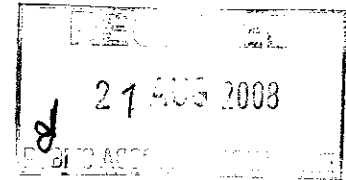




For reply please quote: TF/08/8280/MC22/LP

13 August 2008

Mr Ken Hayward, MP  
Chair  
Public Accounts Committee  
Parliament House  
George Street  
BRISBANE QLD 4000



Dear Mr Hayward

I refer to your invitations of 3 June 2008 to Dr Leo Keliher of the former Service Delivery and Performance Commission (SDPC) to make a submission to the Public Accounts Committee's inquiry into the evaluation of the effectiveness of the performance management systems (PMS) audit mandate in terms of the Parliament's previously expressed position.

Please find attached comments from the new Public Service Commission (PSC) which was formed through the merger of the SDPC and Office of the Public Service Commissioner on 1 July 2008. The attached comments have been framed around the inquiry's terms of reference. In summary, the PSC supports the continued conduct of PMS audits under the existing charter. Similar to financial audits, PMS audits are designed to independently assure Parliament as to the veracity and dependability of performance information provided to it by public sector agencies. This enables Parliament to be confident in assessing and holding accountable public sector agencies for their performance outcomes.

Should you have any questions regarding these comments please contact Dr Kathy Corbiere at the PSC on 07 3008 5756.

Yours sincerely

Bruce Wilson AM  
**Commission Chief Executive**

*Enclosed: Submission to the Inquiry into the evaluation of the effectiveness of the performance management systems (PMS) audit.*

**Public Service Commission**

**Submission to the**

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

**15 August 2008**

**Inquiry Terms of Reference**

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

**PSC Comment**

From a systemic perspective the PMS audit mandate focuses on establishing the veracity and dependability of performance management systems. It examines the tools and methods used to measure performance and assesses their ability to inform performance analysis and performance management decision making. This role is different to the function of assessing performance and should be valued in its own right. This value can be explained by the following analogy.

Analysing financial performance using balance sheets and operating statements is predicated on the assumption that the financial management systems used to derive this information are reliable, accurate and conforms to a range of minimum standards. Testing these assumptions and validating their conformance provides confidence that the information used in the analysis of financial performance will withstand scrutiny and independent critique.

From the analogy, a PMS audit is similar to a financial management systems audit in terms of its objectives and should be seen as a critical and necessary mandate within the overall scheme of a performance management system, including accountability processes to the Parliament when the system pertains to the public sector.

PMS audit reports released by the Auditor-General provided valuable contributions to the conduct of service delivery and performance management reviews by the former SDPC. In particular the Auditor-General's reports provided standards against which SDPC was able to build practical methodologies for assessing aspects of performance measurement and

monitoring and risk management within departments. Through these assessments and the resultant SDPC reports tabled in Parliament the accountability of departmental CEOs for organisational performance was made more transparent. The PMS audit reports that were strategically used in SDPC reviews include:

- Auditor-General of Queensland Report to Parliament No. 1 for 2008: Enhancing Accountability through Annual Reporting: A Performance Management Systems Audit
- Auditor-General of Queensland Report to Parliament No. 4 for 2007: Are departmental output performance measures relevant, appropriate and a fair representation of performance achievements?
- Auditor-General of Queensland Report to Parliament No. 2 for 2007: Results of Performance Management Systems Audit of Management of Funding to Non-Government Organisations, and
- Auditor-General of Queensland Report to Parliament No. 3 for 2005: Results of Performance Management Systems Audits of Output Performance Reporting

Given this past utilisation of PMS audit reports by the former SDPC, the PSC considers PMS audits to value-add to the performance management scheme applying to the Queensland public sector, fulfil a critical and vital function in the public sector accountability framework and should continue to be a mandated activity of the Auditor-General.

In relation to the Parliament's previously expressed position on whether or not the Auditor-General's PMS audit mandate should be extended in scope to include performance auditing, the PAC may wish to note that the *Public Service Act 2008* established the following mandate in relation to the operation of the Public Service Commission from 1 July 2008:

- s37(1) The Minister may, by signed notice, refer to the commission any matter relating to the effectiveness or efficiency of a public service office for the commission to review and report to the Minister about (a commission review).
- (2) The reference may be for a single commission for 2 or more public service offices.
- (4) The Minister must table the report in the Legislative Assembly.

These legislated provisions establish a performance auditing mandate, to be exercised by the Public Service Commission at the direction of the Minister, with respect to departments and the police service. It does not provide a mandate with respect to public sector offices, statutory authorities or government owned corporations.

Thus, from my perspective the need to extend QAO's mandate to conduct more holistic performance audits of departments, as evidenced in other jurisdictions, will in part be informed by the government's current deliberations on the future conduct of performance management reviews under its public sector reform agenda.

### **Inquiry Terms of Reference**

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

#### PSC Comment

The PSC cannot directly respond from either the perspective of an auditor or auditee. However, there is evidence to suggest that through the conduct of SDPC service delivery and performance management reviews, departments actively applied the recommendations of PMS audit reports. This would tend to suggest that departments understand and appreciate the value of the findings and recommendations contained therein.

### **Inquiry Terms of Reference**

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

#### PSC Comment

The PSC is not aware of any pre-determined criteria to be used to evaluate the effectiveness of QAO's use of its PMS audit mandate.

In part the effectiveness of QAO in this regard is reflected in the broad findings of the SDPC's *Annual Report on Service Delivery and Performance of Queensland Government Departments* (October 2007), which reported that most of the agencies reviewed had specific expertise in performance measurement and linked performance data to organisational accountability, monitoring and reporting. Within this context, the annual report also recommended that greater focus needed to be placed on:

- developing fit-for purpose data management systems to underpin performance management
- improving the availability of reliable and accurate data for decision making
- improving the quality of performance measures to report on the effectiveness of service delivery, and
- setting a small number of outcome targets.

Improvements in the issues identified above would be indicators that the QAO PMS audit mandate was contributing to change within the public sector, both in terms of practices being used and standards being attained.

### **Inquiry Terms of Reference**

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

### PSC Comment

The PSC is not aware of any pre-determined criteria to be used to evaluate the effectiveness of individual PMS audits and thus is not in a position to directly comment on this matter.

Indirectly, the experiences of the former SDPC point to the need for a more robust monitoring and reporting process for major decisions made by Cabinet and the government.

### **Inquiry Terms of Reference**

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

### PSC Comment

A set of evaluation criteria and some form of quantitative or qualitative assessment of past performance against those criteria would inform this response. Without referring to conclusive evidence, the clarity and focus of the audit mandate appears to have enabled QAO to perform effectively. In analysing where the gaps in government performance currently lie, the areas for attention are:

- understanding and setting effective outcome measures
- improving the quality of decision making through the use of timely performance information that is assessed against benchmarks and/or standards of performance, and
- improving the link between performance information and budget and planning decisions.

Should the PMS mandate of the Auditor-General be extended in time then the establishment of an evaluation framework to be applied to the PMS audit program would be strongly supported by PSC.