Managing Queensland's COVID-19 economic response and recovery

Report 3: 2022–23

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The Honourable C Pitt MP
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19 July 2022

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*.

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Acting Auditor-General

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In early 2020, the global economic outlook was characterised by uncertainty and volatility and a severe economic downturn was widely expected. In response, the Queensland Government implemented a range of health and economic policies and measures. A key part of the support measures included rapid economic response and recovery initiatives. In September 2020, we provided a broad outline of the government's activities in response to COVID-19 in our report *Queensland Government response to COVID-19* (Report 3: 2020–21).

This audit examines whether the Queensland Government's COVID-19 economic response and recovery initiatives were designed and managed effectively. We examined the design, delivery, and evaluation of a selection of initiatives. We also looked at central monitoring of the initiatives based on our report *Queensland Government response to COVID-19* (Report 3: 2020–21). This audit does not assess the pandemic management or the impacts of decisions on border closures.

Key learnings

The Queensland Government committed $17.2 billion for economic response and recovery, for more than 300 initiatives. These included grants, loans, and state tax relief for both businesses and individuals. These initiatives – together with the containment of the COVID-19 case numbers and economic stimulus from all levels of government – contributed to a faster-than-expected economic recovery through to December 2021.

Given the emergency and the need for a rapid response, it is reasonable to expect there will be lessons for the future. By December 2021, there had been sufficient time for the entities designing and delivering the rapid response initiatives to evaluate their performance and apply relevant learnings to current and new initiatives. We summarise key learnings in Figure A, and our recommendations are on page 2.

Figure A
Learnings for current and future rapid response initiatives

Designing, delivering, and evaluating rapid response initiatives

- **Needs** – continuing to develop an understanding of users' needs throughout the life cycle of the initiatives will help improve uptake rates.
- **Risks** – identifying and managing risks to achieving objectives, beyond compliance risks, will improve the ability to monitor and to meet the objectives.
- **Collaboration** – coordinating and sharing data across agencies will assist in improving support to the target cohort, especially where the delivery entity for the initiative is different from the frontline service provider and/or does not have data to determine eligibility.
- **Communication** – communication needs to reach the intended businesses and individuals. This is easier for pre-existing initiatives. New initiatives need targeted communication strategies.
- **Evaluating against pre-determined objectives** – collecting performance data enables evaluation of how well the initiative is achieving its objectives – this can be used to direct initiatives as they progress and in the design of future initiatives.

Monitoring rapid response initiatives

- **Objectives** – central data collection and monitoring about whether initiatives are meeting their objectives and when they are due to end will enable better assessment of effectiveness and delivery.
- **Demand** – pre-existing programs have data that makes it easier to predict demand and allocate funding. New initiatives need more analysis and ongoing monitoring to ensure they meet demand and are appropriately funded.
- **Costs** – collecting data on all the relevant costs of delivering initiatives will inform the design and budget allocation for future programs.

1. Recommendations

We have directed these recommendations to Queensland Treasury and the lead delivery entities for the initiatives we audited. However, we suggest that all entities leading the delivery of rapid response initiatives (lead delivery entities) use these recommendations to improve the design and management of future initiatives.

Designing, delivering, and evaluating rapid response initiatives (Chapter 3)
Lead delivery entities
We recommend that, for future initiatives, lead delivery entities:
1. ensure the needs of target users are considered throughout the life of the initiatives – that is, during design, implementation, and monitoring
2. ensure their risk management has a key focus on risks to achieving the objectives of the initiatives
3. enhance inter-agency collaboration to explore ways of sharing information and external data within legislative requirements to improve uptake rates and prevent ineligible applications being approved
4. consult with relevant stakeholders to identify all key target users and ensure communications about the initiatives reach these users
5. evaluate the extent to which each initiative achieves its objectives and use this information to direct initiatives as they progress and in designing future initiatives.

Monitoring rapid response initiatives (Chapter 4)
Queensland Treasury
6. We recommend that Queensland Treasury enhances the oversight of the portfolio of economic response and recovery initiatives through:
• a governance body that continues to provide oversight of the portfolio's performance until the portfolio is closed
• enhancing its data collection and reporting to enable oversight of the timely achievement of objectives and whether initiatives need to be modified or discontinued for optimal outcomes
• recording and monitoring the full costs involved in delivering all key economic response and recovery initiatives and using this information to inform future initiatives.

Reference to comments

In accordance with s.64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at Appendix A.

2. Queensland Government's COVID-19 economic response

This chapter presents key facts about the Queensland Government's COVID-19 response and recovery funding. It includes a summary of spending on response initiatives from the onset of the pandemic until December 2021.

In early 2020, the economic outlook was characterised by uncertainty and volatility – for Queensland, Australia, and globally. By late March 2020, a severe economic downturn with an increase in unemployment rates was widely expected. The extent and duration of the downturn was uncertain.

The International Monetary Fund forecast a global GDP contraction of 3 per cent for 2020 and reported an actual fall of 3.1 per cent. This suggested the pandemic would have a much greater impact than the 2009 Global Financial Crisis, when a 0.1 per cent decline in global activity was recorded. Economic analysts in Australia anticipated an unprecedented weakening of the national economy, with most forecasting an unemployment rate of 10 per cent or higher.

Governments globally began to implement a range of fiscal support measures. The Queensland Government put in place quick policy responses designed to soften the economic impacts.

The initial economic initiatives announced by the Queensland Government in February 2020 focused on stimulating the economy to keep people employed and businesses operating. This was consistent with initiatives at the national and international levels. Queensland prioritised health outcomes, in line with data that indicates economic outcomes are more favourable where health outcomes are better.

Later during 2020, the Queensland Government shifted its focus to initiatives designed for longer-term economic recovery. This change in focus was because the expected significant downturn in the overall Queensland economy did not occur, due to a combination of factors including:

- lower-than-expected COVID-19 case numbers in Queensland

- economic stimulus from all levels of government.

From early 2021 through to December 2021, Queensland's economy saw a faster-than-expected recovery in domestic activity. Queensland Treasury upgraded its economic and labour market forecasts in the Queensland Budget 2021–22 and in the subsequent 2021–22 Mid-Year Fiscal and Economic Review. Recent data suggests strong domestic economic activity in late 2021 and early 2022.

Some industries experienced a significant and ongoing impact from the pandemic due to border closures. For example, the tourism industry saw Australian visitor arrivals fall by 98 per cent in the year to January 2021. In addition, Queensland's international student enrolments reduced by 21 per cent and commencements reduced by 32 per cent in the year to 30 September 2021.

DEFINITION

An **initiative** is a discrete response or recovery measure, typically managed by one government entity.

A **package** is a collection of initiatives, which could be delivered by one or more government entities.

Funding refers to money allocated for an initiative.

Spending refers to how much of the allocated funding was used.

Revenue forgone refers to money the Queensland Government would usually collect from businesses and individuals, which was deferred or not collected.

Funding announced for economic response and recovery

The Queensland Government announced funding for several response and recovery initiatives. These included new funding, revenue forgone and reprioritised funding. In our previous report, *Queensland Government response to COVID-19* (Report 3: 2020–21), we discussed the funding (more than $8 billion) that had been committed until August 2020.

The total funding announced until December 2021 was $17.2 billion. This comprised of:

- new funding and revenue forgone of $15.2 billion (adjusted for unrealised payroll and land tax relief)
- reprioritised funding of $2 billion.

Spending

As at 31 December 2021, 45 per cent of overall funding had been spent – $7.8 billion out of the budgeted $17.2 billion.

While spend on these initiatives contributes to economic recovery (directly or indirectly), $2.4 billion was on health and safety responses, and $5.4 billion on responses for economic recovery. The snapshot in Figure 2A shows the key areas of spending from the overall funding.

Figure 2A
Snapshot of spending on COVID-19 initiatives as at 31 December 2021

$2.4 billion on the health and safety initiatives	**$1.26 billion** in payroll and land tax relief
$524 million in support to individuals and households	**$2.57 billion** in jobs support loans and other business support
$1 billion in local government and construction initiatives	**$19 million** on communication and research initiatives

Source: Queensland Audit Office, based on data provided by Queensland Treasury with input from the entities managing the initiatives.

Each of the key areas comprised multiple packages, with over 300 initiatives in total. This section summarises overall spending at 31 December 2021 and describes a selection of initiatives.

Health and safety

The Health Response Plan is the largest initiative in this category, with spending of $1.5 billion. Other spending in this category includes $584 million on 14 initiatives relating to public safety and quarantine services.

Payroll and land tax relief

The tax relief initiatives aimed to support businesses, landlords, and tenants. These initiatives have now closed, without all their funding used. Total relief for the payroll and land tax relief schemes was $1.26 billion.

Support to individuals and households

The largest initiative in this category was $400 million in utilities bills relief. This was designed to provide cost of living relief to individuals and households, including regional residential and South East Queensland customers. Other spending in this category includes $20 million on the household resilience program to help eligible homeowners in coastal parts of Queensland improve their homes' resilience against cyclones, and $10 million on international student support.

Jobs support loans and other support to businesses

Spending in this category includes:

- business loans – $1 billion in loans to nearly 7,000 businesses and non-profit organisations through the Jobs Support Loan Scheme, with no interest for the first year; Industry Support Package (ISP) also included providing loans to businesses

- investment – the largest single beneficiary of business support was Virgin Australia, with a Queensland Government investment of $211 million. Funding for this investment was reallocated from the ISP

- grants – recent initiatives include the business support package, announced in August 2021 in response to lockdowns. This package had a budget of $310 million, with $163 million spent (these figures exclude the matched funding committed for this package by the Australian Government). Other grants include the Small Business COVID-19 Adaption Grant Program, with $182 million spent. The ISP also provided grants to businesses.

Note: The ISP was announced on 24 March 2020, as a $1 billion package to assist large and regionally significant businesses. According to Queensland Treasury's project closure report, various alternative programs were established to assist in the economic recovery. Funding for several of these programs was reallocated from ISP. The total funding reallocated from ISP to alternative programs was $797.7 million.

Local government and construction

We have combined these initiatives into one category because most of the funding directed to councils was for construction. There are 62 initiatives in this category. The largest initiative in this category (by spend) is $176 million on COVID Works for Queensland (2020–2021), which was funded by a reallocation of $200 million from the ISP.

Other spending in this category against programs delivered over multiple years includes:

- $160.5 million (of $400 million in funding) on accelerated works for roads and road maintenance

- $151.1 million (of $210 million in funding) on the transport economic recovery works package

- $98 million (of $200 million in funding) on Works for Queensland (2021–24)

- $95 million (of $200 million in funding) on the building acceleration fund

- $17.1 million (of $458 million in funding) for rail expansion

- $9.2 million (of $235 million in funding) on school halls

- $5.1 million (of $77 million in funding, reallocated from the ISP) on a transport plan for the Gold Coast.

Communication and research

The initiatives in this category related to marketing, communication, and research. The total spend was $19.2 million, with $24.3 million funded for the 6 initiatives.

Three of the initiatives were fully spent:

- COVID-19 economic recovery communication and engagement ($10.75 million) – this funding was used for public information campaigns explaining the state's response and the economic recovery strategy

- COVID-19 vaccination status communication and engagement ($2.5 million) – which also funded public information campaigns about vaccination status

- an external consultancy report on the impact of COVID-19 on future skills and training ($500,000).

Initiatives where funding has not been spent

As at 31 December 2021, spending had not yet been reported for 79 initiatives, with funding of $4.1 billion. Some of these were multi-year initiatives, including:

- Queensland Renewable Energy and Hydrogen Jobs Fund ($1.5 billion in funding, announced June 2021) and Queensland Renewable Energy Fund ($0.5 billion in funding, announced September 2020) – we discuss this initiative in our report: *Managing Queensland's transition to renewable energy* (Report 5: 2021–22). This fund was structured over multiple years

- policing costs for the Pinkenba quarantine facility (funding of $6.7 million) – this is a funding provision, to be released if required; no call on funds has yet been made

- Catalytic Infrastructure Program ($200 million in funding, reallocated from the ISP) – this initiative is to provide loans for investment in infrastructure and the Queensland Government is working with eligible businesses to access this loan facility

- redevelopment of Browne Park in Rockhampton ($25 million in funding, announced September 2020).

3. Key learnings for future initiatives

In this chapter, we present the findings of our review of selected COVID-19 economic response and recovery initiatives. For our audit, we selected 6 packages:

- Industry Support Package and the tax relief initiatives, managed by Queensland Treasury

- Jobs Support Loan Scheme, managed by Queensland Rural and Industry Development Authority (QRIDA) – we have reported on this initiative in our previous reports: *State entities 2021* (Report 14: 2021–22), *State finances 2020* (Report 15: 2020–21) and *State entities 2020* (Report 13: 2020–21)

- Workers Assistance Package, which included the Small Business COVID-19 Adaption Grant Program, and the Caloundra small business initiative. The Department of Employment, Small Business and Training (DESBT) managed these initiatives

- COVID Works for Queensland, managed by the Department of State Development, Infrastructure, Local Government and Planning (DSDILGP).

Total funding for these packages was $3.7 billion. As at 31 December 2021, $2.7 billion had been spent, as shown in Figure 3A. Queensland Treasury advised the intent was to ensure funds were available and, where there was over-allocation, funds would be re-directed as needed.

Figure 3A
Proportion of funding spent as at 31 December 2021 for initiatives we reviewed
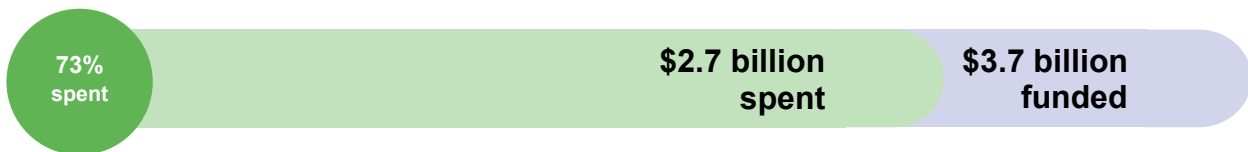
| 73% spent | $2.7 billion spent | $3.7 billion funded |

Source: Queensland Audit Office, based on data provided by Queensland Treasury, QRIDA, DESBT, and DSDILGP.

We present our observations as learnings under 5 themes, shown in Figure 3B.

Figure 3B
Key areas of learning for current and future initiatives

Source: QAO analysis of initiatives in this audit; aligns with comparator frameworks, for example the United Kingdom National Audit Office Framework to review programmes.

Understanding and targeting needs

The unprecedented nature of the onset of the global pandemic and the need for rapid response meant that it was not always feasible to model demand for funding. In some initiatives, the relevant users' needs were well understood and there was effective marketing and uptake.

The Workers Assistance Package was an example of a suite of initiatives designed to assist people who became unemployed or where there was a risk of further job losses in an industry. Its objectives were to:

- match job seekers with vacancies
- create and support employment for job seekers
- secure employment for people where existing jobs were at risk due to COVID-19
- remove barriers to employment, for example, by addressing short- and long-term training needs
- respond to the emerging needs of workers in the COVID-19 crisis.

Initiatives were more successful in reaching the intended users if they were based on an understanding of the users' needs and were clearly targeted.

Figure 3C is a case study – it is an initiative within the Workers Assistance Package where the department delivering the initiative understood users' needs. This understanding was based on previous consultations and similar programs. This intelligence meant the initiative could be well-targeted and designed to suit the users, making it more likely to succeed.

Figure 3C
Case study 1 – An initiative where user needs were understood

Small Business COVID-19 Adaption Grant Program (DESBT)
DESBT managed the Small Business COVID-19 Adaption Grant Program. Its objective was to support small businesses forced into hibernation or small businesses that experienced a significant structural adjustment to their operations. Small businesses were able to apply for a grant of up to $10,000 to sustain their businesses through COVID-19. The initial total funding for the initiative was $96 million. In this case, DESBT knew the users' needs based on previous consultations with small businesses and their peak body. DESBT also benefitted from the evaluation of previous small business programs. Before implementation, DESBT recognised the potential for the initiative's funding to be oversubscribed. It responded to demand and arranged for the initiative to be extended with a second round of funding. Total funding for the second round was $100 million. This took total funding under both phases of this initiative to $196 million. Unsuccessful applicants from round one were able to apply under round 2. DESBT was clear in communicating that it would assess applications on a first come, first served basis. The funding timeline was clear, and the grant information clearly stated that both rounds would close as soon as funds were exhausted. Round 2 information also indicated that, based on round one, there was likely to be a high level of interest in the grants and people needed to apply quickly.

Source: Queensland Audit Office, based on information provided by DESBT.

In other initiatives, users' needs were less well known. This was mainly in the case of new initiatives where speed of delivery made it difficult to assess cohort needs. This contributed to those initiatives not performing as well as expected.

Recommendation 1

We recommend that, for future initiatives, lead delivery entities ensure the needs of target users are considered throughout the life of the initiatives – that is, during design, implementation, and monitoring.

Managing risks to achieving objectives

In 2007, Queensland Treasury developed a risk management guide. This guide was updated in June 2020. It is intended to encourage better practice and contains the minimum principles and procedures of a basic risk management process. It states that risk management should focus on risks that could have a significant impact on achieving program objectives.

Departments leading the initiatives identified and documented risks for the initiatives we reviewed. For 2 of the packages we reviewed – the Small Business COVID-19 Adaption Grant Program and the Industry Support Package – the lead entities identified risks to both achieving objectives and compliance. These initiatives together represented $393 million in funding.

For most of the other initiatives we reviewed, the lead entities focused mainly on compliance risks and did not identify risks to success at the initiative level. This means they did not include objective-focused risks, such as the risk of the initiative not reaching the target user or the risk that affected individuals and businesses would miss out due to insufficient time for the application process.

For example, for initiatives offering payroll tax relief, land tax relief, and jobs support loans, the lead entities did not identify and manage objective-focused risks. These initiatives collectively represented $3 billion in funding. These initiatives were part of the first major response to COVID-19 and provide learnings relevant for future rapid response initiatives. The case study in Figure 3D illustrates risk management relating to the payroll tax relief initiative.

Our research shows that the Australian Taxation Office's (ATO) methodology for managing risks relating to the COVID-19 economic response had a clear focus on objectives. While the ATO context and economic environment are different, this practice can be applied to Queensland and used to inform future rapid response initiatives.

One result of the ATO's methodology was that its focus on risks was not purely about compliance. The ATO also recognised objective-focused risks, such as the risk of non-participation due to fear that applicants would get it wrong and the risk that the client's experience could be impacted by ATO service and manual workarounds.

Figure 3D
Case study 2 – Managing risks for the payroll tax relief package

Payroll tax relief package (Queensland Treasury)

Queensland Revenue Office (QRO), a division of Queensland Treasury, administered the payroll tax relief package. The package's objective was to help businesses continue to operate and employ staff. The associated risk assessment did not include objective-focused risks. QRO indicated that its risk assessment for the tax relief package focused on compliance, and this was consistent with the Organisation for Economic Co-operation and Development framework (a global framework) designed for revenue collection risks.

This means that QRO continued to focus on risks to revenue collection, even though the objective of the package was to defer, as well as forego, payroll tax revenue to support businesses. While the standard revenue risk assessment is useful in identifying fraud and compliance risks, it was not sufficient for this package. It could have been used as a supplementary framework, rather than as the core basis on which risks were identified and assessed.

We acknowledge QRO is responsible for tax administration for its day-to-day operations. It was also responsible for managing the payroll tax relief initiative, which was one of the COVID-19 economic response and recovery initiatives. Therefore, it needed to identify and address objective-focused risks of this initiative.

The payroll tax relief package experienced a few shortcomings, some of which could have been better managed if risks were better identified and assessed. These included:

- the package was not fully used – more than one-third of funds allocated to the initiative were not used; this could be because the initiative was only open for 2 months (with no late applications approved) or because businesses did not need this support
- system and service issues resulted in businesses missing out on relief
- data was not collected to determine how many businesses continued to operate or how many jobs the package supported.

Source: Queensland Audit Office, based on information provided by Queensland Treasury.

Recommendation 2

We recommend that, for future initiatives, lead delivery entities ensure their risk management has a key focus on risks to achieving the objectives of the initiatives.

Collaborating across agencies to improve outcomes

Some initiatives required coordination between agencies, which included sharing data and information. However, there were practical difficulties with sharing data and information in some initiatives because of privacy and confidentiality requirements. These are valid concerns and need to be considered in designing future initiatives.

Obtaining information from the entity delivering frontline services was one of the key challenges in the hardship scheme. The Queensland Government announced its hardship scheme in June 2020.

The purpose of the hardship scheme was to provide financial support to workers who tested positive to COVID-19 but did not have access to paid sick leave (for example, casual employees). It was a very targeted scheme, which provided a one-off payment of $1,500. It had an initial allocation of $1 million, to be reviewed depending on uptake. The actual spend was $7,500. It supported 3 individuals (2 individuals received 2 payments each). In August 2020, the Australian Government announced a similar one-off payment. In October 2020, Queenslanders were re-directed to the Australian Government scheme.

Sharing data across agencies is also important to ensure applications comply with the initiatives' terms and funding is approved only for eligible individuals and businesses.

Some of the support initiatives for individuals and businesses included specific eligibility criteria. The criteria were intended to ensure that support was only provided to the targeted users. If applicants failed to meet mandatory eligibility criteria, they were deemed unsuccessful and should not have received the available financial support.

Overall, eligibility criteria were applied consistently in the initiatives we reviewed, except for some instances where grants were provided to individuals who were not eligible. The processes for checking eligibility can be improved with better data sharing between agencies. The case study in Figure 3E shows how data sharing could improve applicant eligibility checking.

Figure 3E
Case study 3 – Data sharing could help determine eligibility

The Small Business COVID-19 Adaption Grant Program (DESBT)

The Small Business COVID-19 Adaption Grant Program was designed to support small businesses forced into hibernation or those that experienced a significant structural adjustment to their operations. Small businesses were able to apply for a grant of up to $10,000 to sustain their businesses through COVID-19.

The grant was intended for small businesses with annual payrolls below $1.3 million. This was because businesses with annual payrolls above $1.3 million were able to apply for a separate initiative that specifically provided payroll tax relief. The grant's eligibility criteria excluded businesses eligible to receive payroll tax relief.

More than 400 businesses received both payroll tax relief and the adaption grant. The total for claims under the adaption grant where the businesses also received payroll tax relief was approximately $4 million. Some of these applicants may have been eligible for the grant. For example, the claim could have been granted at a time when their payroll was less than $1.3 million, but an increase led to the business being eligible for payroll tax. The lead delivery entity advised it relied on applicant declarations and was unable to access payroll tax data to verify which applicants received funding but were not eligible. It also advised that the costs of reviewing these claims outweigh the benefits.

Payroll tax data is governed by strict privacy and confidentiality requirements, which makes it problematic to share with other government entities. There is an opportunity for entities to consider designing verifiable criteria and the data sharing options available to them, to ensure only eligible applicants are funded.

Source: Queensland Audit Office, based on data and information provided by DESBT and QRO.

Recommendation 3

We recommend that, for future initiatives, lead delivery entities enhance inter-agency collaboration to explore ways of sharing information and external data within legislative requirements to improve uptake rates and prevent ineligible applications being approved.

Delivering initiatives

Most of the initiatives we reviewed were rapidly rolled out. To ensure their success, they needed to be supported by efficient and effective processes for communication, rollout speed, and delivery time frames.

Communication and notifying users

Effective communication was integral to the successful delivery of initiatives. This required communication channels that could reach the intended businesses and individuals. Lead entities used various communication strategies to target their audiences.

Ministerial media statements were the most common method for informing the media and general public about the rollout of initiatives. Some initiatives were able to rely on established communication methods, such as monthly newsletters or communicating through peak bodies and industry groups. Some initiatives, such as the jobs finder system, which targeted displaced workers looking for work, also had a specific social media campaign.

Communication was easier for pre-existing initiatives and programs than for new initiatives – particularly new initiatives with a specific target group of users and/or offering a new type of support. Pre-existing initiatives and programs relied on existing communication strategies and channels, while new initiatives needed to develop communication strategies.

Feedback from sole traders to Queensland's Small Business Commissioner suggests that more could have been done to inform sole traders about the COVID-19 support that was and was not available to them. Sole traders, as a specific type of small business, thought there was limited specific information about the various economic supports available to them, or may have spent resources in applying for initiatives they were not eligible for.

This is a potential gap in communicating initiatives to a significant proportion of the small business community (sole traders represent around two-thirds of the approximately 450,000 small businesses in Queensland). Some sole traders may have missed out on applying for initiatives because they were unaware of their eligibility or the application process.

Recommendation 4

We recommend that, for future initiatives, lead delivery entities consult with relevant stakeholders to identify all key target users and ensure communications about the initiatives reach these users.

Speed of initiative commencement

Once initiatives were announced publicly, the focus shifted from design and communication to ensuring readiness for implementation.

In some circumstances, this transition was staggered. An example of this was the small business online training initiative. It was part of the Workers Assistance Package announced in March 2020. The initial service provider commenced delivery with online courses available in June 2020. The initiative did not fully commence until October 2020. The delay was largely due to the time involved in procuring additional delivery partners for the initiative. By the time the initiative was up and running, many of the small businesses it was targeting had been navigating the adverse impacts of COVID-19 for months.

Meeting delivery time frames

Some initiatives had a set duration, delivery milestones, and performance measures. Others were demand-driven and did not have established milestones. Demand-driven initiatives were allocated a defined budget; once the budget was exhausted, the program would either conclude or seek extra funding to continue.

The Small Business COVID-19 Adaption Grant Program was a large initiative that was set up in a short time frame with a dedicated project team. The team established key performance measures for how quickly it would process applications from businesses. There was regular progress reporting against milestones, which allowed DESBT to track its performance against time frames.

There were large variations in the minimum and maximum times taken to process applications. This is not unexpected, given the diversity in the applicant pool. The average processing time for round one applications was 45 days. Based on its learnings from round one, DESBT partnered with QRIDA for the processing of round 2 applications and reduced the average processing time to 35 days.

This experience about how long it takes to process applications for these types of grants can be used to manage stakeholder expectations in the design of future rapid response grants programs.

Evaluating performance

While central agencies monitor the economy more broadly, the significant spending on individual initiatives means it is critical to manage each initiative's performance. Performance management relies on data. For most of the packages we reviewed, entities delivering the initiatives did not collect performance data relating to the objectives of the initiatives.

Performance data is being collected for the Small Business COVID-19 Adaption Grant Program, the COVID Works for Queensland package (2020–2021) and the Industry Support Package. For example, the adaption grant initiative includes an acquittal process, where each grant recipient is required to explain how the grant was used and how many jobs were supported. The collective spending on these 3 schemes was $437 million.

Key performance data is not being collected for the Jobs Support Loan Scheme and the tax relief scheme. For example, the loan scheme has specific requirements about how funds can be spent, however there is no acquittal process to confirm funds were spent on eligible activities. Applicants self-assess how many jobs the loan will support when applying. There is no process to confirm how many jobs were actually supported. The combined spending on these 2 schemes was $3 billion.

The individual COVID-19 initiatives form part of a broader economic response, including Australian and local government responses, with overall economic outcomes monitored. Several initiatives had a role in supporting jobs, including the Australian Government job keeper initiative. It is not clear, however, whether the Queensland Government's $3 billion in spending on jobs support loans and tax relief has achieved its objectives. It is not clear how many jobs these 2 initiatives contributed to or how the job support loans were used.

Collecting, analysing, and reporting on performance data for each initiative will provide information on how well the initiative performed and/or what was its contribution to the outcomes of the overall portfolio of initiatives. This would in turn inform the types of initiatives to be prioritised for future rapid response activities.

Recommendation 5

We recommend that, for future initiatives, lead delivery entities evaluate the extent to which each initiative achieves its objectives and uses this information to direct initiatives as they progress and in designing future initiatives.

4. Monitoring rapid response initiatives

The significant budget allocated to the Queensland Government's COVID-19 response requires effective governance and leadership to ensure the initiatives deliver their intended objectives. In our previous report, *Queensland Government response to COVID-19* (Report 3: 2020–21), we suggested that central agencies consider monitoring the objectives, demand, and costs of delivering initiatives.

In this chapter, we discuss how central agencies have addressed these suggestions and where there are opportunities for further improvement.

Monitoring whether initiatives are meeting their objectives

Individual agencies are responsible for monitoring the progress, spending, and success of each initiative they implement. In our report, *Queensland Government response to COVID-19* (Report 3: 2020–21), we suggested that there needs to be a fit-for-purpose governance and reporting arrangement at a whole-of-government level. This was to monitor the effectiveness of government's response and to assess whether program outcomes were achieved.

Queensland Treasury has since established processes to centrally monitor spending for each COVID-19 initiative. It also aims to collect data on the objectives and completion dates, but entities do not consistently provide data on the achievement of objectives for all the initiatives.

There is no central oversight of whether individual initiatives meet their objectives, or when initiatives are due to end. This makes it difficult to track performance across the portfolio of initiatives and take corrective action where required.

Given the size of the portfolio of COVID-19 economic response and recovery initiatives, there needs to be a governance body that continues to provide oversight until the portfolio is closed.

This central perspective is important in informing the design, implementation, and timing of funding for ongoing and new economic recovery initiatives. Effective oversight can also highlight opportunities to modify the initiatives for optimal performance. As these relate to economic initiatives, Queensland Treasury is best placed to set up the governance committee, which can include members from other key departments involved in designing and implementing the initiatives.

Understanding and monitoring demand

The speed of rollout for some initiatives meant it was not always feasible to accurately model the demand for funding. There was greater clarity on potential demand with pre-existing programs. This is because pre-existing programs had performance data that helped inform likely demand and funding allocations.

There was less understanding about the demand for brand new initiatives as there was no pre-existing modelling or analysis. In these cases, decisions about funding allocations relied on judgement.

Some initiatives within the Workers Assistance Package were developed with limited understanding of demand before rollout. These were designed to deliver online training, skills, and job placements. Spending against these initiatives was lower than planned, possibly due to a limited understanding of demand as initiatives targeted new streams of assistance. Some initiatives were also impacted by decisions of the Australian Government to introduce similar strategies, with Queensland's approach needing to adapt to the changing environment.

New initiatives require ongoing monitoring during rollout to track their progress, redirect funding where required, and inform future funding decisions and investments. This is important where uptake rates or demand are lower than anticipated, so that funding can be reprioritised, if relevant, to other initiatives where there is unfulfilled demand. This type of oversight can be provided by a governance body with visibility across the portfolio of initiatives.

Capturing the costs of delivering initiatives

Queensland Treasury implemented quarterly data collection to track and monitor the spending on COVID-19 response and recovery initiatives. Entities delivering the initiatives are responsible for providing information to Queensland Treasury and ensuring it is accurate and complete.

Within the current data collection process, there is an opportunity for Queensland Treasury to include all relevant costs for the initiatives. For some initiatives, the data includes external costs such as legal and advisory fees. For example, the $1 billion Jobs Support Loan Scheme had additional recorded costs of $9.5 million.

For many other initiatives, the data does not include all external costs. For example, the data collection as at 31 December 2021 recorded a spend of $78.5 million for the Industry Support Package. In addition, it included external costs of $2.4 million in contract management expenses. However, it did not include the cost relating to $3 million in fees to external professional services firms.

Including external costs funded through internal budget reallocation could enrich data collection and provide more information on the total cost of COVID-19 initiatives. For example, Queensland Treasury estimated that $0.9 million was spent in preparing systems for the tax relief initiatives. This was funded from within existing operating budgets and was not included in the data for monitoring initiative spending.

Recommendation 6

We recommend that Queensland Treasury enhances the oversight of the portfolio of economic response and recovery initiatives through:

- a governance body that continues to provide oversight of the portfolio's performance until the portfolio is closed

- enhancing its data collection and reporting to enable oversight of the timely achievement of objectives and whether initiatives need to be modified or discontinued for optimal outcomes

- recording and monitoring the full costs involved in delivering all key economic response and recovery initiatives and using this information to inform future initiatives.

Appendices

A. Entity responses

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to Department of Employment, Small Business and Training; Department of State Development, Infrastructure, Local Government and Planning; Queensland Rural and Industry Development Authority; and Queensland Treasury.

This appendix contains the detailed responses we received.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.

Comments received from Minister for Agricultural Industry Development and Fisheries and Minister for Rural Communities

The Hon Mark Furner MP
Minister for Agricultural Industry Development and Fisheries
and Minister for Rural Communities

Our ref: CTS 10478/22
Your ref: PRJ02775

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7 July 2022

Mr Brendan Worrall
Auditor General
Queensland Audit Office
qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 16 June 2022 regarding your proposed report to Parliament on *Managing Queensland's COVID-19 economic response and recovery* (the Report) and the opportunity to provide a response.

The Department of Agriculture and Fisheries (DAF) supports the work being undertaken by the Queensland Audit Office and looks forward to continuing to work with you.

The economic response and recovery initiatives that are the subject of the Report played a vital role in supporting Queensland businesses through the COVID-19 pandemic, including businesses in the agriculture, fisheries and forestry sectors. This ensured that our food and fibre supply chains continued to function, keeping food on Queenslanders' tables and maintaining our export industries and regional jobs.

The speed at which these initiatives were implemented was critical to their success and is a credit to the entities that played a role in designing and delivering them, including the Queensland Rural and Industry Development Authority (QRIDA) and DAF.

The need to ensure that public funds are used effectively and efficiently remains a high priority and I can advise that I support the recommendations you have made about designing, delivering, evaluating and monitoring rapid response initiatives. I note that, in general, the responsibility for implementing these recommendations will lie primarily with the department that owns the initiative, in collaboration with the delivery agency.

You can be confident that both DAF as an owner of initiatives such as these, and QRIDA as a delivery agency, will take your recommendations into account in the design and delivery of future initiatives of this type.

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I also refer you to the detailed response to your draft report that was provided by QRIDA.

If you require further information, please contact

Yours sincerely

MARK FURNER MP
Minister for Agricultural Industry Development and Fisheries and
Minister for Rural Communities

Comments received from Under Treasurer, Queensland Treasury

Queensland Government

Queensland Treasury

Our Ref: 02501-2022

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Email: QAO.Mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 16 June 2022 seeking Queensland Treasury's formal response to your proposed report to parliament *Managing Queensland's COVID-19 Economic Response and Recovery.*

COVID-19 was an extraordinary and unprecedented health and economic crisis, with developments happening by the hour at the start of the pandemic. As you have noted in previous correspondence, the Queensland and Australian economies were potentially facing an economic meltdown of epic proportions without government intervention, the likes of which have not been seen since the Great Depression.

In the absence of immediate and substantial government intervention by the State and Federal governments, many respected economists and experts were predicting unprecedented numbers of business closures and unemployment rates to reach almost record levels.

The response of the Queensland Government and the hard work and resilience of Queenslanders ensured the success of the government's numerous programs to support the Queensland economy continued to be strong and robust, by providing assistance to individuals, communities, businesses and industries to survive the pandemic.

Queensland's successful response has been recognised nationally and globally. On almost every key economic indicator, Queensland outperformed the rest of Australia and other major states in terms of the speed and strength of its economic recovery.

With respect to your report, I note Recommendations 1 through 5. Treasury will continue to support lead delivery entities in the design and delivery of current and future rapid response initiatives.

I also acknowledge the report's recommendation for Queensland Treasury to enhance the oversight of the portfolio of COVID-19 economic response and recovery initiatives (Recommendation 6).

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The work on this report commenced in September 2021. There has been substantial work undertaken by the QAO and Queensland Treasury to ensure the report accurately reflected the unprecedented economic environment the Government was operating in and the speed and magnitude of response required in developing and delivering the support needed.

We value the assistance the QAO gave the Government with respect to the design and implementation of several programs delivered by departments at the start of the pandemic.

The work undertaken by QAO in reviewing a sample of the COVID-19 initiatives with a view of identifying learnings from the process is well received. As noted above, it is critical that the findings of this review and any assessment of the initiatives delivered throughout the course of the pandemic, were carefully considered in the context of an unprecedented health and economic crisis.

Given the Queensland Government response to COVID-19 has moved from an emergency response to a rebuild and recovery to a growth phase, Treasury is taking steps to finalise the process of collecting quarterly information from agencies on their COVID-19 expenditure and activity. Treasury oversight of COVID-19 initiatives will continue, but through standard fiscal monitoring processes.

If you require any further information, please contact

who will be pleased to assist.

has also provided to your office feedback on the report on behalf of Treasury for your consideration.

Yours sincerely

Leon Allen
Under Treasurer

8 / 7 / 2022

Comments received from Director-General, Department of Employment, Small Business and Training

Our ref: 01241/22

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Email: qao.mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 16 June 2022 regarding the Queensland Audit Office (QAO) report *Managing Queensland's COVID-19 economic response and recovery*.

As indicated in your report, the Queensland Government moved swiftly to provide a pipeline of support for small businesses and impacted Queenslanders throughout the pandemic, ranging from grant programs to support continuity of trade through to providing skills responses to enhance employment prospects.

Importantly, the Government's strong health and economic response to the pandemic has meant Queenslanders remained safe and that Queensland's economic recovery was front of mind from the outset.

The Department of Employment, Small Business and Training (DESBT) has reviewed the QAO's final draft report and I enclose a copy of the Response to Recommendations. DESBT agrees with the recommendations and will incorporate the recommendations as per this response.

Should you require any further information, please contact

I thank you and your team for this important piece of work.

Yours sincerely

Warwick Agnew
Director-General

5 / 7 / '22

Enc: Response to Recommendations

Department of
Employment,
Small Business
and Training

1 William Street Brisbane
Queensland 4000 Australia
PO Box 15483 City East
Queensland 4002 Australia

ABN 84 375 484 963

Responses to recommendations

Queensland Audit Office
Better public services

Department of Employment, Small Business and Training

Managing Queensland's COVID-19 economic response and recovery

Response to recommendations provided by Mr Warwick Agnew, Director-General, Department of Employment, Small Business and Training on 6 July 2022

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
We recommend that, for future initiatives, lead delivery entities:			
1. ensure the needs of target users are considered throughout the life of the initiatives – that is, during design, implementation, and monitoring	Agree	Completed	DESBT has used learnings, including participant feedback and data, from the Small Business COVID-19 Adaption Grant to inform future programs e.g. Big Plans for Small Business grants programs and the 2021 COVID-19 Business Support Grants program. This will be ongoing for future programs as well.
2. ensure their risk management has a key focus on risks to achieving the objectives of the initiatives	Agree	Ongoing	DESBT considers risks in the design phase of initiatives. A focus on risk management for future programs is ongoing.
3. enhance inter-agency collaboration to explore ways of sharing information and external data within legislative requirements to improve uptake rates and prevent ineligible applications being approved	Agree	Ongoing	Where possible, in line with legislative ability to share information, DESBT's program design stages will take into consideration any available data sharing models that can be adopted. Moving forward, inter-agency data sharing and privacy constraints will be considered in the stakeholder consultation stage of program design.
4. consult with relevant stakeholders to identify all key target users and ensure communications about the initiatives reach these users	Agree	Ongoing	DESBT's program design stages will encompass research on users and overall benefit to Queenslanders. Communication strategies and target users will be clearly defined for future programs.

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Audit Office
Better public services

	Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
5.	evaluate the extent to which each initiative achieves its objectives and use this information to direct initiatives as they progress and in designing future initiatives	Agree	Ongoing	DEBT's program design will consider, and inform evaluation stages over the life of future programs. A program logic, which includes consideration of strategic intent, key objectives, deliverables, intended outcomes as well as KPIs, will underpin each new initiative.

2

Comments received from Acting Director-General, Department of State Development, Infrastructure, Local Government and Planning

Our ref: MC22/2466

5 JUL 2022

Queensland Government

Department of
**State Development, Infrastructure,
Local Government and Planning**

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 16 June 2022 to the Honourable Steven Miles MP, Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympics Infrastructure about the Proposed Report titled *Managing Queensland's COVID-19 Economic Response and Recovery*. The Deputy Premier has asked me to respond on his behalf on this occasion.

With the COVID-19 pandemic emergency and the need for a rapid response, your report has summarised lessons for current and future rapid response initiatives. It also suggests all entities leading the delivery of rapid response initiatives use these recommendations to improve the design and management of future initiatives.

As one of the lead delivery entities in scope for this audit, I note some recommendations apply to the Department of State Development, Infrastructure, Local Government and Planning's (the department) COVID-19 Works for Queensland program (COVID-19 W4Q) which my department will consider and apply for future grant program funding rounds. The department will also work to consider your recommendations for other future rapid response initiatives and incorporate in our grants maturity improvement project as applicable.

I wish to thank your team for their proactive engagement with my officers throughout this audit and for acknowledging strengths with COVID-19 W4Q during the conduct stage.

If you require any further information, please contact _____ in the Department of State Development, Infrastructure, Local Government and Planning, by _____ who will be pleased to assist.

Yours sincerely

Natalie Wilde
Acting Director-General

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Comments received from Chief Executive Officer, Queensland Rural and Industry Development Authority

6 July 2022

Queensland Rural and Industry Development Authority

Mr Brendan Worrall
Auditor General
Queensland Audit Office
qao.mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 16 June 2022 regarding your proposed report to Parliament on *Managing Queensland's COVID-19 economic response and recovery* (the Report) and the opportunity to provide a response.

The Queensland Rural and Industry Development Authority (QRIDA) appreciates the opportunity provided to work with the Queensland Audit Office in reviewing its response via the COVID-19 Jobs Support Loans as the delivery agency on behalf of the Queensland Government.

QRIDA is immensely proud of the role that it played in being able to quickly and efficiently distribute approximately $1 billion in loan funds to almost 7000 Queensland businesses during the COVID-19 pandemic and assisting them during the difficult economic conditions at that time to retain the employment of approximately 86,000 employees. QRIDA also looks forward to working with these businesses throughout the ongoing administration of these loans over the coming eight years.

As the delivery agency, QRIDA is supportive of the recommendations provided in the Report. Please find attached QRIDA's response to the recommendations (Attachment A).

If you have any queries regarding this matter, please do not hesitate to contact ▓▓▓▓▓▓

Yours sincerely

Cameron MacMillan
Chief Executive Officer

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Cloncurry, Roma, Toowoomba and
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Responses to recommendations

Queensland Rural and Industry Development Authority

Managing Queensland's COVID-19 economic response and recovery

Response to recommendations provided by

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
We recommend that, for future initiatives, lead delivery entities:			
1. ensure the needs of target users are considered throughout the life of the initiatives – that is, during design, implementation, and monitoring	Agree	At time of program design and delivery	QRIDA relies on the program guidelines and regulation provided by the Program Owner to determine the role QRIDA is engaged to fulfil.
2. ensure their risk management has a key focus on risks to achieving the objectives of the initiatives	Agree	At time of program commencement	QRIDA will include in each Program Risk Register.
3. enhance inter-agency collaboration to explore ways of sharing information and external data within legislative requirements to improve uptake rates and prevent ineligible applications being approved	Agree	At time of program design and delivery	QRIDA will collaborate with Program Owners to determine requirements for data and information sharing, which will inform the Memorandum of Understanding.
4. consult with relevant stakeholders to identify all key target users and ensure communications about the initiatives reach these users	Agree	At time of program design	QRIDA collaborates with Program Owners as to whether they wish to engage QRIDA to deliver these services.
5. evaluate the extent to which each initiative achieves its objectives and use this information to direct initiatives as they progress and in designing future initiatives	Agree	At completion of program	QRIDA considers this a Program Owner responsibility. Program Owners decide whether they engage QRIDA to undertake these activities.

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B. How we prepared this audit brief

About this audit brief

The purpose of this audit brief was to outline whether the Queensland Government's COVID-19 response and recovery initiatives were designed and managed effectively.

We focused on:

- determining whether central agencies have considered, as suggested in our previous report *Queensland Government response to COVID-19* (Report 3: 2020–21)

    – the objectives of the initiatives and how their effectiveness will be measured

    – the uptake rates and how they compare with expectations

    – the actual costs of delivering the initiatives

- for a selection of initiatives, examining whether they were designed, implemented, and monitored effectively.

Entities subject to this audit

- Queensland Treasury

- Queensland Rural and Industry Development Authority (QRIDA), on behalf of Department of Agriculture and Fisheries (DAF)

- Department of Employment, Small Business and Training (DESBT)

- Department of State Development, Infrastructure, Local Government and Planning (DSDILGP).

Our approach

Assurance engagement

This audit was performed in accordance with the *Auditor-General Auditing Standards*, incorporating, where relevant, the standards on assurance engagements issued by the Auditing and Assurance Standards Board.

We have not provided a reasonable level of assurance on the results of this audit; we have presented key facts only. We did not audit the source data but have done a review of the information provided by the departments.

In conducting the audit, we:

- reviewed documents and data provided by Queensland Treasury regarding the COVID-19 response and recovery initiatives
- reviewed publicly available information, including a selection of ministerial media statements published in the Queensland Cabinet and Ministerial Directory
- selected a sample of initiatives, detailed in Figure B1, and
    – discussed the design, implementation, and monitoring of those initiatives with representatives from the respective lead entities
    – reviewed documents provided by the lead entities
    – reviewed data provided by some of the lead entities
- referred to our previous report *Queensland Government response to COVID-19* (Report 3: 2020–21).

Scope exclusions

Areas we did not cover in preparing this audit brief include:

- assessing the Queensland economy
- assessing the impact of individual initiatives on the economy or the target users
- assessing the pandemic management or the impacts of decisions on border closures.

Initiatives selected for review

Figure B1 lists the packages and initiatives selected for review.

Some of the packages contained initiatives that were managed by several entities; in these cases, the initiatives we selected were related to the entity listed in the table.

Figure B1
Initiatives selected for review

Package	Initiative(s)	Number of initiatives	Entity	Funding ($ mil.)	Spend to 31 Dec 21 ($ mil.)
Jobs Support Loan Scheme	Concessional loans (and associated costs)	3	DAF, administered by QRIDA	1,009	1,004
Tax relief	Payroll and land tax relief (rebates, deferrals, waivers)	4	Queensland Treasury	1,965	1,255
Industry Support Package (ISP)	$1 billion in grants and loans to large, significant businesses	20	Queensland Treasury	193 *($798 mil. reallocated to other initiatives)*	79
COVID Works for Queensland[1]	Allocations to councils to deliver shovel-ready projects	1	DSDILGP	200	176

Package	Initiative(s)	Number of initiatives	Entity	Funding ($ mil.)	Spend to 31 Dec 21 ($ mil.)
Workers Assistance Package	$500 mil. to assist workers and businesses who lose their job or income	18	DESBT	291 *($104 mil. reallocated to other initiatives; $103 mil. managed by other entities)*	220
Caloundra small business[2]	Buy local promotion	1	DESBT	0.003	0.003
Total		**47**	**4 entities**	**3,658**	**2,733**

Notes:

[1] The COVID Works for Queensland was part of the economic recovery strategy for creating jobs and/or infrastructure and maintenance projects. There were similar programs in prior years. The 2016–17 Works for Queensland was a $200 million program to support local governments outside of South East Queensland for creating jobs, maintenance and minor infrastructure works. The 2017–19 Works for Queensland was a $200 million program over 2 years for the same purpose as the 2016–17 program.

[2] Selected as it was an outlier with low funding for an initiative. There were no significant findings for this initiative.

Source: Queensland Audit Office using data from Queensland Treasury, QRIDA, DESBT, and DSDILGP.

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