



**Queensland Public Sector
Annual Report Awards
QPSARA[®] 2009**

Adjudicators Report

May 2010

Queensland Public Sector Annual Report Awards 2009

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Introduction

Every year since 1981, the Institute of Internal Auditors - Australia (IIA) has conducted the Annual Report Awards to encourage Queensland's public sector agencies to adopt superior standards of accounting, auditing, and reporting.

The IIA believes high standards of reporting lead to a more effective, efficient, equitable, accountable, and smarter management of the public sector in Queensland. We are also of the view that going beyond the requirements of statute to produce reports that enable relevant stakeholders to truly understand the operations of an agency, contribute to good governance and thus promotes better performance.

We recognise that no organisation has 100% success or is entirely trouble free. We believe the transparent reporting of issues to stakeholders is a sign of responsible management and is therefore to be encouraged.

The establishment of internal auditing is regarded by the IIA as one of the foundations of good governance. The IIA has also encouraged for many years the establishment of professional internal audit functions in all significant public sector organisations. Even small organisations can benefit from internal auditing.

The IIA has consistently asserted that internal auditing can assist the CEOs of all public sector agencies to report "quality information". In doing so, an internal audit function can help Chief Executive Officers –

- to achieve corporate objectives effectively and efficiently, and
- prevent, detect, and correct irregularities of any kind, including fraud and corruption.

Annual Reports provide an opportunity for CEOs to tell their stories about how they "manage for outcomes" and meet their customer, employee, and stakeholder needs through leadership. Now that many agencies share delivery of their corporate service functions through service providers, it is important that CEOs are able to demonstrate that these outsourced functions are being effectively managed for the good of the agency.

The outsourcing of a process to a shared service agency or to a professional service firm does not necessarily lead to high quality or cost-effective delivery. Independent review of operations is critical in this process.

Over the past 29 years we have observed a significant improvement in the quality of annual reporting. Legislative requirements have been strengthened, leading to some notable improvements in the useability of reports, and many agencies have gone beyond those requirements. We have also noted that the format restrictions that have been applied to State Government Department reports do not necessarily lead to dull or unimaginative reports.

The Premier's Department has issued Annual Report Guidelines for Queensland Government Agencies. The criteria for the Queensland Public Sector Annual

Reports are based on best practice and recognition at QPSARA does not automatically reflect that an annual report is compliant with the Queensland Government guidelines. It is noted that the criteria used by the adjudication panel is not in conflict with the Queensland Government guidelines and due consideration was given to the guidelines when determining assessment criteria.

The Awards

Purpose of the Awards

The purpose of the Awards is -

- to recognise excellence in the quality of information in Annual Reports of Queensland's public sector organisations, and
- to provide a focal point by which the IIA and other professional bodies may demonstrate their interest in improving the effectiveness, efficiency, equity, and accountability of Queensland's public sector agencies.

Participation

- Entries were received from 19 organisations. (This was disappointingly down from 30 in the previous year and 51 the year before that. Whilst part of the decrease in entries can be attributed to the merger of government departments, the number of entries were below expectation)

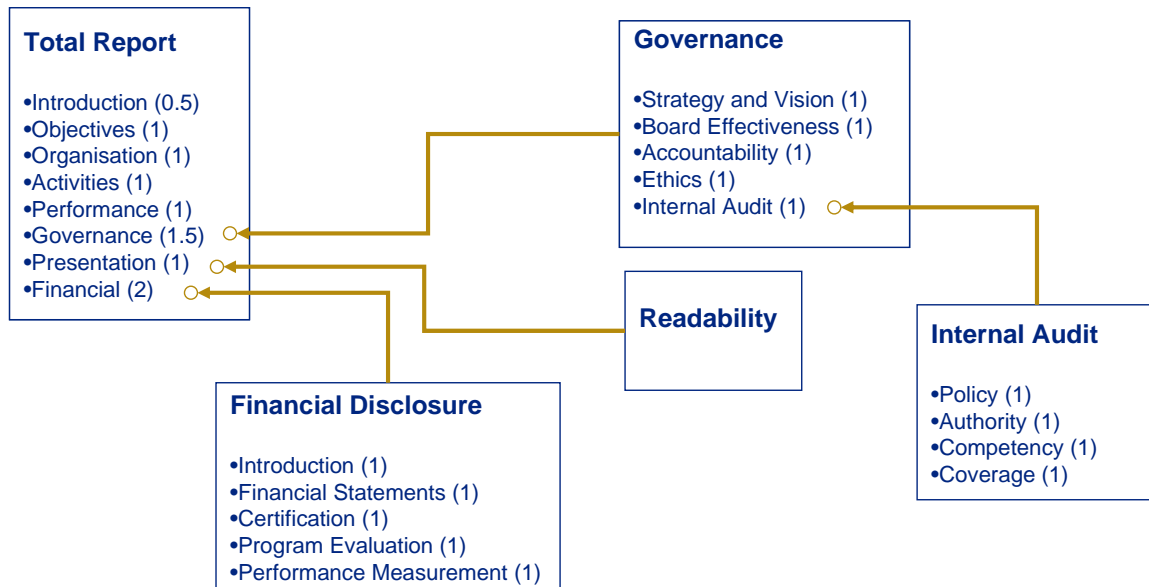
Where an entry has been received from an organisation which participated in the Awards last year, but whose organisational structure was significantly changed during the year, then that organisation is deemed to be a new "reporting entity", and accordingly its entry is also a new entry.

The entries were in the following divisions –

	Last Year	This Year
State Government Departments	11	4
GOCs & Statutory Authorities	10	4
Local Governments	5	6
Other Public Sector Entities	4	5
Total	30	19

Evaluation Criteria

The criteria used by the Panel of Judges to evaluate the Annual Reports have been developed and refined over many years. They are summarised in the diagram below:



Award Categories

There are nine awards to be offered. No award was made unless the report concerned met the review criteria.

The classes of award are:

General Awards

- State Government Departments
- Government Owned Corporations and Statutory Authorities
- Local Government Bodies
- Other State Public Sector Agencies

Special Awards

- Internal Auditing
- Governance
- Readability
- Financial Disclosure

In all individual categories, and the "Best Overall Report," first, second and third places were awarded.

Adjudication Panel

The Adjudication Panel consisted of representatives from Queensland divisions of several professional bodies and academia, and includes senior accountants and auditors from both the public sector and the private sector.


Where an annual report has been entered by the employer or a client of a member of the Adjudication Panel, the member does not take part in the adjudication of that annual report. The IIA would like to thank the adjudication panel members below:

Name	Position	Company/Agency
Mr Frederick Beck	Internal Audit Manager	Ipswich City Council
Mr Andrew Bray	Group Audit Manager Australia	Crane Group Ltd
Ms Gina Conde	Manager Internal Audit	SunWater Limited
Ms Marita Corbett	Partner, Risk Advisory Service	BDO Kendalls
Mr Pat Culpan	Director, Audit & Operational Review	Queensland Health
Ms Audrey Dawson	Group Compliance Manager	Cerebral Palsy League QLD
Mr Ian Fraser	Senior Assurance Specialist	Brisbane City Council
Mr Carl Gerrard	Partner, Risk Services	Deloitte Touché Tohmatsu
Ms Tania Hughes	Director	Business Synergy Solutions
Mr Trevor Jones		
Mr Theo Kritzinger	Associate Director	Protiviti
Mr Andrew MacLeod	Chief Internal Auditor	Brisbane City Council
Mr Bob McDonald (Chair)	Senior Director, Assurance and Risk Advisory Services	Queensland Health
Mr Neville Moo	Director, Internal Audit	Department of Education and Training Qld
Mr Jai Ram	Manager, Internal Audit	Toowoomba Regional Council
Mr Alistair Squires	Financial Services Co-Ordinator	United Bible Societies
Mr David Tanner	Director, Internal Audit	Department of Communities QLD
Mrs Amanda Wall	Manager, Financial and Compliance Audit	Queensland Health
Mrs Suzanne Wauchope	Director	Ernst & Young

This Year's Awards

Opportunities for Improvement

There has been a marked improvement over recent years as to the standard and content of annual reports. However it is noticeable that one area in particular, namely Internal Audit, has not always been given adequate coverage in these



annual reports detailing its role in corporate governance. Whilst the panel is sure that the internal audit role is undertaken and been taken seriously by CEO's/Boards, this is not always reflected in the annual reports.

On those occasions where detailed descriptions of services provided were included, the judges were appreciative. We believe that much more in the way of provision of cost-of-service information alongside other performance measures would be valuable.

The user-friendly reporting of financial information required of local government authorities is of considerable value to users of the reports. We noted that other types of organisation also included user-friendly financial information – explaining the meaning of the results to non-financial users. This does introduce a risk that the explanation does not match the formal financial information – a situation that we observed in one annual report.

Once again, one of the initiatives in recent years within the public sector has been the increased use of outsourced functions including shared service activities. It is noted that there is minimal reference as to how CEOs and other accountable officers have obtained assurance over any outsourced activity - particularly that provided by Shared Service agencies.

It is considered that as the concept of annual reporting becomes more important to stakeholders the concepts of social responsibility and environmental / sustainability issues should be included as key targets/indicators.

Finally, the readability of annual reports (both on the internet, other electronic medium and in hard copy) is critical to stakeholders. Opportunities for improvement include:

- Print clarity of reports;
- Access on the internet;
- Identification of organisation;
- Table of contents.

General Observations

The best annual reports in Queensland continue to compare very favourably with the best annual reports elsewhere in Australia and internationally. The Adjudicators noticed continued reticence to report bad news, disappointments, or targets not achieved. While recognising that it is not necessarily easy to report failures in detail, we believe that balanced reporting requires disclosures of both bad and good news.

Many organisations provided detailed descriptions of major projects and, while these were not always placed in the context of the overall purpose of the organisation, we did note some high quality descriptions of the overall purpose of individual organisations.

It was also pleasing to note the increased usage of photographs within the annual reports making

General Awards by Category

Each of the public sector agencies who received awards in this category demonstrated strengths across the areas of readability, governance, financial and internal audit. The allocation of first, second and third was based on the overall score.

Category 1 - Government Department

- #1. Department of Education and Training
- #2. Queensland Audit Office
- #3. Department of Community Safety

Category 2 - Government Owned Corporation/Statutory Authority

- #1. Ergon Energy
- #2. Q-Comp
- #3. Queensland Ombudsman

Category 3 - Local Government

Local government entities are required to provide a Community Financial Report. This is a worthwhile requirement as it facilitates deeper understanding by relevant stakeholders. Even within this requirement, some organisations were able to provide better information than others.

- #1. Gold Coast City Council
- #2. Brisbane City Council
- #3. Lockhart River Aboriginal Shire Council

Category 4 – Other Public Sector Entity Annual Report

- #1. Queensland Treasury
- #2. Health Quality and Complaints Commission
- #3. Crime and Misconduct Commission

Special Awards by Category

Readability

The top three entries in this category were clearly ahead, with the majority of the rest close together behind that. We noted that a number of reports did not make use of pictures, graphs and colours to make reports more inviting to the reader.

- #1. Queensland Ombudsman
- #2. Queensland Treasury
- #3. Health Quality and Complaints Commission

Internal Audit

In relation to this award there was only a minor variance between top five entries, however after this there was a sudden drop in the standard of disclosure of internal audit. Whilst in most instances it was clear that Internal Audit did exist, there appear to be some reticence to include the full details in the annual report. The functions of Internal Audit forms a significant part of corporate governance and should be disclosed for all readers of annual reports.

- #1. Queensland Health
- #2. Gold Coast City Council
- #3. Department of Education and Training

Governance

The winner of this category was clearly ahead, with second and third place close together a little way back. There was then a clear gap to the rest of the entries. Outside the top entries, there was a lack of solid detail as to makeup of the "Board" and the accountable roles they undertook, including measuring performance against the plan.

- #1. Ergon Energy
- #2. Gold Coast City Council
- #3. Queensland Audit Office

Financial Disclosure

We took the view that meeting the Statutory Requirements is the minimum here. We were looking for clarity and going beyond these requirements. This allows for the fact that some organisations are required to meet entirely different standards of disclosure from others. One area that was clearly absent from most entries was statistical comparisons for the last five years, and if included, there was no adjustments made for inflation.

- #1. Gold Coast City Council
- #2. Department of Education and Training
- #3. Ergon Energy

Best Overall Annual Report

The overall winner is based on the four preceding categories with top two places featuring heavily in the corporate governance and financial disclosure categories. The IIA President's award for the best annual report in 2009 has been awarded to:

- #1. Ergon Energy
- #2. Gold Coast City Council
- #3. Queensland Treasury



Conclusion

The IIA is encouraged by the participation in, and the results of, these Awards during the last 29 years.

We are aware of the large effort and the many people involved in the preparation and presentation of such reports and we believe that this year's results are a credit to those who were involved.