



Strategic Audit Plan 2017–20

Queensland Audit Office

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Queensland Audit Office

As the independent external auditor of all Queensland public sector entities, we play a leading role in Queensland's integrity system. We provide parliament with assurance about the performance and accountability of the public sector. We do this by delivering financial and performance auditing services.

Through our unique insights and balanced perspective, our vision is to assist both parliament and the public sector to deliver better public services for Queenslanders.

Summary

About this plan

To ensure that we focus on the things that matter, our strategic audit plan assesses the systemic challenges, risks, and opportunities facing the Queensland public sector and the community. This assessment shapes and drives our program of performance audits over the next three years. We produce performance audits to assist the Queensland Government in improving the efficiency, effectiveness and economy of the services it provides.

Transparency of our proposed program of performance audits provides our clients and stakeholders with forward visibility to help with their own planning and review. To further aid transparency, we also include our planned results of financial audit reports. In accordance with our legislation—the *Auditor-General Act 2009*—we publish our strategic audit plan before 30 June each year.

This plan is updated annually, based on our current understanding of the Queensland public sector. It allows us to engage in early conversations with our stakeholders so we can refine and direct our efforts to the areas where we can have the greatest impact within these topics. [Appendix A](#) acquits the topics we included in last year's plan against the refinements made in this plan.

Our planning approach

We focus our efforts where we can maximise the value we provide to the community. This means having a sound approach as to how we identify, prioritise, and select future audits.




We perform ongoing environmental scanning, intelligence gathering, and stakeholder engagement. We consider long-term international, national and Queensland priorities for social, environmental, and economic conditions that affect users of public services. Through our engagement with stakeholders—our clients, industry groups, academics, and community organisations—we obtain perspectives on risks and priorities to inform us.





From this, we generate a list of potential audit topics. We then apply assessment and prioritisation criteria and select those topics that are the most important to address over the next three years. Our assessment process is detailed in [Appendix B](#).

Proposed audit program

The topics we propose to conduct performance audits on over the next three years are set out in the table below, grouped by the relevant parliamentary committee and planned financial year for tabling. The reports to parliament on the results of financial audits we plan to table annually are also included.

[Appendix C](#) outlines the objectives and background of each proposed audit topic.

		Agriculture and Environment	Education, Tourism, Innovation and Small Business	Finance and Administration
				
Performance audit	2017–18		Investing for success Monitoring and managing information and communication technology projects Effectiveness of shared services	Finalising unpaid fines Use of confidentiality clauses in government contracts Fraud risk management
	2018–19	Conserving threatened species	Investing in vocational education and training Cyber security	Market-led proposals
	2019–20	Monitoring environmental conditions for mining activities Managing oil and chemical spills	School program for students with disability Educating for the digital future Open data	Collecting state revenue
Financial audit	Annual		Education	Queensland state government entities

		Health, Communities, Disability Services and Domestic and Family Violence Prevention 	Infrastructure, Planning and Natural Resources 	Legal Affairs and Community Safety 	Public Works and Utilities 
Performance audit	2017–18	Implementing the National Disability Insurance Scheme Digitising hospitals	Managing local government rates, fees and charges		
	2018–19	Preventing and responding to domestic violence Integrated care approach to chronic disease	Evaluating major infrastructure projects Strategic asset management in local government	Delivering forensic services Queensland Child Protection Commission of Inquiry	Regulating builder registration Delivering social housing and housing services
	2019–20	Childhood obesity Health care pathways (wait list management) Delivering guardianship services	Capital asset management and planning Managing the cost of local government services Development applications and approvals	Deploying police resources Diverting young offenders from crime	Monitoring and managing dam safety
Financial audit	Annual	Health	Energy Transport Local government		Water

1. The public sector landscape

As the public sector environment continues to change, so must our performance audit program. Failure to consider significant changes when designing this plan may limit our ability to add value to our clients and the community.

When assessing the key risks, challenges, opportunities, and trends impacting the Queensland public sector, we look beyond our state, and Australia, to identify emerging issues in the global context. This helps us anticipate the major trends that are likely to affect Queensland, and to frame our program accordingly.

Global and national themes

Global megatrends are the factors that are likely to transform the way the world operates. They involve long-term changes to social, environmental, political, economic, and technological conditions, generally spanning 15–20 years.

Five megatrends continue to have a long-term impact on public sector service delivery:

- global economies, industry, and digital innovation
- changing consumer expectations
- ageing population
- urbanisation
- natural resources.

We reflect on the Queensland Government's response to these influences when determining what we audit and when, including why and how we review public sector performance.

Global economies, industry, and digital innovation

Growth continues to be predicted in eastern and southern economies. The growing adoption of digital technology to deliver public services continues, as traditional face-to-face interactions decline.

In recent times, some emerging economies have slowed due to a decline in commodity prices, putting a strain on their economic performance. China and India—Australia's largest trading partners—will likely continue to increase their share of global gross domestic product. However, analysts predict the opposite for Australia's share of global markets by 2050. Decreasing commodity prices will have a substantial impact on Australia, given that 40 per cent of our exports are iron ore, coal, and gold.

Digital innovation continues to influence how we deliver products and services, obtain and analyse data, and communicate with one another. Big data (large, complex, unstructured data sets analysed using advanced data analytic methods) has become increasingly important for competitive advantage and to better meet client needs. Insights through big data will increasingly help agencies to better understand the needs of their consumers, the profile of their workforce, and their organisational performance.

Similarly, disruptive technology (new ways of doing things which overturn traditional business methods) is paving the way for more innovative approaches to delivering products and services to consumers. For example, ride-sharing platforms use previously untapped available capacity, and disrupt traditional means of transport. Moving to fully autonomous technology will reduce the need for human intervention, and vehicle ownership. This is having, and will continue to have, profound impacts to public sector legislation, service delivery models, revenue, public transport, health, and existing infrastructure.

Advances in technology bring us closer together, allowing for the real-time exchange of data and timely communication.

Effectively delivering digital innovation, and safely and privately exchanging big data, requires secure environments. The Australian Government continues to support strong cyber security, through its Cyber Security Strategy. It works with industry experts to take advantage of cyberspace opportunities and implement effective defences to guard against cybercrime.

The Australian Government remains committed to investing in innovation and science through its National Innovation and Science Agenda, released in December 2015. Under the agenda, the Australian Government committed to investing \$1.1 billion over four years to better position the country to embrace new economic opportunities. In its 2017–18 budget, the Australian Government announced a new package to position our local FinTech (financial technology) industry as a global leader, offering tax concessions for crowd-sourced funding and start-ups. The Australian Government continues to encourage growth initiatives through collaboration, support for entrepreneurs, and improving access to capital.

In April 2017, the Australian Government provided \$8.69 million to the Global Innovation Linkages program to drive innovation in growth areas while supporting international collaboration with industry. Nine Australian businesses and research organisations shared in this funding.

Changing consumer expectations

Because of digital innovation and real-time data exchange, people are increasingly relying on, and expecting, improved connectivity and responsiveness. Individuals demand a personalised product or service that is faster, integrated, more effective, and more efficient than in the past. Consumers now hold these expectations for both private and public sector organisations. Waiting for service via a contact centre, completing paper based forms, and attending a physical location to submit them, will be increasingly intolerable to people who interact with the public sector. It is critical for governments to see this as both a risk and opportunity, and accelerate the adoption of modern technologies and innovative practices in delivering public services. But they need to do so in a way that focuses on the outcomes and benefits provided by technology, rather than the technology itself.

Progressive governments are realising that they need to consider and analyse consumer behaviour and patterns of consumption, to more effectively target their service delivery to meet the needs of the community.

Consumers are also expecting governments to consult with them, and to have a greater say in how services are delivered. There is a need for greater collaboration across governments, the community, and the private sector. Partnering with industry can help public sector agencies deliver more products and services tailored to consumer needs than they could individually.

Ageing population

The world's population is ageing. People are living longer through better living conditions and advances in healthcare. By 2050, the percentage of retired people will likely represent around 22 per cent of the world's population, with over two billion people aged 60 or over.

Australia's population mirrors the global trend, with people living and working longer. The proportion of Australians aged 65 and over has increased over the last 20 years from 12 per cent of Australia's population, to 15.3 per cent. The Australian Bureau of Statistics projects that by 2030, the number of Australians aged 65 and over will exceed the number of Australians aged 14 and under.

By 2050, experts estimate that men and women will live until 88 and 90 respectively. This will continue to put pressure on the healthcare system, and funding retirement through savings. As a result, experts predict increased strain on hospital services, and an increased shortfall between how much income individuals have, and what they need to support themselves throughout retirement.

However, an ageing population also has its benefits, providing a wealth of knowledge and experience that industry and communities can draw on. In March 2016, the workforce participation rate of Australians aged 65 and over was 13 per cent, compared to only eight per cent in 2006. This is likely to increase, as Australians expect to work longer in the future.

Public and private sector employers need to consider how they can effectively tap into this invaluable resource, and consider how existing workforce profiles can change to accommodate more tapered retirement trajectories.

Urbanisation

People continue to migrate to cities and large towns. If the current rates of urbanisation continue, experts predict that the world will be two thirds urban and one third rural by 2050. Even now, with more than half of the world's population living in urban areas, there are increased pressures resulting from the demand for infrastructure services, the need for more job opportunities, and increased concerns about environmental issues.

Global cities are responding to these pressures by planning for and introducing smart buildings, autonomous transport options, and green spaces. Some cities are already starting to address the sustainability and environmental challenges posed by rapid growth in urban areas through digital innovation.

Through its April 2016 Smart Cities Plan, the Australian Government has signalled its focus on the growth of cities and impacts of rapid urbanisation. The plan focuses on increasing affordable housing and includes a new funding model to fast-track transport projects to make Australian cities more liveable. It recognises that success requires all levels of government, private sector, and the community to collaborate and have a shared vision towards long-term planning, development, and delivery for each city. In the 2017–18 federal budget, the Australian Government provided the Department of the Prime Minister and Cabinet with \$23.5 million over four years to support the delivery of the National Cities Agenda.

Natural resources

The growth in developing countries, accompanied by increased standards of living, has resulted in a rising global consumption of water and energy resources. While climate change continues to be an important consideration for the future, so too is the human impact on the environment. Experts predict that the current rate of production and consumption will become unsustainable. By 2030, the global population will demand 35 per cent more food, 40 per cent more water, and 50 per cent more energy.

Global economies are now seeing reduced fossil fuel production, and increased investment in renewable energies. Australia is also focusing on alternative energy, such as biofuels and biotechnology, as activity in the mining sector continues to decline. Opportunities in biotechnologies are on the rise in the areas of commercial aviation and bioplastics (plastics made from renewable resources). The world population's demand for 'greener' products also drives further growth.

The Australian Government continues to tap into economic and development opportunities in northern Australia, with North Queensland making up a large part. It continues to explore means of unlocking the full potential of the region through improved infrastructure and connectivity. Food and agribusiness, resources and energy, tourism and hospitality, and healthcare are possible growth areas.

Public concern about the certainty and cost of Australia's energy supply has increased notably from early 2017. This concern increased following blackouts in South Australia and the closure of coal fired power plants in some states to meet renewable energy targets. In response, the Australian Government developed its energy security plan to support the infrastructure necessary to deliver reliable base load power, and innovative, affordable energy solutions in future years.

In addition, predictions of a looming shortage of liquid natural gas for the Australian domestic market present a challenge. These energy issues not only present a risk to certainty of supply but can be linked to concerns about cost of living and economic investment.

The Queensland landscape

The Queensland public sector continues to evolve how it delivers services, particularly in response to changes in consumer demands, technology, and changing demographics. It recognises that to successfully deliver services in the future, it should be responsive and collaborate with the community and across government. The government shares its objectives and priorities with the community in a variety of documents including:

- the Queensland Government's statement on its key objectives for the community
- major policy and program initiatives
- portfolio priorities for ministers and public sector agencies.

Queensland Government objectives for the community

The Queensland Government identified four main objectives to achieve better public services for the community. It has committed to regularly reporting on the outcomes achieved against these four objectives. These remain unchanged from the objectives reported in last year's strategic audit plan and are:

1. creating jobs and a diverse economy
2. delivering quality frontline services
3. building safe, caring and connected communities
4. protecting the environment.

[Appendix D](#) sets out the linkages between our audit program, Queensland public sector objectives, and global megatrends that may affect the delivery of public services.

Major initiatives and portfolio priorities

Innovation and investment

The Queensland Government continues its focus on growing the state's economy by creating jobs, investing in emerging industries, growing regional Queensland, and building infrastructure. It has established several programs to deliver on its priorities and strategic direction. These programs are outlined below.

The Advance Queensland package

Advance Queensland consists of a range of initiatives, each aimed at attracting investment to the state while seeking new and innovative ways to deliver public services. In the 2017–18 state budget, the government increased its investment in Advance Queensland from \$405 million to \$420 million over four years. The additional funding is allocated to developing 10-year priority industry roadmaps, and action plans to support emerging and priority sectors. The package supports collaborative research, inventive ideas, and improved project development. The Queensland Government plans to deliver several initiatives under Advance Queensland including:

- establishing innovation partnerships
- investing in Queensland businesses using Industry Attraction, Business Development, and Ignite Ideas funds
- commercialising biofutures (the manufacturing of products from sustainable organic or waste resources, rather than fossil fuels)
- establishing the Office of the Chief Entrepreneur—to attract startup businesses and harness innovative ideas
- establishing ‘the Precinct’ as an innovation hub to provide facilities and a co-working space for innovative thinkers
- tackling social and economic challenges through social benefit bonds
- investing in local business and regional Queensland.

Back to work regional employment package—\$100 million

The Back to Work package focuses on creating job opportunities in regional areas. It includes programs to support both employers and employees. Some of the initiatives covered under this package are training for the Back to Work—Certificate 3 Guarantee Boost program, employer support payments and community-driven projects.

In the 2017–18 state budget, the Queensland Government committed an additional \$50 million to continue the Back to Work program in regional Queensland. It also committed another \$27.5 million for employers in South-East Queensland who take on long-term or young unemployed jobseekers.

Capital works program—\$42.75 billion

The Queensland Government continues to invest in its capital works program, with several projects in the pipeline. At \$5.41 billion, the Cross River Rail project is the most significant project that the Queensland Government committed to fully fund in its 2017–18 budget.

The Queensland Government also continues to focus on developing regional economies by investing in infrastructure projects located in regional Queensland. Strategies under this program—such as the Accelerated Works Program and Advancing our cities and regions strategy—are designed to support regional growth, with projects planned in locations such as Cairns, Townsville, and Rockhampton. The 2017–18 budget also saw the Queensland Government commit \$225 million to support water security in Townsville, \$140 million to North Queensland stadium and \$120 million for the Cairns Shipping Development project.

The Queensland Government also provided an additional \$200 million over two years in the 2017–18 state budget to support the Works for Queensland program, bringing its total investment to \$400 million. The program provides support to local government councils to complete maintenance and minor infrastructure works. The Queensland Government has also continued its \$375 million Building our Regions program.

Infrastructure investment and assessment models

The Queensland Government uses the State Infrastructure Plan to drive its strategic direction for infrastructure investment and delivery. In the 2017–18 state budget, the government announced a \$42.75 billion capital works program over four years, which included \$3.89 billion towards transport and roads, with \$252.5 million allocated to the Toowoomba Second Range Crossing. In its 2016–17 mid-year fiscal and economic review, the state reported over 100 projects completed under its Accelerated Works Program, reportedly escalating \$440 million worth of projects in regional areas that have experienced subdued growth.

The state government's market-led proposals framework remains focused on driving private sector investment and innovation. In late 2016, the state government approved its first market-led proposal, the Logan Motorway Enhancement Project, worth \$512 million. Proposals currently under assessment include the Brisbane international cruise terminal, the Queensland Maritime Aquarium and Museum, the Mount Cotton driver training centre, and the Prince Charles Hospital carparks.

To make effective use of surplus and underutilised land, the Queensland Government has established the Advancing our cities and regions strategy. Established in 2016–17, it aims to create economic opportunities, job growth, and community benefits. The program will run over 10 years and be delivered under a cross-agency arrangement between Economic Development Queensland; the Department of Infrastructure, Local Government and Planning; the Department of State Development (Property Queensland); and Queensland Treasury. Priorities include the:

- Cross River Rail Economic Development Strategy
- Townsville Transformation
- Rockhampton Revival
- Moreton Bay Renewal.

New service delivery models

The Queensland Government has committed to piloting social benefit bonds. Under the social benefit bonds model, the government seeks private investment to fund a service provider to deliver a social service or program. The state government is focusing on areas such as homelessness, reoffending, and issues impacting on Aboriginal and Torres Strait Islander people.

In March 2017, the Treasurer signed Queensland's first social benefit bond as part of the Social Benefit Bonds Pilot Program. The New Parent Infant Network (NEWPIN) will complement existing child and family services. It aims to reunite Aboriginal and Torres Strait Islander children, under the age of 5½ years and living in out-of-home care, with their families. The value of the program is \$6 million, with Social Ventures Australia marketing the bond to potential investors.

In June 2017, the Queensland Government announced that it signed an agreement with Life Without Barriers, marking its second social benefit bond. The program uses early intervention to reduce recidivism.

The Queensland Government continues negotiations with the proponent for the final social benefit bond of the pilot program, addressing homelessness.

Students with disability in Queensland state schools—independent review

In February 2017, Queensland state schools participated in an independent review of the education of students with disability. The independent review made several recommendations regarding:

- the overarching policy goals and framework
- workforce policy, training, and capability development
- processes and governance that support resourcing
- educational practice
- leadership and culture.

In response, the Department of Education and Training has created a new Assistant Director-General Disability and Inclusion role to manage implementation of the recommendations. The department has since developed a Disability Review Response Plan to address the recommendations of the review.

New housing strategy

The Queensland Government released the Queensland Housing strategy 2017–27 in June 2017, committing \$1.8 billion over 10 years. The government plans to transform the way it delivers housing services to better support people in need. The strategy aims to provide Queenslanders in need with access to safe, secure and affordable housing that meets their needs and enables the individual to participate in social and economic society.

Domestic and family violence

The Queensland Government remains committed to a five-year funding package established in response to the *Not Now, Not Ever: Putting an End to Domestic and Family Violence in Queensland* report. The government has established several initiatives, including support services for victims, specialist courts, and improvements to how relevant agencies respond to incidents.

National Disability Insurance Scheme

The National Disability Insurance Scheme is scheduled to be fully implemented by 1 July 2019. The Queensland Government estimates the scheme will assist around 97 000 Queenslanders with disability. Transitional arrangements are in place between the Queensland Government and the National Disability Insurance Agency. The scheme will provide \$4 billion in annual funding for Queensland. The Queensland Government is contributing \$2.03 billion a year, with the Australian Government providing the balance.

Sector observations

Central agencies and finance

The main government priorities for this sector are:

- restoring fiscal balance
- stimulating economy and jobs growth, including regional areas
- encouraging private sector investment
- delivering infrastructure initiatives
- boosting supply of affordable housing
- reducing cost of living pressures
- reducing debt.

The 2017–18 state budget forecasts a general government sector debt of \$33.8 billion at 30 June 2018. This represents a reduction of \$14.7 billion from the 2014–15 budget projection, and is \$1.7 billion less than actual general government sector borrowings reported as at 30 June 2016. However, the 2017–18 budget also forecasts that general government debt will increase to over \$40 billion in 2020–21. Economic growth is forecast to be 2.75 per cent in 2017–18, increasing to three per cent in 2018–19.

The Queensland Government continues to concentrate on state tax compliance and the management of unpaid fines and debts. In May 2017, the Queensland Government passed the State Penalties Enforcement Amendment Act. The amended legislation enables State Penalties Enforcement Registry (SPER) to improve its management of penalty debt, including:

- applying a case management approach to unpaid fines
- offering individuals experiencing hardship alternative ways to pay their debt
- simplifying the way it applies fees.

SPER debt is more than \$1 billion, with the largest component being unpaid tolls, followed by unpaid fines. The amended legislation will provide more options for individuals suffering financial hardship and owing debts, and will also tackle avoidance.

Central agencies continue to coordinate key taskforces, reforms, and initiatives for domestic and family violence, market-led proposals, and social benefit bonds. They are also attempting to increase job opportunities through the Working Queensland package, and the state government's *Jobs Now, Jobs for the Future* strategy. Queensland Treasury is leading the *Back to Work—Regional Employment* package on behalf of the government, as well as insurance reforms such as the National Injury Insurance Scheme.

Education and training

The State Schools Strategy 2017–21, the Advancing education action plan, and the Department of Education and Training's strategic plan all support the key priorities and objectives for the sector. Focus areas include:

- improving academic results
- closing the gap in Aboriginal and Torres Strait Islander student education and attendance
- lifting the performance of teachers
- providing better services and support for students with disability.

Improving student outcomes and performance is the focus of the \$480 million *Investing for Success* initiative. The funding is a needs-based model, aimed at directing funds at the schools and students with the greatest need. Schools decide how to invest funding and report on the performance of their initiatives each year.

The Queensland Government committed \$13.7 billion to the education sector in its 2017–18 budget, including:

- \$314.8 million for early childhood education care
- \$250 million for new secondary schools
- an additional \$200 million to expedite school infrastructure projects.

The education sector continues to rely on Australian Government funding to support its programs and initiatives. National partnership agreements support education programs, such as early childhood, and skills reform. As these partnerships are due to expire within two years, the Queensland Government will need to renegotiate arrangements to secure future federal funding in these areas. Recently announced reductions in funding for schools and universities in the 2017–18 federal budget has increased uncertainty for the sector.

The Queensland Government continues to support the delivery of vocational education and training. It remains committed to investing \$810.7 million in this sector. This will provide opportunities for individuals to develop skills that enable them to compete for employment. Key initiatives include the Certificate Three Guarantee, and Skilling Queenslanders for Work.

The Queensland Government developed its draft strategy, *Advancing skills for the future: a strategy for vocational education and training in Queensland*. Consultation on the draft closed in April 2017 and the feedback will inform its final strategy. The government aims to ensure all Queenslanders have access to quality training to develop new skills and increase their employment opportunities, while helping to support industry.

Additionally, as part of the \$100 million Back to Work—Regional Employment package, the Queensland Government has earmarked \$10 million to support additional training for completion of the *Back to Work—Certificate 3 Guarantee Boost* program. In the 2017–18 budget, the Queensland Government committed an additional \$50 million to continue to make the program available in regional Queensland.

The Queensland Government has finalised its plan for new senior assessment and tertiary assessment systems through the *Advancing Futures* strategy. The new systems will start for students entering Year 11 in 2019, and include:

- a new senior assessment model, combining school-based and external assessment
- new processes to strengthen the quality and comparability of school-based assessment
- an Australian Tertiary Admission Rank to replace the current Overall Position (OP) rank.

The Queensland Curriculum and Assessment Authority has \$74.2 million over four years to implement the new senior assessment and entrance systems.

These programs and initiatives will continue to place increased pressures on this sector's information and communication technology infrastructure and support services.

Health

Queensland's health services remain under increasing pressure through population and age growth. The health sector is increasingly focusing on integrated healthcare, moving away from fragmented services and instead encouraging coordinated patient-centric services. This approach aims to improve patient experiences and quality of care by treating the patient, and not a condition. By using nurse navigators and leveraging primary health networks, this sector aims to improve the patient experience and deliver more efficient and effective services.

In the 2017–18 state budget, the Queensland Government committed \$126.5 million to fund initiatives to reduce outpatient waiting lists.

Future funding for health services remains under substantial pressure. The hospital funding model enters a new phase from 1 July 2017, which sees the Australian Government provide an estimated \$2.9 billion in funding for public hospital services, with growth in funding capped at 6.5 per cent each year at the national level. In its 2017–18 Service Delivery Statements, Queensland Health noted that funding under other streams is limited, with National Partnership Agreement payments projected to be \$33.6 million in 2020–21, compared to an average of \$334 million between 2009–10 and 2014–15.

Cardiovascular disease and cancer are the main contributors to chronic disease deaths, with coronary heart disease, stroke, and lung cancer remaining the worst of these. Queensland adults have the highest rate of obesity in Australia, which is estimated to increase to 3 million Queensland adults being obese by 2026. This has increased the rate of diabetes, which research indicates is likely to double in future years.

The Queensland Government continues to invest in the state's health infrastructure program. The Sunshine Coast University Hospital officially opened in April 2017. It offers a range of healthcare services with around 450 beds; and has capacity to more than double beyond 2021. The project was completed over four years and cost \$1.8 billion. The government has also selected a provider to redevelop a five-hectare site at Herston, adjacent to the Royal Brisbane and Women's Hospital, for a 'health-related development' project valued at \$1.1 billion.

Other proposed and current projects under the capital program will boost infrastructure in regional communities such as Roma, Thursday Island, and Sarina Hospitals. In the 2017–18 state budget, the government committed \$208 million to fund infrastructure in rural and regional Queensland, and another \$200 million to enhance public hospital capacity and services in South East Queensland.

Investment in information technology (IT) infrastructure is also continuing to grow. The current 21st Century Healthcare: eHealth Investment Strategy will invest an estimated \$1.26 billion in IT infrastructure over the coming years, covering clinical and business systems, ICT infrastructure and embedded digital hospital architecture and interoperability.

Infrastructure

Through the State Infrastructure Plan, the Queensland Government prioritises infrastructure and transport solutions for the state, responding to changes in the state's population and standards of living.

The Department of Housing and Public Works introduced new initiatives to deliver social housing and ancillary housing services through the release of the state government's *Queensland Housing Strategy 2017–27*. These include bond loans, rental grants, RentConnect, the Home Assist Secure program, and the National Rental Affordability Scheme. These initiatives intend to improve access to affordable housing for disadvantaged Queenslanders. The new strategy changes how the Queensland Government will provide housing, whilst supporting job creation, urban renewal and innovation.

Building Queensland continues to provide independent, expert advice to the government on infrastructure projects and investments. There is an increased push within the infrastructure sector to invest with and involve the private sector when undertaking major capital projects, and to develop new and innovative ways of delivering government services and programs.

Significant projects for the sector include Brisbane's Queens Wharf development, Gold Coast Commonwealth Games venues, and the Toowoomba Second Range Crossing.

In the 2017–18 budget, the Queensland Government allocated \$42.75 billion to its capital works program over the next four years. It also committed to fully funding the \$5.41 billion Cross River Rail project, providing a 10.2 kilometre link between Bowen Hills and Dutton Park. The government has nominated this as its ‘number one’ priority and established the Cross River Rail Delivery Authority to streamline decision-making and maximise economic benefits for the project.

In September 2016, the Queensland Government changed the regulation around the state’s personalised transport industry. This aimed to ‘level the playing field’ for taxis, ride-booking services, and limousines. The government has provided funding in the form of a \$100 million package to taxi and limousine licensees as the industry adjusts to disruptive technology and new business models.

Justice and communities

The state government has committed significant funding for initiatives designed to deal with domestic and family violence and child protection. In the 2016–17 state budget, it allocated \$140 million over four years to provide additional domestic and family violence services and specialist courts. For 2017–18, the Queensland Government allocated \$69.5 million to continue the court in Southport, and establish courts in Beenleigh, and Townsville, with circuit courts in Mount Isa and Palm Island. The state government will continue to support vulnerable families and children using \$406 million in funding committed over a five-year period since 2014–15.

Population growth and ageing continue to affect the accessibility and supply of social services. The increase in demand means that the prioritisation of assistance to individuals becomes increasingly important. In the 2017–18 state budget, the government committed funding to assist in this area, including:

- National Disability Insurance Scheme (NDIS) preparations—\$2.03 billion annually when fully implemented.
- Child safety and family services, including support for foster carers and frontline officers—\$1.11 billion.
- Concessions for life essentials, including solar bonus scheme, oral health scheme—\$5.344 billion.
- Counter-terrorism and community safety training centre—\$47 million.
- Support for community service organisations—\$137.7 million over four years.
- Youth justice system—\$199.6 million.

Tourism

The Queensland Government’s planned investment in Tourism and Events Queensland, over four years from 2015–16, is \$128 million. In the 2017–18 state budget, the Queensland Government committed an additional \$47 million in 2020–21 to continue to deliver the \$100 million per annum funding guarantee to Tourism and Events Queensland. It intends to identify and attract new development opportunities in the industry. Under the Jobs and Regional Growth package, the government is establishing a Young Tourism Leaders Network to encourage young leaders in the sector to collaborate, motivate, and inspire other young people to build a career in the tourism industry.

As part of the \$33.5 million Advance Queensland: Connecting with Asia Strategy, the government established a fund to encourage Asian visitors to spend more time in Queensland. The government has also secured increased aviation services into the Gold Coast and Cairns.

The Department of Tourism, Major Events, Small Business and the Commonwealth Games works across government agencies and industry to provide growth opportunities in the tourism sector. The department published the *Advancing Tourism 2016–20* plan, which provides a vision for growing tourism and jobs in the industry. Its strategic objectives are to:

- grow quality products, events, and experiences
- invest in infrastructure and access
- build a skilled workforce and business capabilities
- seize opportunities in Asia.

The Queensland Government expects the 2018 Gold Coast Commonwealth Games will provide a further boost to the state's economy and tourism. In the 2017–18 state budget, it remains committed to invest \$1.5 billion to deliver the event. Through strategies under the *Embracing our Games Legacy* program, the Queensland Government will work with the Council of the City of Gold Coast to realise lasting benefits after the games have ended.

Local government (councils)

We remain concerned over the long-term financial sustainability of the local government sector, with councils on average spending more than they earn. This raises the risk that the revenue that councils receive will be insufficient to cover the cost of their services and the management of their assets. Councils only have two levers available to them when managing their financial sustainability—either increasing revenue through rates, or decreasing costs of services. Generally, it is the councils with the larger populations that will have sufficient revenue to meet their costs.

Cost and asset information continues to be of poor quality for some councils, making it more difficult for them to understand their actual costs. This leads to ineffective management and puts their financial sustainability at risk. Our report, *Local government: 2015–16 results of financial audits* (Report 13: 2016–17) showed that many councils are still not developing asset management plans. Without these, councils are unable to make informed decisions about when it is optimal to replace assets, effectively consider the availability of funding sources, or decide if it is possible to defer asset replacement. By not having accurate information available, councils and communities may incur unnecessary or inefficient long-term asset costs.

Another pressure for councils is the impact of natural disasters. Often having devastating effects, these disasters can result in asset replacement or repair. Councils have relied heavily on disaster recover funding to cover asset renewal costs. In March 2017, Cyclone Debbie ravaged central coastal districts of the state, causing significant damage for councils, communities, and local businesses.

We continue to identify significant deficiencies in local government internal controls, including inadequate risk management and failure to review changes to supplier information. By not addressing these control weaknesses, councils open themselves to the risk of fraud. This was demonstrated by a scam in 2016–17 that resulted in losses of around \$744 000 across nine councils.

Agriculture, natural resources, and energy

The natural resources sector remains committed to delivering high water quality, and effectively securing and maintaining water assets.

The 2017–18 state budget allocates \$175 million over the next five years to deliver the Great Barrier Reef Water Quality Program. This is in addition to the \$100 million program announced in 2015–16 to address recommendations made by the Great Barrier Reef Water Science taskforce. The *Reef 2050 Long-Term Sustainability Plan* aims to protect and improve the quality of the reef. It coordinates the actions of governments, including industry partners, and community and research groups.

The new biosecurity legislation, which commenced on 1 July 2016, resulted in the focus of biosecurity regulation moving towards a shared, risk-based approach. The Queensland Government works with relevant agencies to ensure the effective management of diseases and pests, the protection of threatened species, and the maintenance of sustainable fish stocks. The Queensland Government allocated \$89.1 million to wildlife management and environmental protection. This included \$12.1 million for conserving koalas, and \$21.6 million for managing protected areas such as Queensland parks and forests.

Climate change remains firmly on the Queensland Government's environmental agenda. The 2017–18 state budget provides an additional \$15 million over three years to reduce carbon emissions. This is in addition to the \$15 million climate adaptation package and \$8.4 million CarbonPlus initiative.

In the energy sector, the Queensland Government encourages the use of modern technology and innovative solutions to develop and increase our use of renewable energy and help to achieve renewable energy targets. As in other states, the cost and certainty of energy and gas supply is a challenge for the Queensland Government.

On 30 June 2016, Energex Limited merged with Ergon Energy Corporation Limited to become Energy Queensland Limited. Based in Townsville, the agency aims to ensure increased regional growth and development opportunities. The merger aims to deliver efficiencies, a downward trend in electricity prices, and the achievement of efficiency targets set by the Australian Energy Regulator determinations for 2015–20.

The Queensland Productivity Commission conducted its review into electricity pricing. The Queensland Government responded late last year, accepting most recommendations, and extending the electricity rebate to include Commonwealth health care card holders and asylum seekers. The mid-year review for 2016–17 reported this as a total of \$840 million in rebates. The Queensland Government released the *Powering Queensland* plan to work towards providing an accessible, secure and sustainable energy supply. This includes \$771 million to cover costs of the Solar Bonus scheme, \$386 million to power North Queensland, and funding for an Energy Security taskforce to work with industry.

The Department of Environment and Heritage Protection continues to monitor the activities of industry, resource, and intensive agricultural operations that are likely to have a negative impact on the environment. The department will take this approach when monitoring for any potential environmental impacts arising from the proposed Adani Carmichael Mine project.

The public remains concerned about coal seam gas sites contaminating land and water, and about health and safety risks at abandoned, unused, and active mine sites. In the 2016–17 state budget, the Queensland Government proposed \$42 million over five years for the Abandoned Mines Lands Program to cover mine rehabilitation costs.

2. Audit program 2017–20

Based on the public sector landscape, we outline our proposed audit program for the next three years for performance audits and financial audits in this section.

Financial audit program

Section 40 of the *Auditor-General Act 2009* requires the auditor-general to conduct annual audits over the financial statements of public sector entities, and prepare an auditor's report about those financial statements. We provide audit opinions for over 400 financial statements of public sector entities. We publicly report the results of our financial audits each year grouped by the following sectors:

- Queensland state government entities (including the whole-of-government statements)
- health
- energy
- transport
- water
- local government
- education.

Our reports to parliament on the results of financial audits provide an annual summary of each sector and the public sector entities that operate within them.

Results of audit

We examine the reliability of information that public sector entities report, and that is subject to audit, to provide intended users with confidence in the financial statements. Our analysis increases the accountability and transparency in financial reporting by scrutinising the quality and timeliness of reporting.

Financial position, performance and sustainability

We assess the position, performance, and sustainability of public sector entities. We highlight the main transactions and events that impact their financial results, and future challenges and emerging risks from our environmental scanning that may impact over time. Comparative analysis of annual financial results also helps users to understand the sustainability of public sector entities. We use metrics such as ratio analysis to allow users to understand organisational performance issues.

Internal controls

We evaluate the effectiveness of entities' internal controls in mitigating risks that may prevent them from achieving reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. We assess internal controls to ensure they are suitably designed to prevent, or detect and correct material misstatements in entities' financial reports. By reporting on our analysis, we promote stronger internal control frameworks. This works to mitigate financial losses and damage to public sector reputation by initiating effective responses to identified control weaknesses.

Performance audit program

Performance audits provide parliament and the general public with assurance that the delivery of public sector services and spending of public monies is accountable, transparent, and valid. These audits focus on the efficiency, effectiveness, and economy of public service delivery, as well as compliance with legislative and prescribed requirements. They are funded by parliament through appropriation.

Each year we identify potential performance audit topics for each of the following three financial years. Once we begin a performance audit, we provide information on our website and invite the public to contribute by making a submission via our website: gao.qld.gov.au.

Proposed performance audits

In 2017–18 we plan to conduct nine performance audits.

Investing for Success



This audit will assess the economy and effectiveness of the Queensland Government's Investing for Success initiative.

In 2014, the Queensland Government commenced a four-year funding initiative to improve student outcomes and school performance. The funding source for this initiative is the Australian Government's Students First initiative, which provides \$794 million to Queensland state schools over four years.

During 2014 and 2015, the Queensland Department of Education and Training allocated \$131 million and \$183 million respectively to state schools through its *Great Results Guarantee* program. During 2016, the department changed the funding allocation model for the remaining \$480 million and changed the name of the program to *Investing for Success*.

The Department of Education and Training will allocate the remaining funding through a needs-based method. This is to direct funding to students and schools requiring the most support. All Queensland state schools (including independent state schools) will receive a share of the funding in 2016 and 2017.

Schools then decide how to invest the funding to improve student outcomes and school performance. Schools need to measure student performance throughout the year to demonstrate to their communities how the funding is helping students, particularly those in most need of support.

Monitoring and managing information and communication technology (ICT) projects



This audit will assess whether the information and communication technology (ICT) project dashboard is a reliable source of information for monitoring progress, and whether departments are using effective program and project management approaches.

The ICT projects dashboard presents publicly available information about all major government ICT projects that are underway. The dashboard lists projects from all departments and is one way in which the government communicates with the public about how well it is running its ICT projects. The projects reported in the dashboard are estimated to cost around \$800 million.

There is a significant cost to government when new systems are delayed, or do not function as intended, above and beyond the initial cost of the project. The use of effective program and project management disciplines demonstrably increases the potential for successful delivery and achievement of planned outcomes. It also reduces the risk of potential cost overruns, untimely delivery, not delivering the functionality, and numerous workarounds that affect service accessibility and cause significant cost over the life of the system.

Effectiveness of the shared service model



This audit will assess if the shared service model is effective in achieving its planned outcomes.

In 2002, the Queensland Government established the Shared Services Initiative, which followed a shared service model. This type of model aims to merge together the same business support functions—such as finance, human resources, and information technology—from different agencies. It serves to produce economies of scale by delivering the same services for multiple agencies from the one provider, rather than having multiple agencies each delivering their own support functions.

Shared service models can generate efficiencies, reduce costs, and minimise duplication. However, the model can also have its limitations due to incompatible systems across different agencies, ineffective change management strategies, and poor communication and leadership. These challenges can result in agency resistance, the realisation of technology risks, and the initiative not achieving the planned outcomes and benefits.

Finalising unpaid fines



This audit will assess the efficiency and effectiveness of agencies in finalising unpaid fines.

With advances in technology, a greater variety of infringements, and the total balance of unpaid fines being above \$1 billion, agencies require efficient and effective processes to finalise unpaid fines.

Several public sector agencies issue infringement notices and levy fines. Where fines remain unpaid, an agency may refer the matter to the State Penalties and Enforcement Registry (SPER).

SPER was established as an alternative to the prosecution of fine defaulters in a magistrate's court, and to reduce the cost to the state of enforcing fines and other monetary penalties. It is responsible for the collection and enforcement of unpaid infringement notice fines, court ordered penalties, offender debt recovery orders, and offender levies.

SPER relies on the timely exchange of accurate, reliable, and sufficient debtor data from referring agencies to recover unpaid fines. This audit will assess the efficiency and effectiveness of the Department of Justice and Attorney-General, the Department of Transport and Main Roads, and SPER in finalising unpaid fines.

Use of confidentiality clauses in government contracts



This audit will assess the extent and appropriateness of the use of confidentiality provisions in Queensland Government contracts.

Transparency is a cornerstone of modern public sector governance arrangements. It is imperative that parliament and members of the public can scrutinise major government contracts. As far back as 2002, the Queensland Parliament's Public Accounts Committee raised the issue of overuse of privacy provisions in government contracts in Queensland (in its report on Commercial-in-Confidence arrangements).

There is a need to strike a balance between legitimately protecting commercially sensitive and confidential information, and upholding parliamentary accountability and the public's right to know details of those contracts.

Fraud risk management



This audit will assess whether agencies appropriately identify and assess fraud risks and apply appropriate risk treatments and control activities to adequately manage their exposure to fraud risks.

Fraud is a deliberate deception that can be dishonest, corrupt, or unethical. It can cause significant disruption to an agency's operations, and significant financial loss.

All agencies are subject to fraud risks. It is impossible to eliminate all fraud; however, by correctly identifying the risk and implementing appropriate risk treatments and controls, it is possible to minimise the risk. Fraud controls are effective when they balance the cost of operating them against the risk mitigation that they achieve.

KPMG's fraud barometer for the period October 2015 to September 2016 reports that Australian courts heard 259 fraud cases, reporting total losses of \$823 million. Of this, \$214.4 million of fraud losses related to government agencies, with 53 per cent perpetrated in Queensland. The barometer found that over 40 per cent of the frauds in Australia occurred over a five-year period before agencies detected them, suggesting that detection was taking too long. PWC's *Global Economic Crime survey* (2016) found that 48 per cent of frauds committed in the Australian public service were identified because of tip-offs, whistleblowing, or by accident.

Implementing the National Disability Insurance Scheme



This audit will examine if the Department of Communities, Child Safety and Disability Services is rolling out the National Disability Insurance Scheme in Queensland effectively, and whether the scheme is meeting its intended objectives.

Since 1 July 2016, the National Disability Insurance Scheme has been progressively rolled out across Queensland. The plan is for it to be fully implemented by 1 July 2019. The Department of Communities, Child Safety and Disability Services is rolling it out geographically, meaning people will move to the scheme at various times depending on where they live.

Non-government organisations will deliver disability services in an open market environment. Those with a disability will engage providers through an agreement or contract. When the rollout is complete, around 97 000 Queenslanders with a significant or profound disability will have choice and control over the support they receive.

In the lead-up to full implementation in 2019, transitional arrangements will be in place between the Queensland Government and the National Disability Insurance Agency. During this period, the Queensland Government will be required to maintain the level of service to its current clients, as well as manage the complexities of new clients entering the scheme.

Digitising hospitals



This audit will examine whether Queensland Health has achieved value for money from its investment in digital hospital projects, and realised the intended information sharing and patient benefits through digitisation.

'Digital' hospitals provide each patient's extended healthcare team with electronic access to the patient's records. They do this to improve the timeliness and safety of healthcare services. Digital hospitals allow medical staff to make electronic records, automatically upload observations and vital signs from medical equipment, integrate records, and provide faster information to care providers.

Digital hospitals go a step further than facilities who have integrated electronic medical records (ieMR). Hospitals use ieMR to provide clinicians and support staff with secure electronic access to a patient's medical records across health facilities.

Currently Princess Alexandra and Cairns hospitals are Queensland's only digital hospitals. Four other facilities are ieMR sites and a further two facilities are scheduled to become digital hospitals. The budget to complete the ieMR project is \$376 million.

Managing local government rates, fees and charges



This audit will assess whether councils are setting rates, fees, and charges that are appropriate, reliable, and relevant for the services they provide and that support long-term financial sustainability.

For many councils, rates are generally the major revenue source outside of federal assistance grants. Rates provide one of the few financial levers available to councils to address financial sustainability issues. Councils have discretion to set rates, and may do so without assessing future service delivery requirements or longer-term financial risks. Inequitable or insufficient rating practices can lead to community disharmony. They can also lead to financially unsustainable councils that may be overly reliant on grant funding or borrowings.

Non-Indigenous councils generate more than \$6.7 billion in rates and charges annually, representing 59 per cent of their total revenue. Indigenous councils do not charge rates.

Follow-up of previous audits

The recommendations in our reports to parliament improve how public sector entities deliver services, and strengthen accountability and improve transparency. Primary responsibility for implementing accepted recommendations vests in the entity concerned. To further strengthen accountability, each year we select a previously tabled audit and follow up on impacted agencies' progress. We also ask them to consider the extent to which changes have addressed the issues we originally raised.

For 2017–18, we will follow up on the progress and effectiveness resulting from our recommendations made in *Environmental regulation of the resources and waste industries* (Report 15: 2013–14). We identified opportunities for Queensland to improve its monitoring and enforcement of environmental compliance in the resource and waste industries. We found that the Department of Environment and Heritage Protection and the Department of Natural Resources and Mines were not doing this effectively. Contributing factors included poor data, inadequate systems, and failure to collaborate and coordinate cross-agency activities. This impacted on the departments' abilities to effectively assess risks and direct resources to the greatest need.

Our report highlighted the importance of having reliable data to make accurate, timely decisions that results in effective resource allocation and positive outcomes. We also found that financial assurances used to rehabilitate the environment (following resource and mining activities) were not always sufficient. This could result in the state having to meet the cost of rehabilitating sites. Figure 2A shows the recommendations we made.

Figure 2A
Report 15: Environmental regulation of the resources and waste industries

Recommendations	
1.	the Department of Environment and Heritage Protection and the Department of Natural Resources and Mines improve the exchange, coordination, and accessibility of information to achieve better planning and risk assessments to inform their compliance activities
2.	the Department of Environment and Heritage Protection pursues enforcement action to recover the long-term debt it is owed from annual fees
3.	the Department of Environment and Heritage Protection utilises information provided in annual returns to inform its compliance planning and improve its supervision of the industries it regulates
4.	the Department of Environment and Heritage Protection implements a program to proactively monitor compliance with environmental authorities with standard conditions and variations to standard conditions
5.	the Department of Environment and Heritage Protection captures and recovers the full cost of investigating and prosecuting all non-compliance cases
6.	the Department of Environment and Heritage Protection improves its performance measurement and reporting to demonstrate the effectiveness of its activities in achieving environmental outcomes
7.	the Department of Environment and Heritage Protection assumes responsibility for administering all financial assurances, including those currently collected and held by the Department of Natural Resources and Mines
8.	the Department of Environment and Heritage Protection ensures the financial assurance it calculates and collects reflects the estimated cost of environmental rehabilitation
9.	the Department of Environment and Heritage Protection and the Department of Natural Resources and Mines establish clear definitions, guidelines, and formal protocols for dealing with the ongoing management of, and where necessary the transfer of responsibility for, 'care and maintenance' sites.

Source: Queensland Audit Office.

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Appendix A—Strategic Audit Plan 2016–19 acquittal

2016–17	Status	2017–18	Status	2018–19	Status
Agriculture and Environment					
• Agricultural pest and disease management	Tabled March 2017	• Management of fisheries	Removed	• Threatened species conservation	Retained and retitled
• Security of critical water infrastructure	Tabled June 2017				
Education, Tourism, Innovation and Small Business					
• Aboriginal and Torres Strait Islander education and employment outcomes	Tabling June 2017	• Investing for success	Retained	• Alternative trade training pathways	Removed
• Teacher performance management and development	Tabled April 2017			• School program for students with disabilities	Moved to 2019–20 and retitled
Finance and Administration					
• Government advertising	Tabled May 2017	• Enforcement and recovery of unpaid fines	Retained and retitled	• Effectiveness of Queensland Building and Construction Commission	Retained and retitled
		• Use of confidentiality clauses in government contracts	Retained	• Market-led proposals	Retained
				• Collecting state revenue	Moved to 2019–20
Health, Communities, Disability Services and Domestic and Family Violence Prevention					
• Hospital utilisation—high value equipment	Tabled February 2017	• National Disability Insurance Scheme (NDIS)	Retained and retitled	• Chronic disease management	Merged with integrated care audit topic
• Managing mental health	Tabling first quarter 2017–18	• Integrated care	Merged with chronic disease management audit topic, retitled and moved to 2018–19.		
Infrastructure, Planning and Natural Resources					
• Strategic procurement—value for money	Tabled September 2016	• Economic Development Queensland	Removed	• Building Queensland	Retitled
		• Social housing and transfer initiatives	Moved to 2018-19 and retitled	• Managing the cost of local government services	Moved to 2019–20
		• Local government rating practices	Retained	• Development application and approvals	Moved to 2019–20
		• Strategic asset management in local government	Moved to 2018–19		
Legal Affairs and Community Safety					
• Use of criminal justice data	Tabled November 2016 Additional report tabled April 2017	• Queensland Child Protection Commission of Inquiry	Moved to 2018–19	• Prevention of and response to domestic violence	Retained and retitled
		• Forensic services	Moved to 2018–19 and retitled	• Cyber security	Retained
Transportation and Utilities (renamed to Public Works and Utilities)					
• Integrated transport planning	Tabling first quarter 2017–18				

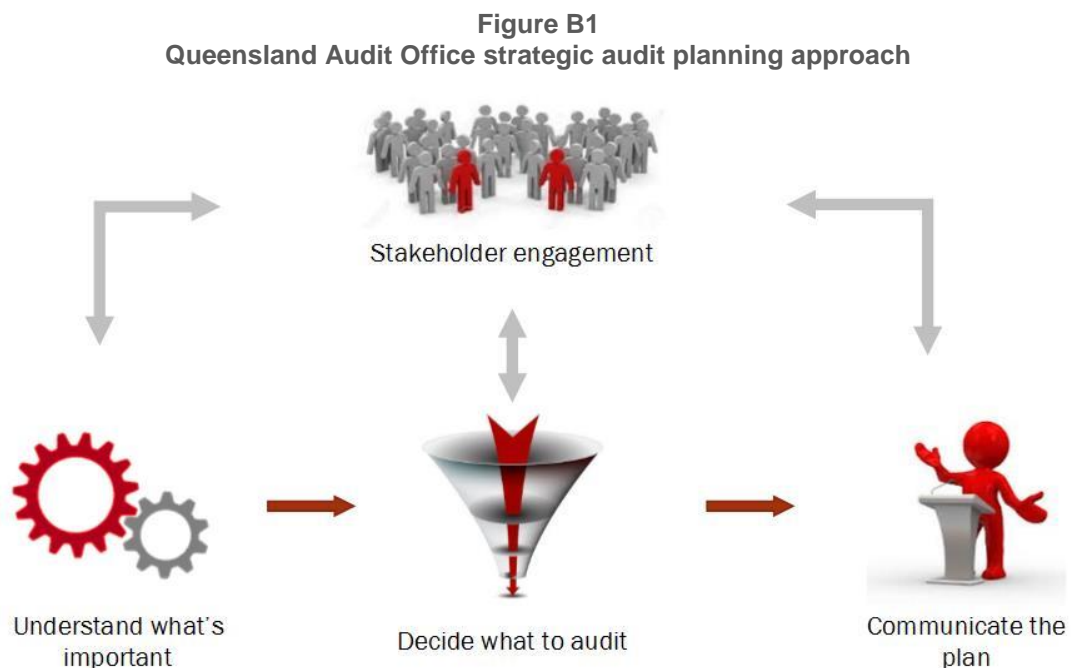
Appendix B—Strategic audit planning process

Process

Our strategic audit planning process has three main phases (see Figure B1). It includes ongoing discussions with our stakeholders to inform the development and refinement of audit topic ideas.

The three main phases can be summarised as follows:

- Understand what's important.
- Decide what to audit.
- Communicate the plan.



Source: Queensland Audit Office.

Understanding what's important

We understand what is important through ongoing intelligence gathering. We do this by:

- consulting parliament, public sector entities and integrity agencies, and other relevant stakeholders, including peak bodies
- scanning the environment to identify key risks and challenges to public administration, internationally, nationally, and at state and local government levels
- closely monitoring agencies' operations to identify opportunities for improved performance
- monitoring referrals we receive from the public, government, media, and the public sector.

Our audit teams are aligned to specific portfolios, led by sector directors who interact with our audit clients and other stakeholders and maintain a deep understanding of the sector in which they operate.

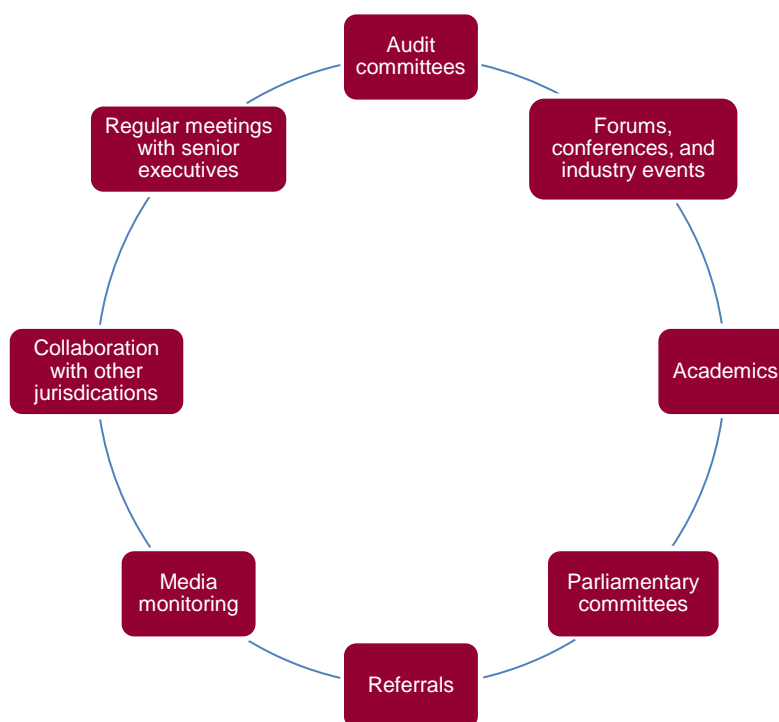
Each year, we use our ongoing intelligence gathering to shape audit themes and priorities into potential performance audit topics. To determine what is important, we then assess changes to government priorities, reviews, or any general factors that may influence suitability or timing.

We identify the factors that contribute to these changes through close analysis of ongoing developments, considering the impact of:

- cross-sector themes
- significant challenges
- new risks/opportunities
- legislative reform and public inquiries
- national and international events that affect Queensland.

The outcome of our intelligence gathering efforts directs our focus and informs our development of the Strategic Audit Plan (SAP).

Figure B2
Sources for intelligence gathering



Source: Queensland Audit Office.

Deciding what to audit

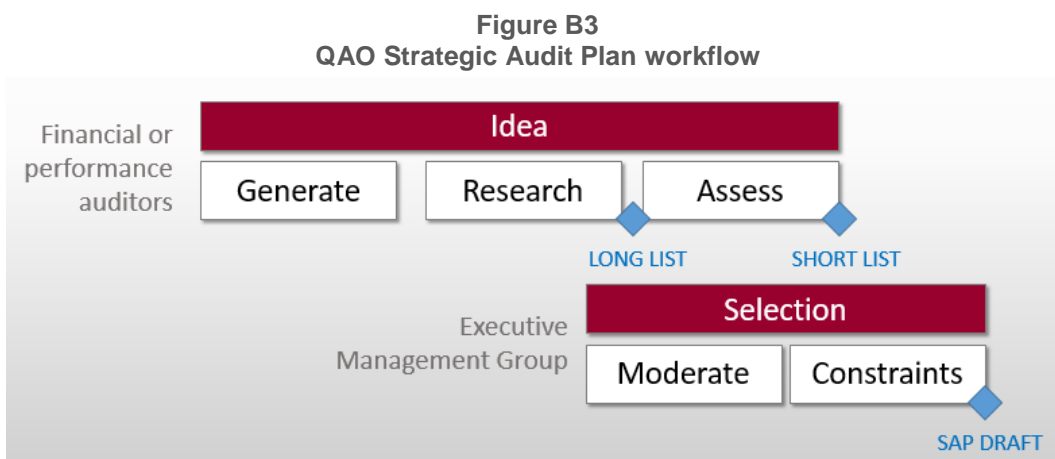
Our internal SAP process commences with the generation of an idea and follows a series of stages, divided by gates or touchpoints. At each gate, the sector director ultimately decides if they will:

- progress the topic through to the next stage
- move the topic back to an earlier stage
- retain the topic where it is
- cancel the topic.

If the topic progresses through all stages the sector director recommends its inclusion in the draft SAP.

We apply a structured and rigorous process, and encourage all financial and performance auditors to participate by suggesting potential ideas for performance audits that arise from their audit work. Once an auditor raises an idea, and the sector director accepts the topic, an auditor will research the topic in more detail. The results of their research will inform how the sector director decides to progress the topic through each stage.

Figure C3 demonstrates the overarching process we use.



Source: Queensland Audit Office.

Assessment against our QAO business drivers

Our assessment of proposed performance audit topics is critical in ensuring that we have a consistent way to assess each topic and its relative merits. We assess each topic against our business drivers, which span four main elements:

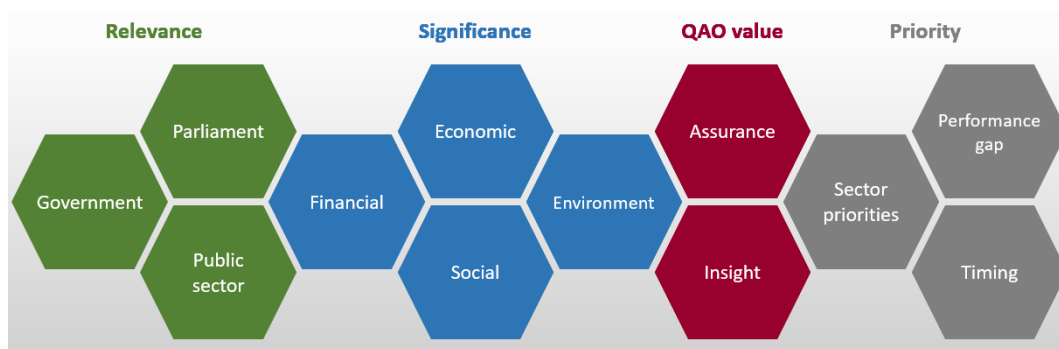
- **relevance to our main stakeholder groups**—parliament, the current government, and the public sector
- **significance of the issue**—financial, economic, social, and environmental
- **QAO contribution**—our ability to provide assurance and valuable insights
- **priority and timing**—consideration of time-critical events and competing priorities.

These criteria provide a structured and disciplined approach for us to compare and contrast what can be disparate topics across the entire public spectrum. The results of the assessments are then used to inform our executive team as part of its deliberations in choosing audit topics for the SAP. Some of the other relevant considerations in the deliberative process include:

- the coverage of audit types across our performance audit mandate (refer to [Appendix E](#))—economy, efficiency, effectiveness, and compliance audits
- the coverage across sub-sectors and by relevant parliamentary committee
- whether specific skill sets are required (and available) for particular audits, for example, whether external technical expertise may be required to assist with the audit
- the impact of current or proposed public sector reforms on proposed audits.

Figure B4 provides an overview of the business drivers we use in our assessment of each topic.

Figure B4
QAO business drivers



Source: Queensland Audit Office.

Each of the business drivers has its own customised five-point scale that allows us to score it from 0–4. As an example, here is the scoring scale we apply to the business driver ‘Significance—social’:

Figure B5
Social significance business driver rating scale

Rating	Definition of rating
0	Negligible impact on community wellbeing, safety, security, or amenity.
1	Program or project being examined has some minor short-term relationships to community well-being, safety or security; long-term impacts and external effects are minor.
2	Substantial impact on wellbeing, amenity, safety, or security of Queenslanders or on a specific community population group or workforce.
3	Immediate and high impact on wellbeing, amenity, safety, or security of Queenslanders or on a specific community population group or workforce. The external effects of this program or project are tangible and quantifiable.
4	Of critical importance to the preservation of life and social fabric in Queensland or specific communities. Community safety, security, wellbeing, public health, or civil society will be placed at high risk if this program or project fails.

Source: Queensland Audit Office.

Communicating the plan

Once we have assessed each of the topics on its merits and moderated the long list to ensure balance across our program, we consult with relevant agencies and parliamentary committees on our draft SAP. This gives agencies an opportunity to provide comment on the proposed performance audit topics. As a result of this consultation, we may refine our SAP.

The consultation process involves:

- providing stakeholders such as public sector agencies, ministers, and parliamentary committees with the draft SAP relevant to them for comment
- refining and incorporating changes based on feedback from these stakeholders
- formally issuing the proposed SAP to the Finance and Administration parliamentary committee for comment for 42 days, and incorporating accepted changes.

Our final SAP is published on our website before 30 June each year, as required under the *Auditor-General Act 2009*.

Our consultation process supports the main objective of our approach: an intelligence-led and evidence-driven process. This means that we focus on what is actually happening in the Queensland public sector rather than what we think is happening. This underpins our vision of *better public services* by identifying topics that are likely to have greater impact and positive outcomes for Queensland public sector agencies and the wider community.

We continue to refine this process by engaging with our stakeholders at regular intervals throughout the year and designing ways to streamline the flow of intelligence gathered through our engagements.

Changes to the program

Each year, we identify performance audit topics we intend to conduct for each of the following three financial years. While we expect to deliver on the topics we commit to in our SAP, we may reconsider or refine particular topics for a range of reasons, including:

- the introduction of new legislation or new policy or program initiatives
- changes in the proposed timing or delivery of government services/programs
- machinery of government changes or delivery agency restructure
- a government program or service becoming redundant.

We may also undertake a performance audit into a matter that was not originally planned but is referred to us for consideration. This situation arises because, under our mandate, anyone with information or concerns about financial mismanagement in the Queensland public sector can refer these concerns to us. We assess the information provided and, if appropriate, investigate the referral. Our investigations may lead us to determine that a performance audit of the matter is warranted.

From year to year, other changes to our plan may also include:

- the addition of a new topic
- the removal of an existing topic
- a refocus or refinement of the topic and its audit objective
- the rescheduling of an existing topic to another year.

Future focus and enhancements

We continue to take a collaborative approach to nominate our performance audits for the SAP, and record these in a central system. This remains available to all audit staff, whether working in financial, or performance audit. We encourage staff to share their knowledge, and together identify topics for the program.

We remain committed to continually improving the SAP process and the system each year. This will ensure our process remains up to date and that we deliver a high-quality product. To achieve this, we plan to:

- investigate new environment scanning and intelligence gathering technology
- refine our business drivers to ensure they remain relevant and appropriate.

Appendix C—Strategic Audit Plan 2017–20 topic summaries

2017–18	2018–19	2019–20
Agriculture and Environment		
	<p>Conserving threatened species <i>This audit will assess whether the Department of Environment and Heritage Protection is effectively identifying, protecting, and conserving threatened species.</i></p> <p>Australia is home to between 600 000 and 700 000 species, many of which are found nowhere else in the world. Changes to the landscape and habitat from human activity have put many of these unique species at risk. Over the last 200 years, many species of plants and animals have become extinct. A range of management and conservation measures are in place for the species whose survival is under threat.</p> <p>Under the <i>Nature Conservation Act 1992</i>, there are currently 794 species listed as threatened (extinct in the wild, endangered, or vulnerable) in Queensland. Of these species, the <i>Commonwealth Environment Protection and Biodiversity Conservation Act 1999</i> lists around 414 as threatened nationally.</p> <p>The Department of Environment and Heritage Protection has responsibility for managing and conserving threatened species in Queensland via the <i>Nature Conservation Act 1992</i>. Other government agencies, the community, and industry sectors also undertake activities relating to threatened species.</p>	<p>Monitoring environmental conditions for mining activities <i>This audit will assess whether the Department of Environment and Heritage Protection is effectively monitoring and managing the environmental conditions for the state's mining activities.</i></p> <p>When entities wish to undertake activities in Queensland that have the potential to contaminate the environment, they require an environmental authority. Environmentally relevant activities (ERAs) are industrial, resource, or intensive agricultural activities that have the potential to release contaminants into the environment. Environmental authorities include eligibility criteria, which ensure that environmental risks relating to ERA operations are suitably managed under standard conditions or minimum operating requirements.</p> <p>The Department of Environment and Heritage Protection is the administering authority, under the <i>Environmental Protection Act 1994</i>. It approves eligibility criteria and standard conditions for ERAs.</p> <p>For example, on 2 February 2016, the Department of Environment and Heritage Protection issued a final environmental authority for Adani's proposed Carmichael Mine project, with approximately 140 conditions. This included nine conditions relating to the black throated finch, as required by the Land Court. The department will need to monitor any potential environmental impacts arising from this operation.</p>
		<p>Managing oil and chemical spills <i>This audit will assess whether the Department of Environment and Heritage Protection and Maritime Safety Queensland have effective processes to manage land- and water-based oil and chemical spills.</i></p> <p>Oil and chemical spill incidents can have devastating effects on the environment. Water-based spills can result in major biological issues, physical contamination, and disruption to industries that rely heavily on waterways for their operations. There can also be an impact on recreational activities when water-based spills encroach on beaches and local waterways.</p> <p>Although land-based spills tend to move more slowly and affect smaller areas, they are still hazardous to people and the environment.</p> <p>State and federal agencies work together to respond to land- and water-based spills. Maritime Safety Queensland (a unit under Department of Transport and Main Roads) is the lead in Queensland for responding to maritime spills, and the Department of Environment and Heritage Protection provides it with assistance where it affects wildlife. The department is the lead agency in Queensland for responding to land-based spills.</p>

Education, Tourism, Innovation and Small Business

Investing for success

This audit will assess the economy and effectiveness of the Queensland Government's Investing for Success initiative.

In 2014, the Queensland Government commenced a four-year funding initiative to improve student outcomes and school performance. The funding source for this initiative is the Australian Government's Students First initiative, which provides \$794 million to Queensland state schools over four years.

During 2014 and 2015, the Department of Education and Training allocated \$131 million and \$183 million respectively to state schools through its Great Results Guarantee program. During 2016, the department changed the funding allocation model for the remaining \$480 million and also changed the name of the program to Investing for Success.

The Department of Education and Training is allocating the remaining funding through a needs-based method. This is to direct funding to students and schools requiring the most support. All Queensland state schools (including independent state schools) will receive a share of the funding in 2016 and 2017.

Schools then decide how to invest the funding to improve student outcomes and school performance. Schools need to measure student performance throughout the year to demonstrate to their communities how the funding is helping students, particularly those in most need of support.

Investing in vocational education and training

This audit will examine whether the Department of Education and Training is achieving comparable student outcomes through its public and private vocational education and training providers.

The vocational education and training sector provides skills-based training to assist individuals in finding employment or help them to advance within a current position. Under the Annual Vocational Education Training Investment Plan, the state government has committed \$810.7 million to help individuals gain skills that lead to real job opportunities and sustainable employment. The plan is supported by a vocational education and training investment framework that aims to support demand-driven funding arrangements, provide support to disadvantaged learners, and contribute towards public providers—to enable them to compete in the vocational education and training market.

TAFE Queensland is the state's largest public provider of vocational education and training. It was established on 1 July 2013 as an independent statutory body under the *TAFE Queensland Act 2013*.

The number of private training providers in the market has expanded, each offering skills-based training across accredited courses. The current vocational education and training model is intended to provide a greater variety of courses for individuals to choose from, while providing successful learning and employment outcomes for students.

School program for students with disability

This audit will examine whether the Department of Education and Training is effectively and efficiently supporting students with disability to maximise their education outcomes.

The number of students in Queensland state schools with a recognised disability is increasing. The highest rates of growth are students diagnosed with autism spectrum disorder and hearing impairment.

Schools may need to make reasonable adjustments to the way they teach students with disability, or the way the students access the school, to ensure they can participate. For example, where some students with an autism spectrum disorder find handwriting stressful and difficult, the school may use word processing technology as an alternative.

All schools receive resourcing to support students with disability and can request access to a range of regional specialist services.

Monitoring and managing ICT projects

This audit will assess whether the information and communication technology (ICT) project dashboard is a reliable source of information for monitoring progress, and whether departments are using effective program and project management approaches.

The ICT projects dashboard presents publicly available information about all major government ICT projects that are underway. The dashboard lists projects from all departments and is one way in which the government communicates with the public about how well it is running its ICT projects. The projects reported in the dashboard are estimated to cost around \$800 million.

There is a significant cost to government when new systems are delayed, or do not function as intended, above and beyond the initial cost of the project. The use of effective program and project management disciplines demonstrably increases the potential for successful delivery and achievement of planned outcomes. It also reduces the risk of potential cost overruns, untimely delivery, not delivering the functionality, and numerous workarounds that affect service accessibility and cause significant cost over the life of the system.

Cyber security

This audit will assess how effectively departments are protecting the information they collect against the risk of cyber threats or attacks.

A cyber attack is defined as a deliberate act through cyber space to manipulate, disrupt, deny, degrade, or destroy computers, networks, or the information they contain. In Australia, the responsibility for managing and preventing cyber security threats lies with the federal, state and territory governments. As government delivers more and more services online, the risk of cyber security attacks increases. The Queensland Government has established a cyber security unit with a whole-of-government focus to combat potential threats.

The *2016 Threat Report* by the Australian Cyber Security Centre states that a broad range of malicious cyber activity persistently targets Australian industry. It also states that the spectrum of malicious cyber activity ranges from online vandalism and cybercrime through to the theft of intellectual property. Between July 2015 and June 2016, CERT Australia (the national computer emergency response team) responded to 14 804 cyber security incidents. Cyber security is an evolving risk and departments need to be vigilant in assessing and addressing it.

Educating for the digital future

This audit will examine whether the Department of Education and Training is achieving its objectives in implementing a smart classroom and digital strategy to support learning in a digital world.

In 2008, the Australian Government promoted teaching and learning with the use of technologies through a Digital Education Revolution national partnership agreement. This partnership agreement provided a total of over \$2 billion in funding to the Australian states and territories to provide computers and software to all students in school years 9 to 12, deliver digital learning resources, and provide professional development in information and communication technology (ICT) for teachers.

In Queensland, the Department of Education and Training implemented initiatives to support learning with technology. These included 'bring your own digital device' to school for learning purposes, computers for teachers, access to ICT courses for students and teachers, digital practice guides, and the creation of 'the learning place' (the department's secure eLearning environment).

Effectiveness of the shared service model

This audit will assess if the shared service model is effective in achieving its planned outcomes.

In 2002, the Queensland Government established the Shared Services Initiative, which followed a shared service model. This type of model aims to merge together the same business support functions—such as finance, human resources, and information technology—from different agencies. It serves to produce economies of scale by delivering the same services for multiple agencies from the one provider, rather than having multiple agencies each delivering their own support functions.

Shared service models can generate efficiencies, reduce costs, and minimise duplication. However, the model can also have its limitations due to incompatible systems across different agencies, ineffective change management strategies, and poor communication and leadership. These challenges can result in agency resistance, the realisation of technology risks, and the initiative not achieving the planned outcomes and benefits.

Open data

This audit will assess whether open data strategies have achieved their full potential in terms of adding value to the Queensland public sector, the economy, and the community.

Open data strategies aim to stimulate the economy by making government data freely available, which can enable entrepreneurs, researchers, and businesses to improve or create new products and services. These strategies also feed into the Advance Queensland agenda. The government designed this agenda to drive innovation and to create opportunities for entrepreneur, industry, and government collaboration to turn ideas into commercial products and businesses that create jobs. Without effective open data strategies, users might not be able to access available data or the data might not meet their needs. This could result in wasting public funds used to maintain the information. Conversely, if agencies do not make the right types of information available, there is the potential for lost opportunities for innovation and economic development.

Finance and administration

Finalising unpaid fines

This audit will assess the efficiency and effectiveness of agencies in finalising unpaid fines.

With advances in technology, a greater variety of infringements, and the total balance of unpaid fines being above \$1 billion, agencies require efficient and effective processes to finalise unpaid fines.

Several public sector agencies issue infringement notices and levy fines. Where fines remain unpaid, an agency may refer the matter to the State Penalties and Enforcement Registry (SPER).

SPER was established as an alternative to the prosecution of fine defaulters in a magistrate's court, and to reduce the cost to the state of enforcing fines and other monetary penalties. It is responsible for the collection and enforcement of unpaid infringement notice fines, court ordered penalties, offender debt recovery orders, and offender levies.

SPER relies on the timely exchange of accurate, reliable, and sufficient debtor data from referring agencies to recover unpaid fines. This audit will assess the efficiency and effectiveness of the Department of Justice and Attorney-General, the Department of Transport and Main Roads, and SPER in finalising unpaid fines.

Market-led proposals

This audit will assess how effectively Queensland Treasury assesses market-led proposals.

Queensland Treasury has developed a market-led proposals framework as an initiative of the government's economic plan to create jobs and stimulate the economy. The state government intended for market-led proposals to harness innovative ideas and funding from the private sector to deliver beneficial projects faster. A market-led proposal seeks government support to undertake a commercial activity, such as delivering services to or from government, providing infrastructure, or accessing government assets or information. An essential element of this approach involves contracting exclusively with providers, rather than going through a competitive tender process.

In July 2015, the government released a revised Project Assessment Framework (PAF) which created dedicated guidelines for market-led proposals. There are four stages to the assessment process. The proposal needs to pass a stage before it can progress to the next one. When assessing market-led proposals, Queensland Treasury needs to satisfy itself that the proposed project will deliver value-for-money and positive outcomes for the state, and that it could not deliver a better outcome under a competitive tender process. Key elements the department needs to consider includes: alignment with government priority/community need, if it delivers value-for-money, and if the proposal offers a unique competitive advantage. Additional elements of the assessment criteria are cost and risk allocation, financial and technical capacity and capability, and feasibility.

Collecting state revenue

This audit will assess how efficiently and effectively the Queensland Government collects taxes and royalties.

Responsibility for the management of taxation and royalties within Queensland Treasury rests with the Office of State Revenue. For the 2015–16 financial year, Queensland Treasury recognised revenue of over \$10 billion from taxation and over \$2 billion from royalties.

Revenue from taxation and royalties represents approximately 29 per cent of total revenue for the general government sector and 25 per cent of total revenue for the total state sector (which includes the general government sector). Amounts collected from taxation and royalties can vary from year to year due to external factors that the government cannot directly control.

Taxation revenue includes transfer duties, payroll tax, land tax, and gaming taxes. Royalties are charges for natural resources such as coal, petroleum, and liquefied natural gas extracted and sold by the private sector.

To collect state revenue, the Office of State Revenue uses the principles of behavioural economics to determine the best way to help people comply with their state tax obligations.

Use of confidentiality clauses in government contracts

This audit will assess the extent and appropriateness of the use of confidentiality provisions in Queensland Government contracts.

Transparency is a cornerstone of modern public sector governance arrangements. It is imperative that parliament and members of the public can scrutinise major government contracts. As far back as 2002, the Queensland Parliament's Public Accounts Committee raised the issue of inappropriate and overuse of privacy provisions in government contracts in Queensland (in its report on Commercial-in-Confidence arrangements).

There is a need to strike a balance between legitimately protecting commercially sensitive and/or confidential information and upholding parliamentary accountability and the public's right to know details of those contracts.

Fraud risk management

This audit will assess whether agencies appropriately identify and assess fraud risks, and apply appropriate risk treatments and control activities to adequately manage their exposure to fraud risks.

Fraud is a deliberate deception that can be dishonest, corrupt, or unethical. It can cause significant disruption to an entity's operations, and significant financial loss.

All agencies are subject to fraud risks. It is impossible to eliminate all fraud; however, by correctly identifying the risk and implementing appropriate risk treatments and controls, it is possible to minimise the risk. Fraud controls are effective when they balance the cost of operating them against the risk mitigation that they achieve.

KPMG's fraud barometer for the period October 2015 to September 2016 reports that Australian courts heard 259 fraud cases, reporting total losses of \$823 million. Of this, \$214.4 million of fraud losses related to government entities, with 53 per cent perpetrated in Queensland. The barometer found that over 40 per cent of the frauds in Australia occurred over a five-year period before agencies detected them, suggesting that detection was taking too long. PWC's Global Economic Crime survey (2016) found that 48 per cent of frauds committed in the Australian public service were identified because of tip-offs, whistleblowing, or by accident.

Health, Communities, Disability Services and Domestic and Family Violence Prevention

Implementing the National Disability Insurance Scheme

This audit will examine if the Department of Communities, Child Safety and Disability Services is rolling out the National Disability Insurance Scheme in Queensland effectively, and whether the scheme is meeting its intended objectives.

Since 1 July 2016, the National Disability Insurance Scheme has been progressively rolled out across Queensland. The plan is for it to be fully implemented by 1 July 2019. The Department of Communities, Child Safety and Disability Services is rolling it out geographically, meaning people will move to the scheme at various times depending on where they live.

Non-government organisations will deliver disability services in an open market environment. Those with a disability will engage providers through an agreement or contract. When the rollout is complete, around 97 000 Queenslanders with a significant or profound disability will have choice and control over the support they receive.

In the lead-up to full implementation in 2019, transitional arrangements will be in place between the Queensland Government and the National Disability Insurance Agency. During this period, the Queensland Government will be required to maintain the level of service to its current clients, as well as manage the complexities of new clients entering the scheme.

Preventing and responding to domestic violence

This audit will examine how effective public sector initiatives have been in preventing and responding to domestic violence.

On 10 September 2014, the Special Taskforce on Domestic and Family Violence in Queensland was established. In February 2015, the taskforce finalised its report, *Not now, Not ever: Putting a stop to domestic and family violence in Queensland*. The taskforce reports that domestic violence in Queensland has continued to increase, costing the state's economy between \$2.7 and \$3.2 billion annually.

In its subsequent budgets, the Queensland Government committed to an overall funding package of \$198.2 million to respond to the issues and recommendations in the *Not now, Not ever: Putting a stop to domestic and family violence in Queensland* report.

Childhood obesity

This audit will assess if the Department of Health's and the Department of Education's strategies are effectively reducing childhood obesity.

The health of Queenslanders 2016 report states that 19 per cent of children in Queensland are overweight and a further seven per cent are obese. This rate has not changed since 2007–08. The rate of childhood obesity 30 years ago was two per cent.

Childhood obesity can have a range of adverse consequences including social discrimination, poor self-esteem, depression, and childhood type 2 diabetes. In the longer term, obese children have a higher likelihood of adult health problems such as cardiovascular disease, type 2 diabetes, some forms of cancer, and joint problems. These consequences can cause significant individual morbidity and mortality, lost productivity, and increased direct health care costs.

Your health, Queensland's future: Advancing health 2026 is a 10-year vision and strategy for the Queensland health system. It was released in 2016. One headline measure of success in this strategy is to reduce childhood obesity by 10 per cent by 2026.

There are important links between health and education. Those with higher educational attainment tend to have better health generally. In addition, schools can deliver specific education initiatives to ensure children and families are aware of how to eat healthily and are aware of the importance of nutrition and weight in the context of overall health.

Digitising hospitals

This audit will examine whether Queensland Health has achieved value for money from its investment in digitising hospital projects, and realised the intended information sharing and patient benefits.

'Digital' hospitals provide each patient's extended healthcare team with electronic access to the patient's records. They do this to improve the timeliness and safety of healthcare services. Digital hospitals allow medical staff to make electronic records, automatically upload observations and vital signs from medical equipment, integrate records, and provide faster information to care providers.

Digital hospitals go a step further than facilities who have integrated electronic medical records (ieMR). Hospitals use ieMR to provide clinicians and support staff with secure electronic access to a patient's medical records across health facilities.

Currently Princess Alexandra and Cairns hospitals are Queensland's only digital hospitals. Four other facilities are ieMR sites and a further two facilities are scheduled to become digital hospitals.

The current budget for the ieMR project is \$376 million to complete the project.

Integrated care approach to chronic disease

This audit will assess how effectively and efficiently Queensland Health is managing integrated care of chronic disease, including how they work with primary health networks and general practitioners.

Queensland Health's *Your health, Queensland's future: Advancing health 2026* strategy outlines that cardiovascular disease and cancer are the primary cause of death for Queenslanders. It also explains that improving the integration of care to patients with chronic disease is an important strategy for achieving better outcomes. The term 'chronic disease' refers to a group of diseases that tend to be long-lasting and have persistent effects. They account for 88 per cent of the burden of disease and 91 per cent of all deaths. Chronic disease costs \$45.8 billion nationally, or 87 per cent of recurrent allocated health expenditure, and up to \$5 billion per year in Queensland. It can also have a significant impact on work productivity. The Australian Government, the state and territory governments, and primary care providers share the management of chronic disease.

Integrated care aims to improve patient experience by better coordinating an individual's care across primary and preventative care, mental health, and specialist and hospital care. Better coordination of care is also designed to avoid unnecessary services and hospitalisations, thereby reducing costs. The Queensland Government has developed a \$35 million integrated care innovation fund for integrated care projects.

Following on from this audit, we will consider assessing how effectively Queensland Health manages integrated care for high risk groups (such as the elderly or Aboriginal and Torres Strait Islander people).

Health care pathways (wait list management)

This audit will assess the effectiveness of strategies employed to ensure patients receive the most appropriate treatment within the recommended time.

Public patients are referred to specialists from emergency departments or their general practitioner. Hospital and Health Services develop guidelines which help the referring doctors decide to whom they will refer patients and ensure the doctors provide appropriate information.

Long waiting times and inappropriate referrals to specialist medical appointments can contribute to sub-optimal outcomes for patients. As at 1 January 2017, the Department of Health reported 190 158 patients were waiting for a specialist outpatient appointment. Patients waiting longer than clinically recommended periods of time varied between two and 56 per cent depending on the speciality.

The Department of Health establishes outpatient waiting times as an important performance measure in their service agreements with the Hospital and Health Services and assigns funding for this initiative. The Queensland health sector has several strategies to address specialist outpatient waiting times including the Specialist Outpatient Strategy and the Clinical Prioritisation Criteria program (currently being developed).

Delivering guardianship services

This audit will assess the effectiveness of Queensland's guardianship system and its processes for supporting adults with a decision-making incapacity.

The Queensland guardianship system protects the rights and interests of individuals who do not have the capacity to make decisions for themselves. It aims to provide adequate and appropriate support for individuals to make decisions, with as much autonomy as possible. The law assumes an adult has the capacity to make a decision, unless evidence proves otherwise. Capacity is defined as an individual's ability to:

- understand the nature and effect of decisions
- freely and voluntarily make decisions
- communicate those decisions in some way.

It is important to assess the level of capacity in the context of the decision that the individual is making. While an individual's decision-making capacity may be impaired, they may still be able to make some decisions for themselves. Therefore, depending on the level of impairment in the situation, the individual may require someone to make the decision on their behalf, or may only require support to make the decision themselves.

In the Queensland guardianship system, there are several agencies which together are responsible for providing an effective and integrated service that supports and promotes the rights of adults with impaired decision-making capacity.

Infrastructure, Planning and Natural Resources

Managing local government rates, fees and charges

This audit will assess whether councils are setting rates, fees, and charges that are appropriate, reliable, and relevant for the services they provide, and that support long-term financial sustainability.

For many local governments (councils), rates are generally the major revenue source outside of federal assistance grants. Rates provide one of the few financial levers available to councils to address financial sustainability issues. Councils have discretion to set rates, and may do so without assessing future service delivery requirements or longer-term financial risks. Inequitable or insufficient rating practices can lead to community disharmony. They can also lead to financially unsustainable councils that may be overly reliant on grant funding or borrowings.

Non-Indigenous councils generate more than \$6.7 billion in rates and charges annually, representing 59 per cent of their total revenue. Indigenous councils do not charge rates.

Evaluating major infrastructure projects

This audit will assess how effectively agencies examine major infrastructure proposals and develop business cases that stand to maximise value for money, align with state government priorities and meet community needs.

The quality of infrastructure investment decisions correlates with how successful a project is and how it will have the desired economic and social impact on the state. It is critical for the state government to effectively assess investment decisions to ensure they are sound, will achieve economic benefits and value-for-money, and will ultimately deliver a positive outcome.

Building Queensland provides the Queensland Government with independent, expert advice on major infrastructure to better inform infrastructure decisions for its pipeline of projects. Building Queensland has developed a Business Case Development Framework to assist government agencies with the development of major infrastructure proposals. The guidance supplements the Project Assessment Framework, and provides detailed advice on how to develop a robust business case.

Capital asset management and planning

This audit will assess how efficiently and effectively the Queensland Government estimates and delivers its capital programs.

The annual budget cycle of the Queensland Government includes a Capital Statement. This statement presents an overview of proposed capital outlays by each Queensland Government department each year, as well as a summary of the government's approach to infrastructure provision. Capital outlays are broken down into capital purchases (including acquisitions under finance leases) and capital grants.

The level of capital expenditure over the 2017-18 forward estimates is forecast to exceed \$42 billion, with growth largely attributable to additional infrastructure investment associated with the state infrastructure fund.

Historically, Queensland Government agencies have been unable to spend the approved capital funds in the budget period. This increases the risk that government assets are unable to effectively support the delivery of key social services, or to support the state's development, the needs of local communities, and local employment opportunities.

The state's budget sector has underspent its capital program by more than \$7.7 billion (14 per cent) over the last five financial years.

Strategic asset management in local government

This audit will assess if councils are effectively managing their infrastructure assets to maximise their service potential while minimising their total cost of ownership.

Asset management is critical to the long-term financial sustainability of the local government sector. Without full knowledge of the type, performance, cost, and age of their assets, councils are limited in their ability to make fully informed decisions about their asset renewal, maintenance, and replacement.

As at 30 June 2016, councils were responsible for \$85 billion worth of infrastructure assets, including roads and bridges, buildings, water supply and sewerage networks, and stormwater drainage. At this time, only 47 per cent of Queensland councils had up-to-date asset management plans.

During 2015–16, the local government sector spent \$1.4 billion on the renewal of assets. To provide the best level of service to their communities, it is important that councils implement and practise sound asset management principles.

Managing the cost of local government services

This audit will assess whether councils are delivering their services to the community efficiently and economically.

Sustainability is a key factor in determining the longevity of councils all around Australia. Limited federal funding has challenged councils to review their services and ensure their resources are used effectively to get better outcomes for their respective communities. In managing financial sustainability, it is important that councils are aware of what services they provide, the cost of these services, and how they can improve the delivery of these services to achieve cost-efficiency.

Development applications and approvals

This audit will assess whether the processes for local government development applications and approvals are timely, efficient, and effective, and comply with relevant regulatory requirements.

Over the past few years, there have been several changes to the legislative framework that underpins the development application and approval process.

These changes can contribute to increased risk and complexity in how applications are processed. Further complexity arises from other factors including changing regulatory instruments, local versus state government requirements, and the nature of the application itself.

Depending on the development, the application may be assessed by either the local government or the state government.

The State Planning Policy, which commenced on 29 April 2016, is being reviewed, and a final revised policy is expected to be released in mid-2017.

Legal Affairs and Community Safety**Queensland Child Protection Commission of Inquiry**

This audit will assess how well the Queensland Government has implemented the recommendations for reform arising from the Queensland Child Protection Commission of Inquiry (QCPCI).

In response to the QCPCI, the Queensland Government is implementing a new child and family support system over the next 10 years. It is intended to have a greater focus on supporting families in providing a safe and secure home for their children.

This response reinforces that parents and families are responsible for the care and safety of their children, with the government's role being to support parents and families by providing the right services at the right time for those in need.

Implementing the reforms will require a fundamental shift in the way government agencies, child safety professionals, and community organisations work with vulnerable families, and with each other.

The Queensland Government will invest \$406 million over five years from 2014–15 to 2018–19 to better support the state's most vulnerable families and children.

Deploying police resources

This audit will examine how efficiently and effectively the Queensland Police Service deploys its resources to maximise public safety.

The Queensland Police Service has over 13 000 operational staff and 14 000 total staff. It is responsible for providing policing services to more than 4.8 million Queenslanders, who are spread over more than 1.7 million square kilometres.

Deploying police resources efficiently and effectively means using the most appropriate types and number of resources in the right place at the right time to maximise public safety outcomes.

Two objectives that the Queensland Police Service commits to in its Strategic Plan 2016–20 are to:

- use technology and innovative strategies to be more mobile, flexible, and capable of working across boundaries to deliver services to meet the community needs
- focus resources to identify and deliver effective and efficient services that maximise public safety.

Delivering forensic services

This audit will examine the efficiency and effectiveness of forensic services and whether they are delivered on a timely basis and to appropriate quality standards.

Forensic service branches across various government agencies provide expert analysis and advice in civil emergencies, criminal investigations, and the coroners' inquiries into reportable deaths.

These services are increasingly important in the detection and conviction of crime. Delays to forensic testing and analysis can reduce the chances of successfully detecting and apprehending offenders and delay the administration of justice. Failures of quality assurance in the system can lead to the failure of prosecutions and, in extreme cases, to miscarriages of justice.

The availability of an increasing range of forensic tests as well as the more regular use of forensics for the investigation of volume crime (such as burglary, robbery, and vehicle crime) has seen a growth in the number of tests conducted in all jurisdictions, including Queensland. While beneficial, this growth also has significant cost and resource implications.

Diverting young offenders from crime

This audit will examine the effectiveness of youth justice diversion and rehabilitation initiatives to support young people in better connecting with the community and reducing their risk of reoffending.

Offending by young people can stem from a range of complex social problems such as family dysfunction, poor educational outcomes, unemployment, and substance abuse. Addressing the root causes of offending can help young people better connect with their communities and reduce the risk of them committing future crimes.

The Department of Justice and Attorney-General is responsible for youth justice. It is responsible for a range of programs and initiatives intended to divert young offenders from the justice system and help them to avoid the risk of reoffending.

Public Works and Utilities**Regulating builder registration**

This audit will assess how effectively the Queensland Building and Construction Commission regulates builder registration.

The Queensland Building and Construction Commission is a regulatory body that provides support to the state's building industry. It does this by upholding proper building standards and by investigating defective building work.

The commission provides four main services for Queensland home owners and contractors:

- licensing services
- dispute prevention and resolution services
- home warranty insurance
- information and education.

Recently the Queensland Building and Construction Commission has had increased media attention and lodgements with the Queensland Ombudsman.

Monitoring and managing dam safety

This audit will assess whether the Department of Energy and Water Supply is effectively monitoring dam safety and prioritising remediation of referred dams.

The owner of a dam is responsible for its safety. Having a dam safety management program in place can minimise the risk of its failure, and the potential impact on human life and property.

Under the provisions of the *Water Supply (Safety and Reliability) Act 2008*, the Department of Energy and Water Supply is responsible for the regulation of dams that are referable. (Referable dams are those that dam owners have assessed as putting people at risk in the event of failure.)

Around half of referable dams in Queensland are owned by Seqwater (26 dams) and Sunwater (23 dams). All referable dam owners must have an approved emergency action plan in place.

The Department of Energy and Water Supply may put safety conditions on referable dams, including requiring the undertaking of works to improve their integrity.

Delivering social housing and housing services

This audit will assess whether social housing programs are effectively and efficiently meeting the needs of vulnerable Queenslanders.

Improving housing affordability, reducing homelessness, and assisting Queenslanders to access the private housing market remain key priorities of the Queensland Government. In June 2017, the government published its 10-year housing strategy (2017-2027). Through its new strategy, the government aims to transform how it delivers housing services, providing for every Queenslanders to have access to safe, secure and affordable housing that meets their needs and allows them to participate in society.

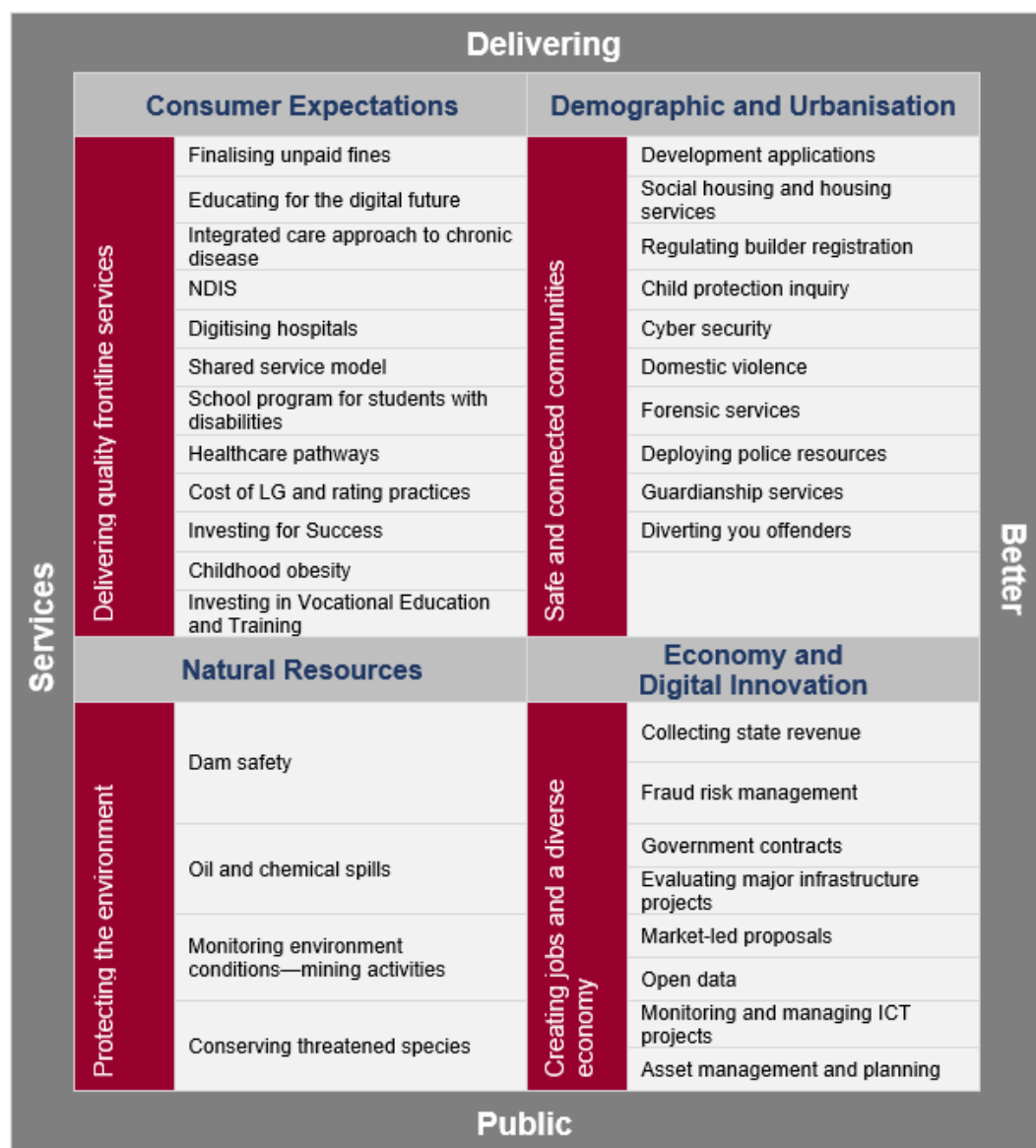
The Department of Housing and Public Works is changing the way it does business with organisations funded to deliver social housing and ancillary housing services. The department's initiatives include bond loans, rental grants, RentConnect, the Home Assist Secure program, and the National Rental Affordability Scheme. These are all aimed at helping low income earners to access and keep housing in the private rental market.

Appendix D—State priorities and global trends

Our vision is to support the delivery of better public services by identifying topics that are likely to have greater impact and positive outcomes for Queensland public sector agencies and the wider community. In the diagram below, we set out how our performance audits deliver on that vision. We also show how our audits contribute to the Queensland Government’s strategic objectives for the community as well as to priority areas for public sector agencies.

We have then further linked these Queensland issues to the global megatrends we have identified through our broader environmental scanning and intelligence gathering.

Figure D1
Mapping topics to Queensland priorities



Source: Queensland Audit Office.

Legend:

- QAQ’s vision
- Our performance audits
- Queensland objectives
- Megatrend

Appendix E—Our audit services and mandate

Our mandate

The Queensland Auditor-General undertakes an independent, statutory role for the Queensland Parliament, supported by the Queensland Audit Office (QAO), in delivering financial and performance auditing services. The results of these audits are reported to parliament to provide it with necessary assurance about the reliability of financial reporting by, and the performance of, the public sector.

We audit all state and local government public sector entities and any entities they control. We can exempt entities from annual financial audits by QAO for periods of up to three years, but only if the audit is small and low risk. Section 60 of the *Auditor-General Act 2009* requires that we report at least once each year to parliament on the results of the financial audits we undertake for public sector entities.

At the request of a minister or a public sector entity, we may also undertake audits of non-public sector entities, with their agreement.

Our mandate was extended from August 2011 to allow us to audit matters relating to property, money, or other assets given to non-public sector entities, including deciding whether they have been applied economically, efficiently, and effectively for the purposes for which they were given. If such an audit is carried out, the auditor-general must prepare a report to the Legislative Assembly, setting out the reasons for conducting the audit and results of the audit.

Section 37A of the *Auditor-General Act 2009* became effective in August 2011 and governs performance audits. This section provides the mandate for the auditor-general to conduct a performance audit of all or any particular activities of a public sector entity, or in limited circumstances, a government owned corporation.

Section 38 of the *Auditor-General Act 2009* provides the mandate for the auditor-general to conduct a performance management systems audit of a government owned corporation, or a controlled entity of a government owned corporation.

Auditing standards

We undertake our audits in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian auditing standards. These require us to analyse each entity's internal control structure and assess the risks associated with its financial report. We design our audit procedures to address these risks.

Our audit services

We provide independent audit services that assure parliament and the community of the performance and accountability of the public sector. We do this through reports to public sector entities on their financial statements and reports to parliament on the results of our financial and performance audits.

Performance audit services

Performance audits provide parliament and the community with independent assurance that public monies have been used appropriately and well, and that the results achieved from their use meet parliament's expectations. Performance audits assess whether an entity, program, or activity achieves its objectives economically, efficiently, and effectively and complies with relevant laws. Performance audits do not question the merits of policy objectives—they assess how well the policy objectives are being achieved.

Performance audits also provide parliament and the general public with assurance that the delivery of public sector services and spending of public monies is accountable, transparent, and valid. These audits focus on efficiency, effectiveness, and economy of public service delivery, as well as compliance with legislative and prescribed requirements. Parliament funds our performance audits through appropriation.

Financial audit services

Financial audits provide the users of financial statements of public sector entities with independent assurance that the statements are reliable and comply with prescribed requirements. We conduct financial audits over the following types of public sector entities:

- **general government sector:** government bodies that are legally distinct from the governments that own them and that provide non-regulatory, non-financial market goods and services, including all government owned corporations other than those classified as public financial corporations
- **public non-financial corporations:** bodies that are legally distinct from the governments that own them and that provide non-regulatory, non-financial market goods and services, including all government owned corporations other than those classified as public financial corporations
- **public financial corporations:** government controlled entities performing centralised banking functions. For the purposes of this report, these include the Queensland Investment Corporation and QSuper and their controlled entities
- **local government:** Queensland councils and the entities they control, either individually or jointly
- **universities and grammar schools:** government universities and their controlled entities, and grammar schools within Queensland.

We undertake a risk-based approach to our financial audits. We incorporate the results of our environmental scanning and stakeholder engagement to determine the transactions, account balances, significant projects, and financial statement disclosures we would like to focus on for the upcoming year.

Financial audits are funded by fees charged to each audited entity, while performance audits and reports on the results of financial audits are funded by parliament.