

Auditor-General of Queensland

Report to Parliament No. 7 for 2009

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

A Performance Management Systems Audit



Auditor-General of Queensland

Report to Parliament No. 7 for 2009
Follow-up on government owned
corporation and budget sector
performance measurement and reporting
A Performance Management Systems Audit



QUEENSLAND

Prepared under Part 3 Division 3 of the
Auditor-General Act 2009

© The State of Queensland. Queensland Audit Office (2009)

Copyright protects this publication except for purposes permitted by the Copyright Act. Reproduction by whatever means is prohibited without the prior written permission of the Auditor-General of Queensland. Reference to this document is permitted only with appropriate acknowledgement.

Queensland Audit Office
Central Plaza One
Floor 11, 345 Queen Street, Brisbane Qld 4000
GPO Box 1139, Brisbane Qld 4001
Telephone 07 3405 1100
Facsimile 07 3405 1111
Email enquiries@qao.qld.gov.au
Website www.qao.qld.gov.au

ISSN 1834-1136

Publications are available at www.qao.qld.gov.au or by telephone on (07) 3405 1100

Auditor-General of Queensland

September 2009

The Honourable J Mickel MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and covers the follow-up of government owned corporation and budget sector performance measurement and reporting. It is the seventh in the series of Auditor-General's Reports to Parliament for 2009.

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely



Glenn Poole
Auditor-General



Central Plaza One
Floor 11, 345 Queen Street, Brisbane Qld 4000
GPO Box 1139, Brisbane Qld 4001
Telephone 07 3405 1100
Facsimile 07 3405 1111
Email enquiries@qao.qld.gov.au
Website www.qao.qld.gov.au

Contents

1 Executive summary	1
1.1 Audit overview.....	1
1.2 Audit conclusion.....	1
1.3 Key findings.....	2
1.4 Implications.....	4
1.5 Recommendations.....	4
1.6 Response from entities.....	4
2 Audit focus	17
2.1 Reasons for the audit.....	17
2.2 Audit objective.....	18
2.3 Audit scope.....	18
2.4 Audit procedures.....	19
2.5 PMS audit approach.....	20
2.6 Public Accounts Committee inquiries.....	20
3 Follow-up on recommendations for the Treasury Department	23
3.1 Background.....	24
3.2 Overarching governance policy framework.....	24
3.3 Monitoring and assessing GOC performance.....	25
3.4 Timeliness of public reporting.....	27
3.5 Public accessibility and reporting of the Statement of Corporate Intent.....	28
4 Follow-up on recommendations for GOCs	33
4.1 Background.....	34
4.2 Governance framework.....	35
4.3 Systems.....	36
4.4 Reporting.....	38
4.5 Legislative compliance.....	42
4.6 Lack of formal follow-up processes.....	43
5 Follow-up on recommendations for departments	45
5.1 Introduction.....	46
5.2 Relevance and appropriateness.....	46
5.3 Fairly represents.....	47
5.4 Roles, responsibilities and accountabilities.....	48
5.5 Prescribed requirements.....	49
5.6 Guidance in presenting performance information.....	51
6 Appendices	53
6.1 Better practice.....	53
6.2 ASX Guidelines.....	53
6.3 OECD Guidelines on corporate governance of state-owned enterprises.....	54
7 Acronyms, glossary and references	59
7.1 Acronyms.....	59
7.2 Glossary.....	59
7.3 Websites.....	63
7.4 References.....	63
8 Auditor-General's reports	65
8.1 Tabled in 2009.....	65

1

Executive summary

1.1 Audit overview

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

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

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

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

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

The objective of this PMS audit is twofold:

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

1.2 Audit conclusion

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

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

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

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

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

1.3 Key findings

1.3.1 Follow-up on recommendations for the Treasury Department

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

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

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

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

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

1.3.2 Follow-up on recommendations for GOCs

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

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

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

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

1.3.3 Follow-up on recommendations for departments

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

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

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

- central agencies to provide guidance and support to ensure Annual Reports comply with prescribed requirements.

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

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

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

1.4 Implications

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

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

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

1.5 Recommendations

It is recommended that the Treasury Department develop:

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

1.6 Response from entities

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

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

1.6.1 Department of the Premier and Cabinet

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

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

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

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

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

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

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

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

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

1.6.2 Ergon Energy Corporation Limited

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

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

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

1.6.3 Queensland Rail

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

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

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

1.6.4 Treasury Department

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TREASURY RESPONSE TO RECOMMENDATIONS

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

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

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

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

TREASURY RESPONSE TO RECOMMENDATIONS

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

TREASURY RESPONSE TO RECOMMENDATIONS

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

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

7. *Development of GOC Valuation Models – Substantial work has progressed on these models and further work is continuing to ensure the models are a useful performance management tool for Treasury Department.*
8. *Revision of the ‘Guidelines for the Preparation of SCIs and Corporate Plans’ – This review could not commence until the quarterly reporting review was completed, but has now made substantial progress. The draft revised guidelines have been provided to the GOCs for consultation and it is anticipated the revised guidelines will be finalised by the end of the year.*
9. *Amendments to the Government Owned Corporations Act 1993 (GOC Act) to reflect changes required with the introduction of the Auditor-General Act 2009 and the requirement that annual reports be tabled by 30 September each year commencing from 2010 have been completed.*
10. *Development of an Overarching Policy Framework for GOCs – drafting commenced in mid-2009 and it is expected that consultation with the GOCs will commence in November 2009.*

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

1. *2006 amendments to the GOC Act through the Revenue and Other Legislation Amendment Bill 2006 to extend the mandate of the Queensland Auditor-General to provide for an independent assessment of the relevance of the published measures used by public sector entities to assess their performance.*
2. *2007 amendments to the GOC Act to overcome numerous inconsistencies with the application of the Corporations Act 2001 to company GOCs and statutory GOCs by abolishing statutory GOCs and converting them to company GOCs. The subsequent conversion of all statutory GOCs to company GOCs ensures all GOC entities are subject to regulation by the Australian Securities and Investments Commission and removes the potential conflict where the shareholders may previously also have acted as prosecutor. The amendments also improved and contemporised the corporate governance framework for the GOCs, streamlined administrative processes set out in the GOC Act and made consequential amendments to other related Acts.*
3. *2007 amendments to the GOC Act through the Financial Administration and Audit Act 1977 to reflect the amendment to the timeframe for the completion of Queensland public sector agencies’ audited financial statements and other amendments to improve the efficiency of processes.*
4. *2009 amendments to the GOC Act as a component of the creation of the Financial Accountability Act 2009 (FA Act) to update references to the FA Act and the GOC regulation, include a definition of a prescribed GOC subsidiary to remove confusion and remove the audit provision as it is now contained in the Auditor-General Act 2009.*

5. *'Corporate Governance Guidelines for Government Owned Corporations 2009' – the main changes to these guidelines reflect the changes to the 'ASX Corporate Governance Council's Corporate Governance Principles and Recommendations' and the addition of a new 'Code of Conduct and Conflicts of Interest Best Practice Guide for GOCs' (the best practice guide). The new best practice guide incorporated comments and suggestions from the Auditor-General.*
6. *The 'Code of Practice for GOCs' Financial Arrangements 2009' – the main changes to the code relate to the adoption of revised competitive neutrality fee arrangements which more closely reflect private sector practice.*
7. *Development of Employment and Industrial Relations Plans in GOCs – Guidelines 2008.*
8. *Corporate Entertainment and Hospitality Guidelines 2008.*
9. *Biannual Reporting: Guidelines for the Preparation of Interim Reports 2009.*
10. *GOC Air Travel Policy 2009.*
11. *Minimum Remuneration Disclosure Requirements 2009.*
12. *GOC Governance Arrangements for Chief and Senior Executives 2009.*
13. *Purchasing Carbon Offsets for Queensland Government Air Travel 2008.*
14. *Investment Guidelines for GOCs 2003 (updated thresholds in 2008).*
15. *QFleet ClimateSmart Policy 2008.*
16. *Local Industry Policy: A Fair Go for Local Industry 2007.*

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

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

TREASURY RESPONSE TO RECOMMENDATIONS

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

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

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

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

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

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

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

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

In Budget Paper 2, Treasury already includes a chapter on the public non-financial corporations (PNFC) sector, which contains information on the energy, transport and water sectors' actual prior year and estimated current and following year financial performance, issues affecting the whole GOC sector, key capital projects and issues affecting the performance of each GOC sector. However, in the future, Treasury may consider increasing the breadth of information provided in the PNFC sector chapter, in particular whether to include a review of the GOCs' prior-year performance.

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

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

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

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

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

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

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

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

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

1.6.5 Auditor-General's additional comment

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

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

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

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

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

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

2 Audit focus

2.1 Reasons for the audit

Complementing the new legislation released in 2009¹, is a new performance management framework (PMF) named, *A Guide to the Queensland Government Performance Management Framework*. It was developed to be applicable to departments from 2010-11.

The PMF is an organisational and accountability framework to Parliament and the community for executive government and departmental service delivery. It represents the whole delivery process; inputs, services and outcomes.

The PMF defines community outcomes to focus effort across the public sector in delivering services and appropriate results. It identifies the strategic points at which performance is measured and reported to Parliament and the community. The State introduced *Managing for Outcomes* in 1999 which was a significant move away from cash accounting to accrual based accounting. It establishes outputs (goods and services) with measures for assessing agency performance and whole-of-government outcomes for directing priorities in state spending.

Since 2005, a series of performance management systems (PMS) audits on PMFs and performance measurement reporting have been undertaken at individual departments. The Department of the Premier and Cabinet (DPC) and the Treasury Department have noted that the results of these audits have been a catalyst to enhance the PMF and reforms to legislation.

In 2006, a similar audit was undertaken on Government Owned Corporations (GOC) performance reporting. In a public inquiry on this audit report the Public Accounts Committee (PAC) made recommendations about the role of ministers:

- to encourage earlier tabling of Annual Reports
- to make Statements of Corporate Intent more accessible to Parliament and the public once tabled via websites
- to consider making biannual reports of progress publicly available.

In the response tabled by government to the PAC Inquiry Report, the Treasurer supported all recommendations.

¹ *Financial Accountability Act 2009*

The PAC recommended that Treasury Department develop guidance material on the current Financial Management Framework (FMF) to address the Auditor-General's recommendations and illustrate examples of better practice. The PAC also recommended that the Treasury Department provide training on the FMF and consider future roles for the newly established Public Service Commission. The tabled response by the Premier to indicated that DPC had now assumed this role with the development of new legislation and that all other PAC recommendations would be addressed.

2.2 Audit objective

The objective of this PMS audit was:

- of the six GOCs and Central agencies previously audited, to assess their achievements in implementing the audit recommendations contained in Auditor-General Report to Parliament No. 2 for 2006
- to assess the extent to which current reforms to legislation and the new PMF address audit recommendations made in Auditor-General's reports to Parliament since 2005 on performance management and reporting
- to identify better practice to illustrate how agency's performance management systems can transition to the PMF.

2.3 Audit scope

2.3.1 Auditor-General Report No 2 for 2006

Results of Performance Management Systems Audits of Government Owned Corporations' Performance Reporting

This follow-up Performance Management Systems (PMS) audit was conducted in the form of a questionnaire. Government Owned Corporations' (GOC) were to self-report their progress on the implementation of their respective recommendations. The self-reporting was subject to audit confirmation on a sample basis of Treasury Department, Ergon Energy Corporation Limited and Queensland Rail.

GOCs previously included in report No. 2 for 2006 were:

- Ergon Energy Corporation Limited
- Mackay Ports Limited²
- Port of Brisbane Corporation
- Powerlink Queensland
- Queensland Rail
- Stanwell Corporation Limited.

² 1 July 2009 - Mackay Ports Limited merged with other ports to form the North Queensland Bulk Ports Authority.

2.3.2 Follow-up of Auditor-General's reports on budget sector performance measurement and reporting

The PMF and changes to legislation were assessed against recommendations made in the following reports to Parliament tabled since 2005:

- Report No. 3 for 2005 - Results of Performance Management Systems Audits of Output Performance Reporting
- Report No. 5 for 2005 - Results of Performance Management Systems Audits of Output Performance Reporting - Phase 2
- Report No. 4 for 2007 - Are departmental performance measures relevant, appropriate and a fair representation of performance achievements?
- Report No. 1 for 2008 - Enhancing Accountability through Annual Reporting.

The scope of the audit covered the responsible Central agencies, principally DPC. Progress made by some individual agencies covered in previous reports was also used to support findings.

2.3.3 Criteria

In relation to GOC performance measurement and reporting systems, Audit assessed:

- whether the 2006 audit recommendations had been implemented
- whether GOC sector performance reporting was fairly represented and performance indicators were relevant and appropriate.

In relation to departmental performance measurement and reporting, the audit assessed to what extent the recent changes to legislation and the draft PMF address the audit recommendations made in the four departmental performance measurement reports tabled since 2005.

2.3.4 Fieldwork

Audit fieldwork was conducted from February to July 2009.

2.4 Audit procedures

Audit examined:

- literature and audit reports, including publications from Australian and international jurisdictions
- prior Auditor-General's reports on performance management systems
- self-assessments received from departments and GOCs on the status of implementation of prior audit recommendations
- systems and processes for measuring and reporting performance in government departments and GOCs, including frameworks and guidance
- the role of Parliament, the executive and Central agencies in performance measurement and reporting.

2.5 PMS audit approach

A PMS audit is an independent examination to determine whether an entity or part of an entity's activities have performance management systems in place to enable management to assess whether its objectives are being achieved economically, efficiently and effectively.

The legislative basis for this audit is the *Auditor-General Act 2009*. The Act prescribes that the Auditor-General may conduct an audit in the way the Auditor-General considers appropriate. While the Auditor-General takes note of the entity's perspective, the scope of a public sector audit is at the sole discretion of the Auditor-General.

While a PMS audit will not review or comment on government policy, it may extend to include a focus on the entity's performance measures and whether, in the Auditor-General's opinion, the performance measures are relevant, appropriate and fairly represent the entity's performance.

The intent of a PMS audit is to provide independent assurance to Parliament, and to act as a catalyst for adding value to the quality of public administration by assisting entities in the discharge of their governance obligations.

A PMS audit has a focus on ascertaining whether systems and controls used by management to monitor and measure performance, assist the entity in meeting its stewardship responsibilities.

2.6 Public Accounts Committee inquiries

In 2007, the PAC reported on their inquiries into two Auditor-General reports on performance reporting:

- Public Accounts Committee Report No. 76: Review of Auditor-General Report to Parliament No. 2 for 2006 - Results of Performance Management Systems Audit of Government Owned Corporations' Performance Reporting
- Public Accounts Committee Report No. 79: Inquiry into Auditor-General Report to Parliament No. 4 for 2007 - Are departmental output performance measures relevant, appropriate and a fair representation of performance achievements?

The PAC comments and further recommendations have been considered in this follow-up audit.

The audit found that the recommendations from PAC Report No. 79 have been implemented or are partially implemented. Further work planned by Treasury Department and DPC should address the remaining recommendations.

Of the 13 recommendations made in Auditor-General Report to Parliament No. 2 for 2006, PAC Report No. 76 focused on four audit recommendations that had wider implications for the entire GOC sector.

The PAC commented that while it did not entirely agree with all of the Auditor-General's recommendations, the following recommendations to improve the timeliness and accessibility of GOC performance reporting were made:

- the minister encourage GOCs to table their Annual Reports as early as practical
- the minister encourage GOCs to publish their Statements of Corporate Intent in a more accessible manner, e.g. by making the documents available on individual GOC websites once approved and tabled in Parliament
- Treasury Department consider the issue of biannual reporting of GOC performances as part of the review it is currently undertaking.

These recommendations have been implemented.

3

Follow-up on recommendations for the Treasury Department

Summary

Background

This section addresses progress made by the Treasury Department in implementing recommendations made in Auditor-General Report to Parliament No.2 for 2006 - Results of Performance Management Systems Audits of Government Owned Corporations Performance Reporting.

Key findings

The two original recommendations that have not been implemented both relate to transparency and disclosure:

- To publish parts of the Statement of Corporate Intent that are not commercial-in-confidence on the Government Owned Corporation (GOC) website at the beginning of the reporting period. Currently the Statement of Corporate Intent is published with the Annual Report.
- Disclosure of future targets and challenges for GOC objectives in the Statement of Corporate Intent and Annual Report.

Aspects of other recommendations still outstanding include:

- an overarching governance framework
- a publicly available aggregate Annual Report that reports exclusively on the performance of the GOC sector for target audiences of the Parliament and service users.

There has however been a welcomed introduction of biannual reporting and improvements to quarterly reporting. The first biannual report will be publicly available in February 2010. Quarterly reporting will be provided to shareholding ministers from the September 2009 quarter, but will not be publicly available.

3.1 Background

GOCs deliver a wide range of essential services to the public including energy and transport. Treasury Department reported that the net assets indicating the net value of all Queensland GOCs totalled \$16.3b as at 30 June 2008.

The Queensland public have a large investment in these corporations and subsequent interest in their service delivery. It is therefore important that systems are in place to monitor and report on GOC performance against expected outcomes.

The 2006 audit also identified a number of sector-wide matters that required collaboration between GOCs, Treasury Department and shareholding ministers for effective implementation.

The implementation of the sector-wide recommendations to enhance existing practices has been reviewed and the findings summarised in this section.

3.2 Overarching governance policy framework

2006 recommendation

QAO recommends further clarifying the roles, responsibilities and expectations of portfolio departments and Central agencies in relation to GOC performance information and monitoring. The development of an overarching policy document would assist stakeholders in the GOC sector in understanding and discharging their respective roles and responsibilities.

Treasury Department has not yet developed an overarching policy framework for GOC performance measurement and accountability. Current systems and procedures used to clarify roles and responsibilities regarding performance information and monitoring include a series of workshops with GOCs, a suite of stand-alone policy documents and maintenance of a GOC website.

Audit continues to see value in a single overarching policy framework that meets the requirements of generally accepted better practices in public sector corporate governance principles and performance reporting. As detailed in the 2006 report, the Organisation for Economic Co-operation and Development (OECD) issued *Guidelines on Corporate Governance of State Owned Enterprises*³ in 2005, (refer to Section 6 of this report). One of these guidelines is that for transparency and accountability purposes, the state requires the development and issue of an ownership and corporate governance policy. This policy will define the overall objectives of state ownership, the state's role in the corporate governance of GOCs and how it will implement its ownership policy.

³ OECD, *Guidelines on Corporate Governance of State-Owned Enterprises*, 2005, Principle II A.

This policy would provide Parliament and stakeholders with clarity of financial and non-financial accountabilities of the state's \$16.5b net investment in its GOC sector. It would also clearly document the governance arrangements regarding roles, responsibilities and expectations of the state (on behalf of the Queensland public) as owners of GOCs and provide a transparent and common understanding to Parliament, government, portfolio department's and shareholding ministers.

3.3 Monitoring and assessing GOC performance

2006 recommendations

To obtain a holistic view of GOC performance, stakeholders need a diverse range of information. QAO recommends enhancing the Central GOC performance monitoring and assessment framework by expanding the performance reporting requirements for GOCs to include:

- 1. A longer-term prospective view on how the entity will meet its growth targets and increase its economic value to its investors (including an analysis of performance against longer term targets) – Section 3.31.**
- 2. incorporating risk adjusted performance measures or similar in Statements of Corporate Intent to assist stakeholders in understanding shareholder value – Section 3.32.**
- 3. Disclosing in the Statement of Corporation Intent and Annual Report future targets and challenges for entity's performance objectives – Section 3.33.**

3.3.1 A longer term prospective view

This recommendation has been partially implemented. The performance monitoring and assessment framework for the GOC sector is focused on reporting against short-term annual indicators and targets included in the Statement of Corporate Intent. The Statement of Corporate Intent policy does not require longer term growth targets to be included in a GOCs Statement of Corporate Intent for regular monitoring of state investment in GOCs.

Performance reporting should include a longer-term prospective view on how the entity and sector will meet its growth targets and increase its economic value to its investors. This is crucial to an effective governance system for the State's investment in GOCs. The current focus of performance reporting and analysis is generally towards a 12 month horizon. Too much focus on short-term measures could undermine the long-term value of the investments made.

In a sample of the GOCs reviewed, annual performance indicators in the Statements of Corporate Intent have been transferred to Corporate Plans and five year targets for these indicators have been established. The Statement of Corporate Intent and Corporate Plans of GOCs are key accountability documents for ex-ante reporting of planned performance. However, Corporate Plans are deemed by GOCs to be commercial-in-confidence and are not made publicly available for Parliamentary scrutiny, debate and transparency for the individual GOC and sector.

3.3.2 Risk adjusted performance measures

This recommendation has been partially implemented. New performance indicators to be reported by energy GOCs from March 2009 include Earnings before Interest Dividends and Taxes and economic profit. Economic profit is a measure which includes allowances for notional tax and a charge for the cost of capital (reflecting national competition policy objectives). In the sample of GOCs, reviewed similar measures such as the Return on Invested Capital were also reported.

Other new performance indicators include safety indicators and specific indicators for generator, distributor and transmission GOCs. These will provide measures of added value to the Parliament, shareholding ministers and other stakeholders.

A Treasury Department review of Statement of Corporate Intent and Corporate Plan guidelines, currently underway, will provide an opportunity to consider longer term performance indicators and additional risk adjusted measures across all GOCs. Audit sees value in Treasury Department developing these indicators to allow some consistency in monitoring, reporting and evaluation process.

3.3.3 Disclosure of future targets

Treasury Department have not progressed the recommendation to disclose future targets and challenges for the GOCs performance objectives in the Statement of Corporate Intent and Annual Report.

Longer term targets are provided in GOC Corporate Plans, however as these are deemed to be commercial-in-confidence they are not available for Parliament, service users or other stakeholders to assess future directions. This ex-ante reporting is an expectation in a transparent and accountable PMF.

Audit sampled a selection of indicators for longer term targets provided in Corporate Plans, but did not find any that were publicly reported on.

Current Treasury Department guidelines do not provide guidance for longer term performance objectives, associated performance indicators, targets and performance reporting, monitoring and evaluation. There are also no formal systems in place at the Treasury Department for monitoring, reviewing and evaluating longer-term performance.

3.3.4 Aggregate reporting

The OECD guidelines provides a framework for the state to exercise its ownership rights centrally, be accountable to Parliament and publish annually an aggregate report on GOCs⁴. As the central policy body, Treasury Department should be accountable for setting up reporting systems for regular monitoring and assessment of individual and aggregate GOC sector performance and report this annually to Parliament.

Treasury Department's Annual Report does include information on the operations of the Office of Government Owned Corporations, such as scope and cost of activities. However it does not include the achievements of the GOCs.

⁴ OECD, Guidelines on Corporate Governance of State-Owned Enterprises, 2005, Principle II E and Principle V A.

Budget Paper No. 2 includes a section on the state's Public Non-Financial Corporations Sector (PNFCS), which encapsulates the GOC sector. This identifies the budget impacts of this sector on the State Budget, focusing on revenue (dividends), tax equivalent payments, asset sales and capital requirements. Similarly the *Consolidated Whole-of-Government Finances Report* includes the actual revenues, expenses, cash flows and balance sheet of the PNFCS to the state's accounts for the period.

However the OECD guidelines on transparency and disclosure state that "*The co-ordinating or ownership entity should develop consistent and aggregate reporting on state-owned enterprises and publish annually an aggregate report on SOEs*".

Audit would therefore expect to see a publicly available Annual Report that reports exclusively on the performance of the GOC sector for target audiences of the Parliament and service users.

As a minimum, the aggregate performance report would report against clear and measurable objectives, including statutory objectives, as defined in an overarching GOC policy framework. The report should include outcomes, long and short term performance measures and targets for the GOC sector as a whole, and for relevant industries such the energy, transport and water sectors.

3.4 Timeliness of public reporting

2006 recommendation

QAO recommends reducing the time between the audit certification of the financial statements and the tabling of the Annual Report to maximise the relevance of information disclosed.

Annual Reports are currently tabled in Parliament on average four months after the end of the financial year and more than six weeks after audit certification of the financial statements. Information disclosed in an annual report is more relevant if it is presented as soon as possible after the end of the period to which it refers.

This recommendation has been partially implemented. In May 2007, Treasury Department wrote to GOCs to strongly encourage them to consider earlier preparation and tabling of Annual Reports in the interest of timely, better practice reporting. A review of Annual Reports prepared by GOCs found they were submitted to their shareholding ministers within a matter of weeks of the financial statements certification. Audit certification of the financial statements now occurs approximately eight weeks before tabling by the shareholders minister as shown in Table 3A.

Of the six GOCs reviewed, three tabled their 2007-08 Annual Reports earlier than the previous year. However, most reports continue to be tabled close to the end of the time limit set by legislation.

In April 2009, amendments were passed by Parliament altering provisions of the *Government Owned Corporations Act 1993* and the application of the *Government Owned Corporations Regulation 2004*. The regulation will require tabling of GOC Annual Reports by 30 September each year from 2010.

Table 3A : 2006-07 and 2007-08 GOC Annual Report tabling dates

GOC	Financial statements certification 2006-07	Date 2006-07 Annual Report tabled	Financial statements certification 2007-08	Date 2007-08 Annual Report tabled
Ergon Corporation Annual Report *	18.9.2007	29.10.2007	21.8.2008	31.10.2008
Ergon Corporation Annual Stakeholder Report*		"		31.10.2008
QR Limited Annual Report#*	26.9.2007	14.11.2007	28.8.2008	31.10.2008
QR Limited Financial Report*		"		31.10.2008
Mackay Ports Limited Annual Report	4.9.2007	14.11.2007	29.8.2008	07.11.2008
Port of Brisbane	28.9.2007	14.11.2007	31.8.2008	31.10.2008
Powerlink Queensland Annual Report	21.9.2007	29.10.2007	28.8.2008	31.10.2008
Stanwell Corporation	29.8.2007	29.10.2007	28.8.2008	31.10.2008

* Both Ergon and QR split their Annual Reports in 2007-08 to provide a general report and a financial statement report.

QR Limited reports in 2006-07 were titled Queensland Rail.

3.5 Public accessibility and reporting of the Statement of Corporate Intent

2006 recommendation

To bring the GOCs towards the disclosure needs of publicly listed companies, QAO recommends improving the reporting of the Statement of Corporate Intent and public accessibility to such reports by:

1. Improving the timing of disclosure of the Statement of Corporate Intent, by publishing non commercial-in-confidence aspects of the Statement of Corporate Intent on the GOC website at the beginning of the period – Section 3.5.1.
2. Improving the relevance of the information by disclosing the GOC's tracking of performance against objectives on at least a half yearly basis – Section 3.5.2.
3. Providing access to the Statement of Corporate Intent in addition to the Parliament's Tabling Office, e.g. publishing the Statement of Corporate Intent on individual GOCs' websites once approved and tabled in Parliament.
4. Specify in GOC Statements of Corporate Intent the performance information to be included in quarterly reports to the Minister.

3.5.1 Timing of disclosure of the Statement of Corporate Intent

This recommendation had not been implemented to date.

In the Public Accounts Committee (PAC) Report No. 76, August 2007, the PAC commented that they were not convinced that the Statement of Corporate Intent should be available at the start of the period. However, the PAC also commented that consideration should be given to improving performance reporting in line with public expectation.

Audit's view continues to be that transparency of government decision making and the legitimate interest of Parliament and taxpayers as owners of the GOC would be better served by tabling plans and forecasts in Parliament for public scrutiny at the commencement of the period to which they relate.

Audit reviewed the Statements of Corporate Intent for a number of GOCs. A comparison was made between the Statement of Corporate Intent developed at the beginning of the period but not made public, and those tabled at the end of the period with the Annual Report.

Audit observed that there was minimal information removed for reasons of commercial-in-confidence in the version made public. This highlights that there is scope for more of this information to be provided at the beginning of the period without impacting on commercial considerations of the GOCs concerned.

Audit consider that a document, similar to a Corporate Plan, could be provided to Parliament and other users for scrutiny. This publication could include the objectives, associated relevant performance measures, targets and information on past performance. Targets deemed as commercial-in-confidence could be omitted, or a target range be provided, rather than the agreed target in the Statement of Corporate Intent.

The performance expectations established by government for the state's \$16.3b net investment in GOCs should be transparent to Parliament and external stakeholders. This would make it more meaningful if highlighting directions, performance indicators and target ranges where applicable, at the beginning of the period. These plans would provide Parliament with clarity over expected performance and provide a basis for assessing achievements and accountability at the end of the period. This would also enable timely assessment of progress against known plans and targets.

A failure to provide outlines of plans and performance expectations for Parliament to scrutinise in their stewardship role on behalf of the community means that there is effectively no performance management and accountability framework in place.

3.5.2 Biannual reporting

This recommendation has been partially accepted and implemented.

The Treasurer has released guidelines for preparing interim reports, effective from 1 July 2009. Consultation with stakeholders on the proposed process has occurred and is expected to commence for the 2009-10 financial year.

Treasury Department anticipate that the first biannual reporting will be available in February 2010, reporting on the six months ending December 2009. The proposed biannual reporting will not be tabled in Parliament, but will be made available on the GOCs website. Treasury Department have determined that presentation of mid-year financial information will not be prepared and audited according to current Australian accounting standards for biannual reporting.

Whilst acknowledging the proposed reporting will provide Parliament and stakeholders with more timely information on which to assess financial and non financial performance of GOCs, audited half yearly financial statements would provide additional assurance and information over financial performance comparable to their competitors. Biannual reporting should be tabled in Parliament.

This performance information will be of limited value without the prior publication of the Statement of Corporate Intent which provides information on the GOCs plans, objectives, performance indicators and targets to assess the reported results against.

3.5.3 Publishing the Statement of Corporate Intent on websites

This recommendation has been implemented.

Shareholding ministers wrote to GOCs in February 2008 requesting that they publish their amended and tabled Statements of Corporate Intent and Annual Reports annually on their websites. Audit found that with the exception of one GOC, all 2007-08 Statements of Corporate Intent had been posted to GOC websites after the end of the year and tabling of their Annual Report.

3.5.4 Performance information in quarterly reports to the Minister

Although current requirements include quarterly breakdowns of key financial and non financial indicators, Treasury Department advised they will consider additional guidance regarding performance reporting in the current review of Statement of Corporate Intent guidelines.

Consideration should be given to identify in the Statement of Corporate Intents which performance indicators will form the basis for comparison in the quarterly reports as well as other quarterly information required.

3.5.5 Commercial-in-confidence and right to Information

Public accountability requires transparency in the reporting of performance information. Government considers there needs to be a balance between protecting commercial interests and ensuring transparency of operations of GOCs.

In 2002, the then Auditor-General found there were 'no specific guidelines in place to determine what material should appropriately be classified as commercial-in-confidence in any formal sense and thereby restricting public disclosure'⁵. The PAC examined this issue and in their Report No. 61 (November 2002) recommended that the Premier direct all public sector entities, through the appropriate minister, to develop and adopt guidelines in relation to commercial-in-confidence consistent with the following principles:

- information should be publicly available
- accountability and public interest should prevail
- commercial sensitivity of information decays with time
- commercial-in-confidence clauses should be specifically tailored for each contract
- there is a cost to maintaining confidentiality.

The PAC report was not accepted by government as noted in an extract from Hansard on 3 December 2002, '*Clearly the approach recommended by the committee (PAC) would not be in the public interest and will not be implemented.*'⁶

More recently, the *Right to Information Act 2009* replaced the *Freedom of Information Act 1992* and is part of a broader 'push' model of proactive and routine release of information by the government.

The *Right to Information Act 2009* includes GOCs, however, there are a number of exemptions relating to functions of electricity generation companies; the trading activities of Ergon Energy, Queensland Investment Corporation and Queensland Rail's competitive commercial activities. The Act also provides for the non-disclosure of information where it is considered to be contrary to the public interest.

With the government's announced GOC asset sales governed by the *Investment Infrastructure (Asset Restructuring and Disposal) Act 2009*, further provisions for classification of GOC information as commercial-in-confidence have been extended, in preparing the assets for sale.

However, non-disclosure of information on the basis of commercial confidentiality, needs to be balanced against the prime consideration for transparent performance reporting and accountability to Parliament for the use of public funds.

⁵ Auditor-General of Queensland, Auditor-General's Report No. 2 2000-2001. Section 8.1.

⁶ Queensland Parliament, Legislative Assembly, Hansard, Hon. P. D. Beattie, page 5187, 3 December 2002.

4 Follow-up on recommendations for GOCs

Summary

Background

This section addresses progress made by audited Government Owned Corporations (GOCs) in implementing recommendations made in Auditor-General Report to Parliament No 2 for 2006 - Results of Performance Management Systems Audits of Government Owned Corporations Performance Reporting.

Key findings

In relation to performance measurement and reporting at GOCs the following are noted:

- a lack of clear and measurable objectives that comprehensively address the material aspects of the GOCs purpose and operations
- confidentiality of plans such as the Statements of Corporate Intent of GOCs renders many performance indicators less relevant to users at the end of the period
- longer term performance indicators or future targets for individual GOCs are not publicly disclosed
- poor systems of internal control over performance information would question the reliability of performance information presented
- not possible to form an opinion on fairly representing performance as performance indicators are not considered relevant or appropriate, and systems of internal control are not in place to ensure reliability of information presented
- disclosure of the GOCs Statements of Corporate Intent continues to be delayed until after the end of the financial year
- there has been a welcomed introduction of biannual reporting and improvements to quarterly reporting.

4.1 Background

Auditor-General Report to Parliament No 2 for 2006 - Results of Performance Management Systems (PMS) audits of Government Owned Corporations' (GOC) Performance Reporting included the audit of performance frameworks, systems and performance reporting at six GOCs. These GOCs were the Mackay Port Authority (now part of North Queensland Bulk Ports Corporation), Port of Brisbane, Ergon Energy Corporation Limited, Powerlink, Stanwell and Queensland Rail (QR).

The audit found that the GOCs generally complied with the policy and legislative requirements relating to performance reporting in the *Government Owned Corporations Act 1993* and other applicable legislation. The audit identified improvement opportunities at the GOC level, some of which had application across the sector and included improved reporting of performance information in the Annual Report.

Where improvement opportunities were identified at four or more of these agencies, audit classified the area as a significant improvement opportunity area.

The previous audit reported on the legislative compliance of GOCs in performance reporting.

The individual GOC recommendations were followed up through self assessment by all six GOCs and a detailed audit follow-up was performed at two selected corporations previously audited, Ergon Energy Corporation Limited and QR.

This section summarises the findings from the follow-up of individual GOCs. Comments made on entities not subject to detailed follow-up are based on the responses provided by the GOCs and have not been validated.

4.2 Governance framework

A robust performance measurement governance framework includes having in place an established structure that fits within the framework of Queensland Government's ambitions and whole-of-government priorities. It supports the Statement of Corporate Intent, corporate and operational plans of the GOC.

The results of the follow-up and self-assessment by GOCs are outlined in Figure 4A:

Figure 4A : Audit findings – performance measurement frameworks

Attributes assessed	2006		2009		
	QAO assessment	No. of GOCs with recs	Number implemented	Number part implemented	Number not implemented
Clearly defined roles, responsibilities and accountabilities for performance measurement and reporting.	Improvement opportunity	2	1	1	--
Well documented data quality standards and expectations for performance information set and clearly communicated across the entity.	Improvement opportunity	2	--	2	--
Monitoring and quality assurance procedures for performance information in place to enable assessment of an entity's financial and non-financial performance.	Significant improvement opportunity	4	2	1	1
Integrated internal management reporting processes and accountabilities with reporting of performance information to stakeholders.	Improvement opportunity	2	--	1	1

In most cases GOCs have accepted the recommendations in these areas and have implemented or partially implemented them.

One GOC rejected the specific recommendations under the monitoring and quality assurance and the integrated internal management reporting attributes criteria.

4.2.1 Significant improvement opportunity - monitoring and quality assurance

A 2006 recommendation required GOCs to conduct periodic independent quality assurance reviews over performance information to provide their management and Board with confidence on the completeness, accuracy and relevance of the organisation's performance information.

One GOC selected for detailed review had partially implemented each of the sub-recommendations made in 2006, however the GOC advised audit that these recommendations will not be fully implemented until late 2010. To fully implement previous recommendations, the GOC advised further actions anticipated:

- a formal documented policy for planning and reporting performance indicators
- regular internal audit coverage of this area.

Audit noted that the quality assurance checks of performance reports were not formally evidenced and not all performance reports had been retained for review. Audit also noted that although Treasury Department performed annual reviews of GOC performance indicators, the GOC does not appear to have an independent annual review process in place for its objectives and development of relevant and appropriate performance indicators to fairly represent performance achievement.

4.3 Systems

An effective system of procedures and practices which facilitates the collection and analysis of performance information increases the reliability of management information used by GOCs for decision-making purposes.

The results of the follow-up and self-assessment by GOCs are outlined in Figure 4B:

Figure 4B : Audit findings – performance measurement systems

Attributes assessed	2006		2009		
	QAO assessment	No. of GOCs with rec's	Number implemented	Number part implemented	Number not implemented
Data assurance arrangements for performance information including key performance measures defined, and adequate documentation and clear management trails of data sources, collection methods, methods of measurement and data quality risks.	Significant improvement opportunity	5	2	2	1
Approved costing methodologies, supported by appropriate assumptions and adequate documentation.	Improvement opportunity	3	1	1	1
Controls established over data collection and processing to ensure the accuracy, completeness and reliability of performance information, including input, validation and monitoring controls.	Well managed	0	--	--	--
Processes for the ongoing analysis and evaluation of performance information and measures including variance analysis of results and progress to date against targets.	Well managed	1	--	1	--

GOCs have in most cases accepted the recommendations in these areas and have implemented or partially implemented them.

One GOC has rejected the specific recommendations regarding costing methodologies.

The GOC not implementing the data assurance recommendations ceased to exist as a separate entity as from 1 July 2009.

4.3.1 Significant improvement opportunity – data assurance arrangements

The 2006 report recommended that GOCs develop suitable data assurance arrangements for performance indicators, such as centrally documenting data definitions and collection methods in a performance indicators dictionary, or similar. This is to ensure consistent measurement and reporting across the GOC. The documentation creates a point of internal control and improves the quality of data being used for internal decision-making and reporting to Parliament, shareholding ministers, and stakeholders. This is a critical system requirement for determining if performance information is fairly represented in Annual Reports and other publications.

Half of the previously audited GOCs still require data assurance arrangements to be put in place.

Two GOCs selected for detailed review had previous recommendations in this area. Both had partially implemented each of the recommendations made in 2006. To fully implement recommendations, one GOC advised further actions anticipated:

- ensuring policy and procedure manuals cover the collation and maintenance of performance information and its analysis and evaluation are completed
- ensuring standard definition documents for all performance indicators are completed.

4.4 Reporting

Appropriate performance reporting, based on good quality performance information, allows Parliament, service users and the community to determine if GOCs are performing in accordance with their set objectives and in the public interests of the state. The results of the follow-up and self-assessment by GOCs are outlined in Figure 4C:

Figure 4C : Audit findings – performance measurement reporting

Attributes assessed	2006		2009		
	QAO assessment	No. of GOCs with recs	Number implemented	Number part implemented	Number not implemented
An adequate management trail to support performance information in the Statement of Corporate Intent, quarterly reports to shareholding Ministers and the Annual Report.	Well managed	2	1	--	1
Fair presentation of performance information to stakeholders including accompanying notes explaining the context, variances and any limitations in the data reported.	Significant improvement opportunity	5	1	2	2
Adequate linkages and alignment of all performance information reported to stakeholders.	Well managed	1	--	--	1

In most cases GOCs have accepted the recommendations in these areas and have implemented or partially implemented them.

Two GOCs have reported that no further action will be taken on the recommendations made to them on fair presentation of performance information.

One GOC will take no further action on the recommendation on adequate linkages and alignment of performance information.

The GOC not implementing the recommendation concerning an adequate management trail to support performance information disclosures, has ceased to exist as a separate entity as from 1 July 2009.

4.4.1 Significant improvement opportunity – fair presentation of performance information

The 2006 audit recommendations were that GOCs provide more detailed analysis of performance information when reporting to stakeholders:

- explanation of both positive and negative variances between target and actual performance
- performance trends over time
- sources of data and how Key Performance Indicators (KPIs) were derived
- rationale for selecting indicators
- changes to indicators between reporting periods and
- describing any independent assurance obtained over the reported performance indicators.

A recommendation at one GOC selected for detailed follow-up was to include in its Annual Report, actual year end performance against its performance targets contained in its Statement of Corporate Intent. Audit found that the GOC has continued to report actual performance only, with no reference to the performance target approved by the shareholding minister. The GOC provides limited commentary and analysis of these results, and without reference to the target level of performance expected, renders the performance assessment of little relevance to Parliament and service users. This GOC has not implemented this recommendation but believes it complies with legislative and Treasury Department requirements.

Recent reforms to the *Government Owned Corporation Act 1993* have increased the requirement for disclosure of performance information in Annual Reports of GOCs. The Act requires reports upon operations of the GOC and its subsidiaries, including a comparison of the performance with the GOCs Statement of Corporate Intent⁷. Previously, prescribed requirements for Annual Reports of GOCs provided exemptions from disclosure requirements via the *Financial Management Standard 1997*⁸. This included exemptions from disclosing performance against corporate objectives, operations and statutory powers. The legislation provides the minimum requirements for disclosure of performance information. GOCs should strive to meet better practice principles in response to public expectations for good stewardship of public funds and open accountability.

⁷ Section 120(1)(a) *Government Owned Corporations Act 1993*

⁸ Section 95(2) *Financial Management Standard 1997*

4.4.2 Relevance and appropriateness of performance indicators

In 2006, Parliament expanded the Performance Management Systems (PMS) audit mandate to include whether, in the Auditor-General's opinion, the performance measures are relevant and otherwise appropriate, having regard to their purpose and fairly represent the public sector entity's performance.

For performance indicators to be relevant, each GOC should have clear and measurable objectives to establish a concept of what was planned to be achieved. Flowing from the corporate objectives, the performance indicators would:

- demonstrate the contribution made to the achievement of the GOCs corporate objectives and government outcomes
- be relevant to the people and GOC producing the indicators
- be relevant to the end-user and for the intended purpose
- comprehensively address the key material aspects of the GOCs purpose, services and related key activities.

For appropriateness, Audit expected the performance indicators would provide sufficient information to assess the extent to which the GOC has achieved a predetermined target, goal or outcome, by reference to:

- a balanced view of economy, efficiency, effectiveness, quantity, quality, timeliness and cost
- trend data which explains performance over time
- corresponding targets and goals and objectives which identify the performance to be reached within a set timeframe
- performance relative to that of similar GOCs in other jurisdictions and private sector competitors.

Audit findings are based on an analysis of GOC accountability documents, namely Corporate Plans, Statements of Corporate Intent and Annual Reports for the 2007-08 financial year.

Audit found the GOCs have some way to go to meet the above requirements. Across the five GOCs, some GOCs performance indicators are not relevant and/or appropriate. Reasons for this include:

- Most GOCs do not have a suite of clear and measurable objectives that comprehensively address the material aspects of the GOCs purpose and operations.
- Corporate Plans and Statements of Corporate Intent of GOCs are claimed to be commercial-in-confidence and not publicly available for Parliament to scrutinise prior to commitment of public monies and resources. The relevance of the objectives, strategies and associated performance indicators cannot therefore be scrutinised or discussed by Parliament and the end users.
- There is limited use of trend data to explain performance of a KPI over time.
- There is no alignment to whole-of-government outcomes or the longer term targets contained in Corporate Plans.
- Some GOCs do not disclose in the Annual Report current year performance targets from their Statement of Corporate Intent to explain whether their performance is above or below the target.

- There is limited or no explanation of variances of the performance results against established targets where they are included.
- There is limited use of benchmarking with other industry sector competitors.
- Future plans and their associated performance targets of GOCs are not disclosed in Annual Reports to put the performance analysis in context.

4.4.3 Fairly represents GOC performance

To fairly represent GOC performance, information must include performance indicators that relate to the achievement of the GOCs objectives, be consistent in all public documents reporting the information and clearly explain the context, meaning and any limitations in the indicators reported.

Audit expected to find:

- reported performance indicators that are relevant and appropriate to users
- a report on the actual performance disclosed in the GOCs Annual Report which aligns with the KPIs and targets contained in the Statement of Corporate Intent and Corporate Plan
- data assurance processes and calculations involved in reporting each indicator being clearly documented as a basis of a system of internal control
- monitoring and quality assurance procedures in place to ensure the reliability of reported performance information
- continuing analysis and formal evaluation of performance information and indicators including variance analysis of results and progress to date
- notes on performance indicators clearly explaining the context, meaning and limitations of the indicators reported and following statistical standards and conventions.

Overall it would be difficult to provide an audit opinion that all GOCs fairly represented their performance. Audit found that:

- not all performance indicators are relevant or appropriate
- reporting on KPIs while thorough, was not always aligned with KPIs contained in the Corporate Plan or Statement of Corporate Intent
- some GOCs are yet to document a system of internal control over performance information including data assurance arrangements, controls over data collection and processing, and monitoring and quality assurance procedures
- limited analysis and explanation of variances in performance was provided in the Annual Report
- the basis of the performance indicators, their purpose and calculation is not always clearly documented in performance measurement dictionary's or equivalent policy documents to provide assurance on the reliability of the performance result and an environment for an effective system of internal controls to operate.

Amendments to the GOC Act introduced with the repeal of the former legislation now provide no exemption to the disclosure requirements of GOC Annual Reports.

4.5 Legislative compliance

Figure 4D : 2006 Audit findings – legislative compliance

Mechanisms assessed	Number of GOCs demonstrating overall compliance	Sector-wide improvement opportunities identified
Preparation of strategic and planning documents, including the Statement of Corporate Intent and Corporate Plan	6	--
Quarterly reporting on the performance of the organisation to shareholding Ministers.	6	--
Public reporting of the Statement of Corporate Intent, particularly in the Annual Report.	3	✓
Preparation and tabling of the Annual Report.	5	✓

* Minor individual improvement opportunities identified for some Government Owned Corporations.

In 2006, audit found that the sampled GOCs were generally compliant with the requirements of the *Government Owned Corporation Act 1993*. For legislative compliance, Audit recommended that GOCs disclose the following matters in the Annual Report, the Statement of Corporate Intent or a summary of the Statement of Corporate Intent:

- the key performance objectives and targets relating to the period
- a comparison of the actual performance of the GOC to the key performance targets, including suitable explanations for key variances.

This is a critical area to ensure that Parliament, service users and the community can clearly assess the GOCs performance by comparing actual results against planned targets.

In relation to recommendations under public reporting of the Statement of Corporate Intent, GOCs reported that the audit recommendations had been implemented. At one GOC, Audit found that the Annual Report did not include a comparison of the performance of the GOC and its subsidiaries with the planned targets contained in the GOCs Statement of Corporate Intent. Audit recommended that the entity should consider a checklist or similar procedures in the annual reporting process to ensure all legislative requirements are met.

4.6 Lack of formal follow-up processes

The number of Central agency and GOC recommendations still to be implemented, emphasised the need for a more formal process to follow-up PMS audit recommendations made to Parliament.

With the exception of one GOC, the 2006 PMS audit recommendations were not referred to, or monitored by GOC audit committees. There were no other formal systems in place to monitor the implementation of the audit recommendations. Audit committees regularly monitor the implementation of internal audit and QAO's financial audit recommendations and similar monitoring of PMS audit recommendations is required.

Given the value of independent review and the commitment made by GOC boards and Chief Executive Officers (CEOs) to implement PMS audit recommendations, it is essential that GOCs have in place an effective method of monitoring implementation. Further, the boards and CEOs need to be assured that the action taken effectively and efficiently addresses recommendations and findings from PMS audits.

5

Follow-up on recommendations for departments

Summary

Background

This section reports on the extent to which current reforms to legislation and the new Performance Management Framework (PMF) address audit recommendations made in Auditor-General's reports to Parliament since 2005 on performance management and reporting.

Key findings

- Policy guidance and requirements produced by the Department of the Premier and Cabinet (DPC) meet most of the previous audit recommendations, namely:
 - the requirement for the setting of objectives for outputs and services and alignment to strategic plans and whole-of-government priorities is addressed in the policy
 - completeness in reporting Service Delivery Statements (SDS) performance indicators in Annual Reports is documented in policy
 - use of evaluation as a formal means of performance review
 - need for continuous improvement in reporting on agency performance information over time
 - clearly defined roles, responsibilities and accountabilities
 - guidance and support to ensure Annual Reports comply with prescribed requirements.
- Across individual departments, Audit has observed a significant increase in compliance with prescribed requirements in the past year. The summary of financial data information has significantly improved. Information on how efficiently and effectively the agency has carried out its operations has however not improved. Audit also found a significant increase in the percentage of outputs with a clear and measurable objective.
- It will take at least two years to implement the new performance regime across the departmental sector.

5.1 Introduction

In relation to departmental performance measurement and reporting, the follow-up audit assessed to what extent the recent changes to legislation and the PMF address the audit recommendations made in the four budget sector performance measurement reports tabled since 2005. See section 2.3.2. for a listing of the reports.

A number of recommendations in those reports were made to individual departments, whilst others were made to Central agencies. This follow-up audit focused on recommendations made to Central agencies that are linked to the changes to legislation and the new PMF.

The new legislative requirements for the PMF commenced in the 2009-10 financial year. However, the 2009-10 budget has been prepared under the previous outputs/outcomes framework. Annual reporting providing accountability aligned with the new PMF will occur in September 2011. It will therefore take two years to embed the new performance regime. Until then, a full assessment of the implementation of the PMF under the *Financial Accountability Act 2009* will not be possible.

The following is a summary of how recent changes address previous audit recommendations. Audit appreciates that these developments are part of a staged approach to implementing the new legislative framework. Many of our findings note that implementation is ongoing and only partially complete.

5.2 Relevance and appropriateness

5.2.1 Establishing output and service objectives for alignment to strategic plans and whole-of-government objectives

The recently published *A Guide to the Queensland Government Performance Management Framework* incorporates the need for outputs to have a service delivery objective explaining how the service contributes to the achievement of agency objectives. Similarly, agency objectives are also described in the guide with a requirement that they be consistent with the government's ambitions for the community and be well aligned with the agency's purpose.

Treasury Department's 2009-10 Service Delivery Statements template and Guidance Notes require departments to include an objective for their outputs and a brief explanation of the relationships between agency outputs and the government's ambitions (and *Towards Q2* targets where relevant).

Audit undertook an analysis of budget papers from the 2007-2008 through to 2009-2010 SDSs of 11 departments previously audited to determine the number of outputs that contain clear and measurable output objectives. Refer to Figure 5A that presents these findings.

Figure 5A : Outputs with clear objectives

Item	2007-08	2008-09	2009-10
Total number of outputs	57	65	61
Number of outputs with a clear object	5	37	31
Percentage of outputs with clear and measurable objectives	9	57	51

Source: Queensland Audit Office. Based on a sample of 11 departments audited between 2005 – 2008, MOG changes reduced the number of departments.

Over the three year period, the number of outputs across these 11 departments has moved from an initial 57, to 65 and reduced back to 61 for the 2009-2010 budget year. The reduction in outputs from the 2008-2009 to 2009-2010 budget year was due to machinery of government changes (MOG) announced in March 2009. Audit found a significant increase in the percentage of outputs with a clear and measurable objective increasing from 9% in 2007-2008 to 51% in the 2009-2010 State Budget. However, this also means that approximately half of the state's expenditures are committed without a clear objective for their purposes having been articulated. This directly impacts on the ability of agencies to fairly represent performance through relevant and appropriate performance measures.

With planning for the 2010-2011 State Budget now commencing, and the reforms to the PMF, and MOG changes in place, the new departments and Central agencies have the opportunity to re-establish outputs in the services format with clear and measurable objectives. Audit expects that clear and measurable objectives can be set for all services and a corresponding increase can be achieved in fairly representing performance demonstrated through Annual Reports.

5.3 Fairly represents

5.3.1 Completeness in reporting Service Delivery Statements performance measures in Annual Reports

A Guide to the Queensland Government Performance Management Framework section on Performance Reporting, details requirements for the integration and alignment of performance information. *Annual Report Guidelines for Queensland Government Agencies, Guidelines for the 2008-09 reporting year* also detail in the section on Agency Outputs and Output Performance Indicators, the need to ensure that all indicators included in the supplement to the budget papers and SDSs are aligned and actual performance is reported in the Annual Report, with variations from target performance levels appropriately explained.

5.3.2 Use of evaluation as a formal means of performance review

Audit notes the increased focus on the use of formal evaluation to inform departments, Central agencies and government about agency and service delivery performance. The guide details the requirement for evaluation and provides a link to the former Service Delivery and Performance Commission's *Using evaluation to drive continuous improvement* publication. Audit has previously encouraged formal evaluation processes to better inform government and agencies about their performance and PMFs.

5.3.3 Improvement in agency reporting on performance information over time

The Performance Leadership Group (PLG) was established to provide governance for performance management activities across government. Chaired by the Director-General of DPC, and composed of the Under Treasurer and the Commission Chief Executive of the Public Service Commission (PSC), the group reports to the Premier and Cabinet.

The role of the PLG includes providing external oversight to ensure that agencies' performance information is easily understood and improves over time. This includes the establishment of Target Delivery Plans and Chief Executive Officer (CEO) performance agreements. In addition, several other functions also provide assurance from different perspectives that performance indicators will be focused on fairly representing performance.

The Performance Management Office (PMO), within DPC, has a role in monitoring and assessing agency strategic plans, service delivery objectives and performance indicators to ensure compliance with legislative requirements and alignment with the government's fiscal and community objectives, and will report to the PLG the outcomes of this process.

The educative role and review function of the PSC will also consider performance indicator development and continual improvement over time.

5.4 Roles, responsibilities and accountabilities

A Guide to the Queensland Government Performance Management Framework documents the roles, responsibilities and accountabilities of the governance arrangements for the PMF established via the PLG, DPC, Treasury Department, the PSC, Cabinet and its committees (e.g. Cabinet Budget Review Committee and Expenditure Review Committee of Cabinet), Queensland Government Chief Information Office and QAO. These arrangements are necessary to provide a clear line of sight from government to agency level performance.

Audit's initial review of the guidance material highlighted several key participants in the PMF requiring clarification to embed across the public sector a profound understanding of performance accountability and transparency requirements in our system of responsible government. DPC advised Audit that the review of the guidance material for the PMF is due in late 2009 and the subsequent rewrite will include these roles and responsibilities identified by Audit. These include the roles and responsibilities of:

- Parliament, which requires a clear line of sight as owner of the system of public accounts and its role in representing the public interest and scrutiny of the executive arm of government's plans, resource allocation, estimates and reporting of performance results
- executive government's constitutional role and establishing fiscal and community objectives

- key government ministers roles and duties to the Parliament such as informing, preparing and tabling fiscal and community outcomes and budget papers
- the Parliamentary Public Accounts and Public Works Committee and the Estimates Committee roles in upholding Parliaments' information needs and scrutinising the public accounts and budget estimates.

5.5 Prescribed requirements

5.5.1 Compliance with prescribed requirements

Accountable officers have a responsibility to develop robust performance management systems and, together with the minister, to ensure that the information they provide to Parliament meets prescribed requirements.

In 2008, Treasury Department developed a letter of compliance for inclusion by the accountable officer in the Annual Report and a compliance checklist for the 2007-08 Annual Reports of agencies. Agencies were directed to publish this compliance checklist on their websites alongside their Annual Report. DPC included this requirement in the 2007-08 Annual Report guidelines.

The compliance checklist identifies all requirements from the *Financial Accountability Act 2009*. Agencies are required to note the page(s) of the Annual Report that address each prescribed requirement. DPC has retained the compliance letter and checklist, with some modifications, within the *Annual Report Guidelines for Queensland Government Agencies, Guidelines for the 2008-09 reporting year*. The PMO will have a role in reviewing agency strategic plans, Service Delivery Statements and annual reports to ensure compliance with requirements and that they reflect government priorities and community outcomes. The results of these reviews will be reported to the PLG.

Although Annual Reports tabled in Parliament do not currently include the compliance checklist, DPC have advised that the 2009-10 edition of the Annual Report guidelines for Queensland Government agencies will be changed to require all departments to publish the compliance checklist with their Annual Report.

Audit undertook a review of 11 departmental Annual Reports for 2007-08 to determine if any improvements in compliance with prescribed requirements had occurred in the past year. Figure 5B presents these findings.

Figure 5B : Compliance of selected 2007-2008 Annual Report minimum disclosure requirements

Annual Report compliance requirements	% Compliant 2007-08	% Compliant 2006-07
Governance requirements		
<ul style="list-style-type: none"> The Act under which the agency is established and the date it was established 	81	70
<ul style="list-style-type: none"> the agency's statutory objectives, functions and powers 	81	30
Performance requirements		
<ul style="list-style-type: none"> a review of the agency's progress towards achieving its goals and delivering its outputs for the year 	81	30
<ul style="list-style-type: none"> a review of the proposed forward operations of the agency 	81	70
<ul style="list-style-type: none"> information about how efficiently and effectively the agency has carried out its operations 	0	0
<ul style="list-style-type: none"> Summary of financial data - Public Accounts Committee Report 59 Dec 2001 	100	64
Procedural requirements		
<ul style="list-style-type: none"> Minister must table a copy of the report in the Legislative Assembly within 14 days after receiving it 	91	90

Overall, Audit has observed a significant increase in compliance with prescribed requirements in the past year. The summary of financial data information has significantly improved. Information on how efficiently and effectively the agency has carried out its operations has however not improved. More effort is required by accountable officers in this respect to establishing systems to report on efficiency and effectiveness of operations. DPC have in producing the Annual Report guidelines tightened this disclosure with specific requirements of the format of information to be provided. New measures of cost efficiency and cost effectiveness introduced with the PMF will assist agencies in reporting on their efficiency and effectiveness of operations.

5.5.2 Guidance for prescribed requirements

DPC have included several better practice references in the *Annual Report Guidelines for Queensland Government Agencies, Guidelines for the 2008-09 reporting year* including the Standards Australia Handbook 405:2004 that was used as criteria by QAO in Report No. 1 for 2008. The guidelines, *Agency Planning Requirements* and the annual reporting guidelines also details the importance of demonstrating linkages from the government's broad outcomes for the community contained in *Toward Q2* to strategic plan objectives and to output and service delivery objectives and standards.

The PSC has a role in improving agencies presentation and identifying better practice. The *Public Service Commission Strategic Directions 2008 – 2012* document includes Strategic Direction 4: Strengthening performance management, and is supported by the *New Initiatives Workplan Jan 2009 – Jun 2010*. This workplan, details for 2009-10, a staged approach to working through these identified needs and the presentation of courses and material to agencies related to this recommendation. DPC, Treasury Department and PSC are working closely on these matters through the PLG and other networks between these agencies.

5.5.3 Assurance to Parliament on compliance with prescribed requirements

In Report No. 1 for 2008, Audit suggested that the former Service Delivery and Performance Commission could have a role in providing Parliament with independent assurance that all information in Annual Reports complies with legislative requirements.

The governance framework and arrangements now developed for the PMF is through the PLG and core departments of DPC, PSC and Treasury Department. This framework will assist in providing some assurance.

DPC has a role in the PMF to review all agencies' strategic plans and Annual Reports and report their findings on the compliance and quality of these documents to the PLG. In addition the PLG will review results in Annual Reports against strategic plans and government's broad community objectives. It will also set and review CEO performance agreements, agency collaborative agreements and take actions to improve performance including compliance. In essence, many more eyes will be cast over agencies compliance with legislative and procedural requirements which should provide an additional level of assurance that Annual Reports are compliant with Parliament's wishes. The effectiveness of this assurance framework will be assessed in future audits.

5.6 Guidance in presenting performance information

Several references are included in *A Guide to the Queensland Government Performance Management Framework* referring agencies to better practice guidance for presenting performance information. DPC are liaising with the PSC on the best way to build capability in agencies. This will include better practice guides, showcasing existing good practice in agencies, and working individually with agencies on an as needs basis. The PSC advised Audit that this work is at an early stage of development, as there has been insufficient time to develop or provide practical guidance and better practice examples for inclusion in these guides, or as separate better practice guides.

DPC have advised that the suite of publications issued in relation to the current and new PMF will be evaluated and re-written for the 2009-10 budget year to capture learning from the PLG, PSC, agencies and other participants.

6 Appendices

6.1 Better practice

The Auditor-General's 2006 report noted that the Government Owned Corporation (GOC) sector would need to benchmark itself both nationally and internationally to continue to evolve and match better practice governance arrangements. The report contained extracts of key guidelines issued by the New South Wales Treasury, Australian Government, Australian Securities Exchange (ASX) and Organisation for Economic Co-operation and Development (OECD). These guidelines should be considered to improve the performance measurement and reporting systems established by government for the GOC sector.

The NSW Treasury's *Commercial Policy Framework for Reporting and Monitoring Policy for Government Businesses* was first published in 2005. This policy framework has continued to evolve keeping pace with developments domestically at the ASX for listed public companies and international developments. As an example, updated *2009 Guidelines for Boards of Government Businesses* have been issued to outline the key private sector standards of corporate governance which are based on applying private sector standards in the context of government ownership.

At the Commonwealth level, amendments passed by the Australian Government in May 2008 to the *Commonwealth Authorities and Companies Act 1997* were introduced to improve and align the governance and accountability of GOCs with amendments made for the private sector to the *Corporations Act 2001*. Importantly, changes to accountability were significant as they signalled that Commonwealth companies and authorities be held to the same standards as their private sector counterparts.

6.2 ASX Guidelines

The ASX Guidelines⁹ for listing requirements is based upon the overarching requirement of 'The Market Information Principle' i.e. the *need to keep the market informed in a timely manner which may affect the value of its securities or influence investment decisions, or in which security holders, investors and the ASX have a legitimate interest*. In ASX guidance material confidential information does not need to be disclosed but confidentiality effectively relates to secret information. If the information has characteristics of confidentiality but is known to elements of the general market, then disclosure is required in the spirit, intention and purpose of the ASX rules. The ASX has 20 listing rules. The ASX listing rules relevant to disclosure of information are rule 3, Continuous Disclosure and rule 4 Periodic Disclosure. These requirements are summarised in the following Table 6A.

⁹ Australian Securities Exchange, ASX Listing Rules

Table 6A : ASX Listing Rules 3 and 4

ASX Listing Rule	
3. Continuous Disclosure	<i>Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell the ASX that information.</i>
4. Periodic Disclosure	<i>This rule sets out the relevant periodic disclosure requirements a listed entity must satisfy each quarter, half year and end of year. Periodic disclosure requirements support and supplement the primary obligation of a listed entity to release material information under rule 3.1 continuous disclosure.</i>

Source: Australian Securities Exchange (ASX)

In addition the ASX has in place corporate governance principles¹⁰ that all listed companies must comply with. The ASX recommends a three step method for effective “if not, why not” reporting on its corporate governance principles:

- identify the recommendations the business has not followed
- explain why the business has not followed the recommendations
- explain how its practices are consistent with the ‘spirit’ of the relevant section of the Guidelines to demonstrate that the business understands the relevant issues and has considered the impact of its alternative approach.

6.3 OECD Guidelines on corporate governance of state-owned enterprises

The OECD identify that its guide, if properly implemented, would go a long way to ensure that state ownership is exercised in a professional and accountable manner, and that the state plays a positive role in improving corporate governance across all sectors of our economies. The result would be healthier, more competitive and more transparent enterprises. Audit endorse this view and is the basis of our use of the OECD guidelines as a benchmark to assess governance of the GOC sector. The six OECD corporate governance principles are detailed below:

6.3.1 Ensuring an effective legal and regulatory framework for state-owned enterprises

The legal and regulatory framework for state-owned enterprises (SOE) should ensure a level-playing field in markets where SOE and private sector companies compete in order to avoid market distortions. The framework should build on, and be fully compatible with, the OECD Principles of Corporate Governance.

- A. There should be a clear separation between the state’s ownership function and other state functions that may influence the conditions for state-owned enterprises, particularly with regard to market regulation.
- B. Governments should strive to simplify and streamline the operational practices and the legal form under which SOEs operate. Their legal form should allow creditors to press their claims and to initiate insolvency procedures.

¹⁰ ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, 2nd Edition, August 2007

- C.** Any obligations and responsibilities that an SOE is required to undertake in terms of public services beyond the generally accepted norm should be clearly mandated by laws or regulations. Such obligations and responsibilities should also be disclosed to the general public and related costs should be covered in a transparent manner.
- D.** SOEs should not be exempt from the application of general laws and regulations. Stakeholders, including competitors, should have access to efficient redress and an even-handed ruling when they consider that their rights have been violated.
- E.** The legal and regulatory framework should allow sufficient flexibility for adjustments in the capital structure of SOEs when this is necessary for achieving company objectives.
- F.** SOEs should face competitive conditions regarding access to finance. Their relations with state-owned banks, state-owned financial institutions and other state-owned companies should be based on purely commercial grounds.

6.3.2 The State acting as an owner

The state should act as an informed and active owner and establish a clear and consistent ownership policy, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness.

- A.** The government should develop and issue an ownership policy that defines the overall objectives of state ownership, the state's role in the corporate governance of SOEs, and how it will implement its ownership policy.
- B.** The government should not be involved in the day-to-day management of SOEs and allow them full operational autonomy to achieve their defined objectives.
- C.** The state should let SOE boards exercise their responsibilities and respect their independence.
- D.** The exercise of ownership rights should be clearly identified within the state administration. This may be facilitated by setting up a co-ordinating entity or, more appropriately, by the centralisation of the ownership function.
- E.** The co-ordinating or ownership entity should be held accountable to representative bodies such as the Parliament and have clearly defined relationships with relevant public bodies, including the state supreme audit institutions.
- F.** The state as an active owner should exercise its ownership rights according to the legal structure of each company. Its prime responsibilities include:
 1. Being represented at the general shareholders meetings and voting the state shares.
 2. Establishing well structured and transparent board nomination processes in fully or majority owned SOEs, and actively participating in the nomination of all SOEs' boards.
 3. Setting up reporting systems allowing regular monitoring and assessment of SOE performance.

4. When permitted by the legal system and the state's level of ownership, maintaining continuous dialogue with external auditors and specific state control organs.
5. Ensuring that remuneration schemes for SOE board members foster the long term interest of the company and can attract and motivate qualified professionals.

6.3.3 Equitable treatment of shareholders

The state and SOEs should recognise the rights of all shareholders and in accordance with the OECD Principles of Corporate Governance ensure their equitable treatment and equal access to corporate information.

- A. The co-ordinating or ownership entity and SOEs should ensure that all shareholders are treated equitably.
- B. SOEs should observe a high degree of transparency towards all shareholders.
- C. SOEs should develop an active policy of communication and consultation with all shareholders.
- D. The participation of minority shareholders in shareholder meetings should be facilitated in order to allow them to take part in fundamental corporate decisions such as board election.

6.3.4 Relations with stakeholders

The state ownership policy should fully recognise the SOEs responsibilities towards stakeholders and request that they report on their relations with stakeholders.

- A. Governments, the co-ordinating or ownership entity and SOEs themselves should recognise and respect stakeholders' rights established by law or through mutual agreements, and refer to the OECD Principles of Corporate Governance in this regard.
- B. Listed or large SOEs, as well as SOEs pursuing important public policy objectives, should report on stakeholder relations.
- C. The board of SOEs should be required to develop, implement and communicate compliance programmes for internal codes of ethics. These codes of ethics should be based on country norms, in conformity with international commitments and apply to the company and its subsidiaries.

6.3.5 Transparency and disclosure

SOEs should observe high standards of transparency in accordance with the OECD Principles of Corporate Governance.

- A. The co-ordinating or ownership entity should develop consistent and aggregate reporting on state-owned enterprises and publish annually an aggregate report on SOEs.
- B. SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent company organ.

- C.** SOEs, especially large ones, should be subject to an annual independent external audit based on international standards. The existence of specific state control procedures does not substitute for an independent external audit.
- D.** SOEs should be subject to the same high quality accounting and auditing standards as listed companies. Large or listed SOEs should disclose financial and non-financial information according to high quality internationally recognised standards.
- E.** SOEs should disclose material information on all matters described in the OECD Principles of Corporate Governance and in addition focus on areas of significant concern for the state as an owner and the general public.

Examples of such information include:

1. A clear statement to the public of the company objectives and their fulfilment.
2. The ownership and voting structure of the company.
3. Any material risk factors and measures taken to manage such risks.
4. Any financial assistance, including guarantees, received from the state and commitments made on behalf of the SOE.
5. Any material transactions with related entities.

6.3.6 The responsibilities of the boards of state-owned enterprises

The boards of SOEs should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.

- A.** The boards of SOEs should be assigned a clear mandate and ultimate responsibility for the company's performance. The board should be fully accountable to the owners, act in the best interest of the company and treat all shareholders equitably.
- B.** SOE boards should carry out their functions of monitoring of management and strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the CEO.
- C.** The boards of SOEs should be composed so that they can exercise objective and independent judgement. Good practice calls for the Chair to be separate from the CEO.
- D.** If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the board skills, information and independence.
- E.** When necessary, SOE boards should set up specialised committees to support the full board in performing its functions, particularly in respect to audit, risk management and remuneration.
- F.** SOE boards should carry out an annual evaluation to appraise their performance.

7 Acronyms, glossary and references

7.1 Acronyms

ASX	Australian Securities Exchange
FMF	Financial Management Framework
GOC	Government Owned Corporation
KPI	Key Performance Indicator
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PLG	Performance Leadership Group
PMF	Performance Management Framework
PMO	Performance Management Office
PMS audit	Performance Management Systems audit
SDS	Service Delivery Statement
SOE	State-Owned Enterprise

7.2 Glossary

Accountable Officer

The chief executive of a department of government declared under the *Public Service Act 2008*, section 14(1), is the accountable officer of the department.

Agency

Used generically to describe the various organisational units within government that deliver services. The term includes departments, commercialized business units, shared service providers, statutory bodies and Government Owned Corporations.

Agency objective

The effects or impacts that an agency seeks to have on its clients, stakeholders or the broader community.

Budget sector

The term can be used interchangeably with General Government Sector - Authorities that typically provide goods and services at no charge or at below commercial rates such as departments, some statutory bodies and those commercialized business units that provide services only to other General Government enterprises (see also Government Finance Statistics).

Billion

A thousand million.

CEO performance agreement

Departmental Chief Executive Officers (CEOs) are required to enter into a performance agreement with the Premier at their substantive appointment and annually thereafter. The performance agreement is drafted by the CEO using a pro forma provided by the Public Service Commission.

Collaborative agreements

Outline the specific contributions that individual departments will make to the achievement of whole-of-government targets, presently contained in Towards Q2.

Also collaborative agreement process: The process through which whole-of-government targets are disaggregated into the specific contributions that each agency will deliver in order to achieve the target.

Commercial-in-confidence

Information, which if released publicly would have a likelihood of actual harm to the commercial interests of the organisations which provide the information, and which on balance overcome the countervailing interests in favor of disclosure.

Fairly represent

The information provided must include verifiable measures about achievement of the entity's objective(s), be consistent in all public documents reporting the information and clearly explain the context, meaning and any limitations in the indicators reported.

Government Owned Corporation (GOC)

A GOC is a government entity that is established as a corporation under an Act or the Corporations Act and declared by regulation to be a GOC. Examples include Queensland Rail and ENERGEX.

OECD guidelines

In 2005 the Organisation for Economic Co-operation and Development issued the OECD Guidelines on Corporate Governance of State-owned Enterprises. These guidelines are applicable to the GOC sector in Queensland.

Lead agency

The lead agency is the agency with the most significant contribution to a target. The lead agency will lead the development of collaborative agreements, including coordinating the process and drafting the resulting collaborative agreement.

Level of maturity

A system where agency systems are rated against best practice benchmarks. Ratings are by a numbered level scale ranging from low (0 or 1) to high (4 or 5) where best practice has been achieved.

Outcomes

The effects on, or consequences for, the community of government funded services and other government activities, such as the use of regulatory powers.

Outputs

Discrete services or products for external customers or consumers produced by agencies with funding from government. Now known as services.

Performance

The result achieved in terms of a given activity, usually measured in terms of economy, efficiency and effectiveness, but may also include other metrics such as sustainability, capacity and capability.

Performance management framework

The Queensland Government Performance Management Framework is the system which integrates organisational strategic management, performance information, evaluation, performance measurement, monitoring, assessment and reporting by Queensland Government agencies to advise the government, and be accountable to the Parliament.

Performance indicator

A numerical measure of the degree to which an objective is being achieved. Indicators of performance include measures of efficiency, economy and effectiveness.

(Also: performance measure) A criterion or measure for monitoring or evaluating the efficiency or effectiveness of a system or service, that may be used to demonstrate accountability and to identify areas for improvement.

Performance reporting

Reports on agencies financial and non-financial performance including performance against whole-of-government targets, strategic objectives and targets and service delivery objectives and targets. Performance reporting includes internal reporting only available to agencies and the government and public reporting.

Public Accounts Committee

The Public Accounts Committee was a statutory committee of the Queensland Parliament established under the *Parliament of Queensland Act 2001*. The committee's legislated role was to assess the integrity, economy, efficiency and effectiveness of government financial management by:

- examining government financial documents and
- considering the annual and other reports of the Auditor-General.

In other words, the committee's role is to exercise parliamentary scrutiny over the government's management of the public purse.

In April 2009 the government introduced amendments to the *Parliament of Queensland Act 2001* combining the PAC role with the Public Works committee, to form from 1 July 2009 the Parliamentary Public Accounts and Public Works Committee.

Risk adjusted measures

Risk-adjusted returns measures attempt to compare investment 'efficiency' or how much risk is entailed in obtaining the potential return. GOC strategies should aim to deliver a return that is appropriate to and consistent with the amount of risk that that is taken on.

Relevant and appropriate

Relevant: the indicators should have a logical and consistent relationship to clearly defined objectives which define what is to be measured and are linked to the government's desired outcomes.

Appropriate: the indicators should include sufficient information to assess the extent to which the department has achieved a predetermined goal, target or outcome including reference to:

- the trend in performance over time
- performance relative to predetermined benchmarks
- performance relative to performance of similar agencies.

The measure should be accompanied by adequate notes that allow stakeholders to draw conclusions about the performance of the agency.

Service Delivery Statements

Service Delivery Statements provide budgeted financial and non-financial information for the Budget year. The document comprises a section for each departmental portfolio and one for the Legislative Assembly of Queensland.

Services

Formerly known as outputs. Services are the deliverables that will help the agency to achieve its objectives. They describe the areas in which an agency delivers services to its clients at a level appropriate to the agency.

Shareholding Minister

The shareholders of a GOC are the GOC Minister (the Treasurer) and the portfolio Minister of the GOC (the shareholding Ministers).

Statement of Corporate Intent

The statement of corporate intent represents an agreement between the GOC's board of directors and its shareholding Ministers. A GOC's statement of corporate intent must specify the GOC's financial and non-financial performance targets for its activities for the relevant financial year ahead.

7.3 Websites

www.premiers.qld.gov.au	Department of Premier and Cabinet
www.ergon.com.au	Ergon Energy Corporation Limited
www.mackayports.com	Mackay Port Authority
www.ogoc.qld.gov.au	Office of Government Owned Corporations
www.portbris.com.au	Port of Brisbane Corporation
www.powerlink.com.au	Powerlink Queensland
www.psc.qld.gov.au	Public Service Commission
www.qao.qld.gov.au	Queensland Audit Office
www.qr.com.au	Queensland Rail
www.stanwell.com	Stanwell Corporation Limited
www.treasury.qld.gov.au	Treasury Department

7.4 References

Australian Stock Exchange. 2005. *ASX Listing Rules*

Legislative Assembly of Queensland. 2001. *Parliamentary Public Accounts Committee Report 59: Annual Reporting in the Queensland public sector.*

Legislative Assembly of Queensland. 2002. *Parliamentary Public Accounts Committee Report 61: Commercial-in confidence arrangements.*

Legislative Assembly of Queensland. 2006. *Parliamentary Public Accounts Committee Report 71: Reports of the Auditor-General, 1 July – 31 December 2005.*

Legislative Assembly of Queensland. 2007. *Parliamentary Public Accounts Committee Report 76: Review of Auditor-General Report No. 2 for 2006 – Results of Performance Management Systems Audit of Government Owned Corporations' Performance Reporting.*

Legislative Assembly for Queensland. 2008. *Parliamentary Public Accounts Committee Report 79: Review of Auditor-General's Report No. 4 for 2007 – Are departmental output performance measures relevant, appropriate and a fair representation of performance achievements?*

Organisation for Economic Co-operation and Development. 2005. *OECD Guidelines on Corporate Governance of State-owned Enterprises*
<http://www.oecd.org/dataoecd/46/51/34803211.pdf>.

Queensland Government. Department of the Premier and Cabinet. 2008. *Annual Report Guidelines for Queensland Government Agencies 2007-08*
<http://www.premiers.qld.gov.au/right-to-infor/published-infor/assessts/2007-2008-annual-report-guidelines-for-qld-government-agencies.doc>

Queensland Government. Department of the Premier and Cabinet. *A Guide to the Queensland Government Performance Management Framework*, May 2009
<http://www.premiers.qld.gov.au/right-to-info/published-info/assets/guide-to-the-ald-gov-performance-mgmt-framework-may09.pdf>

Queensland Government. Department of the Premier and Cabinet. *Agency Planning Requirements*, May 2009, <http://www.premiers.qld.gov.au/right-to-info/published-info/assets/agency-planning-requirements-may09.pdf>

Queensland Government. Department of the Premier and Cabinet. *Annual Report Guidelines for Queensland Government Agencies 2007-08* May 2009
<http://www.premiers.qld.gov.au/right-to-info/published-info/assets/2007-2008-annual-report-guidelines-for-qld-government-agencies.doc>

Queensland Government. Department of Public Works, *Building Asset Performance Framework*, 2008.

Queensland Government, Treasury Department, *Biannual Reporting: Guidelines for the Preparation of Interim Reports*, July 2009.
<http://www.ogoc.qld.gov.au/documents/BiannualReportingGuidelinesforthePreparationofInterimReports.pdf>

Queensland Government, Treasury Department, *Corporate Governance Guidelines for Government Owned Corporations*, February 2009. <http://www.ogoc.qld.gov.au/goc-policies/corp-gov-guidelines.pdf>

Queensland Government, Treasury Department, *Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans for Government Owned Corporations*, February 2006. <http://www.ogoc.qld.gov.au/goc-policies/corp-gov-guidelines.pdf>

8

Auditor-General's reports

8.1 Tabled in 2009

Report No.	Subject	Date tabled in Legislative Assembly
1	Auditor-General's Report No. 1 for 2009 Results of local government audits Financial and Compliance Audits	20 May 2009
2	Auditor-General's Report No. 2 for 2009 Health service planning for the future A Performance Management Systems Audit	9 June 2009
3	Auditor-General's Report No. 3 for 2009 Transport network management and urban congestion in South East Queensland A Performance Management Systems Audit	23 June 2009
4	Auditor-General's Report No. 4 for 2009 Results of audits at 31 May 2009 Financial and Compliance Audits	30 June 2009
5	Auditor-General's Report No. 5 for 2009 Management of patient flow through Queensland hospitals A Performance Management Systems Audit	29 July 2009
6	Auditor-General's Report No. 6 for 2009 Providing the information required to make good regulation A Performance Management Systems Audit	18 August 2009
7	Auditor-General's Report No. 7 for 2009 Follow-up on government owned corporation and budget sector performance measurement and reporting A Performance Management Systems Audit	October 2009

Publications are available at www.qao.qld.gov.au or by telephone on (07) 3405 1100

