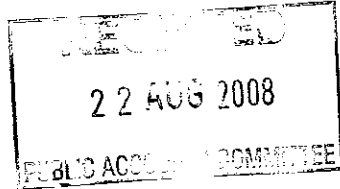


Mal Grierson  
Director-General



Queensland  
Government

Department of **Public Works**

Ref: DPW01344/08

**20 AUG 2008**

The Research Director  
Public Accounts Committee  
Parliament House  
Brisbane Qld 4000

Dear Ms Jeffrey

I refer to your letter of 3 June 2008 regarding 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.

In relation to the questions detailed in the Public Accounts Committee inquiry terms of reference, I offer the following responses.

**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?**

The legislative basis for the PMS audit mandate for the Queensland Auditor-General is derived from section 80 of the *Financial Administration and Audit Act 1977* which states that 'the object of the audit includes determining whether the performance management systems enable the public sector entity to assess whether its objectives are being achieved economically, efficiently and effectively'. This defines the underlying role of the PMS audit mandate.

The capacity for the Queensland Auditor-General to undertake performance management systems audits has been seen as a positive addition to the State's accountability regime. It has enabled the Queensland Audit Office (QAO) to examine a number of important issues which could not have been covered by the more traditional financial and compliance audits of the QAO.

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

The concept of PMS auditing is well documented in QAO publications, such as the QAO Guidelines for the Conduct of Audits of Performance Management Systems. Each PMS audit report also clearly outlines the PMS audit approach, including the legislative basis for the audit, audit objective, audit scope and coverage and audit methodology.

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

No specific comment.

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

No specific comment.

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

An extension of the PMS audit mandate came into effect on 1 January 2007 and was approved through amendments to the *Financial and Administration Act 1997*. This extension includes the ability of the Auditor-General to look at whether the measures being reported are appropriate and relevant and that there exists a clear linkage between the agency's objectives and what is actually being measured.

This extension, however, appears to 'stop short' of the full performance audit mandate of other Australian jurisdictions such as the Australian National Audit Office.

The issue as to whether or not the QAO should undertake the full performance audit mandate has been well canvassed in previous review reports of the QAO, including the June 2005 Review of the Report of the Strategic Review of the Queensland Audit Office.

Given that it is an essential function of public audit to provide an assurance to Parliament and the community regarding the exercise of public accountability obligations, a decision to expand the QAO PMS audit mandate to a full performance audit mandate could be perceived as a most useful improvement in the State's accountability regime. Such a performance audit mandate would not involve a review of Government policy decisions but rather examine actions taken in the course of agency administration, and can encompass a review of information leading to policy decisions.

Under the Westminster system, particularly within its application in the Australian context, an Auditor-General traditionally does not comment on the merits or efficacy of political or Government policy decisions.

I trust the above responses are of assistance in addressing the Public Accounts Committee terms of reference.

Yours faithfully



Max Smith  
**Acting Director-General**