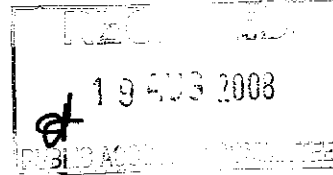


Auditor-General of Queensland

Your ref:
Our ref: 00-3242 (2)
P Brahman 3405 1199

18 AUG 2008

The Honourable K Hayward MP
Chair
Public Accounts Committee
Parliament House, George Street
BRISBANE QLD 4000



Dear Mr Hayward

Enclosed is my submission to the Committee's *Inquiry into an evaluation of the effectiveness of the performance management systems (PMS) audit mandate in terms of the Parliament's previously expressed position.*

If you would like to discuss this submission further, please contact me on 3405 1103.

Yours faithfully

Glenn Poole
Auditor-General



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TERMS OF REFERENCE QUESTIONS

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?**

What is the role of the PMS audit mandate?

1. The Auditor-General's performance management systems (PMS) audit mandate was first introduced through amendments to the *Financial Administration and Audit Act 1977* (the FA&A Act) in 1993.
2. The *Public Finance Standards*, which were effective at the time the Queensland PMS audit mandate was initially granted, required departments and statutory bodies to institute a system of performance evaluation and review and to carry out regular position assessments. The Public Finance Standards were replaced in 1997 by the *Financial Management Standard* (the FMS) which required appropriate systems to be in place to allow accountable officers or the board to obtain information about the way it performs its financial operations and the effectiveness, efficiency and economy with which it achieves its goals. Both the FA&A Act and the FMS are currently subject to review with new legislation expected to be proposed by the Government later this year.
3. The Auditor-General's role under the PMS audit mandate is to provide an independent assessment to Parliament of whether public sector entities have such performance management systems and practices in place to manage and evaluate their performance. Under this mandate, the key objective of a PMS audit is to determine whether a public sector entity's performance management systems enable it to assess whether its objectives are being achieved economically, efficiently and effectively.
4. The PMS audit mandate was introduced to enable the Auditor-General to review and report to the Parliament on how well management is monitoring and reporting on the entity's performance. That is, the Auditor-General reviews the extent to which management systems are in place and are working properly. In this way, entities retain responsibility for their performance management, while being accountable by Parliament through regular external reporting processes as well as periodic scrutiny by external audit in relation to their performance systems.
5. These audits, and performance audits undertaken in other jurisdictions, do not comment on Government policy.
6. The Queensland PMS audit mandate was derived from the audit approach taken at that time by the Auditor-General of Canada. While the Canadian legislation allowed the Auditor-General to "provide comment on whether satisfactory procedures have been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented", the Auditor-General chose to conduct comprehensive audits focusing on systems and procedures, rather than performance audits after the legislation was introduced in 1977. The emphasis of these audits has shifted over time to be more like performance audits.



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7. Queensland's PMS audit mandate was extended in 2007 to allow the Auditor-General to review and report on a public sector entity's performance measures. This change allowed the Auditor-General to form an opinion on whether the performance measures are relevant and otherwise appropriate, having regard to their purpose and whether they fairly represent the public sector entity's performance.

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

8. For the Parliament to be able to hold executive Government and public sector entities accountable, the Parliament requires quality information on performance.
9. The FA&A Act requires that a PMS audit inform Parliament about whether entities are discharging their governance obligations by commenting on the quality and effectiveness of the underlying systems which management uses to report on its performance. These audits add value through making recommendations about improvements.
10. Parliament relies on entities themselves to report on their performance. Parliament then relies on the Auditor-General to provide independent advice on whether appropriate systems are in place to enable the entities to report on their performance. When a PMS audit is conducted by the Auditor-General, it is for the benefit of Parliament rather than for the public sector entity.
11. An Auditor-General's Report to Parliament on the results of a PMS audit plays an important role in the overall accountability process by providing the Parliament with independent assurance about the status within public sector entities of the management systems used to record, monitor and report on performance. However it stops short of providing the Parliament with a direct comment on whether an entity's operations are being conducted efficiently, effectively and economically.
12. A reporting regime allowing the Auditor-General to directly provide an opinion on the economy, efficiency and effectiveness of an entity's operations would provide a greater understanding and enhancement of accountability requirements across the public sector. It would provide Parliament with an additional level of assurance on the performance of entities in delivering the outputs required by government.
13. The Queensland PMS audit fulfils a function in the accountability process as the Auditor-General's Reports to Parliament on the results of each PMS audit have generated many recommendations that have led to improved management practices and controls in public sector entities.
14. The Electoral and Administrative Review Commission's (1991) *Report on the Review of Public Sector Auditing in Queensland* recommended that the Auditor-General should have the authority to undertake performance audits to determine whether entities are carrying out activities effectively, economically and efficiently and in compliance with all applicable laws. The Government, however, did not accept the EARC recommendation.

What improvements has the mandate brought to the accountability systems?

15. In the Auditor-General's Reports to Parliament on the results of PMS audits, the Auditor-General comments on whether public sector entities have appropriate performance management systems to record and use the information they need to manage well. The Reports to Parliament include recommendations for improvement. The Auditor-General may later perform a follow up audit and report on the progress accomplished by the entity since the original audit was conducted.



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16. By independently reporting, providing these recommendations and following up on their implementation, PMS audits have strengthened accountability systems within entities. There is currently no other Queensland public sector area or entity that performs this independent function.
17. The scope of a PMS audit may vary between sector-wide audits where the performance systems in an area of interest are reviewed across a number of entities or single entity audits where specific performance systems are reviewed.
18. The results of all PMS audits are reported to the Parliament by the Auditor-General. The Auditor-General's Reports to Parliament are reviewed by the Parliamentary Public Accounts Committee (PAC). Public hearings into the reports allow the direct questioning of public sector managers and the Auditor-General by the PAC regarding audit findings and action taken to implement recommendations, as well as following-up entities to ensure recommendations have been implemented.
19. Follow-up audits undertaken by the Auditor-General have generally shown a genuine attempt by entities to implement recommendations which were previously included in the Auditor-General's Reports to Parliament.
20. Improvements to accountability systems as a result of PMS audits can be ascertained, in part, from the experiences of entities reviewed. Examples of comments received from clients through QAO's independent feedback processes included:

... "valued the audit as it led to the agency conducting a complete review of all their output measures and helped in the development of better systems. [The client] stated that the audit report provided them with the leverage to implement change.

... valued the audit because it provided assurance about the accuracy of many of the Department's processes, and suggested further involvement in risk management activities by agencies external to the Department.

The QAO Better Practice Guide for output performance measurement and reporting is/has been extremely valuable. It is used many ways including guidance for improvement as well as evidence to support the need for change in the department."

21. The significant improvements in accountability systems by entities through their responses to the recommendations of specific Auditor-General's Reports to Parliament are outlined in responses to Question 4 of the Terms of Reference.

2. IS THE CONCEPT OF PMS AUDITING UNDERSTOOD BY BOTH AUDITOR AND AUDITEE?

22. Queensland and the Northern Territory are the only Australian jurisdictions that have maintained the PMS audit model. Queensland's PMS audit mandate is slightly wider than the Northern Territory's with the ability to examine the relevancy of performance measures.
23. The conduct of PMS audits has created a reasonable understanding of the concept of PMS auditing across the Queensland public sector, particularly within the public sector entities which have been subject to audit over recent years.



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24. Upon commencing a PMS audit, an explanation is provided to the entity's management on the nature of a PMS audit, the process to be followed and how the information will be reported. Every Report to Parliament on the results of PMS audits also includes a section describing what a PMS audit is and the audit approach taken by QAO.
25. To develop a wider understanding, educational activities have been conducted including presentations at appropriate forums and QAO's client information sessions to raise awareness of PMS auditing.
26. Sessions specifically on PMS auditing have been conducted in the last two years, the most recent being held on 8 August 2008. PMS audit activity is also strongly featured in QAO's INFORM magazine which is published bi-monthly and distributed to audit clients.
27. However performance auditing is more widely recognised and understood across jurisdictions than PMS auditing and performance auditing is supported by a greater body of research. Most Parliaments in the western world have adopted performance auditing as the preferred model.
28. The work undertaken for PMS audits and performance audits however is similar. The main difference between the two types of audits exists at the reporting stage of the audit. Reporting on a PMS audit precludes direct observation about whether an entity is delivering its program economically, efficiently and effectively and is phrased using terms such as "systems" and "frameworks".
29. Having to frame findings in the final audit report in the context of systems and frameworks can result in an overly technical report which may be less useful to the Parliament, the entity itself and the community.
30. Performance audit reports can deal specifically about achievement of the economy, efficiency and effectiveness of an entity's operations, providing a greater focus on the achievement of outputs. This more specific reporting would complement any heightened requirements by Government for clearer specification of outputs and for consistent achievement of those outputs.
31. A performance audit report can directly comment on the cause of the problem and recommendations can be made about resolution, enabling a better understanding of the issues being raised. Management are provided with guidance to developing a solution and makes a difference to how well the program or activity is operating.

3. IS THE PMS AUDIT MANDATE BEING USED EFFECTIVELY BY QAO?

32. The *Report on the Strategic Review of the Queensland Audit Office* in October 2004 (the Strategic Review) recommended the development of a three year plan to undertake at least 20 targeted PMS audits across the public sector, with each audit taking no more than six months.
33. Since July 2005, QAO has conducted PMS audits at 30 separate public sector entities. As some entities have been subject to a number of PMS audits, 59 PMS audits have been conducted in total over this period with the results of these audits incorporated into 13 Auditor-General's Reports to Parliament. PMS audits conducted and reported on have covered a diverse range of topics including:



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- performance measurement and reporting by departments, statutory bodies and government owned corporations
 - capital works management
 - workforce planning and addressing skills shortages
 - strategic risk management by government departments
 - management of departmental fees and charges
 - funding to non-government organisations
 - risk management
 - water balance in South East Queensland
 - rural fire services
34. The recommendations made in these Reports to Parliament have focussed on ensuring that performance management systems used by public sector entities provide for:
- improved management planning, monitoring and control and evaluation
 - improved systems to allow entities to assess the economy and efficiency in the management of public monies and resources
 - improved systems to allow entities to assess the effectiveness in achieving public sector agency and whole-of-government outcomes
 - better public sector service delivery and quality
 - enhanced accountability to Parliament for the use of public monies and resources
 - development of relevant and appropriate performance measures to fairly represent performance
 - relevant guidance material for a consistent whole-of-government approach to undertaking performance management related activities for parliamentary and stakeholder understanding.
35. To enable the three year plan to be fully implemented, the Strategic Review recommended that an appropriate level of resources be provided to QAO, as the completion of the plan was dependent on sufficient committed resources being available. It was recommended that the PMS audit team be doubled to 20 staff drawn from a variety of disciplines with the resources solely committed to PMS audit and not diverted to other audit activity.
36. Since January 2005, the number of PMS auditors has increased from nine to 15, with recruitment currently in progress to fill a further three positions. The recruitment of one or two staff from the next graduate recruitment program is also planned. These staff members have been dedicated to PMS audits and have not been diverted to support the financial and compliance audit program.
37. Staff have been recruited from a variety of disciplines with experience that includes:
- experience with and understanding of performance measurement and management
 - awareness of current corporate, business and public sector planning and management issues
 - the impact of social, economic and environmental factors on service delivery
 - knowledge of financial and non-financial performance information.



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38. As a result, PMS staff have a broad range of skills, qualifications and experience including:
- an average of eight years experience from internal and external audit, private and public sector audit
 - extensive government experience from Queensland, other states in Australia and overseas, in education, social services, policy analysis, finance, tax and audit
 - substantial experience from the private sector including financial services, mining and large accounting and consulting firms.
39. Seven staff members hold Bachelor of Business or Commerce degrees, three have Masters degrees, and others have degrees in social work, social science (public policy) and education. Six are Certified Practising Accountants (CPA), one is a Certified Information Systems Auditor (CISA) and six are members of the Australian Evaluation Society, the Institute of Internal Auditors or the Financial Securities Institute.
40. Recruitment has been impacted by the workforce skills shortage and general difficulties faced by organisations in recruiting and retaining suitable staff, especially in professional roles. Recruitment to PMS audit positions has been carried out regularly over the last three years with good results, however on occasions vacancies have taken some time to fill.
41. Current PMS audit staff are fully committed to PMS audits and other QAO staff are drawn on to assist for some audits. For example, Report No. 2 for 2006 - *Results of the Performance Management Systems Audits of Government Owned Corporations' Performance Reporting* was managed by PMS auditors with a significant proportion of the work being completed by financial and compliance audit staff, which was a significant change from previous practice. The number of graduates rotated through the PMS audit team has also increased and effective use is made of these staff, particularly in research and documenting audit evidence.
42. In 2006-07 the average elapsed time from the start of audit to tabling date for a PMS audit report was 6.3 months. In 2007-08, the timeframe for completing and reporting on audits was reduced to 5.9 months. The Strategic Review noted that the diversion of resources which had occurred previously had led to rather long completion times for some PMS audits. Since then, there has been a focus on ensuring the audit scope allows for timely reporting to Parliament so that the findings and recommendations retain their relevance.
43. The Strategic Review also recommended a balance of sector wide and entity specific audits. The audits performed over the last three years have included a range of audit topics as well as multi-entity and single entity audits. As well as reporting findings on individual entities, the Auditor-General's Reports to Parliament on the results of PMS audits make recommendations that have applicability to the wider public sector.
44. The Reports to Parliament provide examples of better practice, rather than just reporting on poor performance management systems or measures. This establishes credibility of the Reports to Parliament across the sector, encouraging more information sharing across the public sector and providing practical guidance.
45. QAO's strategic planning activities are used to maximise the benefits of the Auditor-General's mandate through identifying and prioritising important issues, trends and emerging risks relevant to public sector activities. QAO's Strategic Plan establishes themes or areas for priority interest for PMS audits. The themes identified for current review cover the areas of financial management, sustainability, governance and service delivery.



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46. While the themes are used as the basis for deciding on potential topics for PMS audits, a range of other criteria is also examined including the assessed risk of the issue; financial materiality; public interest; the potential to enhance accountability, systems or processes; and previous audit coverage.

4. HOW DOES QAO ASSESS IF INDIVIDUAL PMS AUDITS HAVE BEEN EFFECTIVE?

47. QAO assesses the effectiveness of individual audits in two ways, being the feedback received from clients on the audit process and the consequential actions by entities to implement audit recommendations or other action taken by external stakeholders, including the PAC.

48. Follow-up audits are also undertaken to assess the implementation of recommendations. These typically take place between 18 months to two years after the tabling of the Auditor-General's Report to Parliament on the initial audit to provide sufficient time for recommendations to be considered and implemented. Because of this, follow-up audits have only been completed to date on the recommendations contained in Reports to Parliament Nos. 3 and 5 for 2005. Future follow-up audits are included in the current work plan.

49. Thirteen Auditor-General's Reports to Parliament have been tabled in Parliament since 2005. During this time, PMS audits have achieved or exceeded the target client satisfaction rating in feedback obtained from independent client surveys.

50. The overall effectiveness of these audits in improving public sector performance management systems is shown from the results of the 2007 survey of PMS audit clients, particularly those about the acceptance and value of audit findings. Key results were:

- 80 per cent of clients agreed or strongly agreed that the audit conducted at their entity made a valuable contribution by providing the organisation with a sense of assurance regarding the administration of the activity being audited.
- 94 per cent of clients surveyed agreed or strongly agreed that the audit conducted at their entity would help the organisation to improve administration of the activity which was audited.
- 73 per cent of clients surveyed agreed or strongly agreed that the recommendations contained in the audit report were practical (that is, capable of being implemented).
- 91 per cent of clients surveyed agreed or strongly agreed that the recommendations contained in the audit report provided to them flowed logically from information and analysis in the report.
- 67 per cent of clients agreed or strongly agreed that their organisation had positive results from implementing the recommendations of the audit conducted.

51. Appendix A outlines the objectives of the audits reported on in the 13 Reports to Parliament that have been tabled since 2005. The following is an overview of the key findings from the Auditor-General's Reports to Parliament on the results of PMS audits, together with the actions undertaken by Government or public sector entities as a result of the audit and in response to the recommendations.



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Performance measurement and reporting (five reports)

52. Five Auditor-General's Reports to Parliament have been tabled on performance measurement and reporting, being Reports Nos. 3 and 5 for 2005 and Report No. 4 for 2007 on the budget sector, Report No. 2 for 2006 on the government owned corporations' sector and Report No. 1 for 2008 on annual reporting.
53. Reports Nos. 3 and 5 for 2005 looked at output performance reporting across 11 agencies. The outcome of these reports was a maturity rating for the output performance measurement and reporting for each of the Departments subject to the audit as well as nine recommendations to improve this area of public administration.
54. As a result of the audits, a separate *Better Practice Guide – Output Performance Measurement and Reporting* was released in February 2006. The guide continues to be used by entities and its value and usefulness was acknowledged during the PAC Hearing conducted on 19 February 2008 and in client feedback surveys.
55. Since the reports were tabled, several departments audited sought further engagement with PMS auditors to discuss progress and enhancements to their systems resulting from the audit recommendations.
56. Report No. 2 for 2006 reported on performance reporting within the GOC sector, the outcome being a maturity rating for the performance measurement and reporting for six of the State's GOCs. It provided four recommendations for the enhancement of GOC performance measurement and reporting as well as two additional recommendations over the GOC governance exercised by shareholding Ministers. The report also included a number of better practice examples.
57. The PAC conducted an inquiry into the issues raised in Report No. 2 for 2006. The PAC's Report No. 76 tabled in Parliament in August 2007 endorsed the findings and recommendations contained in the Auditor-General's Report to Parliament.
58. Report No. 4 for 2007 examined the systems in place at selected departments that support accurate and reliable reporting of output performance information to Parliament. Using the extended mandate, the audit also assessed the relevance and appropriateness of output performance measures and whether the measures fairly represent output performance.
59. The primary outcome of this report were three recommendations applicable to the budget sector covering the areas of relevance and appropriateness of output performance measures; the fair representation of output performance; and the reliability of output performance information as well as recommendations specific to the findings of the four departments subject to this audit.
60. The audit also reported on the status of previous recommendations made in Reports Nos. 3 and 5 of 2005 across 11 public sector entities. The audit found that most recommendations had been fully or partially implemented. The most improved areas were the integration of internal management reporting processes with output performance reporting and monitoring and quality assurance practices.



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61. Report No. 1 for 2008 on the PMS audit of annual reporting provided four recommendations aimed at improving the annual reports of public sector entities. The recommendations were aimed at the reporting entities themselves as well as the Department of Premier and Cabinet and Treasury Department in their roles of central agencies providing guidance and prescription for annual reports. The recommendations covered the areas of compliance, guidance, and assurance. As a result of the recommendations made in Report No. 1 for 2008, Treasury Department has developed a checklist that has been sent to all accountable officers to assist them to comply with the requirements of the FA&A Act and the FMS.
62. This body of work has impacted across the departmental sector with many departments reviewing and improving their performance reporting practices. At a whole-of-government level, the Department of the Premier and Cabinet and Treasury Department have consulted QAO regarding the recommendations from these reports as part of their reviews of the performance management and reporting framework. A significant enhancement of this performance framework is currently being considered by Government as part of the re-drafting of the FA&A Act.

Capital works management

63. Report No. 5 for 2006 on the PMS audit of capital works management provided eight recommendations applicable to the general public sector covering the areas of project planning, project delivery, project reviews and project governance. It also included recommendations for improvement to address specific issues noted at the public sector entities subject to this audit.
64. As a result of the audit:
- the Department of Public Works requested assistance from PMS auditors in relation to the scheduled review and revision to the Capital Works Management Framework (CWMF).
 - the Department of Corrective Services subsequently sought further advice from PMS auditors when developing suitable governance arrangements and formalising its service level arrangements with its capital works provider.
 - the Department of Health included PMS auditors in updates to its progress in re-fitting the CWMF to its capital works program and provided updates to its progress.
 - the PAC conducted an inquiry into the issues raised in the Report on the Management of Capital Works, endorsing the findings and recommendations of this audit in their Report No. 73 tabled in Parliament in April 2007.
65. A follow-up audit on this report is currently underway, the results of which are scheduled to be tabled in Parliament in November 2008.

Workforce planning

66. Report No. 6 for 2006 on the PMS audit of the management of workforce planning provided an assessment of the workforce planning systems and processes at the Departments of Education and Health. It made a number of recommendations applicable to the general public sector as well as specific recommendations for improvements to the workforce planning systems at the Departments of Education and Health.



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67. Since the tabling of Report No. 6 for 2006:
- at a whole-of-government level, both the Public Service Commission (PSC) and Department of Employment and Industrial Relations (DEIR) have been active in preparing and updating workforce planning tools and strategies.
 - PSC undertook a survey of all public sector agencies and found that most have policies and plans, in some form, for workforce planning. They updated their suite of Toolkits for workforce planning and added another kit on succession management.
 - DEIR has developed the Experience Pays Awareness Strategy (EPAS). EPAS pilot projects are being conducted at three departments with analysis of project performance being conducted by Swinburne University.
 - the PAC conducted an inquiry into the issues raised in the Report and endorsed the findings and recommendations of this audit in their Report No. 74 tabled in Parliament in May 2007.
68. A follow-up audit is currently underway to assess the actions taken by departments in response to the recommendations made in Report No. 6 for 2006. A report of the findings is scheduled to be tabled in Parliament in September 2008.

Departmental fees and charges

69. Report No. 8 for 2006 on the PMS audit of departmental fees and charges examined the costing systems supporting the fees and charges levied by a selection of five government departments. It included recommendations for the enhancement of fees and charges management systems, applicable across all public sector entities. It also outlined the findings specific to the departments audited and made departmental specific recommendations for improvement.
70. A follow-up audit on this report is currently underway, the results of which are scheduled to be tabled in Parliament in November 2008.

Funding to non-government organisations

71. Report No. 2 for 2007 on the results of the PMS audit of the funding to non-government organisations has attracted a significant amount of attention both from within Government and the NGO sector. Soon after the Report to Parliament was tabled, it was the subject of discussions in an Estimates Committee hearing where both Government and Opposition Members of Parliament recognised the value of its recommendations.
72. Recommendations were made relating to improvements in the areas of governance, systems, transparency and public disclosure. The report also included a number of better practice examples that were noted during the audit.
73. In response to Report No. 2 for 2007 and following a report by the Service Delivery and Performance Commission, the Queensland Government developed a framework for investment in human services which addresses the key recommendations from the reports and provides a platform for a more consistent approach across Government to the allocation and management of government investment.



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74. Since its tabling, Report No. 2 for 2007 has been referenced on several occasions, including:
- a model depicting the "challenges faced by NGOs in delivering services" reproduced in Grants Management Quarterly, a publication of the Australian Institute of Grants Management.
 - a paper produced by the Australian Centre for Philanthropy and Non-profit Studies, Queensland University of Technology.
 - a submission to the Auditor-General's report made by the Queensland Community Services Futures Forum.

Risk management

75. Report No. 6 for 2007 on the PMS audit of risk management acknowledged the need to identify and collate risks that may have a broader impact for the government as a whole. It made a series of recommendations under the areas of whole-of-government framework; culture; context; integrated framework; system implementation; and accountability and governance which were applicable across the public sector. It also included a better practice guide covering risk management.
76. The audit resulted in the Department of the Premier and Cabinet and Treasury Department developing detailed whole-of-government *Strategic Risk Management Guidelines* which complemented the QAO Better Practice Guide.
77. PMS auditors have since been invited to present the findings of Report No. 6 for 2007 to several interested parties including departmental audit and risk committees, CPA Australia and the Public Sector Risk Management Network Group.

5. HOW COULD THE EFFECTIVENESS OF THE PMS AUDIT MANDATE BE IMPROVED?

78. The PMS audit mandate currently contained in legislation allows the Auditor-General to examine public sector issues through the systems and frameworks being used by public sector entities to manage their performance. The amendment to the PMS audit mandate in 2007 to examine relevancy of performance measures broadened the scope of the mandate.
79. Over the last three years, a significant number of PMS audits have been undertaken and produced significant reports to Parliament on the effectiveness of the performance management systems used by public sector entities. These audits have resulted in the implementation of a range of recommendations to enhance public sector performance management.
80. An area for improvement that has been identified relates to the clarity of the audit reports. While action to enhance the readability of audit reports has been undertaken within QAO, the nature of the PMS audit mandate (as outlined in paragraphs 28 to 31) limits the effectiveness of these measures and this restricts the effectiveness of the PMS audit reports for Parliament.



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81. As the PMS mandate currently stands, a PMS audit may identify performance issues which the Auditor-General considers are significant and may wish to inform the Parliament. In some cases, the cause of the issue may be able to be related to a weakness in the entity's performance management systems or frameworks. In these instances the report to Parliament must focus on the system weakness rather than the performance deficiency, thus resulting in a more technical style of report. However, if the performance issue cannot be directly attributed to the performance management frameworks and systems, the Auditor-General is put in a position of not reporting because of the restrictions of the PMS audit mandate or considering the ability, if any, to report under the financial and compliance audit mandate.
82. The Queensland PMS audit mandate was derived from the audit approach being taken by the Canadian Auditor-General during the 1980s. The comprehensive audits undertaken by the Auditor-General at that time focused on systems and procedures, and reported on the adequacy of financial controls, the exercise of due regard for economy and efficiency and whether there were procedures in place to measure the effectiveness of programs.
83. In the 1990 *Report of the Auditor General of Canada*, the Auditor-General noted that he had shifted the emphasis of comprehensive audits from a systems based approach to a focus on how programs were being delivered. He stated that this was not an abandonment of the systems based approach but rather an enhancement since, in many cases, the underlying cause of poor results is a system deficiency. This shift in emphasis in his view allowed the Canadian Office of the Auditor-General to then focus scarce resources on key result areas and to make more useful recommendations.
84. Performance audit reports would promote greater accountability to the Parliament by clearly reporting on whether programs are being delivered economically, efficiently and effectively and focusing those responsible on identified deficiencies in operations.



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**APPENDIX A - Auditor-General's Reports on performance management systems audits
 tabled in Parliament since 2005**

Report	Audit objective
Report No. 3 for 2005 Results of Performance Management Systems Audits of Output Performance Reporting	The objective of these audits was to make an assessment on whether the systems and processes used by public sector entities in relation to output performance information were robust enough to support reliable and timely reporting to Parliament. These audits were conducted across the budget sector of government on output performance measurement and reporting.
Report No. 5 for 2005 Results of Performance Management Systems Audits of Output Performance Reporting - Phase 2	The objective of these audits was to assess whether the systems and processes used by departments are robust enough to support reliable and timely reporting of output performance information to Parliament. These audits focused on assessing the maturity of systems supporting output performance measurement and reporting. The adequacy of agency frameworks, systems and reporting processes that supported the management of output performance information was also examined.
Report No. 2 for 2006 Results of Performance Management System Audits Government Owned Corporations' Performance Reporting	The objective of this series of audits was to determine whether there were suitable frameworks and systems in place to support performance reporting in the Government Owned Corporation sector. In particular, systems, procedures and practices in place were assessed to ensure – <ul style="list-style-type: none"> • the reliability of performance measurement and • timely and appropriate reporting of performance information. A further objective of this series of audits was to assess the legislative and policy compliance in relation to performance reporting requirements within the GOC sector.
Report No. 5 for 2006 Results of Performance Management Systems Audits of Capital Works at Departments of Corrective Services, Education, Health and Housing	The objective of these four audits on capital works infrastructure was to determine whether suitable frameworks and systems were in place to support the effective management of their capital works buildings program. The level of adherence to the Capital Works Management Framework established by Government was assessed to assure cost effective management of capital works activities. The audits focused on the performance management systems used for project planning, project delivery, project reviews and project governance of capital works management.
Report No. 6 for 2006 Results of Performance Management Systems Audit of Workforce Planning at Departments of Education and Health	The objective of these audits were to determine whether the Departments of Education and Health had adequate governance frameworks, data systems and forecasting mechanisms in place to support workforce planning for quality service delivery.



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Report	Audit objective
Report No. 8 for 2006 Results of Performance Management Systems Audit of the Management of Departmental Fees and Charges	The objective of these audits were to determine whether departments had appropriate systems in place to ensure fees and charges levied for the provision of goods and services comply with legislative requirements. The audits focused on fees and charges levied for goods and services supplied to the community, in particular, fee for service activities, transport and traffic fees and other sales of goods and services which are estimated at \$1.8b in 2006-07.
Report No. 2 for 2007 Results of Performance Management Systems Audit of Management of Funding to Non-Government Organisations (NGOs)	The objective of these audits was to determine whether the selected departments have a suitable framework and appropriate systems in place to plan, monitor and evaluate the provision of community services through funding provided to NGOs. It focused on the performance management systems that departments have in place that shape and sustain their relationships with NGOs and their extensive network of NGO service providers.
Report No. 4 for 2007 Are departmental output performance measures relevant, appropriate and a fair representation of performance achievements?	The objective of these audits was to assess whether — <ul style="list-style-type: none">● the departments report on relevant and appropriate performance measures in the Ministerial Portfolio Statement (MPS) and annual report● the performance measures fairly represent the departments' output performance to stakeholders through the MPS and annual report● the systems and processes used by departments support accurate, reliable and timely reporting of output performance information to Parliament. In addition the audit reports on the implementation status of the recommendations documented in Auditor-General's Report Nos. 3 and 5 for 2005.
Report No. 6 for 2007 Beyond Agency Risk	The objective of these audits was to determine whether suitable risk management systems and frameworks are in place across the Queensland public sector to comply with the <i>Financial Administration and Audit Act 1977</i> and the <i>Financial Management Standard 1997</i> . The processes for the identification, communication, controlling and reporting of strategic risk at the agency and beyond the agency level were also evaluated. The audit assessed the following broad areas as to whether: <ul style="list-style-type: none">● departments had suitable systems for risk management to comply with legislative requirements and appropriate risk policies and strategies to effectively manage risk● risk management was integrated into the overall governance framework; and an appropriate framework and effective processes was in place to identify, communicate and report on strategic risk beyond the agency.



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Report	Audit objective
Report No. 7 for 2007 Addressing Skills Shortages in Queensland	The objective of these audits was to determine whether the selected departments have suitable frameworks and appropriate systems in place to identify and address the skills shortages facing industries and businesses in Queensland.
Report No. 8 for 2007 South East Queensland - Towards a Short-Term Water Balance	This audit examined the systems used by the Queensland Water Commission (QWC) to manage, measure and report to the Queensland Government and public on dealing with this water crisis.
Report No. 1 for 2008 Enhancing Accountability through Annual Reporting	<p>The overall objective of these audits was to identify opportunities to enhance accountability to Parliament through annual reporting. The audit checked whether departmental annual reports complied with the prescribed requirements and fairly represented achievements against planned performance. Specifically, the audit aimed to:</p> <ul style="list-style-type: none"> ● determine to what extent accountable officers present annual reports compliant with the prescribed requirements of <i>Financial Administration and Audit Act 1977</i>, <i>Financial Management Standard 1997</i>, other applicable legislation and the <i>Annual Report Guidelines for Queensland Government Agencies 2006-07</i> ● assess the extent to which performance information in annual reports aligns with better practice ● examine the guidelines, systems and roles of lead agencies to support continuous improvement with accountability and disclosure requirements ● review other forms of annual reporting presented by the Government and assess whether they meet the accountability standards established by the Parliament for annual reports ● identify possible enhancements to accountability.
Report No. 3 for 2008 Management of Rural Fire Services in Queensland	The objective of this audit was to determine whether suitable systems are operating to ensure the efficient and effective management of rural fire brigades. The audit also considered whether adequate systems are in place to ensure any increased risk of fire as a result of climate change and urban encroachment patterns is addressed