



# Leading Accountability - Governance



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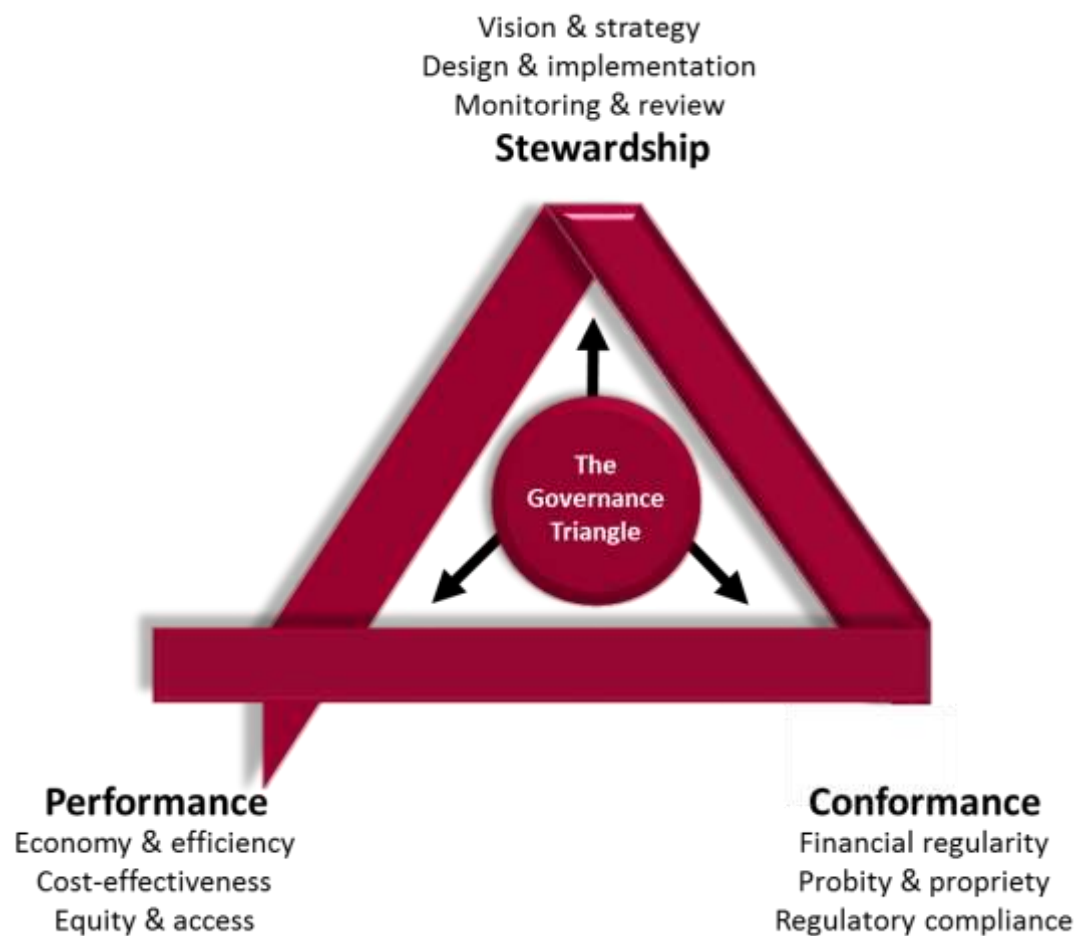


# Overview

What does leading accountability mean?

Leading accountability for governance relates to understanding and actively driving the corporate governance of an organisation through the awareness and use of a framework of rules, relationships, systems and processes. This allows accountable officers and boards to exercise and control authority over organisations. Effective corporate governance hold management and decision makers to account.

Corporate governance in the public sector means balancing three areas of organisational leadership:



## Stewardship

Public sector officers have an important stewardship role in exercising their powers and using public resources. Over and above the duties and obligations placed upon their private sector counterparts, senior executives in public sector agencies assume a public trust and confidence by virtue of their role in public administration.

Consistent with this, s.7 of the *Financial and Performance Management Standard 2009* (FPMS) identifies that governance:

- incorporates the cultural and operational aspects of the agency that are influenced by its actions and decisions
- includes concepts of
  - openness, integrity and accountability
  - due care
  - public defensibility
- incorporates the ethics principles for public officials under the Public Sector Ethics Act 1994

Accordingly good governance in the public sector is dependent upon:

- strong leadership
- clearly defined roles, responsibilities and accountabilities
- high standards of ethical behaviour

## Conformance

Queensland public sector entities operate within a framework of various legislative and policy requirements which address matters such as governance, resource management and accountability. Governance arrangements for public sector entities should conform to applicable legislative and policy requirements as well as public sector expectations of openness transparency and integrity.

The *Public Service Act 2008* (PS Act) and *Public Sector Ethics Act 1994* (PSE Act) provide the guiding principles within which the public service operates and establish requirements addressing:

- the roles and responsibilities of chief executives for departments
- the role of the senior executive service
- public service management and employment
- ethical principles and values

The requirements of the PS Act and PSE Act are explored in more detail in the section Responsibilities of Ministers and Government Employees.

The *Financial Accountability Act 2009* (FA Act) establishes the legal principles applying to the financial administration and accountability of departments and statutory bodies. The FA Act establishes the general functions of accountable officers and statutory bodies including:

- achieving reasonable value for money by ensuring the operations of the department or statutory body are carried out efficiently, effectively and economically
- establishing and maintaining appropriate systems of internal control and risk management
- ensuring annual financial statements are prepared, certified and tabled in Parliament in accordance with the prescribed requirements

The FA Act is supported by the *Financial and Performance Management Standard 2009* (FPMS) which provides a framework for developing and implementing systems, practices and controls for the efficient, effective and economic financial and performance management of departments and statutory bodies.

The FA Act and FPMS also make reference to various policy and guidance documents which departments and statutory bodies must either comply with or at least have regard to in meeting their legal requirements.

Statutory bodies also operate under the provisions of their own enabling legislation. The enabling legislation typically sets out the purpose and specific powers of the agency and how the governing body is to be constituted.

The requirements of the FA Act and FPMS are explored in more detail in the section “Queensland financial accountability framework”.

## Performance

Governance arrangements for public sector entities should be designed to ensure that departments and statutory bodies achieve reasonable value for money by ensuring the operations of the department or statutory body are carried out efficiently, effectively and economically.

The FPMS establishes specific performance management requirements for departments and statutory bodies including a requirement to establish a performance management framework as part of governance structure. Under the FPMS the framework must provide for:

- Compliance with 'A guide to the Queensland Government performance management framework' prepared by the Department of the Premier and Cabinet
- obtaining information about whether the department or statutory body has:
  - achieved the objectives identified in the strategic plan efficiently, effectively and economically
  - delivered the services identified in the operational plan
- Reporting of performance information to the accountable officer or statutory body and the relevant Minister
- Evaluating the achievement of objectives by the department or statutory body.

## The Queensland Framework

This document provides an overview of the legislative and policy framework that applies to governance arrangements for Queensland public sector entities. It also provides an overview of the role of key bodies, including the Queensland Audit Office, in ensuring public sector entities implement and maintain appropriate governance arrangements.

It considers stewardship in the context of the relationship between Ministers and public sector entities as well as the overarching principles that need to be adopted by public sector employees in their performance and conduct.

Conformance is considered by providing an overview of the current financial accountability requirements applying to public sector entities through the FA Act and FPMS. This includes identifying how requirements for measuring, monitoring and reporting on performance are addressed within this framework.

Appendix B provides a summary of recent Auditor-General's Reports to Parliament that have reported on key aspects of governance. These include:

- **Travetrain renewal: Sundlander 14** which examined the governance arrangements over QRs Travel train renewal program and more particularly, the Sunlander 14 project. This report identified a number of governance issues at QR including a lack of effective communication which was significant contributing factor in the board being able to discharge its duties effectively.
- **Monitoring and reporting performance** which examined how well Queensland departments measure, monitor and report on non-financial performance. This report identified that the service standards reported by the majority of departments and service areas fall well short of being direct measures of the efficiency or effectiveness of the services they deliver.
- **Results of audits: internal control systems** which report on the results of control evaluations performed at government departments including focussed reviews of selected areas of internal control. These reports identify how effective departments are in addressing key legislative requirements and better practice in implementing elements of their internal control structure.

# Responsibilities of Ministers and Government Employees

Queensland operates within a Westminster style of government which adopts a doctrine of responsible Government. The Queensland Parliament website identifies this as incorporating three basic elements:

1. The Queen's representative (the Governor) should act on the advice of responsible Ministers (the Ministry/Cabinet), which is led by a Chief Minister (the Premier);
2. The Government is collectively responsible to the Parliament.
3. Ministers are individually responsible to the Parliament for the administration of their portfolios, which includes the acts or omissions of public servants within their departments.

The responsibilities of Ministers and their portfolios are set out in Administrative Arrangements Orders. For each Minister, they detail the principal responsibilities, the Acts they administer, and the departments, agencies and office holders responsible for them.

Section 2.1 of the Queensland Cabinet Handbook identifies the role and responsibilities of Ministers. In particular, it describes the separation of responsibilities between Ministers and Chief Executive Officers of departments on the following basis:

*“Ultimate responsibility for departmental management rests with Ministers who are legally and politically accountable to the Parliament for the administration of their department(s). It is the policy of the government to enhance Ministerial responsibility and accountability consistent with its collective commitments.*

*Ministers must be aware of their constitutional responsibilities to act in the public interest and not disclose confidential information or government information likely to injure the public interest.*

*As far as possible, the management of departments is the responsibility of the departmental Chief Executive Officer. Chief Executive Officers are responsible for managing the day to day operations of departments, ensuring the efficient and effective delivery of departmental services and providing effective advice to the Minister on policy matters requiring Ministerial attention.”*

Under the *Public Service Act 2008* (PSA) the responsibilities of chief executives include:

- Establishing and implementing goals and objectives in accordance with government policies and priorities
- Managing the department in a way that promotes the effective, efficient and appropriate management of public resources
- Adopting management practices that are responsive to Government policies and priorities
- Promoting continual evaluation and improvement of the appropriateness, effectiveness and efficiency of departmental management



The PSA also recognises that public service employment involves a public trust. On this basis the PSA identifies a number aspects that a public service employee's work performance and personal conduct must be directed towards, including:

- achieving excellence in service delivery
- ensuring the effective, efficient and appropriate use of public resources
- giving effect to Government policies and priorities
- providing sound and impartial advice to the Government
- carrying out duties impartially and with integrity
- acting honestly, fairly and in the public interest
- observing the ethics principles and complying with an approved code of conduct under the *Public Sector Ethics Act 1994*

The *Public Sector Ethics Act* identifies and defines the following ethical principles to be adopted in managing agencies:

- integrity and impartiality
- promoting the public good
- commitment to the system of government
- accountability and transparency

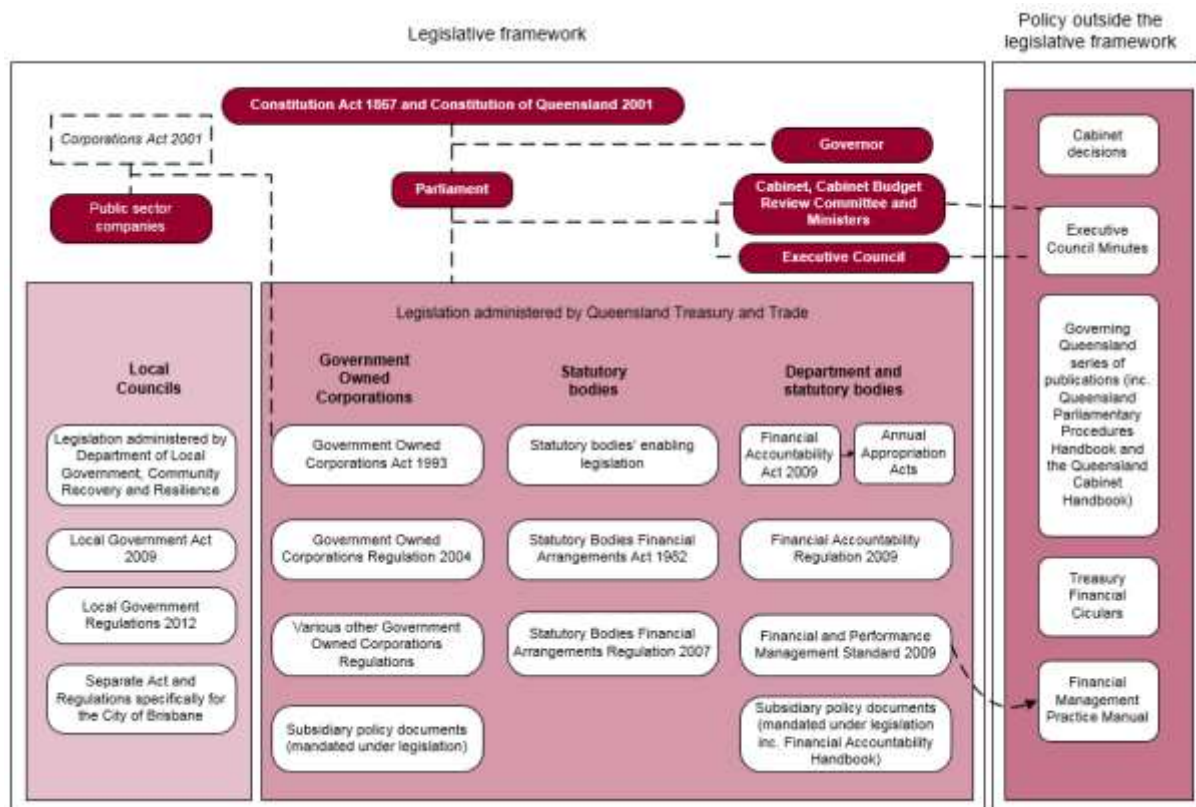
The *Financial and Performance Management Standard 2009* also identifies that governance arrangements for departments and statutory bodies should incorporate these ethics principles.

Responsibilities for statutory bodies and their employees, including accountability to relevant Ministers, is normally established through the statutory body's enabling legislation.

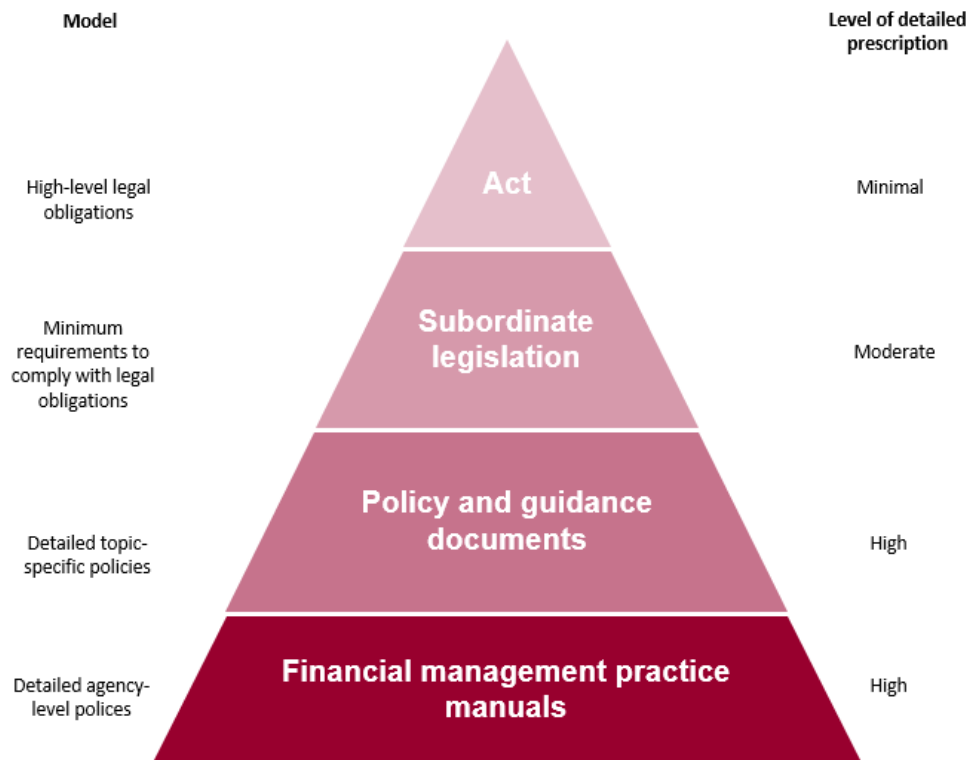
# Queensland financial accountability framework

## Overview of Queensland's legislation framework for financial management

The following diagram provides an overview of the legislative framework for financial management applying to Queensland public sector entities at the State and local government levels. It appears as Appendix A in the document *Overview of Queensland's Financial Accountability Framework (November 2014) – Queensland Treasury and Trade* which is available on the Queensland Treasury and Trade website.



The financial legislative framework applying to departments and statutory bodies is principles-based, focussing on accountability and outcomes. It provides an appropriate level of discretion to executives to optimise resource allocation and tailor systems for the administration of their departments and statutory bodies. This is a significant shift from the previous legislative approach which prescribed a significant number of low level compliance activities. It comprises a four tier system that is illustrated below:



- Act – the Financial Accountability Act 2009 sets out strategic legal obligations with which agencies must comply. The Act is principles-based, with a minimal level of prescription.
- Subordinate legislation – this consists of the Financial and Performance Management Standard 2009 and Financial Accountability Regulation 2009 and provides a moderate level of prescription, with the aim of establishing broad requirements within which agencies must operate to meet their legal obligations under the Act.
- Policy and guidance documents (such as the Financial Accountability Handbook) referred to in the Act and subordinate legislation. These documents, which are produced and maintained by various departments, provide guidance to agencies to assist them in meeting their financial, operational and regulatory obligations.
- Financial Management Practice Manuals (FMPMs) are agency documents that must comply with the Act, subordinate legislation and, where applicable, subsidiary policy documents. An FMPM sets out the policies and procedures that have been implemented by the agency to meet its legislative obligations.

Additional information on the framework is available in the Financial Accountability Handbook, Information Sheet 1.2 – *Framework for Financial Management Legislation*.

The specific elements of this framework are explored in detail in the following sections.

# Financial Accountability Act 2009

## How is the Act structured?

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The *Financial Accountability Act 2009* (FA Act) applies in four main parts.

Part 2 of the FA Act applies only to Ministers and includes:

- a requirement for the Premier to prepare a statement of the State government's broad objectives for the community
- a requirement for the Treasurer to prepare a charter of fiscal responsibility giving details of the government's fiscal objectives
- requirements for the reporting of expenses for Ministerial offices

Part 3 of the FA Act applies to the Treasurer and includes:

- the Treasurer's responsibilities for the consolidated fund
- requirements applying to the annual appropriation process
- matters requiring approval by the Treasurer
- the Treasurer's investment and borrowing powers
- the Treasurer's power to make standards about financial and performance management

Part 4 of the FA Act applies to departments and statutory bodies and includes:

- functions of accountable officers and statutory bodies
- financial statement and annual reporting requirements
- Part 5 of the FA Act applies only to departments and includes:
  - responsibilities of accountable officers
  - delegations by accountable officers
  - banking, investment and borrowing powers

## Who does it apply to?

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### *Departments*

The FA Act contains its own definition of 'department'. This definition is broader than that which may be applied in other legislation. Accordingly, an entity may be a department for the purposes of the FA Act but not for the purposes of another Act e.g. *Public Service Act 2008* (PS Act).

Section 8 of the FA Act identifies that each of the following is a 'department' for the purposes of the Act:

- (a) a department of government under the PS Act, section 14;
- (b) an entity for which an accountable officer is appointed under section 65(2);
- (c) an entity for which an accountable officer is prescribed under section 65(3);
- (d) the Office of the Governor;
- (e) the Legislative Assembly and parliamentary service.

Section 14 of the PS Act defines a department as

“entities declared to be departments of government by the Governor in Council by gazette notice”

These gazette notices are collated into a single document titled 'Administrative Arrangements Orders' which establish the responsibilities of ministers and their portfolios. For each Minister, they detail the principal responsibilities, the Acts they administer, and the departments, agencies and office holders responsible for them. Administrative Arrangements Orders are re-issued or amended when a change in the structure of government - known as 'machinery of government' - takes place.

Administrative Arrangements Orders Can be accessed through the Department of Premier and Cabinet website.

A department may also be a body for which an accountable officer has been appointed by the Treasurer in the circumstances identified s. 65(2) of the FA Act.

An entity may also be a department where the accountable officer is prescribed by regulation under s.65(3) of the FA Act. These departments are presently identified in the schedule of the *Financial Accountability Regulation 2009*.

### *Statutory Bodies*

Section 9 of the FA Act defines a statutory body as an entity that:

- (a) is established under an Act; and
- (b) has control of funds; and
- (c) includes, or whose governing body includes, at least 1 member:
  - (i) who is appointed under an Act by the Governor in Council or a Minister; or
  - (ii) whose appointment is approved by the Governor in Council or a Minister.

Departments (including parts of departments) and local governments, that may meet the above criteria, are specifically excluded from the definition.

Further, an entity's own enabling legislation may state that the entity is, or is not, a statutory body for the purposes of the FA Act.

It is also important to draw a distinction between a 'statutory authority' and a 'statutory body' under the FA Act. There is a common perception that these terms are interchangeable, which is not the case. Statutory authorities are typically established where the government wishes to establish a board, committee, or officer with statutory obligations but without any financial control. Accordingly, statutory authorities do not satisfy the criteria for having control over their own funds. Instead the statutory authority is accounted for as part of the relevant administering agency.

Additional information on types of legal entities captured by the FA Act is available in Financial Accountability Handbook, Information Sheet 1.4 – *Entity Types*.

## Who is responsible under the FA Act?

### *Departments*

Responsibility for the governance of departments under the FA Act ultimately rests with the 'accountable officer'. For a department under s.14 of the PS Act the accountable officer is the chief executive. For other entities the accountable officer is the person appointed by the Treasurer; prescribed by regulation; or otherwise identified in the FA Act as being the accountable officer.

### *Statutory Bodies*

The statutory body itself is responsible for governance under both the FA Act and its own enabling legislation. This is typically achieved through the board or other governing body as established in the enabling legislation.

## What are the key responsibilities and functions under the FA Act?

Section 61 of the FA Act identifies the functions of both accountable officers and a statutory bodies as:

- (a) achieving reasonable value for money by ensuring the operations of the department or statutory body are carried out efficiently, effectively and economically
- (b) establishing and maintaining appropriate systems of internal control and risk management
- (c) establishing and keeping funds and accounts in compliance with the prescribed requirements
- (d) ensuring annual financial statements are prepared, certified and tabled in Parliament in accordance with the prescribed requirements

- (e) undertaking planning and budgeting that is appropriate to the size of the department or statutory body
- (f) performing other functions conferred on the accountable officers or statutory bodies under this or another Act or a financial and performance management standard

Responsibilities are also assigned to **accountable officers only** under Part 5 of the FA Act. These responsibilities include, but are not limited to:

- preparation of an annual departmental budget (s.68)
- establishing departmental accounts in accordance with prescribed requirements (s.69)
- borrowing amounts from Queensland Treasury Corporation under a Treasurer's approval (s.71)
- writing off losses and authorising special payments (s.72)
- recovery of money and the value of property (ss.73 and 74)

Additional functions and responsibilities for statutory bodies may be identified in their enabling legislation.

## Can functions and responsibilities be delegated under the FA Act?

### *Departments*

In accordance with s.76 of the FA Act an accountable officer may delegate their functions under the FA Act to an **appropriately qualified** public service employee or other employee of the State. Functions delegated by the accountable officer **cannot** be sub delegated.

Further, the FA Act requires the accountable officer to delegate certain responsibilities to the:

- Chief finance officer (CFO)
- Head of internal audit (HIA)

The responsibilities delegated to the CFO are identified in s.77 of the FA Act as:

- Financial resource management
- Budget management
- Preparation of financial information including annual financial statements
- Provision of advice on the effectiveness of accounting and financial management information systems and controls
- Provision of advice concerning the financial implications of, and financial risks to, the department's current and projected services
- Development of strategic options for the department's future financial management and capability.

The responsibilities delegated to the HIA are identified in s.78 of FA Act as:

- Provision of assessment and evaluation of the effectiveness and efficiency of departmental financial and operation systems, reporting processes and activities
- Provision of assistance in risk management and identifying deficiencies in risk management

### *Statutory Bodies*

The FA Act does not provide a statutory body with a power to delegate functions or responsibilities to an officer employed by the body. However, this may be provided for in the statutory body's enabling legislation.

The provisions in the FA Act which create the roles of CFO and HIA, and require the accountable office to delegate responsibilities to those roles, do not apply to statutory bodies. However, the enabling legislation may create roles that certain functions and responsibilities are delegated to by the statutory body e.g. chief executive officer.

## Financial and Performance Management Standard 2009

### Basis and application

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Section 57 of the FA Act provides the Treasurer with the power to make standards about the policies and principles to be observed in financial and performance management. Each accountable officer and statutory body must comply with the provisions of a standard that apply respectively to the officer and body.

These standards are contained in the *Financial and Performance Management Standard 2009* (FPMS). The FPMS applies to all accountable officers and statutory bodies. The FPMS also contains certain requirements that apply to departments and statutory bodies that have been abolished.

The FPMS identifies its purpose as providing a framework for accountable officers and statutory bodies, to develop and implement systems, practices and controls for the efficient, effective and economic financial and performance management of the department or statutory body. It also identifies that accountable officers and statutory bodies are not limited by this standard but must adopt a proactive approach in monitoring the appropriateness of the systems, operations and overall financial position and performance of the department or statutory body.

The FA Act provides the Treasurer with the power to wholly or partly, exempt a department or statutory body from complying with a financial and performance management standard. An exemption granted by the Treasurer must be in writing and provide an end or review date for the exemption.

The requirements of the FPMS are effectively split into two main areas:

- Governance
- Reporting

### Governance

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Part 2 of the FPMS requires accountable officers and statutory bodies to establish:

- governance frameworks that are appropriate for their agencies
- cost-effective internal control structures

Section 7 of the FPMS defines governance as the way the agency manages the performance of its functions and operations. Further, it identifies that governance:

- incorporates the cultural and operational aspects of the agency that are influenced by its actions and decisions
- includes concepts of
  - openness, integrity and accountability
  - due care
  - public defensibility
- incorporates the ethics principles for public officials under the *Public Sector Ethics Act 1994*
- includes establishing a performance management system, risk management system and an internal control structure

Section 8 of the FPMS identifies that an internal control structure must have a strong emphasis on accountability, best practice management of the resources of the agency and internal control. It also requires that the internal control structure must include:

- an organisational structure and delegations, supportive of the objectives and operations of the agency
- employment of qualified and competent officers, training of the officers and assessment of their performance
- procedures for monitoring the performance of, and accounting for its investment in, any controlled entities.

This Part of the FPMS also includes more detailed requirements for:

- planning (ss.9-10)
- performance management (ss.11-14)
- systems for managing the agencies financial resources (ss.15-28)
- internal audit and audit committees (ss.29-35)

## Reporting

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Part 3 of the FPMS identifies requirements for the preparation of annual financial statements and annual reports by departments and statutory bodies. This includes:

- the basis on which annual financial statements need to be prepared (ss.42-43)
- timing for providing the annual financial statements to the Auditor-General (s.44)
- timeframe and requirements for preparing the agency's annual report (ss.49-50)

This Part also includes specific provisions applying to the preparation of financial statements and annual reports for abolished and newly formed departments and statutory bodies.

## Relationship with other documents and requirements

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Agencies are also required to either 'comply with' or 'have regard to' other documents referred to in the FPMS. For example:

- s.8 requires agencies to have regard to the Financial Accountability Handbook published by Queensland Treasury and Trade in establishing their internal control structure.
- s.11 requires agencies to comply with A guide to the Queensland Government performance management framework prepared by the Department of Premier and Cabinet.

For the purposes of the FPMS 'have regard to' means that an agency must consider the contents of the document and comply when its contents are applicable in the agency's circumstances.

A guide mapping the relationship between the requirements of the FPMS and other documents is included as Appendix A.

## Financial Accountability Handbook and Financial Accountability Tools

The Financial Accountability Handbook (FAH) is designed to assist accountable officers and statutory bodies discharge their obligations under the FA Act and FPMS.

Section 15(2) of the FPMS states that 'accountable officers and statutory bodies must have regard to the Financial Accountability Handbook published by the treasury department'. This means that agencies must comply with the FAH processes when they are applicable to the agency's circumstances.

The FAH consists of six volumes with each volume being comprised of a number of information sheets. Each volume addresses a separate area of financial accountability.

Volume 1 discusses the principles underlying the Act and its subordinate legislation, its general purpose and scope, the framework within which it has been developed and its application to the various forms of government entities.

Volume 2 discusses the application of fundamental governance requirements, including the implementation and review of systems of internal controls, agency management, internal and external audit and risk management.

Volume 3 provides guidance to agencies on the fundamental elements supporting the design and implementation of internal control systems.

Volume 4 discusses the range of monitoring and assessment processes, tools and reports that should be employed in assessing an agency's performance in the delivery of its services, the effectiveness of outsourcing arrangements, machinery-of-Government changes and consideration of internal/external audit findings.



Volume 5 details reporting obligations under the Act and its subordinate legislation, the roles of internal and external audit functions in the reporting process and guidance on the development and production of effective management reports for use by agency management.

Volume 6 aims to achieve a whole-of-Government approach to grant program development and administration while maintaining some flexibility to suit an individual agency's specific grant program requirements.

The Financial Management Tools contain a number of examples and consideration points to assist agencies in assessing their obligations under the financial legislation and FAH. The tools do not form part of the handbook and are prepared as guidance only.

The FAH and Financial Management Tools can be accessed on the Queensland Treasury and Trade website.

## Other Requirements for Statutory Bodies

### Enabling Legislation

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All statutory bodies are established and operate under the provisions of their own enabling legislation. The enabling legislation typically sets out the purpose and specific powers of the agency and how the governing body is to be constituted. The governing body of a statutory body is typically a board but in rare instances may be constituted by an individual.

### Statutory Bodies Financial Arrangements Act 1982

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The Statutory Bodies Financial Arrangements Act 1982 (SBFA Act) establishes borrowing and investment powers for statutory bodies where these are not provided for in body's own enabling legislation. The SBFA Act provides its own definition of statutory body which is broader than that applied in the FA Act.

# Auditor-General and Queensland Audit Office

## Role of the Auditor-General and the Queensland Audit Office

### The Auditor-General and the Queensland Audit Office

The Auditor-General is an independent officer of the Parliament, whose principle role is to provide assurance to Parliament on the accountability and performance of the Queensland public sector.

The functions and powers of the Auditor-General are governed by the *Auditor-General Act 2009* (the AG Act). The AG Act also establishes the Queensland Audit Office (QAO) to support the Auditor-General in fulfilling their legislated mandate.

In conducting audits of public sector entities QAO aims to strengthen public sector accountability and be a catalyst for improved performance.

### Audit mandate

The AG Act provides the Auditor-General with a broad mandate for conducting audits. Under s.30 of the AG Act, the Auditor-General must audit all public sector entities each financial year. The AG Act defines 'public sector entity' as meaning:

- a department; or
- a local government; or
- a statutory body; or
- a government owned corporation (GOC); or
- a controlled entity.

The AG Act also provides for the audit of non-public sector entities in certain circumstances.

In conducting audits the Auditor-General and QAO staff are not subject to direction by any person about the exercise of their powers or the priority given to audit matters.

While audits are conducted in accordance with relevant professional standards, the Auditor-General ultimately has the power to conduct an audit in the way the Auditor-General considers appropriate.

The Auditor-General performs two types of audits of public sector entities, financial audits and performance audits.

### Financial audits

The Auditor-General is required to conduct an audit of the annual financial statements of all public sector entities and issue an independent auditor's report on those statements. The primary objective of these audits is to provide independent assurance to Parliament and the community that the information contained in the financial statements is in all material respects:

- free of misstatement, whether due to fraud or error; and
- presented fairly in accordance with applicable accounting standards and legislative requirements.

Financial audits may also include an assessment of:

- the probity and propriety of matters associated with the management of public sector entities
- acts or omissions that have given rise to a waste of public resources
- compliance with relevant acts, regulations, government policies and other prescribed requirements.

For departments, statutory bodies and local governments the Auditor-General is also required to state in the auditor's report on the financial statements whether the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects. This includes compliance with relevant financial accountability requirements identified in the FA Act and FPMS.

In deciding the appropriate way to conduct an audit under the AG Act, the Auditor-General may have regard to the character of the internal control system of the public sector entity being audited. As part of the annual financial audit process QAO schedules more focused reviews of selected elements of internal control, including those related to specific financial statement components.

## Performance audits

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Performance audits provide Parliament and the community with independent assurance that public money has been spent appropriately and well; and that results achieved from their use meet Parliament's expectations. This may include an assessment of both financial and non-financial performance of public sector entities.

Performance audits assess whether a public sector entity, program or activity is achieving its results economically, efficiently and effectively and in compliance with all relevant laws. In this context:

- 'economy' means minimising the cost of resources used for an activity, having regard to appropriate quality
- 'efficiency' means maximising the outputs delivered by an activity, in terms of both quantity and quality, for the level of resources applied
- 'effectiveness' means the extent to which stipulated goals or objectives were achieved

The objectives of a performance audit may also include, but are not limited to:

- reviewing performance measures adopted by public sector entities and assessing whether they are relevant and fairly represent entity performance
- assessing compliance with relevant acts, regulations, government policies and other prescribed requirements

Performance audits do not question the merits of government policy objectives. Responsibility for assessing the merits of policy objectives rests with the Parliament and the community, not the Auditor-General. Instead performance audits may assess:

- how well policies are being implemented
- whether policy objectives are achieved

This is done by examining actions taken to design and implement policy and/or by evaluating the results of the policy once implemented.

The Auditor-General has discretion for determining the number and scope of performance audits performed each year. The number of performance audits performed varies between years according to the nature and complexity of the selected topics and the resources available (including appropriation funding). Typically QAO plan to conduct between 8-10 performance audits each year.

Performance audits focus on specific areas of public sector performance. This may encompass assessing performance across government, across a sector or at a specific agency. Given the breadth of potential performance audit topics and the limited resources available, QAO conducts a robust process for identifying potential topics. This process is considered further under the heading 'Strategic audit plan'.

## Reporting on audits

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Under the AG Act and the Australian auditing standards, QAO may report to management any key findings, observations and recommendations on matters identified during the audit. This includes reporting any significant deficiencies in internal control.

Where matters identified require attention the report must be given to the accountable person or governing body and any other person the Auditor-General considers to have a special interest in the report. If the suggestions and observations are considered significant they must also be given to the appropriate Minister and the Treasurer.

The Auditor-General must also report to Parliament on each audit of a public sector entity. The Auditor-General has discretion for determining the format, content and timing of reports to Parliament, however, as a minimum the reports must draw attention to any matters of significance relating to the financial management of the public sector.

To ensure the reports are fairly presented, comments are obtained from relevant Ministers, and others with a special interest, on each proposed report item. The final report to Parliament includes the comments received on the proposed report item or a fair summary of them.

Reports to Parliament aim to be objective, non-partisan, and reliable. They provide fact-based information that Parliament needs to fulfil its role in holding government accountable for its stewardship of public funds. They also provide valuable commentary, findings and recommendations on how to improve accountability in the public sector.

Through these reports QAO aim to:

- strengthen accountability and transparency, providing the public with confidence in the system of government
- inform Parliament to better support decision making and debate, leading to changes to legislation and policy
- provide unique insights, leveraging QAO's mandate to access and collate information not readily available
- be a catalyst of improved performance through increased efficiency and effectiveness of service delivery

While separate reports are prepared for each performance audit conducted, sector-based reports are prepared for financial audits which analyse and provide commentary on:

- results of financial audits, including how significant financial risks and issues have been addressed
- timeliness and quality of financial reporting
- effectiveness of systems of financial controls
- financial sustainability of selected entities and the whole of government

A separate report is also prepared annually on the evaluations of systems of financial controls performed for core government departments including the results of testing performed over selected areas of control focus.

The *Parliament of Queensland Act 2001* requires portfolio committees to consider the Auditor-General's reports to the extent they relate to the committee's portfolio area. The committee's consideration of the Auditor-General's reports can include examination of the report, or specific matters identified in the report, through a formal inquiry. The Auditor-General and the QAO may provide assistance to a portfolio committee in considering a report by briefing them on the findings, opinions and observations contained in an audit report or a draft report.

The portfolio committee may also make recommendations based on their findings. However, neither the Auditor-General nor the portfolio committees have the ability to force the government to accept their recommendations or take corrective action. Instead they may conduct follow-up audits or reviews to assess the extent to which action was taken to address the Auditor-General's previous recommendations or findings. The results of follow-up audits and reviews are also tabled in Parliament.

## Strategic audit plan

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The Auditor-General is required to prepare and publish a strategic audit plan (SAP) outlining the proposed performance audits to be conducted in the next three years. While the SAP is only required to include performance audits, it also identifies areas of focus for financial audits.

The preparation of the SAP involves an iterative and on-going process that aims to ensure QAO provide Parliament with value for money auditing services that focus on the things that matter and allow QAO to be a catalyst for improved public sector performance.

The SAP process commences by generating a comprehensive list of potential topics through on-going research and analysis at the international, national, state and local levels. This includes:

- environmental scans – identify risk factors that impact across the public sector
- sector-based scans – identify sector-specific issues and risk factors impacting on performance of entities in that sector
- entity-based scans – identify performance gaps and issues at the entity level

This preliminary list is also developed in consultation with parliamentary committees, executive management of key government agencies and other relevant stakeholders. Through this consultation process QAO are able to investigate the priority areas and policy goals of public sector agencies; suggestions for audit topics; public resources issues including waste, probity and financial prudence; and views of interest groups, peak bodies and professional associations.

Once a preliminary list of potential topics is identified, these topics are further evaluated and the list refined. This is done by analysing and rating each topic in terms of:

- financial materiality
- economic, social and environmental impacts
- auditability (i.e. ability to gather sufficient, appropriate audit evidence to meet the requirements of the auditing standards)
- public interest.

The SAP also aims to ensure that overall it represents a balanced audit program that addresses significant issues across all sectors. Through the SAP QAO also seek to provide assurance to Parliament across the full range of public sector accountabilities: from financial regularity, probity, propriety and compliance at one end of the spectrum to economy, efficiency and effectiveness at the other.

Before finalising the plan the Auditor-General is required to provide a copy of the draft plan to the parliamentary committee and consider any comments they provide. However, the Auditor-General cannot be directed as to the contents of the final SAP.

Further information on QAO's strategic audit plan is available at: <https://www.qao.qld.gov.au/strategic-audit-plan>

## Investigation of referrals

QAO receives information and allegations about the activities of public sector entities from the general public, MPs, councillors, entity management and other integrity offices. These 'referrals' are initially assessed to determine:

- whether they are within the Auditor-General's mandate i.e. matters of financial management and accountability involving a public sector entity
- the significance of the matters raised.

Referral matters within the Auditor-General's mandate are investigated either as part of the annual audit process or as a separate audit. Matters that are not within the Auditor-General's mandate are not investigated by QAO but may be referred to another agency for consideration, where appropriate.

Given the sensitive nature of the referrals received they are treated with strict levels of confidentiality when being investigated. This includes compliance with the requirements of the *Public Interest Disclosure Act 2010*, where appropriate.

Due to the confidentiality requirements of the AG Act, QAO cannot report back directly to the referrer about the results of our investigations. Any significant issues identified from the investigation may be included in a report to the relevant agency and/or a report to Parliament. The results of investigations may also be used to identify potential performance audit topics to be considered as part of the SAP.

As part of the referrals process QAO is often required to liaise with other integrity agencies including the Crime and Corruption Commission (CCC) and the Queensland Ombudsman.

Information or concerns about financial mismanagement in public sector entities can be provided to QAO through the following email address: [referrals@qao.qld.gov.au](mailto:referrals@qao.qld.gov.au)

## Powers and responsibilities

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The AG Act provides authorised auditors with broad powers for gathering audit evidence, including access to information that might otherwise be subject to secrecy requirements e.g. cabinet documents and commercial in confidence information.

Under s.46 of the AG Act authorised auditors are entitled to full and free access, at all times, to all documents and property belong to, in the custody of, or under the control of the entity being audited.

Where considered reasonably necessary, a person may be required by written notice to:

- provide stated information or documents (s.47)
- attend before an authorised auditor and answer questions under oath or affirmation (s.48)

Due to the extent of information available to QAO, and the often sensitive nature of the information, the AG Act imposes restrictions on the disclosure of information obtained during the course of an audit. These restrictions do not prevent disclosure of information in the performance of duties under the Act e.g. reporting to Parliament, or disclosure to appropriate investigative and law enforcement agencies.

The AG Act also creates a number of offences where auditors are impeded in exercising their powers and fulfilling their duties under the Act:

- failure to provide reasonable assistance to an authorised auditor in the exercise of their powers
- failure to comply with the requirements of a written notice
- knowingly providing false or misleading information
- obstructing an authorised auditor in the exercise of their powers
- inappropriate disclosure of proposed reports to Parliament

## Governance of Public Sector Entities and the role of QAO

### Management responsibility

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Section 61 of the FA Act states that accountable officers and statutory bodies are to ensure the operations of the department or statutory body are carried out efficiently, effectively and economically; and are to establish and maintain appropriate systems of financial controls.

Section 8 of the FPMS requires departments and statutory bodies to establish cost effective internal control structures.

An adequate system of financial controls will help to ensure financial records and related information are complete and accurate; assets are safeguarded; and errors and other irregularities are prevented or detected and corrected. As the system of financial controls underpins the information presented in the annual financial statements, it helps these statements give a true and fair view of the entity's transactions and financial position for each financial year.

### Audit responsibility

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As previously identified, the primary objective of our financial audits is to provide independent assurance to Parliament and the community that the information contained in the financial statements is, in all material respects:

- free of misstatement, whether due to fraud or error
- presented fairly in accordance with applicable accounting standards and legislative requirements.

Because internal financial controls operate to produce reliable financial information and to comply with prescribed requirements, QAO are required to consider their effectiveness as part of the annual audit of each entity's financial statements.

This involves considering the design of relevant controls under each of the five core elements of the integrated control structure. At this stage of the audit, QAO review and evaluate each department's key internal controls to assess its capacity to prevent and detect errors that may result in a material misstatement of the financial statements.

QAO's assessment of the effectiveness of the agencies' internal controls influences the timing and extent of the audit procedures performed. If QAO consider the controls to be well designed and implemented, they may choose to rely on the operation of selected controls. If QAO plan to rely on controls, they are required by the auditing standards to confirm that they operated in practice as intended.

If QAO determine, in their professional judgement, that controls are not well designed; that any of the controls tested did not operate as intended; or that controls should be in place but are missing, they are required by the auditing standards to communicate such controls deficiencies to management. A risk rating is assigned to any financial controls deficiencies raised so management can gauge their relative importance.

Significant controls deficiencies must be communicated in writing to those charged with the governance of the entity and are assigned either a high or moderate risk rating:

- A **high** risk rating is applied where a serious control weakness or breakdown is identified in the operation of a key control or combination of key controls, indicating the risk of material error or fraud in the financial statements is unacceptably high. These require prompt management action with a detailed action plan implemented quickly, generally within three months.
- A **moderate** risk rating is applied where a significant control weakness or breakdown is identified in the operation of a control that it is not likely to prevent or detect the errors for which it was designed. These require management action with a detailed plan to be implemented within six months.

Low risk ratings are assigned to any other controls deficiencies identified and these are more likely to be communicated directly to line management:

- A **low** risk rating is applied where weaknesses or breakdowns of a procedural or housekeeping nature are identified and where the controls in question either relate to immaterial areas or if they are compensating, rather than key, controls. These require management action with a detailed plan to be implemented within twelve months.

Section 60 of the AG Act requires the Auditor-General to draw attention in a report to Parliament to any case in which the functions relating to the financial management of the public sector entity were not performed adequately and properly, if the Auditor-General considers the matter to be significant enough to require inclusion in the report.

## Considering the work of QAO

QAO, as the independent external auditor, do not form part of a public sector entity's internal control structure or governance framework. However, agency follow up of audit issues is an integral part of good management. Agencies must have systems in place to ensure audit issues are addressed in a timely manner. Further guidance on considering findings is available in the Financial Accountability Handbook:

- *Information Sheet 4.5 – Audit Findings and Resolution*
- Financial Management Tools - Register of Audit Findings and Resolution for XYZ Agency

Additionally, the FPMS requires statutory bodies to consider the Auditor-General's report at the statutory body's first ordinary meeting after the financial statements have been certified.

The Auditor-General is also able to provide unique insights at a whole of government level, leveraging on a broad mandate to access and collate information not readily available. Accordingly, there may be instances where the Auditor-General includes general comments in a report to Parliament, without attributing them to particular agencies. Alternatively, the Auditor-General may have targeted only particular agencies to undertake sector-wide audit. In these situations, all agencies are expected to consider the issues reported, assess if they are appropriate to their agency, and take appropriate action.

For example, each year the Auditor-General reports to Parliament on the results of control evaluations and of selective testing of the financial reporting controls. While these reports typically focus on testing performed at core government departments, the results should be considered by all public sector entities to determine whether any significant deficiencies exist in their own internal controls or to identify possible areas where their internal controls could be strengthened.

A summary of the key findings from the Auditor-General's reports on internal controls for the 2012-13 and 2013-14 financial years is included in Appendix B.

Public sector agencies should also consider QAO's strategic audit plan which details the audits QAO proposes to conduct over a three year period. This provides advance notice of QAO's audit focus to public sector agencies and gives them the chance to prepare for the audit and engage constructively with the audit process. The SAP also provides a schedule of QAO's focussed reviews of elements of systems of internal control.



# Key oversight and accountability bodies

## Integrity Offices

### Crime and Corruption Commission

The Crime and Corruption Commission (CCC) is a statutory body set up to combat and reduce the incidence of major crime and corruption in the public sector in Queensland. Its functions and powers are set out in the *Crime and Corruption Act 2001* (CC Act).

The CCC investigates both crime and corruption, has oversight of both the police and the public sector, and protects witnesses. Under the CC Act, the CCC has the responsibility to ensure complaints about corruption are dealt with appropriately, with a particular focus on cases involving more serious or systemic corrupt conduct. The CCC has jurisdiction over corrupt conduct affecting units of public administration (UPAs) in Queensland, including:

- departments and statutory bodies
- the Queensland Police Service – see also police misconduct
- government owned corporations
- universities
- local governments
- courts, tribunals and boards (including jurisdiction over judicial officers acting as members of decision-making bodies in UPAs)
- prisons
- state and local politicians (only where the corrupt conduct would, if proven, amount to a criminal offence).

There are four main avenues by which the CCC becomes aware of suspected corrupt conduct:

- through a complaint made to the CCC
- through mandatory notification from a public official
- as "information", which could be received through such means as routine agency audits, media articles, Crime Stoppers or the CCC's own intelligence activities or sources
- as a "matter", which could be received through such means as court proceedings, or referrals from the Coroner or a public inquiry.

Under s.38 of the CC Act public officials (i.e. the chief executive officer of a UPA) have a duty to notify the CCC if they reasonably suspect that corrupt conduct has occurred. The CCC have developed and published *Corruption in focus: a guide to dealing with corrupt conduct in the Queensland public sector* (formerly "Facing the facts") to assist public sector agencies in their dealings with the CCC. These guidelines are designed to help agencies recognise precisely when they need to notify the CCC, and to decide the best way of dealing with complaints that are referred to them by the CCC. They also give practical advice about conducting an investigation, and explain the CCC's monitoring role.

These guidelines and other information about the role of the CCC can be accessed at [www.ccc.qld.gov.au](http://www.ccc.qld.gov.au).

#### Contact details:

General enquiries:

Email: [mailbox@ccc.qld.gov.au](mailto:mailbox@ccc.qld.gov.au)

Phone: (07) 3360 6060

Toll-free: (in Queensland outside Brisbane) 1800 061 611

Information on how to report suspected corrupt conduct to the CCC can be located on their website.

## Ombudsman

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The Ombudsman investigates complaints about the actions and decisions of Queensland public agencies and their staff that may be unlawful, unreasonable, unfair, improperly discriminatory or otherwise wrong. The Ombudsman operates under the *Ombudsman Act 2001* which:

- recognises a dual role for the Ombudsman to remedy complaints about administrative actions and to assist agencies to improve their decision-making and administrative practice
- facilitates informal investigation and resolution of complaints
- empowers the Ombudsman to use investigative powers if necessary
- provides for the independence of the Office.

Under the *Ombudsman Act* the Ombudsman's powers apply to:

- (a) a department;
- (b) a local government;
- (c) a public authority as defined in s.9 of the Act.

The Ombudsman also helps State and local government agencies improve their administrative practice by:

- making recommendations based on investigations
- conducting training on good decision-making and complaints management
- providing advice and other assistance.

The Queensland Ombudsman is also the oversight agency for the *Public Interest Disclosure Act 2010*. This means the Ombudsman monitors and reviews the management of public interest disclosures (PIDs) and provides education and advice about PIDs.

Further information is available on the Ombudsman's website <http://www.ombudsman.qld.gov.au>

This includes information and resources to assist public sector agencies with:

- complaints management policies and procedures
- making the best possible decisions
- dealing with Ombudsman inquiries and investigations

### Contact details:

General enquiries:

Email: [ombudsman@ombudsman.qld.gov.au](mailto:ombudsman@ombudsman.qld.gov.au)

Phone: 07 3005 7000

Freecall: 1800 068 908

Information on how to lodge a complaint with the Ombudsman about the decisions or actions of a Queensland Government agency can be located on their website.

## Office of the Information Commissioner

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The Information Commissioner is a statutory office holder appointed by the Governor-in-Council, and is not subject to ministerial direction in the exercise of the functions under the *Right to Information Act 2009* (RTI Act) and the *Information Privacy Act 2009* (IP Act). The Information Commissioner is supported by two other statutory office holders appointed by the Governor-in-Council:

- the Right to Information Commissioner
- the Privacy Commissioner

The Office of the Information Commissioner (OIC) has responsibility for investigating and reviewing decisions of agencies and Ministers on access to and amendment of information under the RTI Act and the IP Act. OIC also has responsibility for the management and mediation of privacy complaints against Queensland government agencies under the IP Act. OIC also provides a service receiving enquiries from members of the public, statutory authorities, local government and government departments.

Further information is available on the OIC's website: <https://www.oic.qld.gov.au/>

This includes a range of information and resources to assist Queensland government agencies and Ministers in complying with their requirements under the RTI Act and the IP Act.

Contact details:

General Enquiries:

Email: [enquiries@oic.qld.gov.au](mailto:enquiries@oic.qld.gov.au)

Telephone: (07) 3234 7373

Information on applying for an external review of an access or amendment decision under the RTI Act and Information on how to lodge a privacy complaint under the IP Act can be located on their website.

## Integrity Commissioner

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The Queensland Integrity Commissioner is an independent officer of the Parliament with responsibility for providing advice on integrity and ethics issues and for maintaining the lobbyists register. Under the *Integrity Act 2009*, the Integrity Commissioner can give written advice to Ministers, MPs, senior public servants and others about ethics or integrity issues, including conflicts of interest. The Integrity Commissioner may also meet with and give advice to MPs on ethics and integrity issues in relation to their declarations of financial interests.

The Integrity Commissioner is responsible for maintaining the Queensland Lobbyists Register and monitoring compliance by lobbyists and government with the Act and the Lobbyists Code of Conduct. All State and local government agencies, including Ministers' offices, are responsible for keeping a record of contact with lobbyists as set out in the Queensland State Archives' schedule for recordkeeping by the Integrity Commissioner.

Under the Integrity Act a 'designated person' may make a written request to the Integrity Commissioner for advice on an ethics or integrity issue. Each of the following is a designated person:

- a member of the Legislative Assembly
- a statutory office holder
- a chief executive of a department of government or a public service office
- a senior executive or senior officer
- a chief executive of, or a senior officer equivalent employed in, a government entity who is nominated by the Minister responsible for administering the entity
- a ministerial staff member
- a parliamentary secretary staff member
- a person nominated by a Minister or Parliamentary Secretary.

Further information is available on the Integrity Commissioner's website <http://www.integrity.qld.gov.au/>

Contact details:

General Enquiries:

Email: [integrity.commissioner@integrity.qld.gov.au](mailto:integrity.commissioner@integrity.qld.gov.au)

Telephone: (07) 3003 2888

Information on requesting advice from the Integrity Commissioner can be located on their website.

## Parliamentary Committees

Section 88 of the *Parliament of Queensland Act 2001* requires the establishment of portfolio committees through the *Standing Rules and Orders of the Legislative Assembly*. For each committee the *Standing Rules and Orders* is required to identify the name of the committee and the portfolio area it is responsible for. Each department must be covered by a portfolio area. The listing of portfolio committees and their portfolio areas are included in Schedule 6 of the *Standing Rules and Orders*.

The role of the portfolio committees is provided for in the *Parliament of Queensland Act*. This role includes as relevant to their portfolio area, considering and reporting to the Parliament on:

- Bills and subordinate legislation introduced into Parliament
- the annual state budget Appropriation Bills through the estimates process
- issues of public importance
- performance of government entities

Section 94 of the *Parliament of Queensland Act* specifically identifies that to the extent they are relevant to their portfolio area, portfolio committees have responsibility for:

- assessing the integrity, economy, efficiency and effectiveness of government financial management, including consideration of reports of the Auditor-General
- public works and major works if the committee decides to consider the works

Committees have significant powers to assist them in discharging their responsibilities including the power to:

- hear evidence
- order people to come to committee hearings
- order documents or other items to be provided
- publish evidence and documents

The *Standing Rules and Orders* includes a *Code of Practice for Public Service Employees Assisting or Appearing Before Parliamentary Committees*.

Further information about the role of Parliamentary Committees can be found on the internet at <http://www.parliament.qld.gov.au/work-of-committees>.

A copy of the *Standing Rules and Orders of the Legislative Assembly* can be located on the Parliament of Queensland website.

## Central Agencies

### Queensland Treasury and Trade

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Queensland Treasury and Trade (QTT) is the custodian of the financial management legislation which it supports by publishing policy and guidance documents.

QTT also has a central role in the preparation of the annual State Budget and is responsible for State Budget management and strategy development which is supported by QTT's role of management of the State's financial assets and liabilities.

The key activities of QTT include:

- coordinating the State Budget process
- working with other State Government agencies to monitor and assess financial and non-financial performance against Budget forecasts
- assisting in managing and monitoring the State's assets and liabilities
- administering the financial accountability and management legislation and policies on behalf of Government, including the FA Act and its subordinate legislation; the Financial Accountability Handbook; and the Financial Reporting Requirements for Queensland Government Agencies, and
- providing advice to Government agencies on financial management and accounting.

Further information about the role of QTT can be found on the internet at <https://www.treasury.qld.gov.au/index.php>

Key policy and guidance documents published by QTT are identified in Appendix C.

### Public Service Commission

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The Public Service Commission (PSC) is a central agency established by the *Public Sector Act 2008* (PS Act). The Public Service Act identifies the PSC's main functions as including:

- enhancing the public service's human resource management and capability
- promoting the management and employment principles
- enhancing and promoting an ethical culture and ethical decision-making across the public service
- enhancing the public service's leadership and management capabilities in relation to disciplinary matters
- conducting reviews including reviews about the handling of work performance matters by departments
- developing and implementing public service-wide workforce management strategies
- considering improvements in the performance of departments through remuneration and conditions of employment
- facilitating the purposes of the chief executive and senior executive services and the position of senior officer
- reporting to the Minister on the application of the management and employment principles within the public service and the workforce profile of the public service
- promoting a culture of continuous improvement and organisational performance management across all public service offices
- providing a best practice advisory role on public service management, organisational performance management and workforce practices

PSC drives workforce strategy for the Queensland Government to deliver better economic and social outcomes for all. This includes providing strategic advice on:

- executive recruitment and contracts
- industrial relations
- workforce policy and legal
- performance and capability development
- workforce strategy.

PSC also advise the Premier on the administration of the Queensland public sector and the management and employment of public sector employees.

The PS Act also provides the PSC Chief Executive or the Minister responsible for public sector industrial relations with the power to issue directives under the Act.

Further information about the role of PSC can be found on the internet at <http://www.psc.qld.gov.au/>.

Key directives, policies and guidelines issued by the PSC can be located on their website.

## Department of the Premier and Cabinet

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The Department of the Premier and Cabinet (DPC) has two main roles:

- assist and advise the Premier and Cabinet
- provide leadership for the public sector in delivering quality services to all Queenslanders.

DPC's functions include:

- coordinating initiatives that advance government policies and priorities
- supporting and advising the Premier and Cabinet, Ministers and agencies to ensure the structures and processes of government run efficiently
- providing executive and support services for the Premier and other departments
- leading policy coordination across government
- supporting Cabinet and Cabinet Committee decision-making
- managing Queensland's relationships with other governments
- overall responsibility for the administration of the Queensland Register of Nominees to Government Bodies
- overall responsibility for the administration of the Queensland Register of Appointees to Government Bodies.

DPC also has responsibility for issuing requirements for government agencies on planning, annual reporting and performance management and maintains and publishes a number of government handbooks including:

- the Queensland Cabinet Handbook
- the Queensland Ministerial Handbook
- the Queensland Executive Council Handbook
- the Queensland Legislation Handbook

Further information about the role of DPC can be found on the internet at <http://www.premiers.qld.gov.au/>

Key policy and guidance documents published by DPC are identified in Appendix C.

# Appendix A—Relationship between the requirements of the FPMS and other documents

## General Governance

	FPMS Requirements	Other Prescribed Requirements	Other guidance
	<b>General requirements</b>		
s.7	<ul style="list-style-type: none"> <li>Requires accountable officers and statutory bodies to establish an appropriate governance framework</li> <li>Defines and identifies key elements of governance</li> </ul>	<ul style="list-style-type: none"> <li>Must incorporate the ethics principles for public officials under the <b>Public Sector Ethics Act 1994</b></li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 2.1 What is governance?</li> <li>Information Sheet 2.2 What is a control environment?</li> </ul>
	<b>Planning</b>		
ss.9-10	<ul style="list-style-type: none"> <li>Requires accountable officers and statutory bodies to develop operational and strategic plans</li> </ul>	<ul style="list-style-type: none"> <li>Must comply with <b>Agency planning requirements</b> issued by Department of the Premier and Cabinet</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 2.10 Planning</li> </ul>
	<b>Internal audit and audit committees</b>		
ss.29-34	<ul style="list-style-type: none"> <li>Identifies that each accountable must establish an internal audit function</li> <li>Statutory body must establish an internal audit function where directed by Minister or otherwise considered appropriate</li> <li>Departments and statutory bodies must develop and implement systems for efficient, effective and economical operation of internal audit</li> <li>Identifies other key requirements for an internal audit function including:               <ul style="list-style-type: none"> <li>Must operate under an internal audit</li> </ul> </li> </ul>		<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 2.6 Head of internal audit</li> <li>Information Sheet 2.9 Internal audit</li> <li>Information Sheet 4.5 Audit findings and recommendations</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>Illustrative example of register of audit findings and resolution</li> </ul>

FPMS Requirements	Other Prescribed Requirements	Other guidance
<ul style="list-style-type: none"> <li>- charter</li> <li>- Must undertake appropriate planning</li> <li>- Reporting by internal audit and consideration of internal audit reports</li> <li>- Consultation between internal audit and authorised auditors (QAO)</li> </ul>		
<p>s.35</p> <ul style="list-style-type: none"> <li>• Identifies that accountable officers and statutory bodies must establish audit committees</li> <li>• Audit committees for statutory bodies must include members of the statutory body or governing body</li> </ul>	<ul style="list-style-type: none"> <li>• Accountable officers and statutory bodies must have regard to <b><i>Audit committee guidelines – improving accountability and performance</i></b> issued by Queensland Treasury and Trade</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>• Information Sheet 2.7 Management committees</li> </ul>
<p>Chief Finance Officer</p>		
<p>s.57</p> <ul style="list-style-type: none"> <li>• Identifies requirements for a statement given by the Chief Finance Officer under s.77 of the <i>Financial Accountability Act 2009</i></li> </ul>		<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>• Information Sheet 2.5 Chief finance officer</li> <li>• Information Sheet 4.2 Statement by chief finance officer</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>• Example Statement by chief finance officer</li> </ul>



## Internal Control

FPMS Requirements	Other Prescribed Requirements	Other guidance
<b>General requirements</b>		
<p>s.8</p> <ul style="list-style-type: none"> <li>Requires accountable officers and statutory bodies to establish a cost-effective internal control structure</li> <li>Identifies key elements of an internal control structure</li> <li>Includes procedures for monitoring the performance of controlled entities</li> </ul>	<ul style="list-style-type: none"> <li>Must have regard to <b>Financial Accountability Handbook</b> published by Queensland Treasury and Trade</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 2.3 What are internal controls?</li> <li>Information Sheet 2.4 Limitations of internal controls</li> <li>Information Sheet 3.2 Internal control structure</li> <li>Information Sheet 3.4 Delegations</li> <li>Information Sheet 3.15 Fraud control</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>Example of how functions and responsibilities may be allocated within an agency</li> </ul>
<p>s.15</p> <ul style="list-style-type: none"> <li>Requires accountable officers and statutory bodies to establish systems for efficiently, effectively and economically managing financial resources</li> <li>Must regularly review systems to ensure they remain appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Must have regard to <b>Financial Accountability Handbook</b> published by Queensland Treasury and Trade.</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 4.1 Monitoring and assessment of internal control</li> <li>Information Sheet 4.2 Regional functions/independent units</li> <li>Information Sheet 4.4 Outsourced arrangements</li> <li>Information Sheet 4.6 Machinery of Government</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>Consider points when implementing processes to monitor and assess its internal controls</li> <li>Illustrative example of processing flows for purchasing, goods receipting and supplier payment functions being passed on to an outsourced provide</li> </ul>
<p>s.16</p> <ul style="list-style-type: none"> <li>Requires accountable officers and statutory bodies to prepare and maintain a financial management practice manual</li> </ul>		<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 3.14 Financial management practice manuals</li> </ul>

FPMS Requirements	Other Prescribed Requirements	Other guidance
<b>Revenue management</b>		
ss.17-18 <ul style="list-style-type: none"> <li>Identifies key requirements for revenue management systems</li> <li>Key considerations for identifying goods and services for which user charging is to apply</li> </ul>		<u>Financial Accountability Handbook</u> <ul style="list-style-type: none"> <li>Information Sheet 3.5 Revenue systems</li> </ul> <u>Financial Management Tools</u> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency's revenue controls and processes</li> </ul>
<b>Expense management</b>		
ss.19-22 <ul style="list-style-type: none"> <li>Identifies key requirements for expense management systems</li> <li>Requires accountable officers and statutory bodies to keep a record of special payments</li> <li>Identifies requirements for recording and reporting of losses by accountable officers and statutory bodies</li> </ul>	<ul style="list-style-type: none"> <li>Accountable officers and statutory bodies must comply with <b>Queensland Procurement Policy</b> issued by the Department of Housing and Public Works</li> <li>Accountable officers and statutory bodies must comply with <b>Queensland Ministerial Handbook</b> issued by the Department of the Premier and Cabinet</li> <li>Accountable officers must implement systems that are consistent with <b>Treasurer's guidelines for the use of the Queensland corporate purchasing card</b> made by the Treasurer</li> </ul>	<u>Financial Accountability Handbook</u> <ul style="list-style-type: none"> <li>Information Sheet 3.6 Expense management systems (excluding HR)</li> <li>Information Sheet 3.7 Human resource and payroll systems</li> <li>Information Sheet 6.1 Definition and framework (grant management)</li> <li>Information Sheet 6.2 Program design (grant management)</li> <li>Information Sheet 6.3 Program administration (grant management)</li> <li>Information Sheet 6.4 Evaluation and analysis (grant management)</li> </ul> <u>Financial Management Tools</u> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency's expense management</li> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency's HR and payroll</li> <li>Consider points when developing and implementing grant programs</li> </ul>

FPMS Requirements	Other Prescribed Requirements	Other guidance
<i>Asset management</i>		
ss.23-24 <ul style="list-style-type: none"> <li>Identifies key requirements for asset management systems, including cash management</li> <li>Includes specific requirements for significant assets</li> </ul>	<ul style="list-style-type: none"> <li>Accountable officers and statutory bodies must comply with <b><i>Non-current asset policies for the Queensland Public Sector</i></b> issued by Queensland Treasury and Trade</li> <li>Accountable officers and statutory bodies must have regard to <b><i>Queensland’s Project assurance framework</i></b> and <b><i>Queensland’s Value for money framework</i></b> issued by Queensland Treasury and Trade</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 3.8 Property, plant and equipment</li> <li>Information Sheet 3.9 Asset systems</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes necessary for the effective management of an agency’s plant, property and equipment (PP&amp;E).</li> <li>Additional guidance on evaluating and reviewing significant assets</li> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency’s asset management functions</li> </ul>
<i>Liability management</i>		
s.25 <ul style="list-style-type: none"> <li>Identifies key requirements for liability management systems</li> </ul>	<ul style="list-style-type: none"> <li>Accountable officers and statutory bodies must comply with <b><i>Leasing in the Queensland Public Sector – policy guidelines</i></b> issued by Queensland Treasury and Trade</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 3.10 Liability systems</li> <li>Information sheet 3.11 Tax compliance systems</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency’s liability management processes</li> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency’s management of its taxation obligations</li> </ul>

FPMS Requirements	Other Prescribed Requirements	Other guidance
<b>Contingency management</b>		
s.26 <ul style="list-style-type: none"> <li>Identifies key requirements for systems for managing contingent assets and contingent liabilities</li> </ul>		<u>Financial Accountability Handbook</u> <ul style="list-style-type: none"> <li>Information Sheet 3.12 Commitments and contingencies</li> </ul> <u>Financial Management Tools</u> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes required to effectively manage an agency's commitments and contingences.</li> </ul>
<b>Financial information management</b>		
s.27 <ul style="list-style-type: none"> <li>Identifies key requirements for financial information management systems</li> <li>Before introducing or significantly changing a financial information management system accountable officers and statutory bodies must consult with               <ul style="list-style-type: none"> <li>head of internal audit</li> <li>authorised auditor (QAO)</li> <li>chief finance officer for the department</li> <li>person responsible for financial management of the statutory body</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Accountable officers and statutory bodies must apply the mandatory principles stated in the <b>Information Standards</b> issued by the Queensland Government Chief Information Officer</li> <li>Accountable officers and statutory bodies must ensure systems align with targets stated in the <b>Government enterprise architecture</b> issued by the Queensland Government Chief Information Officer</li> <li>Accountable officers and statutory bodies must ensure compliance with the <b>Public Records Act 2002</b></li> </ul>	<u>Financial Accountability Handbook</u> <ul style="list-style-type: none"> <li>Information Sheet 3.3 Information and communication technology (ICT)</li> <li>Information Sheet 5.3 Financial record management</li> </ul> <u>Financial Management Tools</u> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes applicable to an agency's ICT</li> </ul>
<b>Risk management</b>		
s.28 <ul style="list-style-type: none"> <li>Identifies key requirements for systems for managing operational and strategic risks</li> <li>Accountable officers and statutory bodies may establish a risk management committee</li> </ul>	<ul style="list-style-type: none"> <li>In establishing a risk management committee accountable officer and statutory bodies must have regard to <b>Audit committee guidelines – improving accountability and performance</b> issued by Queensland Treasury and Trade</li> </ul>	<u>Financial Accountability Handbook</u> <ul style="list-style-type: none"> <li>Information Sheet 3.1 Risk identification and management</li> <li>Information Sheet 2.7 Management committees</li> </ul>

## Performance Management

FPMS Requirements	Other Prescribed Requirements	Other guidance
<p>ss.11-14</p> <ul style="list-style-type: none"> <li>Requires accountable officers and statutory bodies to establish systems for obtaining performance information</li> <li>Systems must provide for reporting on performance</li> <li>Systems must provide for evaluating achievement of agency's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Must comply with <b><i>A guide to the Queensland Government performance management framework.</i></b></li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>Information Sheet 3.13 Performance management and assessment</li> <li>Information Sheet 5.1 Management reporting</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>Consider points when developing, implementing and reviewing internal controls and processes that underpin performance management systems which monitor and report on the effectiveness of the delivery of agency services and achievement of agency objectives</li> <li>Consider points when designing and preparing reports for management</li> </ul>

## Reporting

FPMS Requirements	Other Prescribed Requirements	Other guidance
<i>Financial statements</i>		
ss.42-48 <ul style="list-style-type: none"> <li>• Identifies financial reporting requirements for departments and statutory bodies</li> <li>• Includes financial reporting requirements for:               <ul style="list-style-type: none"> <li>- Newly formed departments and statutory bodies</li> <li>- Abolished departments and statutory bodies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Accountable officer must prepare department's financial statements under the minimum reporting requirements in <b><i>Financial reporting requirements for Queensland government agencies</i></b> issued by Queensland Treasury and Trade</li> <li>• Statutory bodies must prepare financial statements having regard to the minimum reporting requirements in <b><i>Financial reporting requirements for Queensland government agencies</i></b> issued by Queensland Treasury and Trade</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>• Information Sheet 5.2 Preparation of financial statements</li> <li>• Information Sheet 5.4 Audit role in financial statement preparation</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>• Consider points when developing and implementing processes applicable to the preparation of an agency's financial statements</li> </ul>
<i>Annual Reports</i>		
ss.49-54 <ul style="list-style-type: none"> <li>• Identifies annual reporting requirements for departments and statutory bodies</li> <li>• Includes annual reporting requirements for:               <ul style="list-style-type: none"> <li>- Newly formed departments and statutory bodies</li> <li>- Abolished departments and statutory bodies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Accountable officers and statutory bodies must comply with <b><i>Annual report requirements for Queensland Government agencies</i></b> issued by</li> </ul>	<p><u>Financial Accountability Handbook</u></p> <ul style="list-style-type: none"> <li>• Information Sheet 5.5 Annual reports</li> </ul> <p><u>Financial Management Tools</u></p> <ul style="list-style-type: none"> <li>• Consider points when developing and implementing processes applicable to the preparation of an agency's annual report</li> </ul>

## Appendix B—Results of QAO Audits

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### Traveltrain renewal: Sunlander 14 - Report 8: 2014–15

This report examined the Traveltrain renewal program and focuses more specifically on the Sunlander 14 project. The audit assessed the planning, governance and decision making processes for both the original decision to replace the Sunlander rollingstock and the subsequent decision to de-scope the project. We audited the effectiveness of the communication about the project through to the executive government and the corrective action taken by Queensland Rail since it became aware of the systematic failings in the project management.

#### Background information

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The Sunlander 14 project was initiated to replace the existing Sunlander diesel-hauled locomotive train with a new tilt train and to upgrade the two existing Cairns tilt trains.

The scope of the Sunlander 14 project, from which it derived its name, was for delivery of three, 14-car 'consists', or trains, through:

- acquiring 25 cars:
  - two new power cars and 12 new carriages to create a third new Cairns tilt train (CTT)
  - one new spare power car
  - 10 new carriages for the two existing CTT
- upgrading the 14 carriages, but not the power cars, for the two existing CTT.

In August 2011 the Shareholding Ministers (SHM) —the Treasurer and Minister for Trade, and the Minister for Transport—approved an investment of \$195 million for these acquisitions and upgrades, of which \$189 million related to a fixed-price supply contract. The Queensland Rail (QR) Board had entered into this contract ten months earlier, after obtaining approval to proceed in July 2010.

By February 2012, the QR Board had approved a total project capital budget of \$221.3 million, with the additional costs approved to obtain a fourth power car, to upgrade seating and infotainment systems, and for an automatic train protection system.

On 14 June 2013, the QR Board wrote to the two SHM to advise them of the outcomes of a review into the Sunlander 14 project. QR conducted the review in consultation with the Department of Transport and Main Roads (DTMR).

In that letter, QR requested that the two SHM endorse a revised project scope and a revised capital investment of \$204 million. This amount was \$9 million more than the \$195 million that had been originally approved by the then SHM in August 2011, but \$17 million less than the Board capital budget of \$221.3 million.

QR's revised project scope proposed for SHM endorsement was to deliver a fleet of three, 9-car consists. This request to de-scope, which the SHM approved, had the effect of removing 15 new cars, five from each train: three 'luxury' sleeper cars, one 'first class' lounge car and one restaurant car. It meant that only ten new cars were required from the original \$189 million contract: three new power cars and seven new carriages.

QR proposed that each of the three 9-car trains would now comprise:

- two 'power cars' to drive the train and also supply power to carriages
- two 'railbed' sleeper cars with airline-style lie flat seating
- three premium economy sitter cars
- one luggage/staff car
- one lounge/galley/club car.

The QR Board advised the two SHM that the de-scoping would achieve 'approximately \$50 million in direct capital savings' and 'negate the need to construct a dedicated Traveltrain maintenance facility (to maintain the longer 14-car trains) which has estimates in the order of \$70 million'.

What the June 2013 letter to the responsible Ministers did not advise on were \$13.3 million of other known associated costs.

On 24 February 2013 the Premier and the Minister for Transport and Main Roads had already represented the decision to reduce the scope of the project as a saving of 'almost \$50 million' in a media release.

In April 2013 QR had determined that costs it had incurred toward building the 15 new carriages did not need to be written off. They revised this position in September 2013, and a write off of \$54 million of project costs was disclosed in QR's financial report for 2012–13.

## Conclusions

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The Sunlander 14 project is a case study in obfuscation and ill-informed decision making.

While the capital outlay of \$195 million to acquire and upgrade the cars for the Sunlander 14 project was reasonable, the case presented to invest in Sunlander 14 did not demonstrate value for money. As with the existing service, the project was also to deliver more capacity than warranted, and it omitted significant costs which understated the total cost of the solution.

The three 14-car train solution exceeded requirements based on patronage, which was declining. Market research did not support QR's expectation that a luxury travel experience could stimulate greater demand and from higher paying customers: in this respect it represented more an aspirational desire than a grounded reality.

While the case to de-scope the project was presented as a cost saving, it too also did not demonstrate that value for money was optimised. It is a false economy to 'save' \$50 million when this means writing off over \$50 million already spent or committed.

The parties involved ignored or did not want to advise government on the full costs of the project, preferring instead to communicate costs in what they perceived to be more palatable portions. On the evidence available to us, we could not establish whether information was withheld intentionally: the distinction is important, as it is the difference between maladministration and possible malfeasance.

This speaks to a serious failure to communicate effectively, particularly in the advice from the public service to the government, which is the common thread that characterises the Sunlander 14 project from its inception through to the decision to de-scope. During this time public servants did not fulfil their obligations to provide full and frank advice to the executive government of the state.

It is a positive sign that the Board acted quickly and appropriately to fully investigate the project once it became aware of the need to write off a significant part of its capital investment. The Board's investigation into the Sunlander 14 project procurement processes concluded in November 2013 and identified a range of issues that we have confirmed and expanded upon during this audit. Since the Board investigation, governance, project management, communication and reporting reforms have been implemented and the Board has made commitments to further reform strategic asset management and project management frameworks.



These latter reforms are important as our investigation pointed to systemic weaknesses with the QR strategic asset management and project management frameworks, which have put at risk the timely and cost effective renewal of the rollingstock servicing long-distance train passenger services in regional and rural Queensland. QR had not matched its strategic intentions with its actions; and it has yet to secure certainty about its management of the entire Traveltrain network. This exposes the remaining long-distance passenger train travel network to the same risks the Sunlander 14 project encountered.

## Key findings on governance

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The shortcomings of the Sunlander 14 project are in part attributable to broader governance issues that existed at QR during the project's development and delivery phases.

Timing was a contributing factor. Several key decisions relating to the Sunlander 14 project were made either shortly before or in the 12 months after the separation of QR National from QR, which lost a significant amount of corporate knowledge, key staff, and a number of Board members. Corporate documents, such as Board minutes and submissions were now held by QR National.

The lack of effective communication at QR impeded the Board's ability to discharge its duties effectively. QR did not provide key information to the Board from DTMR's consultants' reports and from three internal Investment Advisory Team reports, each of which raised significant concerns about the project. Had the Board been fully informed—or taken action to inform itself—of these issues, it would have been better placed to discharge its oversight duties.

The failure to inform decision makers of the full cost of the train sets or the infrastructure changes, during asset planning and acquisition, exacerbated the situation. QR repeated this experience in advice to the government about the de-scoping decision. In particular:

- The SHM and the government were not informed about the full cost when approving the investment in the Sunlander 14 project.
- Project submissions presented to government did not outline the full, accurate costs to refurbish the maintenance facility or to build a new one to accommodate a 14-car consist. QR's assessments of the extent of work required and the associated cost varied from \$2 million in 2006 to \$155 million by 2011. By mid-2010, the generally agreed estimate of the cost for a new maintenance facility was in the range of \$50 million to \$70 million.
- QR and DTMR did not agree on the need for a new maintenance facility; DTMR did not fully inform the SHM and the government about this impasse.
- QR and DTMR did not bring known funding risks to government's attention, but assumed risks would be addressed and mitigated as part the annual transport service contract funding agreement between DTMR and QR.
- QR and DTMR did not attribute additional unplanned costs to the Sunlander 14 project, nor communicate this to stakeholders. Costs include consulting fees paid to five entities (total value \$391 400) and termination costs (total value \$420 600) to terminate three temporary employees involved in managing the Sunlander 14 project.

A full copy of the report is available at <https://www.qao.qld.gov.au/report-8--2014-15>

## Monitoring and reporting performance - Report 18: 2013–14

This audit examined how well the 20 core Queensland departments measure, monitor and publicly report on their non-financial performance. We assessed the performance information in their Service Delivery Statements (SDS) from the 2013–14 State Budget papers.

We sought to determine if the non-financial performance information in the budget papers was outcome-based and whether it was relevant and useful, readily understood and actually measured what it claimed to measure.

We also assessed departments' internally reported management information against these same criteria, and against the most current information in their annual reports and strategic plans, to understand the quality and comprehensiveness of the full suite of performance information available to and used by management.

The audit examined whether:

- the departmental performance measurement and public performance reporting policy framework establishes a sound basis for comprehensive public performance reporting
- departments have implemented a balanced suite of output and outcome efficiency and effectiveness measures
- publicly reported performance information enhances public sector accountability and transparency.

### Background information

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Those charged with running public sector entities need regular access to a suite of both financial and non-financial information to manage their business, determine whether they are on track and take timely corrective action if needed. Public sector entities must report publicly on their performance as part of their accountability obligations, to demonstrate their effective stewardship and responsible use of taxpayer-funded resources.

In Queensland, public sector entities must comply with the requirements for monitoring and reporting non-financial performance information set down in legislation and in the Queensland Performance Management Framework (PMF). The objective of the PMF, introduced in 2008, is to improve the analysis and application of performance information to support accountability, inform policy development and implementation and create value for clients, stakeholders and the Queensland community.

### Conclusions

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While we support and commend the intent of the reform to the 2013–14 SDS, it has yet to deliver on its promise to support accountability and inform policy development and implementation. The service standards reported by the majority of departments and service areas fall well short of being direct measures of the efficiency or the effectiveness of the services they deliver.

The departments that have not implemented the PMF well lack a strong leadership focus on this area and have gaps in their organisational capacity and capability. Accordingly, their executives do not have sufficient, appropriate performance information about their cost-effectiveness; and cannot readily determine whether or how, they can improve their efficiency; nor can they discharge fully their public accountability obligations.

### Key findings on performance measures

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To meet the Department of the Premier and Cabinet (DPC) requirements, agencies were to publicly report at least one standard of efficiency and one standard of effectiveness for each service area. Service areas are related services grouped into a high level area, as deemed appropriate by the individual agency.

Key findings in assessing compliance with these requirements included:

- Departments report on the efficiency of the service areas less than they report on their effectiveness. While 31 service areas did not report effectiveness standards, 61 services areas, representing \$20.5 billion of public expenditure, had no efficiency standards in their SDS.
- Measures of stakeholder satisfaction were most often used as proxies for service effectiveness. While such measures provide useful information about the perceived quality of the services, they do not directly demonstrate that the service objective has been achieved.
- Significant scope remains to improve the expression of service area objectives. The stated objectives for 16 of 71 service areas were unclear; most often, they described activities or processes instead of the expected results or intended effects. This makes it difficult for stakeholders to assess whether outcomes are being achieved, reducing accountability.
- Some services in the 2013–14 SDS were grouped into service areas using organisational structures, rather than by logically combining interrelated services. This lack of a 'service logic' approach in these cases made it unclear how each of the disparate services, grouped into the one service area, contributed to the single service area objective or outcome.
- Not all the service standards in the 2013–14 SDS were relevant to the stated objective. This mismatch blurred accountability for performance, as it placed responsibility for achieving outcomes at the wrong organisational level.
- The deficiencies identified in public reporting by departments correlated strongly with weaker internal monitoring and reporting in these same departments. Of the 61 service areas in the SDS that do not report on efficiency, 59 service areas also do not report internal efficiency standards to departmental executive management. Internal reporting on effectiveness shows similar patterns; 28 of the 31 service areas not reporting publicly on effectiveness, also did not monitor it internally.
- The PMF is aligned to the national framework, Report on Government Services (ROGS) published annually by the Productivity Commission. Service areas that are required to report under the national ROGS performance indicator framework were more able to report a balance of efficiency and effectiveness standards in their SDS. Across the 71 service areas in the 2013–14 budget papers, 47 of the 61 (78 per cent) that did not report efficiency standards also do not report in ROGS.

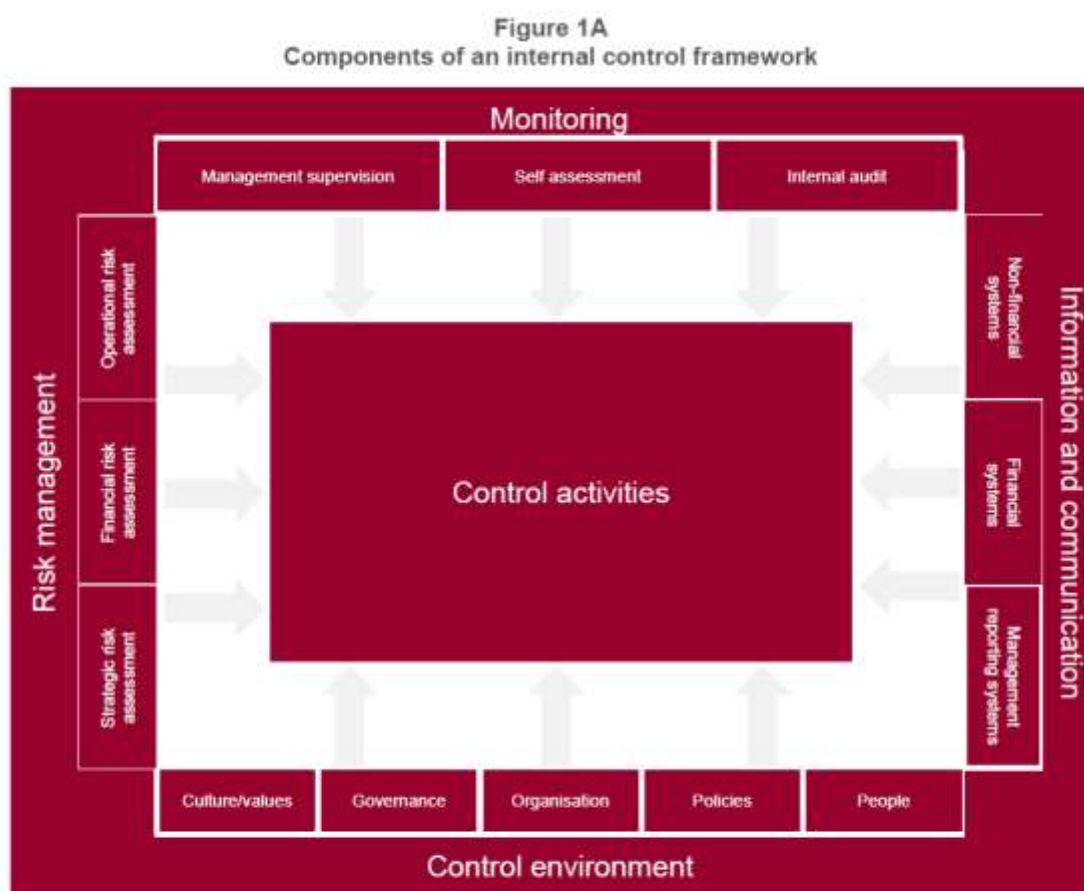
A full copy of the report is available at <https://www.qao.qld.gov.au/report-18--2013-14>

## Results of audits: internal control systems

Each year the Auditor-General reports to Parliament summarising the results of control evaluations and of selective testing of the financial reporting controls that operated within core government departments during the financial year. These reports also provide more detailed reporting on focussed reviews of selected areas of internal control.

In assessing internal control QAO uses a model adapted from *Internal Control: Integrated Framework—Committee of Sponsoring Organizations of the Treadway Commission, American Institute of Certified Public Accountants, 2011*. The use of this model is consistent with the requirements of Information Sheet 3.2 – *Internal Control Structure* in the Financial Accountability Handbook which need to be considered by departments and statutory bodies in designing their internal control structure.

This model identifies the components of an integrated internal control framework as follows:



Source: Queensland Audit Office adapted from *Internal Control: Integrated Framework—Committee of Sponsoring Organizations of the Treadway Commission, American Institute of Certified Public Accountants, 2011*

In Figure 1A the five core elements of an integrated system for control are:

- **control environment**—management’s actions, attitudes, policies and values that influence day to day operations. Control environment factors include management’s integrity and operating style; organisational culture and values, organisation structure and the assignment and delegation of authority; and processes for obtaining and developing qualified and skilled employees.
- **risk assessment**—management’s processes to consider risks to the achievement of the organisation’s objectives, forming a basis for how the risks should be managed.

- **control activities**—the policies and procedures implemented that help ensure management directives are carried out and that necessary actions are taken to address identified risks. Control activities operate at all levels and in all functions. They include activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, securing assets and segregation of incompatible duties.
- **information and communication**—the systems used to provide information in a form and time frame that allows employees to discharge their responsibilities; and the way that control responsibilities are communicated throughout the entity.
- **monitoring of controls**—the methods management employs to oversee and assess the operating effectiveness of control activities in practice. This may be achieved through ongoing supervision, periodic self assessments and separate evaluations.

In 2012-13 the reviews of selected areas of internal control focussed on monitoring controls and in particular:

- Chief finance officer certifications
- Internal audit
- Audit committee oversight

The results of these reviews were reported in Report to Parliament 6: 2013-14 - Results of audit: Internal control systems. <https://www.qao.qld.gov.au/report-14-:-2013-14>

In 2013-14 the reviews of selected areas of internal control focussed on risk assessment and financial delegations. The results of these reviews were reported in Report to Parliament 1: 2014-15 - Results of audits: Internal control systems 2013-14. <https://www.qao.qld.gov.au/report-1-:-2014-15>

The following sections provide a summary of the key findings from these reports

## Chief finance officer certification

The chief finance officer (CFO) is required by the FA Act to give a certificate each year to his or her Director-General that includes a statement about whether the department's financial internal controls are operating efficiently, effectively and economically. The form of this certificate is set out in the FPMS.

### Audit objectives and criteria

The objective this audit was to look beyond the certificate to establish the assumptions behind the CFO assurance statement and to gauge the level of assurance being provided to the Director-General about the efficient and effective operation of key financial internal controls. In forming a conclusion, the following aspects were assessed:

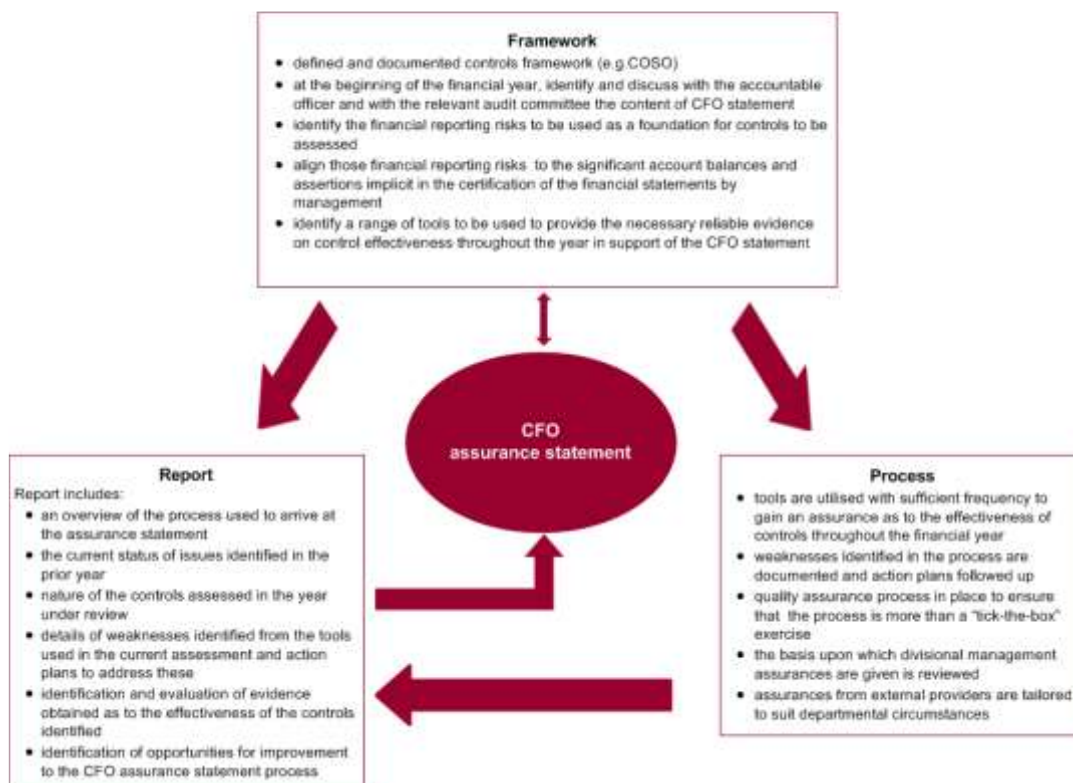
1. design—the risk and control assurance framework adopted
2. application—the implementation of the framework over the period
3. reporting—the form and content of the annual certification and supporting documentation.

These elements were assessed against the following criteria:

Element	Criteria
Design	There was a clear understanding at the beginning of the year between the Director-General and the CFO about the significant risks; the controls being examined; the approach to test these controls; and the desired level of assurance expected to be obtained from these tests
Application	There was sufficient and appropriate evidence obtained and documented to demonstrate that the controls were tested in operation throughout the year.
Reporting	The certificate provided was in the form required by the FAA and FPMS and the accompanying report contained reference to, or was supported by, the evidence obtained

### Better practice considerations

The report includes the following illustrative overview of a better practice CFO certification framework:



The report also includes a case study of better practice application.

## Conclusion

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Overall the audit identified that the CFO statements of assurance for most departments were underpinned by a robust framework, applied in a way that provides a high level of assurance about the operation of key financial controls during a financial year. Where lower levels of assurance were not made explicit in reporting, there was an increased risk of the Directors-General of departments having a false sense of comfort about the operational effectiveness of their internal financial controls.

## Areas of improvement

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The audit identified three areas in the design of CFO assurance frameworks that could be strengthened across departments:

- better documentation of the control assurance framework adopted and assessment of the framework
- better documentation of the consultation between the CFO and the Director-General or with the Audit Committee at the beginning of the year, and during the year, to clarify their assurance requirements and expectations
- better documentation of consideration of the risks of material error or fraud inherent in the financial statements to establish which financial controls are the most important and what level of comfort is required about the operating effectiveness of these key controls.

## Internal Audit

The FA Act requires the Director-General, as the accountable officer, to nominate a person to be responsible for the internal audit activities of the department. This person, the head of internal audit (HIA), is responsible for providing an assessment and evaluation of the effectiveness and efficiency of departmental financial and operational systems, reporting processes and risk management activities.

### Audit objectives and criteria

QAO examined internal audit effectiveness across all departments and assessed how internal audit functions compare against recognised better practice. To assess their effectiveness across the departments, QAO examined whether, during 2012–13, internal audit functions:

- were underpinned by sound operating principles
- were adequately resourced by professionally qualified and suitably experienced staff
- were planned well and completed their approved work programs as intended
- had sufficient coverage over high risk areas of fraud and information technology
- were rigorously evaluated.

### Better practice considerations

Area	Better practice considerations
Sound operating principles	<ul style="list-style-type: none"> <li>• a formal audit charter exists that clearly documents internal audit's role, responsibilities, authority, standards and accountabilities and defines the position of internal audit in the entity's governance framework</li> <li>• HIA is independent from operational functions and processes</li> <li>• HIA has a direct line of reporting to the Director-General</li> <li>• internal audit is not primarily responsible for the development of internal control processes or systems</li> <li>• HIA does not have management responsibilities in areas subject to audit</li> </ul>
Resourced by professionally qualified and suitably experienced staff	<ul style="list-style-type: none"> <li>• Internal audit has an adequate budget which allows for access to necessary skills and experience</li> <li>• internal auditors possess appropriate qualifications and audit experience e.g.               <ul style="list-style-type: none"> <li>- a member of the Institute of Internal Auditors (IIA) and/or holds an appropriate qualification conferred by a professional accounting body (ICAA, CPA Australia or IPA)</li> <li>- information systems auditors have Certified Information Systems Auditor (CISA) qualifications from ISACA</li> <li>- hold a university degree in a field relevant to their position</li> <li>- appropriate number of years of audit experience</li> </ul> </li> </ul>



Area	Better practice considerations
Audit planning	<ul style="list-style-type: none"> <li>• use of a robust audit planning process that aligns their focus and activities to the department's risks and priorities</li> <li>• plans are approved by the Director-General, based on the recommendation of the audit committee before the start of each year to which they relate</li> <li>• assessment, selection and ranking of potential audit topics is based on a wide range of factors and criteria including: <ul style="list-style-type: none"> <li>- risks identified in the department's risk management plans or risk register</li> <li>- the importance of the program or activity to the department's objectives</li> <li>- coverage to support external reporting obligations of the department</li> <li>- the potential or expected benefits of the audit</li> <li>- specific requests from management</li> <li>- findings from previous audits or reviews</li> <li>- relevant reports and recommendations from parliamentary committees</li> <li>- length of time since any previous internal or external audit</li> </ul> </li> </ul>
Evaluation of internal audit performance	<ul style="list-style-type: none"> <li>• the performance of internal audit is periodically assessed against key performance indicators (KPIs) including: <ul style="list-style-type: none"> <li>- cost of internal audits commensurate with the objectives or benefits of the audit</li> <li>- acceptance of recommendations made by internal audit</li> <li>- quality of internal audit services</li> <li>- stakeholder satisfaction</li> <li>- progress in delivery of the approved program</li> <li>- internal audit staff qualifications and professional development</li> <li>- internal audit staff satisfaction</li> <li>- overall contribution made by the internal audit function</li> </ul> </li> <li>• periodic external assessments of the internal audit function are conducted as required by the IIA's professional standards</li> <li>• recommendations of internal audit are agreed by management and implemented in the recommended time frames</li> </ul>

The report also included a case study on focusing internal audit to meet strategic objectives.

## Conclusion

The conceptual underpinnings required for effective internal audit functions are now in place in all departments. In principle, with these precursors in place, all internal audit functions should be operating effectively. In practice, internal audit functions at eleven departments require improvement.

## Areas of improvement

The audit identified a number of areas where some internal audit functions could be strengthened:

- under resourcing of internal function
- lack of independent external assessment of the internal audit function
- high number of outstanding high risk internal audit issues

## Audit Committees

The requirement to establish departmental audit committees is governed by the FPMS. Queensland Treasury and Trade also issues *Audit committee guidelines – improving accountability and performance* which combine best practice principles identified in both the public and private sectors.

An audit committee is recognised internationally as a key element of good governance; an effective audit committee provides a Director-General with added confidence in a department's financial reporting, internal controls, risk management, legislative compliance and audit functions.

### Audit objectives and criteria

The objective of the audit was to assess the effectiveness of audit committees, through the application and demonstration of the five key elements contained in the audit committee guidelines:

- operating principles
- committee structure
- key responsibilities
- relationship with audit
- proceedings.

### Better practice considerations

Area	Better practice considerations
Sound operating principles	<p>Audit committees should underpin their operations with:</p> <ul style="list-style-type: none"> <li>• an approved charter clearly documenting the committee's purpose, responsibilities, processes to perform responsibilities, committee membership and performance assessment</li> <li>• a comprehensive annual work plan outlining the activities that are to be covered at audit committee meetings during the year</li> </ul>
Committee structure	<p>Audit committees should comprise members with an appropriate mix of financial management and public sector governance experience, industry knowledge and the competency to oversee:</p> <ul style="list-style-type: none"> <li>• the design and operation of internal controls</li> <li>• financial statements and financial management</li> <li>• risk management strategies and plans</li> <li>• information systems and data security</li> <li>• strategies to limit fraud and misappropriation</li> <li>• compliance with legislation and key government policies</li> </ul>
Key responsibilities	<p>The key responsibilities of an audit committee should include:</p> <ul style="list-style-type: none"> <li>• reviewing management judgements included in financial statements (financial oversight)</li> <li>• reviewing the effectiveness of internal controls (internal controls)</li> <li>• monitoring the role and effectiveness of internal audit (internal audit)</li> <li>• reviewing and monitoring the external auditor's effectiveness (external audit)</li> <li>• reporting to the Director-General on how well the committee has fulfilled its responsibilities (self-assessment)</li> </ul>

Area	Better practice considerations
Relationship with audit	<p>The audit committee's role in monitoring and reviewing the effectiveness of internal and external audit should include:</p> <ul style="list-style-type: none"> <li>• reviewing the annual internal audit plan before the start of the financial year to which it relates</li> <li>• ensuring that management takes internal audit findings seriously and acts on the committee's recommendations</li> <li>• reviewing the external audit plan when it is available to understand the areas of financial risk and controls to be tested as part of the annual statutory financial statement audit</li> </ul>
Proceedings	<p>Effective audit committees depend on good planning and regular meetings including:</p> <ul style="list-style-type: none"> <li>• audit committees meet on a regular basis, but at least quarterly</li> <li>• meetings allow sufficient time to fulfil the key activities of the audit committee, including reviewing audit reports and financial statements</li> <li>• agenda items discussed at meetings are supported by briefing papers that outline matters for discussion clearly and concisely, including action required by the committee</li> </ul>

## Conclusion

Departmental audit committees have been established with comprehensive charters to govern their ongoing operations; they hold regular meetings to monitor the internal control environment; and they documented proceedings adequately. In principle, all the committees should be operating effectively. In practice, audit committee operations at six departments require improvement in their operating principles, committee structure and key responsibilities.

## Areas of improvement

The audit identified three areas where audit committee operations could be strengthened for some departments:

- lack of external members to the audit committee, including appointment of independent chairs
- the size of audit committees exceeded the maximum number of members recommended in the QTT guidelines
- long outstanding high risk internal audit issues

## Risk Management

The FA Act requires all accountable officers to establish and maintain appropriate systems of risk management. The FPMS prescribes that the agency’s risk management system must provide for:

- mitigating the risk to the department or statutory body and the state from unacceptable costs or losses associated with the operations of the department or statutory body
- managing the risks that may affect the ability of the department or statutory body to continue to provide government services

The use of a disciplined risk management framework strengthens an entity's ability to deal proactively with uncertainty. Used effectively to create a risk management culture, a risk management framework can maximise value for money in service delivery by avoiding or limiting effects on service objectives and by fostering innovation.

### Audit objectives and criteria

The objectives of this audit were to:

- assess the effectiveness of each entity's risk assessment processes
- examine each entity's risk registers to determine whether and how any risks identified could affect the risk of fraud or error in the financial statements

Effective risk assessment requires a robust, entity-level risk management framework that identifies, analyses, assesses, treats and monitors each type of risk. This needs to be done within a strategic context that ensures the number and types of risks facing an entity—both individually and as a whole—are managed to a level acceptable to the accountable officer.

In assessing the effectiveness of risk management framework’s and processes the following criteria were applied:

Element	Criteria
Risk frameworks:	<ul style="list-style-type: none"> <li>• risk management governance arrangements, policies and procedures are appropriate for the size of the entity and provide clear and comprehensive information and instructions to staff members to manage risk in their day to day activities, in a consistent manner, across all business areas in the entity</li> <li>• risk management is integrated with strategic and operational planning and is monitored through appropriate governance structures</li> <li>• risk appetite is established and clearly articulates risks acceptable to the entity</li> <li>• the risk management system is reviewed regularly so it remains appropriate and effective; and monitoring controls are established so management is informed about an entity's risk exposures and the effectiveness of its risk mitigation strategies to achieve its desired outcomes</li> <li>• risk management practices promote awareness and training in staff responsibilities to identify, report and manage risks and opportunities proactively, including contributing to the identification and management of whole-of-government risks</li> </ul>
Risk processes	<ul style="list-style-type: none"> <li>• risks are identified, assessed and evaluated</li> <li>• treatment strategies are developed to mitigate risks</li> <li>• risks and risk treatments are monitored, and regularly reviewed and updated</li> </ul>

## Better practice considerations

Area	Better practice considerations
Risk governance and accountability	<ul style="list-style-type: none"> <li>• governance arrangements should clearly define the accountabilities for strategic and operational risk management</li> <li>• clear leadership at the top to set the strategic context and monitor the overall risk management approach, supported by relevant reporting</li> <li>• all staff members should clearly understand their roles in identifying, assessing, treating, monitoring and reviewing risks</li> <li>• a centralised risk management function with adequate resources to implement, maintain and continuously improve the risk management framework on behalf of the entity</li> </ul>
Integration into planning process	<ul style="list-style-type: none"> <li>• risk analysis should be used as a planning input to help management determine the need for new strategies, initiatives or actions to achieve organisational objectives</li> </ul>
Risk appetite and risk tolerances	<ul style="list-style-type: none"> <li>• the entity's risk appetite should be established, as part of setting the organisational context within which risks are managed</li> <li>• risk tolerance levels are set that, when exceeded, require escalation to pre-determined higher levels of management</li> <li>• the risk appetite and tolerances should be expressed in a specific risk appetite statement (RAS) which should be:               <ul style="list-style-type: none"> <li>- Aligned—linked to the entity's mid and long term strategies</li> <li>- Complete—covers all fundamental risks in the agency risk profile</li> <li>- Measurable—contains a small number of succinct quantitative and qualitative statements used to define the risk that will or will not be assumed</li> <li>- Realistic—establishes a sufficient buffer between risk appetite and the entity's capacity to absorb risks/shocks and sets real boundaries that account for severe stress</li> </ul> </li> </ul>
Communications and staff training	<ul style="list-style-type: none"> <li>• a high level overview of risk management is provided as part of induction training</li> <li>• risk training needs analysis is completed after conducting an internal review of divisional risk management practices</li> <li>• risk training is recorded and monitored</li> <li>• risk information is communicated through management newsletters, a risk awareness and cultural programs and staff seminars</li> </ul>
Continuous improvement	<ul style="list-style-type: none"> <li>• risk management frameworks should be periodically reviewed to ensure they remain relevant to the changing needs of the entity</li> <li>• reviews of risk management frameworks should cover:               <ul style="list-style-type: none"> <li>- risk maturity</li> <li>- risk culture</li> <li>- risk registers</li> <li>- governance arrangements including risk management</li> </ul> </li> <li>• reviews are performed by independent experts</li> </ul>

Area	Better practice considerations
Risk identification	<ul style="list-style-type: none"> <li>• the risk identification process should consider sources of risks, their causes and their potential consequences</li> <li>• risk identification should be done systematically and include: <ul style="list-style-type: none"> <li>- 'top down'—starting with threats to the achievement of strategic and operation objectives</li> <li>- 'bottom up'—by considering risks associated with the nature of services delivered and the resources used in their delivery</li> </ul> </li> <li>• risk identification processes should be appropriately documented</li> </ul>
Risk analysis and evaluation	<ul style="list-style-type: none"> <li>• there is a clearly structured process in which likelihood, effect and proximity are considered for each risk</li> <li>• the effect criteria includes qualitative and quantitative measures that can be understood by staff and are easily measurable</li> <li>• the assessment of risk to monitor is recorded and risk priorities identified</li> <li>• the difference between inherent and residual risk and recording two separate assessments is clearly identified</li> </ul>
Risk treatments	<ul style="list-style-type: none"> <li>• risk treatment plans are required when the level of inherent risk is unacceptable and risk treatment is deemed necessary</li> <li>• actions within a risk treatment plan should ensure the residual risk is within the stated risk appetite of the entity</li> <li>• risk treatment plans should identify responsible owners, treatment actions and time frames, physical resources required and a cost-benefit analysis of the alternate treatments</li> <li>• regular reporting and monitoring of the status of approved treatments should be performed</li> <li>• risk indicators, with performance targets, should be used where possible</li> </ul>
Monitoring risks and risk treatments	<ul style="list-style-type: none"> <li>• systematic risk management reporting that periodically measures progress against, and deviation from, the risk management plan</li> </ul>

The report also includes a case study of better practice—QIC risk management monitoring and reporting.

## Conclusion

The risk management frameworks of the entities examined satisfy minimum requirements, as do their processes for identifying and assessing risks. However, risks and the treatments put in place to mitigate risks are not being reported nor actively monitored, reviewed and updated.

This means risk registers become exercises in form, not substance. This problem is compounded in entities where risk management has not been well integrated into their planning. Much more is required so that risk assessments feed into planning, rather than the other way around. Risk management is a dynamic process.

Queensland's change agenda has been clearly expressed; however, there is no whole-of-government risk appetite statement communicated by central agencies to departments and statutory bodies. Based on the amalgam of entities' risk appetites and tolerances, entities are accepting risks to a 'moderate' level. This level of risk may not be appropriate in an innovation context, and may not achieve cost efficiencies if risks are being overly controlled.

## Areas of improvement

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The audit identified three areas where risk management frameworks could be strengthened:

- improved integration of risk management with strategic and operational planning processes
- enhanced monitoring of risks including evidence that risks had been reviewed regularly; and governance committees receive an appropriate amount of information about the progress and effectiveness of new treatments to mitigate risks
- separate categorisation of cross-entity or whole-of-government risks in risk registers to enable a consistent and comprehensive assessment of strategic and operational risks across the public sector

## Financial Delegations

The accountable officer of a public sector entity is responsible for the efficient, effective and economical operation of their entity. To achieve this practically, these officers need to delegate certain functions or responsibilities to the entity's staff or staff in other entities.

The power to delegate is contained in enabling legislation for statutory bodies, the *Government Owned Corporations Act 1993* for public sector companies and the FA Act for departments. An accountable officer, statutory body or board cannot delegate functions or responsibilities unless specifically allowed under legislation.

The challenge for the accountable officer is to optimise financial delegations in a way that contributes to the entity's objectives, complies with legislative requirements and produces value for money.

### Audit objectives and criteria

The objective of this audit was to assess the basis and effectiveness of financial delegations including:

- the frameworks used to establish delegated authority over financial transactions
- how well delegated authority operated over the period
- the forms of monitoring and content of reviews over the exercise of authority

In assessing the basis and effectiveness of financial delegations the following criteria were applied:

- there is strong alignment between the financial delegations hierarchy and the organisational hierarchy of the entity
- financial delegates understand the limits of their authority related to their area of operation and the extent of freedom of action available to them
- officers exercise their delegated authority in accordance with their entity's policies and procedures
- there is a continuous flow of information between the delegator and financial delegates about the efficient and effective exercise of authority
- management reporting and monitoring controls are in place so delegations are used appropriately and in compliance with documented policies and procedures

### Better practice considerations

Area	Better practice considerations
Policies and procedures	<ul style="list-style-type: none"><li>• financial delegations are supported by an approved policy with an associated instrument of delegation</li><li>• the policy and instrument of delegations are reviewed on a regular basis</li><li>• the policy provides readers with a clear understanding as to the delegate's responsibilities and level of financial delegation authority</li><li>• the policy covers remediation or disciplinary action for noncompliance in conjunction with codes of conduct</li><li>• noncompliance is recorded and promptly addressed by management</li></ul>
Organisation structure alignment	<ul style="list-style-type: none"><li>• the framework is closely align to the entity's lines of managerial authority</li></ul>
Communication and training	<ul style="list-style-type: none"><li>• formal training is provided on commencement of a delegated position—whether permanent or temporary</li><li>• responsibilities are reinforced by regular training updates</li><li>• financial delegates are regularly surveyed to ensure they understand their position requirements</li></ul>



Area	Better practice considerations
Monitoring the delegation framework	<ul style="list-style-type: none"> <li>• the assignment of financial delegations is reviewed at least annually and updated more regularly as positions and the organisation structure changes</li> </ul>
Financial delegation limits	<ul style="list-style-type: none"> <li>• the instrument of delegation includes the following:               <ul style="list-style-type: none"> <li>- the delegation type</li> <li>- list of positions holding each delegation type</li> <li>- dollar or other thresholds for each delegation type</li> <li>- any restrictions/limits (if applicable) placed on individual delegates</li> </ul> </li> </ul>
Automating delegated approval and authorisation	<ul style="list-style-type: none"> <li>• greater reliance is placed on authorisations through information technology system instead of reliance on manual systems</li> </ul>
Monitoring the use of delegated authority	<ul style="list-style-type: none"> <li>• appropriate management reporting and other monitoring controls are implemented to ensure delegations are used appropriately and comply with documented policies and procedures</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• robust exception reporting is implemented to enable those charged with governance to determine the required responses to instances of noncompliance, including adjustments to the design of delegations or additional training e.g. use of a register to record delegation breaches</li> </ul>

The report also includes a case study on review of financial delegations.

## Conclusion

Financial delegations across the entities audited are well aligned with their organisational structures and the lines of authority to approve expenditure are articulated clearly.

The use of financial delegations were effective, in accordance with policies and procedures. Most delegates demonstrated an understanding of their limits of authority.

## Areas of improvement

The audit identified a number of areas where financial delegation frameworks could be strengthened:

- potential for increased use of IS systems for expenditure authorisations to improve the monitoring and review of financial delegations
- the most common reason identified for noncompliance with delegations included a lack of understanding of responsibilities, confusion over relieving arrangements or restructuring events

# Appendix C—Reference and Guidance Material

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## Queensland Treasury and Trade

The following documents are available on the QTT website <https://www.treasury.qld.gov.au/publications-resources>

- A Guide to Risk Management
- Establishment of Statutory Bodies — Considerations and contacts
- Information for Statutory Bodies — Overview of applicable legislation, policies and guidance documents
- Information for Statutory Bodies — Solvency
- Statutory Bodies Financial Arrangements Act 1982 Operational Guidelines
- Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies
- Company Financial Reporting in the Queensland Public Sector
- Project Commencement Approval policy
- Corporate Governance Guidelines for Government Owned Corporations

## Department of the Premier and Cabinet

The following documents are available on the Department of the Premier and Cabinet <http://www.premiers.qld.gov.au/publications>

- Welcome Aboard: A Guide for Members of Queensland Government Boards, Committees and Statutory Authorities
- Queensland Cabinet Handbook
- Queensland Ministerial Handbook
- Queensland Executive Council Handbook
- Queensland Legislation Handbook
- Code of Conduct for the Queensland Public Service

## Australian National Audit Office (ANAO)

The following documents are available on the ANAO website <http://www.anao.gov.au>

- Public Sector Governance Strengthening Performance Through Good Governance
- Public Sector Internal Audit An Investment in Assurance and Business Improvement

## Legislation

The following legislation can be accessed at <https://www.legislation.qld.gov.au>

- Auditor-General Act 2009
- Crime and Corruption Act 2001
- Constitution of Queensland 2001
- Financial Accountability Act 2009
- Financial and Performance Management Standard 2009
- Financial Accountability Regulation 2009
- Government Owned Corporations Act 1993
- Government Owned Corporations Regulation 2014
- Information Privacy Act 2009
- Integrity Act 2009
- Local Government Act 2009
- Local Government Regulation 2012

- Ombudsman Act 2001
- Parliament of Queensland Act 2001
- Public Interest Disclosure Act 2010
- Public Records Act 2002
- Public Sector Ethics Act 1994
- Public Sector Ethics Regulation 2010
- Public Service Act 2008
- Public Service Regulation 2008
- Right to Information Act 2009
- Public Records Regulation 2014
- Statutory Bodies Financial Arrangements Act 1982
- Statutory Bodies Financial Arrangements Regulation 2007