

# Queensland Audit Office

## Checklist for organisational change — Managing machinery of government (MOG) changes

### Introduction

A machinery of Government (MOG) change occurs when the Premier alters the administrative arrangements for the delivery of government, usually by transferring specific functions and legislative responsibilities from one department to another. Changes may range from the abolition of a department by transferring all responsibilities to other departments or the creation of a new department, to minor changes to functions, outputs or resources within existing departments.

MOG changes usually involve the transfer of assets and assumption of liabilities in the separate books of account of the relevant departments - normally with no consideration involved. As this process can also on occasion affect other government entities, the generic term “agencies” will be used throughout the remainder of this document.

Given the wide-ranging impact of MOG changes, affected agencies must consider all aspects of change including governance, delegations, financial systems and corporate policies. To implement and manage MOG changes successfully, it is essential that all relevant parties have a full understanding of the impact of the changes for the relevant agency and undertake a formal planned approach to identify, manage and monitor the risks at both an operational and strategic level.

QAO has developed this *Checklist for organisational change* to provide agencies with an overview of the main areas of change faced by organisations during MOG changes. **The Checklist is a guide only and does not intend to address all the possible issues resulting from MOG changes.**

## 1. General governance and systems issues

### Change management

- Ensure clear lines of responsibility are identified for driving the required changes.
- Appoint a project team early in the transition phase to coordinate all aspects of reorganisation – the workgroup will need to assess key issues and risks and scope the expected impacts and necessary resources without delay.
- Consider the need for consultants or contractors to manage the process.
- Develop a transition plan which includes both managing change issues and business as usual issues.
- Develop procedures for dealing with variations to plans.
- Implement regular review of progress against plans by agency executives.
- Identify which values and cultures are to be reinforced in the new organisation.
- Develop a communication strategy early, including communication with central agencies and external audit.
- Tell clients about relevant changes to operations.
- Keep staff informed of the process.
- If the department is represented on external committees, identify any adjustments required.

### Governance

- Assess compatibility of the structures of the merging organisations, eg comparable jobs, staff numbers, pay levels.
- Review accountability arrangements such as:
  - the continuing relevance of core / strategic committees (for example, audit, finance, IT and risk management)
  - the composition, skills and terms of reference of core committees
  - internal management reporting requirements
  - the organisational, compliance and policy frameworks
  - the performance reporting framework
- Clearly communicate expectations to all relevant parties and stakeholders.

- Follow-up issues raised in previous reports including Audit Reports and external reviews before reorganisation.
- Ensure all significant and on-going issues raised at key committees of the previous entities have been identified and carried forward.

## Delegations

- Review and where appropriate update, delegation instruments to facilitate decision-making.
- Ensure delegations conform with the Administrative Arrangements Order and the new structure and are consistent across the organisation.
- Review legislation for adjustment of authority references where necessary.

## Financial and other systems

- Consider arrangements to ensure financial, human resources and email systems are operative from day one or workable interim arrangements are put in place.
- Realign for new organisational structure and operating arrangements.
- Decide which systems to use.
- Merge computerised financial databases.
- Consider issues of interfacing of various systems.
- Where systems are incompatible, set up a working party to identify and resolve the issues.
- Consider issues with data conversion and staff training.
- Transfer ownership, licences and staff.
- Review internal controls to ensure they are operating effectively and efficiently.
- Perform reconciliations of all subsidiary systems at time of split (before and after transfer) and of all relevant account balances.
- Remove system access for personnel leaving the organisation and arrange access for new personnel.
- Update business directories.
- Review contractual arrangements.
- Update internet and intranet sites.

## Financial policies and procedures

- Consider need for short-term operating procedures to deal with administrative matters until new arrangements bed down.
- Review and update policies and procedures, instructions and manuals to ensure relevance, appropriateness and accountability.
- Agree on which policies and procedures from the existing organisations to adopt.
- Communicate policy and procedural changes to staff.
- Ensure staff compliance with new policies and procedures.
- Review the roles and responsibilities of staff within the finance division to ensure all transactions are processed accurately and on a timely basis.
- In the long-term, review all accounting policies to ensure they comply with the prescribed requirements.
- Consider APG 13 – Accounting for Non-reciprocal Transfers and MOG Changes.
- Consider s.40AAA of the *Financial Administration and Audit Act 1977* (FA&A Act) – Financial reporting – when redistribution of public business of department takes effect.
- Confirm effective date for financial reporting.
- Consider Part 6B of the FA&A Act - Provisions about abolished departments or statutory bodies, including preparation of final accounts.

## Other corporate policies and plans

- Review and update policies to ensure relevance, appropriateness and accountability.
- Review corporate standards in Finance, Human Resources and Administration.
- Review and update strategic, asset, ICT and operational plans where appropriate.
- Review and update performance measures where appropriate.

## Ownership of records

- Decide which records need to be transferred.
- Ensure agreements are in place between entities for transfer and maintenance of records.
- Ensure an effective handover process is developed and implemented.
- Review the status of and responsibility for completion of FOI reports.

## Managing staff changes

- Keep staff informed of the process and benefits through a formal communication strategy.
- Consider possible negative effects on morale, loss of key staff and corporate knowledge, merging different organisational cultures.
- Ensure counselling is available for staff where necessary.
- Arrange transfers between payroll systems.
- Review salary packaging arrangements.
- Advise QSuper of personnel transferred.
- Reconcile recreation leave, long service leave and superannuation records.
- Consider staff on secondment or long-term leave.
- Arrange transfer of staff records.
- Return or issue security passes and access cards.
- Return equipment where relevant (eg home computers).
- Arrange for staff relocation or secondments.
- Wind down temporary contract arrangements if these skills are no longer needed.

## Stationery, signage and uniforms

- Review all stationery, signage and uniforms for replacement and assess what can still be used.

## Legal

- Review existing obligations from contracts, leases and litigation.
- Get confirmation from Crown Law about pending matters.
- Identify opportunities for review and renegotiation of terms and contracts.
- Transfer contracts for outgoing functions.

## 2. Audit issues

- Keep a register of audit issues arising for the agency, from the Queensland Audit Office (QAO) and internal audit.
- Identify recent matters reported to Parliament or proposed to be reported to Parliament by QAO.
- Review prior year's financial statements to determine why the statements were modified (if applicable).
- Follow-up any outstanding matters referred to QAO, the Crime and Misconduct Commission (CMC) or Internal Audit for review or investigation.
- Raise audit concerns associated with the change with QAO auditors at an early stage and maintain regular communication.

## 3. Financial management issues

### Shared service arrangements

- Consider the entities affected by the MOG change and the impacts on each of the entities, including the shared service provider.
- Renegotiate Service Level Agreements (SLA), if necessary, where a third party provides corporate services.
- Consider controls in place to ensure compliance with the SLA including implications for breach of agreements.
- Consider the information needs of entities within the shared service environment.
- Keep all stakeholders (including staff) informed of any new reporting requirements, responsibilities and protocols.
- Review controls over the processing of transactions, data and maintenance and access to files and records.

## Chart of accounts

- Review and align with new organisational structure.
- Review and align financial reporting requirements.

## GST issues

- Consider any necessary changes to existing grouping arrangements. Use the criteria utilised during the implementation phase to assess the implications of those changes.
- Liaise with Treasury Department's Commonwealth Taxes Unit (CTU) to notify the Australian Taxation Office (ATO) of changes to grouping, new registrations, deregistration and other administrative changes eg registering a new ABN if required.
- Review responsibility for preparation of BAS and appointment of input tax credits.

## Split of funds

- Ensure accruals are correctly calculated
- Confirm the final split of funds and ensure there is an official sign-off between entities.
- Ensure an effective handover.

## Budget implications

- Transfer budgets between entities; clarify responsibility for and correct processing of transactions straddling the handover date.
- Review issues surrounding Equity Injection / Withdrawal.
- Review recoverable funding arrangements.
- Consider the budget implications of the changes implemented.
- Undertake a 'gap analysis' to determine the differences between the previous and new budgeting processes.

## Split of assets, liabilities, revenue and expenses

- Perform physical stocktake with representatives of all affected entities.
- Re-brand assets during stocktake.
- Ensure capital work in progress is correctly calculated.
- Resolve split as soon as practicable after MOG change is announced.
- Maintain detailed records; implement effective handover procedures.
- Ensure appropriate confirmations and formal sign-off between entities.

## New or revised financial accountabilities

- Review additional or deleted functions or outputs.
- Identify responsibilities for assets, liabilities, revenues and expenses.
- Identify impacts on capital structures.

## Management reporting

- Review current management reporting requirements, identify new requirements and determine options going forward.
- Consider the need to produce an interim report to management.

Disclaimer: This publication is a guide only and the topics covered by this document do not address the full range of change impacts arising from MOG changes.

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