



# ***PUBLIC ACCOUNTS AND PUBLIC WORKS COMMITTEE***

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## **INQUIRY INTO AN EVALUATION OF THE EFFECTIVENESS OF THE PERFORMANCE MANAGEMENT SYSTEMS (PMS) AUDIT MANDATE IN TERMS OF THE PARLIAMENT'S PREVIOUSLY EXPRESSED POSITION**

### **TRANSCRIPT OF PROCEEDINGS**

**FRIDAY, 18 SEPTEMBER 2009**

**Brisbane**

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**POOLE, Mr Glenn Gordon, Auditor-General, Queensland Audit Office**

**CAMPBELL, Ms Terry, Assistant Auditor-General, Queensland Audit Office**

**SCHAEFER, Mrs Katherine, Deputy Director-General, Strategy and Governance,  
Department of Infrastructure and Planning**

**WHITE, Mr Gary Stuart, Deputy Director-General, Local Government and Planning,  
Department of Infrastructure and Planning**

**BRADLEY, Mr Gerard Patrick, Under Treasurer, Queensland Treasury**

**HIGHLAND, Ms Susan Lorraine, Director, Financial Management Branch, Queensland  
Treasury**

**PHILIP, Dr Pradeep, Associate Director-General, Department of Premier and Cabinet**

**TENNANT, Mr Michael, Executive Director, Performance and Delivery Office, Department  
of Premier and Cabinet**

**MEHAN, Mr Terry Raymond, Deputy Director-General, Performance and Accountability,  
Queensland Health**

**MCDONALD, Mr Robert Norman, Senior Director, Assurance Risk and Advisory Services,  
Queensland Health**

**OLLASON, Mr Bruce, Acting Deputy Director-General, Policy and Planning, Department of  
Transport and Main Roads**

**STEWART, Mr David, Director-General, Department of Transport and Main Roads**

**Committee commenced at 9 am**

**CHAIR:** Good morning, ladies and gentlemen. Thank you very much for coming along. I declare this hearing on the evaluation of the effectiveness of the performance management systems audit mandate open. This inquiry was commenced by the Public Accounts Committee of the 52nd Parliament. The Public Accounts and Public Works Committee of the 53rd Parliament has resolved to complete the inquiry.

My name is Wayne Wendt and I am the chair of the committee. The other members of the committee here today are Mr Ian Rickuss, the deputy chair and member for Lockyer; Michael Crandon, member for Coomera; Di Farmer, member for Bulimba; Ray Hopper, member for Condamine; Mary-Anne O'Neill, member for Kallangur; and Christine Smith, member for Burleigh. Our research staff are available here, too.

This hearing is a formal proceeding of the parliament and is subject to the Legislative Assembly's standing rules and orders. The committee will not require witnesses to give evidence under oath, but I remind you that intentionally misleading the committee is a serious offence. Thank you all for your attendance here today. Due to a number of committees also holding hearings today we are limited with the number of microphones available. Could witnesses please be mindful that when they wish to make a statement that they speak into the microphone. You need to say your name and where you are from as we do have a number of witnesses here today.

You have previously been provided with a copy of the instructions for witnesses so we will take those as read. Hansard will record the proceedings and you will be provided with the transcript. You have been provided with a copy of Hansard witness forms. Could you please complete those before you leave here today. For the benefit of Hansard would you state your full name and title and the organisation you are representing.

**Mr Poole:** Glenn Poole, Auditor-General, Queensland Audit Office.

**Ms Campbell:** Terry Campbell, Assistant Auditor-General, Queensland Audit Office.

**Mrs Schaefer:** Kathy Schaefer, Deputy Director-General, Department of Infrastructure and Planning.

**Mr White:** Gary White, Deputy Director-General, Local Government and Planning.

**Mr Bradley:** Gerard Bradley, Under Treasurer, Treasury.

**Ms Highland:** Sue Highland, Director, Financial Management Branch, Treasury.

**Dr Philip:** Pradeep Philip, Associate Director-General, Department of Premier and Cabinet.

**Mr Tennant:** Michael Tennant, Executive Director, Performance and Delivery, Department of Premier and Cabinet.

**Mr Mehan:** Terry Mehan, Deputy Director-General, Performance and Accountability, Queensland Health.

**Mr McDonald:** Bob McDonald, Senior Director, Assurance Risk and Advisory Services, Queensland Health.

**Mr Ollason:** Bruce Ollason, Acting Deputy Director-General, Policy and Planning, Department of Transport and Main Roads.

**Mr Stewart:** Dave Stewart. I am the Director-General of the Department of Transport and Main Roads.

**CHAIR:** We are running this hearing as a round table forum to facilitate discussion. However, for reasons of privilege only members of the committee can put questions to witnesses. If you wish to raise issues for discussion, I want to stress that you must direct your comments through me as the chair. Before we start, I would like to thank you for your submissions in response to the committee's inquiry terms of reference. I would also like to thank those agencies that provided additional information in response to the committee's request. We will examine some of the issues raised during the course of the hearing. Would each organisation like to make a brief opening statement?

**Mr Poole:** Thank you. The conclusion of the last strategic review five years ago of the Queensland Audit Office was that QAO had not fully used the extent of the existing performance management systems mandate. The reviewers therefore recommended that the Auditor-General undertake a dedicated program of PMS audits, that these audit reports be reviewed by the PAC, and that further consideration be given to the mandate and broadening the mandate after that program of work had been undertaken.

Over the last five years we have completed a significant body of audit activity. We have submitted 21 PMS audit reports to parliament that have covered a range of audits in nearly 50 individual agencies. The range of issues covered by those audits have included things like the systems used by agencies to report their performance achievements externally, systems used to address biosecurity or rural fires incidents, planning and performance control systems in a number of departments, preparation of annual reports by departments, capital works and workforce planning systems. This extensive audit program has fully explored the boundaries of the current audit mandate and has generated many useful recommendations for improvement across the public sector. In line with experience in other jurisdictions where the performance audit mandate provides for the direct assessment of how programs are being delivered, I believe that it is time for the Queensland parliament to consider a change in the mandate to reflect the performance audit approach that is now used in most other parts of Australia and internationally. The conclusion in other jurisdictions, including Canada, is that this is an enhancement to the systems of accountability as it allows the audit report to focus directly on the performance achieved by the agency rather than indirectly through an examination of just its reporting systems. Thank you for the opportunity today to outline the achievements of QAO since the last review.

**Mrs Schaefer:** I will refer to the submission that the Department of Infrastructure and Planning provided some time ago. It is the department's view that the Queensland Audit Office operating under the current mandate has been very successful in efficiently conducting PMS audits and identifying for agencies, including central agencies responsible for managing specific management frameworks necessary for improvement. Agencies would benefit by understanding more about the consideration given to the termination of the annual PMS audit programs by the QAO. The current mandate might be made to specify the number of categories of PMS audits to be undertaken each year. In the identification of specific categories, considerations should be given to including project evaluation audits within the mandate. The more recent step taken by QAO to publish best practice guidance in the areas of risk management and output performance reporting has been particularly well received.

It is considered that the formalisation of QAS's role in the area of reviewing policy and guidelines recommendations which underpins performance management will ensure continued increase in compliance by agencies. We thank you for the opportunity to be present today.

**Mr Bradley:** We would like to thank the committee for the opportunity to appear today. There have been some important changes to the legislative framework within which government works in relation to this matter, obviously dating back to the Financial Administration and Audit Act. It was amended in 2006 to extend the Auditor-General's PMS audit mandate to allow the independent assessment of the relevance of performance measures used by agencies. That mandate became effective from 1 January 2007. More recently we have seen the Financial Accountability Act and the separate act that deals with the role of the Auditor-General as well.

Queensland's PMS audit process provides parliament with an independent assessment of the quality of transparency and accountability being achieved in regard to public sector management. Treasury acknowledges the work undertaken to date by QAO as it explores the opportunities that this mandate provides. We think it is important that in reports that are presented by the Auditor-General to parliament that they have focused attention on performance. We believe that has provided guidance to agencies to place greater emphasis on that important aspect of their management responsibilities and we support the work that has been undertaken by the audit office, and we continue to assist the Auditor-General as he undertakes particular audits to consider the appropriate recommendations and the role that Treasury can play in improving performance management within government. I am pleased to comment further through the proceedings today. Thank you.

**Dr Philip:** Thank you for the opportunity to make some comments to this committee. Transparency, accountability and effective government are the key objectives of our system of government because they go to the heart of the questions that our citizens want to know about what government does, why they do it, how they do it and is it effective and efficient. We have a number of institutions and processes in place to do this, ranging from the Financial Accountability Act, the Auditor-General Act, freedom of information laws, the right to information and so forth.

The Auditor-General's performance management systems audit mandate is an important part of the system and it is, in part, derivative from these broader objectives. We are supportive of the work that the Auditor-General has done to date on performance. It certainly has assisted agencies and the government to identify areas of weakness or improvement. Like the private sector, performance management is organic. We have seen the evolution of government systems change from government announcements moving to specification of targets and outputs and now in the more complex area of specifying outcomes and by definition, like the private sector, identifying how government operates, and the efficiency with which it operates, is an important and evolving task. To this extent the government and DPC are very supportive of the work that the Auditor-General has done to date and we look forward to working with the committee on the questions before it.

**Mr Mehan:** Thank you for the opportunity to provide comments. Most other agencies have made the point that we find this purposeful and constructive. Any system that allows external review of your efficiency and leads to improvement is welcomed by Queensland Health. We have been undertaking several audits through this process and we have found what that has brought to us is an opportunity to improve our systems and has led to changes. The fact that I am here as the Deputy Director-General of Performance and Accountability is a reflection of Queensland Health's commitment to improving this level of scrutiny and inviting external review of our processes. So we welcome the opportunity to be here and will be pleased to answer any questions and support the process.

**Mr Stewart:** Thank you very much for the opportunity. I think we have said in our submission that we do appreciate the opportunity that these audits actually present us. One of the key things about government departments, as has been commented on by the Premier's department this morning, is ongoing accountability and improvement. One of the key things that we have found in these raft of audits is our ability to actually learn from those. It is something that we do value. We do value the third party overview of our work. It is certainly a very complex area but we have improved and we do welcome, like the other departments, the interaction that we have with the audit office and we see this as a valuable process moving forward.

**CHAIR:** The committee will now ask questions. I would remind everyone that it is important that you have your phones turned off. We intend to finish at 10.30 today so I would ask that the responses to the questions be brief and to the point otherwise we will have to pull up and go to the next question because we have a number of things to go through. My first question is to the Auditor-General, Glenn Poole. What do you believe the PMS audits that QAO has undertaken since the last strategic review have achieved?

**Mr Poole:** I believe that the audits that we have undertaken have provided a good insight into the range of performance management systems that agencies have, both individually within agencies but also across agencies. The series of performance management systems audits that we undertook initially were focused around the reporting externally by departments because the system of financial management, the framework that the Queensland parliament adopts, is that accountable officers are accountable for their performance and it seemed to me that the appropriate addition that we could add would be to test the systems that agencies are using to report that performance.

So there were a series of reports that I think added significantly and really focused on that performance reporting. From then we have broadened the program out to cover individual departments and ranges of departments. Across each of them the number of recommendations have generally been accepted by agencies and in follow-up audits we have found that they have been implemented. I think the impact has been through agencies improving their performance and improving their activities. That has been well documented, I think, through not only our follow-up audits but also the reports that the Public Accounts Committee has undertaken.

Perhaps one example would be that in 2007-08 only nine per cent of departmental outputs that were reported as part of the budget papers had a clear and measurable objective. Two years later in the 2009-10 budget papers, that had increased to 51 per cent of the departmental objectives having a clear and measurable output objective attached. I think that is a significant improvement that has come through the work that we have done.

**Mr RICKUSS:** My question is to the Queensland Treasury. The committee has found that some of the submissions received confused performance management systems audit mandate with output performance reporting PMS audits undertaken by the QAO over the past three years. Do you have any comments on why this confusion has arisen? The second part to the question is does the Queensland Treasury provide guidance and training to ensure that the agencies understand the Auditor-General's mandate in this area?

**Mr Bradley:** Can I clarify that the confusion you mentioned was between PMS audits and the output performance—

**Mr RICKUSS:** The output performance reporting PMS audits undertaken by the QAO in the past three years and performance management systems audit mandate. The focus was actually on the PMS audit instead of on the whole mandate of the audit, do you know what I mean?

**Mr Bradley:** The audit office obviously does full comprehensive audits of agencies' financial statements. You are saying that there is some confusion between those more comprehensive audits and the more targeted PMS audits?

**Mr RICKUSS:** Yes, that is right.

**Mr Bradley:** It is not an issue that has been actively brought to our attention. Certainly there is an issue around reporting performance against each agency output and how that is documented and the role of the Auditor-General in reviewing those performance measures that appear in the budget statements. I am not aware of agencies being unclear about that work relative to the actual more targeted PMS audits. I think there have been around 21 of those. The process taken is that agencies work with the audit office and, where issues are identified, they respond and comment on them. Perhaps the audit office itself might be able to indicate where they consider there is some areas of overlap or concern.

**Mr RICKUSS:** The follow up question is to the Department of Premier and Cabinet. The committee notes that in the Department of Premier and Cabinet submission you advise that you are not aware of any instances that would suggest that the PMS audit mandate is not understood. However, would the DPC like to comment on the confusion between PMS audit and output performance reporting audits highlighted in the submission? There seems to be confusion about output performance audits and the PMS. I will ask the Auditor-General to clarify that.

**Mr Poole:** I think part of the confusion is that the first four audits that I did under the performance management systems audit mandate focused on this reporting of their performance externally. So the titles of the reports did reflect an output performance reporting focus. The reason why, as I said earlier, I focused on that was that I believe that under the framework that we have agencies are responsible for that reporting; they are responsible for their performance. My mandate allows me to look at the systems. So we focused particularly on that output performance reporting externally. They were the first four audits that we did and they went across quite a range of agencies. I would not be surprised to believe that agencies therefore equated the performance mandate or the performance management systems mandate with output performance.

After those first four reports where we did cover quite a range of departments and GOCs we then moved into more targeted PMS audits around particular issues and around particular agencies and the bulk of the reporting, or the bulk of the audits since that initial work in 2005 and 2006, has perhaps been broader. It is probably an issue that agencies are now more focused on and I would expect that agencies should understand the mandate much better now than what they would have a year or two ago.

**Mr RICKUSS:** You feel that there has been a change in the understanding?

**Mr Poole:** I think so, because the focus of our audit program has broadened out and covers not only individual departments such as the health department where we have done a couple of audits or rural fires or biosecurity, it also now covers a range of departments around particular topics like the one in urban transport congestion more recently.

**Mr Bradley:** Through the chair if I might clarify, since those initial audits back in 2005, as I mentioned in my opening comments there has also been recognition that the actual mandate needed to be extended to allow the Auditor-General to also look at the relevance of performance measures which I think is another important way in which the audit office can assist and improve measures that are put forward in output statements by agencies. Also in terms of training, we do offer a range of information sessions which are provided through our financial management branch. I can give you further information on that if you require.

**Mr CRANDON:** My question is to Queensland Treasury. Queensland Treasury has been involved as lead agency in respect of the output performance reporting PMS audits undertaken by QAO. Does Queensland Treasury have any comments on what the department got out of this process and do you have any suggestions on how the process could be improved?

**Mr Bradley:** There have now been some 21 PMS audits and they have covered quite an extensive range of issues across government. It is true to say that each PMS audit is usually different from others and brings forward different recommendations and learnings for agencies. In more recent audits there have been some important recommendations that we have accepted in terms of improving the framework

within which agencies provide performance information and have touched on the role of central agencies. There has been a general view around providing greater guidance to agencies in this area which is certainly an important issue for government.

There has been some change in roles between Treasury and Premier and Cabinet and some important developments in terms of performance management framework at a whole-of-government level which represents a continuing evolution in the way in which performance management is provided. We see ourselves working in partnership with Premier and Cabinet to develop that framework and certainly the audit work of the QAO we think has assisted and informed the development of that performance evaluation system.

In terms of improvement opportunities I think they lie in many areas in the sense that obviously agencies need to develop the skill base and the underpinning process and arrangements for producing good quality performance information so that over time they improve both their measurement systems, their costing systems and so on. Also within the audit office I think building the skill base to undertake this work is important. Given that these are areas requiring some judgement in terms of measuring and assessing performance, I think we have found having a good dialogue between the audit office and relevant agencies as we undertake these audit processes is really important. It is important to have good dialogue and understanding so that both the audit office understands the operations of agencies but also the agencies understand the need to improve their own performance systems as well through that process.

I think it has been a constructive process to date. I think there has been learnings as we have gone through different reviews, but overall it has been a process of assisting government to improve gradually through this process, and I think good progress has been made.

**Ms O'NEILL:** My question is to the Department of Premier and Cabinet. Whilst the Department of Premier and Cabinet has not itself been the subject of a PMS audit, a number of recommendations have been addressed to you in your capacity as the central agency. Does the department have any suggestions as to how the process might be improved?

**Dr Philip:** If I might respond by saying that one of the things about performance management is that it is both science and art. It would be much easier if it was just science; you take something off the shelf and you have a set of rules and people can follow them quite easily. Part of that goes to what are themselves good measures of performance and where are the boundaries of performance. It is a lot easier to define it in terms of outputs and a lot harder to define in terms of outcomes. Why? Because you often have other parts of government policy interacting with something so it is hard to isolate a particular policy like we would in a test tube. Here you have a number of interacting parts. I think the real improvement, to follow up on the Under Treasurer's comments, is really in the dialogue. That is the only way to build capacity and capability. We can have training programs, and we do, but I think that dialogue with experts such as the Auditor-General, institutions like the Productivity Commission that puts out the report on government services, institutions like the Australian Institute of Health and Welfare that has expertise in performance measures not just in terms of outputs but also outcomes, I think that is what is critical to improving performance management generally—it is in that dialogue. Associating with people who themselves are focusing on the same objective is where I think you can make the most significant improvements.

**Mr HOPPER:** My question is to the Department of Transport. Your department recently went through the same audit process. What did your department get out of it and is there any way that you could make it better?

**Mr Stewart:** Thank you for the question. As I said in my opening remarks, we actually did get a lot out of it. I think one of the key things is actually having a third party really coming in and testing, I guess, the premise of our policy positions and our implementation plans. I think one of the great benefits of this process is that third party review. We have learnt a lot out of that process. There was an examination of historical aspects, but I think also it led us to look at how we could get our forward planning more aligned, out quicker and into the public domain. So a lot of the work that we had actually done was due to be released. I think that third party process is very valuable and also, just picking up on one of the previous points, that dialogue. One of the great things that the audit office can do, and does and should do, in the future is having the independent experts from around various organisations, whether they are internal to this government or external from the private sector point of view, or indeed other governments from around the country. Because the issues that we tackle are not different to those that other governments tackle. I think sometimes getting that third party dialogue is a very, very good thing. I think if we can leverage off that experience via the process and then implement and improve, which is what these audits are about, it is a very good thing. We have done that. We have learnt very much from the audit that was done on urban congestion, as an example. I think we had a lot of measures in place. But it is also very, very valuable to get third party feedback.

**Mr RICKUSS:** Just supplementary to that, my question is to you, David, and probably to the Department of Premier and Cabinet as well. Have you found time constraints and time interference with the audits? Have you thrown your hands up in the air and said, 'Geez, I haven't got time for this,' or do you find the departments can manage those time constraints?

**Mr Stewart:** It is part of our business. Review and feedback and those processes are an essential part of our business. So from a time point of view there is no issue. We are very happy to be fully engaged on those processes. That is where we learn and that is what this process is about.

**Mr RICKUSS:** Are you hearing anything back from the myriad departments more so than your own?

**Dr Philip:** If I could say that I think there is a widespread recognition that this is part of core business. Whether you are working on the pure service delivery side of government or working in the policy development side of government performance, at the end of the day, it is core business. I think the program the audit office and the various institutions generally have implemented is quite good because there is also a danger that you can review and review and not have time to implement and let things settle down. But I think the timing of reviews generally has been pretty good.

**Mrs SMITH:** My question is to the Department of Infrastructure and Planning. The Department of Local Government, Sport and Recreation was the oversight agency involved in the PMS audit tabled in October 2008 covering administration of grants and funding to community organisations by local government. What did your department get out of the process and do you have any suggestions on how the process could be improved?

**Mr White:** The most significant thing that came out of it was to enable a focus on the timeliness and delivery of reporting mechanisms and reporting frameworks and how greater efficiencies could then come out of the overall local government administration frameworks, if there was a knowledge in terms of how those efficiencies were being worked through. The focus there was to assist local government to gain greater capacity themselves to manage as opposed to trying to do it on their own to some extent and how we as a department may now assist in the future in terms of assisting local government to gain that capacity.

**Ms FARMER:** My question is to Queensland Health. Your department has been the subject of numerous audits over the last three years. What has your department got out of the process and do you have some comments on how the process could be improved?

**Mr Mehan:** To reiterate comments made by other agencies, what you tend to do in very complicated and complex organisations is have complicated and complex ways of looking at your own performance. When an external agency comes in with a specific question like, 'How do you do planning?' or, 'How do you plan patient flow?', it forces you to try to answer that question in a simple way. That is not always easy to do. What the two audits most recently allowed us to do is to have that external agency come in, to ask questions and to conduct an audit in a very professional and rigorous way that required us to look at our own systems of reporting so that we could be accountable back to the public in a way that that agency could communicate.

What we have got from that is a sense that intuitively we believe that we are doing things right but we need to be able to express that more clearly in terms of outcome measures and performance measures. Our benefit is to look at our systems, to have them challenged, to have identified where it didn't present clearly and we have, as a result of that, gone back and reviewed our planning framework, how decisions are made in the course of that planning to be far more explicit in that decision-making process and describe it, and to map that out so that the whole organisation knows its steps now in the process between when you create an idea and take it through a planning to when it is funded and implemented as a government policy.

That has been a very beneficial outcome of that audit. We are also working with the QAO through the implementations that we are committed to fully implementing. Again to reiterate other comments, the attitude that the QAO brings in constructive dialogue has been most purposeful. It is not an audit in the traditional sense where people are checking off things in a financial audit, it is an audit where both parties have the intent to improve performance and improve the outcome for the public. It is the attitude and conversations that allow you to work through the issues to get the best result. We believe that in relation to both the planning and patient flow it was the attitude and the conversations that you had which gave the best result; it was the rigour and the external accountability that an agency such as QAO brings to the process. Because, despite the effort you put into internal performance reviews, that third-party fresh set of eyes brings you a perspective, particularly when that perspective is to represent accountability back to the public, that we found is most beneficial.

Generally that external accountability is most purposeful. The conduct of the audits or the performance reviews we have found to be very professionally undertaken. The attitude is one of cooperation and collaboration and the outcomes reflect that. We welcome the ongoing process. It has allowed us to also start to develop our own internal performance management frameworks, which is again the job that has been created out of this report.

**Mr CRANDON:** My question is to the department of Premier and Cabinet. The Auditor-General commented in Auditor-General report No.8 for 2008, which was a follow-up of selected audits tabled in 2006, that while audit committees regularly monitor the implementation of internal audits and QAO's financial audit recommendations, in four of the seven departments reviewed there was limited or no consideration given to PMS audit recommendations at the audit committee meetings and no other formal follow-up or monitoring systems were in place. Would the Department of Premier and Cabinet like to comment on this?

**Dr Philip:** Thank you for that question. I think that finding is actually quite important for a central agency, but I think it is probably more important for the department itself. The purpose of having an external audit is to shine a light on and to assist in a department's own performance. We have some processes in place that look at whether departments have complied with government policy objectives or things like that, but our systems are not as detailed or as comprehensive to cover all audit recommendations and implementation of them.

I think there are two mechanisms that are in place and perhaps could be strengthened. One is within departments themselves about how they are accountable for the implementation of findings about their own organisation and the second is that the audit office does, on a regular basis, follow up on its own findings. I think that is a built-in mechanism of accountability for government agencies. Can there be improvement? Absolutely. Is that a core job for a central agency? Perhaps a bit debatable. I think there is certainly a requirement for central agencies to keep better tabs on how agencies are performing across the board, including on implementation of audit findings, but I think the main responsibility probably lies with agencies themselves, particularly given there is a built-in mechanism for a follow up from the audit office.

**Mr CRANDON:** Since things have been put back to the departments, would any of the departments like to make a comment?

**Mr Stewart:** I think that for the Department of Transport and Main Roads the key issue out of these processes is accountability. Certainly a central agency can provide a coordinating role but at the end of the day, as was said, the accountability comes back to the department. In many instances it is up to the department to make sure that those recommendations and those learnings have been implemented. In a coordinating role a central agency is fine, but accountability at the end of the day is back with the line agency.

**Mr CRANDON:** Any other comments?

**Mrs Schaefer:** Our audit and risk management committee regularly addresses any of the PMS audits and that is, in my view, the place that that should be happening. I believe that would be happening at all agencies. The outcomes, the results, the ongoing progress of those reviews do get addressed through the audit and risk management committees of the department.

**Mr CRANDON:** I have a follow-up question to Queensland Treasury. The committee acknowledges that Queensland Treasury has reissued the *Audit Committee Guidelines—Improving Accountability and Performance* and that these guidelines indicate that a major focus of audit committee meetings should be monitoring the implementation of internal audit and external audit recommendations. Has instruction been provided that this includes both financial and compliance audits and PMS audits?

**Mr Bradley:** You are quite correct; we have reissued our guidelines. They have not specifically drawn agencies' attention to PMS audit recommendations. It is potentially an area that we could address as we further refine those guidelines in the future. Certainly in our own agency we acknowledge the need for our internal audit and our risk management committees to follow up those important recommendations. At the time of development of those guidelines it was not a specific issue that we incorporated, but certainly we did intend that the recommendation that internal audit committees address recommendations from both internal audit and external audit processes is broad enough to pick that up. But it may be useful to provide further guidance to agencies on that issue if it is an area of concern identified by the audit office.

**CHAIR:** We have heard a number of issues in relation to the reports themselves and how the QAO has reviewed in that respect. Has the mandate ever been challenged by departments in respect of your experience to date and, if so, what has been the result of that?

**Mr Poole:** There has not been any direct challenge to the mandate. We fairly carefully scope the audits to ensure that we stay within the mandate. There has not been any challenge that we have been straying outside of it. However, there were a couple of recent questions about a couple of audits as to the audit coverage. There was some misunderstanding by a couple of agencies that in one audit we might have been straying into auditing ministerial offices, which we were not. There was also a suggestion that we might have been impacting on the activities of a committee of parliament, which again we were not. Through discussion we were able to assure those agencies that where we were heading with the audit was totally within the mandate.

There was a comment from one minister while we were discussing a draft report recently that the report seemed to be focused on the performance management systems and did not take into account the fact that in his view the department's performance was good. We did have a discussion that the mandate required me to look at the systems, the performance systems, irrespective of our view of performance. However, that is an issue that does come up from time to time. As part of the current mandate I think there are some constraints around the reporting, where we try to report on what the systems are but we form some judgement as to how material any breakdown in those systems is going to be and what is that impact on performance. But because of the restrictions of the mandate I can't make that connection explicitly within the report and therefore we have some discussions around the systems rather than performance which, in my view, is a bit of a problem with the current mandate.

**CHAIR:** You are quite comfortable in relation to that then? You are confident that people understand where you are coming from and through negotiation you are able to work that through?

**Mr Poole:** Yes, we have not had any problems but we have had to, I have to say, be very deliberate in the way we scope the audits to make sure that we are focusing on the systems and that that falls within the mandate.

**CHAIR:** That is good. That is what we are after.

**Mr RICKUSS:** As a follow-up to that question, my question is to the Department of Premier and Cabinet. I refer to the department's submission addressing the inquiry terms of reference where, in addressing item 3, you stated that the audit mandate was beyond its intended scope. We do not wish to go into the technical details of the example you provided, as the committee will consider that issue as part of its inquiry into annual reporting. However, we would like to explore how you believe the Auditor-General applied the audit mandate beyond the intended scope. Could you please explain what you feel the intended scope should be?

**Mr Tennant:** Just to clarify the question, the question is what do we think the intended scope should be?

**Mr RICKUSS:** That's right, and why you feel the Queensland Audit Office went beyond the intended scope?

**Mr Tennant:** To clarify, what is the section you are referring to in the DPC submission where that comment is made?

**Mr RICKUSS:** Item No.3, 'Is the PMS audit mandate being used effectively by the Queensland Audit Office?' That was our term of reference. You felt that they went outside their intended scope at times.

**Mr Tennant:** Through the range of reports and the dialogue that happens with the QAO through the PMS systems audit there are other issues that do arise through those reports that fit within the scope but are external to that where there are other suggestions to actually improve performance within departments as well. The mandate and the scope, as you know, is actually set by parliament and we abide by that. There has been that recent expansion in relation to the mandate, the PMS audit mandate, and the role of the QAO. Where there are issues that do arise out of those reports or through that conversation in relation to performance then there is an opportunity for departments to also then look at addressing those issues. But in relation to the details around the mandate and any changes to that mandate, I think that is a decision for parliament to make.

**Mr RICKUSS:** It says in your submission, 'However, there have been some instances in which the QAO has applied the audit mandate beyond its intended scope'. To help you clarify it, it also states in your submission, 'Reports such as the Smart State Progress report have a different purpose to annual reports'.

**Mr Tennant:** Thank you. In response to that, that comment was specifically in relation not to being out of scope of the PMS audit mandate of the QAO, but out of the comments certainly made in some cases of reports that were out of scope of the initial terms of reference or objectives of the report. So, it was not a comment in our DPC submission about PMS audit reports being out of scope of the mandate, but that some of the reports, being a dialogue and evolutionary process, commented on things that went beyond the initial audit objective in some cases.

**Mr RICKUSS:** Would the Auditor-General like to comment on that?

**Mr Poole:** I do recall that particular incident. It was not in relation to the mandate itself, it was around the scope of the audit. The audit was one where we were looking at annual reports, but we were also, as part of the scope of the audit, to 'Review other forms of annual reporting presented by the government and assess whether they meet the accountability standards established by parliament for annual reports'. So the view that we took was that performance reporting by departments isn't just in the formal annual report, it is also in a range of other reports that are presented to parliament. We examined those as well. We looked at the Smart State Progress report and there were also some reports within the Health area that we looked at where the concept that we were looking at was how do these agencies report on a regular basis to parliament about their performance. The annual report is the big ticket item, but there are other reports as well and the conclusions we drew, particularly around a couple of those reports, were that there weren't good frameworks and good guidance around what ought to be in them and were they really performance reports or were they something else.

**Mr RICKUSS:** Would you like to comment further? Are you happy with that?

**Dr Philip:** Yes, we are. I think it was a case of trying to define whether the review was into an annual report as opposed to a report provided annually. There are a lot of reports that come out annually.

**Ms FARMER:** My question is to the Department of Infrastructure and Planning. Your submission suggested that the current mandate might be amended to specify the number and categories of PMS audits to be undertaken each year and that also consideration might be given to including project evaluation audits. Can you elaborate on that?

**Mrs Schaefer:** Thank you very much. The department is responsible for special purpose vehicles which are delivering certain key projects within the SEQ Infrastructure Plan and Program. As public sector entities these companies are subject to annual financial administration auditing by the QAO as per section 76 of the FAA 1977, the previous act. In the previous 12 months QAO has also conducted and charged for project evaluation audits of two of the SPVs advising evaluations are undertaken under section 79 of the act.

In the department's view the project evaluation audits were very similar to the PMS audits which it is understood are undertaken without charge to the public sector entity. It was in that context, and of concern to the department is the similarity of the project evaluations with the PMS audits and the cost and impact which results from the determination that they can be both conducted under separate sections. It is considered that the current mandate for the PMS audits should be amended to address this current, what we believe might be, discrepancy by specifically including project evaluation audits. So it is about improvement. The general concurrence is that the PMS audit mandate has been effective, noting that the QAO may have a formal role within the framework guidelines and practices. Because of the similarity we thought it could capture the project evaluations.

**Ms FARMER:** Glenn, would you like to comment on that?

**Mr Poole:** Yes, it is an issue that does arise. My auditing mandate is quite broad, stretching from audits of financial statements in a very tight financial area through to the PMS audit mandate. In the middle is the area of compliance. I have taken the view that a large part of the compliance activities, such as is being suggested by the department, does fit within what we have determined is our financial and compliance audit mandate because financial statement audits merge into a compliance activity. I do accept that it is a continuum. Just to give the committee one example, the audit offices around Australia are currently looking at the expenditure on the economic stimulus package. The Australian National Audit Office is doing an audit under its performance audit mandate and looking at that activity. Some other audit offices are also doing it under their performance mandate. I am doing it, and a number of audit offices as well, as a compliance audit.

There is a continuum of audit activity and it is a matter of judgement, I guess, as to what fits into which box. I understand the funding of the audit activity is different and that is why we are fairly careful to make sure of the demarcation, as far as we are able. The PMS audits do look at systems. The other activity is around do they comply with the requirements of legislation, do they comply with the accepted norms of financial management? That is the demarcation that we apply.

**Ms O'NEILL:** My question is to Department of Infrastructure and Planning. I again refer to the Department of Infrastructure and Planning's submission. You commented that under the terms of the current mandate, QAO may undertake an audit of any public entity. However, you also state that with an increasing focus by the Queensland Audit Office to investigate service delivery systems associated with government programs, that it may be more appropriate for the mandate to overtly state the ability of QAO to investigate any public entity, either individually or as part of a group or program audit across government. Would you please elaborate on what you mean by that and give some examples, perhaps?

**Mrs Schaefer:** That was particularly in reference to the multiagency and the demands on QAO's capacity to cover the broad spectrum. I probably refer here to urban congestion. In addition to the Queensland Audit Office mandates we also use a range of other measures to actually check efficiency and effectiveness of our programs and do that through things like gateway reviews. We also do it significantly through the project assurance framework which the department has lead responsibility for implementing. Perhaps when they get into some of the specific things, which in the gateway review process or in processes about which the UK's office looks at in terms of specialist skills, in some cases it may be better to rely more on those other processes rather than just trying to cover and spread themselves across some technical areas.

**Ms O'NEILL:** Would the Auditor-General like to comment any further?

**Mr Poole:** Certainly when we scope out an audit and undertake an audit we do review what other review activity has occurred in the particular area. We would seek, where it is possible, to gain some reliance on that activity. We are certainly well aware of the gateway process in infrastructure. It is a process that we support wholeheartedly. There are some issues around the gateway process. One is confidentiality. For the gateway process to work at its best there is a boundary of confidentiality about what is found. We have had to come to an agreement, a protocol, with the director-general of the department that we would respect that confidentiality. But we still need to observe what is going on and, to the extent that we are able to rely on it and to say that it is working well, we would do so. I would see that review activity as no different to us going into agencies, having a look at what their internal auditors have done, looking at what other review processes they might have undertaken, assessing in our opinion the validity and depth and quality of that work and reporting accordingly. If we find that there is a very robust process that they have got we would not go into a lot more detail around that; we would accept it. But we do need the capacity to test how well that framework is happening, be it an external one that an agency has introduced or an internal audit on their control systems. That is all part of the overall framework that we would be examining.

**Ms O'NEILL:** Would either Queensland Treasury or Premier and Cabinet like to comment?

**CHAIR:** You are not required to. I might move on to another question for Glenn. From 1 January 2007 your mandate was extended to enable you to review an entity's performance measures to determine whether they are relevant and otherwise appropriate having regard to their purpose and fairly represent the public sector entity's performance. How has the QAO used this mandate to date and does this complement the existing PMS audit mandate in your view?

**Mr Poole:** Yes, we have found it a very useful part of our audit program since that amendment. We have used it in a number of ways, specifically looking at external performance reporting, because in some of our earlier work we found that all we were able to do was to comment on the systems without saying effectively who cares about that performance information if the performance indicator isn't a relevant one and isn't an appropriate one. So, the combination of looking at the systems and also looking at the measures I think is quite powerful. We have used it specifically in some audits of performance reporting, but we have also then used it as an add-on for virtually all of the audits where part of the thinking process and the audit process is to look at the performance measures and to see whether we think they are relevant and appropriate. We think it is a very powerful part of the audit now.

**Mr CRANDON:** The committee is aware of your advocacy for an extension of the mandate to performance audits. However, before we canvass that issue, could you advise the committee of any ideas you might have on how the existing mandate could be improved?

**Mr Poole:** I think the existing mandate is working quite well. We have taken it to the boundaries of the mandate. We have looked at the direct performance reporting, as I say, externally as well as how agencies are using it. We are currently in a round of audits at the moment looking at internal processes that the agencies use to use the information that they gather on their performance. Do they actually change direction? Do they actually collect data about their performance and then use that to modify their practices? So, I think the current mandate provides a good scope for our activity.

I would have to say I do not think there is anything extra that we can do. Without moving off the topic, I think the constraint is around the mandate itself because it does provide some significant difficulties for us, particularly around the reporting end of the program. It constrains us a little about shaping the scope of the audit because we have to make sure that it is scoped around the systems. Doing the audit I believe is not much different to what the mandate is. Whether it is a full performance audit mandate or our PMS audit mandate, the audit activity happens much the same. But when we come to reporting we then need to tie back what we have found to the systems and focus on the systems which does, I think, lead to a deficiency because we are not forced to draw a conclusion about whether any deficiencies in the systems have resulted in poor performance. So, we can ignore the performance and say that, irrespective of whether the performance is good, bad or indifferent, these are the systems and these are the deficiencies with the system, which does cause some discussion then with agencies about the focus of the audit.

**Mr CRANDON:** Which brings me to the next question: would any of the agencies have any suggested improvements to the existing mandate?

**Mr Bradley:** I think we would agree with the audit office that that important change that was made in relation to looking at the relevance of performance measures really addressed probably an important weakness in the previous mandate as it existed. So I think that has been an important change and has probably allowed the audit office to more properly examine areas and relevance of performance measures in particular. So I think that has been helpful. We have not felt, I guess from observing recent audits, that the audit office has been particularly constrained in what it looks at in terms of its reviews and we have found they have addressed pretty comprehensively issues raised through their audit process and that, in our view, has been quite appropriate.

**Mr HOPPER:** My question is to the Department of Transport. I refer to your submission and your response to committee's request for additional information. You commented that compliance issues identified during the PMS audits should be raised and reported to agencies, but unless they have significant impact on the audit opinion they should not be the sole basis of the PMS audit report to the agency. What did you mean by those comments?

**Mr Stewart:** I think it is an extension of the previous discussion we have had about systems versus the actual outcomes. At the moment I think the clear discussion we have had is that the mandate is around the system as opposed to the actual performance. I think at some stage we really need to address that going forward: how as an agency we are performing in delivering on that outcome. From an urban congestion point of view, are we actually reducing urban congestion and are our systems appropriate for that? I think that at the moment we sometimes focus on the system processes as opposed to actually the performance. I think that was a view raised by Health in its submission. That comes down to a decision at the end of the day around the extension of the mandate to be more clear around that issue and I think that that, for us, would be quite helpful.

**Mr HOPPER:** Does anyone else want to comment on that?

**Mr Mehan:** I think that the move towards the outcome and public benefit rather than managing and looking at measurement per se is a positive move and it has been included in the extension of the brief for the mandate. As we go forward I think we need to be clear in what we mean by a public benefit from an agency. So in Health or Transport or whatever, when you are expressing the benefit you need to be clear that from a government policy and from a delivery point of view we are all on the one page and that the outcome that you are looking for drives the systems of measuring performance. So you don't get very good at measuring the wrong things and become extremely efficient at systems that are not delivering what the outcomes are.

Progressively I think the conversation will lead to being absolutely clear on what we want as a public benefit from the outcome of service delivery and then having the supporting systems that allow you to manage your performance and progress towards that. I think the mandate and the discussions that we

have had and will continue to have in the future are around what is the outcome that we want to achieve as a public good and how do we put the proper performance measures and systems in place to ensure that we are getting there. That is part of the maturing of this process as we all learn from the feedback we get. So far we have had those conversations, but I believe it is where the opportunity presents itself for continuing improvement.

**Mr RICKUSS:** My question is to the Auditor-General. It is a good lead on from what Terry has been talking about there. In your submission to the committee you advocated for the extension of the mandate from PMS audits to performance audits on the basis that it would promote greater accountability to the parliament by clearly reporting on whether programs are delivered economically, efficiently and effectively and focusing those responsible on identified deficiencies in operations. Could you please outline for the committee your reasons?

**Mr Poole:** I think this goes to a comparison between the PMS audit mandate and the broader performance audit mandate. While there are a number of similarities between the two styles of audits, there are some significant differences and I will focus on some of the differences and the advantages. The differences are around the scope of what can be audited, because we do need to, under the current mandate, look specifically at systems. There is a further difference around the types of findings that can be reported. Again we are constrained to talking only about the systems. There are some differences around the scope of recommendations and also the scope of efficiency, effectiveness and economy that we can look at under a performance mandate rather than purely the systems.

I think the advantages that it would bring to parliament is that it would receive an independent assurance around a broader range of things that I believe are more focused on what the community is looking for. The community is looking for the outcomes from government activity; it is looking for assurance that those outcomes are being achieved efficiently, effectively and with due economy. Simply focusing on the systems does not achieve that. Under the current framework, the performance reporting by departments is improving—and certainly the work that the Department of Premier and Cabinet and Treasury have done recently around the framework for reporting will make a difference—but with the reporting alone, without that third-party assurance, I think the system is deficient. After all, the parliament receives from me independent assurance on all of the financial statements, so with all of the financial information that comes to parliament it has a third-party assurance, but with all of the performance data, the non-financial performance data, there is no independent assurance at the moment. I think a matter for parliament to consider is how it can get that assurance. The performance audit mandate would be one avenue that it could explore.

**Mr RICKUSS:** I think Terry and David agreed with that. Would any other agencies like to comment on it?

**Mr Bradley:** If I could comment from Queensland Treasury, obviously the scope of the audit mandate is an issue to be examined in the five-yearly strategic review of the office and we imagine through that process both the audit office and agencies would be given an opportunity to put forward views around that issue. I think at the last strategic review, as Glenn referred to previously, this was fairly embryonic. We have had now a period where the audit office has explored the scope to operate within the PMS mandate. I think there is probably some useful and good observations they can draw out of that to inform the next strategic review and consider whether that audit mandate should be further expanded. As I have mentioned, we have sought to address weaknesses as we have identified them in the current process through other changes that have occurred. I think the important change that Glenn has mentioned has been a recognition within the government that has prompted a major improvement in the way that we actually measure agency performance and produce information for performance measurement. That has been a challenge also. We have had major machinery of government changes so we are now having to refresh all of that work. Certainly in the next round of budget documents for next year we hope to see a significant step up again in the quality and range of performance information.

We think the audit office has probably been quite effective in using the mandate as it currently exists. I think it has explored that reasonably well. While it has had, as Glenn mentioned, to try to put it back within the context of the mandate, it has nevertheless been able to make strong recommendations on improvements across a range of areas. I think there has been some interesting experiences. We actually drew upon the PMS audit findings in our preparation of our new Financial Accountability Act. For example, the review on annual reporting pointed out that if you looked at it from a compliance point of view there were a range of things that agencies were not strictly meeting in terms of pure compliance with the act, which had things like what year was the agency first established, which really was more of a process thing rather than really getting to the quality of the information in annual reports. We have actually, if you like, improved our guidance on annual reports to talk about principles rather than areas of compliance detail. The audit recommendations pointed out to us that some of the things that we were requiring were probably too detailed to really specify. We think it has had a good influence in terms of improving the financial accountability framework as we refine it and as parliament reconsiders that over time as well. Because these things do evolve as agencies change.

Certainly we would imagine that the current strategic review would explore the points that Glenn has made around whether his mandate should be expanded. There are important public policy considerations around such matters as when you look further into performance it requires issues of judgement and it

brings into question areas of government policy. In other jurisdictions they have limitations on their audit mandates so that it doesn't bring into account challenging whether policy is appropriate or not appropriate. So there are important considerations like that to be thought through as well.

**Ms FARMER:** My question is to the Auditor-General. The strategic reviewers in 2004 considered that the PMS audit mandate enables wider coverage of activities in a shorter space of time than that covered by traditional performance audits. We have had some discussion of timing this morning, but would you like to comment on that criticism

**Mr Poole:** I think it is true that in a number of jurisdictions some of the performance audits take a considerable amount of time. The strategic review has recommended that we try to work within a six-month time frame and generally over the last five years we have managed to do that. The average time for our audits is currently just under seven months, but that is from the time that we scope the audit through to the time the report is presented to parliament. Included in that time frame is a period at the end of the audit where we provide draft copies to the agencies for comment and provide them with 21 days to respond. So within the current average that we have been hitting, which is 6.8 months, over the last few years it has been closer to around six months. That is certainly a factor of the scoping of the audit and then the efficiency with which you do the audit. I would think across other jurisdictions the Auditors-General are also looking at the time frames and trying to bring that down. It does mean that if you pick on a topic that is quite complex that it can take a little bit longer. In the last 12 months we have had two or three quite complex audits which has blown the time out just a little. We are aware of that and take that on board for the scoping of future audits.

**Ms FARMER:** You feel that the timing is generally appropriate?

**Mr Poole:** I think a target of around six or seven months is the appropriate time from the start of the audit right through until the reporting. That does enable you to have the fieldwork done within the agency fairly quickly and then to have the discussions that have been highlighted by a number of the departmental representatives around what the report is going to look like and what are the conclusions. To try to do it in any less time than that is almost impossible. You would have to have a very narrow targeted audit scope which I don't think would be useful. I think around a six- or seven-month benchmark is very tight. It is difficult but it can be achieved.

**CHAIR:** I might ask Pradeep, you would be aware that one of the arguments in favour of performance auditing that was originally advocated by the South Australian Auditor-General, Tom Sheridan, back in 1997 when they did a review of the QAO was that to rely solely on the independent assurance of a department to provide advice, or the impartiality of the assurance, was open to question and therefore that is why we needed an independent body such as the Auditor-General. Is that a legitimate statement, do you think?

**Dr Philip:** I think the comment being made was one of how do you first of all shine a light on performance and the various aspects of that financial and non-financial compliance process and, second, verify the information that goes into that. The argument on the financial side has always been that you have an independent auditor to come and have a look at this. I mentioned at the start that, in part, the whole performance management system is organic and it has now moved from financial into non-financial, process to effectiveness of policy and so forth. One of the things in this context that people around the country are having a discussion about in this area is we now have a large number of institutions who conduct various sorts of audits. We have parliamentary institutions; we have committees, very public and some not; we have Auditor-General functions; we have independent studies of performance per se by think tanks that take publicly verified information and often are brought in by governments to conduct reviews; we have governments themselves and departments organising independent reviews of their work—most recently in education the current government had Geoff Masters come and do a review; we have the Productivity Commission that does reviews; and another new body, the COAG Reform Council, now exists to do reviews on outcomes.

In this whole debate there is a question of who does what, but in terms of this debate about who does what you are right, there is a need to shine a light on performance but also the accuracy and independence of the information that goes into that. I guess that is a question for the committee as to whether that is something that should be the purview of the audit office or some other entity. I think, as the Under Treasurer said, it is an issue that is likely to be canvassed in the strategic review.

**CHAIR:** I know what you are saying, but I probably lean more to the side of can we trust the departments, the institutions themselves, to do it. That is where I am coming from. My supposition is that it is probably best to have the independence. I suppose that is where I was coming from.

**Dr Philip:** I guess it is that balancing act of you have someone independent but who also knows the information the most. I think that is the tough question.

**Mr CRANDON:** I have a question to the Department of Infrastructure and Planning. I refer to the Department of Local Government, Sport and Recreation's submission and response to the committee's request for additional information. You state that QAO may provide valuable comment on the processes involved in gathering data and on the governance processes where this data is considered to adjust management decisions and to improve departmental service delivery. However, you state that the department would like to retain its independence in determining the appropriateness or otherwise of the content of such measures. Could you elaborate on this comment, please?

**Mr White:** The views of the department in terms of that particular issue are that because of the diverse nature and range of councils across the state, from Far North Queensland through to the Aboriginal councils, and the diverse issues some councils are dealing with associated with urban development and growth management issues, that to some extent the department is well positioned to look at the issues that the various councils might have to consider in terms of their needs and their analysis. It was felt that that would be a valuable way of looking at some of the issues and it is a valuable input that across the state, because of the diverse range of issues, we were very well positioned to understand the various factors that affected various local authorities. So we felt that we were still in a very strong position to be able to do that analysis ourselves within that broader framework.

**Mr RICKUSS:** My question is to the Auditor-General. I refer to your response to the committee's request for additional information in relation to reports to parliament under the PMS audit mandate. You advised the committee that a feature of many of the critical performance failures for entities in both the private and public sectors in recent years has not been the absence of good systems or controls but usually where management has ignored or avoided the proper application of the control systems, and that it is difficult under the mandate to report on the manner in which the agency is using the system to effectively achieve its objectives. Would you please enlarge on that?

**Mr Poole:** Under the current mandate we would examine within an agency whether they have appropriate frameworks and systems for measuring their performance. If we find that the systems are there but are not being used or where there is some breakdown in those systems, under the PMS mandate there is some difficulty as to how we report that. If we are undertaking a financial compliance audit and the system breakdown in some way results in some deficiency within the preparation of the financial statements we are able to talk about that, of course, because that goes to the heart of the audit opinion on the financial statements. But in areas of non-financial performance, a breakdown in those systems, under the current mandate we have great difficulty in drawing some conclusions.

**Mr RICKUSS:** You are saying that even though the systems are available to them they are not using them or they are not using the data that is coming out of them?

**Mr Poole:** I guess, to be a little colloquial, I can report that they have a beautiful set of systems that produce a beautiful set of numbers, but whether they are using that and whether that is impacting on the performance is another question. I can then also comment under the expanded mandate on whether the performance measures are relevant but I really cannot talk about what is the end performance result for that department. If there is a breakdown somewhere in there that is an issue where I have to use some creativity when I am writing the report as to how I can highlight that. Sometimes it turns out being very subtle and most people miss it.

**Mr RICKUSS:** Would Treasury or Premier and Cabinet like to comment on that?

**Mr Bradley:** Usually we have a good dialogue with the audit office when reviews are done. They are usually able to point out the subtleties in their reports to us where they have particular concerns or issues. But certainly if the audit office thinks there are limitations in how it can report then that is an issue that is worth our strategic review giving some consideration to.

**Mr RICKUSS:** I would encourage that.

**Dr Philip:** I agree with those comments and would encourage the dialogue that occurs between an agency and the Auditor-General through this process. Because you often find issues of real concern quite by accident, these things will be brought to the light of agencies in that dialogue. I think it would be in the best interests of all agencies to be aware of all of those things.

**Mr CRANDON:** I refer to your response to the committee's request for additional information in relation to the appropriate skills and abilities of the performance management systems auditors. If QAO's mandate was expanded to performance auditing, what would be the implication for QAO in terms of additional resource requirements?

**Mr Poole:** Over the last five years the number of staff who are dedicated to this activity has increased significantly. In January 2005 we had nine staff. We now have 18. That has been through additional funding that has been provided through the budget over the intervening years. We have a breadth of expertise within that group. They are not just from an accounting background; they come from a range of disciplines. They are all skilled in auditing, but their skills in other areas, other disciplines, are quite significant.

In a number of audits we have been able to draw on expertise outside of the organisation by way of experts who can provide some reference for us. We also certainly use the expertise of the agencies to understand the particular issues. We undertake the audits through a performance engagement framework under auditing standards. I believe that that provides us with the capacity to ask the right questions and to draw the right conclusions, but then to rely, where necessary, on some technical experts outside of the organisation to help us with our understanding.

**Mr CRANDON:** Yes, but if the mandate was expanded?

**Mr Poole:** If the mandate was going to be expanded, the major impact would be we would do slightly different audits. Yes, I would love to have more resources to do performance management systems audits. I would love to have more resources to do whatever the mandate is. We currently have a dedicated Brisbane

group of staff who are well talented to do this work. If the mandate changes we would change the scope of the audits that we are doing without necessarily having to have any additional resources. I would love to have some more because that would mean I could do some more audits, but I don't need additional staff just to do performance audits; the current staff that we have are well equipped and would be able to do it.

**CHAIR:** On that matter, rather than going to a complete performance audit mandate, are there any half ways? Are there any additional opportunities that can be provided to you, rather than going to that nth degree, to increase your mandate at the moment?

**Mr Poole:** I think we have tested the boundaries of the mandate and I think the difference between the performance management systems audit mandate and a performance audit mandate isn't all that significant and I don't see a halfway house in between.

**CHAIR:** What about any of the other departments? Are there any comments in relation to those issues? My final comment then would be to the Auditor-General again. Are there any issues you would like to add? Is there anything we have not covered that you would like to put on the table?

**Mr Poole:** I think that we have canvassed the issues quite well. I certainly acknowledge the area of auditing on financial performance is more complex and is one that we need to undertake with care and caution. I think the area where we are currently at is the performance management systems audits. While it is not unique to Queensland, there are not too many jurisdictions that do it. There is a far larger body of expertise, understanding and research on auditing standards and so forth around performance audit activity. I think the performance audit activity is better known and understood by agencies so therefore moving in that way would enable us to more easily do the work, though there would be a lot of issues that we would need to confront. But as I just said, we have built staff capacity within the organisation and I certainly acknowledge and thank the staff for their efforts over the last five years. I think we have done a significant body of work and I think we have tested the boundaries of where we are currently at. We can continue with that and I think we could continue to add great value to the parliament. However, I think we could add even more benefit to the parliament with some adjustments.

**CHAIR:** Are there any closing comments from any departmental officers? I think we have used all of our time. If members have any additional questions we will write to you. We have discussed a few of those things as we have gone through today. We will be sending some letters out after this particular forum. Thank you for your attendance today. The committee appreciates your assistance, as we do that of our staff.

**Committee adjourned at 10.28 am.**