

Our Ref: DG/4228  
Your Ref: I45.08.09

The Research Director  
Public Accounts Committee  
Parliament House  
BRISBANE QLD 4000

Dear Ms Jeffrey

I refer to the letter from Mr Ken Hayward MP, Chair, Public Accounts Committee, dated 3 June 2008 seeking a submission on the terms of reference of the Inquiry into an evaluation of the effectiveness of the performance management systems (PMS) audit mandate in terms of the Parliament's previously expressed position.

After careful consideration of the Inquiry's terms of reference, we would like to make the following submission.

**Terms of Reference 1: What is the role of the PMS Audit mandate? Does it fulfill its function in the overall accountability process for the Parliament? What improvements has it brought to the accountability systems?**

The role of the PMS Audit mandate is to ensure that Queensland public sector agencies have sufficient and robust frameworks and systems to support reliable and timely reporting of output performance information to Parliament.

From the viewpoint of the Department of Employment and Industrial Relations, the PMS Audit mandate does fulfill its function in the overall accountability process for Parliament. The most recent PMS Audit (reported in *Auditor-General of Queensland's Report to Parliament No. 4 for 2007 Are departmental performance measures relevant, appropriate and a fair representation of performance achievements?*) provided the department with an opportunity to review its performance management framework and systems and implement best practice improvements.

**Terms of Reference 2: Is the concept of PMS auditing understood by both auditor and auditee?**

Yes. Performance planning, measurement and reporting have long been central to how the department has managed achievement of objectives at various levels. The QAO practice guides and previously published audit reports provided the department with a detailed understanding of the purpose of the audit, what would be examined and the standards expected.

**Terms of Reference 3: Is the PMS audit mandate being used effectively by QAO?**

Yes. In the performance of the most recent PMS Audit (reported in *Auditor-General of Queensland's Report to Parliament No. 4 for 2007 Are departmental performance measures relevant, appropriate and a fair representation of performance achievements?*) QAO produced a very valuable report and its recommendations were adapted into a departmental rectification plan. This was agreed between the department and QAO and has since been implemented.

As a result of the above PMS audit the department thoroughly reviewed the way all its Output objectives were expressed, measured and reported, including the development of a new set of output performance measures for 2008-09. A new departmental policy was also developed and implemented to help ensure greater rigor and consistency in performance planning, measurement and reporting.

Further, the department used the QAO report recommendations as a catalyst to improve its Annual Report in 2006-07. This department subsequently achieved 3<sup>rd</sup> place in the Most Readable Annual Report category at the 2007 Queensland Public Sector Annual Report Awards conducted by the Institute of Internal Auditors, Australia.

**Terms of Reference 4: How does QAO assess if individual audits have been effective?**

Following the audit involving DEIR, the department and QAO agreed an action plan (rectification table) proposed by the department to address the recommendations of the audit. External reporting for budget and annual reporting purposes were revised and refined, leading to more clarity in the department's accountability to Parliament.

The departmental review following the QAO audit was more comprehensive than the QAO report as the department used the opportunity to review all its objectives, output performance measures and the processes for measurement and reporting. This new approach developed within the department was captured in a new departmental policy, *Performance Measurement and Management Policy*, to ensure maximum value could be achieved from the review.

The policy sets requirements and procedures for:

- annual review of departmental outputs and their performance measures;
- establishing performance measures in a performance measures dictionary;
- periodic reporting of data for each of these measures;
- periodic reporting and monitoring of divisional projects;
- performance reports for external and internal use; and
- assigning roles and responsibilities to ensure central coordination for performance measurement and reporting.

Following the PMS audit DEIR found QAO audit staff provided an effective consulting service, usually in the form of exchange of ideas on how well our proposed objectives, measures, measurement systems and new policy met QAO's better practice by suggesting possible improvements to our processes.

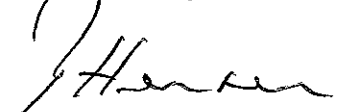
**Terms of Reference 5: How could the effectiveness of the PMS audit mandate be improved?**

The PMS audit was particularly helpful in suggesting ways to improve the accuracy and reliability of the department's measures. The published QAO practice guides were helpful in defining characteristics of good objectives. QAO officers were also helpful after the audit in discussing whether particular objectives under review were expressed in a way that met better practice.

The existing mandate is therefore considered effective and no opportunities for improvement are suggested.

Thank you for the opportunity to comment on the Inquiry's terms of reference. If you wish to seek clarification on the information provided, please do not hesitate to contact Mrs Sandy Lee, Manager, Planning and Performance Management Team on 3225 2297, who will be pleased to assist you.

Yours sincerely



PETER HENNEKEN  
Director-General

15/8/2008