



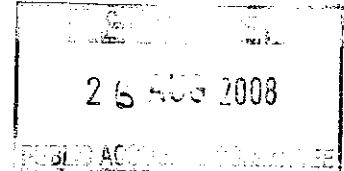
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**22 AUG 2008**

Department of  
**Infrastructure and Planning**

Ms Deborah Jeffrey  
Research Director  
Public Accounts Committee  
Parliament House  
George Street  
Brisbane QLD 4000



Dear Ms Jeffrey

I refer to the Parliamentary Accounts Committee "inquiry into an evaluation of the effectiveness of the Performance Management Systems (PMS) audit mandate in terms of Parliament's previously expressed position" and to a recent invitation by the Chair of the Committee, the Honourable Ken Hayward MP, for agencies to provide a submission addressing the terms of reference for this inquiry.

In response to the invitation, I am pleased to provide general observations and points on behalf of the Department of Infrastructure and Planning about those questions which are relevant to the Department's operations.

A summary of the Department's view is:

- the Queensland Audit Office (QAO) operating under the current mandate has been very successful in efficiently conducting PMS audits and identifying for agencies necessary areas for improvement, including improvements to performance management frameworks
- agencies would benefit by understanding more about the consideration given to the determination of annual PMS audit programs by the QAO. The current mandate might be amended to specify the number and categories of PMS audits to be undertaken each year. In identification of specific categories, consideration could be given to including "Project Evaluation" audits within the mandate
- the more recent step taken by the QAO to publish best practice guidance, in the areas of risk management and output performance reporting, has been particularly well received. It is considered that the formalisation of the QAO's role in the area of reviewing policy and guidelines documentation which underpins performance management, would ensure continued increased compliance by agencies.

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More detailed observations and comments on relevant terms of reference questions are attached. Should you require clarification of any matter included in this submission, please contact Juanita Barbagallo, Director, Planning, Performance and Reporting on 3247 5295.

I would like to express my thanks to the Committee's Chair for the opportunity to provide a submission to this inquiry and trust that the comments and observations will be of assistance.

Yours sincerely



Colin Jensen  
**Coordinator-General**  
**Director-General**

Enc (1)

## Attachment

**Submission By:** Department of Infrastructure and Planning  
**Inquiry:** Parliamentary Accounts Committee's (PAC) "Inquiry into an evaluation of the effectiveness and the Performance Management Systems (PMS) audit mandate in terms of the Parliament's previously expressed position".  
**Date:** 18 August 2008

*Note – Comments made on only those terms of reference questions directly related to the operation of the department*

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

*General concurrence that the concept of PMS audits is well understood*

The concept and theory of "performance auditing" in the public sector is well defined and understood. In the Queensland situation the role of the Queensland Audit Office (QAO) under section 80 of the *Financial Administration and Audit Act 1997* (FAA) makes it clear that the QAO undertakes this independent performance auditing role through a particular focus on PMS.

Based on the scope, content and the manner in which the PMS audits by the QAO have been conducted in recent years, it is evident that agencies have increased their understanding of the concept of PMS audits and the reasoning behind undertaking them. Consequently, the outcomes of these audits have proven very successful in raising the overall level of compliance with public sector performance management best practices, and the quality of systems used.

It is noted that more recently the recommendations from PMS audits have resulted in central agencies undertaking fresh reviews of the risk management and managing for outcomes frameworks. Future improvements to these frameworks will further raise the level of performance management across government and provide greater assurance that government priorities will be achieved efficiently and effectively through the delivery of programs, products and services by agencies.

*Clarification of forward timetable and assessment criteria*

As a minor point of concern the Department has observed that, unlike the Service Delivery and Performance Commission (SDPC) which has published the frameworks and assessment criteria rationale for the reviews and the forward work program, there has been less transparency in the method QAO uses to select and execute its PMS audit program.

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

***Similarity of "Project Evaluation" audits and PMS audits***

The department is responsible for Special Purpose Vehicles (SPVs) which are delivering certain key projects within the SEQ Infrastructure Plan and Program. As public sector entities these companies are subject to annual financial administration auditing by the QAO as per section 76 of the FAA. Within the last 12 months the QAO has also conducted and charged for "Project Evaluation" audits of two of the SPVs operations advising the evaluations were undertaken under section 79(1) of the FAA. In the Department's view the "Project Evaluation" audits were very similar to PMS audits which it is understood are undertaken without charge to the public sector entity. Of concern to the Department is the similarity of the "Project Evaluations" with PMS audits and the cost impact which results from a determination that both are conducted under separated sections of the FAA.

It is considered that the current mandate for PMS audits should be amended to address this current discrepancy by specifically including "Project Evaluation" audits.

***General concurrence that PMS audit mandate has been effective, noting***

- (a) QAO may have a formal role with framework guidelines and practices, and***
- (b) QAO mandate might be more explicit regarding multiple entity reviews***

Over the last three years the QAO has conducted approximately twelve PMS audits, with those most relevant for the Department being audits related to whole-of-government frameworks associated with managing for outcomes and performance reporting, and risk management. The responsibility for maintaining these frameworks resides with particular central agencies.

The Department has observed that the QAO, after initially identifying problems with agencies meeting framework compliance standards as set by central agencies, later took the further step of publishing more comprehensive guidelines in an endeavour to increase understanding and compliance by agencies. These more comprehensive guidelines were welcomed and well received. They often provided practical steps to ensure the QAO's recommendations could be implemented effectively.

In reviewing the QAO's mandate, it is considered the responsibility for auditing and updating whole-of-government framework guidelines and practices should be formally included.

Under the terms of the current mandate, the QAO may undertake an audit of any 'public entity'. This has proven broad enough to allow the QAO to be effective, however with an increasing focus by the QAO to investigate service delivery systems associated with government programs, it may be more appropriate for the mandate to overtly state the ability of the QAO to investigate any 'public entity' either individually, or as part of a group or program audit, across government.

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

If effectiveness of PMS audits is to be gauged in terms of the quantity and quality of outcomes resulting from the audits, it must be understood that there are a number of variables involved in achieving these outcomes. The current mandate as a mechanism to undertake the audit is only one variable. Consideration needs also to be given to the resources and quality of QAO staff, the understanding and cooperation provided by agencies and the support of key central agencies and the government to implement the findings.

The Department considers that the QAO has been very effective with its current mandate producing audit reports and findings, along with additional guidance material, which have directly resulted in significant improvements in performance management practices in recent years.

So far as ideas for improving the mandate, the Department makes the following observations for consideration:

- the mandate might be amended to include a set minimum number of audits to be completed each year, possibly identifying specific PMS categories to be covered.
  - this would allow the QAO to publish a more complete annual audit program
  - this could also address the issues of "Project Evaluation" audits by including such audits as one of the defined categories.
- the mandate might be amended to formalise the QAO's role to review the policy and guidelines documentation which underpins whole-of-government performance management such as risk management and managing for outcomes and performance reporting.
- the mandate at section 80(2) might be more specific regarding the ability to conduct multi-agency reviews to investigate government program performance.