

# A. Full responses from entities

---

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the:

- Treasurer and Minister for Investment
- Minister for Transport and Main Roads
- Under Treasurer.

We also provided a copy of the report to the following entities with an invitation to respond:

- Premier and Minister for the Olympics
- Director-General, Department of the Premier and Cabinet
- Director-General, Department of Transport and Main Roads
- Chair of the board for
  - Cross River Rail Delivery Authority
  - Queensland Rail and Queensland Rail Limited
  - Gladstone Ports Corporation Limited
  - North Queensland Bulk Ports Limited
  - Port of Townsville Limited
  - Far North Queensland Ports Corporation Limited (Ports North).

This appendix contains the detailed responses we received.

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



# Comments received from Director-General, Department of Transport and Main Roads



Our ref: MC122037

27 NOV 2021

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

Office of the  
Director-General  
Department of  
Transport and Main Roads

Dear Mr Worrall

I refer to your emails of 10 and 15 November 2021 to the Honourable Mark Bailey MP, Minister for Transport and Main Roads, enclosing the proposed report to Parliament for Transport 2021 – the consolidated report that summarises the Queensland Audit Office's (QAO) financial audit results of seven entities in Queensland's transport sector. The Minister has asked that I respond on his behalf.

The Department of Transport and Main Roads (TMR) has a mature financial statement processes and QAO issued an unmodified opinion that TMR's statements are accurate and prepared in accordance with relevant legislative requirements.

In the proposed report, QAO identified that the three general recommendations raised in the Transport 2020 report around procurement and expenditure, payroll processes and the security of information systems require further action by the entities. TMR already has established processes in place around these three recommendations and continues to monitor and strengthen the controls around the identified risk areas.

As you acknowledge in the report, TMR has been able to maintain services through the COVID-19 pandemic without significant additional costs or interruption. However, the impacts of this, including ongoing reduced public transport patronage, will continue to be a focus for TMR as the pandemic continues.

TMR's Internal Audit branch is liaising directly with your team to resolve minor anomalies noted in this report prior to publishing.

If your officers require any further information, they are encouraged to contact

TMR appreciates the opportunity to provide comments on this proposed report.

Yours sincerely

A handwritten signature in brown ink that reads "Scales".

Neil Scales  
Director-General  
Department of Transport and Main Roads

1 William Street Brisbane  
GPO Box 1549 Brisbane  
Queensland 4001 Australia

Telephone +61 7 3066 7316  
Website www.tmr.qld.gov.au  
ABN 39 407 690 291

# Comments received from Under Treasurer, Queensland Treasury



Queensland Treasury

Our Ref: 05269-2021

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

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

Dear Mr Worrall

Thank you for providing the Queensland Audit Office's (QAO) draft Transport 2021 Report (the report) summarising the audit results of entities in Queensland's transport sector.

I note QAO has issued unmodified audit opinions in the 2020–21 financial statements for all of Queensland's publicly-owned transport entities.

A key focus for the Queensland Government is ensuring that these enterprises can operate as efficiently and effectively as possible, while also working with government to meet its objectives of fostering economic recovery and providing community support through the changing market conditions.

I note the report discusses how the transport entities faced a very challenging operating environment in 2020–21 due to lower passenger traffic caused by the COVID-19 pandemic. Despite this, these businesses continued to provide customers and industry with transport services, invested in major infrastructure projects and supported customers in line with government objectives. Although this contributed to lower financial returns for these entities in 2020–21, the Queensland Government's financial support for the transport sector is crucial to helping sustain our economic recovery.

I welcome the report's findings that QAO did not identify any significant financial reporting issues in its audit of the financial statements for the Cross River Rail project, a project which will support transformation of public transport in South East Queensland. It is pleasing that these major works packages are progressing without significant issue, and we will continue to monitor progress toward their successful delivery.

1 William Street  
GPO Box 611 Brisbane  
Queensland 4001 Australia  
Telephone +61 7 3035 1933  
Website [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au)  
ABN 90 856 020 239

Regarding QAO's observation of significant internal control deficiencies identified in its 2020–21 audits, including issues relating to Gladstone Ports Corporation Limited, I am advised there have been constructive discussions between my officers and QAO to understand the nature of QAO's concerns and encourage ongoing close engagement on these matters.

The performance, sustainability and internal control environments of all transport entities will continue to be monitored to ensure continued improvement, prudent investment and the delivery of transport services.

If you require any further information, please contact [REDACTED] who will be pleased to assist.

Yours sincerely



Leon Allen  
**Under Treasurer**

26/11/2021



# Comments received from Chair, Gladstone Ports Corporation Limited



Our Ref #1753560 AL:ML  
Your Ref 2022 2484, #1753551

1 December 2021

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

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

## **TRANSPORT 2021 PROPOSED REPORT - QUEENSLAND AUDIT OFFICE RECOMMENDATION – STRENGTHEN GOVERNANCE AND OVERSIGHT AT GPC**

Dear Mr Worrall,

I refer to your Transport 2021 proposed report received on 10 November 2021, and include GPC's response herewith.

GPC supports the recommendation that governance and oversight be strengthened. Shareholding Ministers have appointed three new Directors to the Board. A principal focus of the newly reconstituted Board is enhanced governance and oversight of GPC's strategy, business and operations.

The GPC Board and executive management are both committed to ensuring that effective internal controls exist to deliver an accountability culture to facilitate GPC achieving its corporate objectives, complying with all laws and regulations and operating with the levels of transparency and integrity expected of a Government Owned Corporation.

The GPC Board has endorsed the particular measures recommended by the QAO to improve governance and oversight. They include, amongst others:

- updating policies to provide guidance of payments through deeds of settlement and release (please refer to further discussion at QAO Issue 3)
- ensuring appropriate processes are implemented to inform the external auditor and ensure shareholding Ministers are informed of substantive matters including litigation, claims and transactions, and
- ensuring the proceedings and resolutions of directors' meetings are approved and signed in a reasonable timeframe.

It is important to note, that despite the issues identified by QAO, GPC continues to deliver both excellent financial performance and key commercial outcomes by recording a record dividend during FY21, and noting the accounts for FY21 were given an unmodified audit opinion by QAO.

#1751357

*Disclaimer: This document is strictly confidential, with access restricted to its recipients only and may be subject to legal privilege. It must not be copied, distributed, reproduced in whole or in part, or passed to any third party.*



### **QAO Issue 1: Departures of key management personnel and executives**

#### **GPC Response:**

GPC accepts that seven key management personnel and executives have left GPC since December 2018. These departures occurred for a variety of reasons.

The situation with respect to the lack of a permanent Chief Executive Officer (“CEO”) has been unsatisfactory for an extended period. A permanent CEO recruitment process was undertaken in 2019 but the position remained unfilled on a permanent basis. The refreshed GPC Board has resolved to commence a new market-based recruitment process for a CEO immediately. The GPC Board aims to have identified and appointed a CEO, ideally by 31 March 2022.

Once the CEO is appointed, the GPC Board is committed to promptly support the establishment of a permanent and committed executive management team.

This executive management team recruitment exercise, once completed, will bring stability to GPC’s governance structure, create clear reporting lines and accountability, and support the Board’s endeavour for a strong and diligent decision-making culture within GPC.

### **QAO Issue 2: Lack of stability in executives results in over-reliance on professional services consultants**

#### **GPC Response:**

Significant legal expenses have arisen for reasons beyond GPC Board’s control.

A major legal financial expense is GPC’s defence of the class action connected with the Western Basin Dredging and Disposal Project. It is prudent for GPC to properly defend this claim which GPC considers to be without merit. To act otherwise would necessarily involve an extremely significant waste of taxpayer’s funds. This is a “one-off” legal proceeding.

Another significant recurring contributor to legal expenses has been a major contractual reform project with key customers over the past five years. That project is expected to conclude by 30 June 2022 and the associated expenses cease to be incurred in FY23. This is a “one-off” major contract renewal for significant revenue generating contracts and any costs incurred in transitioning these agreements are 100% recoverable under the commercial agreements and associated pricing frameworks with GPC’s counterparties.

The Board and executive management are focused upon ensuring that professional services consultants are only appropriately engaged as and when required.

### **QAO Issue 3: Transparency and governance of decisions relating to employee settlement payments**

#### **GPC Response:**

Settlement and release arrangements were not a feature for all departures of Key Management Personnel.





Since finalisation of GPC's statutory accounts for FY21, the Board has requested executive management amend the "Executive Management Team – Remuneration Policy" ("Policy") to ensure any departure from the Policy must be Board approved to strengthen governance.

Management have completed the review of the Policy (and the associated Delegation of Authority Specification) to incorporate Board feedback. Input is being obtained from QAO into the effectiveness of the additional controls built into the documents and Shareholding Departments will be advised when complete.

These amendments are expected to be finalised and endorsed by the GPC Board in December 2021.

GPC management will ensure that its Board and shareholding Ministers are kept regularly and appropriately informed about these matters.

#### **QAO Issue 4: Matters relating to legislative compliance**

##### **GPC Response:**

To comply with its legal obligations, the QAO reported suspected legislative contraventions by GPC to shareholding Ministers and ASIC respectively. In GPC's view (based on external advice), there was no breach of the relevant provisions by GPC of either the *Government Owned Corporations Act 1993* (Qld) or the *Corporations Act 2001* (Cth). Appropriate submissions have been provided to ASIC on behalf of GPC in relation to the issues reported by QAO concerning the *Corporations Act 2001* (Cth).

#### **QAO Issue 5: Failure to finalise audit opinion by 31 August 2021**

##### **GPC Response:**

The audit opinion was finalised on 14 September 2021 – after the legislative deadline of 31 August 2021.

The accounts were only settled after QAO made further information requests regarding finalisation of notes to the accounts and completed their assessment of disclosures detailing salary and other benefits to former Key Management Personnel. GPC executive management responded to these requests in a timely fashion.

GPC executive management intends to work collaboratively with QAO to meet the relevant legislative deadline in FY22 set for finalisation of the audit opinion.

Yours sincerely,

**Dr Anthony Lynham**  
**CHAIR**