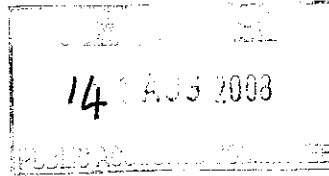


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Office of the
Director-General

Department of
Emergency Services

11 AUG 2008

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

Dear Ms Jeffrey

I refer to the letter from the Honourable Ken Hayward MP, Chair, Public Accounts Committee dated 5 June 2008 regarding the Inquiry into an evaluation of the effectiveness of the performance management systems (PMS) audit mandate.

Thank you for the opportunity to provide comment addressing the terms of reference for the Inquiry. The following is provided for your information:

1. What is the role of the PMS audit mandate?

The PMS audit mandate provides the Auditor-General with the authority to examine whether the performance management systems of a public sector entity enable it to assess whether its objectives are being achieved economically, efficiently and effectively.

Does it fulfil its function in the overall accountability process for the Parliament?

The Department of Emergency Services (DES) agrees with the Public Accounts Committee's review findings from 2005 that performance auditing is a valuable and effective tool for independent evaluations of performance management systems. The audit reports also provide my department with an opportunity to benchmark our activities against other agencies and enhance performance management internally. While it is acknowledged that it is the responsibility of management to implement the findings of audits, the absence of additional support in terms of how audit findings are embedded within systems results in inconsistency between agencies regarding implementation. On the whole, the public sector needs to be more effective in how it implements audit findings to enhance overall accountability and achieve the audit mandate's function.

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What improvements has the mandate brought to the accountability systems?

DES has participated in a number of PMS audits since 1998. The most recent was the 2008 Report into Managing Rural Fire Services in Queensland (Report no 3 for 2008) and the 2007 Beyond Agency Risk. Both of these audits have provided the department with information to support improvements in its accountability systems. PMS audits also identify opportunities for improvements to be factored into the department's forward policy program and complement business improvement, risk management and internal audit findings.

Furthermore, a number of other PMS audit reports have been used as valuable resources to support the recent extensive review of the department's performance measures and subsequent amendments to those measures.

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

While the concept of PMS auditing is gaining greater recognition for its role in organisational performance and improvement, there are still opportunities to enhance understanding of how these audits fit within the accountability framework for the public sector. Whilst, PMS audits focus on aspects of: economy, effectiveness and efficiency; service delivery in Government includes a community obligation. Explicit awareness of how this community obligation reflects in PMS auditing would be beneficial.

PMS auditing provides a more strategic focus from the Queensland Audit Office (QAO) traditional audit activity and the application of PMS auditing will no doubt improve as experience in this type of auditing increases. DES has recently restructured its strategic management function to include an Organisational Performance and Implementation Unit. This unit will support better management of, and response to, PMS audits as well as a range of other performance management matters.

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

The benefit of PMS audits is that they can go beyond compliance auditing i.e into the realm of "are we delivering appropriate services" rather than "are our services delivered in line with regulation/policy?". The recent refocus of the Government on core service delivery and the economical and effective achievement of organisational objectives, increases the value of PMS audits particularly in the service delivery review area. Subject to the QAO's ability to maintain PMS audits at that strategic level, PMS audits will enhance Government's ability to ensure departments are planning and delivering services to meet future needs.

A challenge for the PMS audit mandate is to maintain its focus on the strategic level, i.e. whether the organisation is in the correct 'business', not just whether that 'business' is undertaken economically and efficiently. This would also require a focus on how each agency fits within the business of government. It is unknown whether PMS auditing has achieved this strategic level yet. Furthermore, it would be beneficial to understand how the audit mandate intersects with the audit work of the Public Service Commission and Queensland Treasury, e.g. Queensland Ambulance Service (QAS) Audit and Queensland Fire and Rescue Service (QFRS) Efficiency Review.

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

While the *Guidelines for the Conduct of PMS Audits* do not explicitly deal with the evaluation of audit effectiveness, activities are in place to assess if the audits have been effective. These include:

- External evaluation. The department participated in the evaluation process for the Beyond Agency Risk and the Enhancing Accountability through Annual Reporting audits.
- A review of the QAO audit reports on the QAO website suggests that there is a follow up audit process particularly with regard to Corporate Governance and Performance Management Systems audits.

DES is implementing a Whole-of-Department system to monitor implementation of audit recommendations and subsequent improvements in accountability and performance.


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

In addition to the points made above, the effectiveness of the PMS audit mandate could be improved through more effective coordination of the audit process and tightened protocols in terms of how the audit is engaged. The process for the recent Audit of Rural Fire Services identified gaps in the protocols for the audit which could have resulted in incomplete information being tabled in Parliament. The establishment of the Organisational Performance and Implementation Unit and subsequent internal protocols within the department will seek to improve these protocols.

The outcomes of performance management system audits are a significant tool in the development of, and focus on, performance management and enhanced accountability for DES. Overall they provide a business improvement opportunity with the ability to benchmark practice against other agencies.

Thank you again for the opportunity to provide comments on the PMS audit mandate of the QAO. Should you require any further information regarding this response, please contact Mr Arthur O'Brien, Acting Executive Director, Strategic Policy and Executive Services on telephone number (07) 3247 8792 who will be pleased to assist.

Yours sincerely



Gary Mahon
Acting Director-General