient flow through the development of the Patient Flow Strategy (PFS) and associated toolkit. The PFS includes proven innovative service delivery models to assist hospitals address patient flow issues through a process redesign approach.
- QH launched the PFS in March 2010 and had so far held 13 road shows at the state’s largest hospitals.
- A performance reporting system has been recently implemented with the PFS. It includes provision for monitoring and managing non-compliance and underperformance.
- Increased activity in addressing patient flow issues at the district and hospital level, through the implementation of process improvement initiatives. This included some of the service delivery methods recommended in the PFS and the use of performance reports to identify patient flow issues.  

315. The Auditor-General identified the following work that still needs to be done:

- To fully implement the PFS will take time, for example, time to review and select relevant service delivery models and to develop plans to integrate the PFS into operational areas.
- While there has been good take up so far of the PFS, it will be some time before the material impacts to patient flow and patient outcomes become evident and for the results to show in the metrics for each hospital. The full impact on process improvement and performance will need to be evaluated at a later date.
- The corporate assessment framework which will be used to evaluate new service delivery models of care for inclusion in the PFS could be tailored for use at districts and hospitals so they can evaluate their process improvement initiatives.
- The provision of timely training at the district and hospital level in the new PFS reporting system, that includes data interrogation, analysis and interpretation techniques.
- Despite QH acknowledging that effective bed management is dependent on the recording and regular updating of the estimated date of discharge (EDD), it was noted that the process of recording and updating the EDDs is still not consistently undertaken by 3 of the 4 hospitals visited. If EDD data is not recorded, monitored or reviewed on a timely basis it impacts on the ability to determine bed capacity, limits effective tracking of patients and delays patient flow. The apparent difficulty experienced by the department in achieving the consistent application of this improvement measure demonstrates the significant challenge it faces in the effective implementation of new patient flow practices.
13.4 Departmental response

316. The Director-General, QH, agreed with the Auditor-General’s comments made in relation to health service planning and acknowledged the work still to be completed. In regard to the management of patient flow, the Director-General confirmed that the ongoing work facilitated by the CHI focuses on addressing the opportunities identified by the audit. 307

13.5 Committee’s review

317. The committee considered the original audit reports at the time they were tabled. The committee met with the Auditor-General in June 2009 and senior officers from QH in August 2009. The committee considered the issues raised in both audit reports as part of its review of Auditor-General’s reports in 2009. It reported its findings in Report No 3 – Review of Auditor-General’s Reports – April 2009 to December 2009, which it tabled on 11 February 2010.

318. The committee noted at the time that it was satisfied that QH was taking positive steps to address the audit findings and that it would further review the department’s progress after the Auditor-General’s follow-up audit. 308

319. The committee discussed the results of the audit with the Auditor-General at its meeting on 22 November 2010. The Auditor-General advised that the changes to planning processes, governance arrangements and implementing strategies to better manage the patient journey are already having a positive impact on service delivery. However, he advised that significant work still needs to be done. 309

320. The Auditor-General advised the committee that he considered the proposed three year time frame for all district health service plans to be completed appropriate in light of the circumstances and given that QH has advised him that the district planning activity has been prioritised to focus on districts with more significant requirements first. 310

321. Whilst the committee was pleased to see that the Auditor-General has found that substantial progress has been made by the department in implementing the recommendations, it noted that the Auditor-General identified a number of significant items still to be finalised. In view of these findings the committee will continue to monitor the implementation of the recommendations. At the committee’s instigation, QH has agreed to provide the committee with six-monthly progress reports commencing in June 2011 until full implementation has been achieved. 311

307 Auditor-General of Queensland, Audit Report No. 12 for 2010 – Follow up of 2009 Queensland Health audits, November 2010: 5-6
309 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 7
310 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 8
311 Correspondence from Mr M Reid, Director-General, Queensland Health, to PAPWC dated 23 December 2010: 1
14. **Auditor-General’s Report No 13 for 2010 – Results of audits at 31 October 2010**

14.1 Introduction

322. The Auditor-General tabled Auditor-General Report No 13 for 2010 – Results of audits at 31 October 2010 on 18 November 2010. This report details the results of the financial and compliance audits of public sector entities (departments, statutory bodies, government owned corporations and their controlled entities) with a balance date of 30 June 2010 and completed as at 31 October 2010.\(^\text{312}\)

323. The Auditor-General noted that in recent years the Consolidated Whole of Government Financial Statements have been completed and audited prior to 31 October. For 2009-10, due to the listing of QR National Ltd, their completion has been delayed. The Auditor-General has advised that the results of the audit on these statements and the General Government Sector Financial Statements will be reported to Parliament in a future report to Parliament.\(^\text{313}\)

14.2 Audit results

324. The status of 338 audits required to be completed under the audit mandate for the 2009-10 financial year is illustrated below:

<table>
<thead>
<tr>
<th>Entity type</th>
<th>Total</th>
<th>Unmodified auditors’ opinions issued</th>
<th>Modified auditors’ opinions issued</th>
<th>Auditors’ opinions not yet issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departments</td>
<td>20</td>
<td>16</td>
<td>3</td>
<td>1 (^\text{1})</td>
</tr>
<tr>
<td>Departmental agencies</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Statutory bodies</td>
<td>182</td>
<td>122</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>Government owned corporations</td>
<td>15</td>
<td>13</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Controlled entities</td>
<td>56</td>
<td>45</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Joint controlled entities</td>
<td>10</td>
<td>9</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Under trust deed</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Audited by arrangement</td>
<td>34</td>
<td>31</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Audited by arrangement – under trust deed</td>
<td>30</td>
<td>35</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>338</td>
<td>277</td>
<td>32</td>
<td>29</td>
</tr>
</tbody>
</table>

\(^\text{1}\) An extension of time has been given to Forestry Plantations Queensland Office to complete its financial statements as the entity is to be abolished.

Source: Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 1

\(^\text{312}\) Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 1

\(^\text{313}\) Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 1
325. The *Auditor-General Act 2009* requires the Auditor-General to issue an auditor’s opinion on the Consolidated Whole of Government Financial Statement and on the Consolidated Fund Financial Report and to report to Parliament on the results of these audits.\(^{314}\) On 20 September 2010, an unqualified auditor’s opinion was issued on the Consolidated Fund Financial Report.\(^{315}\)

326. The report also covers the financial statements of other public sector entities and local governments where an auditor’s opinion has been issued since previous reports to Parliament were tabled.

327. The Auditor-General noted that his audits examine the adequacy of public sector entities’ internal controls and he monitors the financial management practices of entities through examining their achievement of the statutory deadline for preparing their financial statements and having these statements certified by audit.\(^{316}\)

328. For the 2009-10 financial year, the Auditor-General has identified 613 moderate to high risk financial management issues which were reported to management from the finalised audits. The most significant of these related to inadequate controls being maintained over access to and use of their financial and human resources systems.\(^{317}\)

329. The *Financial Accountability Act 2009* (s77) requires that departmental Chief Finance Officers (CFO) provide their Accountable Office with an annual statement on the operating efficiency, effectiveness and economy of financial internal controls. The statement must be made either before or at the same time as the CFO certifies the annual financial statements and there are specific statements that need to be made to comply with the FPMS (s57). These statements include:

- whether the financial records of the department have been properly maintained throughout the financial year in accordance with the prescribed requirements
- whether the risk management of internal compliance and control systems of the department relating to financial management have been operating efficiently and effectively throughout the financial year
- since the balance date, whether there have been any changes that may have a material effect on the operation of the risk management and internal compliance and control systems of the department and if there have been any changes, details of the changes
- whether external service providers have given assurance about their controls.\(^{318}\)

330. The Auditor-General identified that this is the first financial year that the CFO statement has been required. The audit found that overall the majority of statements by CFOs demonstrated compliance with the FPMS. The Auditor-General noted that most were compliance focused with additional disclosures on identified risks, the role of the audit committee and issues identified during the year.\(^{319}\)

---

331. However, the Auditor-General stated that generally the statements provided little voluntary information on the internal control and assurance frameworks in place to support the CFO making their statement of efficiency, effectiveness and economy. The Auditor-General identified that a few CFOs provided extensive voluntary statements on the departmental financial internal control and assurance frameworks, which enhanced the rigour of the CFO statement. The Auditor-General considers that such statements with more fulsome disclosure are regarded as better practice.

332. The FPMS requires Accountable Officers and statutory bodies to provide written notice to the Auditor-General if a suspected loss occurs as a result of an offence under the Criminal Code or another Act or the official misconduct of an officer, consultant or engaged contractor of a department or statutory body. The Auditor-General has found, however, that the reporting of losses under the legislative requirements has become irregular.

333. The Auditor-General advised that the audits of QBuild’s Ellipse system, which is to replace their operational, financial and payroll systems, found that the project management controls were not consistently applied across various stages of the system implementation. Governance structures were not effective in communicating complete and timely information to various parties and the level of testing performed prior to implementation was also unsatisfactory given the robustness of QBuild’s financial reporting and payroll processes were dependent on the rigour of this testing. The Auditor-General stated that this was not inconsistent with his findings from the audit of QH’s payroll system and demonstrates a critical need for improved system implementation skills within the public sector.

334. The Auditor-General has previously raised the issue of strengthening the accountability link between public sector companies and the Parliament by requiring that all entities table their financial reports in the Parliament. As part of this financial year’s audit, the Auditor-General has undertaken an analysis of the tabling practices of all state controlled entities and entities engaging the Auditor-General on a by-arrangement basis.

335. The Auditor-General advised that departments, statutory bodies, government owned corporations (GOCs) and local governments are legislatively required to annually prepare financial statements which are audited by the Auditor-General. Departments, statutory bodies and GOCs are required to table these statements in the parliament whilst local governments are required to make copies available to the public. Equivalent legislative requirements do not exist for controlled entities or for entities that are audited by the Auditor-General on a by-arrangement basis.

---

320 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 19
322 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 21
323 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 3
324 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 36
325 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 36
336. The audit found that there are 159 entities audited by the Auditor-General that are required to annually prepare financial statements but for which there is no legislative or policy requirement for the financial statements to be tabled in the Parliament. These entities represent in excess of $13 billion of revenue and $72 billion of assets and are generally controlled entities as defined in the Auditor-General Act or are those that currently fall within the Auditor-General’s by-arrangement audit mandate. Only eight of these entities voluntarily table their annual audited financial statements in the Parliament.  

337. The Auditor-General considers that tabling independently audited and certified financial statements would ensure Parliament and the public are able to monitor and assess the activities and financial performance of all public sector related entities. He considers that the absence of a legislative or other policy requirement for full parliamentary tabling for every public sector entity, or those where there is a strong public sector influence and significant funding, results in varying tabling and reporting practices across the sector. He feels that the Parliament does not have oversight of all public entity operations and the Parliament’s accountability review functions are therefore limited and results in public sector financial performance not being uniformly scrutinised.

338. The Auditor-General acknowledged that 76 of the entities identified above include information in parent financial statements, either in parent or consolidated figures or in summary format. However, he considers that this form of reporting presents the Parliament with only limited oversight of the individual entity operations and financial performance. He noted that some of the entities report directly to the public through making their annual financial statements available on their websites, however, he considers that this is not an appropriate substitute for the more rigorous public sector accountability which results from Parliamentary tabling.

339. The Under Treasurer provided the following response to the Auditor-General’s issues:

"Treasury understands that of the 159 entities discussed...99 entities are not Queensland public sector entities. They are audited by the Auditor-General ‘by arrangement’ and as such Treasury does not have a mandate to set financial reporting requirements. In respect of the approximately 60 Queensland public sector companies, to date it has been considered sufficient and appropriate that public sector companies comply with their counterparts in the private sector. While some companies would be required to prepare financial statements under the Corporations Act 2001, the majority of existing public sector companies would be exempted. In response to comments by the Auditor-General in Report to Parliament No. 9 for 2008 on this matter, Treasury is currently carrying out a comprehensive review of the reporting practices of the public sector companies."

340. The Auditor-General reported on the specific implications of the asset sale program on individual audits undertaken during 2009-10. The Auditor-General noted that while each of the initiatives is at different stages of implementation, the program had a significant impact on audits due to the complex accounting requirements associated with the transactions.

---

326 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 36
327 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 37
328 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 79
329 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 38
341. The Auditor-General advised that the process used by DPC in relation to the approval and monitoring of advertising expenditure were included in the audit of that department. The audit did not identify any significant issues requiring reporting to Parliament. The Auditor-General noted that the administration of this type of expenditure would always require the application of judgement in relation to the assessment of advertising proposals. He advised that whilst he would comment on the adequacy of expenditure guidelines and their implementation, he considered that it is a matter for Parliament to assess instances where there may be some disagreement about the nature of judgements exercised in relation to individual cases of expenditure.331

14.3 Committee’s review

342. The committee discussed the results of the audit with the Auditor-General at its meeting on 22 November 2010. One of the issues the committee discussed with the Auditor-General was that of CFO statements. The Auditor-General advised the committee that he considers the following disclosures would further enhance the CFO statements by providing the Accountable Officer with a greater understanding of the departmental internal control framework and the assurance the process being undertaken by the CFO in giving the required FPMS statements on efficiency, economy and effectiveness:

- mapping of the CFO statement to the assurance mechanism which could include control self assessments, internal assurance statements, legislative compliance assessment reviews, internal audits and details of the internal control environment
- description of the financial internal control framework and how this supports the Financial Accountability Act requirements could include:
  - having an internal control framework that recognises the importance of culture, staff skills, experienced management team and technical and leadership training
  - assessment, reporting and monitoring of the internal control framework
  - committees and executive management
- description of the process undertaken by the CFO to make the assurance statement to the accountable officer, including details of or reliance on restructures, policy review, control self assessment results or programs or internal audit reports
- improvement opportunities identified during the year and the planned next steps in further developing the internal control and assurance framework
- assurance from external service providers, including details of the extent of reliance on this assurance and the materiality of issues disclosed
- summary conclusions on evidence supporting the internal control framework and control weaknesses identified and the resulting effect on the efficiency, economy and effectiveness of key controls.332

343. The committee accepts that CFOs are new to the provision of this information. The committee is aware that Queensland Treasury has hosted several CFO forums to assist CFOs in the expansion of their knowledge of their additional responsibilities. The committee considers that the Auditor-General’s suggested improvements should be incorporated into one of these training sessions.

331 Auditor-General of Queensland, Audit Report No.13 for 2010 – Results of audits at 31 October 2010, November 2010: 4
332 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 10
344. The committee also discussed the system of reporting instances of loss and fraud with the Auditor-General. He advised that there is a clear statutory obligation on departments and statutory bodies to provide advice to the Auditor-General of material losses and frauds. However, given the low level of reports being received he considers that many agencies either do not provide such advice or do not provide a nil return. He advised the committee that a review of the information provided by those agencies which do provide advice to the Auditor-General, suggests that the likelihood of their being no losses incurred by the agencies not provide a return is small.  

345. The Auditor-General further advised that in view of the external audit role of the Auditor-General, it is difficult for the office to impose any sanction on agencies which do not comply with the legislative reporting requirement. He suggested that consideration could be given to requiring the information to be provided to the Treasurer (by departments) or the Minister for Local Government (by councils) in addition to the provision to the advice to the Auditor-General. In this way the appropriate Minister could use their powers to ensure that advice, including a nil return, is provided by all agencies.

346. The committee considers that the existing arrangements are unsatisfactory with agencies being in clear breach of their obligations to provide this information to the Auditor-General. It recommends that additional mechanisms should be put in place to ensure that these obligations are met. One of these mechanisms could be a requirement for an annual return to be provided to the Auditor-General irrespective of whether instances of loss or fraud have occurred or not.

347. The committee has previously identified its concern in relation to the IT systems implementation across the public sector. The implementation of QBuild’s Ellipse system will be included in the committee’s inquiry into the implementation of IT projects. The committee will report separately on the results of this inquiry at the conclusion of its investigations.

348. The issue of the tabling of financial reports by all state controlled entities is being considered by the committee as part of its inquiry into annual reporting. The committee will report separately on the results of this inquiry at the conclusion of its investigations.

Recommendation 3

The committee recommends that the Treasurer and Minister for State Development and Trade ensure that the Auditor-General’s suggestions in regard to CFO statements be included as a topic for discussion at future CFO forums.

Recommendation 4

The committee recommends that the Treasurer and Minister for State Development and Trade investigate and implement whatever additional mechanisms are required to ensure that instances of loss and fraud are reported to the Auditor-General as required under the FPMS.

---

333 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 11
334 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 11
15. **Queensland Audit Office – Annual Report 2009 – 2010**

15.1 **Introduction**

349. The committee has a statutory responsibility to consider the annual report of the audit office (s95, *Parliament of Queensland Act 2001*). QAO’s annual report was tabled on 24 September 2010.

350. The principal legislation which governs the appointment and powers of the Auditor-General, the *Auditor-General Act 2009*, came into effect on 1 July 2009. The committee is required, under the Parliament of Queensland Act 2001 (s69), to consider the annual and other reports of the Auditor-General.

15.2 **Performance results**

351. QAO delivers one output – *to provide independent public sector auditing services and reporting* – which comprises financial and compliance audits; PMS audits and parliamentary reporting and services and sector-wide assistance.\(^{335}\)

352. The report highlights the office’s achievements for 2009-10 as including:

- PAPWC reviewed all Reports to Parliament by the Auditor-General and concluded the reports, ‘…*provide a sound independent source of information to both the committee and the Parliament.*’
- Eleven reports to Parliament were tabled during 2009-10 (10 in 2008-09)
- 100% of audit opinions and findings reviewed as appropriate in terms of QAO methodology.\(^{336}\)
- Four Financial and Assurance Audit Reports were tabled.
- Of the 737 audits on QAO’s register, 629 received a separate audit opinion during 2009-10. Of these, 107 modified auditor’s opinions were issued
- Quality assurance reviews were conducted in relation to a total of 11 in-house and 38 contracted audit engagements\(^{337}\)
- The Strategic Review Report noted satisfaction that QAO had achieved the 2004 recommendations to more fully utilise the existing PMS audit mandate
- A follow up audit on four reports tabled in 2007 found that 60% of recommendations made were fully implemented and 37% partially implemented\(^{338}\)
- A decrease in the number of Workplace Health and Safety incidents in 2009-10\(^{339}\)

---

\(^{335}\) QAO, *Annual Report 2009-10*, September 2010: 3
The report indicates that challenges for 2010-11 will include:

- Consideration of the recommendations from the *Report of the 2010 Strategic Review of the Queensland Audit Office*
- Continue to improve against key performance indicators (KPI)
- To provide excellence in enhancing public sector accountability
- Implementation of the Local Government Act 2009. This will affect the way Aboriginal Councils report on their financial statements in 2009-10
- Maintain the currency of audit practices through audit methodology software
- Technical accounting and auditing issues in relation to asset sales and water reform
- Management of client satisfaction and acceptance of the reasonableness of audit fees
- Continue to ensure QAO’s staff profile matches the revised portfolio of audits
- Implementation of a full performance audit mandate, if approved by Parliament
- Preparation of a 3 year Strategic Audit Plan for PMS audits as recommended in the Strategic Review
- Continue staff performance auditing training with other audit offices to ensure audit methodology complies with *ASAE 3500 Performance Engagements*
- Continue to liaise with the PAPWC to discuss Reports to Parliament and other issues impacting upon QAO and the public sector
- Continue role in providing value-added advice and guidance to Parliament and other central public sector agencies
- Continue to participate in internships, work experience programs, technical training initiatives and leadership development program to ensure the continual development of the skill base
- Ensure benefits realisation from technological improvements to help generate greater efficiencies and improve the quality of operations
- Continue to seek improvements in business systems and operating procedures
- Continue to support the Queensland Government’s commitment to promote and deliver programs for all equity and diversity target groups.

The report identifies that the average cost of a PMS audit and associated Report to Parliament was $423,487, which exceeded the target of $275,000. This target was revised during the year to take into consideration increases in charge out rates over the last 3 years and an increase in the number of multi-agency and complex PMS audits being undertaken. The revised target of $350,000 took effect from 1 July 2010.
355. QAO received $5.970m in funding from government appropriation ($5.853m in 2008-09) and $35.585m from audit fees ($33.794 in 2008-09). The report identifies that the net deficit of $0.276m was the result of increased costs to maintain a sound resource base and this is supported by increased technology investment, increased staffing costs and a reduction of costs for contracted resources.\textsuperscript{344} The QAO assets to liabilities ratio of 3.19 (2009: 2.12) was enhanced by an equity injection of $1.0m to assist with QAO’s working capital needs.\textsuperscript{345}

356. The report notes that the negative operating result for 2009-10 reflects the commitment during the year to improving the efficiency and effectiveness of the resources and ensuring a stable resource base for future years. The resultant outcome of this commitment will be to harness this base of resources improving the long term benefits for productivity and the resulting cost effective audit services.\textsuperscript{346}

357. The following table summarises QAO’s performance statistics for the year:

<table>
<thead>
<tr>
<th>Performance Statistics</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No of reports tabled in Parliament</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>No of public sector entity audits</td>
<td>737</td>
<td>747</td>
</tr>
<tr>
<td>No of clients</td>
<td>330</td>
<td>329</td>
</tr>
<tr>
<td><strong>Staffing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No FTE employees</td>
<td>212</td>
<td>249</td>
</tr>
<tr>
<td><strong>Financial Results</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating surplus/(deficit)</td>
<td>($0.276m)</td>
<td>($0.146m)</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>$42.921m</td>
<td>$39.989m</td>
</tr>
<tr>
<td>Audit fee revenue</td>
<td>$35.585m</td>
<td>$33.794m</td>
</tr>
<tr>
<td>Net assets</td>
<td>$5.015m</td>
<td>$4.291m</td>
</tr>
<tr>
<td>Level of recovery of costs through fee revenue</td>
<td>83%</td>
<td>85%</td>
</tr>
</tbody>
</table>

Source: Queensland Audit Office, Annual Report 2009-10, September 2010

15.3 Committee’s comments

358. The committee’s review of QAO’s annual report found that the report complies with both the legislative disclosure requirements and the annual reporting guidelines.

\textsuperscript{344} QAO, Annual Report 2009-10, September 2010: 82
\textsuperscript{345} QAO, Annual Report 2009-10, September 2010: 83
\textsuperscript{346} QAO, Annual Report 2009-10, September 2010: 83
359. The committee sought additional information from the Auditor-General regarding the average costs of PMS audits. The Auditor-General explained that the target of $275,000 has been in place since 1 July 2008 and had not been adjusted to reflect annual increases in charge out rates. However, the cost of the audits undertaken in 2009-10 was significantly higher than previous years due to a number of factors. These included:

- the audit topics had broader scope and involved an increased level of complexity
- with the increased complexity of the audits and a review of audit methodology there was an increased focus on quality
- there was a change in agency expectations about the level of engagement, consultation and negotiation during the audit process particularly the involvement of senior audit staff in these discussions
- additional staff were allocated to some audits to ensure that they were able to meet the timeframe KPI target of < 7 months

360. The Auditor-General indicated that the overall expenditure of the PMS Audit Division was within the funds allocated from the Consolidated Fund for this work.

361. The Auditor-General advised the committee that the audit program for 2010-11 includes more single agency audits and it is anticipated that the average cost will be close to the target of $350,000. He noted that care is being taken with the scoping and budget of each audit, however, it is not always possible to predict issues occurring during the audit that might impact on time and cost.

362. The committee also discussed the issue of the operating deficits over the past two financial years with the Auditor-General. He advised the committee that the operating deficits in 2008-09 and 2009-10 represent less than 1% of total expenditure and follow surplus years in 2007-08 and 2006-07.

363. The Auditor-General advised that the deficit in 2009-10 reflects an increase in average staffing numbers. As a commitment to staff development and advancement, QAO on an annual basis increase staff at the lower level by engaging graduates. The level of this intake is budgeted to be offset by natural attrition of staff resigning or transferring to other agencies. During 2009-10 QAO’s commitment to the graduate intake was not offset by attrition and consequently the average staffing level increased causing an increase in employee remuneration costs. The Auditor-General noted that while QAO was able to reduce the level of contracted temporary staff, the high level of permanent staff caused some inefficient practices. The graduate intake for 2010-10 has been reduced to minimise employee cost increases.

364. The Auditor-General indicated to the committee that the outlook for 2010-11 is for a small surplus.

---

347 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 1
348 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 1
349 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 2
350 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 2
351 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 2
352 Correspondence from Mr G Poole, Auditor-General of Queensland, to PAPWC dated 14 December 2010: 3
365. The committee enjoys a good working relationship with the Auditor-General. The committee appreciates the regular briefings it receives from the Auditor-General about his reports and general public sector financial matters.

366. During the year, QAO celebrated 150 years of operation. Members of the committee attended both official and staff celebration functions at Parliament House and QAO’s head office. The committee was pleased to be involved in commemorating such a significant milestone.

367. The committee would like to take this opportunity to acknowledge the work of both the Auditor-General and the staff of QAO. The committee appreciates both the commitment and dedication with which they carry out their duties.