

Auditor-General of Queensland

Executive Summary

Report to Parliament No. 7 for 2009

Follow-up on government owned
corporation and budget sector performance
measurement and reporting

A Performance Management Systems Audit



1. Executive Summary

1.1 Audit overview

Reporting performance information is a cornerstone of Parliamentary accountability. Since 2005, a series of performance management system (PMS) audits have focused on performance measurement and reporting across government, including an audit in 2006 on Government Owned Corporation (GOC) performance reporting.

Performance information should inform Parliament and the community what government wants to achieve, how it will be achieved and at what cost.

In 2009, the *Financial Accountability Act 2009* and the *Auditor-General Act 2009* replaced the *Financial Administration and Audit Act 1977* as the key legislation for the accountability of state agencies. The 2009 Acts provide for financial administration of departments, statutory bodies and GOCs.

The *Government Owned Corporations Act 1993* was also amended to reflect GOC reporting requirements under the 2009 Acts. Complementing this updated legislation is a new Performance Management Framework (PMF) named, *A Guide to the Queensland Government Performance Management Framework*. This guide was developed for government departments by the Department of the Premier and Cabinet (DPC).

With these recent developments it is timely to review the progress made by entities in implementing recommendations from previous audit reports. This report provides an update on how the government's move to the new PMF and associated legislative reforms contribute to and enhance entities accountability to Parliament.

The objective of this PMS audit is twofold:

- To assess the implementation of recommendations contained in Auditor-General Report to Parliament No. 2 for 2006 at the six GOCs and Central agencies previously audited.
- To assess the extent to which recent reforms to legislation and the new PMF address audit recommendations made in Auditor-General's Reports to Parliament since 2005 on performance management and reporting in departments.

1.2 Audit conclusion

My Auditor-General Report No. 2 for 2006, concluded that the average level of maturity of performance measurement and reporting systems at GOCs was higher than the average level of maturity in the budget sector.

Three years on, the GOC sector has made limited progress in implementing the 2006 recommendations. Of the original nine recommendations made to the Treasury Department, only one has been fully implemented and six only partially implemented.

In my view, Parliament and other stakeholders do not receive an adequate standard of information on GOC performance in a number of areas, which include a lack of disclosure on forward plans and longer term performance targets. This makes it difficult to determine how GOCs have performed over time and whether longer term performance objectives have been achieved.

I also have concern over the amount of information related to GOC performance that is deemed to be commercial-in-confidence and therefore not published, or not published on a timely basis. The *Right to Information Act 2009* is part of a broader 'push' model of proactive and routine release of information by the government. Non-disclosure of information on the basis of commercial confidentiality needs to be balanced against the prime consideration for transparent performance reporting and accountability to Parliament for the use of public funds.

In comparison, DPC has significantly addressed recommendations made in previous reports on performance management and reporting. The establishment of the Performance Management Office (PMO) in the Policy Development Division of DPC has been a welcomed development. The PMO has adopted a formal process to document and develop policy guidance and requirements for the PMF, based on the recently approved *Financial Accountability Act 2009*.

1.3 Key findings

1.3.1 Follow-up on recommendations for the Treasury Department

Treasury Department did not consider the following original recommendations to be feasible for reasons of commercial confidentiality:

- to publish the Statement of Corporate Intent at the beginning of the reporting period
- to disclose in the Statement of Corporate Intent and Annual Report future targets and challenges.

In addition, there has been limited progress in relation to the following:

- Treasury Department has not yet developed an overarching corporate governance policy for the GOC sector that defines the state's role in the corporate governance of GOCs, the objectives of state ownership and how it will implement its ownership policy.
- In line with Organisation for Economic Co-operation and Development (OECD) guidelines, I had expected to see a publicly available Annual Report that aggregates the actual achievements and performance of the GOC sector. Treasury Department's Annual Report does include information on the operations of the Office of Government Owned Corporations, such as scope and cost of activities. However it does not include the achievements of the GOCs. The latest budget reports provide actuals for the previous year, estimated actuals for the current year and the forecast for the budget year.

Treasury Department have made good progress on the recommendations for biannual and quarterly reporting, which involved extensive consultations within the GOC sector. The first biannual reports will be publicly available in February 2010. Templates for quarterly reports to the shareholding ministers have been approved by Treasury Department for all GOCs and they will be adopted from the September 2009 quarter. However, these reports will not be publicly available.

1.3.2 Follow-up on recommendations for GOCs

Additional issues were identified in the GOC performance measurement and reporting system, many of which were raised in the previous audit report:

- Of the six GOCs reviewed, three tabled their 2007-08 Annual Reports earlier than the previous year. However, the reports continue to be tabled towards the end of the timeframe set by legislation.
- An assessment of the relevance and appropriateness of the performance indicators of GOCs was not possible as the GOCs have not established clear and measureable objectives for their Corporate Plans and Statements of Corporate Intent.
- In most cases there was no disclosure of performance indicator targets within Annual Reports, which would provide a basis of comparison to the actual results. The non-disclosure of performance assessments against targets inhibits GOCs reporting on performance indicators.
- Corporate Plans are deemed by GOCs to be commercial-in-confidence. The Statements of Corporate Intent, excluding information deemed to be commercial in confidence, are not disclosed and made public until after the Annual Report is tabled in Parliament.

The lack of transparency and disclosure of key performance information makes it difficult to provide an opinion on whether GOCs have relevant and appropriate performance measures to enable them to fairly represent their performance.

There has however been a welcomed introduction of biannual reporting and improvements to quarterly reporting. Quarterly reporting is provided to shareholding ministers but is not publicly available.

1.3.3 Follow-up on recommendations for departments

DPC addressed a significant number of recommendations made in previous reports on performance management and reporting for departments.

In particular, the governance arrangements and guidance material produced under the PMF address the following recommendations:

- the need to set objectives for outputs and services, and align to Strategic Plans and whole-of-government priorities
- completeness in reporting Service Delivery Statements (SDSs) performance measures in Annual Reports
- the use of evaluation as a formal means of performance review
- the need for continuous improvement in reporting on agency performance information over time
- clearly defined roles, responsibilities and accountabilities
- central agencies to provide guidance and support to ensure Annual Reports comply with prescribed requirements.

Within individual agencies, a favourable increase in compliance with prescribed requirements in the past year was observed. Disclosures of summary financial data has improved.

Audit found an increase in the percentage of outputs in the SDSs that had set a clear and measurable objective. This will assist the development of relevant and appropriate performance indicators of efficiency and effectiveness. However, performance information on how efficiently and effectively an agency has carried out its operations has not improved.

An outstanding issue in agencies previously audited is the development of adequate costing systems.

1.4 Implications

While fully supporting the work of DPC in the development of the PMF, for it to be fully effective, accountable officers need to implement the framework in their agencies to ensure greater accountability and transparency of performance.

In relation to the GOC sector, the absence of an overarching governance and ownership policy inhibits the development of an appropriate PMF.

I am still of the view that suitable plans and forecasts should be tabled at the beginning of the reporting period. A comparison was made between a number of Statements of Corporate Intent developed at the beginning of the period but not made public, and those tabled at the end of the period with the Annual Report. Audit observed that there was minimal information removed for reasons of commercial-in-confidence in the version made public. This highlights that there is scope for more of this information to be provided at the beginning of the period without impacting on commercial considerations of the GOCs concerned.

1.5 Recommendations

It is recommended that the Treasury Department develop:

- **A corporate governance policy for GOCs that defines the state's role in the corporate governance of GOCs, the overall objectives of state ownership and how it will implement its ownership policy.**
- **A suitable format for publishing GOC corporate objectives, associated relevant performance indicators and past performance and a target range at the beginning of the financial period.**

1.6 Response from entities

A copy of this report, or relevant extracts from the report, was provided to DPC, Treasury Department, Queensland Rail and Ergon Energy Corporation Limited with a request for comment.

The comments provided are not subject to audit and the responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

1.6.1 Department of the Premier and Cabinet

The Director-General of the Department of the Premier and Cabinet, in his response dated 8 October, 2009, stated:

With regard to your findings for Budget sector agencies, I am pleased that you have found that the Department of the Premier and Cabinet has significantly addressed your previous recommendations.

The introduction of the Queensland Government's performance management framework is intended to strengthen the availability, quality and use of performance information throughout the Queensland Government. In particular, the establishment of the Performance Leadership Group (PLG) is a key part of the Framework. The PLG provides a central mechanism to review departments' performance in relation to efficiently and effectively achieving their objectives, and the broader objectives of Government. Importantly, this group also makes recommendations to the Premier regarding Chief Executives' Performance through the CEO Performance Review process, connecting departmental performance with Chief Executives' accountability.

CEOs' performance agreements are also strongly linked to Ministerial Charters of Goals. This year, each Minister's Charter explicitly states the Premier's expectations of the Minister and his or her portfolio agencies. The Charter is then the subject of regular discussions between the Premier and each Minister.

A recent restructure in this department has added further emphasis to performance and delivery by creating a new Performance and Delivery Office. The Performance and Delivery Office incorporates the functions of the former Performance Management Office. This new office supports the Premier to drive delivery of government priorities and improved performance of public services. Creation of this office will improve DPC's capacity for analysis and review of performance across Government, including a focus on evaluation, which is emphasised in DPC's strategic plan for 2009-13.

I note your comment that performance information disclosed on how efficiently and effectively an agency has carried out its operations has not improved. A review of agency outputs is currently underway, with a submission detailing the proposed services (replacing outputs) and service standards (replacing performance measures) being prepared for CBRC's consideration. Approved service standards, reflecting the efficiency and effectiveness of agencies' service delivery, will then be included in the 2010-11 Budget papers and performance monitored from the September quarter of 2010. Additionally, the Performance and Delivery Office will monitor agencies' performance in achieving their objectives using performance indicators identified in agencies' strategic plans.

The CBRC submission will also formalise an annual process to identify opportunities for continuous improvement of the performance information published in Service Delivery Statements. Such improvements will be balanced with a need for some consistency in reporting to allow year-to-year comparisons of performance.

I also support your comments relating to the need for accountable officers to develop adequate costing systems. In reviewing agencies' proposed services and service standards we are taking care to ensure that any changes do not diminish the level of quality of available information on the cost of services. Providing an appropriate balance between measures of efficiency and measures of effectiveness will mean that agencies will need a clear understanding of the costs of their operations.

My department will continue to liaise with your office to ensure that further implementation of the Performance Management Framework continues to address your past recommendations.

1.6.2 Ergon Energy Corporation Limited

The Chief Executive of Ergon Energy Corporation Limited, in response dated 15 October, 2009, stated:

The Auditor-General's report to Ergon Energy in July 2009 reported Ergon Energy has made good progress in implementing the 11 recommendations, with:

- *Six recommendations fully implemented;*
- *Two in progress (with likely completion by late 2009); and*
- *Three not implemented were as a result of current policy matters yet to be addressed by shareholding Ministers.*

1.6.3 Queensland Rail

The Chief Executive of Queensland Rail, in response dated 16 October, 2009, stated:

I refer to your letter to Lance Hockridge seeking QR comments in relation to the draft audit report on the follow up audit of the 2006 QAO report and findings relating to QR performance reporting.

I advise that QR is satisfied with the draft report and the audit findings and is happy for the QAO to table this in parliament.

1.6.4 Treasury Department

The Under Treasurer of Treasury Department, in his response dated 14 October, 2009, stated:

I refer to your letter of 14 September 2009 providing your draft report to Parliament regarding the performance management systems follow-up audit of Government owned corporations (GOCs) and departmental performance measurement and reporting.

I understand that Mr Ken Smith, Director-General, Department of the Premier and Cabinet will respond to you in regard to your comments and findings on performance management and reporting in departments.

Treasury's response to your recommendations is provided at Attachment 1 and further comments on your key findings are provided in Attachment 4.

As indicated, a substantial amount of work has been undertaken by Treasury in the past three years. This includes reviews of a large number of the guidelines and policies that apply to the GOC sector, major industry sectorial reviews such as the ports review, and the significant improvements in the GOC reporting framework.

With respect to GOC information that is deemed to be commercial in confidence, I note that in Section 1.2 of your report you state your 'concern over the amount of information related to GOC performance that is deemed to be commercial in confidence and therefore not published'. However, in section 1.4 you observe in respect of Statements of Corporate Intent (SCIs) that 'there was minimal information removed for reasons of commercial in confidence in the version made public'.

As you are aware, the structural reform process under corporatisation changed the conditions and structure under which GOCs operate so that they operate, as far as practicable, on a commercial basis. Many GOCs now operate in national, competitive markets. Full public release of SCIs at the beginning of the relevant period would require disclosure of GOCs' plans, targets, projects and other sensitive information before they have been implemented and could potentially place the GOCs at a competitive disadvantage vis-à-vis their competitors, and adversely impact on their performance.

Our view continues to be that publishing full SCIs at the beginning of the period to which they apply and the inclusion of future targets in SCIs and annual reports is not in the broader public interest. The Public Accounts Committee (Report No. 76) was similarly not convinced that the SCI should be available at the start of the period.

Nonetheless, I note that in section 1.4 you state that "suitable plans and forecasts should be made available at the beginning of the reporting period". In this context, Treasury will give further consideration as to whether GOC's should publish high level non-financial and finance targets on their website prior to the start of each financial year. This information would be drawn from their SCI's.

You also raised the issue of an overarching corporate governance framework. The current governance arrangements for GOCs are set by the GOC Act. The GOC Act is supported by more than 15 detailed and publicly available policies and guidelines which cover specific aspects of the governance of GOCs. In addition, some government-wide policies and guidelines also apply to GOCs. The policies and guidelines are regularly updated and new policies and guidelines are developed when needed. Together, the GOC Act and the associated policies and guidelines provide a detailed governance framework.

Full regard has been given to the Organisation for Economic Cooperation and Development's (OECD) recommendations when developing and reviewing the policies and guidelines for GOCs. Attachment 2 identifies which policy, guideline or legislation addresses each of OECD's recommendations.

As noted in Attachment 1, Treasury is also drafting a GOC policy framework for consultation with GOCs and the Auditor General in November 2009.

With regard to OECD principle V.A, preparing an aggregate annual report on the GOCs, you acknowledge in your report that Budget Paper 2 contains a section on the performance of the public non-financial corporation (PNFC) sector that focuses on net flows to the Government, asset sales and capital requirements. However, the chapter on PNFC sector performance not only provides additional information on the financial performance of the GOC sector but also contains details on the key issues affecting the transport, energy and water sectors. In the future, Treasury may consider increasing the breadth of performance information provided in the PNFC sector chapter.

As outlined in officer level discussions, Treasury has led, and is currently leading, detailed reviews of GOC sectors that go to the core of the purposes and objectives of State ownership and the other matters raised in respect of aggregate reporting. Such industry sectoral reviews, in Treasury's view, have far greater operational and strategic benefit than GOC-portfolio aggregate assessments, enabling detailed consideration of the critical commercial policy issues facing particular GOC sectors.

The review of the port GOC sector that led to the recent successfully-implemented restructure is an example of a document that is publicly available. Treasury is currently leading with relevant agencies the generation GOCs' review announced in the 2008-09 Mid-Year Review.

Since the release of the Auditor-General's 2006 Report No.2, Treasury has been working to implement appropriate aspects of the recommendations and improve the performance monitoring and reporting framework for GOCs. Attachment 3 outlines the key projects which have been undertaken to improve the performance monitoring and reporting framework for GOCs, and lists all the policies and guidelines which have been reviewed since 2006. This work has been undertaken in a consultative manner with the GOCs and shareholding departments, with the key objective to improve performance monitoring and reporting arrangements. Due to the complexity of the recommendations and with a number of GOCs in different industries with varying requirements, this has taken some time. This has resulted in an improved performance monitoring and reporting framework for GOCs.

The March 2007 amendments to the GOC Act included the conversion of statutory GOCs to company GOCs. The conversion to company GOCs ensures all GOCs are now subject to regulation by the Australian Securities and Investments Commission, resulting in greater scrutiny for the former statutory GOCs and removing potential conflict where shareholders may previously have also acted as prosecutor. The amendments also improved and contemporised the corporate governance framework for GOCs.

Attachment 1

TREASURY RESPONSE TO RECOMMENDATIONS

In regard to Recommendation 1 from the draft report, the State's role in the corporate governance of Government owned corporations (GOCs), the overarching objectives of State ownership and how it will implement its ownership policy, are all covered in the Government Owned Corporations Act 1993 (GOC Act). Many of the requirements outlined in the Organisation for Economic Cooperation and Development guidelines are covered in the GOC Act and the other requirements are covered by the specific policies and guidelines (as indicated in Attachment 2). The GOC Act and the individual policies and guidelines for GOCs provide a detailed and comprehensive performance monitoring and reporting framework for GOCs.

Treasury Department previously committed to consider the development of an overarching policy framework for GOCs, consistent with the policy framework being developed for the budget sector. The Department of the Premier and Cabinet released the performance management framework documents in May 2009. Since then, Treasury has been undertaking a comprehensive review of its policies and guidelines to ensure they are consistent with the new budget sector framework before drafting an overarching corporate governance framework for the GOC sector. While the review of Treasury's policies is still on-going, Treasury has also drafted a consistent policy framework for GOCs. It is anticipated the draft framework will be provided for consultation with the GOCs and the Auditor-General in November 2009. In conclusion, Treasury is already well advanced in the process of delivering this recommendation.

In regard to recommendation 2 from the draft report, GOCs are commercial entities and are best placed to identify the information relating to their business operations that is commercial-in-confidence.

A review of publicly-provided performance targets by private sector companies, particularly those listed on the Australian Stock Exchange, has indicated that many provide some kind of profit forecast, usually for the coming six months or year. Consequently, Treasury will give further consideration to developing guidelines for GOCs to provide particular high level non financial and financial outcome targets on their websites each year on 1 July (drawn from their approved Statements of Corporate Intent (SCIs)) to achieve public provision of information similar to that provided by private sector entities. It should be noted that this will not resemble the GOCs' SCIs but will be similar information to what is provided by private sector entities.

TREASURY RESPONSE TO RECOMMENDATIONS

OECD Guideline Article	Relevant Government Owned Corporation (GOC) Act, Policy or Provision
I.A	Yes – <i>Government Owned Corporations Act 1993</i> .
I.B	Yes – <i>Government Owned Corporations Act 1993</i> .
I.C	Yes – <i>Government Owned Corporations Act 1993</i> .
I.D	Yes – <i>Government Owned Corporations Act 1993</i> – GOCs are incorporated under the <i>Corporations Act 2001</i> (Cth).
I.E	Yes – the <i>Government Owned Corporations Act 1993</i> allows for equity injections and repatriations as necessary to achieve an appropriate capital structure.
I.F	Yes – ‘Code of Practice for Government Owned Corporations’ Financial Arrangements 2009’.
II.A	Yes – performance management framework policy document currently under development.
II.B	Yes – <i>Government Owned Corporations Act 1993</i> .
II.C	Yes – <i>Government Owned Corporations Act 1993</i> .
II.D	Yes – <i>Government Owned Corporations Act 1993</i> – shareholding Ministers establish units within their departments to oversee the GOCs.
II.E	Yes – the <i>Auditor-General Act 2009</i> provides for the Auditor-General as the external auditor for all GOCs.
II.F.1	Yes – <i>Government Owned Corporations Act 1993</i> .
II.F.2	Yes – board appointments are considered by Cabinet prior to the Governor’s approval as per the <i>Government Owned Corporations Act 1993</i> .
II.F.3	Yes – <i>Government Owned Corporations Act 1993</i> – Corporate Plans, Statements of Corporate Intent, and quarterly, interim and annual reporting.
II.F.4	Yes – <i>Auditor-General Act 2009</i> and <i>Government Owned Corporations Act 1993</i> .
II.F.5	Yes – ‘Government Owned Corporations – Governance Arrangements for Chief and Senior Executives 2009’.
III.A	Yes – <i>Government Owned Corporations Act 1993</i> .
III.B	Yes – <i>Government Owned Corporations Act 1993</i> – requires GOCs to complete Corporate Plans, Statements of Corporate Intent, quarterly and annual reports. Further, GOCs are involved in the Queensland Government Budget and Mid-Year Review processes.
III.C	Yes – ‘Corporate Governance Guidelines for Government Owned Corporations 2009’.
III.D	N/A – no minority shareholders

IV.A	Yes – ‘Corporate Governance Guidelines for Government Owned Corporations 2009’.
IV.B	N/A – no listed GOCs.
IV.C	Yes – ‘Corporate Governance Guidelines for Government Owned Corporations 2009’.
V.A	Yes – budget reports provide actuals for the previous year, estimated actuals for the current year and the forecast for the budget year.

Attachment 3

TREASURY RESPONSE TO RECOMMENDATIONS

Key Projects Undertaken in Response to the Auditor-General’s 2006 Report No. 2

1. *Quarterly Reporting – KPMG Corporate Finance (Aust) Pty Ltd (KPMG) was engaged to develop templates for improved quarterly reporting by each of the Government owned corporations (GOC). KPMG also developed templates for the associated briefs to shareholding Ministers. The aim of this project was to ensure more meaningful and easier to understand performance information is provided to shareholding Ministers each quarter. This project was undertaken through a staged process. However, the templates have now been approved for all GOCs and the final GOCs in the process will be adopting the new templates from the September 2009 quarter.*
2. *Performance Indicators – KPMG was also engaged to review the existing performance indicators, determine standardised definitions for performance indicators and identify appropriate measurable performance indicators for each GOC. Risk-adjusted performance measures such as economic profit and return on invested capital were also identified where appropriate. This project was undertaken in conjunction with the quarterly reporting project. The revised performance indicators have been approved for all GOCs. For the energy GOCs, these performance indicators were included in the 2009 10 Statements of Corporate Intent (SCI) and Corporate Plans, and will be reported on in the quarterly reports. For the other GOCs, these performance indicators will be included in the 2010-11 SCIs and Corporate Plans, and where possible, will be adopted in quarterly reports for 2009-10 before full adoption in 2010-11.*
3. *Biannual Reporting – Guidelines and templates have been developed and approved. The first interim reports are to be published in February 2010.*
4. *Strategic Expectations Letters – As part of its review of the Auditor-General’s 2006 Report No. 2, KPMG recommended that each year shareholding Ministers advise GOC boards of their expectations regarding strategic matters and high-level performance. In November/December 2008 shareholding Ministers wrote to the GOC chairs outlining key strategic matters they expected GOCs to focus on for the coming planning cycle, and to address in their 2009-10 SCIs and Corporate Plans. This will be a yearly process and the development process for these letters for the 2010-11 planning cycle has already commenced.*

5. *SCIs Provided with Annual Reports on the GOCs' Websites – Following the Auditor General's 2006 Report No.2, shareholding Ministers requested that all GOCs ensure both the annual report and the associated SCI were published on the websites. The GOCs have complied with this request.*
6. *Development of Economic Profit as a Key Risk-Adjusted Performance Indicator – Work has been undertaken with the GOCs to ensure consistent and appropriate measurement for reporting going forward. Further education in regard to this complex concept is planned for later this year.*
7. *Development of GOC Valuation Models – Substantial work has progressed on these models and further work is continuing to ensure the models are a useful performance management tool for Treasury Department.*
8. *Revision of the 'Guidelines for the Preparation of SCIs and Corporate Plans' – This review could not commence until the quarterly reporting review was completed, but has now made substantial progress. The draft revised guidelines have been provided to the GOCs for consultation and it is anticipated the revised guidelines will be finalised by the end of the year.*
9. *Amendments to the Government Owned Corporations Act 1993 (GOC Act) to reflect changes required with the introduction of the Auditor-General Act 2009 and the requirement that annual reports be tabled by 30 September each year commencing from 2010 have been completed.*
10. *Development of an Overarching Policy Framework for GOCs – drafting commenced in mid-2009 and it is expected that consultation with the GOCs will commence in November 2009.*

While not directly related to the recommendations from the Auditor-General's 2006 Report No.2, since 2006 a number of policies and guidelines which apply to GOCs have been developed or reviewed and updated, and amendments to the GOC Act have been made. These new or improved policies, guidelines and legislation represent a significant body of work which has improved the performance monitoring and reporting framework of GOCs.

1. *2006 amendments to the GOC Act through the Revenue and Other Legislation Amendment Bill 2006 to extend the mandate of the Queensland Auditor-General to provide for an independent assessment of the relevance of the published measures used by public sector entities to assess their performance.*
2. *2007 amendments to the GOC Act to overcome numerous inconsistencies with the application of the Corporations Act 2001 to company GOCs and statutory GOCs by abolishing statutory GOCs and converting them to company GOCs. The subsequent conversion of all statutory GOCs to company GOCs ensures all GOC entities are subject to regulation by the Australian Securities and Investments Commission and removes the potential conflict where the shareholders may previously also have acted as prosecutor. The amendments also improved and contemporised the corporate governance framework for the GOCs, streamlined administrative processes set out in the GOC Act and made consequential amendments to other related Acts.*

3. *2007 amendments to the GOC Act through the Financial Administration and Audit Act 1977 to reflect the amendment to the timeframe for the completion of Queensland public sector agencies' audited financial statements and other amendments to improve the efficiency of processes.*
4. *2009 amendments to the GOC Act as a component of the creation of the Financial Accountability Act 2009 (FA Act) to update references to the FA Act and the GOC regulation, include a definition of a prescribed GOC subsidiary to remove confusion and remove the audit provision as it is now contained in the Auditor-General Act 2009.*
5. *'Corporate Governance Guidelines for Government Owned Corporations 2009' – the main changes to these guidelines reflect the changes to the 'ASX Corporate Governance Council's Corporate Governance Principles and Recommendations' and the addition of a new 'Code of Conduct and Conflicts of Interest Best Practice Guide for GOCs' (the best practice guide). The new best practice guide incorporated comments and suggestions from the Auditor-General.*
6. *The 'Code of Practice for GOCs' Financial Arrangements 2009' – the main changes to the code relate to the adoption of revised competitive neutrality fee arrangements which more closely reflect private sector practice.*
7. *Development of Employment and Industrial Relations Plans in GOCs – Guidelines 2008.*
8. *Corporate Entertainment and Hospitality Guidelines 2008.*
9. *Biannual Reporting: Guidelines for the Preparation of Interim Reports 2009.*
10. *GOC Air Travel Policy 2009.*
11. *Minimum Remuneration Disclosure Requirements 2009.*
12. *GOC Governance Arrangements for Chief and Senior Executives 2009.*
13. *Purchasing Carbon Offsets for Queensland Government Air Travel 2008.*
14. *Investment Guidelines for GOCs 2003 (updated thresholds in 2008).*
15. *QFleet ClimateSmart Policy 2008.*
16. *Local Industry Policy: A Fair Go for Local Industry 2007.*

The following policies and guidelines are currently under review/development:

1. *GOC Subsidiaries – Key Shareholder Requirements for Constitutions 2006.*
2. *Guidelines for the Preparation of SCIs and Corporate Plans 2006.*
3. *Investment Guidelines for GOCs 2003 (full policy review).*
4. *Joint Venture Principles for GOCs.*
5. *Cost of Capital Principles – GOCs 2006 (review scheduled to commence this year).*
6. *Agreement Making in GOCs – Guidance for Chief Executive Officer.*

TREASURY RESPONSE TO RECOMMENDATIONS

No longer-term performance indicators or future targets for individual Government owned corporations are publicly disclosed.

It is not appropriate for Government owned corporations (GOCs) to publicly disclose longer term performance indicators and other information provided in the Corporate Plans for reasons of commercial confidentiality. This view is supported by the Right to Information Act 2009 (Schedule 4, with particular reference to Part 3), the Investment Infrastructure (Asset Restructuring and Disposal) Act 2009, and the 'Government Owned Corporations Release of Information Arrangements' which provide guidance in relation to determining what material should be classified as commercial-in-confidence.

Given the volatility of the markets in which the GOCs operate and ongoing reform in the GOC sector, it is appropriate that reporting to shareholding Ministers focus on the achievement of yearly targets rather than longer term targets. However, longer term targets and the provision of yearly targets over a five-year planning horizon are included in the GOCs' Corporate Plans. Further, the review of the 'Guidelines for the Preparation of Statements of Corporate Intent (SCIs) and Corporate Plans' (the guidelines) will consider whether GOCs should provide greater discussion and consideration of longer term issues along with longer term performance indicators, where appropriate, in the Corporate Plans.

Disclosure of the GOCs' SCIs continues to be delayed until after the end of the financial year.

Treasury Department continues to believe that publishing SCIs at the beginning of the period to which they apply is not feasible for reasons of commercial confidentiality. The Public Accounts Committee (PAC) (Report No. 76) commented that the PAC was not convinced that the SCIs should be available at the start of the period.

Shareholding Ministers have the responsibility for reviewing the SCIs and Corporate Plans, and they are accountable to Parliament for the performance of the GOCs. Parliament and the public can make a full assessment of this performance from the annual reports (which include SCIs for that period) and other reporting provided to Parliament (which includes the forecasts contained in each year's State Budget). This provides for an effective performance management and accountability framework, while ensuring commercial confidentiality is maintained and GOCs are not disadvantaged relative to private sector competitors.

A review of publicly provided performance targets by private sector companies has indicated that many provide some kind of profit forecast usually for the coming six months or year. Consequently, Treasury will give further consideration to developing guidelines for GOCs to provide particular financial targets on their websites each year on 1 July to achieve public provision of information similar to that provided by private sector entities.

In line with Organisation for Economic Cooperation and Development guidelines, the Auditor General expected to see a publicly available annual report that aggregates the actual achievements and performance of the GOC sector.

In Budget Paper 2, Treasury already includes a chapter on the public non-financial corporations (PNFC) sector, which contains information on the energy, transport and water sectors' actual prior year and estimated current and following year financial performance, issues affecting the whole GOC sector, key capital projects and issues affecting the performance of each

GOC sector. However, in the future, Treasury may consider increasing the breadth of information provided in the PNFC sector chapter, in particular whether to include a review of the GOCs' prior-year performance.

Treasury has led, and is currently leading, detailed reviews of GOC sectors that go to the core of the purposes and objectives of State ownership and the other matters raised in respect of aggregate reporting. Such industry sectoral reviews, in Treasury's view, have far greater operational and strategic benefit than GOC-portfolio aggregate assessments, enabling detailed consideration of the critical commercial policy issues facing particular GOC sectors.

The review of the port GOC sector that led to the recent successfully-implemented restructure is an example of a document that is publicly available. Treasury is currently leading with relevant agencies the generation GOCs' review, announced in the 2008-09 Mid-Year Review.

Annual reports continue to be tabled towards the end of the timeframe set by legislation.

GOCs and shareholding Ministers have complied with the legislative requirements regarding the tabling of annual reports. In response to the Auditor-General's recommendations for earlier tabling, the legislative requirements have been changed and the earlier tabling will be adopted from 2010.

An assessment of the relevance and appropriateness of the performance indicators of GOCs is not possible, as the GOCs have not established clear and measurable objectives for their Corporate Plans and SCIs.

A key component of the KPMG Corporate Finance (Aust.) Pty Ltd review commissioned by Treasury was to identify for each GOC appropriate and achievable performance indicators, both financial and non-financial. As a result, GOCs have now adopted performance measures which fairly represent their performance. For energy GOCs, these have been adopted in the SCIs for 2009-10 and in the quarterly reports. For other GOCs, these will be adopted in the SCIs for 2010-11 and in the quarterly reports where possible, from the September quarter 2009.

The SCIs for all GOCs include goals, outcomes, objectives and performance indicators as required by the guidelines. These guidelines are currently being reviewed and it is proposed that the revised guidelines will include additional guidance for the GOCs on the development of the goals, outcomes and objectives by the GOCs for their SCIs.

In most cases there was no disclosure in annual reports of performance indicator targets which would provide a basis of comparison to the actual results.

The GOCs' annual reports comply with the requirements of the Corporations Act 2001. By providing the SCIs relating to that period (with commercial in confidence information removed), GOCs already provide additional reporting compared to private sector companies. To require GOCs to provide further performance indicators or other information would be a substantial burden greater than required for private sector companies.

1.6.5 Auditor-General's additional comment

The Under Treasurer of Treasury Department, in his response dated 14 October, 2009, stated:

I welcome the commitment by the Treasury Department to continue to take action to improve the performance monitoring and reporting framework for GOCs.

This report does not recommend the full publication of the Statement of Corporate Intent at the beginning of the reporting period. What I do recommend is that appropriate information on the future plans and forecasts for GOCs be tabled at the beginning of the reporting period. This will assist Parliament in its assessment and monitoring of GOC performance, in a similar way to how they assess and monitor the performance of the rest of government.

I acknowledge that the commercial in confidence nature of some information reduces over time so that the information can be subsequently released. However, the relatively large amount of information contained in a number of the Statements of Corporate Intent which is currently released at the end of the reporting period raises questions as to the level of commercial confidentiality which existed at the beginning of the period.

The *Right to Information Act 2009* is part of a broader 'push' model of proactive and routine release of information by the government. When considering the preamble and the objectives of the Act, the Parliament's intention to emphasise and promote the right to government information is clear. A number of reasons are spelt out in the Act as to why government information is to be made available. Schedule 4 of the Act provides factors for determining the public interest and include:

- promote open discussion of public affairs and enhance the government's accountability
- contribute to positive and informed debate on important issues or matters of serious interest
- inform the community of the Government's operations
- ensure effective oversight of expenditure of public funds
- assist inquiry into possible deficiencies in the conduct or administration of an agency or official
- reason for a government decision and any background or contextual information that informed the decision.

These matters promote openness in government and increase the participation of members of the community in democratic processes leading to better informed decision-making and improved public administration and the quality of government decision-making. Although the Act provides exemptions to allow the non-release of certain GOC information, the exemptions should be applied within the context of the overall intentions of the legislation for the release of information in the public interest.

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