

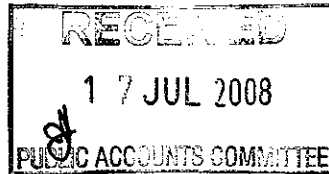


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Office of the
Director-General

Department of **Local Government,
Sport and Recreation**

14 JUL 2008



Ms Deborah Jeffrey
The Research Director
Public Accounts Committee
Parliament House
BRISBANE QLD 4000

Dear Ms Jeffrey

Thank you for the opportunity for the Department of Local Government, Sport and Recreation to make a submission to the Public Accounts Committee (the Committee) regarding the Committee's inquiry into the effectiveness of the performance management systems audit mandate.

I understand that your inquiry results from the Committee's opinion expressed in their Report No. 69 titled "*Review of the Report of the Strategic Review of the Queensland Audit Office, June 2005*". The "*Report of the Strategic Review of the Queensland Audit Office*" (QAO), dated 4 October 2004, was undertaken by Richard Anderson and Henry Smerdon. Recommendations 1-8 of that report refer to the conduct of performance management systems audits by QAO.

I am pleased to attach a submission from this Department addressing the terms of reference included in your correspondence.

Should you have any questions or require additional information, please contact Jenny Briant, Director, Research, Planning and Evaluation on telephone number 3237 1893 or at the email address above.

Yours sincerely


Michael Kinnane ESM FAIM
Director-General

Inquiry into an evaluation of the effectiveness of the performance management systems (PMS) audit mandate in terms of the Parliament's previously expressed position

A submission from the Department of Local Government, Sport and Recreation

Terms of Reference

- 1. *What is the role of the PMS audit mandate? Does it fulfil its function in the overall accountability process for the Parliament? What improvements has the mandate brought to the accountability systems?***

Role of the PMS audit mandate

The Auditor-General's Report No. 3 for 2005 "Results of Performance Management Systems Audits of Output Performance Reporting" sets out the framework used by Queensland Audit Office (QAO) to evaluate the extent to which performance measurement and reporting enhances accountability to stakeholders while demonstrating value for money in the use of taxpayers' funds. The performance management systems audit mandate is for an independent examination by QAO of whether an entity or part of an entity's activities have performance management systems in place to enable the entity's management to assess whether its objectives are being achieved economically, efficiently and effectively.

Function of PMS in the overall accountability process

The Auditor-General fulfils a vital function to Parliament by providing an independent assessment of departmental decision-making about effective and efficient resource management within the Managing for Outcomes framework of Queensland.

Improvements to accountability systems

The then Department of Local Government, Planning, Sport and Recreation was one of 11 agencies reported in the Auditor-General's Report No. 5 for 2005 "Results of Performance Management Systems Audits of Output Performance Reporting – Phase 2".

The Department accepted 9 of QAO's 10 recommendations. All accepted recommendations have been implemented, and are under continuous review. The QAO review has also been enhanced by the service delivery and performance management review of the Department in 2007 by the Service Delivery and Performance Commission (SDPC).

The one recommendation that was not accepted by the Department revolved around implementing costing systems to cost the delivery of individual products and services. The Department continues to use its financial management system and cost centre structure to cost its operations, functions and products.

Performance management systems and performance reporting are being improved to provide evidence for executive decision-making on the economy, efficiency and effectiveness of resource allocation.

2. *Is the concept of PMS auditing understood by auditor and auditee?*

Yes.

This understanding is reflected in the quality of recommendations made by QAO in its report (the auditor's perspective) and the extent to which the Department has accepted and actioned those recommendations (the auditee).

3. *Is the PMS audit mandate being used effectively by QAO?*

In part.

The PMS audit of this Department triggered significant changes in performance measurement and reporting.

The Department's processes of reviewing performance measures and reporting practices is now part of a continuous improvement cycle.

However, the Department contends that the role of both the QAO and the SDPC is to review and provide guidance to an agency's performance management processes, but not to comment on the actual performance measures deemed suitable for use in that agency by the Minister and the agency's Director-General.

4. *How does QAO assess if individual PMS audits have been effective?*

The Department has provided updates to QAO on progress towards implementing accepted recommendations. QAO's assessment has been "passive" – that is, via correspondence and general discussion, rather than pursuing active audit processes that test for evidence of change. This approach may however be reflective of work program demands in QAO.

5. *How could the effectiveness of the PMS audit mandate be improved?*

From a departmental perspective, the PMS audit mandate of QAO and the performance system review functions of the SDPC are similar.

The role of the SDPC has been to "independently assess the performance and services delivered by Queensland Government departments and agencies to improve their accountability and to ensure effective performance and reporting frameworks that align with both government policy and community service expectations." (SDPC Report on the Review of the Department of Local Government, Planning, Sport and Recreation) This role is very similar to the PMS audit mandate of the Auditor-General.

Role clarification would minimise duplication of effort between these two independent review bodies, and reduce the burden on agencies having to be reviewed twice and then implement and report on similar recommendations for each reviewer agency.