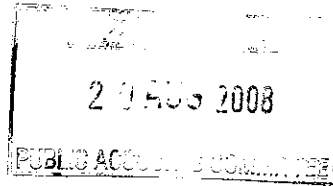




**Queensland
Government**



Department of
Mines and Energy

Your Ref:
Our Ref: DG805

19 AUG 2008

FAXED
19-8-08

The Research Director
Public Accounts Committee
Parliament House
BRISBANE QLD 4000

Dear Sir/Madam

I write in relation to a letter dated 3 June 2008 from Mr Ken Hayward MP, Chair of the Public Accounts Committee. The correspondence requested a submission from the Department addressing the Terms of Reference for the inquiry into an evaluation of the effectiveness of the performance management systems audit mandate in terms of the Parliament's previously expressed position.

Following careful consideration, a submission has been prepared in response and is enclosed for your perusal.

I trust this information is of assistance. Should you have any further enquiries, please contact Ms Kate Callaghan, Executive Director Corporate and Executive Services on telephone 3237 1530.

Yours sincerely

DAN HUNT
Director-General

Att

Department of Mines and Energy
PO Box 15216
City East
Queensland 4002 Australia
Telephone +61 7 3898 0375
Facsimile +61 7 3238 3088
Website www.dme.qld.gov.au
ABN 98 628 485 885

**Department of Mines and Energy
Comments on Terms of Reference**

Inquiry into an evaluation of the effectiveness of the PMS audit mandate in terms of the Parliament's previously expressed position

Terms of Reference

- 1. What is the role of the Performance Management Systems (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?**

The purpose of the PMS audit mandate is outlined in section 80 of the *Financial Administration and Audit Act 1977*, which allows the Auditor-General to conduct audits of the PMS of public sector entities. These audits determine if a public sector entity's PMS enable it to assess whether its objectives are being achieved economically, efficiently and effectively. The mandate is aimed at providing a degree of assurance to Parliament that public sector entities have established effective performance management systems.

The present mandate fulfils the accountability process set by Parliament through legislation and the Australian Auditing Standards. Agencies retain the responsibility for their performance management but are held accountable by Parliament through regular external reporting processes as well as periodic scrutiny by external audit.

Following reforms to public accountability to Parliament in 1999, the Government introduced the Managing for Outcomes framework. This framework provided the Queensland Audit Office (QAO) with an extended mandate to include performance measurement systems audits and allowed the Auditor-General to assess the effectiveness of the performance measures themselves.

The framework was reviewed in 2005 with both high and low level processes being documented in detail. Agencies were consulted to verify the accuracy of its representation and the resulting framework is now represented by the Financial Management Framework.

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

Auditors and auditees understand the general framework and purpose of a performance management audit, however, the extent to which the Auditor-General may delve, report and comment on a public entities' PMS remains contentious.

Some concern is noted in terms of whether the auditor has the resources to identify with the system subject to audit review, as some systems and business processes will involve engineering and scientific concepts with which the auditor may not be familiar.

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

Within the parameters set by the legislation and the resources and skills available, QAO has undertaken a number of performance audits. It is difficult to comment on the effectiveness of these audits on a departmental level as DME has not been involved to date.

However, authors of the Strategic Review of the QAO 2004 concluded that, "PMS audits have made a limited but nevertheless valuable contribution to overall public sector management and performance", and have "not been as fully and actively exploited by the QAO as Parliament might have originally envisaged".

The review also identified that it is likely that there will be an increasing demand for specialist skills and knowledge, and to this end commented as to whether the Auditor-General and the QAO had sufficient capacity and technical skills to deal with audit issues arising from major information technology systems and whether the next Auditor-General needed to have special skills in this area.

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

QAO can assess the effectiveness of PMS audits through follow up audits and reviews of recommendations to ensure recommendations are implemented and the testing of same and report same to the public entity of their results.

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

The present mandate for QAO is subject to legislation and to this end would require a change in legislation to extend their powers.

However, other bodies have been involved in recent times to examine the performance of public entities. Examples being:

- the Performance Audit of the Queensland Ambulance Service in 2007 was undertaken by Queensland Treasury and the Department of the Premier and Cabinet with the assistance of the Acting Director-General of the Department of Emergency Services.
- on 14 March 2008, the Premier announced that Professor Pat Weller, the Chair of Governance and Public Management at Griffith University and Simone Webb, a former Deputy Director-General of the Department of Premier and Cabinet would lead a review of the 600 plus government boards and statutory bodies would be undertaken to report on their effectiveness.
- the former Service Delivery and Performance Commission undertook performance reviews of public sector entities in 2007. This entity was incorporated into the newly established Public Service Commission. Among the Commission's legislated functions is the role of monitoring the performance of public sector units, and conducting management reviews required by the Premier.

Under Part 4 (Performance Management) of the *Financial Management Standard 1997*, Ministers, Directors-General and CEOs are responsible for the performance of their organisations, and have staff (including internal audit) with the required skills, knowledge and experience of its systems to undertake PMS audits. Some departments engage their Internal Audit units and other work units to undertake performance evaluations.

As independence is integral to auditing, the task of undertaking performance evaluations/audits should be undertaken by the Auditor-General and be legislated within the pending *Auditor-General Bill 2008*.