



AGRICULTURE, RESOURCES AND ENVIRONMENT COMMITTEE

Members present:

Mr IP Rickuss MP (Chair)
Mr JN Costigan MP
Mr SV Cox MP
Ms J Trad MP
Mr MJ Trout MP

Staff present:

Ms H Crighton (Acting Research Director)
Mrs M Johns (Principal Research Officer)

PUBLIC BRIEFING—QUEENSLAND AUDITOR- GENERAL REPORT: ENVIRONMENTAL REGULATION OF THE RESOURCES AND WASTE INDUSTRIES

TRANSCRIPT OF PROCEEDINGS

WEDNESDAY, 26 NOVEMBER 2014

Brisbane

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Committee met at 12.05 pm

BROWN, Dr Glen, Executive Director, Regulatory Capability and Customer Service, Department of Environment and Heritage Protection

CRONIN, Ms Rachael, Deputy Director-General—Service Delivery, Department of Natural Resources and Mines

ELLWOOD, Mr Dean, Deputy Director-General, Environmental Services and Regulation Division, Department of Environment and Heritage Protection

LENZ, Ms Anne, Executive Director, Petroleum, Gas and Compliance, Department of Environment and Heritage Protection

NICHOLS, Ms Elisa, Executive Director, Reform and Innovation, Department of Environment and Heritage Protection

CHAIR: Welcome, ladies and gentlemen. I declare this meeting of the Agriculture, Resources and Environment Committee open. I acknowledge the traditional owners of the land where this meeting is taking place today. I am Ian Rickuss, the member for Lockyer and chair of the committee. Other committee members are Jackie Trad, member for South Brisbane and deputy chair; Jason Costigan, member for Whitsunday; Sam Cox, member for Thuringowa; and Michael Trout, member for Barron River. These proceedings are being transcribed by our parliamentary reporters and are being broadcast live on the parliamentary website.

The purpose of this meeting is to assist the committee in its consideration of the Auditor-General's report No. 15 of 2013-14 on environmental regulation of the resources and waste industries. The report was tabled by Mr Andrew Greaves on 1 April. Joining us for the briefing today are officers from the Department of Environment and Heritage Protection, the Department of Natural Resources and Mines and the Queensland Audit Office. These officers have given their time to be here today to provide factual information. They are not here to give opinions about the merits or otherwise of the policy intent of the regulatory approach or alternative approaches. I welcome officers from the Department of Environment and Heritage Protection and the Department of Natural Resources and Mines. I understand that the briefing will be led by Mr Ellwood, so would you like to make an opening statement?

Mr Ellwood: Thank you, Mr Chair, and good afternoon to the committee. I would like to start by introducing the people here to assist you today, and we have a range of people from both the Department of Natural Resources and Mines and also Environment and Heritage Protection: Rachael Cronin, the Deputy Director-General from NRM in the service delivery area; Dr Glen Brown, an executive director with EHP; Ms Anne Lenz, an executive director in service delivery as well; and I think the committee knows Elisa Nichols reasonably well, but Elisa is here also and she is from our policy area. Whilst the people at the front table will endeavour to answer the questions that you have, just for your information sitting directly behind me is Lisa McMain, my executive officer, and who is helping us with some material to hand up if you so choose and Omar Ameer, who is a director also within EHP.

In terms of an opening statement in relation to the report, for the committee's benefit upfront I want to recognise that the Auditor-General's report was tabled in April of this year and is based on statistical and other information that, in some cases, is years old, as well as many of the regulatory approaches that the department was renewing at the time of the audit. Whilst EHP accepted all of the Auditor-General's recommendations, the department was already aware of the issues raised by the Auditor-General and had started to work to address many of them before or during the audit. These issues included a need to improve its data management capabilities to address the level of outstanding annual fees and to investigate alternative approaches to managing financial assurance. Today is an opportunity to demonstrate to the committee how EHP in particular is addressing the

QAO recommendations. It would be fair to say that it is disappointing though that our request to have the performance audit delayed by six months was declined by the Auditor-General at the time, as we believe that this would have provided meaningful feedback to EHP on any weaknesses and blind spots with our new regulatory approach that we have undertaken rather than providing a report on things that we had already been improving on.

One of the fundamental drivers of our new regulatory approach is the EHP Regulatory Strategy, and if you have the QAO report in front of you there is some commentary or references there on pages 10 and 11. Just to update the committee, we have subsequently done a further review in relation to that Regulatory Strategy and we have updated that, so if I could hand up a copy of that new Regulatory Strategy and the brochure.

CHAIR: That would be good.

Mr Ellwood: We have copies for all committee members.

CHAIR: Do we accept those as tabled documents?

Mr COSTIGAN: Absolutely, yes. No problem, Mr Chairman.

Mr Ellwood: EHP is committed to helping businesses safeguard the environment while encouraging sustainable economic growth. The Regulatory Strategy that you have in front of you represents a shift in focus from employing our high environmental standards through application and assessment processes to intelligence driven and targeted compliance activity. This is made possible by issuing environmental licences that advise businesses on what level of environmental performance they need to achieve rather than telling businesses how to run their business, making businesses responsible for meeting the standards set by the government, and spending more of our time checking on whether high-risk businesses are meeting their expected outcomes and working with underperformers.

As part of putting the Regulatory Strategy into practice, EHP has also recently changed the way it operates to give customers and the community a better service. Applications for environmental licences are now assessed in one of our specialised business centres, ensuring faster processing times and a far more consistent licensing approach. Our dedicated compliance officers are dispersed across the state to be available to respond quickly to incidents and complaints, visit high-risk sites to check on businesses' environmental performance and, importantly, liaise and educate licence holders about the obligations and where to find information to help meet them. While significant environmental incidents from mining and coal seam gas operations are somewhat rare, the department has a strong track record of taking enforcement action, including prosecution against resource companies that fail to meet their environmental obligations. Again to help the committee, I would like to table a brochure that articulates the way in which the department is now set up for its business centres, and it is important because the QAO report is dated in the way in which it talks about regional settings. We have fundamentally changed that approach, so again for the benefit of the committee it may help orientate you about how we are structured across the department.

CHAIR: Sam, do you accept that tabling?

Mr COX: Yes, I do.

Mr Ellwood: With regard to the other documents, there is reference in there about our enforcement guideline and that is the transparent approach about how people will be dealt with. Also for the committee's benefit, there is a table about our prosecutions from January 2013 to date again to demonstrate the actions that we have taken in relation to unlawful activity. We are certainly a fair but firm regulator and also have considerably reduced the administrative burden and costs associated with doing business in Queensland. That is where I would like to finalise my comments and obviously the public servants here are available for any questions you may wish to raise.

CHAIR: Thank you very much for that summary. I note that in recommendation 2 the amount of outstanding debts was highlighted at almost \$450,000. Have you started to manage that? It is on page 66.

Mr Ellwood: Debt management has certainly been a challenge for us and, again, on all the fronts in relation to the recommendations we have made measures to deal with those. Perhaps I could call on Dr Glen Brown. He may assist further in relation to how we are managing debt.

Dr Brown: In relation to our debt management, we identified about 18 months or two years ago that we were not tracking in a place that we needed to in terms of collecting moneys due. Just to clarify with you, Mr Chair, you said \$450,000. I think you might have meant closer to \$6 million of outstanding debt.

CHAIR: That is what it dropped by, sorry; yes.

Dr Brown: Yes, so what we have been able to do is we have changed our strategy in terms of how we collect that debt. We have been able to arrest the growth in that debt and we are now starting to see the benefits of it reducing. What we have done to change is that we have centralised the debt management process so that it is being coordinated and managed centrally and we are taking a much harder line in terms of how we deal with business in terms of whether they have paid and their ability to operate because it is clearly an unfair playing field or a competitive advantage that they are obtaining, so we are keen to do that.

CHAIR: In recommendation 4 it says that EHP is not reporting effectively the levels of noncompliance. So I would imagine that would be your area, too?

Dr Brown: It is not entirely, but I work closely with my colleague Ms Lenz in terms of ensuring the information that we collect through debt management and how that feeds into our compliance strategy. Maybe Anne might want to elaborate on that.

Ms Lenz: That is probably a good example of some of the things that we have done in terms of changing our compliance and enforcement model in relation to risks as they are eventuating and a better understanding of those risks, which is one of the criticisms of the audit report of our process. So using debt as an example, as Dr Brown was talking through before, we have gone through a process where people, for example, have not been paying their fees and it is a sustained conduct over time, we are alternatively suspending or cancelling their authority, depending on the severity of the debt involved. So what we are now doing is translating that into a tactical compliance project, where we are ensuring that, if we have suspended any licences, we are following that up with an inspection, that it is linked to that customer and that file, that we are ensuring that the suspension is effectively being followed and that they are not continuing to operate. That is an example, I suppose, from a data point of view about how we are trying to link our systems and ensure that the information is flowing between areas and that we are addressing that as a risk in terms of our compliance framework as well.

CHAIR: Has there been appropriate staff training and that sort of thing? I can use the example of northern New South Wales, I think, it was where someone was killed.

Ms TRAD: Killed, murdered.

Ms Lenz: That is probably a good opportunity, I think, to talk about our intelligence framework, because that is largely how we use—in that instance of the unfortunate situation in New South Wales—that with our officers to assist. We have grown our intelligence framework. It always sounds a bit dodgy when you say 'intelligence framework', but effectively it is people who are experts in understanding and manipulating data. We have recognised that for a long time as one of our failings and something that we were not doing particularly well—being hampered by an IT system that was 15-plus years old, which made it quite challenging. We have quite recently had at the latest count—we have increased now to 17 people within that resource in terms of intelligence. One of their functions that we are developing at the moment with the change in the business model and the realignment of how we are organised is that we are ensuring that prior to site visits and things, for example, that we know all the information about that particular operator and if they are a risk. We have quite close links now and relationships with the Queensland police, for example. We have established relationships with NRM in terms of information sharing so that we make sure that, when we are going to go out and do a site visit, we understand the best available information about that particular operator that is known to anyone who interacts him and regulates.

Mr Ellwood: And then further to the underlying training, every authorised officer—those are who are actually to be given powers of the legislation—all of those staff undertake training. That training is at length around situational awareness and being cautious and understanding about events that have happened in recent times and near misses. So it is arguably quite a well-regarded training program that we do have.

CHAIR: Staff safety is still very important.

Mr Ellwood: Absolutely.

Ms TRAD: Ms Lenz, just in relation to your comment about new systems or improved systems of information sharing and coordination between DNRM and the Department of Environment and Heritage Protection, what are the new processes, the new systems?

Ms Lenz: I will talk mainly about our Project Unify and at the last part of that I will talk a little bit about a concept called One Window, which is our integration with NRM systems. At the moment, we are in what I would say a build phase of an IT project of getting all of those things functioning. In

the interim we have those relationships that are existing between intelligence officers and officers in NRM to facilitate that information exchange, but our longer view and what we will be delivering by 2016 is that that will happen on an IT platform. So it will be seamless, it will be able to be extracted really easily and there is no need for effectively a person to ring a person to find out information.

We are looking at both our permitting system and our compliance system. We are going right back to first principles. So it is not just about the actual IT system that people are going to be using to capture information; it is about the training and about how we do the site inspections in the first instance and how we collect the data, which is really largely one of the recommendations of the Audit Office. One of the problems that they found was that our data collection was quite—

Ms TRAD: Consistency.

Ms Lenz: Was quite inconsistent. So we have got a thing called a CARE package, which stands for compliance and risk evaluation, which is a standardised approach to an officer going out on to a site and gathering information not only about that particular site and the environmentally sensitive receptors in relation to that site but also the operator and what we know about him and what risk he might pose in terms of a noncompliance. So all of that information then gets fed into the IT system with information from NRM through a risk assessment process like a matrix which has weightings and things and that then allows us to schedule things like proactive site inspections.

Ms TRAD: Sorry, just in relation to the One Window system, is that a purpose-built data platform or is that one that currently exists? If it is one that currently exists, what is it?

Ms Lenz: At the moment NRM has a system called MyMinesOnline, but the technology behind that is a company, or a product, called Appian. The product that we are building is called Connect, but it has the same engine behind it, effectively. So it is Appian as well. The One Window concept is the integration of those two things for shared information. EHP obviously deals with a lot of other industries that NRM does not. So we are connecting with them in relation to the resource sector effectively to deal with some of those issues that the Audit Office raised about inconsistent numbering and inconsistent information. For our mining clients, they will be able to go through NRM's portal and get information that will be EHP information but, from their point of view, it will be a one-entry point. So that is the concept of One Window.

Ms TRAD: Sorry, Ms Cronin, while we are having this discussion, I had a briefing yesterday—I know you were not there—on the new amendments to the water bill that the minister introduced late yesterday. The department advised that, even internally within the Department of Natural Resources and Mines, the water licensing database does not really fully talk to the land tenure database. I understand that vegetation management might have a separate system or does not really talk to the other sections of the database within DNRM. I am just wanting to understand internally how your department will be ensuring that all of the licensing and all of the different arrangements under all of those areas are fulsome and can talk to the Department of Environment and Heritage Protection.

Ms Cronin: I can touch on it briefly. It is not really covered in the Auditor-General's report.

Ms TRAD: I understand.

Ms Cronin: But I take your point. We have been looking at our back-end systems and how we can have an overarching layer that starts to tie all the databases together so that if someone comes in for a mining approval that has a subsequent water licence or a subsequent land issue we can tie all of that information together. We are also looking at it from a rural landholder perspective. So if they have a vegetation clearing permit and perhaps a water licence and something to do with a rural land lease that we can tie that together from a customer point of view. That is a strategic piece of work that we are working our way through, but it is in the very early stages.

Ms TRAD: So does that precede what you are doing in terms of Project Unify?

Ms Cronin: I think in the end we will probably find that it is in the same underlying architectural system. So it will all talk and work together.

Ms TRAD: I understand that, but which will come first?

Ms Cronin: The One Window concept is more advanced.

Ms TRAD: Okay. But it will not—

Ms Cronin: It does not preclude the other.

Ms TRAD: I understand it does not preclude, but it will be a better system once your agency finalises its internal work in terms of databases?

Ms Cronin: In terms of bringing vegetation and water and land across, yes, but we have been looking with EHP and the mining tenure as a first port of call, yes.

CHAIR: Recommendation 5 says that EHP's measures are still output based and that they do not allow it to demonstrate whether it is achieving its organisational objectives. Would you like to comment on that, Dan—or anyone of your staff?

Mr Ellwood: I think it sits under the Unify project, to be honest. So perhaps if Anne could keep going. To be frank with the committee today, you will potentially hear quite a lot from Anne because of what we call Project Unify, which is a broad strategy about all of that business that I have outlined around how to deliver that Regulatory Strategy and the business model. So we have set up from our business service delivery and functional arrangements across the state all of our staff and then this Project Unify, with which you have heard the word 'Connect' which is just the term that we are going to use. That is the one that will manage and deal with that. So it is really our flagship project that we will deal with and it goes a long way towards addressing what the QAO or the Auditor-General's criticisms were about—consistency and service delivery and how to do that. So I just say upfront that you will probably hear Anne quite extensively today.

CHAIR: Just before you start, Anne, how long is this project going to go on for? Do you have a time line for the major project?

Ms Lenz: Yes, the end of 2016. So that is when we should have everything fully implemented. It is a different style of IT project, though. When I used to think of IT projects—and I am not very IT literate—it is someone who goes and works away in a back room and does all of this stuff and then all of a sudden there is a big that 'Ta da' at the end and, 'Here you go. Here's your system.' We are not doing it that way. What we are calling it is a business transformation and IT project, which from what I understand is a little bit novel in that we get audited quite frequently. We had PricewaterhouseCoopers, for example, audit us most recently. One of the things that they said that we should look at is that we have too much business influence over the IT project and not enough IT information, which I thought was quite interesting. What we are doing and what we have chosen quite deliberately to do is to release packages of work all the way through that period. As an example, what I was talking about before with the CARE package and the platform that supports our officers doing site inspections to ensure that that level of information is consistent, we will be trialling that in the field as early as February next year. So we will see improvements and immediate improvements to our business through that whole time frame up until 2016 when it is fully implemented with every business process.

CHAIR: It is virtually on target at this present time? What is your feel?

Ms Lenz: Yes, it is. It is early days is what I would say. I think it is almost in that quite early trajectory where we are just seeing how everything works and making sure that we are not too slow or too fast on particular elements of the project. As I mentioned before, it is not just about the IT; we are running a business transformation process at the same time. There was no point in continuing to do things the way that we were, which was not ideal, and then building that into an IT system. We are improving all of our processes at the same time as doing the IT build. We need to make sure that we are bringing the business along at the same time as the IT build. Would you like me to answer your question about performance management, though?

CHAIR: Yes.

Ms Lenz: There are a couple of things in that space, I think. It is something that over the years, as a portfolio, we have struggled with. What I would say as an opening comment is that it is not just us. We have tried to benchmark our performance reporting with other similar organisations in both Australia and across the world. There is no magic bullet about how you show quite easily that you are making a difference from an environmental perspective. Some of the things, though, that we have moved to that will really help us improve and demonstrate the outcomes of our enforcement activities are around, I suppose, the approaches that we are taking to particular issues. If I can use an example of a project style that we are doing at the moment, which is called our environmental problem-solving projects, where we have something that is not just a one-off—so it is not a complainant ringing and saying, 'I have an issue in relation to all the dust at that site'—it might be a catchment-wide issue. We might have a situation where we have had water quality exceedances across a catchment. It could be several people contributing. It might be that we need to look at that in a bit more of a strategic way than just going out and doing a site inspection.

We are running a really rigorous process where, when we start that particular project, we are defining our outcomes and our objectives that are measurable so that we can say in that catchment example—it might be a Healthy Waterways catchment—that it is now an E and what we want to be

able to do from a report card point of view by the end of the project is make it a C, or a B, or whatever the case may be. So we are designing quite specific performance measures for our interventions on a case-by-case basis so that we can demonstrate the environmental improvement.

For some things, though—like pre wet season mining inspections or whatever—what the information will be focusing on trying to capture there is performance improvements by the people that we regulate. So if we go out, for example, and they are not separating clean and dirty stormwater—which means that they then get a heap of stormwater mixed together that is all bad and they have a bigger problem to deal with and then they do some works on site to improve that performance—we are capturing that information with our better information collection about the inspection program and we are then able to extract and report in relation to that. So it is trying to capture, depending on the style of project or the style of intervention we are doing, the environmental improvement as a consequence. The same principle holds for prosecutions, for example, where we do intervene in that higher end tier that we are showing as well the difference in environmental behaviour or performance improvement that we can see at the same time—which is, to be frank, not information that we have captured consistently in the past, which is probably the biggest problem.

CHAIR: Recently, in the Healthy Waterways, for instance, Moreton Bay I think actually went up to a B but some of the rivers went backwards—they went to minus Ds, Ds or whatever. So you can now track that and try to work out why that is happening and that sort of thing.

Ms Lenz: Yes, that is an actual example. So if it is going backwards you say, 'We have an issue here. We need to find out what is causing it to go backwards. We want it to go back to the way it was trending before,' so that is a different style of intervention. Rather than us responding to a complaint, for example, we are actually taking that information that is available to say there is a problem there that we need to go and have a look at and work out what the cause is, fix the cause and then see the improvement in water quality.

CHAIR: Is this picking up some of the heritage stuff, too? Is there a window in there for the heritage listing as well?

Ms Lenz: Yes, there is. So even though we tend to, I suppose, use the term 'environment', we do not separate heritage out in our business. In our service delivery model, heritage is part of our service delivery area. All of the comments that I have made about everything that we are doing applies equally to heritage as it does to the environment business, so there is no difference in that sense. Heritage is a little bit different though in terms of the issues, so we are not talking about waterway degradation, for example. It might be more about what we are seeing in the particular behaviour of heritage listed properties and the homeowners and maintenance or whatever the particular issue might be. We have a separate risk assessment process, for example, for heritage listed properties that we have been improving and working on as well at the same time.

Mr COSTIGAN: I understand that a previous review found that the responsibilities between the different public sector agencies for the transfer of sites to the Abandoned Mine Lands Program had been unclear. I note the presence of Ms Unger from the Centre for Mined Land Rehabilitation in the back of the room here today. Do you think this new era of information sharing that I think Ms Lenz has quite adequately articulated today gives them an indication that steps have been taken to establish a clearer path in terms of capturing the status of abandoned mines across the state of Queensland?

Mr Ellwood: I will get Ms Cronin to elaborate a bit further shortly, but I have a couple of comments. You will note in the QAO report there are terms about care and maintenance and there are terms about being abandoned mines. In my view, they have not articulated that very well. Care and maintenance are current operating mines; it is just that the company might choose to not carry out as much activity on the site. They still have an environmental approval sitting over the top with conditions appropriate—

Mr COSTIGAN: So they are dormant?

Mr Ellwood: Well, they are parked in that they are not operating the mine to the extent but they still have people on site, they are still operating, they are still being managed and regulated by ourselves and they have a mining lease appropriate and fees payable et cetera. That is quite different to projects or mines that have then moved on to the abandoned mines program, and there is a process there. The two departments have an interagency agreement about how you manage all of that. Again, notwithstanding some of the case examples or the commentary that is in the QAO report, I think as I alluded to in my opening comments the two departments have moved well beyond those statements and comments about how the system was. But I will pause because NRM is the manager of the abandoned mines program.

Ms Cronin: I am not really sure how much more I can add. This is under the governance of our safety and health area but I will do my best to answer the question. It is the legacy operations that fall under the abandoned mines framework—so not current operating mines that subsequently go into rehabilitations. These are legacy mines that are falling under that framework. When we use care and maintenance in the abandoned mines framework, that is really about us keeping a mine in a holding pattern while we work through a rehabilitation strategy because it is a legacy operation. We are working with EHP to come up with a more consistent use of language so there is not any confusion between care and maintenance when a mine goes into care and maintenance for market conditions or otherwise, as opposed to when we are managing it into a care and maintenance framework as part of the abandoned mines program. I do not know if that answers your question sufficiently.

Mr COSTIGAN: That is fine. Thank you.

Mr COX: Anne, there was talk before about some of the packages you are trying to get together over the next couple of years. From a priority point of view, how do you work on it? It is obviously a big job. How do you work on where you may go first? Is some of that because there are immediate issues or matters have been raised? Does that make sense? How do you prioritise what you are trying to pull out?

Ms Lenz: That is a really good question. We are actually doing quite a large consultation process at the moment around exactly that. We have taken a view about how we have prioritised the work program and we are calling it our roadmap. It is very complicated, with lots of boxes about what is going first, second and third. The underlying principles that sit behind that are twofold because we are looking at two parts of our business here. One is the assessment part and one is the compliance part. Not so relevant for this is the assessment part, but what has driven that is more about savings to government and also savings to industry.

So a really nice quick example of that is standard approvals in that at the moment someone needs to make an application which is an application form. It is effectively signed that they can meet eligibility criteria and on that basis they get a standard approval, and this is for very low-risk activities. That process though involves people, it involves paper and it will take up to 20 business days. In the new system, which is one of our first packages of work that we will release, the person will be able to have that interaction online and get that approval instantaneously. So you will see an automatic saving for both us—in terms of the paper and the processing behind the scenes—and for industry in that they will be able to walk in off the street with their computer, sign their thing, give us a credit card and get their approval. You can see an instant saving there in terms of what they are doing.

For the compliance stuff, though, it has really been more directed about what our needs were as opposed to necessarily in the first instance what industry needs were. Largely, as we have seen with the Queensland Audit Office report, a range of drivers out of that report has been what has then helped us prioritise. I mentioned before that we would see the trial of the care package process quite early. That is because a lot of the flavour of those recommendations and what we know about our business is that the data collection is inconsistent. So if you are not collecting the right data and you do not have the right data for your risk assessment, the whole process then gets driven by the risk assessment about how we allocate our resources. The thing we need to do first is fix the data collection up. That will see automatic improvements then in our risk assessment process and our prioritisation of resources, and it is exceptionally important for us to get that right first.

Other things which will come later will include things like the push of that information publicly, so we have got a public register where a range of our enforcement tools sit on the public register and should be made available on request—whereas with this IT system, we will be able to do that proactively. So there are a range of other benefits which will come later in the piece, but our focus really has been about the data collection, getting that right, which then automatically improves our risk assessment and our prioritisation of resources, which is probably the crux for us, to ensure that we are using our resources in the best way and they are focusing on the high-risk areas that we have identified.

Mr COX: Basically, the audit is not a simple wave of a wand and you just do it; it does not necessarily provide you with how to do it so you have had to go away and look at systems, you have had to go away and as you have said you need data before you can look at it, then you need to go and prioritise that. So it is a big task but you are addressing that. It is important to note that the audit does not tell you how to do it; it just identifies some areas that may need attention. Obviously, as a department, you are doing that by the sounds of it and you are making sure you get it right and you do not just rush into it, so that is good.

Mr Ellwood: Mr Chair, if I could just add something as a follow-up to that. In particular, I tabled a document earlier that showed our new business centres and compliance centres. When you hear Ms Lenz talk about those standard approvals—that is, noting that they are the lower risk in the spectrum of projects that we have an approval for—the importance here though is, as is reflected also in that reg strategy, so these boxes and diagrams that you see about our emphasis and about where we are putting our people and time, that we will keep those people who sign those forms honest. We have false and misleading provisions, executive officer liability, so it is not that we are letting the people get an approval and we do not talk to them again. It is about setting the standards and the expectations that they need to comply with, and that our efforts and energy will be put into following up and making sure that they operate accordingly. The act has a range of provisions in there to be able to deal with people, as I said, if they were to perhaps provide false or misleading information, and directors of companies et cetera are liable.

Mr COX: Dean, you also mentioned industry. While it is not industry that sets the standards of where to go, it is important that you are consulting with them as you go forward with this so there are changes, because also at the same time you do not want to be stifling them due to delays. I guess it is all players involved looking at trying to address it.

Ms TRAD: In relation to your new model of compliance, I am interested in terms of the standard application and the standard approvals for low-risk activities. How are they monitored? Are they regularly audited?

Mr Ellwood: Again, Anne might be able to explain a bit further the way we are going to a risk assessment. We have about 370-odd front-line staff out of about 500 I guess in the division. Obviously, there is a prioritisation around which ones we should go to. At the heart of some of the QAO is around 'how did you work out your methodology?' The fact that we have now set up that structure around where we have those compliance centres—and Anne can allude to the compliance prioritisation model about how we do a proper risk assessment—there is of course—

Ms TRAD: But that is for the approvals process. My question is: once an approval has been given, what happens after that in terms of ensuring that conditions in relation to the EA are being complied with? Is there a routine audit system that occurs? Is it randomised? That is really my question.

Mr Ellwood: Okay. As I said, I will let Anne explain that a little bit further.

Ms Lenz: We have really three streams to what we will call our compliance framework. We are in a process of transformation for each of those three streams and some of them are actually new. I mentioned the environmental problem solving projects before; that is a new stream. Then there is also what we call tactical compliance projects, so for things like I mentioned before from the information from Dr Brown's area, we take debt management and then we use that as part of how we prioritise. Neither of those two things differentiate between whether it is a standard approval or whether it is a site specific or what type of approval they get. It is about the operator performance and behaviour that drives that risk assessment.

One of the criticisms of the Queensland Audit Office in the way that we used to do things in the past was that the inherent risk of the activity drove everything. What that means is that if you had a coalmine it did not matter whether the coalmine was in the middle of nowhere with nothing around it or you had a coalmine right next to a Ramsar wetland, that would still come up as very high risk. If you had a small sewage treatment plant operator who might have been next to a Ramsar wetland of exceptional performance, because of the inherent risk of that sewage treatment plant being low, they would never end up in the high-risk category. So that is the direct thing that we have tried to combat in terms of our allocation of resources which feeds into the now proactive compliance program. So this is not someone ringing up and making a complaint. This is how we choose to go out and audit particular facilities and how they come up to the top of the list.

What we have looked at is a whole range of other things and the care package process is the start of that about information collection. It is a lot about operator risk as well which is something that we have never collected before. It is a better appreciation and weighting of environmental risk by either proximity to things that are important—people in particular industries or Ramsar wetlands—or whatever the situation may be. It is also trying to get ourselves away from that situation where that inherent risk of the activity was weighting too heavily and driving the risk assessment process. We call it now our compliance prioritisation model. So we go through this process and we spit out effectively a list of sites per compliance centre. We literally have our sites now—I think we have about 2,000 sites that we have been gradually improving information and feeding into that process. We are seeing a very marked difference in terms of the sites that are on

that list compared to the sites that would have been on the list with our previous risk assessment process. Do we go to every site every year? No, we do not.

Ms TRAD: I just want to know about the standard approvals. Are they part of it?

Ms Lenz: We do not treat the standard approvals any differently. So that approach applies to every site that we regulate.

Ms TRAD: And how many would you review a year?

Ms Lenz: We are only in the early days. We have really only started to roll out this process in the last couple of months so it is probably hard to tell at this point exactly how much we are going to do. You would expect to see over time an increase in the number of compliance inspections, but we also have other complementary projects that we are doing. Part of the concept of the regulatory strategy is moving some of our resources away from assessment and into compliance. Our intent is that our compliance activity over time will be increasing. They are some of the KPIs that we have around the success of the model and the improvement of the model.

Ms TRAD: How many have you done in the past two months, Ms Lenz?

Ms Lenz: Inspections generally or projects?

Ms TRAD: Compliance inspections.

Ms Lenz: I do not know if I can tell you that off the top of my head, I am sorry.

Ms TRAD: Can you take that on notice?

Ms Lenz: I will take it on notice.

Ms TRAD: That would be great.

Mr Ellwood: I have some performance reporting material here. I just need to have a read, but I might be able to inform you.

CHAIR: What about third-party auditors or creditors, environmental audits and all of that? Is some of that information coming to you? If I am running a waste disposal place somewhere I can get a third-party auditor in. Can I forward that to you so that it becomes part of the regulatory—

Ms Lenz: We are looking at formalising that process potentially. We have a lot of work to do in that project. That is one of the projects that sits under what we call our compliance renewal program. It is certainly something that has the opportunity to add an extra body of people or resources focused towards ensuring people are compliant. The other advantage of that style of approach is that it does try to reinforce that it is the operator's job to get themselves into compliance.

If we tried to make it our job to get them into compliance we are never going to be successful. It has to be a culture in that business that they want to be compliant, and that style or concept of third-party auditor helps that concept. There are some considerations about that process and that style of addition, I suppose, to the framework. There are some risks around it that we need to manage. The obvious one is you get captured by a particular operator. So if an operator is paying the bill and you are continually using that particular auditor we need some safeguards around that stuff.

CHAIR: Food safety works under that sort of system.

Ms Lenz: Yes. We have done a lot of benchmarking. That is the stage we are at at the moment with that project, looking at successful ways that framework operates. Certainly for our lower risk activities that is looking like a really good option in terms of how we might add to our compliance framework. We have a time frame of end of 2016 for that project. We have a lot of consultation to do with industry and with the environmental consultant sector as well to see how we can pull that together and how we can land it. We do have an example of it operating at the moment in the contaminated land space so if you want some more information about that I think Dr Brown could talk to you about it.

Mr Ellwood: As a follow-up to the member for South Brisbane's question, I do not have an accumulated total but our running totals for the month of July are 148 proactive inspections and 49 reactive inspections. The reactive are those complaint driven ones. We have quite tight time frames in responding to and managing them. They are in the SDS for that.

Ms TRAD: That is across the state?

Mr Ellwood: Yes.

Ms TRAD: And how many reactive—48, did you say?

Mr Ellwood: Forty-nine for that month. The challenge we have had in previous SDS performance measures when we talk about how many inspections there are per year is that, if you get into the technical details with the likes of the Queensland Audit Office about how you efficiently or effectively measure your performance, it is simply a number of inspections. However, some are more simple than a large complex mine site that would take you several days. So we have tried to steer away a little bit from chasing straight numbers to, as Anne has explained, a bit about the complexity of projects and how long they take and the tyranny of distance, too. It takes our Cairns guys half a day or more just to get to a site. If you were just doing it on the basis of how many inspections you are doing per year, you are not really measuring how effective you are in relation to some of that activity.

CHAIR: I think that was quite a good total when you look at it. It is more than three to one of voluntary inspections compared to the ones that are referred. That is a fair balance.

Mr Ellwood: To be honest, and as we have alluded to with our new business model, where we have separated our assessment and our compliance functions and teams, in previous service delivery prior to that if you think about our environmental officers in every office location but just, for example, in Mackay, they had duties in relation to assessing applications and doing compliance. When you have statutory time frames where you must assess an application within a certain time frame as opposed to a proactive or discretionary ability to go out and do an inspection you can see how staff may be torn between what is the highest priority at any one time. But with our separating that now we have people who are focused solely on doing compliance. With the projects we are doing here about having a targeted inspection program, we think we will see far more efficiency with the same number of staff that we have got. We have simply focused them on certain activities. I think we will see more efficiency there but we only turned that system on in I think September. So our guys are being realigned in relation to who is assessing which projects in the file transfer, but the compliance centres are up and running and we have seen a spike for the month of October in relation to that. I think we will continue to see a trend upwards in relation to that.

CHAIR: I do not think there are any other questions.

Ms TRAD: How many compliance centres did you say there were, Mr Ellwood?

Mr Ellwood: Ms Trad, I would hate to mislead. If I said 15—

Dr Brown: Fourteen.

Mr Ellwood: Fourteen, but they are identified in that document. In every office location we have there are yellows and greens, Ms Trad—

Mr COSTIGAN: There are 15, I have counted them although this brochure says 14. I was wondering myself. I always check the fine print.

Mr Ellwood: Sure, thank you.

Ms TRAD: Some are specialised business centres. Are some both or—

Mr Ellwood: If I could explain, prior to our doing that in every centre we had a range of assessment and compliance. We now have assessment hubs or centres. I think there are five. In Cairns that is our minerals versus coal, so the minerals project. In the Cairns office there is an assessment group and a compliance centre. In Townsville it is only a compliance centre now. Every office is a compliance centre and then where we have duplicate service delivery you will find that in Emerald there is our coal hub but it is also a compliance centre. When I say 15, I note that this is in the Hansard and I would hate it if I am not correct, but it is around that number.

ACTING CHAIR: Thank you, Mr Ellwood. Given that there are no other questions, I would like to thank the department for its time and for the excellent information that has been provided. I note that there are some questions on notice that the department has agreed to take away and come back to the committee. Thank you all for your time. I would now like to invite officers from the Queensland Audit Office to come forward.

BROWN, Mr Darren, Director, Queensland Audit Office

CLOSE, Mr Anthony, Deputy Auditor-General, Queensland Audit Office

ACTING CHAIR: Good afternoon. Thank you very much for being here. I think you were here for most of the presentation by the department in relation to your report, the Queensland Audit Office report. Mr Close, would you like to make any opening remarks?

Mr Close: I am happy to. Noting that the report was released in April, we are also equally happy, with the time available, to go straight into questions and answers. I would acknowledge, as you said, and with the benefit of hearing the previous speakers, as time has passed we will be talking from the point of view of the report as it was tabled at the time.

ACTING CHAIR: Given that, do members have any questions they would like to kick off with?

Mr COSTIGAN: In relation to your auditing methodology, could you outline for the benefit of the committee how you went about that?

Mr Brown: The audit consisted of obtaining data from two agencies involved, Natural Resources and Mines, the intent there being to utilise that data to inform which areas of operations would require greater levels of focus and which areas, through the data, we could be fairly satisfied there was not any need for any further detailed drill-down. It involved at the early stages of the audit high-level meetings with key people within both departments, engagement with stakeholders across industry and other interested groups. Once we had done the initial assessment, we then conducted detailed analysis, interviews and document reviews to test against the lines of inquiry that we had developed for the audit.

Mr Close: In essence, we take an evidence based approach aligned to a performance audit standard at the Australian standards level. We rigorously gate our work to ensure that any of the reporting is provided in what we call an end of conduct brief, a preliminary report and then a proposed report to ensure that it is factually correct in that space. Internally we also take on a quality review and control process as well to ensure that it is above and beyond what you might consider a traditional consulting but a strongly evidence based report which can be relied upon.

ACTING CHAIR: Given the data collection process and the compatibility of data between the two agencies was a source of concern in relation to your report, and you heard the evidence provided by the department in terms of the Unify project, can you tell me whether or not their evidence today and the work that they have done to date gives you confidence that these problems might be addressed?

Mr Brown: It is a little difficult for us to answer that at this point in time. At the point that we were conducting the audit, the Unify project was in its very early stages. I think we do refer to it in the report, but we note that I do not think it had reached its gate 1 completion at this point in time. Funding had only been put in place up to a certain point and planning for the project beyond that point had not progressed. It was too early for us to make an assessment on the Unify project.

ACTING CHAIR: Given that, will the Queensland Audit Office be playing an ongoing review or oversight of how the department fulfils its obligations in relation to compliance?

Mr Close: We certainly do in terms of our financial audit processes that we undertake each year as it speaks to the materiality and the confidence in the financial statements. One of the ways in which we could follow up is through our follow-up performance audit in essence. So certainly we will be monitoring the need for that and if we feel appropriate it would certainly become a potential topic that would go on to our long list for our strategic audit plan. Certainly the committees are also invited every year to provide us with potential topics that they would like to see audited so we could look at it from that perspective. Obviously we have financial resource constraints and cannot look at everything in that space and the Auditor-General makes the final call on what will be audited but certainly the opportunity is there to contribute and to look at follow-up audits in that space.

Mr COX: Are you satisfied with the action the Department of Environment and Heritage Protection has taken in regard to the supervision, monitoring and enforcing of environmental conditions? Can you comment on that?

Mr Close: Again, it is up to the department itself. They are accountable and funded to effect the strategies, process, systems, changes et cetera to resolve. Our role is to shine a light on where we think there is an inefficiency and equally so commend good practice and best practice in that space as well. In terms of current actions, we would not comment on those specifically other than as it goes to a potential follow-up audit or through our financial statements process. The comment I would make, though, from listening to the earlier area is in our report 18 on monitoring and reporting

performance it is very commendable in looking at the benefits realisation in essence of that particular program and looking at actions and translating to outputs and outcomes in that space but certainly—

Mr COX: Which report was that?

Mr Close: This was report 18, monitoring and reporting performance. In that report we undertook an assessment of the current performance management of each of the departments. In the case of Environment and Heritage, one of the areas or opportunities that were identified was that most of the reporting is at the program level and should really be brought up to the strategic outcomes operating at the enterprise level so I would refer you to that tabled report as well in this space.

Mr COX: You were probably here when I asked them the question that they take the audit report, look at it, go away and see how they can implement what is being recommended. That is obviously not just the waving of a wand. They need to look at systems and collecting data and whatever.

ACTING CHAIR: I have no further questions. Thank you, Mr Close and Mr Brown, for coming today. Thank you for all your work and reporting in this area. That brings the briefing to a close.

Committee adjourned at 1.02 pm