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Ashleigh Edwards

From: Craig Evans
Sent: Thursday, 26 July 2012 8:08 AM
To: Ainslie Barron
Subject: FW: Disability reform

Hi Ainslie
Can you please start to have a look at this? Regards Craig

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

-----Original Message-----
From: Jon Grayson
Sent: Thursday, 26 July 2012 8:06 AM
To: Tina Davey; Craig Evans
Subject: Disability reform

Craig, Tina

Whilst Qld is not in a position to participate In NDIS at this stage (and the Commonwealth has shown no sign of wanting to engage in any case), I think there would be an appetite to reform our services within existing resources, and consistent with ultimately participating in NDIS.

I expect that reforms would include greater choice, individual control, and private sector delivery.

Could you put together a PBN which canvasses the state models (particularly WA) and proposes we move in this direction with Margaret.

Happy to discuss further.

Thx

JDG

Sent from my iPad

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RTI Document No.1

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Ashleigh Edwards

From: Craig Evans
Sent: Thursday, 26 July 2012 8:07 AM
To: Jon Grayson; Tina Davey
Subject: RE: Disability reform

Will do

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

-----Original Message-----
From: Jon Grayson
Sent: Thursday, 26 July 2012 8:06 AM
To: Tina Davey; Craig Evans
Subject: Disability reform

Craig, Tina

Whilst Qld is not in a position to participate In NDIS at this stage (and the Commonwealth has shown no sign of wanting to engage in any case), I think there would be an appetite to reform our services within existing resources, and consistent with ultimately participating in NDIS.

I expect that reforms would include greater choice, individual control, and private sector delivery.

Could you put together a PBN which canvasses the state models (particularly WA) and proposes we move in this direction with Margaret.

Happy to discuss further.

Thx

JDG

Sent from my iPad

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Ashleigh Edwards

From: Craig Evans
Sent: Wednesday, 25 July 2012 8:38 AM
To: David Hourigan; Amanda Pafumi; Michael Tennant; Adrian Jeffreys; Tina Davey; Ainslie Barron; Christine Castley; Anthony Crack
Subject: FW: Governance update

For info

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

From: Patrick Vidgen
Sent: Wednesday, 25 July 2012 8:36 AM
To: @Governance Division (DPC)
Cc: Jon Grayson; Craig Evans; Sharon Bailey
Subject: Governance update

Dear Colleagues

On 2 July 2012, the Director-General, through his regular communiqué, discussed the implications of the Commission of Audit's Interim Report. He reminded DPC of the Premier's repeated message - the only way to protect our future is by finding savings and new, cost-effective ways of delivering services to Queenslanders. We were further reminded that it is a case of all agencies on deck to rectify the situation.

I can confirm that the 2012/13 DPC budget remains under consideration. Additionally, once a final position has been reached, the budget outcome, similar for all agencies, is only likely to become public at the time of the State Budget on 11 September 2012. Any impacts on DPC and its staff will be communicated at that time.

However, this does not prevent DPC from exploring alternate service delivery options in some areas now. I can confirm that Ministerial Services has been requested to develop an options paper on the services its provides, namely human resource, finance, information technology and facilities. The options will canvass interjurisdictional models and analyse centralised and decentralised service delivery. The main focus of the exercise is to confirm whether the current model remains the best approach.

Similarly, late last week a decision was reached to change the delivery model for internal audit and risk services. DPC will follow the trend in other jurisdictions and move from a completely in-house internal audit function to one which retains some internal capacity but also utilises the expertise of external providers. This decision is not based on cost cutting but rather adopting an accepted industry model which will provide better audit outcomes for DPC.

Over time, I anticipate that other areas of DPC will also be examining their service delivery model. Self review is important to ensure that best practice approaches are always front of mind, especially with the client in focus. If you have any concerns in relation to current arrangements I encourage you to talk with your director.

Regards

Pat

Pat Vidgen

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Deputy Director-General | Governance | Department of the Premier and Cabinet
Phone: 07 3224 6061 | Mobile: s49 - CTPI

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Barbara Tollenaere

From: Patrick Vidgen
Sent: Tuesday, 24 July 2012 5:37 PM
To: Jon Grayson; Sharon Bailey
Subject: Draft email re MSB and audit

Importance: High
Sensitivity: Confidential

Jon

Please see draft below. I can either send this from me to governance division (cc Craig) or it can be reshaped from you to all DPC.

Please let me know your preference (and any changes).

Pat

Pat Vidgen
Deputy Director-General | Governance | Department of the Premier and Cabinet
Phone: 07 3224 6061 | Mobile: s49 - CTPI

Dear Colleagues

On 2 July 2012, the Director-General, through his regular communiqué, discussed the implications of the Commission of Audit's Interim Report. He also reminded DPC of the Premier's repeated message - the only way to protect our future is by finding savings and new, cost-effective ways of delivering services to Queenslanders. We were further reminded that it is a case of all agencies on deck to rectify the situation.

I can confirm that the 2012/13 DPC budget remains under consideration. Additionally, once a final position has been reached, the budget outcome, like for all agencies, is only likely to become public at the time of the State Budget on 11 September 2012. Any impacts on DPC and its staff will be communicated at that time.

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Similarly, late last week a decision was reached to change the delivery model for internal audit and risk services. DPC will follow the trend in other jurisdictions and move from a completely in-house internal audit function to one which retains some internal capacity but also utilises the expertise of external providers. This decision is not based on cost cutting but rather adopting an accepted industry model which will provide better audit outcomes for DPC.

Over time, I anticipate that other areas of DPC will also be examining their service delivery model. Self review is important to ensure that best practice approaches are always front of mind, especially with the client in focus. If you have any concerns in relation to current arrangements I encourage you to talk with your managers.

Pat Vidgen

RTI RELEASE

RTI Document No.5

Pages 6 through 7 redacted for the following reasons:
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Barbara Tollenaere

From: Lara McKay
Sent: Wednesday, 11 July 2012 6:09 PM
To: Jon Grayson
Cc: Patrick Vidgen; Sharon Bailey
Subject: Central media monitoring function
Attachments: Attachment - Media Monitors - June 2012 - WoG Contract with Sentia Media (formerly Media Monitors).pdf

Hi Jon

Re: centralised office within DPC to rationalise media monitoring services

Please find attached the original request from Kate Winter regarding a proposal to have a centralised media monitoring unit within DPC.

We have broadly assessed the proposal and agree that there are benefits of a central portal through reduction of duplication and copyright fees. We are trying to get a handle on current budgets that exist across departments but further investigation is needed to gather this data. There is a desire to implement this team very quickly so I wanted to get your advice before I respond to Kate's email below.

The Premier's Office has proposed a staged process towards a centralised model whereby a team within this department will operate and manage a centralised media monitoring service. It is not clear where this unit would sit but Kate has identified that it should be as 'independent' as possible, and therefore her preference is that it would sit in Office of the Director-General. Obviously, we can explore other options if needed. As the contract is a whole-of-government arrangement, the management of this contract sits within the Queensland Government Chief Procurement Office (QGCPO).

Stage 1 of the proposal includes managing departmental accounts through a single portal. Currently, there are 29 separate portals within departments, each paying a monthly retainer. To manage the central portal, it is proposed that an office be set up within the Department of the Premier and Cabinet. This proposal includes a team of seven staff, including a director. The current team within the Premier's Office is two staff and one director who would transition to DPC. We have been asked to identify four staff from across government who could transition in to this new team. We have not been able to identify any dedicated staff members within departments whose sole job is media monitoring. It appears to be approximately 0.2 FTE position in large departments like Health, Communities, Education and Transport and Main Roads but these agencies are all actively reducing numbers of communications staff across the board. CTPI

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Finally there is also some conversation to be had about the role of DPC in this communications space and if we should be providing more 'whole of government' functions or if the communication, marketing and event services we provide are corporate in nature and exist to service the Premier's Office and DPC, rather than as a whole of government lead. That is pertinent, as there are other areas where we could gain more control over advertising and marketing functions which would again create efficiencies, but also increase FTE in DPC at a time when we are targeting a reduction.

Obviously this is a complex issue and I apologise for the long email. We are working through the issues but I think it will take a bit longer for these to be clarified. I'm not sure of the urgency to move the existing staff across from the PO. Without growing the team, and providing the same function, this could be a simple move but in order to move to the one portal and increased team we just need a bit more time. I'd be happy to get together to discuss but would appreciate your advice on how to respond to Kate's email in the first instance.

Kind regards

Lara

From: Lara McKay
Sent: Tuesday, 10 July 2012 1:25 PM
To: Wendy Bell
Subject: Fwd: Media monitors

> **From:** Kate Winter <Kate.Winter@ministerial.qld.gov.au>
> **Date:** 10 July 2012 1:17:03 PM AEST
> **To:** Lara McKay <Lara.McKay@premiers.qld.gov.au>
> **Subject: Media monitors**
>
> Hi Lara,
>
> Hope you are having a good day!
>
> Just wanted to touch base on the media monitors proposal. Could you possibly provide interim advice on whether you think this will proceed and estimated timeframe for the 3 media monitoring staff to transition to the dept?
>
> Kind regards,

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Kate Winter
Deputy Chief of Staff

Office of the Premier
Level 15 Executive Building, 100 George Street, Brisbane
Telephone +61 7 3224 7335
Facsimile +61 7 3221 3631
Mobile s49 - CTPI
Email kate.winter@ministerial.qld.gov.au

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Ashleigh Edwards

From: Craig Evans
Sent: Thursday, 28 June 2012 6:23 PM
To: Tina Davey
Subject: RE: QCSSI Funding

Thanks Tina

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

From: Tina Davey
Sent: Thursday, 28 June 2012 12:36 PM
To: Craig Evans
Subject: QCSSI Funding

Craig

Contrary to my previous advice, there was a specific budget allocation of $5M for QCSSI – funds were transferred from the old DEEDI to DPC.
They sit in a cost centre called the Smart Futures Fund – as such, there will be a direct saving of $3.4M to DPC when the agreement ceases.

Regards
Tina

Tina Davey
Executive Director
Social and Health Policy Unit
Department of the Premier and Cabinet
Tel: (07)322 78367; Ext: 78367 Mob: s49 - CTPI
Email: tina.davey@premiers.qld.gov.au

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Ashleigh Edwards

From: Craig Evans
Sent: Thursday, 28 June 2012 5:50 PM
To: Patrick Vidgen
Cc: Jon Grayson
Subject: FW: QCSSI Funding

Hi Pat
Can we confirm the location of these funds? We may not be in a position to hand back before 30 June (as the agreement with the Unis may not be finalised). Regards Craig

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

From: Tina Davey
Sent: Thursday, 28 June 2012 12:36 PM
To: Craig Evans
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They sit in a cost centre called the Smart Futures Fund – as such, there will be a direct saving of $3.4M to DPC when the agreement ceases.

Regards
Tina

Tina Davey
Executive Director
Social and Health Policy Unit
Department of the Premier and Cabinet
Tel: (07)322 78367; Ext: 78367 Mob: s49 - CTPI
Email: tina.davey@premiers.qld.gov.au

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Ashleigh Edwards

From: Craig Evans
Sent: Saturday, 23 June 2012 12:45 PM
To: Patrick Vidgen
Subject: Re: Saving Measures

Thanks Pat
I am still concerned about offering up the five fte in policy on the basis that it will significantly curtail Amanda's ability to manage an huge program. What I forgot to raise yesterday was the issue of the next wave of temporary contracts that fall due 31 dec. I recall that there were a number of these. Is it possible for Debbie to ascertain how many when and where? Thanks for the work to date. Regards Craig

Sent from my iPad

On 22/06/2012, at 5:32 PM, "Patrick Vidgen" <Patrick.Vidgen@premiers.qld.gov.au> wrote:

Craig

Docs attached.

Thank you for your help with all this, it s much appreciated.

Have a good weekend and we'll go again next week!

Pat

Pat Vidgen
Deputy Director-General | Governance | Department of the Premier and Cabinet
Phone: 07 3224 6061 | Mobile s49 - CTPI

From: Annette Sargent
Sent: Friday, 22 June 2012 5:25 PM
To: Patrick Vidgen
Subject: FW: Saving Measures

Sorry Pat – Here they are – do you want hard copies

Annette

From: Phillip Fogarty
Sent: Friday, 22 June 2012 5:14 PM
To: Annette Sargent
Subject: Saving Measures

Hi Pat,

Annette has requested I forward these amended documents to you on her behalf.

If you have any questions in regard to the content or layout, please don't hesitate to call me.

Regards

Phil

Phillip Fogarty
A/Director, Strategic Management Accounting

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Department of the Premier and Cabinet
Phone: (07) 3224 7717
Fax: (07) 3224 6915

<Attachment 1 - Savings matrix.DOCX>

<Attachment 2 - Organisational Structure - FTE and Cost per FTE.DOCX>

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- -
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Ashleigh Edwards

From: Craig Evans
Sent: Wednesday, 6 June 2012 3:32 PM
To: Jon Grayson
Subject: FW: Business Case
Attachments: System Manager Proposed Structure.jpg; System Manager Bus Case, Trans Plan.docx

Just received – Tony will give you a call. Regards Craig

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

From: Dan Harradine [mailto:Dan.Harradine@health.qld.gov.au]
Sent: Wednesday, 6 June 2012 3:25 PM
To: Craig Evans
Cc: Tony O'Connell (Health)
Subject: Business Case

Craig, copy attached as discussed. Page 14 of the attached business case has the organisation design reference (it is also pulled out as a single attachment for ease of reference).

Dan

Dan Harradine
Executive Director
Office of the Director-General
Queensland Health
Level 19, Queensland Health Building
GPO Box 48 BRISBANE QLD 4001
P : 07 3234 0536 | **F**: 07 3234 1482 | **M**: s49 - CTPI

****

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ft Structure—System Manager

stem Manager

Office of the Director-General

- Parliamentary and Ministerial Services
- Departmental Liaison and Executive Support
- External Relations
- Secretariat Services (Estimates, SCoH, etc)
- Audit (functionally with Chief Risk Officer)

Director-General

Health Service and Clinical Innovation
(Clinical improvement functions)

Health Service and Clinical Innovation Division

Functions include include:

- Chief Health Officer
- Chief Nursing and Midwifery Officer
- Chief Dental Officer
- Director of Allied Health
- Director of Medical Workforce
- Public health
- Regulatory functions related to various health legislation and standards
- Emergency coordination, disaster preparedness and response
- Retrieval Services Queensland
- Medical transport coordination (ambulance, aeromedical, patient)
- Preventative health
- Health protection
- Remaining mental health regulatory functions
- Alcohol, Tobacco and other drugs
- Clinical Access Improvement and reform, such as:
  - Access improvement services
  - Surgery connect coordination
  - Clinical target monitoring and rectification
- Clinical Services re-design, such as:
  - Patient flow initiatives
  - Metropolitan Emergency Department Access Initiative
  - Clinical re-design activities and review of key performance indicators
- Safety and quality, such as:
  - System-wide clinical policy development
  - System-wide clinical standards and liaison with national standard-setting bodies
  - Clinical Services Capability Framework
  - Practice Improvement
- Models of care development and improvement
- Health informatics and analysis
- Health Statistics Centre
- Clinical research
- Clinical research scholarship and project grants
- Clinical training and development

System Support Services
(Corporate and whole-of-government requirements)

System Support Services Division

Functions include:

- Chief Finance Officer, such as:
  - System Manager Financial Resource Management
  - Tax management and own source revenue
  - Financial delegations
  - Models and costings
  - Budget monitoring
  - System Manager procurement and panel arrangements
- Chief Infrastructure Officer, such as:
  - Asset and capital investment management and advice
  - Major capital projects
  - Maintenance coordination and reporting
  - System Manager Facilities Management
- Chief Risk Officer, such as:
  - Assurance and risk management
  - Ethical Standards and whistleblower protection
  - System Manager Corporate Governance arrangements
- Human Capital Officer, such as:
  - Human Resources management
  - Workforce reform and projections
  - Employee and Industrial Relations
  - Human Resource analytics
  - Organisational health, development and workplace health and safety
  - Executive recruitment, remuneration and benefits
- Legal services
- Right to Information and Privacy
- Library services
- System Manager fleet management
- Strategic and Operational records management
- Transactional finance, HR and other functions (QHSSP)

System Policy & Performance
(Policy and Ministerial functions)

System Policy and Performance Division

Functions include:

- Leading, facilitating and coordinating policy development to support Government priorities, reform agenda and commitments (such as National Partnership Agreements and election commitments)
- Contribution to whole-of-government social and health policy development
- Strategic and legislative policy and strategy development
- Strategic and State-wide Service Planning activities, integrating planning across areas of the agency such as:
  - State-wide Service planning
  - Workforce planning
  - Infrastructure and asset planning
  - Information, communication and technology planning
- Leading key projects that have state-wide or cross-network implications such as rural and remote health, closing the gap initiatives, e-health and other 'enabling' policy related to ICT and similar key inputs
- Developing regulations and health service directives and system-wide policy
- System Funding (all aspects of State-wide funding) framework, including Activity Based Funding
- Management of purchasing framework
- Funding planning and future demand projections to align with purchasing
- Relationship with Funding Bodies (State and Commonwealth)
- Contract and Performance Management
- Negotiation of Service Level Agreements
- Intervention management and support for appointment of Administrator (as required)
- Performance Improvement Program Coordination
- Cross-HHS support (ie, for functions 'hosted' in a single HHS
- Coordination of Statutory Body advice to System Manager and Minister (Office of Government Owned Corporations equivalent)

Mental Health Commission

Commissioner for Mental Health
(Future arrangements to be subject to a separate consultation process)

- Mental Health policy development
- Metal Health advocacy
- Mental Health consumer liaison
- Other functions as decided as part of separate consultation process

Commercialised Business Units

Health Information Technology Services
(ICT Infrastructure and Services)

Health Information Technology Services Division

- Information, Communication and Technology (ICT) Service Delivery
- ICT Change Programs
- ICT Investment

Health Services Support Agency
(Statewide Clinical Support Functions)

Health Services Support Agency

- Clinical Support Services (Radiology, Pathology, Medication Services Queensland)
- Statewide Procurement and Logistics
- Diagnostic Services
- Forensic and Scientific Services
- Biomedical Technology Services

Legend

- Division
- Organisational grouping: either the Department of Health or Commercialised Business Units
- Deputy Director-General or Executive *(Bracketed text shows basis for grouping key functional elements)*

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Business Case for Change: Restructuring Queensland Health's Corporate Office to become System Manager from 1 July 2012

Prepared by: Office of the Director-General, Queensland Health

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Part A: Executive Summary

In April 2010, the Australian Government announced its intention to undertake significant reform of the Australian healthcare system. In August 2011, Queensland, as a member of the Council of Australian Governments (COAG), signed the National Health Reform Agreement (NHRA), committing to major changes in the way that health services in Australia are funded and governed. These changes take effect from 1 July 2012 and include:

- moving to a purchaser-provider model, with health service delivery to be purchased from legally independent Hospital Networks (to be known as Hospital and Health Services [HHSs] in Queensland)
- introducing national funding models and a national efficient price for services, with the majority of services to be funded on an activity unit basis into the future[1]
- defining a refocused role for state governments in managing the health system, including:
  - the use of purchasing arrangements and other levers to drive access and clinical service improvements within and across the HHSs
  - a responsibility to intervene to remediate poor performance, either at the state's initiative or in response to prompting by the National Health Performance Authority (NHPA), which will publicly report on performance of the HHSs and healthcare facilities.

The *Health and Hospitals Network Act 2011* (HHNA), enabling the establishment of the new health service entities and the System Manager role for the health department in Queensland, was passed by the Queensland Parliament in October 2011.

Under the new arrangements, the role of Queensland Health's current corporate office will change. Corporate office will transition to the System Manager and will purchase services from the proposed HHS under service level agreements negotiated between the two entities. The System Manager will not be involved in the day-to-day functioning of health services, and will devolve responsibility for frontline service delivery to the HHSs unless there is a significant economic or similar benefit to maintaining a state-wide function.

Given the devolution of functions to the HHSs, the System Manager will have responsibility for:

- developing system-wide strategy, policy and standards
- focusing the direction of activities of the health system in Queensland by interpreting wider public health objectives, understanding the needs of Queensland's health consumers, and setting system-wide objectives and targets in line with government policy direction
- planning and forecasting the delivery of health services required by the Queensland population, guided by policy and strategy objectives
- integrating workforce, infrastructure, health technology and finance needs to ensure aligned planning across the HHSs, which will deliver services under a contractual, service level agreement arrangement
- acting as the purchaser and contract manager on behalf of the state managing the relationship with the national funding body and Independent Hospital Pricing Authority (IHPA)
- managing enterprise bargaining arrangements at a state-wide level, while devolving other day-to-day decisions in relation to human resource management to the HHSs based on their performance
- monitoring the system's attainment of targets and identifying activities and processes which can assist HHSs to improve performance
- providing guidance and performing regulatory functions relating to public health and private

[1] This efficient price will incorporate service delivery overheads and be set by the Independent Hospital Pricing Authority (IHPA).

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health licensing as required under relevant legislation, as well as health protection programs and emergency preparedness activities
- implementing programs relating to health promotion and disease prevention
- statewide crisis co-ordination
- supporting Queensland Government strategy and policy.

Following the March 2012 election, the new government has strengthened Queensland's commitment to the devolution of front-line service delivery within the healthcare setting to further empower health professionals working in HHSs.

The new government has also confirmed its desire for a single, streamlined and more responsive System Manager role for the current corporate office. It is proposed that the new structure set out in this business case will functionally commence from 1 July 2012, in support of the new HHS arrangements where possible, with devolution to continue over a 12-month period as the capacity of HHSs to take on additional functions grows. Transition to the new structure will link with similar "best-practice" initiatives underway across Government wherever possible, including the Public Sector Renewal Program, the Commission of Audit and the Public Service Commission's reviews of Human Resource issues.

This business case meets Queensland Health's obligations within section 4.2 of the *Queensland Health Framework Award – State 2012* to establish the benefits of the significant organisational change described therein. During the process of change, there will be consultation with key stakeholders including staff and unions for the purpose of seeking their input and to identify any issues which Queensland Health may need to consider further in its transition to the System Manager role.

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Part B: Introduction

1.0 Background

In April 2010, the Australian Government announced its intention to undertake significant reform of the Australian healthcare system. In August 2011, Queensland, as a member of the Council of Australian Governments (COAG), signed the National Health Reform Agreement (NHRA), committing to major changes in the way that health services in Australia are funded and governed.

1.1. National Health Reform Agenda

Changes under the National Health Reform, to take effect from 1 July 2012, will facilitate the devolution of management in the healthcare setting to more localised models of decision-making. They include:

- moving to a purchaser-provider model, with health service delivery to be purchased from legally independent hospital networks (to be known as Hospital and Health Services [HHSs] in Queensland)
- introducing national funding models and a national efficient price for services, with the majority of services to be funded on an activity unit basis into the future[2];
- defining a refocused role for state governments in managing the health system, including:
  - the use of purchasing arrangements and other levers to drive access and clinical service improvements within and across the HHSs
  - a responsibility to intervene to remediate poor performance, either at the state's initiative or in response to prompting by the National Health Performance Authority (NHPA), which will publicly report on performance of the HHSs and healthcare facilities.

1.2. Drivers for change in Queensland

Queensland Health's reform agenda has been driven by a number of critical factors:

The State Government believes the best health service outcomes are achieved by devolving management, responsibility and accountability for the delivery of services to local decision-makers.

Similarly, the public's confidence in Queensland Health's current organisational approach needs to be rebuilt. The current arrangements with corporate office overseeing both the total system and intervening in the delivery of health services is not sustainable, and this lack of role separation (between system manager and health services provider) departs from industry best practice, which recognises the disparate capabilities in performing true strategic direction-setting and frontline service delivery roles.

As the department's corporate office function has grown, its structure, frameworks and processes and have not adequately adapted to increasing responsibilities. This has resulted in a lack of focus in some areas and outcomes that have increased exposure for the department.

Concerns have been raised about the culture of Queensland Health. Broadly, there is a lack of trust and confidence with a perceived reluctance of the corporate office to trust in the capability of local

[2] This efficient price is to incorporate service delivery overheads and is to be set by the Independent Hospital Pricing Authority (IHPA).

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management, and conversely, a lack of confidence in the ability of corporate office to deliver on its core responsibilities. It is likely that this culture is a symptom of a range of issues, including lack of role clarity for corporate office and inefficiencies created by a large centralised bureaucratic corporate office function.

The current structure and functionality of Queensland Health's corporate office is not consistent with the National Health Reform agenda or the State Government's view that large, centralised arrangements create inefficiencies and do not provide the flexibility to respond to local interests.

1.3. Instrument for change

In support of the National Health Reform and the Queensland Government's drivers for change, in October 2011, the Queensland Parliament passed the *Health and Hospitals Network Act 2011* (HHNA) to provide for the creation of:

- new Local Health and Hospital Networks, which will have responsibility and accountability for the delivery of front-line healthcare services and
- a System Manager function to replace the current Department of Health.

Following the March 2012 election, the new government strengthened Queensland's commitment to the devolution of accountability for front-line service delivery within the healthcare setting to health professionals working in proposed Hospital and Health Services (to replace the Local Health and Hospital Networks). Similarly, the new government has confirmed its desire for a single, more streamlined and more responsive System Manager to replace the current corporate office.

2.0 Purpose of the business case

This business case sets out the proposed transition of Queensland Health's current corporate office to that of a System Manager.

It outlines the guiding principles supporting National Health Reform and confirms the State's commitment to empower the proposed HHSs to deliver front-line services through provision of clear strategic direction, targeted funding and efficient administration.

The approach outlined has been informed by extensive consultation undertaken in relation to various System Manager model propositions, including internal consultation throughout the first half of 2011, work by PricewaterhouseCoopers in December 2011 and the subsequent Solomon Report prepared by KPMG in January 2012. Significant work in relation to individual elements of the National Health Reform program has already been completed. The implementation of a new structure and devolution of functions to HHSs is the final element to supporting the new operating environment for health services from 1 July 2012.

No steps to implement the proposed structure have been undertaken, and the business case fulfills Queensland Health's obligations under section 4.2 of the *Queensland Health Framework Award – State 2012* to consult with staff and unions in relation to proposed significant organisational changes. Feedback from that process will be incorporated into the final model to be considered by government.

2.1 Scope of the business case

This business case identifies the proposed approach that Queensland Health's corporate office will take during transition to satisfy its key responsibilities agreed by COAG. It summarises the:

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- role of the System Manager in Queensland's Health System
- delineation of functions, roles and responsibilities within the System Manager
- governance arrangements to support decision making for the transition of corporate office to System Manager
- human resources and industrial relations considerations of the transition process.

This business case does not identify activities, risks or implications of any other component of the National Health Reform arrangements, which are being managed through alternate projects by each of the relevant health service districts transitioning to HHSs.

3.0 Governance

The governance structure supporting the implementation of the National Health Reform program, as illustrated below, will continue to be used for the purposes of transitioning the current corporate office to the new role of System Manager. Significant work in relation to individual elements of the National Health Reform program has already been completed, and the implementation of a new structure and devolution of functions to HHSs is a final element to support the new operating environment for health services from 1 July 2012. Therefore, it is appropriate that the existing governance arrangements continue with reporting to the Health Reform Program Executive (HRPE) and Queensland Audit Office (QAO), as currently occurs, to continue.

Figure 1: Program Governance Structure

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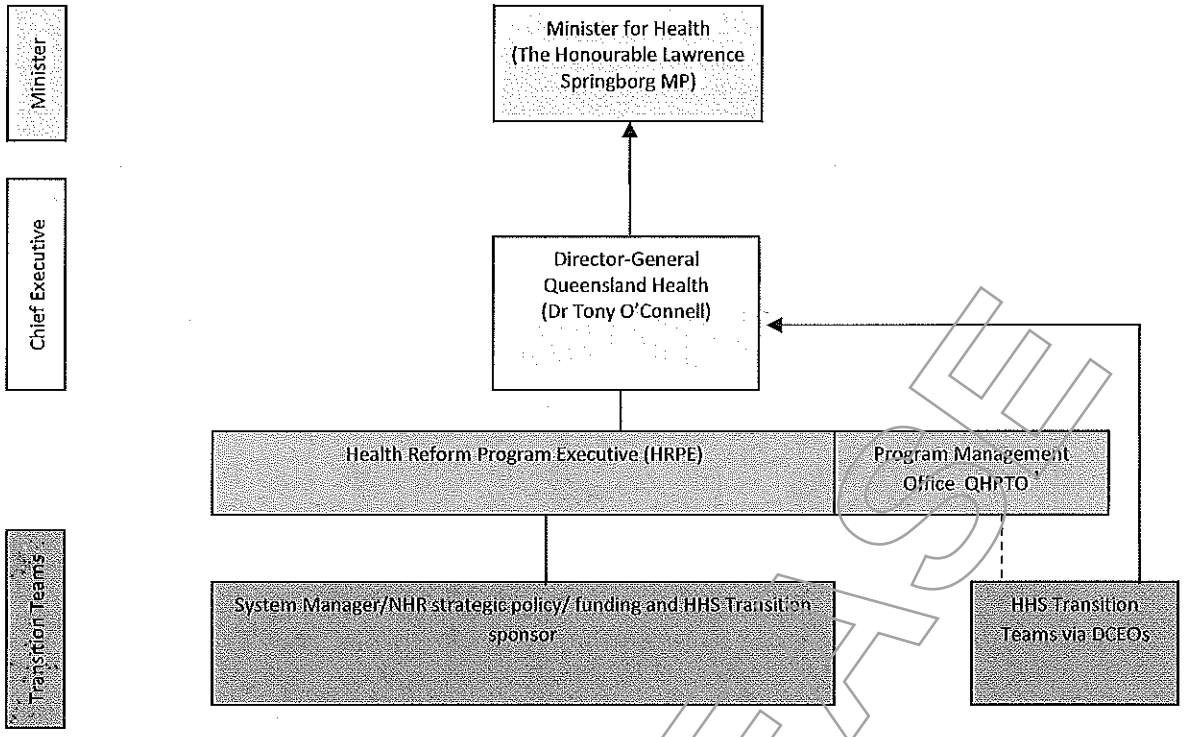

[1] Responsible for coordination of program and project management consistency

4.0 Acknowledgements

This business case draws on a range of sources, including:

- a detailed process facilitated by the Queensland Health Reform Transition Office (QHRTO) across both corporate divisions and health service districts during the first half of 2011
- work undertaken by PricewaterhouseCoopers for Queensland Health in late 2011
- a report prepared by Mr Shane Solomon (Partner KPMG), who was engaged from mid-December 2011 to mid-January 2012 to provide advice about corporate office reform opportunities.

The final business case draws on various elements of work prepared for and by Queensland Health to date in preparation for the implementation of National Health Reforms from 1 July 2012.

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Part C: Methods and assumptions

5.0 Design approach

The organisational design proposed in this business case aligns with:

- a number of key principles designed to align Queensland Health's restructure with the National Health Reform agenda
- the role of the System Manager (see section 7)
- people and change management principles.

5.1 Assumptions

- The System Manager will be leaner, more flexible and provide greater support to the 17 HHSs than the current corporate office model.
- Restructure is targeted for 1 July 2012, however this is subject to consultation with affected staff and unions, in accordance with Queensland Health's industrial obligations, and any future directions stemming from complementary processes underway at a whole-of-government level, such as the Public Sector Renewal Program, the Commission of Audit and the Public Service Commission's reviews of Human Resource issues.
- Empowerment of the HHSs will be a staged process, with devolution of key corporate services dependent on:
  - system capability/readiness
  - capability and performance of the individual HHSs
  - establishment of agreed protocols with reference to accountability/responsibility of legacy issues.
- The Director-General will have the support of the HRPE to:
  - scope and appoint the System Manager's executive management team (EMT)
  - redeploy current remaining executives to alternative positions within the System Manager, as required.
- HRPE will endorse the proposed business model and three-phased implementation process described in this plan.
- Access to expert advice/resources to facilitate the implementation is available, subject to approval of the Director-General.
- Any cost associated with the System Manager restructure will be funded by Queensland Health and savings identified from the process will be realised.

5.2 National Health Reform design principles

The Queensland Government has adopted the following broad principles to guide design of the new System Manager:

- The System Manager will be focused on strategic, whole-of-system functions with frontline service delivery to be devolved as far as practicable.
- Accountability for health services will be held at a local level wherever possible.
- Frontline services should be devolved to HHSs unless there are demonstrable advantages of statewide / regional operation.

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- Service level agreements underpinning service delivery requirements will be developed between the System Manager and HHSs.
- Staff should not experience a reduction in their terms and conditions.
- A governance system is essential to maintain connections between all the agencies in the health system.

5.3 Key principles

The System Manager transition proposes to follow a number of key principles,[3] to which transition leaders will refer when assessing competing priorities and options throughout the process.

Key principles	
	People Principles[4]
1	Queensland Health is committed to maximum employment security for permanent public sector employees. Where changes to employment arrangements are necessary, there will be active pursuit of retraining and deployment opportunities in accordance with the Queensland Government's policy on employment security.
2	Staff and health unions will be informed, consulted and involved throughout the transition and will play a key role in shaping the new health system.
3	Queensland Health employees will continue their employment under the same terms, conditions and entitlements.
4	Staff will have up-to-date information on health reform.
5	Transition leads will facilitate transformation activities at the local level.
6	Queensland Health staff will be supported and treated with respect.
	Change Principles
1	People have a shared understanding of the vision for an improved and sustainable health system.
2	Adopt an approach that is consultative, participative and inclusive of all stakeholders.
3	Leaders act and implement changes locally that are consistent with the vision.
4	People are supported to manage and implement the change.
5	The process of transition will be sufficiently flexible to ensure local innovation and service improvement will continue to be enhanced.
6	Communication is open and transparent.
	Transition Principles
1	Devolution of responsibility and accountability for the delivery of health services to

[3] Approved by the previous Queensland Government

[4] Transition Principles included in Health Reform Queensland *Change Strategy November 2011 Version 1.1*

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	HHSs is paramount.
2	The health and safety of Queenslanders remains our first priority.
3	Creation of value for patients is a clear focus.
4	Program governance structure is transparent and outcome focused.
5	Decision-making is evidence-based.
6	The final business model allocates clear accountabilities and responsibilities.
7	Transition and improvement efforts will be efficient, effective and prioritised to deliver maximum benefits to the health care system.

5.4 Organisational design principles

The organisational design approach used to deliver the draft structure proposed in this business case is based on five design principles. It considers the importance of a nationally consistent system focused on local delivery, accountability and decision-making

The principles reflect the government's desire to improve the efficiency of health expenditure by streamlining and reducing the size of central control features evident in the current system, and re-directing funding, functions, accountability and responsibility for healthcare services to local decision-makers. This approach will ensure a higher proportion of the health budget is spent on providing front-line health services. The approach seeks to achieve these objectives through ensuring greater clarity of roles, reducing the size of the System Manager relative to the current corporate office, simplifying structures and better aligning functions and processes.

Principle	Rationale	Implication for System Manager structure
1. Understanding the greater context	Organisational design must consider the role of the System Manager in context of both the state's healthcare model and the broader national system.	The organisational model must enable effective relationships between **1.** the System Manager and the HHSs **2.** the System Manager and the national health system. It must enable the System Manager to interact effectively with internal and external stakeholders in order to deliver agreed outcomes (e.g. funding).
2. Role clarity	The System Manager has two distinct high level functions: **1.** System Manager, as specified in the HHNA **2.** Service provider (where there is benefit in standardisation or economy of scale)	Separation of accountabilities will facilitate far greater role clarity and enable efforts to be focused. Greater ability for the organisation to support and empower the HHSs in their delivery of frontline services. Greater transparency in goal setting, including a more performance focused approach to the functions of the System Manager. Efficient decision making processes will lead to greater trust in the organisation to support the needs of the health system, leading to an improved culture over time.

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3. Simplification wherever possible	A simplified, more streamlined structure should reflect the devolution of relevant functions as part of the National Health Reform agenda. It should eliminate the duplication of functions and facilitate improved role clarity (as per design principle 2)	A more streamlined structure will result in greater financial efficiency and the direction of a larger proportion of Queensland Health's budget to the delivery of front-line services. Elimination of duplicated functions will further clarify roles within the state's system and effectively empower the HHSs to deliver agreed outcomes. This 'handing over of the reins' will improve the relationship between frontline service providers and the System Manager, resulting in an improved culture over time.
4. Functional alignment to promote effective teams	End-to-end processes grouped under one executive will facilitate: • greater functional alignment and improved workflow efficiencies • improved communication, co-operation and collaboration between teams engaged in related functions • reduced complexity of management.	This reflects best-practice arrangements in other jurisdictions and other portfolios. Functional alignment will allow individual managers to focus on their area of expertise and deliver outcomes that will benefit the greater health system, and will ensure the improved delivery of common goals. This approach also facilitates a greater focus on leadership and team dynamics, and will assist in improving organisational culture within the System Manager. Finally, this approach also facilitates improved stakeholder engagement strategies because of clarity in purpose (e.g. internal service delivery functions versus outward-facing customer focus)
5. Alignment of structure and processes	A simplified structure facilitates streamlined processes	This opportunity has allowed for a review of process design in the context of National and State Health Reform (structure, accountabilities, outcomes) to further provide efficiencies within the System Manager's functions which will deliver further devolution to frontline service delivery entities. The new structure will reduce red-tape and bureaucratic complexities, facilitate greater empowerment in the delivery of health services and significantly reduce corporate costs and overheads.

5.5 Proposed organisational design

In support of the organisational design principles outlined above, it is envisaged that the functional structure of the System Manager will be divided into two components, made up of the core System Manager functions (as described at point one below) and entities that will seek to transition to commercialised business units (as described at point two below):

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1. functions supporting the role of the System Manager, such as:
   - Strategy and Performance (system strategy and governance, state policy and ministry functions);
   - System Support Services (key strategic corporate functions to support the state in its delivery of health services (e.g. finance, internal governance, human resources, risk, assurance and legal services)
   - Health Service and Clinical Innovation (clinical functions).

2. commercial and/or customer focused services provided to the HHSs (e.g. supply chain services, ICT, radiology and pathology support services, transactional services delivered by the Queensland Health Shared Service Partner).

This separation of function will enable the System Manager to clarify its roles and accountabilities and focus on clear outcomes, both for the health system as a whole and for the individual needs of the HHSs. It is also intended to:

- illustrate the devolved nature of responsibility and accountability of health services to HHSs
- demonstrate the fundamental change in approach to healthcare delivery in Queensland
- facilitate increased trust in the public health system by adding value through clear leadership and efficient provision of services, rather than a complex system of bureaucracy.

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Draft Structure—System Manager

System Manager

Office of the Director-General

- Parliamentary and Ministerial Services
- Departmental Liaison and Executive Support
- External Relations
- Secretarial Services (Estimates, SCoH, etc)
- Audit (functionally with Chief Risk Officer)

Director-General

Health Service and Clinical Innovation
(Clinical Improvement Leadership)

Health Service and Clinical Innovation Division

Functions include include:

- Chief Health Officer
- Chief Nursing and Midwifery Officer
- Chief Dental Officer
- Director of Allied Health
- Director of Medical Workforce
- Public health
- Regulatory functions related to various health legislation and standards
- Emergency coordination, disaster preparedness and response
- Retrieval Services Queensland
- Medical transport coordination (ambulance, aeromedical, patient)
- Preventative health
- Health protection
- Remaining mental health regulatory functions
- Alcohol, Tobacco and other drugs
- Clinical Access Improvement and reform, such as:
  - Access improvement services
  - Surgery connect coordination
  - Clinical target monitoring and rectification
- Clinical Services re-design, such as:
  - Patient flow initiatives
  - Metropoliran Emergency Department Access Initiative
  - Clinical re-design activities and review of key performance indicators
- Safety and quality, such as:
  - System-wide clinical policy development
  - System-wide clinical standards and liaison with national standard-setting bodies
  - Clinical Services Capability Framework
  - Practice Improvement
- Models of care development and improvement
- Health informatics and analysis
- Health Statistics Centre
- Clinical research
- Clinical research scholarship and project grants
- Clinical training and development

System Support Services
(Corporate and Business Support Arrangements)

System Support Services Division

Functions include:

- Chief Finance Officer, such as:
  - System Manager Financial Resource Management
  - Tax management and own source revenue
  - Financial delegations
  - Models and costings
  - Budget monitoring
  - System Manager procurement and panel arrangements
- Chief Infrastructure Officer, such as:
  - Asset and capital investment management and advice
  - Major capital projects
  - Maintenance coordination and reporting
  - System Manager Facilities Management
- Chief Risk Officer, such as:
  - Assurance and risk management
  - Ethical Standards and whistleblower protection
  - System Manager Corporate Governance arrangements
- Human Capital Officer, such as:
  - Human Resources management
  - Workforce reform and projections
  - Employee and Industrial Relations
  - Human Resource analytics
  - Organisational health, development and workplace health and safety
  - Executive recruitment, remuneration and benefits
- Legal services
- Right to Information and Privacy
- Library services
- System Manager fleet management
- Strategic and Operational records management
- Transactional finance, HR and other functions (QHSSP)

System Policy and Performance
(Policy and Performance Management)

System Policy and Performance Division

Functions include:

- Leading, facilitating and coordinating policy development to support Government priorities, reform agenda and commitments (such as National Partnership Agreements and election commitments)
- Contribution to whole-of-government social and health policy development
- Strategic and legislative policy and strategy development
- Strategic and State-wide Service Planning activities, integrating planning across areas of the agency such as:
  - State-wide Service planning
  - Workforce planning
  - Infrastructure and asset planning
  - Information, communication and technology planning
- Leading key projects that have state-wide or cross-network implications such as rural and remote health, closing the gap initiatives, e-health and other 'enabling' policy related to ICT and similar key inputs
- Developing regulations and health service directives and system-wide policy
- System Funding (all aspects of State-wide funding) framework, including Activity Based Funding
- Management of purchasing framework
- Funding planning and future demand projections to align with purchasing
- Relationship with Funding Bodies (State and Commonwealth)
- Contract and Performance Management
- Negotiation of Service Level Agreements
- Intervention management and support for appointment of Administrator (as required)
- Performance Improvement Program Coordination
- Cross-HHS support (ie. for functions 'hosted' in a single HHS
- Coordination of Statutory Body advice to System Manager and Minister (Office of Government Owned Corporations equivalent)

Mental Health Commission

Commissioner, Mental Health
(Policy and Planning, Research and Evaluation, Consumer and Carer Services)

- Mental Health policy development
- Metal Health advocacy
- Mental Health consumer liaison
- Other functions as decided as part of separate consultation process

Commercialised Business Units

Health Information Technology Services
(Information Technology Services)

Health Information Technology Services Division

- Information, Communication and Technology (ICT) Service Delivery
- ICT Change Programs
- ICT Investment

Health Services Support Agency
(Supply and Logistics Services)

Health Services Support Agency

- Clinical Support Services (Radiology, Pathology, Medication Services Queensland)
- Statewide Procurement and Logistics
- Diagnostic Services
- Forensic and Scientific Services
- Biomedical Technology Services

Legend

- Division
- Organisational grouping: either the Department of Health or Commercialised Business Units
- Deputy Director-General or Executive *(Bracketed text shows basis for grouping of key functional elements)*

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5.6 Structure of the System Manager

The proposed structure will provide a streamlined, more efficient System Manager function rather than those provided under the current corporate office arrangement.

The total number of divisions will be reduced from nine to three, improving the span of control of the Executive Management Team (EMT). It also reduces the current practice of multiple areas of Queensland Health corporate office being responsible for similar tasks. While some integration of work must occur across divisions, the reduced number will mean clear responsibility and greater accountability where it occurs.

Similarly, the Queensland Government's commitment to devolve decisions about healthcare services to local boards, as far as practicable, means a reduction in the number of functions in the System Manager.

In the proposed organisational structure, the three divisions will each have a broad area of responsibility. Branch structures within divisions will be determined by EMT members following their appointment. The broad movement of current units to new System Manager entities is set out in Appendix 2.

In the proposed new structure, service delivery responsibilities will be devolved to HHSs wherever practicable, leaving the System Manager accountable for system-wide policy, strategy and performance management.

It is therefore appropriate to establish a smaller EMT whose responsibility will be predominately to support the chief executive in system-wide policy, strategy, risk and performance management. The reduced operational functions in the re-shaped System Manager will be performed by the next level in the management structure that would have the delegations of authority necessary to resolve any operational issues arising within the System Manager's span of control—which would be reduced given the devolution of functions to HHS.

This smaller EMT will consist of the chief executive officer, three direct reports (Deputy Directors-General) and the officers responsible for the Commercialised Business Units, each of whom will be individually responsible for health service improvement, system performance management and services essential to support the efficient operation of the system.

The three key Deputy Directors-General will be responsible for the following divisions:

- Health Service and Clinical Innovation
- System Policy and Performance
- System Support Services.

The intent of this delineation is to provide clarity of focus on the particular knowledge required to manage the system, acknowledging the different skills required to deliver health services, policy and strategy functions and corporate service arrangements.

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6.0 Scope of the change

6.1 Role of the System Manager

Under the proposed arrangements, the System Manager will purchase services from HHSs under service level agreements negotiated with the various HHSs. It will have responsibility for:

- developing system-wide strategy, policy and standards
- focusing the direction of activities of the health system in Queensland by interpreting wider public health objectives, understanding the needs of Queensland's health consumers, and setting system-wide objectives and targets in line with government policy direction
- planning and forecasting the delivery of health services required by the Queensland population, guided by policy and strategy objectives
- integrating workforce, infrastructure, health technology and finance needs to ensure aligned planning across the HHSs, which will deliver services under a contractual, service level agreement arrangement
- acting as the purchaser and contract manager on behalf of the state managing the relationship with the national funding body and Independent Hospital Pricing Authority (IHPA)
- managing enterprise bargaining arrangements at a state-wide level, while devolving other day-to-day decisions in relation to human resource management to the HHSs
- monitoring the system's attainment of targets and identifying activities and processes which can assist HHSs to improve performance
- providing guidance and performing regulatory functions relating to public health and private health licensing as required under relevant legislation, as well as health protection programs and emergency preparedness activities
- implementing programs relating to health promotion and disease prevention
- statewide crisis co-ordination
- supporting Queensland Government strategy and policy.

In addition, the System Manager will also support and empower the HHS through the provision of services for which:

- state-wide economies of scale or other demonstrable reasons for a state-wide approach exist
- there are demonstrable advantages, such as cost-savings, in the standardisation of systems.

These services will be provided within an approach that is commercial in nature (that is, in order to deliver the most efficient and cost-effective arrangements as possible by generating competitive tensions) through the gradual separation of these functions into commercialised business units. Functions to be delivered in this manner include:

- managing, developing and implementing system-wide information, communication and technology (ICT) systems (and establishing governance protocols for the implementation of localised ICT systems)
- administering state-wide technology programs such as e-health
- delivering clinical support services such as pathology services and radiology services
- establishing and implementing a supply chain strategy across the state.

It is envisaged that these functions will be gradually separated into commercialised business units to further build the culture of customer focus and service provision within a commercial environment.

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6.2 *System Manager divisions*

The three broad areas are described below:

Health Service and Clinical Innovation Division

The Health Service and Clinical Innovation Division will comprise the state-wide clinical support and coordination functions within the System Manager. This division recognises that the core business of the health system is delivery of patient care and, while it will not be directly involved in the delivery of services, it will assist HHSs with interdependencies between direct health service delivery performed in the HHSs. It will also provide coordination functions for matters that have whole-of-system implications, such as emergency coordination and response, aeromedical and other clinical transport coordination which may cross HHSs boundaries and public health functions.

An important component of the division will be the management of quantitative and qualitative clinical information, to inform standards and regulations around clinical safety and quality to ensure Queenslanders continue to receive standardised, world-class healthcare irrespective of the HHSs in which they receive healthcare services.

The offices of the Chief Health Officer, Chief Nursing Officer and Chief Dental Officer will fall within this division. The Chief Health Officer will continue a defined role as the key advisor on medical matters to the Director-General and Minister, in addition to being the organisation's key point of contact in responding to crisis situations. There will also be a focus on clinical process improvement to help resolve issue with patient access to care across Queensland.

The division will also provide guidance and perform regulatory functions relating to public health and private health licensing as required under relevant legislation. It is also proposed that the division be responsible for state-wide health protection and disease prevention programs, and the coordination of mental health and alcohol, tobacco and drugs programs.

System Policy and Performance Division

The System Policy and Performance Division consists of those functions that fulfil the System Manager role as specified in the HHNA. The division will provide coordination and strategic functions:

- to ensure performance goals are met
- to determine future purchasing decisions of the System Manager based on state-wide demand for health services
- to act as the contract manager in negotiating service level agreements with HHSs (and in doing so to ensure integrated planning on a system-wide basis)
- to provide direction to HHS in relation to government policy.

In situations where the performance of an HHSs performance falls below the required standards, the System Policy and Performance Division will also engage with the HHSs to ensure they are enabled to deliver the range of services detailed in their service agreements, and provide guidance when necessary.

The division will incorporate strategic policy and strategy functions to develop and maintain system-wide arrangements for health and other services. The division will inform service planning, which in turn will be integrated with other state-wide planning requirements such as workforce, infrastructure, health technology and financial plans, drawing input from experts across the health system.

These arrangements will, logically, be key inputs into service level agreements negotiated between the System Manager and HHSs, which will be overseen by a health services contracts management function. The service contracts will inform funding allocations and financial planning activities. Finally,

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the performance improvement function will ensure that appropriate initiatives are taken to address any part of the system that is unable to meet targets or where remedial action is required.

System Support Services Division

The System Support Services Division will provide functions that are necessary to support both the System Manager and the broader health system to enable it to function effectively, but are not directly involved in health service delivery. It will comprise what are considered to be key corporate services functions, including financial services, risk, assurance and legal functions, capital program delivery and human capital areas.

Within this division, the human capital and capital program delivery functions will be outward looking and primarily concerned with providing system-wide support, although the nature of that support will vary. For example, the human capital function will undertake statewide enterprise bargaining and industrial relations functions, to provide system wide oversight, coordination, capability building and reform to address workforce issues.

Capital program delivery will be responsible for capital program and project management for major projects (unless otherwise agreed), and support to HHSs in relation to minor projects wherever the need arises. This function will necessarily have strong links to the integrated planning function in the System Policy and Performance Division, since capital works are strongly linked to state-wide service and capital planning and the purchase of services through negotiations with HHSs.

Links to the workforce planning function in human capital will also be required to ensure the pipeline of future staff reflects services to be delivered from planned new facilities.

The financial services function within System Support Services will provide support to the System Manager, including budgeting and accounting expertise. It will also need to provide high-level assessment and interaction with Queensland Treasury in the management of system-wide funding and financial issues.

Additionally, the risk, assurance and legal services function will provide services as required to the other functional areas in the System Manager, including a significantly increased emphasis on audit, fraud prevention and risk identification, management and mitigation. The HHSs will be separate legal entities and as such will require independent legal services.

6.3 Commercialised Business Units

It is also proposed that two separate entities—Health Information Technology Services and the Health Services Support Agency—be established.

The intent of separating these entities from the three divisions of the System Manager is to distinguish their clear service delivery objectives in assisting HHSs in the direct delivery of front-line services. Additionally, given the nature of the functions grouped within these entities, it is clear that efficiencies will be able to be gained by pursuing structures that reflect best practice in a corporate environment, by seeking to transition each of them to commercialised business units.

A table setting out the movement of current units within Queensland Health into the new organisational structure is provided at Appendix 2.

Health Information Technology Services

Health Information Technology Services (HITS) will report directly to the Director-General and provide ICT support for the HHS and the System Manager as well as administering important technology

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programs such as e-health. This entity will operate on a fee-for-service basis with commercial pressures being an attempt to ensure prices and volumes for services reflect industry best practice. Functions within the current Information Division which do not relate specifically to service delivery, such as parts of Information Management and e-health teams, will move to better align with other key areas of the System Manager.

Over time, individual HHSs will be able to procure discretionary services from this entity according to their needs and based on an ICT services catalogue endorsed by the System Manager. It is intended that 'tied arrangements' will be in place in the initial period, while transition to the new organisational arrangement occurs.

Health Services Support Agency

The Health Services Support Agency (HSSA) will also report to the Director-General and will similarly seek to transition to a commercialised business unit, given the nature of the functions it provides to HHSs.

The HSSA will work closely with HHSs to provide support services directly related to clinical care, such as pathology services and the provision of clinical consumables, in instance where economies of scale and thus cost savings are achieved by undertaking a coordinated, whole-of-system approach to functions.

It will similarly seek, over time, to allow individual HHSs to procure services from it according to the needs of the HHSs and based on a services catalogue endorsed by the System Manager. It is also intended that 'tied arrangements' be used in the initial period, while transition to the new organisational arrangement occurs.

The intention of transitioning both HITS and the HSSA to commercialised business units will deliver greater efficiencies by introducing a competitive tension in the delivery of their services and the prices that they charge HHSs. While contestability will be introduced in a phased approach over coming years, its introduction will provide the opportunity for HHSs to purchase services from alternate providers and thus generate greater economic benefits if possible. Similarly, the two commercialised business units will need to ensure cost structures are maintained at a competitive level if with are to continue to function in a contestable market.

6.4 Mental Health Commission

As noted in the proposed organisational structure, the Government's commitment to further examine a proposed Mental Health Commission will also have an impact on those staff who currently work within the Mental Health Directorate of Queensland Health. The organisational structure acknowledges the future role of the Mental Health Commission, which will be the subject of further specific consultation undertaken by Government.

6.5 Implementation of restructure

It is proposed that the new structure will functionally commence from 1 July 2012, with additional reform planned in a phased approach. Implementation of the System Manager changes under National Health Reform have been detailed in the *System Manager Transition Plan*, attached as *Appendix 4*

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Part D: Benefits to the community and service delivery

7.0 Benefits

The Queensland Government is resolved to return decision-making on frontline health services to local communities, by devolving management, responsibility and accountability for the delivery of health services to local communities.

Queensland Health's current organisational structure has become confused, with corporate office both overseeing the total system and intervening in the delivery of health services. This lack of role separation (between system manager and health services provider) departs from industry best practice, which recognises the disparate capabilities in performing true strategic direction-setting and frontline service delivery roles. It also disempowers local staff and communities who are unable to influence decisions in relation to local health care arrangements. The devolution of functions and the streamlining of the current corporate office into the new System Manger entity will provide real benefits in this regard. Where local communities require swift decisive action in relation to a local healthcare issue, local decision-makers will be empowered to make such determinations.

Similarly, as Queensland Health's current corporate office function has grown its structure, frameworks and processes have not adequately adapted to the increasing responsibilities. This has resulted in a lack of focus in some areas and outcomes that evidence increased exposure for the department.

The new structure will remove the perceived and sometimes real silos that exist within the current corporate office structure by reducing the total number of senior executives and broadening the span of control of the EMT. This will have the benefit of ensuring greater emphasis on similar areas of operation within the System Manager entity, with increased accountability for those functions and the better realisation of synergies within the System Manager.

In this regard, the more streamlined and flexible System Manager entity will mean reduced corporate overheads for the public health system and will see the maximisation of health expenditure at front-line service delivery areas.

In relation to the broader culture of Queensland Health, it is widely acknowledged that various events within the organisation over the previous five years have impacted on the culture of the organisation and the perception of the entity itself. This is despite the significant results that have been achieved against key national benchmarks. Broadly, there is a lack of trust and confidence—a perceived reluctance of the corporate office to trust in the capability of local management, and conversely, a lack of confidence in the ability of corporate office to deliver on its core responsibilities. It is likely that this culture is a symptom of a range of issues, including lack of role clarity for corporate office and inefficiencies created by a large centralised bureaucratic corporate office function. The revised structure will over time, and aligned with internal change management strategies, seek to restore the organisational culture within the System Manager entity.

7.1 Enhanced service delivery to the organisation

The proposed re-structure of Queensland Health's current corporate office to that of a System Manager will deliver a number of improved efficiencies and deliver greater effectiveness to the organisation, and therefore the community, through:

- increasing clarity regarding the role of the System Manager, which in turn empowers the System Manager to add value to the health system in Queensland

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- organisational structure (of the System Manager), designed to support its purpose and allow the members of the EMT to focus on functions relevant to their individual capabilities
- empowering the HHS to deliver agreed health care services and standards of service, without the interference of a centralised bureaucratic corporate office
- clear focus, increased functional alignment and improved processes within the System Manager will reduce its financial and other risk (e.g. reputational risk)
- functional alignment will allow individual managers to focus on their area of expertise, create greater synergies and deliver outcomes that will benefit the health system
- functionally aligned divisions within the System Manager will facilitate a performance based culture through common goals and appropriate leadership
- increased trust in the System Manager to add value, rather than a complex layer of bureaucracy
- performance mechanisms within the health system (e.g. service delivery contracts) will affirm positive performance and therefore confidence in the HHSs to deliver agreed health care outcomes
- clarity in purpose and organisational structure creates a platform for a targeted change management program, aimed at improving organisational culture
- reciprocal trust and confidence between the HHSs and the System Manager will facilitate a cultural change in Queensland Health
- re-branding exercise of the System Manager that incorporates clear communication of purpose and common goals will build on improved internal culture.

7.2 Enhanced service delivery to the community

The proposed structural changes have been formulated for the purpose of enhancing service delivery to the community by:

- meeting the requirements of National Health Reform and therefore securing funding from the Australian Government as well as the State Government
- placing accountability and responsibility for decision making in health service delivery as close to the front line as possible, thereby reducing bureaucratic and costly delays and optimising health service outcomes (as indicated by industry best practice)
- re-branding the System Manager and communicating the department's purpose and goals that results in improved public perception of Queensland Health
- separating system manager versus service focused functions to enable clarity of purpose for teams and facilitate better outcomes for the HHSs. More efficient outcomes for the HHSs empowers them to deliver improved health care services
- increasing the proportion of the state's healthcare budget that is spent on front-line service delivery, thereby enabling better health care outcomes for Queensland's population.

7.3 Improved efficiency and effectiveness

The re-structured corporate office will result in improved direct improvements linked to the Queensland Government's desire to demonstrate:

- a culture of performance through the implementation of service delivery contracts
- clarity in purpose and structure that allows process improvement to increase efficiencies throughout the system and result in better health outcomes for the communities

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- role of the System Manager that facilitates economies of scale wherever possible, thereby creating cost and other efficiencies
- a streamlined, more flexible System Manager that results in reduced corporate overheads for the public health system and maximised expenditure in frontline service delivery areas
- delegation of financial performance to local boards that creates a more customer focused environment for the HHSs and results in improved financial performance of the system as a whole. This will enable the allocation of more funds to the delivery of frontline services.

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Part E: Sensitivities and risks

8.0 Risk and mitigation

Critical risks to the successful implementation of the System Manager re-structure on 1 July 2012, together with appropriate mitigation strategies, are summarised below. The mitigation strategies have been and continue to be adopted in the preparation and subsequent release of this Business Case

Risk	Mitigation strategy
Appointment of the new EMT may be delayed thereby impacting on finalising divisional organisational designs.	Plan in place to appoint new EMT in acting capacity to allow commencement of implementation following consultation feedback.
Delay in communicating new organisational structure to affected employees will deplete morale and contribute to additional staff turnover and subsequent loss of knowledge.	Ensure detailed communications strategy is in place to avoid all possible delays and facilitate clear communication of changes and direct impacts on staff. Maintain channels of communication for staff through cascade briefings
Some or all of the HHSs will not have capability to take on functions being fully devolved by the System Manager on 1 July 2012.	System Manager structure designed to incorporate transitional/ongoing service provision for health service districts requiring support, with 'gradual' devolution of more complex functions that may need to provide 'support'.
Business continuity will be affected if the appropriate health service directives and service level agreements are not in place by 1 July 2012.	Dedicate appropriate resources to ensure completion of task within specified timeframe.
Key business systems will not be ready to support the restructure, particularly finance and payroll.	Engage early with system owners to identify all potential business continuity issues. Ensure that appropriate 'work around' solutions are in place to prevent business continuity impacts.
Key stakeholder expectations of the timing for the devolution of current 'corporate' functions (eg shared services) will not be aligned with the capacity of systems and capability of HHSs to allow actual transfer.	Business case and transition plan approved by government and distributed to all key stakeholders as soon as possible for their review. Key messages from business case and transition plan communicated as early as possible.

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Part F: Appendices

Appendix 1: Glossary of terms

CASS	Clinical and Statewide Services
CBU	Commercialised Business Units
CHI	Centre for Healthcare Improvement
CHO	Chief Health Officer
CHS	Children's Health Services
CIO	Chief Information Officer
CMH	Commissioner for Mental Health
COAG	Council of Australian Governments
DDG	Deputy Director-General
EMT	Executive Management Team
FPLS	Finance, Procurement and Legal Services
HHNA	Health and Hospitals Network Act 2011
HPA	Hospital Pricing Authority
HHS	Hospital and Health Services
HPID	Health Planning and Infrastructure
HRPE	Health Reform Program Executive
HRS	Human Resource Services
HSD	Health Service District
HSSA	Health Services Support Agency
HTIS	Health Information Technology Services
IHPA	Independent Hospital Pricing Authority
NHPA	National Health Performance Authority
NHRA	National Health Reform Agreement

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ODG	Office of the Director-General
P&A	Performance and Accountability
PSR	Policy, Strategy and Resourcing
QAO	Queensland Audit Office
QHSSP	Queensland Health Shared Services Partner

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Appendix 2: Proposed movement of current branches/units within the new System Manager structure

Note 1 - Appendix 2 represents the current state of branches and/or units and where they will move as part of the System Manager restructure. Where there are over-allocations of certain skills or officers with specific expertise, case-by-case assessment with managers will be required. Names and staffing profiles of branches/units ***will change (ie, further than identified below),*** *regardless of whether they are designated to be split and/or moved or where there is no change in their organisational location identified. These proposed changes will occur as detailed structures of the new divisions are finalised.*

Note 2 – Appendix 2 represents change ***within the System Manager only*** *and* ***does not*** *seek to identify functions being devolved to HHS. Devolution of functions to HHS is set out in Appendix 3. Devolution of resources as part of that process will be managed on a unit-by-unit basis.*

#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
	Policy, Strategy and Resourcing Division (PSR)					
1	Office of the Deputy Director-General	PSR	System Policy and Performance	To merge with Office of the Deputy Director-General, Performance and Accountability	Nil	1 July 2012
2	Strategic Policy, Funding and Intergovernmental Relations	PSR	System Policy and Performance	Additional generic policy resources to be co-located into this branch from across a number of areas of the System Manager	Whole-of-system coordination functions, for Standing Committee on Health, Estimates, etc to move to Office of the Director-General	1 July 2012
3	Clinical Workforce Planning and Development	PSR	Split between System Policy and Performance, System Support Services and Health Service and Clinical Innovation	Nil	The functions of this unit will move: ➢ Aboriginal and Torres Strait Islander Workforce Team moves to System Support Services ➢ Clinical Workforce Development Team moves to Health Service and	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
					Clinical Innovation ➢ Workforce Planning Team remains as part of System Policy and Performance ➢ ClinEdQ moves to Health Service and Clinical Innovation	
4	Primary, Community and Extended Care	PSR	Split between System Policy and Performance and Health Service and Clinical Innovation	Nil	The functions of this unit will move: ➢ Cancer Control Team moves to Health Service and Clinical Innovation ➢ Older Person's Health and Extended Care remains part of System Policy and Performance ➢ Child Health and Maternity Units remain part of System Policy and Performance ➢ Primary and Community Care Team remains part of System Policy and Performance	1 July 2012
5	Office of Rural and Remote Health	PSR	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
6	Aboriginal and Torres Strait Islander Health	PSR	System Policy and Performance	Nil	Nil	1 July 2012
7	Office of the Chief Nursing and	PSR	Health Service and	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
	Midwifery Officer		Clinical Innovation			
8	Office of the Chief Dental Officer	PSR	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
	Performance and Accountability Division (P&A)					
9	Office of the Deputy Director-General	P&A	System Policy and Performance	To merge with Office of the Deputy Director-General, Policy, Strategy and Resourcing	Nil	1 July 2012
10	Portfolio Management Office	P&A	System Policy and Performance	Nil	The functions of this unit will move to System Policy and Performance	1 July 2012
11	Health Statistics Centre	P&A	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
12	Information Integrity and Policy Services	P&A	System Support Services	Nil	Nil	1 July 2012
13	Healthcare Purchasing and Activity Based Funding	P&A	System Policy and Performance	Nil	Nil	1 July 2012
14	Performance	P&A	System Policy and	Nil	The functions of this unit will move	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
	Management Branch		Performance		to System Policy and Performance	
15	Library Services	P&A	System Support Services	Nil	Nil	1 July 2012
	Finance, Procurement and Legal Services Division (FPL)					
16	Office of the Deputy Director-General	FPL	System Support Services	To merge with Office of the Deputy Director-General, Health Planning and Infrastructure and Deputy Director-General, Human Resource Services	Nil	1 July 2012
17	Finance	FPL	System Support Services	Nil	Nil	1 July 2012
18	Legal Services	FPL	System Support Services	Nil	Nil	1 July 2012
19	Health Services Purchasing and Logistics	FPL	Health Services Support Agency	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
20	Activity Based Funding Technical Team	FPL	System Policy and Performance	Nil	The functions of this unit will move to System Policy and Performance	1 July 2012
21	Models and Costings	FPL	System Support Services	Nil	Nil	1 July 2012
22	Mental Health Court Registry	FPL	System Support Services	Nil	Nil	Consideration to be given to movement of Registry to Mental Health Commission in timeframe aligned to commencement
23	Professional Conduct Review Panels	FPL	System Support Services	Nil	Nil	1 July 2012
	Human Resource Services Division (HRS)					
24	Office of the Deputy Director-General	HRS	System Support Services	To merge with Office of the Deputy Director-General, Health Planning and Infrastructure and Deputy Director-General, Finance, Procurement and Legal Services	Nil	1 July 2012
25	People and Culture Strategic Services	HRS	System Support Services	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
26	Business Performance and Improvement	HRS	System Support Services	Nil	Nil	1 July 2012
27	Business Capability	HRS	System Support Services	Nil	Nil	1 July 2012
28	Payroll Improvement Program	HRS	System Support Services	Nil	Nil	1 July 2012
29	Workplace Relations	HRS	System Support Services	Nil	Nil	1 July 2012
30	Safety and Wellbeing	HRS	System Support Services	Nil	Nil	1July 2012
31	Leadership, Learning and Development	HRS	System Support Services	Nil	Nil	1 July 2012
32	Queensland Health Shared Services Partner	HRS	System Support Services	Nil	Nil	Resources relating to Health Services to be devolved to HHS as system upgrades allow

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
	Health Planning and Infrastructure Division (HPID)					
33	Office of the Deputy Director-General, HPID	HPID	System Support Services	To merge with Office of the Deputy Director-General, Finance, Procurement and Legal Services and Deputy Director-General, Human Resource Services	Nil	1 July 2012
34	Program Management Office	HPID	System Support Services	Nil	Nil	1 July 2012
35	Planning	HPID	System Policy and Performance	Additional generic planning resources to be co-located into this branch from across a number of areas of the System Manager	Nil	1 July 2012
36	Asset and Property Services	HPID	System Support Services	Nil	Operational Records Management to be relocated from this unit to align it with Strategic Records Management functions, but remaining within System Support Services	1 July 2012
37	Capital Delivery Program	HPID	System Support Services	Nil	Nil	Responsibility for specific large projects to be devolved to HHS

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
						following negotiation
	Division of the Chief Health Officer (CHO)					
38	Office of the Chief Health Officer	CHO	Health Service and Clinical Innovation	To merge with Office of the CEO, Centre for Healthcare Improvement	Nil	1 July 2012
39	Preventative Health	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
40	Health Protection	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
41	Offender Health Services	CHO	Health Service and Clinical Innovation	Nil	Nil.	All resources to be devolved to HHS by 1 July
42	Health Coordination Services	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
43	Retrieval Services Queensland	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
44	Mental Health, Alcohol, Tobacco and Other Drugs	CHO	Split between Mental Health Commission and Health Service and Clinical Innovation	Nil	The functions of this unit will move: ➢ Mental Health functions other than those related to regulatory functions to move to the Mental Health Commission *(subject to final consultation outcomes)* ➢ Alcohol, Tobacco and Other Drugs functions to remain as part of Health Service and Clinical Innovation	Subject to timing of Mental Health Commission commencement, but with anticipation that changes will occur from 1 July 2012 and then any further machinery-of-government changes will occur in line with decisions of government
45	Organ and Transplant Services	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
46	Governance and Capability	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
47	Tropical Regional Services	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
48	Southern Regional Services	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
49	Central Regional Services	CHO	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
	Centre for Healthcare Improvement (CHI)					
50	Office of the Chief Executive Officer	CHI	Health Service and Clinical Innovation	To merge with Office of the Chief Health Officer	Nil	1 July 2012
51	Access Improvement	CHI	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
52	Clinical Skills Development	CHI	Health Service and Clinical Innovation Division	Nil	Nil	1 July 2012
53	Healthcare Culture and Leadership	CHI	Health Service and Clinical Innovation Division	Nil	Nil	1 July 2012
54	Office of Health and Medical Research	CHI	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
55	Patient Safety and Quality	CHI	Health Service and Clinical Innovation	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
	Improvement					
56	Clinical Services Redesign	CHI	Health Service and Clinical Innovation	Nil	Nil	1 July 2012
	Information Division (ID)					
57	Office of the Chief Information Officer	ID	Health Information Technology Services	Nil	Nil	1 July 2012
58	ICT Service Delivery	ID	Health Information Technology Services	Nil	Nil	1 July 2012
59	ICT Infrastructure	ID	Health Information Technology Services	Nil	Nil	1 July 2012
60	Finance and Business Services	ID	Health Information Technology Services	Nil	Nil	1 July 2012
61	e-Health	ID	System Policy and Performance	Nil	These functions move to System Policy and Performance	1 July 2012
62	Clinical and Corporate Business Solutions	ID	Health Information Technology Services	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
63	Strategy, Planning, Governance and Architecture	ID	Split between Health Information Technology Services and System Policy and Performance	Nil	ICT planning functions move to System Policy and Performance, with the remainder continuing within Health Information Technology Services	1 July 2012
64	Information Management	ID	Splits between Health Information Technology Services and Office of the Director-General	Nil	Online information management functions (other than those which provide technical infrastructure support for intranet and internet services) move to the Office of the Director-General, with the remainder continuing within Health Information Technology Services	1 July 2012
	Clinical and State-wide Services (CaSS)					
65	Office of the Chief Executive Officer	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
66	State-wide Health Services	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
67	Biomedical Technology	CaSS	Health Services	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
	Services		Support Agency			
68	Forensic and Scientific Services	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
69	Pathology Queensland	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
70	Medications Services Queensland	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
71	Radiology Support	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
72	Health Contact Centre	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012 – Staff continue to be physically located within Metro South
73	Information and Communication Technology (AusLab)	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
74	Telehealth	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
75	Blood Management Program	CaSS	Health Services Support Agency	Nil	Nil	Functions to be moved to System Policy and Performance in the 12 months after 1 July 2012
76	Finance and Business Services	CaSS	Health Services Support Agency	Nil	Nil	1 July 2012
	Office of the Director-General (ODG)					
77	Cabinet and Executive Services	ODG	ODG	Nil	These functions will move to Departmental Liaison and this unit will cease to exist.	1 July 2012
78	Integrated Communications	ODG	ODG	Nil	These functions will move to External Relations and Marketing and Communication and this unit will cease to exist.	1 July 2012
79	Parliamentary and Ministerial Services	ODG	ODG	Nil	Nil	1 July 2012
80	Departmental Liaison	ODG	ODG	This unit becomes responsible for executive support functions	Nil	1 July 2012

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#	Branch/Unit	Current location	Future location of remaining functions	Functional gains	Functional relocations	Notes and/or timeframes
81	Executive Support	ODG	ODG	Nil	The function of this unit will merge with the Departmental Liaison Unit and this unit will cease to exist.	1 July 2012
82	Media	ODG	ODG	Nil	Functions of this unit will merge with External Relations.	1 July 2012
83	Strategic Marketing	ODG	ODG	Nil	Functions of this unit will merge with External Relations.	1 July 2012
84	Organisational Engagement	ODG	ODG	Nil	Functions of this unit will merge with External Relations and this unit will cease to exist.	1 July 2012
85	Ethical Standards	ODG	System Support Services Division	Nil	This unit moves to System Support Services	1 July 2012
86	Assurance and Risk Advisory Services	ODG	Split between: ODG and System Support Services Division	Nil	The functions of this unit move to System Support Services. For the purposes of functional alignment, internal audit functions will continue to be organisationally aligned to ODG, with day-to-day management by the Chief Risk Officer within System Support Services	1 July 2012

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Appendix 3: Functions proposed to be devolved to Hospital and Health Services (HHS) post 1 July 2012

Note 1 - Appendix 3 is prepared from the perspective of HHSs. While some functions may be devolved to HHSs, many functions will continue to be required of the System Manager and will be replicated by the System Manager for its internal purposes. For example, Right to Information (RTI) responsibility is devolved, but the System Manager will also need to service RTI requirements; internal audit responsibility is devolved, but the System Manager will also need to service internal audit requirements.

Note 2 – It should be noted that one of the guiding principles of health reform is the better utilization of existing resources, not the creation of additional resource demands. Therefore, while there may be opportunities for resource re-allocation over time following case-by-case discussions with affected staff and as natural attrition occurs, only in circumstances where discussions are already underway will devolution mean that staff reporting relationships change.

#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
	Clinical and operational functions					
1	Frontline health service delivery	HSD	HHS	Yes	No change	N/A
2	Mental health services (note regulatory functions will remain with System Manager)	Chief Health Officer	MHC	Yes, but to MHC not HHS	Exact functions subject to consultation process	Timing subject to outcomes of consultation process regarding what specific functions will move
3	Offender health services	CHO	HHSs	Yes	Frontline service to be transitioned to HHSs from CHO	1 July 2012
4	Refugee health services	CHO	HHSs	Yes	Frontline service to be transitioned to HHSs from CHO	1 July 2012
5	Cancer screening services	CHO	HHSs	Yes	Frontline service to be transitioned to HHSs from CHO	1 July 2012
6	Delivery of clinical teaching functions	HSD	HHSs	Yes	No change	N/A

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
7	Undertaking local research functions	HSD	HHSs	Yes	No change	N/A
8	Ownership of dental vans and servicing arrangements	PSR	HHSs	Yes	To be undertaken by a host HHS who will provide assistance on behalf of other HHSs	1 July 2012
9	13Health	CaSS	HSSA	Yes	Staff will continue to be physically located at Metro South	1 July 2012
10	Medical Aids Subsidy Scheme	Metro South	Metro South	Yes	Continue to be undertaken by a single HHS (Metro South) on behalf of all HHSs	Continuing from 1 July 2012
11	Queensland Amputee Limb Service (QALS)	Metro South	Metro South	Yes	Continue to be undertaken by a single HHS (Metro South) on behalf of all HHSs	Continuing from 1 July 2012
12	Consulting with health consumers and members of the community about the provision of health services within the Health Service, including Medicare Local	HSD	HHSs	Yes	HHSs are required to develop and publish a consumer and community engagement strategy	1 July 2012
13	Development of local clinical guidelines	HSD	HHSs	Yes	No change	Continuing from 1 July 2012
14	Clinical Safety and Quality	CHI and HSD	System Manager (Health Service and Clinical Innovation) and HHSs	Shared	Incident reporting, whole-of-system learning and improvement, state-wide standards and similar functions to be maintained at a System Manager level, while individual clinical	Continuing from 1 July 2012

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
					safety arrangements in relation to frontline service delivery to be maintained at HHS level	
15	Delivery of public health functions (communicable diseases, environmental health, regulatory functions and public health)	CHO	System Manager (Health Service and Clinical Innovation)	No	Given critical need to mobilise staff in response to issues with cross-health service implications, this function will be directly managed by the Chief Health Officer except for those services agreed in service level agreements	N/A
16	Preventative health (sun safety, nutrition, physical activity, etc)	CHO	System Manager (Health Service and Clinical Innovation)	No	Consideration may be given within the System Manager to movement of this function over time	N/A
17	Retrieval Services	CHO	System Manager (Health Service and Clinical Innovation)	No	This function occurs across multiple HHS, therefore System Manager will continue to coordinate	N/A
18	Disaster response (State Health Emergency Coordination Centre) and related emergency coordination functions	CHO	System Manager (Health Service and Clinical Innovation)	No	This function occurs across multiple HHSs therefore System Manager will continue to coordinate	N/A
19	Patient transport services (including ambulance services)	CHO	System Manager (Health Service and Clinical	No	Ambulance services may only be purchased from Queensland Ambulance	N/A

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
			Innovation)		Service – a central agreement between QAS and System Manager will be maintained, with budgets allocated to HHSs	
20	Alcohol, tobacco and drugs functions	CHO	System Manager (Health Service and Clinical Innovation)	No	Current central arrangements to be reduced over time	N/A
21	Coordinating whole-of-system medical research and commercialisation opportunities (viz, Office of Health and Medical Research functions)	CHI	System Manager (Health Service and Clinical Innovation)	No	This function occurs across multiple HHSs therefore System Manager will continue to coordinate	N/A
22	Private health regulatory services	CHO	System Manager (Health Service and Clinical Innovation)	No	Regulatory functions to be maintained by System Manager	N/A
23	Transplant and organ donation	CHO	System Manager (Health Service and Clinical Innovation)	No	Current state-wide approach to be continued in the immediate future	N/A
24	Coronial recommendation coordination	CHI	System Manager (Health Service and Clinical Innovation)	No	This functions occurs across multiple HHSs therefore System Manager will continue to coordinate	N/A
25	Development of state-wide clinical guidelines	CHI	System Manager (Health Service and Clinical	No	State-wide function to be continued	N/A

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
			Innovation)			
26	Forensic and scientific services	CaSS	HSSA	No	State-wide function to be continued	N/A
27	Coronial counselling	CaSS	HSSA	No	State-wide function to be continued	N/A
28	Biomedical technology services	CaSS	HSSA	No	State-wide function to be continued	N/A
29	Telehealth coordination	CaSS	HSSA	No	State-wide function to be continued	N/A
30	Central pharmacy arrangements, including safe medications, pharmacy practitioner development and medications management and support (HHS continue to manage local operations)	CaSS		No	State-wide function to be continued	N/A
31	Locum arrangement services	PSR	HSSA	No	State-wide function to be continued	N/A
32	Blood Management Program	CaSS	HSSA	No	State-wide program linked to national policy arrangements.	To be transitioned from HSSA to System Manager (Policy Division) in 12 months following 1 July 2012
33	Radiology support functions (Health Services continue to manage local operations)	CaSS	HSSA	No	Economy of scale exists for a State-wide support service to generate savings	Not applicable
34	Pathology support functions	CaSS	HSSA	No	Economy of scale exists for a State-wide support service to generate savings	Not applicable

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
	Human resource functions					
35	Employment of staff – CEO and HES staff	HRS	HHSs	Yes	To be managed by HHSs in accordance with HHNA	1 July 2012
36	Employment of staff – all other staff	HRS	Health Service, subject to performance	Yes, subject to performance	To be managed by HHSs in accordance with HHNA	Transitioned over 12 months following 1 July 2012, subject to performance
37	Consulting with health professionals and other staff within the network in relation to emergent human capital issues	HRS	HHSs	Yes	HHS are required to develop and publish a clinician engagement strategy to promote consultation with health professionals.	1 July 2012
38	Orientation program for international medical graduates endorsed by the Australian Medical Council	CHI and HSD	HHSs	Yes	No change	Continuing from 1 July 2012
39	Nurse on Q	PSR	HSSA	No	State-wide function to be continued.	
40	Queensland Country Relieving Doctors program	PSR	HSSA	No	State-wide function to be continued.	
41	Credentialing and definition of scope of practice for medical officers, allied health professionals nurse practitioners, midwives and others	HSD	HHSs	Yes	No change	Continuing from 1 July 2012
42	Professional development of staff	HRS	HHSs	Yes	To be managed by HHSs in accordance with HHNA	Transitioned over 12 months following 1 July 2012, subject to performance
43	Clinical training functions	CHI and PSR	HHSs	Yes	Specific clinical training arrangements (such as the Skills Development Centre	Transitioned over 12 months following 1 July 2012

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
					and Cunningham Centre) to be devolved to relevant single HHS, subject to access arrangements being finalised	
44	Shared service provider transactional human resource functions, including recruitment services	HRS (via QHSSP)	HHSs	Yes	Transition to occur subject to system upgrades providing functionality	Transitioned over 12 months following 1 July 2012
45	WorkCover arrangements	HRS and HSD	HRS and HHSs	Yes	No change to present arrangements until devolution of employment functions occurs	Current arrangements continuing with any additional requirements to be transitioned over 12 months following 1 July 2012 in line with employment functions
46	Indemnity arrangements	HRS	HHSs	Yes	No change to present arrangements until devolution of employment functions occurs	Likely to be transitioned over 12 months following 1 July 2012 in line with employment functions
47	Occupational health and safety arrangements	HRS	HHSs	Yes	No change to present arrangements until devolution of employment functions occurs	Likely to be transitioned over 12 months following 1 July 2012 in line with employment functions
48	Management of annual leave and long service leave obligations	HRS	HHSs	Yes	No change to present arrangements until devolution of employment functions occurs	Likely to be transitioned over 12 months following 1 July 2012 in line with employment functions
49	State-wide intern recruitment campaign	HRS	System Manager (System Support Services)	No	This function occurs across multiple HHSs, therefore System Manager will	N/A

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
					continue to coordinate	
50	State-wide Resident Medical Officer recruitment campaign	HRS	System Manager (System Support Services)	No	This function occurs across multiple HHSs, therefore System Manager will continue to coordinate	N/A
51	Graduate Nurse Online Recruitment placement process	PSR/HRS	System Manager (System Support Services)	No	This function occurs across multiple HHSs, therefore System Manager will continue to coordinate	N/A
52	Work For Us program	PSR	System Manager (System Support Services)	No	Size of Work For Us program to be reduced over time	N/A
53	Negotiating enterprise bargaining agreements	HRS	System Manager (System Support Services)	No	This function occurs across multiple HHSs, therefore System Manager will continue to coordinate	N/A
	Financial and finance-related functions					
54	Ensure operations are carried out efficiently, effectively and economically	FPL	HHSs	Yes	Increased level of accountability as HHSs are statutory bodies from 1 July 2012	1 July 2012
55	Allocation of health service budget to meet requirements and service needs	FPL and HSD	HHSs	Yes	HHSs will have discretion to allocate funds to budget programs and priorities	1 July 2012
56	Managing performance of the health service against the performance measures stated in the service agreement	HSD	HHSs	Yes	No change	Continuing from 1 July 2012, noting new service level agreements

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
57	Local procurement and contracting	FPL	HHSs	Yes	Local purchasing decisions continue to be able to be made	Continuing from 1 July 2012
58	Enter into contracts and agreements	FPL	HHSs	Yes	New arrangements mean statutory bodies may enter contracts and agreements	1 July 2012
59	Engage consultants and contractors	HSD	HHSs	Yes	New arrangements mean statutory bodies may enter contracts and agreements	Continuing from 1 July 2012 but with increased delegation
60	Appoint agents and attorneys	FPL	HHSs	Yes	New arrangements mean statutory bodies may appoint agents and attorneys	1 July 2012
61	Manage own bank account and cash position	FPL	HHSs	Yes	New arrangements mean Statutory Bodies may manage their own financial arrangements	1 July 2012
62	Internal audit functions	ODG	HHSs	Yes	New arrangements mean statutory bodies must undertake necessary internal audit functions	1 July 2012
63	TriData input to Treasury	FPL	HHSs	Yes	Queensland Treasury has agreed for the first 12 months System Manager will manage TriData entry in accordance with whole-of-government standards, with devolution occurring as HHSs readiness is confirmed	Transitioning over 12 months following 1 July 2012

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
64	Travel arrangements (excludes international travel which is subject to whole-of-government policy)	HSD	HHSs	Yes	Only some HHSs use the corporate travel hub. System Manager will continue to use a central travel process and assist HHS while they build capacity	1 July 2012
65	Shared service provider transactional finance functions	FPL (via QHSSP)	HHSs	Yes	Transition to occur subject to system upgrades providing functionality	Transitioned over 12 months following 1 July 2012
66	Insurance arrangements	FPL	HHSs	Yes	Given changes to arrangements regarding ownership of land and buildings, work being finalised on what impact this will have on previously proposed arrangements.	Likely to be transitioned over 12 months following 1 July 2012 in line with arrangements for ownership of land and buildings.
67	Setting of total health service budget	FPL	System Manager (System Support Services)	No	System Manager will compile total budget from State and Commonwealth funds and then determine purchasing arrangements to establish total budget for each HHS	N/A
68	Taxation arrangements	FPL	System Manager (System Support Services)	No	Central Taxation Unit will prepare a single business activity statement for System Manager and HHSs given status of payroll and finance systems	N/A
69	Annual budget bids	PSR	System Manager (System Support	No	System Manager will submit all budget bids to	N/A

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
			Services)		government in accordance with whole-of-government arrangements	
70	Grants arrangements	FPL	System Manager (System Support Services)	No	Grants arrangements to be maintained centrally in the short-term while future role of such funding mechanisms is considered	N/A
71	State-wide procurement and contracting	FPL	HSSA	No	Economy of scale exists for a state-wide support service to generate savings	N/A
72	Manage system-wide aeromedical and transport contracts	CHO	System Manager (Health Services and Clinical Innovation)	No	Funds for aeromedical transfers (inter-facility and primary retrieval) will be allocated to HHSs but the contracts for the various service providers (given they service cross-service) will be managed centrally	N/A
	Capital/infrastructure functions					
73	Acquire, hold, deal with real property	HPID	HHSs	Yes	To be managed by HHSs in accordance with HHNA	1 July 2012
74	Ownership of land and buildings	HPID	HHSs	Yes	To be managed by HHSs in accordance with HHNA	Transitioned over 12 months from 1 July 2012
75	Delivery of capital projects – minor projects	HPID	HHSs	Yes	To be managed by HHSs in accordance with HHNA	1 July 2012
76	Asset management	HPID	HHSs	Yes	Manage maintenance of building and equipment, including sub-leases.	1 July 2012

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
					System Manager will continue to provide limited assistance with emergent works	
77	Ownership of equipment	HPID	HHSs	Yes	To be managed by HHSs in accordance with HHNA	1 July 2012
78	Delivery of capital projects – major projects	HPID	HPID or HHSs	Yes, subject to performance	In the same way as currently occurs, the System Manager will be accountable for planning and delivery of major capital projects, unless delegated to HHS based on its capacity	Continuing from 1 July 2012
	Policy development, performance management and planning functions					
79	Development of local health service policies	HSD	HHSs	Yes	No change	Continuing from 1 July 2012
80	Development of local health service planning tools deemed necessary to align with state-wide plans	HSD	HHSs	Yes	No change	Continuing from 1 July 2012
81	Development of state-wide policy, planning and strategy initiatives – plans an/or strategies for workforce, ICT, e-health, assets, investment, strategic plan, capital, future services, etc.	Various parts of Corporate Office	System Manager (System Policy and Performance)	No	Integrated planning functions at a state-wide level are key levers to implement government policy and will be co-located in a single area of the System Manager	N/A
82	Performance management - develop and manage the Performance Management Framework	P&A	System Manager (System Policy and	No	NHRA sets out that System Manager will be responsible for overall system	Continuing from 1 July 2012

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
			Performance)		performance and for remediating poor performance if it arises	
83	Reporting on implementation of government commitments	PSR	System Manager (System Policy and Performance)	No	No change	N/A
84	Food standards policy and regulatory functions	CHO	System Manager (Health Service and Clinical Innovation)	No	No change	N/A
	Executive services type functions					
85	Manage public relations including responding to media enquiries	ODG	HHSs	Yes	Devolved to HHSs from 1 July 2012	Continuing from 1 July 2012
86	Respond to correspondence about local issues	ODG	HHSs	Yes	Devolved to HHSs from 1 July 2012	Continuing from 1 July 2012
87	Deal with RTI and privacy applications	P&A	HHSs	Yes	Continuing current arrangements from 1 July 2012, without central coordination	Continuing from 1 July 2012
88	Annual reporting	P&A	HHSs	Yes	Each HHSs will be required to develop its own annual report	1 July 2012
89	Ownership and management of clinical and administrative records	P&A/HPID	HHSs	Yes	State archivist has agreed to effect the transfer as a machinery-of-government change over the course of the 2012-13 financial year	Transitioned over 12 months following 1 July 2012

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#	Function/accountability	Current	Future	Devolved?	Notes	Timeframe
90	Maintenance of local websites and intranet sites	HSD	HHSs	Yes	Continuing current arrangements from 1 July 2012	Continuing from 1 July 2012
91	Library services	P&A	System Manager (System Support Services)	Yes	Currently delivered by hub-spoke model, with central arrangements to be devolved over time	Transitioned over 12 months following 1 July 2012
	Audit, legal, risk, ethical standards					
92	Reporting of suspected official misconduct to the CMC and management of investigations in this regard	ODG	HHSs	Yes	System Manager will maintain a smaller Ethical Standards Unit to perform these duties for the System Manager entity and also to enable the DG to appoint investigators (as per the HHNA) in situations where serious allegations warrant higher-level intervention	1 July 2012
93	Reporting of PID to the PSC and management of whilstleblowers	ODG	HHSs	Yes	System Manager will maintain a smaller function to manage and support PIDs/whilstleblowers within the System Manager entity	1 July 2012
94	General audit functions	ODG	HHSs	Yes	To be managed by HHSs in accordance with HHNA	1 July 2012
95	Legal services	FPL	HHSs	Yes	To be managed by HHSs in accordance with HHNA	1 July 2012

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Appendix 4: System Manager Transition Plan

Prepared by: Office of the Director-General, Queensland Health

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Introduction

In April 2010, the Australian Government announced its intention to undertake significant reform of the Australian healthcare system. In August 2011, Queensland, as a member of the Council of Australian Governments (COAG), signed the National Health Reform Agreement (NHRA), committing to major changes in the way that health services in Australia are funded and governed. These changes take effect from 1 July 2012 and include:

- moving to a purchaser-provider model, with health service delivery to be purchased from legally independent Hospital Networks (to be known as Hospital and Health Services [HHSs] in Queensland)
- introducing national funding models and a national efficient price for services, with the majority of services to be funded on an activity unit basis into the future[5]
- defining a refocused role for state governments in managing the health system, including:
  - the use of purchasing arrangements and other levers to drive access and clinical service improvements within and across the HHSs
  - a responsibility to intervene to remediate poor performance, either at the state's initiative or in response to prompting by the National Health Performance Authority (NHPA), which will publicly report on performance of the HHSs and healthcare facilities.

The *Health and Hospitals Network Act 2011* (HHNA), enabling the establishment of the new health service entities and the System Manager role for the health department in Queensland, was passed by the Queensland Parliament in October 2011.

Purpose of the System Manager

The purpose of the System Manager is to:

"Provide strategic focus on system-wide policy, planning and funding arrangements to ensure value for money in the delivery of public health care in Queensland and support Hospital and Health Services to deliver the highest standard of care to patients."

The System Manager has responsibility for:

- developing system-wide strategy, policy and standards
- focusing the direction of activities of the health system in Queensland by interpreting wider public health objectives, understanding the needs of Queensland's health consumers, and setting system-wide objectives and targets in line with government policy direction
- planning and forecasting the delivery of health services required by the Queensland population, guided by policy and strategy objectives
- integrating workforce, infrastructure, health technology and finance needs to ensure aligned planning across the HHSs, which will deliver services under a contractual, service level agreement arrangement
- acting as the purchaser and contract manager on behalf of the state managing the relationship with the national funding body and Independent Hospital Pricing Authority (IHPA)
- managing enterprise bargaining arrangements at a state-wide level, while devolving

[5] This efficient price will incorporate service delivery overheads and be set by the Independent Hospital Pricing Authority (IHPA).

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other day-to-day decisions in relation to human resource management to the HHSs
- monitoring the system's attainment of targets and identifying activities and processes which can assist HHSs to improve performance
- providing guidance and performing regulatory functions relating to public health and private health licensing as required under relevant legislation, as well as health protection programs and emergency preparedness activities
- implementing programs relating to health promotion and disease prevention
- statewide crisis co-ordination
- supporting Queensland Government strategy and policy.

Figure 1.1 illustrates the new functions within Australia's public health system, including local, state and national levels. These changes will be implemented from 1 July 2012.

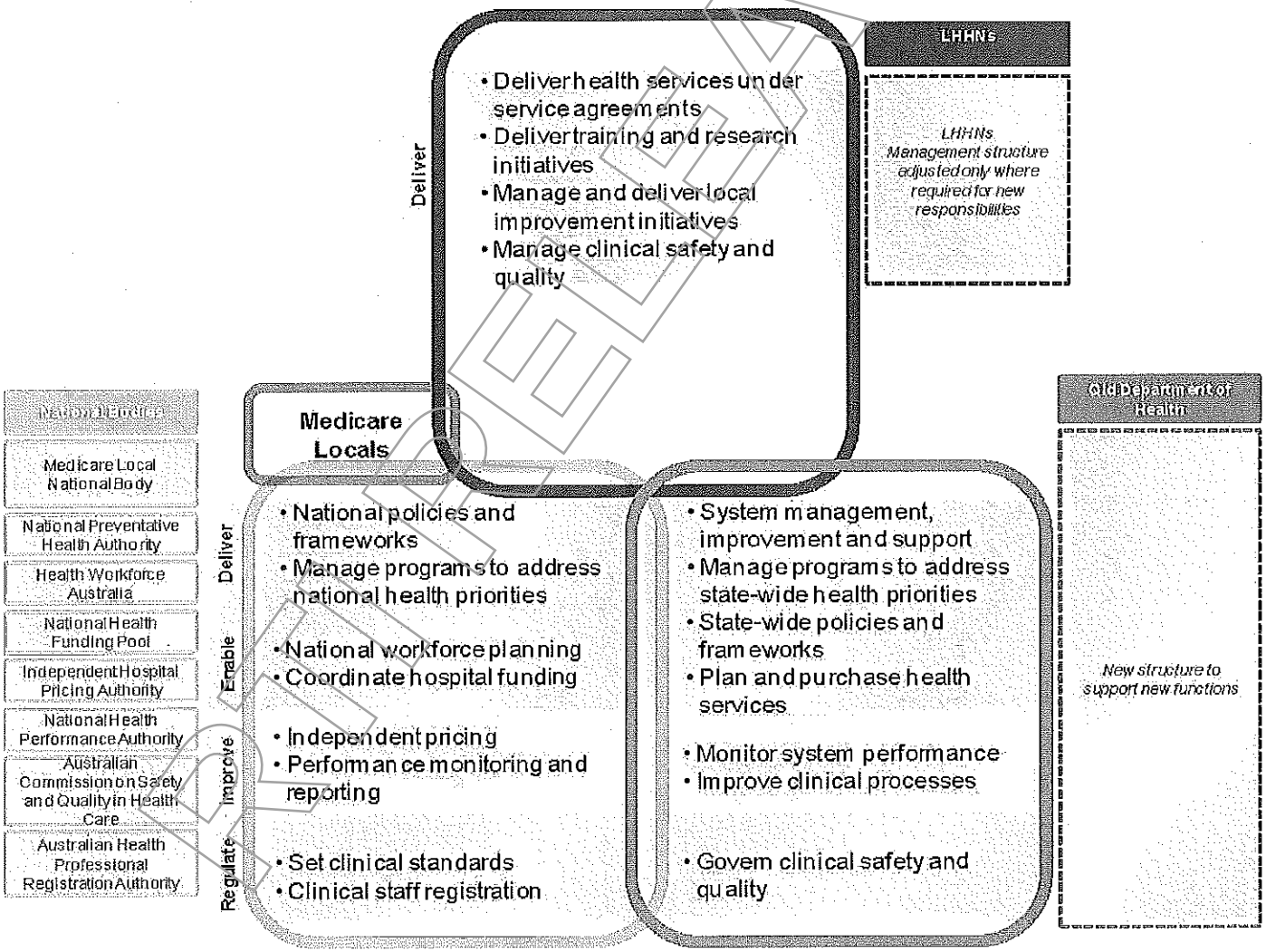

Figure 1.1: Australian Public Health System

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Scope

Transition from corporate office to System Manager

In addition to 'business as usual' functions, Queensland Health will, by 1 July 2012:

- plan for a 1 July 2012 change in role from corporate office to System Manager
- commence developing the vision and high level strategic plan for the System Manager (in consultation with the Executive Management Team - EMT)
- document leadership and core capability requirements of the System Manager
- identify and mitigate transition risks to business continuity
- oversee the legislative changes required to establish the System Manager
- review key policies and processes to support System Manager outcomes
- liaise and collaborate with the various restructure stakeholders
- communicate the status of the restructure process, particularly any impacts on employees to staff, unions and other stakeholders
- provide timely and accurate information to the Health Reform Program Executive (HRPE) and government as requested
- plan, monitor and control activity to ensure the System Manager is operational on 1 July 2012 and those functions that are to devolve from 1 July 2012 are positioned to do so
- plan, monitor and control activity beyond 1 July 2012 to accommodate the future devolution of key corporate functions as HHSs' readiness allows
- liaise and collaborate with HHSs that will be administered from 1 July 2012.

National Health Reform design principles

The Queensland Government has adopted the following broad principles to guide design of the new System Manager:

- The System Manager will be focused on strategic, whole-of-system functions with frontline service delivery to be devolved as far as practicable.
- Accountability for health services will be held at a local level wherever possible.
- Frontline services should be devolved to HHS unless there are demonstrable advantages of statewide / regional operation.
- Service level agreements underpinning service delivery requirements will be developed between the System Manager and HHS.
- Staff should not experience a reduction in their terms and conditions.
- A governance system is essential to maintain connections between all the agencies in the health system.

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Assumptions

- The System Manager will be streamlined, more flexible and provide greater support to the 17 HHS than the current corporate office model.
- Restructure is targeted for 1 July 2012, however this is subject to consultation with affected staff and unions, in accordance with Queensland Health's industrial obligations, and any future directions that the Queensland Government provides.
- Empowerment of HHS will be a staged process, with devolution of key corporate services dependent on:
  - system capability/readiness
  - capability of the individual HHS
  - establishment of agreed protocols with reference to accountability/responsibility of legacy issues.
- The Director-General will have the support of the HRPE to:
  - scope and appoint the System Manager's EMT
  - redeploy current remaining executives to alternative positions within the System Manager, as required.
- HRPE will endorse the proposed business model and three-phased implementation process described in this plan.
- Access to expert advice/resources to facilitate the implementation is available, subject to approval of the Director-General.
- Any cost associated with the System Manager restructure will be funded by Queensland Health.

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Principles

The System Manager transition proposes to follow a number of key principles[6], to which transition leaders will refer when assessing competing priorities and options throughout the process.

	Key principles
	People Principles[7]
1	Queensland Health is committed to maximum employment security for permanent public sector employees. Where changes to employment arrangements are necessary, there will be active pursuit of retraining and deployment opportunities in accordance with the Queensland Government's policy on employment security.
2	Staff and health unions will be informed, consulted and involved throughout the transition and will play a key role in shaping the new health system.
3	Queensland Health employees will continue their employment under the same terms, conditions and entitlements.
4	Staff will have up-to-date information on health reform.
5	Transition leads will facilitate transformation activities at the local level.
6	Queensland Health staff will be supported and treated with respect.
	Change Principles
1	People have a shared understanding of the vision for an improved and sustainable health system.
2	Adopt an approach that is consultative, participative and inclusive of all stakeholders.
3	Leaders act and implement changes locally that are consistent with the vision.
4	People are supported to manage and implement the change.
5	The process of transition will be sufficiently flexible to ensure local innovation and service improvement will continue to be enhanced.
6	Communication is open and transparent.
	Transition Principles
1	Devolution of responsibility and accountability for the delivery of health services to HHSs is paramount.
2	The health and safety of Queenslanders remains our priority.
3	Creation of value for patients is a clear focus.
4	Program governance structure is transparent and outcome focused.
5	Decision-making is evidence-based.
6	The final business model allocates clear accountabilities and responsibilities.
7	Transition and improvement efforts will be efficient, effective and prioritised to deliver maximum benefits to the health care system.

[6] Approved by the previous Queensland Government

[7] Transition Principles included in Health Reform Queensland *Change Strategy November 2011 Version 1.1*

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Exclusions

This System Manager transition process will not seek to ensure readiness of HHS or to deliver business improvements outside the scope of National Health Reform. However, any improvement opportunities identified will be documented, prioritised according to risk and benefit and recommended for future action.

Dependencies

The transition plan and subsequent implementation is dependent on:

- feedback from the staff and union consultation process
- government confirmation of proposed outcomes
- successful transition of HHS
- legislative changes and administrative orders ready for restructure
- finance and payroll systems in place to support the business needs of the HHS and System Manager.

Critical risks

Internal controls provide reasonable assurance regarding achieving the System Manager's objectives. Critical risks to successful implementation of the restructure can be mitigated by:

- clarification of the business model, with clear accountabilities across the restructured entities – System Manager and the 17 HHS
- broad support for the proposed restructure by key industrial relations stakeholders
- sufficient due diligence to ensure all business critical impacts are identified (eg employee liabilities, system deficiencies, impacts of voluntary separation packages)
- stakeholder buy-in on high level vision and strategic plan for the System Manager
- compliance sign-off
- business continuity:
  - Health Service Directives and service level agreements are in place
  - key staff are retained during a period of low morale
  - information and knowledge is retained and transferred
  - key business systems are ready to support the restructure, particularly finance and payroll
- key stakeholder expectations of the timing of devolution of current corporate functions (eg shared services, capital maintenance delivery) to the HHS are aligned with the capacity of systems and capability to allow actual transfer
- operating protocols relating to post-transition issues are established.

Constraints

The restructure will be subject to confirmation that the proposed business model and transition plan meet the HHS business needs and health outcomes for patients are maintained.

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Implementation

Role of the System Manager

Transformation of the Queensland Health corporate office to System Manager will require a number of fundamental changes to organisational purpose and functional design.

These changes will support a cultural shift to enable the System Manager to perform its role and drive improved health outcomes through:

- devolution of responsibility and accountability for health services to HHS
- provision of strategic direction for Queensland's health system
- planning and coordination of statewide health services
- implementation of mechanisms to support a culture of accountability and performance across the state
- provision of customer-focused key corporate services, that add value (either through an interim transition period or on an ongoing basis).

Structure of the System Manager

The proposed structure will provide a streamlined, more efficient System Manager function rather than those provided under the current corporate office arrangement.

The total number of divisions will be reduced from nine to three, improving the span of control of the Executive Management Team (EMT). It also reduces the current practice of multiple areas of Queensland Health corporate office being responsible for similar tasks. While some integration of work must occur across divisions, the reduced number will mean clear responsibility and greater accountability where it occurs.

Similarly, the Queensland Government's commitment to devolve decisions about healthcare services to local boards, as far as practicable, means a reduction in the number of functions in the System Manager.

In the proposed organisational structure, the three divisions will each have a broad area of responsibility. Branch structures within divisions will be determined by EMT members following their appointment. The broad movement of current units to new System Manager entities is set out in Appendix 2.

In the proposed new structure, service delivery responsibilities will be devolved to HHSs wherever practicable, leaving the System Manager accountable for system-wide policy, strategy and performance management.

It is therefore appropriate to establish a smaller EMT whose responsibility will be predominately to support the chief executive in system-wide policy, strategy, risk and performance management. The reduced operational functions in the re-shaped System Manager will be performed by the next level in the management structure that would have the delegations of authority necessary to resolve any operational issues arising within the System Manager's span of control—which would be reduced given the devolution of functions to HHS.

This smaller EMT will consist of the chief executive officer, three direct reports (Deputy Directors-General) and the officers responsible for the Commercialised Business Units, each of whom will be individually responsible for health service improvement, system performance management and services essential to support the efficient operation of the system.

The three key Deputy Directors-General will be responsible for the following divisions:

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- Health Service and Clinical Innovation
- System Policy and Performance
- System Support Services.

The intent of this delineation is to provide clarity of focus on the particular knowledge required to manage the system, acknowledging the different skills required to deliver health services, policy and strategy functions and corporate service arrangements.

A high-level, draft organisational structure for the System Manager is included in the business case.

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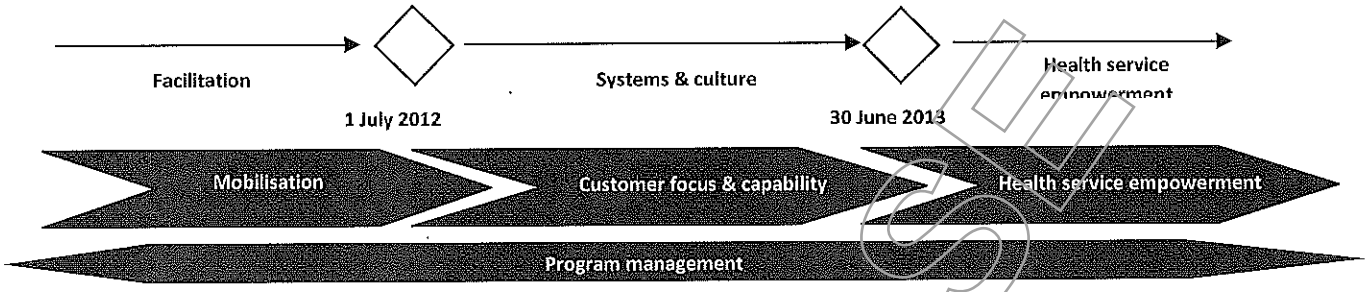
Roadmap for creation of the System Manager

The implementation timeline for establishing the System Manager is illustrated below:



Activities associated with each stage of implementation are:

Mobilisation

- determine System Manager organisation structure
- determine executive management and core capability requirements for the System Manager
- appointment of EMT
- develop name and brand for System Manager
- establish System Manager governance arrangements
- identify functions, resources and timeframe for devolution, focusing on those items to be devolved 1 July 2012
- confirm critical risks/issues
- confirm business continuity impacts and mitigation strategies of health reform.
- confirm service level agreement arrangements.

Customer focus & capability

- develop high level strategic vision/direction for System Manager document
- develop high level purpose, vision and strategic pillars for System Manager.

Execute Strategic Planning and change management activities to:

- foster cultural change to support renewed customer focus for System Manager
- progress devolution of longer-term functions as system capacity is rectified
- increase commerciality of statewide support functions by progressing to, and implementing, commercialised business units
- build performance management framework for commercial/transitional service components of System Manager
- continue change management activities with all key stakeholders (including employees and HHS)
- upgrade key systems
- devolve functions that may require system support/disinvestment.

Devolution & empowerment

- reach agreement on operational protocols for management of legacy issues as part of devolution of final functions.
- devolve all service delivery functions and transactional functions (either to HHS or commercialised business units), unless there is an economic or other case for statewide coordination.

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Functions to be devolved

Functions for which the individual HHS will become accountable on 1 July 2012 have been summarised and are attached at Appendix 3.

Key milestones

COAG has provided guidance on the implementation pathway for states/territories in relation to structures for central entities. It is recognised that reducing uncertainty to staff is an important consideration along with adequate consultation with staff and unions. The key milestones for this process are:

Deliverable	***Due date***
Identify key functions to be retained by System Manager or devolved to HHS	April 2012
Draft System Manager organisational structure, based on functions identified	April 2012
Draft Business Case for Change to meet industrial obligations to consult staff and unions	April 2012
Ministerial endorsement of draft organisational structure and Business Case for Change	May 2012
Commence both corporate consultation process and direct consultation with affected staff	Week of 21 May 2012
Specifically consult with directly affected staff and identify options for: • movement to HHS/commercialised business unit environment • movement to alternative role within System Manager • re-skilling or deployment.	Week of 21 May 2012
Complete consultation process	Week of 4 June 2012
Finalise arrangements for devolution of functions and final System Manager organisational culture	June 2012
Government endorsement of final System Manager organisational structure	June 2012
Announce Executive Management Team	Mid-June 2012
Confirmation of final System Manager organisational structure to staff	Mid- June 2012
Finalise System Manager governance arrangements for commencement 1 July 2012	Mid-June 2012
System Manager entity commences operation	1 July 2012

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Stakeholders

Key stakeholders

Stakeholder	Involvement / Expectation
Employees of the System Manager	• expect clarity in reporting lines, that conditions of their employment will be maintained and that any future impacts on them are identified and communicated early. • require clarity re impact on end-to-end processes, eg accountability, process re-engineering
Managers within the System Manager	• need to be positioned to 'manage / lead' staff directly impacted by the re-structure
Unions	• have obligation to consult re national health reform • have relationship with members directly impacted by re-structure
Sponsors of HHS Transition Teams	• are directly impacted by end business model (building accountability and capability for their respective HHS, process re-engineering as required) • act as agents for future 'customers' of transitional services (eg, clinical services, supply chain, capital project delivery, ICT, payroll, transactional finance). Expect consultation re System Manager Service Support Agreement, and standards of service
Program Management Office	• provides platform for consistency across the System Manager and HHS transition teams • monitors interdependencies (across teams), coordinates program reporting and expects efficiency and timeliness
Health Reform Program Executive [*Queensland Health*]	• has overall health reform program governance. • expects full and timely disclosure of significant transition issues, including interdependencies
Queensland Government	• provides the highest level of governance. • expects national health reform program to be successfully delivered on schedule
System Manager Executive Management Team	• provides critical input into organisational design, performance frameworks, systems and processes to ensure the success of the System Manager
HHS – senior executives, Governing Councils, CEOs and service provision contacts (i.e. client contacts)	• act as service providers to the System Manager and can negotiate directly re health service delivery outcomes and monitor ongoing performance against contractual deliverables • customers of transitional services provided by the System Manager. • expect consultation re System Manager Service Support Agreements and standards of service
Suppliers	• provide materials and services to existing entity, either through contractual arrangement or ad hoc agreement

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	• expect that transition to System Manager will not impact on continuity of payment. • assume that current supply arrangements will be maintained
External agencies (various - eg Australian Medical Association Queensland, Queensland Aboriginal & Island Health Council, Aged Care Queensland, Medicare locals etc	• expect clarity re model of health services delivery in Queensland

Stakeholder management and communication plan

A detailed stakeholder management and communication plan will ensure transition activities focus on:

- identifying information needs of all key stakeholders
- developing communication strategies for each key stakeholder group throughout the mobilisation and customer focus and capability phases

Communication priorities include the following:

- defining and preparing primary communication channels and resources including progress updates, communication protocols and planning for improvements
- communicating the recommended business model (for the health system) and providing clarification for employees before information is leaked to the media
- communicating to key stakeholders the strategic direction of the System Manager (purpose, vision and high level strategic plan)
- developing key messages for employees updating them on transition activities as the transition progresses (from System Manager, Director-General).

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Barbara Tollenaere

From: Jon Grayson
Sent: Wednesday, 30 May 2012 12:20 PM
To: Michael Caltabiano (Transport and Main Roads)
Cc: Craig Evans
Subject: Re: TMR Procurement Reform

Michael - i don't think we should wait on the CoA or the departmental reviews to initiate sensible cost saving reforms.

It is useful for us to know (and I have copied Craig) so we can make sure it is not inconsistent with our direction, and that we may fund useful lessons to apply in other agencies.

Thanks

Kind regards

Jon Grayson
Director-General
Department of the Premier and Cabinet

Ph: 07 322 44728
Fax: 07 3229 2049
Email: jon.grayson@premiers.qld.gov.au
PO Box 15185 City East Qld 4002 | Floor 15, 100 George Street, Brisbane Qld 4000

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Kelly Skuse

From: Michael Caltabiano (Transport and Main Roads)
Sent: Wednesday, 30 May 2012 10:06 AM
To: Jon Grayson
Subject: Fw: TMR Procurement Reform

FYI see below

Jon we are progressing procurementy reform at a pace to get ahead of the Commission of Audit, anticipated savings $125 Million per year

Kind regards,

Michael Caltabiano
Director-General (Transport and Main Roads) | Executive Directorate
Office Of The Director-General | Department of Transport and Main Roads

Floor 13 | Capital Hill | 85 George Street | Brisbane Qld 4000
GPO Box 1549 | Brisbane Qld 4001
P: (07) 33067316 | F: (07) 33067122
E: michael.a.caltabiano@tmr.qld.gov.au
W: www.tmr.qld.gov.au

----- Forwarded by Michael A Caltabiano/cp1/qdot/au on 30/05/2012 09:59 AM -----

From: Christopher W Mead/cp1/QMR/Au
To: SLT, Procurement Reference Group, Procurement Information Network, Ray G Cameron/CentralQld/qdot/au, Ian R Husband/Central/qdot/au@qdot, Trevor J Los/SouthEast/QMR/Au@qdot, Allan G Bell/EngServ/QMR/Au@qdot, Karen J Moll/SouthEast/QMR/Au@qdot, Doug M Wass/WideBay/qdot/au@qdot, Tony J Platz/Warwick/Border/qdot/au@qdot, Stephen J Mallows/WideBay/qdot/au@qdot, Alan J Stone/SouthEast/QMR/Au@qdot, Scott A Whitaker/Central/qdot/au@qdot, Shane G Doran/cp1/qdot/au@qdot, Stephen F How Lum/EngServ/QMR/Au@QDOT, Melita J Goff/Finance/qdot/au@qdot, Karen L Zech/cp1/qdot/au@qdot
Cc: PsC Core Members, PsC Nominated Representatives, PsC Standing Invitees, John E Bateman/cp1/qdot/au@QDOT, Meagan P Loague/CentralQld/qdot/au@qdot, Deanne M Hawkswood/cp1/qdot/au@qdot
Date: 30/05/2012 09:36 AM
Subject: TMR Procurement Reform
Sent by: Kathie A Stephens

Good morning

You would have seen the Director-General's message last week where he announced the start of a significant program of procurement reform for TMR. The Board of Management agreed that TMR have a dedicated procurement function under a Chief Procurement Officer who will be accountable for procurement. The agreed model for operating procurement will be centre-led (not centralised). As outlined in the Director-General's message this transformation of our procurement is focussed on achieving:

- a single point of accountability for procurement in the department
- transparency in our procurement spend so that we can identify and realise savings and benefits and demonstrate 'value for money'
- improved procurement capability and skills across the department
- operational efficiency by leveraging better procurement practices, processes and systems.

Work on the Procurement Reform implementation plan, communication plan and program charter is now underway and will be presented back to the TMR Board of Management shortly. The TMR Procurement Reform implementation team will commence 1 July 2012.

There is a lot of work ahead with the team only just starting to unpack the tasks that need to be undertaken. This is a big step for TMR and procurement which supports the Government's direction of achieving better value for money and delivering stronger accountability.

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I would like to thank those staff who contributed views, information and suggestions to the project team during the past 3 months. Your input helped greatly to enable a positive decision by the Board of Management.

Regular updates will be provided over the coming weeks to keep you abreast of implementation planning. Should you have any questions or concerns please email strategic.procurement@tmr.qld.gov.au

Kind regards,

Chris Mead
Chief Finance Officer
Finance | Department of Transport and Main Roads

Floor 22 | Brisbane - Terrica Place | 140 Creek Street | Brisbane Qld 4000
GPO Box 1412 | Brisbane Qld 4001
P: (07) 31466065
M: s49 - CTPI
E: christopher.w.mead@tmr.qld.gov.au
W: www.tmr.qld.gov.au

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Ashleigh Edwards

From: Craig Evans
Sent: Wednesday, 23 May 2012 3:27 PM
To: Michael Tennant; Amanda Pafumi; Anthony Crack; Samantha Luke
Subject: RE: Follow up to ACC

I am comfortable with this level of detail as long as we do not provide any private information. Regards Craig

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

From: Michael Tennant
Sent: Wednesday, 23 May 2012 1:41 PM
To: Craig Evans; Amanda Pafumi; Anthony Crack; Samantha Luke
Subject: FW: Follow up to ACC
Importance: Low

Hi Craig, Amanda and Anthony

Please see below email request from the Together union and HR's request to me.

If you agree, I suggest that DPC HR Services only provide the following detail re the PDO-IGR-OPSR changes focussing on temporary and seconded staff and a copy of the before and after Policy Division org charts that Sam has provided me (copies attached). A copy of the Director-General email to all DPC staff and the Premier's announcement – when these have been issued - can also be provided.

1. The following applies to the proposed management realignment affecting the Performance and Delivery Office (PDO), Intergovernmental Relations Branch and establishment of the Office of Public Sector Renewal within DPC Policy Division.

2. The before and after organisational structure charts for the Policy Division are attached. It is proposed that the PDO Performance Unit will report though the Cabinet Secretary, Cabinet Services. It is proposed that the PDO Delivery Unit will be renamed and report through the Executive Director Office of Public Sector Renewal. It is proposed that the Executive Director PDO – who has been performing both the ED PDO and Executive Relations Intergovernmental Relations roles for the majority of the past 12 months – will transfer to the ED Intergovernmental Relations position.

3. Previously agreed periods for PDO and IGR staff seconded from other departments, temporary staff who do not have a permanent job within the Queensland Public Service and higher duties for DPC officers will be honoured. No secondments, temporary contracts or higher duties will be ended earlier than previously approved and agreed with individual staff.

4. Three PDO officers seconded from other departments will return to those departments at the end of their current secondment periods (i.e. 30 June 2012). These officer have permanent jobs in other departments.

5. One PDO officer - who is on a temporary contract with PDO from December 2011 to 30 June 2012 and who does not have a permanent job within the Queensland Public Service – will finish at the previously agreed end date of 30 June 2012. DPC is actively working with the person to find and secure alternative employment.

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6. Approval has been provided to proceed with permanent appointment of two PDO officers to vacant permanent positions. Both these officers have been through open merit selection recruitment processes and were recommended for permanent appointment. One of these officers has been on secondment to DPC from another department. The other officer has been a temporary employee and does not have a permanent job elsewhere within the Queensland Public Service. Both officers have indicated their acceptance of offers of permanent positions.

7. One Intergovernmental Relations officer - who does not have a permanent job within the Queensland Public Service - is on a temporary contract until 30 June 2012 . Approval has been provided to proceed with the advertising and recruitment process to permanently appoint to the vacant permanent position and to extend the officer's temporary contract pending finalisation of the recruitment and appointment process. The officer has indicated her intention to apply for the position when it is advertised.

Sam – can you please double-check the above numbers for me to make sure I have not missed anyone. Many thanks.

Happy to discuss.

Regards
Michael Tennant
Executive Director | Performance and Delivery Office & Intergovernmental Relations | Department of the Premier and Cabinet
Phone: (07) 3224 6789 | Short Dial: 46789 | Mobile: s49 - CTPI | Fax: (07) 3404 3662
Email: Michael.Tennant@premiers.qld.gov.au | Web: www.premiers.qld.gov.au
Level 3, Executive Building, 100 George Street, BRISBANE QLD 4000 | PO Box 15185, CITY EAST QLD 4002

From: Bradley Wise
Sent: Wednesday, 23 May 2012 11:18 AM
To: Michael Tennant
Subject: FW: Follow up to ACC
Importance: Low

Hi Michael,

As discussed, I received the attached email from Dan Goldman at Together Union this morning.

Do you have anything that would be suitable to provide to Dan on the details of the organisational change in Policy and on any contracts or secondments that will be ended as a result of the change.

I'll pursue Dan's other queries separately.

Regards

Brad

Brad Wise | Principal Human Resource Consultant | Business Services | Department of the Premier and Cabinet | ✉ bradley.wise@premiers.qld.gov.au | ☎ 07 3836 0573 | ☎ 07 3210 2848 (Fax)

Please consider the environment before printing this email

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From: Dan Goldman [mailto:Dan.Goldman@together.org.au]
Sent: Wednesday, 23 May 2012 7:50 AM
To: Bradley Wise
Subject: FW: Follow up to ACC
Importance: Low

Hi Brad, I received an out of office response from Deb to the email below, so just though I would keep you in the loop as well.

Regards,

Dan Goldman
Organiser / Project Officer

From: Dan Goldman
Sent: Wednesday, 23 May 2012 7:47 AM
To: 'debbie.paterson@premiers.qld.gov.au' (debbie.paterson@premiers.qld.gov.au)
Subject: Follow up to ACC
Importance: Low

Hi Deb,

I am just following up with you in relation to consultation processes around the EMP and its effect on temporary employees.

Do you have any more information with respect to the process that DPC intends to use to consult with the union about EMP decisions and are you able to provide the data we spoke about with respect to a list of all temporary employees, their position title, unit or division and their start and end dates?

I also wanted to let you know that in addition to the provisions of section 4.7 as discussed at the ACC, the union has sought an interpretation of section 4.8 of the Award and its application to temporary employees and has sought an interim injunction to prevent temporary workers being terminated without consultation.

In respect to the organisational change occurring in the Performance and Delivery Office and Intergovernmental Relations, I am advised by the our Delegate Kirsten Richards that the local process taken to inform staff has been collaborative and very open and that our members have not raised significant concerns on the basis of the information available to them at this time. There does not appear to be a need to have an urgent meeting to discuss the impacts of this change. I also reiterate that our interaction in the context of the ACC and other discussions have been collaborative and positive and you have made efforts, within the timeframe provided to you, to facilitate discussion with union delegates and workers.

However, I am concerned at the process taken more broadly with respect to consultation about this change, and I wanted to clarify consultation processes going forward, particularly with respect to timeframes. The union's position is that for genuine consultation to occur there must be an opportunity to influence the outcome. This means that the proposed change needs to be notified to the union, (that is – both the affected staff and union office) – and those affected by the change need to be given an opportunity to consider and respond to the proposal and these responses need to be considered by management before any change is implemented. That's why it would be best practice to be able to keep these matters on the Agenda at ACC as well.

Further, as more detail emerges about the practical impact of these changes there may be concerns that need to be addressed with you in respect to implementation.

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Now that the decision is no longer cabinet in confidence and has been formally made, can you provide anything in writing setting out the details of the organisational change, including any temporary contracts or secondments being ended?

Thank you very much Deb, please don't hesitate to contact me directly.

Regards,

Dan Goldman
Organiser / Project Officer

together

Phone: 3170 6714
Fax: 3170 6814
Email: dan.goldman@together.org.au
www.together.org.au

Together Queensland, Industrial Union of Employees is an amalgamation of the Queensland Public Sector Union, and the Australian Services Union (Clerical) Central and Southern Queensland Branch. Together represents over 38 000 members working across Queensland.

For more information about Together call 1800 177 244 or go to www.together.org.au.

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Barbara Tollenaere

From: Jon Grayson
Sent: Wednesday, 16 May 2012 4:52 PM
To: Alan Millis (Energy and Water Supply); Andrew Chesterman (Environment and Heritage); Barry Broe (Coordinator-General); Barry Leahy (Justice); Bob Atkinson (Queensland Police); Brett Heyward (PSC); Dan Hunt (Natural Resources and Mines); David Edwards (State Development, Infrastructure and Planning); Debbie Best (ATSI and Multicultural Affairs); Graeme Newton (QRA); Helen Gluer (Treasury); Jack Noye (Agriculture, Fisheries and Forestry); John Glaister (Parks, Recreation, Sport and Racing); Julie Grantham (Education, Training and Employment); Kelvin Anderson (Community Safety); Margaret Allison (Communities, Child Safety and Disability); Michael Caltabiano (Transport and Main Roads); Natalie MacDonald (Housing and Public Works); Neil Castles (Local Government); Phillip Reed (Science, IT, Innovation and Arts); Richard Eden (Tourism and Major Events); Tony O'Connell (Health)
Cc: Craig Evans; Sharon Bailey
Subject: Achieving Cost Savings Across Government

Dear Colleagues

In late March, I wrote to you regarding the Premier's direction that there be:

- An immediate freeze on all public sector permanent and temporary appointments, excepting those involved in front line service delivery (eg nurses, teachers and police).
- A cessation of all advertising campaigns, unless deemed by Directors-General to be essential (The only exception is non-campaign advertising which has a legal requirement to be published).
- No consultancies let until further notice.
- A cut to travel expenditure of 20% by all agencies, with an expectation that travel will only be undertaken when other alternatives are not possible.

I have talked with many of you about these measures and my office has received a number of queries from agencies about the best way to implement these measures, while ensuring that the quality of service delivery is maintained and improved.

The overriding principle in the above four measures, is that Directors-General are fully across their budget position and have robust processes in place to ensure savings are made and every dollar is focussed on delivering core objectives.

There will be exceptional instances where an appointment, a consultancy, advertising and/or travel is critical to the delivery of the Government's agenda. Consequently, I am proposing to institute a range of processes to assist the management of the above four measures:

- In regard to establishment management processes, the standard position, is that there is to be no recruitment or replacement of staff. While Directors-Generals can exercise some discretion up to the AO8 level, all proposals to appoint non-frontline positions of SO and SES officers, will require approval by the Director-General of the Department of the Premier and Cabinet;
- All advertising (with the exception of classified or advertisements of a legal requirement) needs to be endorsed by Directors-General in the first instance. Following endorsement, it then needs to be provided to the Executive Director, State Services, Department of the Premier and Cabinet (EDSS) for approval by the Director-General, Premier and Cabinet;
- All proposals for consultancies will require a strong business case and approval by the Director-General and proposed consultancies exceeding $150,000 should be referred to the Director-General of the Department of the Premier and Cabinet; and
- In regard to travel, it is requested that you have a clear analysis of your agency's current travel spend, including where efficiencies might be made, and that going forward there is a process for travel approval that sets out clear criteria, is understood and adhered to throughout your agency, and will ensure you are able to achieve the 20% reduction. The current TMS reporting capacity will be a useful tool in this process.

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To ensure that the Government has access to timely data on the exercise of these measures, I am requesting that Directors General:

- Report on the management of their establishment, particularly the exercise of their discretion to make exceptions up to the A08 level, to the Public Sector Commission on a weekly basis;
- Report on the use of consultancies within their agencies, to Queensland Treasury, on a weekly basis; and
- Table these reports at our CEO Leadership Team (CLT) meetings.

The Public Sector Commission and Queensland Treasury will contact you shortly in regard to a template and process for this reporting.

I look forward to discussing this further at our next CLT meeting.

Regards

Jon Grayson
Director-General
Department of the Premier and Cabinet

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Barbara Tollenaere

From: Anthony Crack
Sent: Friday, 27 April 2012 9:30 AM
To: Annette Sargent
Cc: Jon Grayson; Craig Evans
Subject: FW: Treasurer's letter
Attachments: Treasurer letter to the Premier on savings.pdf

Annette

Thanks for that. Corporate Governance Group has requested that its next meeting on 2 May deal with Budget issues and you should come to that. This would be the forum for discussion about potential savings. Could you please prepare a brief the DG prior to that meeting. I presume this will work with the proposed response date to the Treasurer of Friday 4 May.

Anthony Crack
Acting Deputy Director-General Governance
Department of the Premier and Cabine s49 - CTPI
Telephone: (07) 322 46061 Mobile: 0417 780 595

From: Annette Sargent
Sent: Friday, 27 April 2012 9:08 AM
To: Anthony Crack
Cc: Phillip Fogarty
Subject: FW: Treasurer's letter

Hi Anthony,

I received a copy of a letter from the Treasurer to the Premier regarding the requirement for all departments to identify $100 million in cashable savings in the remaining 2 months of this year – 2011-12 (Attached). Apparently a letter to the DG is to follow.

Our Treasury officers advise that departments are not being given a specific target. We did a quick pro-rata of our controlled appropriation to the whole of Government and on that basis we would need to find around $500,000. It does not have to be ongoing savings – just a one-off return of cash.

We are expecting to have a surplus in our end of year position and after adjusting for limited life projects where any unspent funding has to be returned, we could offer up some of that surplus. We also have about $900K set aside for a CRM (including Project Athena), which we intended to carry forward to next year. To give this up would mean the project may not go ahead. We also can return some cash from the DG's Reserve which is what we do anyway but it will add to the cash returned.

I am wondering how to proceed with this. I have a meeting with our new Treasury Portfolio officers this morning and will raise this matter. I wonder if we should prepare something for discussion at next week's CGG.

Do you have a preferred process for dealing with this?

Annette.

From: Paula McLaughlin
Sent: Thursday, 26 April 2012 3:26 PM
To: Annette Sargent

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Cc: DPCCLLO
Subject: Treasurer's letter

Hi Annette
Please find attached a scanned version of the Treasurer's letter to the Premier on departmental savings. I will arrange for the original to go through Trim.
Regards,

Paula McLaughlin
Acting CLLO
Cabinet Services
Department of the Premier and Cabinet
Telephone (07) 3224 7135
Paula.McLaughlin@premiers.qld.gov.au

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TRY-00226

24 APR 2012

Treasurer and Minister for Trade

The Honourable Campbell Newman MP
Premier
PO Box 15185
CITY EAST QLD 4002

Dear Premier

Sch. 3-2

Consequently, you are now required to identify proposals relating to your portfolio in accordance with the following criteria:

- savings must be cashable in 2011-12, but can extend beyond 2011-12
- savings must be specific and be able to be publicly identified (that is broad efficiencies will not count)
- savings cannot include carrying over 2011-12 expenditure into subsequent years.

The Under Treasurer is also writing to Directors-General in relation to this issue. That letter will include a proforma that agencies are expected to follow in outlining savings.

Departments are expected to return their responses, via return letter to the Under Treasurer by close of business Friday, 4 May 2012.

Yours sincerely

Tim Nicholls
Treasurer and Minister for Trade

RTI RE

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Barbara Tollenaere

From: Craig Evans
Sent: Thursday, 26 April 2012 8:14 PM
To: Sharon Bailey; Jon Grayson
Subject: RE: Achieving Cost Savings Across Government

Hi Sharon
Thanks for this draft
I think that we should emphasise that the EMP does mean no recruitment or replacement as the standard position - there are to be no appointments at any level but that DG can personally exercise a discretion for AO4-8 roles.

We should also create a reporting process and mention that DG are to report (weekly to PSC) on the exercise of their discretion.

For consultancies, a reporting process should be put in place where DG report weekly – Treasury have offered to collate these reports.

My view is that these weekly reports should be tabled for CLT.

Regards C

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

From: Sharon Bailey
Sent: Thursday, 26 April 2012 5:49 PM
To: Jon Grayson; Craig Evans
Subject: Achieving Cost Savings Across Government

DG and Craig

This morning at CGG we discussed a draft email out to agencies regarding processes to assist agencies implement the Premier's directions re establishment, advertising, consultancies and travel. The below is a first cut. Is this the sort of thing that you were after? Please let me know if I'm not on the right track – just wanted to get a starting point that we could amend.

Sharon

Dear Colleagues

In late March, I wrote to you regarding the Premier's direction that there be:

- An immediate freeze on all public sector permanent and temporary appointments, excepting those involved in front line service delivery (eg nurses, teachers and police).
- A cease to all advertising, unless essential
- No consultancies let until further notice.

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- A cut to travel expenditure of 20% by all agencies, with an expectation that travel will only be undertaken when other alternatives are not possible.

I have talked with many of you about these measures and my office has received a number of queries from agencies about the best way to implement these measures, while ensuring that the quality of service delivery is maintained and improved.

The overriding principle in the above four measures, is that Directors-General are fully across their budget position and have robust processes in place to ensure savings are made and every dollar is focussed on delivering core objectives.

There will be exceptional instances where an appointment, a consultancy, advertising and/or travel is critical to the delivery of the Government's agenda. Consequently, I am proposing to institute a range of processes to assist the management of the above four measures:

- In regard to establishment management processes, all proposals to appoint non-frontline positions of SO and SES officers, will require approval by the Director-General of the Department of the Premier and Cabinet. I have also attached the Establishment Management Process currently in place with my Department, to give an example of how such a program might operate;
- All proposals for advertising will need to be submitted to the CEO Advertising Committee and demonstrate why they are essential and how they meet the public interest. My Communications area has been in contact with your agencies in this regard.;
- All proposals for consultancies that exceed $150,000 will require a strong business case and approval by the Director-General of the Department of the Premier and Cabinet; and
- In regard to travel, it is requested that you have a clear analysis of your agency's current travel spend, including where efficiencies might be made, and that going forward there is a process for travel approval that sets out clear criteria, is understood and adhered to throughout your agency, and will ensure you are able to achieve the 20% reduction. The current TMS reporting capacity will be a useful tool in this process.

I look forward to discussing this further at our next CLT meeting

Regards

Jon Grayson
Director-General
Department of the Premier and Cabinet

RTI RELEASE

RTI Document No.103

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Kelly Skuse

From: Craig Evans
Sent: Wednesday, 18 April 2012 1:46 PM
To: 'Campbell Newman'
Cc: 'Ben Myers'; Jon Grayson
Subject: RE: Savings

I will confirm now and get back to you through Jon. I like your thought of 0930 as it will drive action.

Craig Evans AM
Deputy Director-General
Department of the Premier and Cabinet

+61 7 34062140

www.premiers.qld.gov.au

-----Original Message-----
From: Campbell Newman [mailto:Campbell.Newman@ministerial.qld.gov.au]
Sent: Wednesday, 18 April 2012 12:05 PM
To: Craig Evans
Cc: Ben Myers
Subject: Savings

Craig

How are we going in efforts to pull together a summary of savings to date offered up by Ministers and DGs ?

Should we ask people to provide their latest figures for the 0930 ministers meeting prior to cabinet on monday ?

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Kelly Skuse

From: Michael Caltabiano (Transport and Main Roads)
Sent: Tuesday, 10 April 2012 9:18 PM
To: Jon Grayson
Subject: Re: Decentralisation Program - Carseldine

Agreed

Kind regards,

Michael Caltabiano
Director-General (Transport and Main Roads) | Executive Directorate
Office Of The Director-General | Department of Transport and Main Roads
Floor 13 | Capital Hill | 85 George Street | Brisbane Qld 4000
GPO Box 1549 | Brisbane Qld 4001
P: (07) 33067316 | F: (07) 33067122
E: michael.a.caltabiano@tmr.qld.gov.au
W: www.tmr.qld.gov.au

On 10/04/2012, at 6:46 PM, "Jon Grayson" <Jon.Grayson@premiers.qld.gov.au> wrote:

> Michael - thanks for getting me material on the movement of significant numbers of DTMR staff to Carseldine, which you are seeking to stop.
>
> Based on the information received, I support your proposal to halt the move if you have established that the break costs would not be prohibitive, and that we are not breaching a commitment under an EBA.
>
> I have since learned that the Carseldine project was part of a broader decentralisation program. I think we need to review the whole decentralisation program. Sch. 3-2 Sch. 3-2
>
> A good forum to get the whole of government implications of the decentralisation program might be at CLT tomorrow. Would you be happy to talk to the project from your perspective? We could also get input from Brett Heyward and Natalie McDonald.
>
> Regards
>
> Jon
>
>
>
>
>
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Opinions contained in this email do not necessarily reflect the opinions of the Department of Transport and Main Roads, Maritime Safety Queensland or endorsed organisations utilising the same infrastructure.
****

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Kelly Skuse

From: David Hourigan
Sent: Friday, 30 March 2012 9:47 PM
To: Jon Grayson
Subject: Re: Winding up of Climate Change programs - information by end next week

Yep, everyone thought demand would drop off if adverts stopped so the clear decision is good -we can quickly move ahead on winding it up
Cheers

Sent from my iPad

On 30/03/2012, at 8:26 PM, "Jon Grayson" <Jon.Grayson@premiers.qld.gov.au> wrote:

David – i spoke with Andrew Chesterman today – we agreed climate smart home ads would stop immediately. 90 days notice is required to the service provider contractors to avoid penalties, so we should let it run for this period. His view is that once ads stop, demand will drop away to be minimal in any case.

JDG

From: David Hourigan
Sent: Friday, 30 March 2012 5:49 PM
To: Craig Evans; Jon Grayson
Cc: Geoff Robson; Adam Pennicott
Subject: Winding up of Climate Change programs - information by end next week

Jon/Craig – quick update

Helen called a meeting of DGs and senior reps for this afternoon to discuss climate change programs; available funding; FTE allocations etc as per Jon's letter of yesterday.

Treasury have already circulated a pro-forma request today for information by CoB Wednesday next week...so, by end next week we should have info/analysis available for Government decision.

Just a heads-up that one key issue will be the timing to shut certain programs e.g. solar how water rebate and climate smart home service could basically stop accepting applications virtually overnight or have a phased withdrawal over 30 or 60 days (with no advertising etc in the interim to lessen demand). Obviously, we need the agency information to determine dollar cost value of the timing decision but also issues like contractual costs of termination and employment impacts (for example 50 electricians are employed on the climate smart home service).

Cheers

David Hourigan
Executive Director
Economic Policy
Department of the Premier and Cabinet
Ph: (07) 322 45870
david.hourigan@premiers.qld.gov.au

RTI RELEASE

RTI Document No.107

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Barbara Tollenaere

From: Jon Grayson
Sent: Tuesday, 27 March 2012 2:36 PM
To: @DPC All
Subject: Message from the Director-General

Follow Up Flag: Follow up
Flag Status: Completed

Dear All

The events of the past weekend have presented the Queensland public sector, and the Department of the Premier and Cabinet in particular, with a sizeable and exciting agenda.

I am pleased to advise that I have accepted Premier Campbell Newman's offer to become the Director-General of the Department of the Premier and Cabinet, and work with you in leading a successful transition and implementation of the Government's policies and programs.

As some of you may know, I spent a considerable part of my career in Queensland Treasury and QTC, hence I am very aware of the pressures of working in government and in being part of a central agency.

Thank you for all the support and well wishes I have received to date. The Department of the Premier and Cabinet has a unique opportunity to play the lead role in driving the Government's policy and reform agenda.

The Premier and I will meet with CEOs this afternoon to discuss the priorities and policies of the Government, and I I have recently written to CEOs to emphasise the achievement of a 4% unemployment target, and the delivery of the commitments in a fiscally responsible manner.

In this context, the Premier has asked that the following measures be implemented immediately.

- An immediate freeze on all public sector permanent and temporary appointments. The freeze on recruitment is to apply to all roles with the exception of those involved in front line service delivery (eg nurses, teachers and police). Directors-General are asked to use their discretion in identifying roles where recruitment action can proceed. Further advice in regard to this measure will be forwarded in the near future.

- All advertising is to cease unless essential. My department's Communication Services team will be liaising with departmental communication heads on essential advertising proposed to run until June 2012. Any advertising that is considered essential will be presented to the Chief Executive Officer advertising committee for review, prior to proceeding.

- No consultancies are to be let until further notice.

- Departments must deliver a cut to travel expenditure of 20%. It is expected that travel will only be undertaken when other alternatives are not possible.

The immediate implementation of these measures will commence the process of harvesting savings from the public sector so that they can be redirected towards services to the community and the honouring of election commitments. In addition, the Premier has released a 100 day plan with progressive milestones, and I look forward to working with you all to ensure these commitments are delivered.

We have an extremely busy and challenging time ahead of us. If you see me in the corridors and lifts, please don't hesitate to introduce yourself, I'm looking forward to meeting as many people as possible in the next few weeks.

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Regards

Jon Grayson
Director-General
Department of the Premier and Cabinet

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CAMPBELL NEWMAN GOVERNMENT WITH QUEENSLAND

CANDO QLD

First 100 days

GETTING QUEENSLAND BACK ON TRACK

RTI DOCUMENT RELEASED

RTI Document No.110

This document has been released under the RIGHT TO INFORMATION ACT 2009 (Qld)

CANDO LNP First 100 Day Action Plan

The CanDo LNP First 100 Day Action Plan commences our strategy to get Queensland back on track.

In the first 100 days we will begin delivering on the five pledges we made to Queensland: to grow a four pillar economy, lower the cost of living by cutting waste, deliver better infrastructure and better planning, revitalise frontline services for families and restore accountability in Government.

It's time for a change, it's time to get Queensland back on track.

CAMPBELL NEWMAN, LNP LEADER

CAMPBELL NEWMAN • CONTRACT WITH QUEENSLAND • CANDO QLD

RTI RELEASE

RTI Document No.111

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CANDO LNP First 100 Day Action Plan

FIRST DAY ACTION PLAN

The strong and united LNP team has a real plan of action to get Queensland back on track.

Our First 100 Day Action Plan will include:

First Day

- Issue the whole of government 4% unemployment target to all Government agencies as the underpinning principle of policy within a CanDo LNP Government.
- Direct Treasury to start the legislative changes – across the whole of Government – required to implement the LNP's Lower Cost of Living for Families package.
- Instruct the Director-General of the Department of the Premier and Cabinet to start Machinery of Government changes – to restore Departmental and Ministerial accountability.

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First Week

- Get a full briefing from Treasury on the State accounts.
- Appoint the Commission of Audit to undertake a full audit of the State's finances and commence a War on Waste on government spending.
- Meet with Police Commissioner and Police Union to commence the steps for a Police recruiting surge starting on 1 July 2012.
- Restart negotiations for a new nurse and midwife enterprise bargaining agreement.
- Start a full audit of the health payroll system to determine current errors and faults.
- Meet with public sector unions to brief on Machinery of Government changes.
- Require Queensland Health to report on progress towards National Health Reform and the implications of Labor's rushed departmental split in relation to those reforms.

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CANDO LNP First 100 Day Action Plan

First 30 days

- Commence action to implement recommendations of the Queensland Floods Commission of Inquiry.
- Appoint the Bruce Highway Crisis Management Group and instruct the Department of Main Roads to compile a proper engineering based 10-year 'Crisis Action Plan' to address the Bruce Highway crisis.
- Freeze or lower the standard domestic electricity tariff (Tariff 11) to address soaring power bills as part of cost of living relief (to take effect from 1 July 2012).
- Regulate to freeze family car registration.
- Commence drafting legislative amendments to once again make it illegal to lie to Parliament.
- Establish a Cabinet Committee chaired by the Queensland Treasurer, focussed on property and construction.
- Appoint an industry 'go-to' person for the property and construction industry, supported by Growth Management Queensland.
- Establish DestinationQ as part of our tourism strategy to ensure a whole of government approach to tourism.
- Commence drafting of legislative amendments to reduce real estate red tape by scrapping sustainability declarations and streamlining home sale contracts and statements.
- Consult with the Queensland Police Union and the Police Commissioner to begin the transition of around 50 police from behind office desks and back into front line policing.

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- Extend the existing police helicopter for the Gold Coast for two years as part of our plan to roll out two permanent police helicopters for the Gold Coast and South East Queensland.
- Commence drafting legislative amendments to install the Independent Public Advocate as a statutory authority.
- Act to repeal Labor's $372 million Industry Waste Levy to cut costs for businesses (to take effect from 1 July 2012).
- Consult and issue an expression of interest with the Law Society and Bar Association for a Magistrate appointment as Coroner for Mackay.
- Initiate negotiations with the Commonwealth Government for better flood mitigation funding arrangements in Queensland.

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First 100 Days

- Develop Terms of Reference and appoint a new 'Forde Inquiry' to review progress of outcomes related to the 'Report of the Commission of Inquiry into Abuse of Children in Queensland Institutions' and the report of the CMC Inquiry to chart a new road map for child protection for the next decade.
- Begin Statutory Regional Planning process for the Darling Downs and Golden Triangle, and act to protect the Scenic Rim from inappropriate resource development including CSG.
- Appoint the Gasfields Land and Water Commissioner to better oversee the relationship between rural landholders and the CSG industry.
- Act to remove Labor's extra stamp duty slug of up to $7000 on the family home (beginning 1 July 2012).
- Begin planning to establish the LNP's $92 million Maternal and Child Health Service to give all mums and bubs the best possible start to life.
- Amend the Animal Care and Protection Act 2001 to bring Queensland in line with other states and protect Queensland's iconic dugong and turtle populations.
- Act to restore the Coordinator-General's power and authority to properly coordinate and facilitate major projects.
- Establish 'Infrastructure Queensland' to advise the State Government on long-term infrastructure planning, prioritisation and ongoing management and maintenance.

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- Establish 'Queensland Projects' – a standalone unit in Queensland Treasury driving cooperative funding models to maximise private investment in Queensland's infrastructure.
- Establish the Office of Best Practice Regulation within the Queensland Competition Authority (QCA) as part of our plan to cut red tape and regulation by 20%.
- Establish a Skills and Training Taskforce to reform and revamp skills and training and ensure accountability, value for money, and increased completion rates.
- Appoint a Selection Committee for the $10 million scholarship program Supporting Women.
- Start process to amalgamate bulk water entities as part of our Four Point Plan to Reduce Water Prices.
- Act to put the cost of the carbon tax on electricity bills.
- Reintroduce discounted weekly fares for regular commuters on buses, trains and ferries (to take effect 1 July 2012).
- Introduce legislation for tougher sentences for evade police, repeat child sex offenders, murder and serious assault on police officers in Queensland.
- Establish the framework to begin identifying projects for investment under our Royalties for the Regions initiatives to benefit communities in resource regions.
- Create a new standalone Department of Agriculture.
- Appoint Industry and Stakeholder Group to oversee a comprehensive audit of agricultural land in order to better plan and identify additional future food production land in Queensland.

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CANDO LNP First 100 Day Action Plan

- Initiate recruitment of new biosecurity officers.
- Open consultation to develop a Bioregion Management Plan for Cape York.
- Establish Gold Coast Waterways Authority to improve access to Gold Coast waterways.
- Commence arrangements for improving access to Trinity Inlet.
- Commission an immediate independent scientific peer review of the Fraser Island Dingo Management Strategy.
- Establish framework for Queensland Schools Plan Commission and the Building our Future Schools program.
- Start updating Toowoomba Second Range Crossing Business Case.
- Commence process to identify State planning powers that could be transferred to local Government.
- Commence structural adjustment package for net fishing industry.
- Commence preparations for open expressions of interest for Independent Public Schools.
- Commission a study to scope and build the business case to establish a collocated High School at James Cook University in Townsville.
- Identify the first 150 classes to be funded for more hours for Prep teacher aides.
- Initiate recruitment of Indigenous Rangers who will have a particular focus on the protection of our pristine waterways, protected species and National Park management.
- Appoint a Boundaries Commissioner to examine Local Government boundaries, with priority given to Noosa and Port Douglas.

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To find out more about the
First 100 Days Action Plan
please visit: lnp.org.au

RELEASE

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KEY ACTIONS
CEO LEADERSHIP TEAM

Meeting 27 March 2012

#	ACTION	WHO	WHEN
1	CEOs to discuss implications of machinery-of-government changes on their departments at the next CEO Leadership Team meeting.	**Jon Grayson**	**4 April 2012**
2	DG DPC will provide CEOs with the proposed Administrative Arrangement Order.	**Jon Grayson**	**Completed**
3	CEOs to provide advice to the DG DPC about any issues with the proposed Administrative Arrangement Order.	**ALL**	**Completed**
4	CEOs noted that the Premier will announce his Cabinet and Assistant Ministers on 30 March 2012, that the Cabinet will be sworn in on 2 April 2012 and Assistant Ministers sworn in later in the same week.	**ALL**	**Completed**
5	CEOs noted the Premier's directions about his Government's reform agenda to get Queensland back on track, including the initial priorities to sort out the State's finances and to get Queensland's economy going.	**ALL**	**Completed**
6	CEOs noted that every department has a role in contributing to achievement of the Government's 4% unemployment target and that they shall ensure that the target informs what and how their departments do their business.	**ALL**	**Ongoing**
7	CEOs to ensure all their departmental staff are familiar with the Government's priorities, including the Government's five point action plan and 4% unemployment target: • Grow a four pillar economy based on tourism, agriculture, resources and construction • Lower the cost of living by cutting waste • Deliver better infrastructure and planning • Revitalise font line services • Restore accountability in government.	**ALL**	**Ongoing**

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KEY ACTIONS
CEO LEADERSHIP TEAM

Meeting 27 March 2012

8	CEOs to immediately implement the following savings measures: • An immediate freeze on all public sector permanent and temporary appointments. The freeze on recruitment is to apply to all roles with the exception of those involved in front line service delivery (eg nurses, teachers and police). Directors-General are asked to use their discretion in identifying roles where recruitment action can proceed. Further advice in regard to this measure will be forwarded in the near future. • All advertising is to cease unless essential. DPC's Communication Services team will be liaising with departmental communication heads on essential advertising proposed to run until June 2012. Any advertising that is considered essential will be presented to the Chief Executive Officer advertising committee for review, prior to proceeding. • No consultancies are to be let until further notice. • Departments must deliver a cut to travel expenditure of 20%. It is expected that travel will only be undertaken when other alternatives are not possible.	**ALL**	**Immediately**
9	DPC and the PSC will provide departmental HR Directors with consistent wording to use to support implementation of the non-frontline recruitment freeze.	**Craig Evans & Brett Heyward**	**Completed**
10	CEOs to change the culture of their departments to improve customer service experience and community satisfaction with service delivery.	**ALL**	**Ongoing**
11	CEOs will discuss the Government's 100 Day Action Plan at the next CEO Leadership Team meeting, including advice from CEOs about significant milestones, delivery dates and which actions could be brought forward.	**ALL**	**4 April 2012**
12	CEOs noted that Craig Evans is the Associate DG Policy DPC and that he will also coordinate delivery of the 100 Day Action Plan. CEOs also noted that the Premier wants regular reporting to Cabinet on progress in delivering the 100 Day Action Plan.	**ALL**	**Completed**
13	CEOs noted that any urgent and unavoidable matters that require Cabinet consideration will be considered by the Premier, Deputy Premier and Treasurer, pending the swearing in of the full Cabinet and the scheduling of the first full Cabinet meeting. CEOs noted that the DG DPC will facilitate that process and that CEOs should advise the DG DPC about any of these matters.	**ALL**	**Ongoing until first full Cabinet meeting scheduled**
14	CEOs noted that the Premier, Deputy Premier and Treasurer will begin meeting with individual CEOs, as relevant to the portfolios that they are responsible for, until the swearing in of the full Cabinet. CEOs noted that any matters that require urgent Ministerial consideration should be directed to the Premier, Deputy Premier or Treasurer as relevant until the swearing in of the full Cabinet.	**ALL**	**Ongoing until swearing in of full Cabinet**
15	CEOs agreed to continue weekly Wednesday meetings of the CEO Leadership Team.	**ALL**	**Ongoing**

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KEY ACTIONS
CEO LEADERSHIP TEAM

Meeting 27 March 2012

16	The next CEO Leadership Team meeting will be scheduled for 2:00-3:30 pm on Wednesday 4 April 2012.	**CLT Secretariat**	**4 April 2012**
17	DG DPC invited CEOs to provide advice to him about ways to make CLT meetings more productive.	**ALL**	**Ongoing**
18	DPC will circulate a CEOs contact details list.	**ODG DPC**	**Completed**
19	DG DPC will provide advice to CEOs in due course about lapsed legislation and parliamentary committees.	**Jon Grayson**	**ASAP**
20	CEOs noted that the Premier will be writing to Ministers about the Government's priorities and will advise Ministers that DPC will be following up with each of their departments to develop key performance indicators.	**ALL**	**ASAP**
21	CEOs are to advise the DG DPC (Jon.Grayson@premiers.qld.gov.au or (07) 322 44728) or Craig Evans, Associate DG Policy, DPC (Craig.Evans@premiers.qld.gov.au or (07) 340 62140) about any hot issues arising.	**ALL**	**Ongoing**
22	DPC will provide updated SDMG and disaster response contact details to DCS.	**ODG DPC**	**Completed**

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Debbie Hoger

From: Jon Grayson
Sent: Tuesday, 17 April 2012 12:40 PM
To: Andrew Chesterman (Environment and Heritage); Barry Broe (Infrastructure and Planning); Barry Leahy (Justice); Bob Atkinson (Queensland Police); Brett Heyward (PSC); Dan Hunt (Natural Resources and Mines); David Edwards (State Development); Debbie Best (ATSI and Multicultural Affairs); Graeme Newton (QRA); Helen Gluer (Treasury); Jack Noye (Agriculture, Fisheries and Forestry); John Glaister (Parks, Recreation, Sport and Racing); Julie Grantham (Education, Training and Employment); Kelvin Anderson (Community Safety); Margaret Allison (Communities, Child Safety and Disability); Michael Caltabiano (Transport and Main Roads); Natalie MacDonald (Housing and Public Works); Neil Castles (Local Government); Phillip Reed (Science, IT, Innovation and Arts); Richard Eden (Tourism and Major Events); Tim Spencer (Energy and Water Supply); Tony O'Connell (Health)
Cc: Ann Lane (Education, Training and Employment); Betty Callus (PSC); Brie-Anna Cargill (Parks, Recreation, Sport and Racing); Daniel De Wit (QldRA); Danielle Fletcher (Science, IT, Innovation and Arts); Debby Laing (Natural Resources and Mines); Emma Kinnane (Communities); Jasmine Love (Justice); Jennefer Mardon (ATSI and Multicultural Affairs); Jodie Anderson (Environment and Heritage Protection); Karen Goddard (Housing and Public Works); Katrina Johnson (Tourism and Major Events); Kim Vella (Natural Resources and Mines); Kym Asprey (Local Government); Leah Serdiuk (Queensland Police); Rebecca Stewart (Agriculture, Fisheries and Forestry); Renee Russ (Justice); Roslyn Raleigh (State Development, Infrastructure and Planning); Serena Baker (Treasury); Stacey Bryan (Transport and Main Roads); Tracy Schneider (CG); Trish Nielsen (Health); Vicki Puplett (Community Safety); 'debbie.seagrott@treasury.qld.gov.au'; Sharon Bailey; Craig Evans; Marilyn Buswell; Michael Tennant; CLT Secretariat; Anthony Crack; Maree Ainsworth
Subject: Commission of Audit

Colleagues

As you are aware from previous communication (attached), the Commission of Audit has a mandate to provide advice on the Queensland Government's financial position and ensure value for money in the delivery of front line services.

To assist the Commission in meeting these aims, could you please provide advice on:

- Any events or initiatives within your agency that are not adequately provided for in the Mid-Year Fiscal and Economic Review or forward estimates, e.g. 2018 Commonwealth Games funding, the Carbon Tax;
- Any contingent liabilities within your agency that need to be addressed; and
- Any recent (last 2 years) studies or reviews of your agency's activities/programs, that might assist the Commission in its inquiries (these studies may address issues of efficiency of service delivery, potential costs savings measures, employment issues, departmental structure, etc).

We can discuss at CLT tomorrow, so I would appreciate you bringing an initial list to that meeting, and then following that discussion, forwarding more detailed advice to my office by cob Friday 20/4/12, so that advice can be provided to the Commission in a coordinated way.

Thank you for your assistance.

Yours sincerely

Jon Grayson
Director-General
Department of the Premier and Cabinet

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Commission of Audit

RTI RELEASE

RTI Document No.124

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Debbie Hoger

From: Jon Grayson
Sent: Thursday, 29 March 2012 4:22 PM
To: Brett Heyward (PSC); Barry Broe (Infrastructure and Planning); Margaret Allison (Communities, Child Safety and Disability); Kelvin Anderson (Community Safety); Julie Grantham (Education, Training and Employment); David Edwards (State Development); Andrew Chesterman (Environment and Heritage); Tony O'Connell (Health); Phillip Reed (Science, IT, Innovation and Arts); Jack Noye (Agriculture, Fisheries and Forestry); Bob Atkinson (Queensland Police); Natalie MacDonald (Housing and Public Works); Michael Caltabiano (Transport and Main Roads); Helen Gluer (Treasury); Graeme Newton (QRA)
Cc: Betty Callus (PSC); Tracy Schneider (CG); Emma Kinnane (Communities); Vicki Puplett (Community Safety); Ann Lane (Education, Training and Employment); Roslyn Raleigh (State Development, Infrastructure and Planning); Jodie Anderson (Environment and Heritage Protection); Trish Nielsen (Health); Jasmine Love (Justice); Tina Culpo (DLGP); Leah Serdiuk (Queensland Police); Karen Goddard (Housing and Public Works); Stacey Bryan (Transport and Main Roads); Serena Baker (Treasury); Daniel De Wit (QldRA)
Subject: Commission of Audit
Attachments: ATT A Commission of Inquiry Terms of Reference.docx

Dear Colleagues

Today, the Premier and the Treasurer announced the establishment of a Commission of Audit to provide independent advice on the current and forecast financial position of the Queensland Government and make recommendations on strategies to strengthen the Queensland economy, restore the State's financial position (including its AAA credit rating), and ensure value for money in the delivery of front line services.

Although the interim report will be focussed on the state of finances, the findings from the Commission are expected to have significant whole-of-Government implications. It will provide the Government with a long term blueprint for reform and efficient service delivery.

I have attached the Commission's Terms of Reference for your information.

The Premier and Treasurer have appointed three independent Commissioners: the Honourable Peter Costello AC, who will chair the Commission, Dr Doug McTaggart and Professor Sandra Harding. The Commissioners will be supported by a small secretariat of public sector officials and engage external experts as required.

The work of the Commission will be critical in ensuring that the implementation of the Government's reform agenda is effective, timely, and grounded in evidence.

The Commission is authorised to access such personnel, documents, information and financial records in respect of the government departments and agencies as it deems appropriate to complete the audit. The Commission may request those bodies to prepare reports. The Commission may also seek and accept submissions from interested parties outside of the public service.

At this stage, the Commission will report in accordance with the following timetable

- 15 June 2012 Interim Report covering the state of the Government's financial position
- 30 November 2012 Interim recommendations
- End February 2013 Final Report.

Please ensure that your agency provides every assistance to the Commission as required over the coming months.

Regards

Jon Grayson
Director-General
Department of the Premier and Cabinet

Helen Gluer
Under Treasurer
Queensland Treasury

RTI RELEASE

RTI Document No.125

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Independent Commission of Audit into Queensland's Financial Position, Public Sector Service Delivery and Infrastructure Program

BACKGROUND

The new Queensland Government seeks independent advice on the Queensland Government's current and forecast financial position, and recommendations on strategies to strengthen the Queensland economy, restore the State's financial position (including its AAA credit rating) and to ensure value for money in the delivery of front line services.

TERMS OF REFERENCE

The Independent Commission of Audit is asked to review and report on:

1. Financial Position
   a) the State's balance sheet, including net debt position and associated debt servicing charges;
   b) the forecast trend in the balance sheet position over the forward estimates period;
   c) the trends and long-term projections in growth of own-state revenue, including the various state taxes and charges as well as resources royalties;
   d) the trends and long-term projections of GST Revenue under current arrangements as well as potential future arrangements as a result of the Greiner-Brumby-Carter report, which will be released before the Commission of Audit is due to report;
   e) the trends and long-term projections of growth in expenditure across the various classes;
   f) whether there are any events, such as the 2018 Commonwealth Games funding obligation and the Carbon Tax, not adequately provided for in the Mid-Year Fiscal and Economic Review or forward estimates; and
   g) any contingent liabilities that should be brought to the Government's attention.

2. Improving the State's Financial Position
   a) policy settings and strategies to address any structural factors affecting the State's finances, and to restore its AAA credit rating;
   b) strategies to improve the State's balance sheet management; and
   c) strategies to improve the sustainability of the State's capital program beyond the forward estimates period to 2030;

3. Service Delivery
   a) benchmarking public sector management and service delivery issues, including procurement, corporate services, and asset management, against other States;
   b) identify any potential improvements to productivity, service quality, and value for money in service delivery across the public sector;
   c) effectiveness of existing performance metrics and options for greater transparency and accountability through improved public reporting;

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d) the adequacy, affordability and deliverability of the capital program over the forward estimates period;
e) strategies to encourage greater private sector involvement in the funding and/or direct provision of public infrastructure and services;
f) the efficiency of current pricing arrangements for regulated infrastructure, including electricity, water rail and ports

4. Government Commercial Enterprises
   a) the financial performance of Government Owned Corporations and commercial agencies;
   b) the level of indebtedness of GOCs and commercial agencies, how such indebtedness compares with private sector peers and whether it is a prudent level; and
   c) measures to improve the operational performance and financial returns to the State from Government Owned Corporations and commercial agencies;

5. The Economy
   a) Whether any government policies, taxes, regulatory arrangements, ownership structures or actions or inactions represent a constraint on Queensland's economic growth; and
   b) Recommendations to generate long term systemic reform to grow and strengthen the Queensland economy.

GOVERNANCE ARRANGEMENTS AND REPORTING TIMETABLE

The Independent Commission of Audit consists of three independent Commissioners appointed by the Premier and the Treasurer as follows: The Honourable Peter Costello AC (Chairman), Dr Doug McTaggart and Professor Sandra Harding.

The Commission will be supported by a secretariat consisting of a small group of public service officials. The secretariat will work under the direction of the Commission. The Commission may also seek external advice and support where required.

The Commission is authorised to access such personnel, documents, information and financial records in respect of the government departments and agencies as it deems appropriate to complete the audit. The Commission may request those bodies to prepare reports. The Commission may also seek and accept submissions from interested parties outside of the public service.

Unless otherwise agreed, the Commission will report to the Premier and Treasurer in accordance with the following timetable:

15 June 2012	Interim Report covering the state of the Government's financial position
30 November 2012	Interim recommendations
End February 2013	Final Report

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Debbie Hoger

From: Jon Grayson
Sent: Tuesday, 3 July 2012 10:29 AM
To: @All OQPC; @Cabinet Secretariat (Policy); @Communication Services (DPC); @Constitutional & Admin Law Service (DPC); @Corporate Information (DPC); @Corporate Information Services; @Deputy DG Office (DPC - Gov); @DPC Exec Assistants; @Economic Policy (Policy); @Environment & Resources Policy (Policy); @Events Coordination (DPC); @Executive Correspondence Unit (DPC); @Executive Services (DPC); @Governance Division (DPC); @Governance ED's & Directors; @Government Air Wing (DPC); @Human Resource Services (DPC); @Information OPSC; @Information Services (DPC CI); @Information Services (DPC ICT); @Information Services (ICT&CI); @Intergovernmental Relations (Policy); @Internal Audit & Risk Services (DPC); @Law & Justice Policy (Policy); @Library and Research Services (DPC); @Marketing OPSC; @Ministerial Services (DPC); @ODG; Christine Prato; Georgia Voutsis; Leanne West; Simon Carl; Vanessa Rowe; @Policy Division; @Policy Officers (policy); @Protocol Queensland (DPC); @Social and Health Policy (DPC); @State Affairs (DPC - Gov); @State Affairs Directorate (DPC); @State Affairs Directors (DPC); @State Affairs Exec Assistants (DPC); @State Services (DPC - Gov); @State Services Directors (DPC); Adele O'Hare; Amanda Ross; Andrew Ede; Andrew Thorpe; Annette Sargent; Barbara Tollenaere; Carolyn Carruthers; Catherine Newman; Chris Chinn; Chris McKenna; Chris Mcklaren; Chris Rumel; Chris Test; Christine Castley; Christopher Korab; Claire Andersen; Dana Wilmington; David Solomon; Deborah Turnbull; Elite Aloni; Emma Ogilvie; Errol LeBoydre; Fran Parker; Francine Hardy; Gloria Burns; Jennifer Bowles; John Gardiner; John McAlonan (Ventyx); Judy Lloyd; Julia Webb; Julie Northage; Julie Stimson; Karen Kay; Kath Russell; Katherine McCabe; Kirsteen Thomson; Liz Pini; Lucinda Kasmer; Lynn Pramberg; Maria Wendt; Michele Rice; Michelle Holmes; Nadia Cecil; Neil Syratt; Pamela Richardson; Sandra Dal Broi; Sharon Grooby; Timothy Gibson; Wade Lewis; @Performance Unit; Andrea Humphreys; Catherine Collier; Cheryl Cannon; Gehann Molachino; Libby Gregoric; Maria Wendt; Michelle Mee; Rob Lloyd-Jones; Amanda Pafumi; @PSC; @ODDG; Louise Stariha
Subject: jDG News - Issue 10 - 2 July 2012
Attachments: DPC2927_JDG News July Editions Ed 10_FINAL.PDF

Importance: High

Dear All

To keep you updated on DPC achievements and upcoming issues, please find attached the jDG news.

David Hourigan's profile provides some interesting reading.

The link will be available on the intranet shortly.

Enjoy your week.

Kind regards

Jon Grayson
Director-General
Department of the Premier and Cabinet

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The jDG news

Issue 10, 2 July 2012

Hello DPCers

Following the Premier's televised address on Sunday 24 June 2012, I would like to talk more with you about what this means for DPC.

For me, the Commission of Audit Interim Report leaves no doubt about the state of Queensland's finances. I am concerned that the debt interest bill is now the fastest growing government expense in Queensland. It would be negligent in my view not to take urgent action.

So I want to reiterate the Premier's message—the only way to protect our future is by finding savings and new, cost-effective ways of delivering services to Queenslanders. It really is a case of all agencies on deck to rectify the situation.

In the past few weeks there have been a series of budget meetings that have focused on savings across all agencies. DPC has been actively involved in this process through the Treasurer's Cabinet Budget Review Sub-Committee. Likewise, each agency has presented an overview of its existing activities and is actively looking at how it can make a contribution to the fiscal repair task.

DPC has been represented on the Treasurer's sub-committee by myself, David Hourigan, Executive Director Economic Policy and Amanda Pafumi, Executive Director Public Sector Renewal. Briefing for the sub-committee meetings has involved many people across DPC. I want to sincerely thank everyone involved in preparing briefs, including the Cabinet Secretariat for their facilitation, particularly given the tight timeframes.

I acknowledge this process has been a difficult but necessary task to identify the required savings. I would like to acknowledge the temporary staff who left us last Friday and some who are scheduled to leave in the coming months. I understand that the people leaving were your colleagues and made a significant contribution to DPC. I thank them for their dedication and wish them well in their future endeavours.

The truth is, we need to plan for a leaner public service in the future. DPC as a central agency must lead by example and shoulder some of the hurt. Equally, I am acutely aware that we have a strong responsibility in leading the reform process and can only do that with the right balance of resources.

Budget deliberations are continuing and once the outcomes are confirmed for DPC I will communicate this to you. In the interim, please discuss any concerns with your managers.

While the outcomes of the budget sub-committee meetings have been focused on immediate savings, including staff cuts, the Public Sector Renewal Program is much more focused on long-term efficiency, removing duplication and maximising the effectiveness and sustainability of services.

The program involves a collaboration between the Office of Public Sector Renewal (OPSR) and the relevant agency. It includes operational efficiency reviews to analyse the strategies each agency employs to meet its objectives, how efficiently and effectively services are delivered or facilitated with alliance partners and making recommendations on improvements.

These reviews provide the context for refocusing all of us on government priorities and supporting the delivery of front line services in a constrained fiscal environment.

All employees are invited to share their views, ideas and comments on how we can improve our services for our clients by contacting the OPSR at RenewalProgram@premiers.qld.gov.au. You will also hear about other opportunities for DPC to get involved in due course.

Jon Grayson, Director-General
Department of the Premier and Cabinet

DG's quote of the week

"Our brightest blazes are commonly kindled by unexpected sparks."
Samuel Johnson

2013 Australian of the Year Awards

Nominations are now open for this prestigious awards program that recognises leading Australians who serve as role models for us all.

For more information please contact Events Coordination within the department on x55215 or visit the Australian of the Year website to nominate your Australian of the Year. Nominations close Friday 31 August 2012.

Have a great week!

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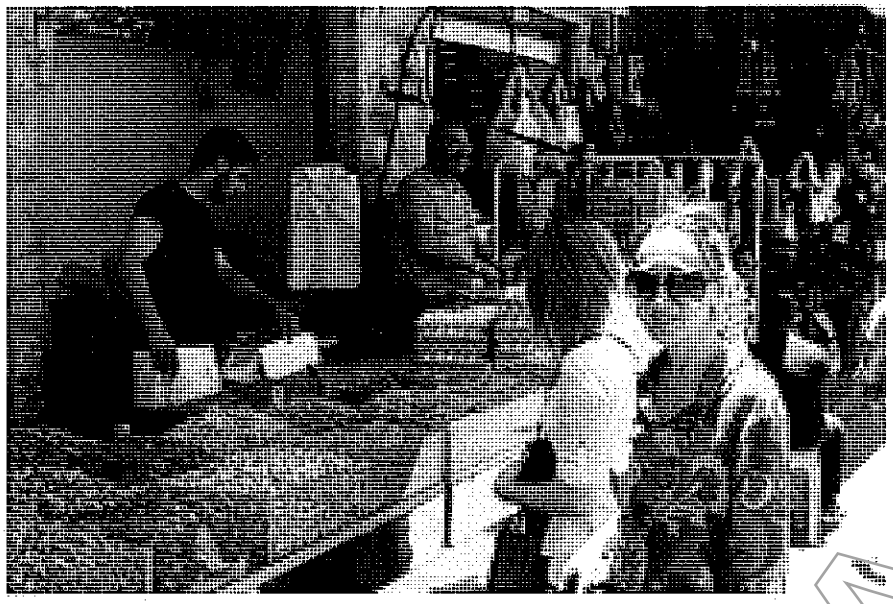


Angela at the Shuk markets in Jerusalem

Giving to the community

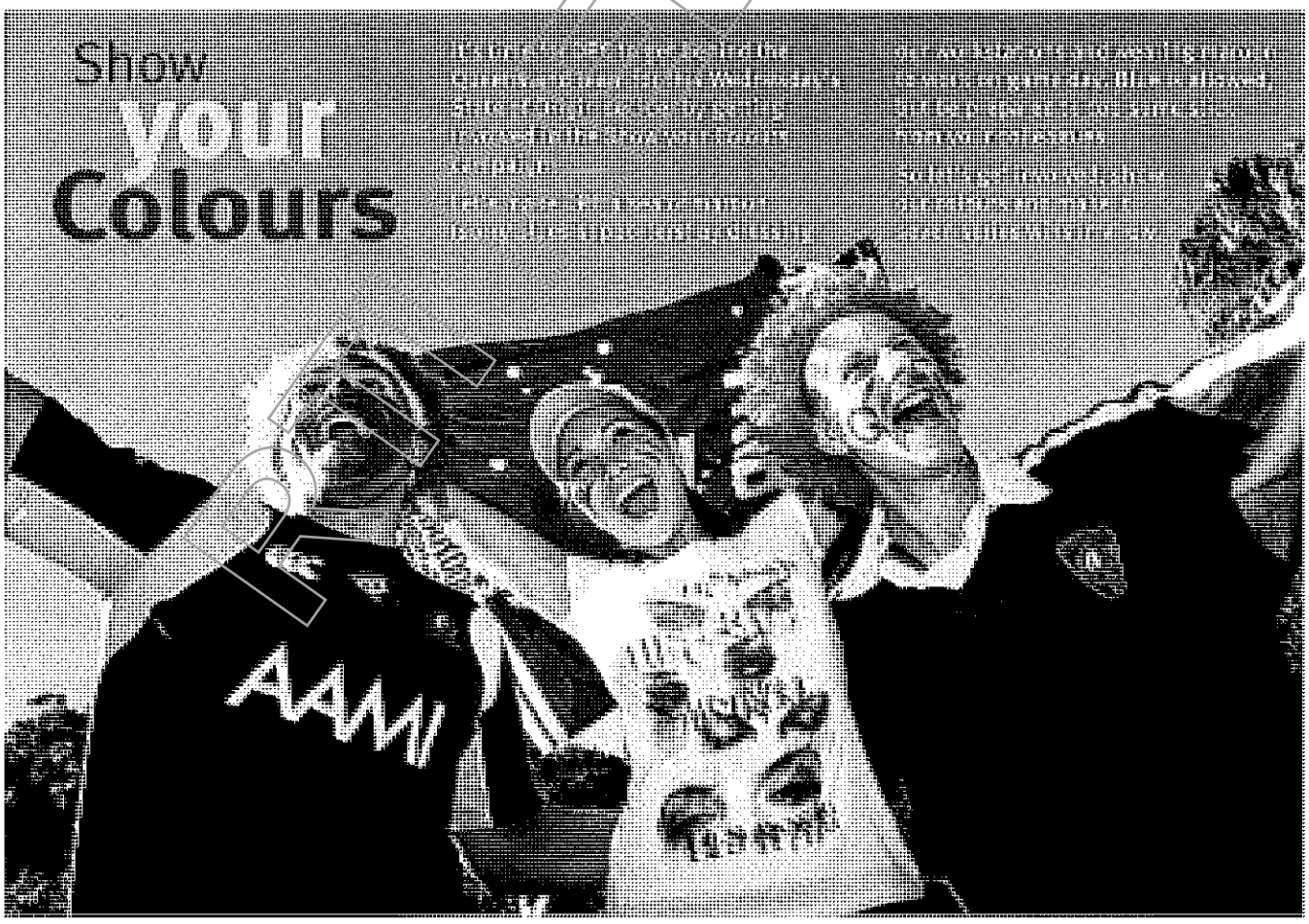
Angela Spiegel, Senior Communication Officer in Communication Services, recently spent two weeks training as a Bridges for Peace (BFP) volunteer representative in Israel.

BFP assists the country's poor, new immigrants and victims of war from all walks of life in practical ways including through food banks, feed a child, adopt a town, home repair and medical assistance programs.

It was Angela's first time in Israel. She was one of four Australians and one of 38 international volunteers from the USA, Canada, Japan, South Africa and the UK.

ICT testing

The ICT Operations Team, along with Ventyx, performed the annual disaster recovery test on the evening of Saturday 23 June. This involved isolating the Ventyx data centre from the network and operating entirely on our disaster recovery environment while carrying out rigorous testing to ensure our systems would be fully functional in the event of a major outage. Many thanks to Ian Gibson and Stefan Flegg for working tirelessly throughout the day and into the late evening to monitor the situation.



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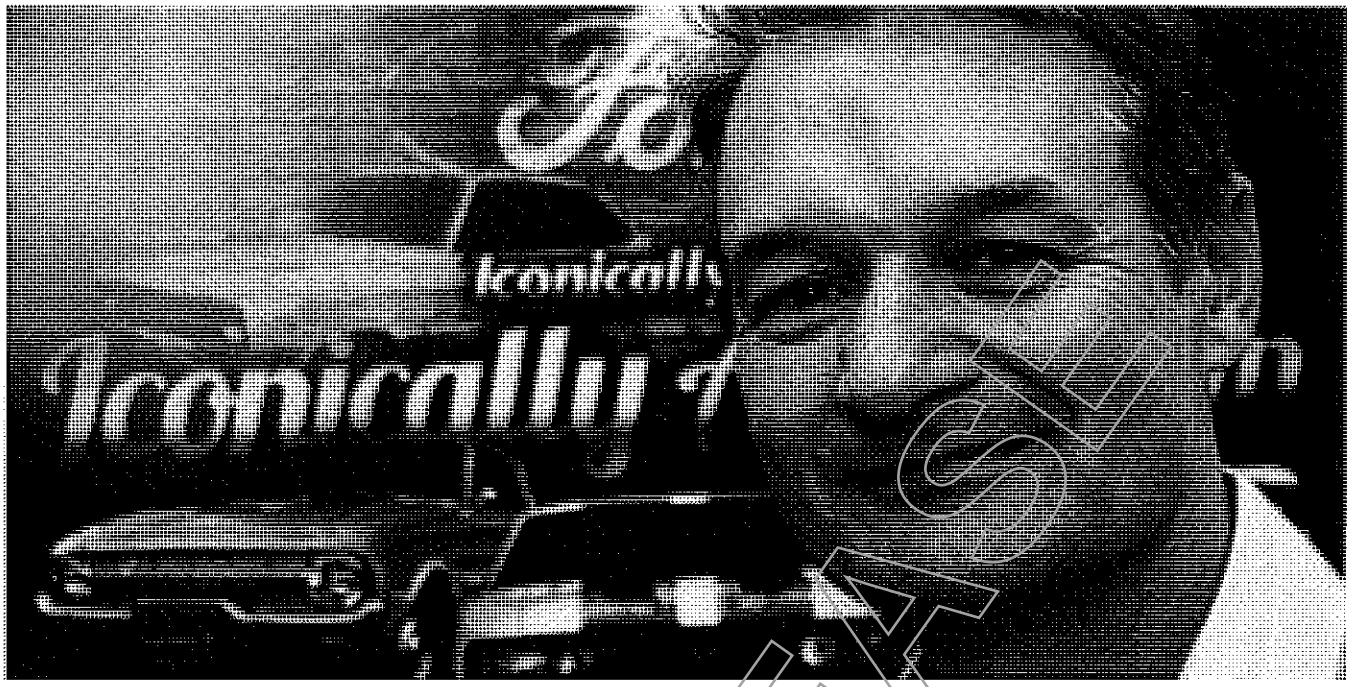

DPC staff profile

David Hourigan, Executive Director, Economic Policy

Where did you grow up?

On a dairy farm in Victoria's Latrobe Valley. When I was 14, our farm was resumed by the electricity commission so dad moved us up to Queensland and we lived at Redcliffe where dad bought a taxi cab.

Childhood memory?

When I was seven, my uncle gave me and my brother a Valiant Safari station wagon to use as a paddock basher. I painted a Confederate flag on it just like the Dukes of Hazzard. It began my lifelong affair with muscle cars.

Tertiary education?

Public Administration at QUT.

Role in DPC?

Advise the Premier, Cabinet and Cabinet Budget Review Committee on the economic and financial implications of government initiatives. We also work closely with Treasury and line agencies to make sure fiscal responsibilities are being met.

First job in government?

Clerk in HR in the Department of Education, Employment, Vocational Training and Industrial Relations.

Most satisfying achievement at DPC?

Being closely involved in the team that introduced the Prep Year to state education in Queensland.

How do you unwind?

I'm a petrol head. I love V8 Supercars. I own one of the great muscle cars, a 1976 Ford XBGT.

Favourite holiday destination?

My wife Kylie and I are passionate travellers. I've had about a dozen overseas trips and been to more than 40 countries. Enjoyed them all except for one—Morocco.

If you could see any musical performer (dead or alive) in concert, who would it be?

Tie between Jimi Hendrix and Frank Sinatra. Love them both.

Favourite sports team?

Another tie. Hawthorn in the AFL and the V8 Supercars Ford Performance Racing Team.

What is your fantasy career?

V8 Supercar driver or army officer.

Something about you that nobody knows?

In the early 1990s, I was lead singer in a grunge band called Moses Played Fullback. We played the same venues as Powderfinger. We mainly did Hendrix covers, they mainly did Led Zeppelin covers. They took off.

Do you have a motto or favourite saying?

"Drink a cup of concrete and toughen up."

If you could live as a celebrity for one day, who would it be?

George Clooney. He has a house on Lake Como, dates international models, wears great suits and does a bit of work for the United Nations.

If you could have one super power, what would it be?

Infallibility so I could always give perfect advice.

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DIRECTOR-GENERAL'S BRIEFING NOTE
Governance

Tracking Folder No.12/18175
Document No.12/137363

To: **Director-General**
Date: 13 July 2012
Subject: **Internal Audit Function**

~~Approved / Not Approved / Noted~~
Addressee .....
Date 18.7.12

• RECOMMENDATION

It is recommended that you:

– s49 - CTPI

– **note** the options papers prepared by the Acting Director, Internal Audit and Risk Services, DPC in relation to the service delivery models (**Attachment 2**);

– **endorse** the preferred option of a co-sourced model maintaining a DPC employee as the Head of Internal Audit with that person conducting functions and liaison relating to ethics, risk and audit (with services provided by an outsourced provider following an appropriate tender process); and

– **note** the preferred model should be cost neutral (or better) but will have initial staffing implications which will be managed through the current EMP process.

• KEY ISSUES

– DPC has traditionally been serviced by a small in-house audit team. This model of service delivery however, gives rise to limitations on the effectiveness of the service. Critically, it is difficult for a small team to have sufficient expertise across all areas of an agency which in itself, encourages audit work targeted to the teams' capabilities and not necessarily organisational weak spots.

– An outsourced or co-sourced model allows for the flexible use of resources to strategically target the areas of most significance in an organisation, whether that be financial controls or broader process, system and performance audits. Using external providers allows access to a broader, more contemporary and specialist skills set resulting in greater strategic benefit to an organisation.

– Section 78 of the *Financial Accountability Act 2009* requires the "accountable officer" to appoint an appropriately qualified Head of Internal Audit (HIA). The minimum qualification of the HIA is a standard accounting or Institute of Internal Auditors designation.

– Whilst an agency needs to nominate a HIA who requires a professional qualification and is either an employee of the department or of the State (with the Treasurer's approval), the internal audit function can be fulfilled internally, co-resourced or outsourced.

– Whilst the Treasurer can approve that the HIA function also be performed by the Chief Financial Officer, this is not recommended by the Queensland Auditor-General. The Treasurer can also appoint a HIA who is shared across multiple departments. Currently DPC uses an "in-house" internal audit function with a budget of around $0.45M (being $0.376M state revenue and $0.075M from the Public Service Commission). There is planned additional revenue from Ministerial Offices for undertaking their internal audit work. This allocation funds 4 staff (SO1, AO8, AO7 and AO3), with the remaining $0.006M for other costs. There is also an unfunded role in the area.

– Ernst & Young has prepared a discussion paper for DPC and advise that outside of Queensland, the majority of other States have outsourced or co-sourced internal audit functions (see page 6 of **Attachment 1**). The co-sourced model would retain a DPC HIA officer. The outsourced model (which involves higher internal budget savings) would merge

Action Officer: Robynne Macgroarty
Area: ODDGG
Telephone: 3405 3757

Approvals by Director / ED /DDG documented in *notes* in TRIM

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the HIA function with the CFO function or assign the HIA function to another agency employee (e.g. using the HIA within Treasury or similar agency).

- The Acting Director, Internal Audit and Risk Services has also prepared options papers on the matter (**Attachment 2**).
- s49 - CTPI
- I have discussed the three options (status quo in-house, co-sourced or outsourced) with the Acting Director, Internal Audit and Risk Services, and we agree that the preferred model is a co-sourced model which would retain a Head, Internal Audit and Risk Services (and possibly modest administrative support).
- Retaining a sole in-house model can no longer be considered as providing the requisite benchmark service. A full outsourced model eliminates direct internal costs but may bring contract management challenges (and ultimately service delivery concerns) without a dedicated overseeing internal resource. The main benefit of the co-sourced model is the anticipated standard in the audit product and the potential for efficiencies compared with a full in-house model.
- If is further recommended that s49 - CTPI s49 - CTPI the department move directly to a tender process for a co-sourced model. It would be expected that the winning tender, would as its first job, conduct an organisational scoping exercise.

- **CONSULTATION**
  - Queensland Auditor-General; Acting Director, Internal Audit and Risk Services; Acting Executive Director, Business Services, Queensland Treasury; and the Chair of the DPC Audit and Risk Committee, Mr Graham Carpenter. There is no opposition to the proposal.
  - DPC provides internal audit services for the Public Service Commission and the Office of the Governor but there has been no consultation with either.
- **BACKGROUND**
  - For independence, Internal Audit and Risk Services (IARS) reports directly to the Director-General with the Deputy Director-General, Governance having administrative responsibility for the area. The Director, IARS is also the secretary of the Audit and Risk Committee (ARC).

RTI REL

Comments

P J Viggen
Deputy Director-General
Governance

Action Officer: Robynne Macgroarty
Area: ODDGG
Telephone: 3405 3757

Approvals by Director / ED /DDG documented in *notes* in TRIM

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draft

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Department of the Premier and Cabinet

Driving Value from Internal Audit

Discussion Paper

June 2012

ERNST & YOUNG

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   - 2.1 Leading Practice Internal Audit 4
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1. A mandate for change

1.1 Background

The new government in Queensland has created a mandate for change through empowering its agencies to challenge and increase the value they are delivering, specifically through:

- Enacting leadership changes across the public sector;
- Targeting cost reduction through greater efficiency of back office functions;
- Simplifying processes and reducing "red tape" without diluting accountability;
- Focusing on core government activities and considering opportunities for outsourcing.

The Department of the Premier and Cabinet ("Premiers") has experienced leadership and structural change as part of this transition. Whilst maintaining its core functions of Government services and policy, Arts Queensland has been disaggregated from the department.

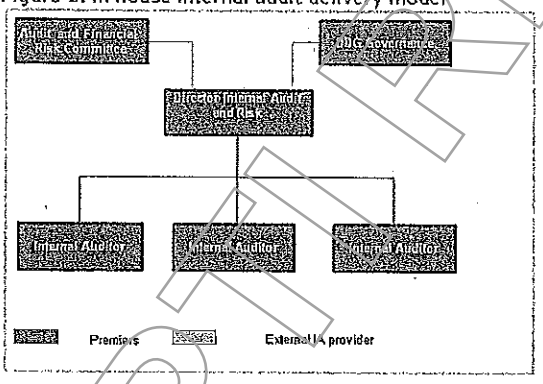
In light of these changes, Premiers has identified an opportunity to assess and improve the value delivered by Internal Audit through investigating alternative service delivery models. The Department is also considering how changes you implement may become a pilot model for internal audit across the Queensland Government more broadly.

This paper sets out the internal audit landscape at Premiers in the context of legislative requirements, identifies attributes of leading practice internal audit, articulates the key delivery models for internal audit and suggests next steps.

1.2 Internal Audit at Premiers

An "in-house" model for internal audit is established in Premiers comprising four staff, three of whom are currently acting positions. The approximate annual internal audit spend is $400-500k. We understand that the Director of Internal Audit and Risk (Acting) reports functionally to the Deputy Director General Governance, and also has a direct reporting line to the Audit and Financial Risk Committee.

Figure 1: In house internal audit delivery model



Whilst this model has benefits of retaining organisational knowledge in-house, this is recognised in the internal audit community as an inflexible staffing model through which challenges arise, particularly for small teams in:

- Attaining expertise across a breadth of areas from within a small team;
- Achieving sufficient focus on key Department "hotspots"; and
- Recruiting resources with a cultural fit for the agency.

As a result, you are seeking to understand the different Internal Audit delivery models available.

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1.3 Legislative Considerations

Legislative Requirements and Guidance

The Financial Accountability Act 2009 section 78 contains a requirement for the Accountable Officer of a Queensland Government department to appoint an appropriately qualified Head of Internal Audit (HIA).

Information sheet 2.6 of the accompanying Financial Accountability Handbook (the "Handbook") identifies the minimum qualifications of the HIA as a standard accounting designation (CPA, CA, MIPA) or an Institute of Internal Auditors designation (MIIA or CIA).

The Handbook indicates that, in arrangements where an outsourced provider is used, an HIA must be nominated within the department. However, the Handbook also clarifies that the HIA role can, in small departments and with the written permission of the Treasurer:

- Be performed by the Chief Financial Officer in conjunction with his/her existing role;
- Be performed by a nominated public sector employee from another department or another employee of the state.

Implications for Premiers

While Premiers must appoint an HIA, with the permission of the Treasurer, the department has the flexibility to:

- Engage an outsource provider to support delivery of Internal Audit;
- Merge the HIA role with that of the nominated CFO;
- Seek to appoint an HIA who is shared across multiple departments.

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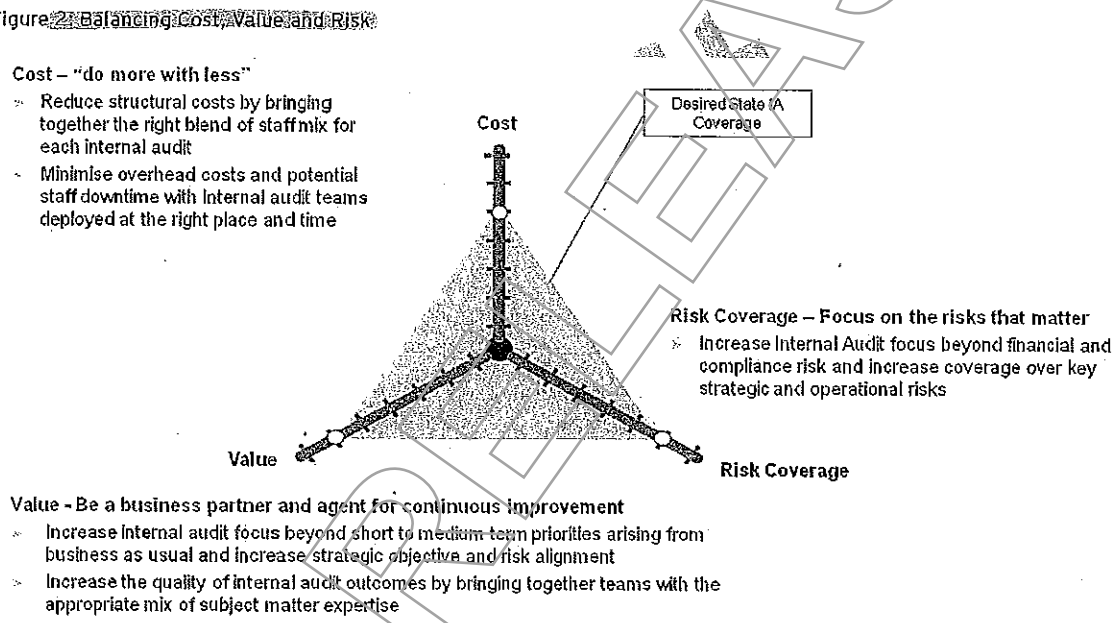
2. Internal Audit Effectiveness - Benefits and Leading Practices

2.1 Leading Practice Internal Audit

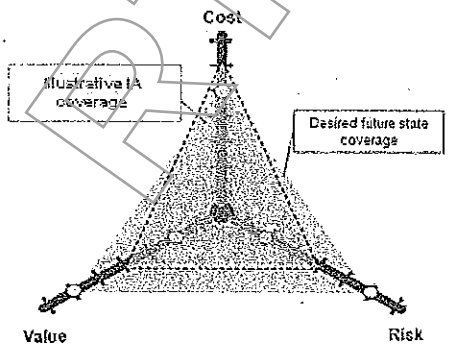
Leading practice Internal Audit delivers value to an organisation by balancing risk, cost and value to be a key business enabler by delivering benefits such as:

- ✓ Supporting achievement of strategy through involvement in strategic initiatives.
- ✓ Protecting and improving operations through a balance of assurance and advisory activities.
- ✓ Supporting and enabling an efficient risk and control infrastructure.
- ✓ Eliminating surprises through improved identification, understanding and mitigation of risks.
- ✓ Being a key source of timely and insightful information to management, the board and board committees.

Figure 2: Balancing Cost, Value and Risk



Based on our initial discussion with you and in our experience in working with other units across the Australian public sector, we have observed the following type of imbalance in Internal Audit value for money:



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2.2 What is your investment in Internal Audit returning?

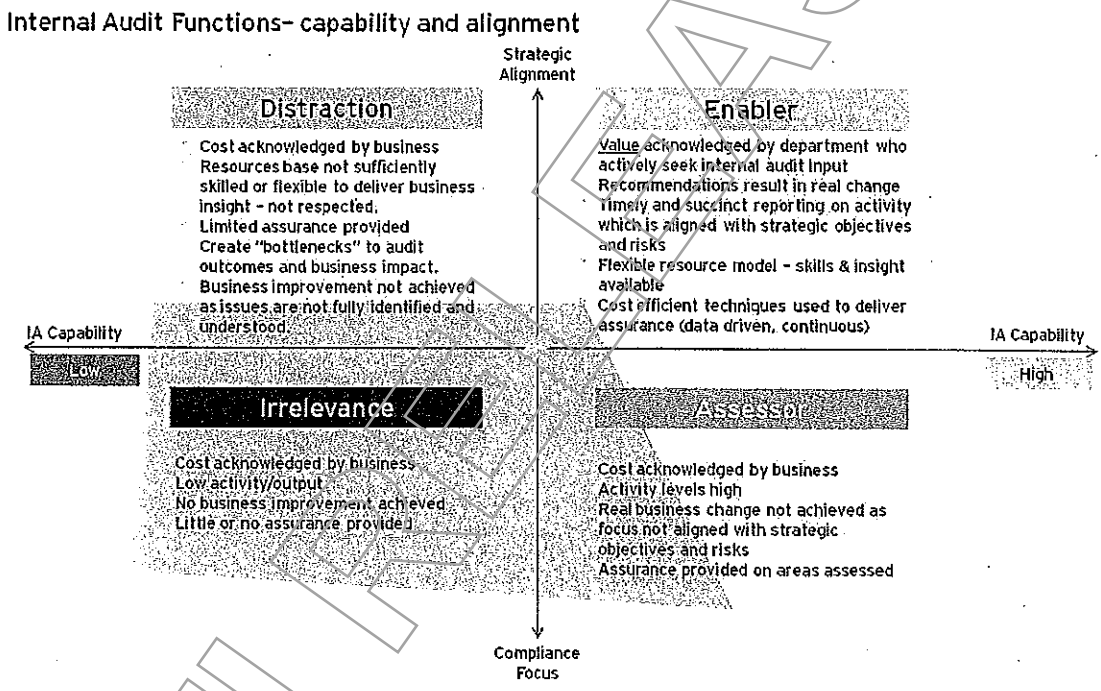
Premiers make a considerable investment in internal audit. In determining the need for change and the most appropriate future-state internal audit model for the department, it is important to consider what the current model is delivering in comparison to the desired state.

The following diagram illustrates the different roles that internal audit functions can typically deliver in an organisation. In the process of driving greater value through internal audit becoming an enabler of the department, it is important that both capability and strategic alignment are achieved:

- **Capability** - does your department have a diverse and high calibre internal audit skill set?
- **Strategic alignment** - does internal audit activity and business improvement recommendations support the effective achievement of the department's strategic objectives?

To fall short of expectations with respect to capability or strategic alignment will deliver an ineffective or sub-optimal service relevant to the investment made.

Figure 4: Internal Audit Functions- capability and alignment



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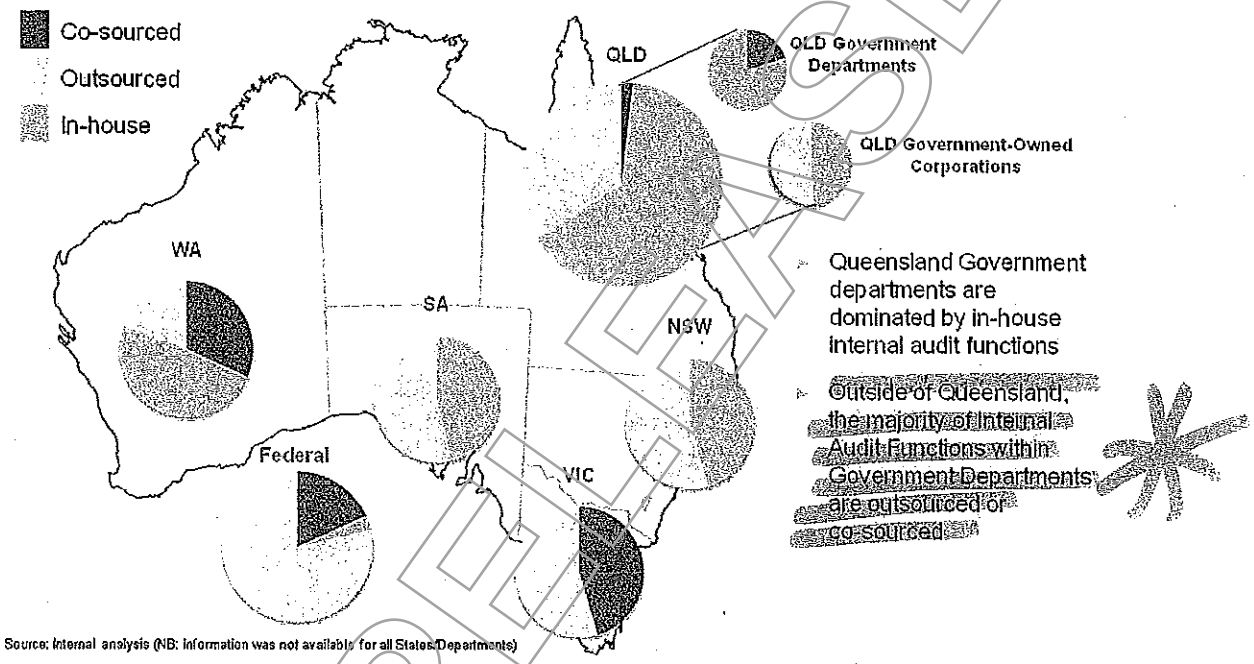
3. Internal Audit Models

As alternatives to the in-house model that Premiers currently uses there are two other key models which are commonly applied across government in Australia:

- **Co-sourced internal audit** – an in-house team and outsourced provider are used in combination to deliver internal audit.
- **Outsourced internal audit** – all internal audit activity is delivered by an outsourced provider.

These models are presented on the following pages.

Figure 4: Internal Audit models in government



Source: Internal analysis (NB: information was not available for all States/Departments)

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3.1 Co-sourced Internal Audit Model

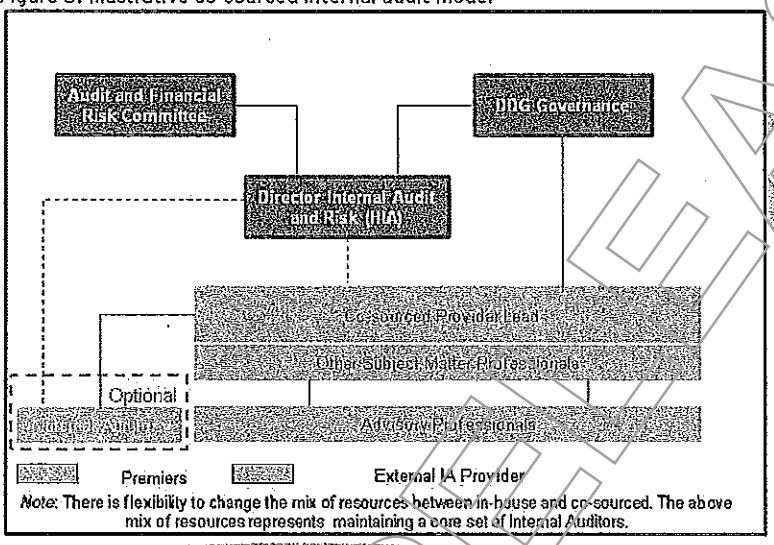
Co-sourced internal audit involves using a combination of in-house and outsourced provider resources.

It is highly flexible from a staffing perspective, with the level of external support used dependent on the nature and volume of skills available in-house. Examples of practical applications of this model include:

- Retention of one in-house resource as HIA. This resource provides a liaison point for an external provider who performs the internal audit fieldwork.
- Retention of an in-house team. Some projects on the plan are delivered by the in-house team, some by the external provider and some in combination, depending on the subject matter (refer to figure 5 below).
- Retention of an in-house team which is only supplemented by subject matter resources of an external provider.

For example, a co-sourced model could be established in the following form at Premiers:

Figure 5: Illustrative co-sourced internal audit model



Key benefits of this model include:

- Retain experienced internal auditors and departmental knowledge
- Access to external provider capacity and resilience
- Broader risk assurance coverage
- Ability to change the mix and volume of resources
- Access to subject matter professionals, bringing their deep specialist expertise
- Highly flexible model
- Access to benchmarking and leading practices

Key challenges of this model include:

- Cultural integration of different audit teams
- Existing personnel development challenges
- Attracting and retaining HIA of appropriate calibre
- People decisions (retain, transfer, separate)

Whilst this model would be expected to yield cost savings compared to the existing model, these would be limited as a result of the fixed salary component attached to the critical HIA role. However, there may be some opportunity to share the HIA resource with another Department or a cluster of smaller Departments which could yield significant efficiencies.

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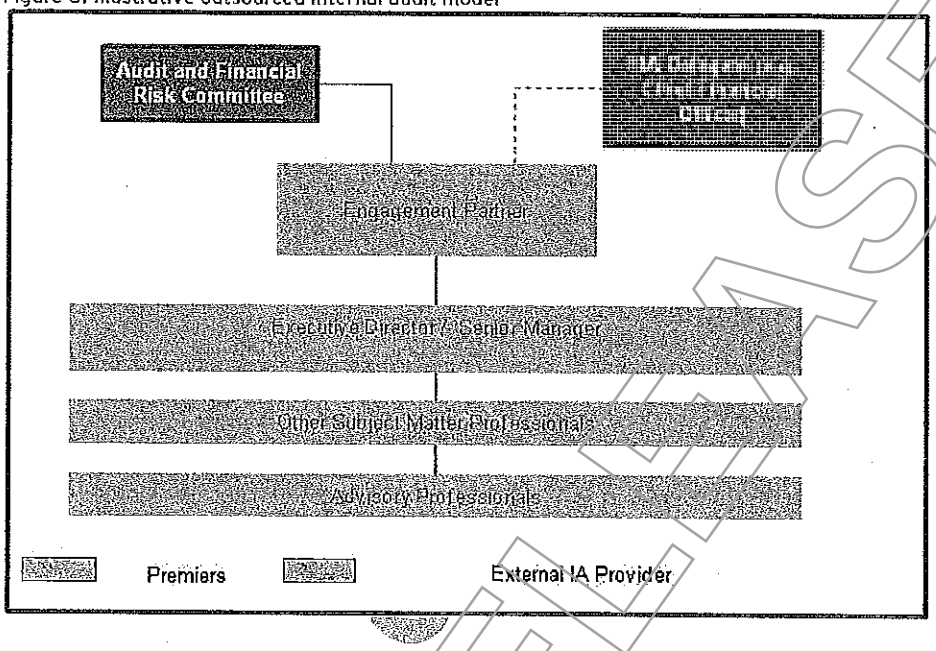
3.2 Outsourced Internal Audit Model

The outsourced internal audit model involves all internal activity being performed by an external provider.

At Premiers, this would mean that the HIA role would be undertaken by the CFO in conjunction with his/her existing duties, or assigned to a state government employee of another agency.

For example, an outsourced model could be established in the following form at Premiers:

Figure 6: Illustrative outsourced internal audit model



Key benefits of this model include:

- Limited in-house time invested in managing the internal audit function
- Increased independence of provider
- Most flexible to expand/contract resources to cover risk profile
- Ability to transition to co-sourcing model, if desired
- Access to subject matter professionals
- Access to benchmarking and leading practices

Key challenges of this model include:

- Change management and communication considerations
- Assignment of HIA and required application for approval to Treasury
- People decisions (retain, transfer, separate)
- Loss of departmental knowledge retained within current in-house team

In the case of Premiers, this is likely to result in significant cost savings compared to both the current model and the co-sourced model.

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3.3 Case Study - Internal Audit Outsourcing in Government

Co-sourcing and outsourcing internal audit models are commonly applied in many government departments outside of Queensland. We present the following case study to illustrate how these arrangements operate in practice:

Client Case Study	
Client	Department of Transport - Victoria ("DoT")
Engagement	Cosourced Internal Audit
Model Operation	An in-house Director Audit and Assurance is in place who leads the internal audit program. This Director operates at an executive level within the Department. All internal audit project activity performed by E&Y.
Background	The Department of Transport outsourced its internal audit to Bird Cameron until 2005. This was managed from its Executive Services area. In 2005 the Department created an Audit and Assurance Branch and Ernst & Young won a competitive tender to provide internal audit services to the Department.
Services Provided	**Core Internal Audit** Development and execution of the internal audit program which is designed to provide assurance on the management of key risks and mandatory regulatory/compliance areas. Key activities include: • Preparation of four year internal audit plan • Preparation of an assurance map for key risks • Financial, operational and compliance audits over such areas as executive expenses, government corporate purchasing cards and human resources • Fraud risk assessments and investigations • Business improvement and advisory services (eg project management and procurement) **PlanAssure** E&Y also provides internal audit assurance over aspects of the Government's Transport Agenda. We developed and implemented the PlanAssure program to complement the existing internal audit program. PlanAssure consists of a series of internal audits designed to provide more real-time, independent assurance and reporting over key programs, projects (eg Regional Rail Link) and related processes such as governance, contingency management and environmental management. It is planned that the Victorian Auditor-General's Office will examine PlanAssure as part of its performance audit program.
Outcomes / Benefits	Through the internal audit co-sourcing, the DoT acknowledges the following benefits: • Independence and objectivity • Access to a deep pool of capable professionals and subject matter experts and to Ernst & Young's methodologies, tools and enablers • Use (and reporting) of E&Y Internal Audit transformation methodology, including Behavioural Auditing, Audit Response Continuum and Lines of Defence • Networking benefits (a project reference group has been formed with the London Olympic Development Authority and others) • Use of leading practice audit techniques on projects including Data Analytics.
Contact	Dr Len Gainsford Director Audit and Assurance Department of Transport - Victoria 121 Exhibition Street Melbourne Victoria Ph: 03 9655 6530 len.gainsford@transport.vic.gov.au

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4. Next Steps

We would be pleased to discuss this paper with you in person to share our thoughts and ideas on the most effective course of action for Premiers.

To confirm that a case for change exists, we suggest three initial steps. We are ready to support you in any or all of these steps:

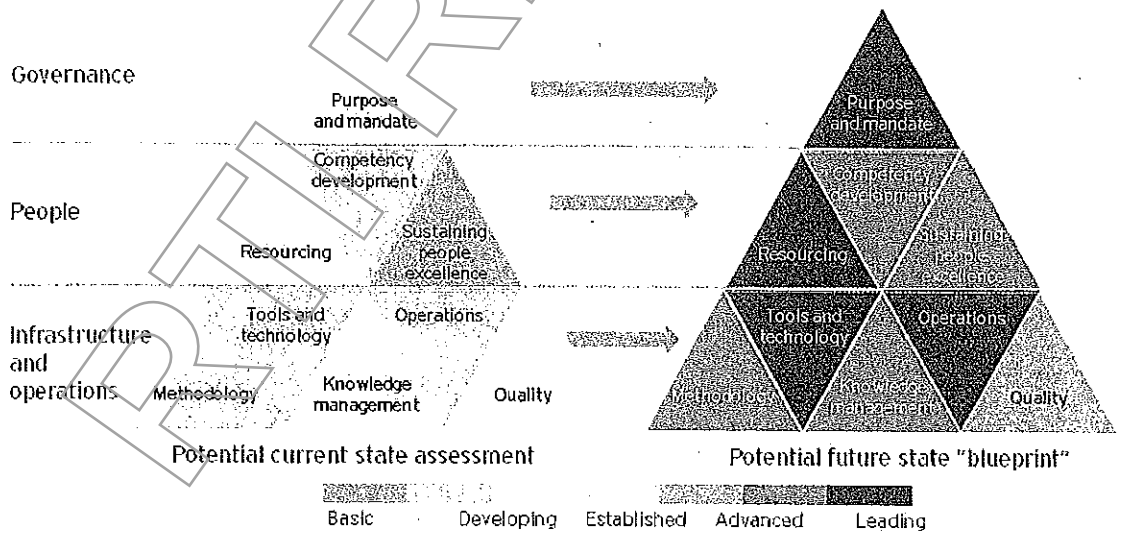
1. Consult with others on their experience
   We suggest that you contact Len Gainsford, Director Audit and Assurance at the Department of Transport Victoria, to garner his insights on how internal audit co-sourcing/outsourcing can be effectively delivered in Government.

2. Engage with your key stakeholders
   To validate and develop a case for change, we would suggest that the current state of internal audit is assessed and/or confirmed through engagement of key stakeholders of Premiers, for example:

   - Audit and Financial Risk Committee Chair
   - Director General
   - Chief Financial Officer
   - Director of Risk and Internal Audit (HIA)
   - Other Key Executive

3. Critically assess key elements of the Premiers Internal Audit function
   To fully establish the business case for change, a detailed assessment of your Internal Audit function will assist in identifying gaps, future state expectations and key actions required. In performing this assessment, we would propose to examine each of the key building blocks of the function as illustrated below:

Figure 7: Key Building Blocks of an Internal Audit Function



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July 8, 2012

Department of Premier and Cabinet
Provision of Internal Audit and Risk Services
Option 3 - Co-sourced model - In-house Head of Internal Audit (HIA) and Risk Services plus external provider resources

Preferred Model for DPC – Internal Audit and Risk Services – In-house HIA plus external provider resources

The advantages and disadvantages of five alternative models for the provision of Internal Audit has been analysed in the paper titled "Analysis of Service Delivery Models for Internal Audit" to determine the preferred approach for the provision of an efficient, effective and economical Internal Audit function for DPC.

The paper stated that the preferred model for DPC is a flexible, co-sourced model with an in-house Head of Internal Audit and access to external provider resources. The key advantage of this model is that it provides the 'best of both worlds' or the 'best of breed' – a stable internal audit role within the agency supporting a culture of strong governance, risk management and internal control, supplemented by access to leading edge skills from the external provider/s.

In relation to risk management, the paper advised that the DPC risk management function also sits with the DPC Internal Audit and Risk Services team and that the prevailing best practice is to maintain an in-house risk management function supplemented by technical advice and education from external specialists as required.

It is not considered to be effective and efficient to separate risk management out from Internal Audit at this time. They are compatible functions and the external service providers generally have strong risk management capabilities which could be taken advantage of under the co-sourced model selected.

This paper further articulates how the preferred model would be implemented within the Department. The following diagram provides a high level view of the change to the current arrangements:

CURRENT MODEL

-Head of Internal Audit and Risk Services (S03)
-Audit Manager (A08)
-Principal Project Officer (Risk) (A07)
-Auditor (A06)
-0.6 X Administrative Support Officer (A03)

PREFERRED MODEL

-Head of Internal Audit and Risk Services
-Administrative Support

-External Provider of Internal Audit services plus advice and ad hoc services in relation to risk management

The impact on current Internal Audit resources is outlined later in the document.

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The preferred model could be implemented in a number of ways. The following models are considered to be the most appropriate:

1. Independent, standalone HIA team reporting directly to the Director-General on audit and risk matters with administrative reporting line to Deputy Director-General, Governance;
2. Independent, standalone HIA in "Office" of Deputy Director-General – Governance reporting directly to the Director-General on audit and risk matters with direct administrative reporting line to Deputy Director-General, Governance;
3. Independent, standalone HIA reporting directly to the Director-General (part of the Office of the Director-General) on audit and risk matters;
4. HIA is Director, Internal Audit, Risk Management, Planning and Reporting. Direct reporting line to the Director-General on Internal Audit and Risk matters. Direct reporting line to Deputy Director-General Governance on all other matters.

It is anticipated that the in-house Internal Audit and Risk function would be responsible for:

- Arranging, managing and reviewing Internal Audit contract/s with external service provider/s (3 yr contracts);
- Review and approval of Strategic Internal Audit Plans and Annual Internal Audit Plans provided by external service provider;
- Review and approval of Internal Audit 'Engagement Memorandums' and 'Reports' provided by external service provider;
- Provision of ad hoc advice and audit assistance where outside of contract with external provider or required urgently;
- Secretariat for the DPC Audit and Risk Management Committee;
- Risk Management - methodology, facilitation and reporting (informed by regular reviews undertaken by external service provider over contemporary approach to risk management);
- Provide DPC response to whole of government matters in relation to internal audit, risk management and governance;
- Provide response to relevant correspondence on behalf of the Director-General and Premier as required;
- Audit Committee member – Great Barrier Reef Marine Park Authority and advisor to Director-General on related financial matters.

It is assumed that:

- The Head of Internal Audit and Risk Services will be sufficiently senior to negotiate and manage contracts with Partners of external audit service providers and liaise with Executive Directors and Directors/Managers across DPC;
- The Head of Internal Audit is appropriately qualified and experienced;

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- The Head of Internal Audit and Risk Services will have appropriate administrative support (required to support risk management function, secretariat function, financial control, diary management);
- Accommodation will need to be provided for external service provider staff throughout the year. There may not be significant savings in accommodation costs.

Common advantages of retaining the HIA function plus use of external service provider under all of the models include:

- HIA continues to provide cost-effective approach to Risk Management informed by leading edge thinking provided by external service provider;
- A strong HIA presence (a seat at the table) acts as a catalyst for a strong risk and compliance culture within the agency. Internal Audit visibility is a control in itself;
- HIA continues to perform all other responsibilities of Internal Audit and Risk Services.
- HIA in place to perform contract management role over external resources;
- HIA in place to review strategic and annual plans, engagement memorandums and reports provided by external provider to ensure value for money, contextually relevant and quality provision of Internal Audit;
- HIA role in place internally means less risk of cross-selling of other products / services in audit reports by external providers;
- Audit documentation maintained on-site;
- Internal relationships built and maintained between HIA and management and staff;
- External relationships built and maintained between HIA and other auditors across the sector and wider community and with the QAO;
- HIA works with DPC management and staff to resolve issues raised and reduce the likelihood of adverse audit issues being raised by the QAO;
- Internal HIA function can operate as a training ground for future, senior staff – in many agencies former audit staff are operating in senior roles in Finance, Governance and other areas.

An analysis of the distinct advantages and disadvantages of each model is provided below:

1. **Independent, standalone HIA team reporting directly to the Director-General on audit and risk matters with administrative reporting line to Deputy Director-General, Governance:**

Advantages

- Retain full independence, objectivity in function;
- Very similar to current approach. Cost to implement is minor;
- Deputy Director-General Governance has been administrative report for Internal Audit for some time and knows the function. HIA has support of the Governance Division and Deputy Director-General - Governance.

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Disadvantages

- There may be additional administrative costs for the separate team e.g. accommodation, elements of administration (which may or may not be cheaper if co-located with another areas e.g. Office of Deputy Director-General);
- Organisational isolation – a small team of two people;

2. Independent, standalone HIA in Office of Deputy Director-General – Governance reporting directly to the Director-General on audit and risk matters with direct administrative reporting line to Deputy Director-General, Governance:

The Model

- HIA role is part of Office of Deputy Director-General – Governance. HIA reports administratively to the Deputy Director- General – Governance. HIA reports to Director-General directly on audit and risk matters.

Advantages

- Save cost of totally separate Internal Audit function / cost centre e.g. accommodation, administration costs e.g. separate corporate card. May save costs of purely administrative tasks e.g. purchasing, reporting, etc to allow greater focus on the business on Internal Audit and Risk e.g. secretariat function, risk management process and reporting etc;
- Similarities to current approach. Fairly quick and efficient to implement;
- Potential to share administrative resources within Office of Deputy Director-General Governance and save money;
- Deputy Director-General Governance has been administrative report for Internal Audit for some time and knows the function. HIA has support of the Governance Division and Deputy Director-General - Governance;
- Whilst reporting directly to the Director-General, this model has the advantage that the HIA is part of the Governance Division 'team'. A significant portion of the audit coverage occurs within this Division – HIA is seen as a part of it – not a separate, distinct entity;
- Less likelihood of organisational isolation for HIA and administrative support.

Disadvantages

- Perception of reduced independence, objectivity (NB there is an administrative reporting line to Deputy Director-General only and it is the current model);
- Increases direct size/budget of Office of the Deputy Director-General which may be unpalatable;
- Accommodation may be a challenge if there is a requirement for HIA to be co-located within the Office of the Deputy Director-General. This should not be necessary if it costs a significant amount to make this happen.

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3. Independent, standalone HIA reporting directly to the Director-General (part of the Office of the Director-General) on audit and risk matters:

The Model

- Head of Internal Audit and Risk Services reports directly to Director-General and is a part of the Office of the Director-General.

Advantages

- HIA role is part of Office of Director-General – clearly reinforces independence and objectivity of role;
- Reduces reliance / overhead on Deputy Director-General Governance / Governance Division;
- Stronger relationship between Director-General and HIA – better ability for HIA to support objectives and performance of DPC on behalf of Director-General;
- Potential to share administrative resources within Office of Director-General;
- May save costs of purely administrative tasks e.g. purchasing, reporting, etc to allow greater focus on the business on Internal Audit and Risk e.g. secretariat function, risk management process and reporting etc;
- Less isolated organisationally.

Disadvantages

- Administratively, this may take some time to implement e.g. accommodation, reporting lines etc;
- Accommodation would be required for external provider staff – this may not be appropriate on Level 15;
- Increases direct size/budget of Office of the Director-General which may be unpalatable;
- Director-General has another direct report – this may not be desired;
- Question of whether HIA is a direct report to Director-General on all matters including administrative matters e.g. leave applications, expenditure etc;
- Accommodation may be a challenge if there is a requirement for HIA to be co-located within the Office of the Director-General. This should not be necessary if it costs a significant amount to make this happen.

4. The HIA is the Director, Internal Audit, Risk Management, Planning and Reporting:

The Model

- HIA is Director, Internal Audit, Risk Management, Planning and Reporting;
- Direct reporting line to the Director-General on Internal Audit and Risk matters;
- Direct reporting line to Deputy Director-General Governance on all other matters;
- Administrative reporting line to Deputy Director-General Governance;
- Head of Internal Audit and Risk Services is now also responsible for:
    - Corporate Planning;

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- Corporate Reporting;
- All other required functions of Corporate Planning and Reporting team.

Advantages

- The size and scope of this team may be more appropriate organisationally to be led by a Director over the smaller 2 person team;
- There may be scope to save or combine some resources in the new Corporate Planning and Reporting team (unsure at 9 July 2012);
- Save cost of totally separate Internal Audit function / cost centre e.g. accommodation, administration costs e.g. separate corporate card;
- Potential to share administrative resources across the whole team;
- May save costs of purely administrative tasks e.g. purchasing, reporting, etc to allow greater focus on the business on Internal Audit and Risk e.g. secretariat function, risk management process and reporting etc;
- Whilst reporting directly to the Director-General on audit and risk matters, this model has the advantage that the HIA remains a part of the Governance Division 'team'. A significant portion of the audit coverage occurs within this Division – HIA is seen as a part of it – not a separate, distinct entity.

Disadvantages

- A greater level of complexity in reporting arrangements (it can be done);
- Perception of reduced independence, objectivity of Internal Audit role;
- May dilute the focus on Internal Audit to other matters e.g. planning and reporting;
- Director of unit will need to be appropriately qualified and experienced in Internal Audit, Risk Management (as well as have capability in relation to planning and reporting);
- Any audits or planning or reporting will need to be carefully managed to ensure independence and objectivity;
- Accommodation may be a challenge re co-location of staff.

Preferred Model

- There are advantages and disadvantages of all the above models and many of the advantages and disadvantages are common to many or all models;
- If the overriding goal is to reduce cost, further detailed analysis will be required to compare the costs of each model;
- If the desired outcome is an efficient and effective model for delivery of Internal Audit and Risk Services it is considered that models 2 and 3 are reasonable options. Model 1 provides no great advantages over the other models and increases the risk of organisational isolation for the HIA and support staff. Models 2, 3 and 4 have similarities in that the HIA is part of a larger group with the potential to access shared resources and reduce costs. The best model will need to be decided by the Director-General and Deputy Director-General. Model 4 has the potential to compromise the

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focus on internal audit matters, however, may enable some savings, and may be preferred organisationally in terms of the size of the team to be led by a Director level role.

Model for provision of DPC Risk Management

- It was stated above that the HIA would continue to have responsibility for risk management – methodology, facilitation and reporting.
- In the immediate period, under the existing model for Internal Audit and Risk Services, the HIA will continue to support the current risk management approach without any risk management resources (current resource is on long term leave).
- With the approval for an outsourcing arrangement it is proposed that the first review to be conducted by the outsourced provider is a review of DPC Risk Management approach with recommendations for improvement to the process. This may identify alternative (more efficient, effective) ways of managing risk and may involve the periodic use of external provider resources.

Impact on permanent staff within Internal Audit and Risk Services

- There are currently 2.6 permanent staff within Internal Audit:
  - s49 - CTPI Principal Project Officer (Risk) s49 - CTPI
  - s49 - CTPI Audit Manager (A08) s49 - CTPI
    s49 - CTPI
  - s49 - CTPI Administration Officer (A03) – part-time.
- All other staff in the unit are temporary staff with contracts ending at 26 October 2012 (2 staff) and 28 September 2012 (1 staff).
- Once a firm decision is made regarding the model going forward, action will need to be taken to understand the impact on the positions of these staff, the staff members' preferences for their careers and the impact on the budget position of Internal Audit.

Options for securing a Head of Internal Audit:

- The role is currently being filled by a secondee from the Department of Science, Information Technology, Innovation and the Arts.
- There is an option to maintain this staff member in role for a period of time to enable stabilisation of selected model;
- The position could be declared vacant to the PSC and a suitable employee requiring placement (ERP) could be sought/ If no suitable ERP – advertise publicly;
- Fill position through other allowable recruitment mechanisms e.g. transfer at level of staff from another agency OR by direct appointment - on 11 April 2013, current staff member will have been in the role for one year and has been through a merit based recruitment exercise – there may be scope for direct appointment.

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OVERVIEW

Definition of Internal Audit (Institute of Internal Auditors (IIA))

According to the definition of Internal Auditing in the IIA's International Professional Practices Framework, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Department of Premier and Cabinet (DPC) Internal Audit and Risk Services

The DPC Internal Audit and Risk Services team is responsible for:

- Annual development of Strategic Internal Audit Plans and Annual Internal Audit Plans;
- Management and conduct of Internal Audits by internal staff and external contractors /resources as required – DPC / PSC / OQPC.
- Contract management – over Internal Audit contracts with external providers;
- Supporting QAO in the review of annual financial statements as requested;
- Monitoring and reporting of outstanding Internal Audit and QAO issues;
- Facilitating Risk Management activity and reporting;
- Performing secretariat function for the Audit and Risk Management Committee;
- Annual reviews of Internal Audit, Risk Management and the Audit and Risk Management Committee performance;
- Responding to whole of government matters in relation to internal audit, risk management and governance;
- Responding to relevant correspondence on behalf of the Director-General and Premier as required;
- Audit Committee member – Great Barrier Reef Marine Park Authority and advisor to Director-General on related financial matters.

The team currently includes a Director and two Internal Auditors. The team qualifications and experience include:

- A06 – 10 yrs internal and external audit experience in Australia, Hong Kong and China / government and private / Masters in Commerce / CIA / CPA Hong Kong.
- A07 – 10 yrs external audit experience Australia and Singapore / government and private / Chartered Accountant / BBus.
- A/Director Internal Audit and Risk Services - 20 years internal / external / financial / risk management experience government and private sector / CPA / Certified Internal Auditor (CIA) / Certified Information Systems Auditor (CISA) / Certified Government Audit Professional (CGAP) / BBus.

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The Department of Premier and Cabinet

The Department of Premier and Cabinet (DPC) is a unique entity. Whilst small in size, it is significant in function. As one of Queensland Government's key central agencies, the actions of the Department influence the actions of all other agencies. In establishing new arrangements for Internal Audit, DPC needs to ensure the best outcome for the Department and ultimately for Queensland Government in supporting all Directors-General in meeting their accountability and performance obligations in this time of overwhelming change.

Internal Audit arrangements should support DPC and ultimately, other agencies to:

- Meet Government commitments in this period where loss of control may occur, e.g. during times of critical policy, service delivery, business system and staffing change;
- Ensure continuity of service delivery and avoid service delivery failure due to complexities in cross agency matters (e.g. service agreements; policy responsibility vs delivery responsibility), poor procurement and operations, information communication and technology [ICT] systems changes / consolidations;
- Ensure risks are identified and management (not hidden);
- Ensure the efficient use of existing resources and reduce the potential for maladministration through reduction in staff exercising key controls;
- Ensure that reliable information is available to support decision making (e.g. reduce risk that agencies don't have or can't trust the information available);
- Mitigate the increased opportunities for fraud and corruption (resulting from the anticipated staff reductions, IT changes, machinery of government changes, changes to internal control environments, increases in use of electronic means for facilitating payments).

Australian National Audit Office: *Public Sector Internal Audit Better Practice Guide* (September 2007)

This Better Practice Guide to Internal Audit observes that, similar to the Queensland Government, within the Australian Government sector, internal audit is performed in a range of entities that vary considerably in purpose, size, structure, and complexity. As a result, there is a range of models used to deliver internal audit services i.e. in-house, co-sourced, out-sourced and variations of each of these models.

The guide states that each model has its benefits and its risks. The most appropriate model will depend on the entity's particular needs that could well change over time as circumstances change. It is important, therefore, to periodically consider which service delivery model will best suit the entity's needs.

To decide on the appropriate service delivery model the guide recommends considering the following:

- Ability to attract and retain suitable staff
  For a variety of reasons it may be difficult to attract and retain suitably skilled in-house audit staff. As a consequence, co-sourcing or outsourcing the internal audit function to an external service provider, who assumes some or all of the responsibility for recruiting and managing the

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required staff, may be an effective means of overcoming staff shortages. Alternatively, the development and implementation of a comprehensive staffing strategy as part of the internal audit strategic business plan may be successful in obtaining sufficient staff with the necessary skills and experience.

- The skills and experience required
  Generally, in-house staff could be expected to have a greater knowledge of the entity's business objectives, systems, risks and culture. They can be seen as 'part of the team' and can be more easily approached for informal and ad hoc advice. There are no issues over possible conflicts of interest and there is more direct control over the quality of work undertaken. Corporate knowledge may also be more readily retained by in-house staff and in-house internal audit units are in a position to offer a good training ground for future senior managers. On the other hand, service providers may have access to leading practices and expertise from the public and private sectors in Australia and overseas that may be helpful to the entity.
- Cost
  The cost of in-house provision compared with the alternatives is a key consideration. It is important when comparing costs to take into account the full costs of the different options including the salaries of in-house staff plus overheads such as training, leave, superannuation, staff management, accommodation and facilities. In the case of co-sourcing or outsourcing, the costs of contract management as well as of the contract itself should also be taken into account.
- Flexibility
  Many internal audits require access to special technical audit skills from that are either not available or not cost-effective to maintain in-house. The ability to respond quickly to new requests for audits without disrupting the planned programme or the need to resource workload peaks can also be important. Co-sourced or outsourced arrangements may be able to provide the required flexibility in such circumstances.
- Viability
  For some small entities there may not be the critical mass to make an in-house internal audit function viable and sustainable. Small internal audit units may find it difficult to supply sufficient staff with the full range of skills necessary to undertake a comprehensive internal audit plan. In this situation, there is a risk the audit plan will be determined more by the skills of the staff available rather than the needs of the entity. Limited career progression and development opportunities can also act as a disincentive for the recruitment and retention of staff.

Queensland Audit Office Report: *Report No. 5 – 2012 - Results of Audits – Internal Control Systems raises concerns over effectiveness of internal control structures within departments*

The report tabled on 28 June 2012 summarised findings in relation to the effectiveness of financial controls, the effectiveness of fraud controls and IT governance. Section 3.1 of the report *Managing fraud risk* explained that an ongoing theme raised in QAO reports Parliament has been the risk of fraud. The report reiterated the importance of an effective system of internal control as both a preventative and detective countermeasure to the incidence of fraud. The report further emphasised that the internal control structures within departments are being increasingly challenged because of:

- regular transfers of functions and staff both within departments, and as part of machinery of government changes—there have been four significant restructures in the past six years increasing the risk that lines of responsibility, authority and accountability become blurred thereby weakening the control environment

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- the loss of experienced and key staff through voluntary separation programs (VSPs)—during the 2012/13 financial year in excess of 4200 non front-line departmental staff have accepted a voluntary separation package leading to a heightened risk of loss of corporate knowledge and experience in the 'back office' where most internal financial control activities operate (NB Four staff from DPC Internal Audit took VSPs).

- the need to do more with less as required by budget savings—increasing the risk that resources will be diverted from necessary internal control monitoring measures, such as Internal Audit (e.g. current DPC budget is insufficient to fund the establishment; the professional development budget per professional internal auditor is $500 per person – not sufficient to fund a day's training).

The new government should ensure that Internal Audit arrangements are not compromised in this time of transition to greater accountability and efficiency, economy and effectiveness across Government.

Ernst & Young - *Driving Value from Internal Audit* – Discussion Paper – June 2012

The Ernst and Young discussion paper "Driving Value from Internal Audit" provides a sound overview of alternative models for the delivery of Internal Audit, however, is not completely accurate in its diagram (page 6) in relation to the models currently applied across the Queensland Government. Most Government organisations in Queensland already use a combination of internal staff and staff provided by external organisations i.e. co-sourcing. Agencies use a combination of in-house resources (or a designated Head of Internal Audit (HIA)) plus resources from chartered accounting firms, specialist firms in IT and risk management and specialist contractors, among others.

Most organisations have determined the best fit of resources based on the maturity, size, risk profile and nature of the organisation. The Ernst and Young model does not provide a revolutionary new approach. As mentioned above, the Department of Premier and Cabinet makes use of internal staff and contract resources as required.

Advantages and Disadvantages of alternative service delivery models for Internal Audit

The following five options for the delivery of Internal Audit have been analysed for application to the Department of Premier and Cabinet (and ultimately, other agencies).

1. Full In-sourced model – no external resources – this model would be moving backwards from the current arrangements in place within the Department and is not recommended;

2. Co-sourced model with in-house Internal Audit resources and external provider resources;

3. Co-sourced model with in-house HIA only and external provider resources;

4. Out-sourced model with no internal audit resources internally – CFO to operate as designated HIA with external provider resources;

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5. Out-sourced model with no internal audit resources internally – Another agency HIA to operate as designated HIA.

Table One below outlines the advantages and disadvantages of the alternative models 2 – 5.

Risk Management

The risk management function also sits with the DPC Internal Audit and Risk Services team. Prevailing best practice is to maintain an in-house risk management function supplemented by technical advice and education from external specialists if required.

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Table One: Advantages and Disadvantages of Service Delivery Models for Internal Audit

Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
2.Co-sourced model - Internal Resources • **In-house HIA plus in-house Internal Auditors plus use of specialist external resources as required** • **CURRENT DPC MODEL** • **PREFERRED MODEL FOR QLD GOVERNMENT AGENCIES GENERALLY**	• Low cost – DPC Internal Audit has reduced in size and budget significantly over last 10 years despite increasing cost of the public sector in Queensland. • Internal DPC staff commitment to supporting Department and Director-General achieve the stated objectives / performance. • Internal HIA with qualifications and experience per financial legislation. • HIA performs contract management role over external resources to ensure value for money provision of internal audit. • HIA reviews reports from internal and external resources prior to issue to senior management to ensure quality control and appropriateness of recommendations in DPC context. • Flexible blend of in-house and external resources as required to suit the changing role and risk profile of the department. • Supplement skill and knowledge gaps with external resources. • Audit documentation maintained on-site. • In-house function remains independent and objective – 'no fear or favour'. • Current function, infrastructure in place e.g. audit software in place. No cost to change. • The in-house Internal Audit function is a key part of the corporate culture and corporate governance of DPC. Internal Audit is also responsible for the department's risk management framework. • A strong internal audit presence (a seat at every table) acts as	• Maintain full cost of internal resources and infrastructure. • Internal resources - retaining appropriate skill sets / experience / qualifications as current staff move on.

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
	a catalyst for a strong risk and compliance culture within the agency. Internal Audit visibility is a control in itself. • Internal relationships built and maintained between internal auditors and management and staff. • External relationships built and maintained between internal auditors and other auditors across the sector and wider community and with the QAO. • Greater continuity of Internal Audit staff (not new auditors every year) and those staff get to know the organisation and can better add value to achieving priorities. • Internal Auditors maintain corporate knowledge and a current awareness of changing government policies (the 'hot spots'). • Immediate notification of management if/when serious findings are made. Does not have to go through managers and partners in external provider first. • In-house resources have the capacity to operate on 'a short fuse' and divert audit resources when necessary, react to emergent issues or suspected frauds as they arise. Internal Audit is a responsive internal mechanism to support agencies performing in accordance with new government directions – can respond immediately to new priorities, unplanned audits, investigate suspected fraud, provide advice on new policy / system without waiting for an external provider to respond, then quote and then schedule the work • DPC Internal Audit does not just raise audit issues. It works with the agency to resolve the problems and reduce the likelihood of adverse audit issues being raised by the QAO. • Higher level of confidentiality over audit issues. Not disclosed to non-essential external parties.	

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
	• An internal function can operate as a training ground for staff – in many agencies former audit staff are operating in senior roles in Finance, Governance and other areas. Staff and management from other areas can work on audit projects to up skill and cross skill others. Capacity to swap and share resources. • Contracts with external providers can include training and skills transfer of internal staff under agreed arrangements. • Less risk of cross-selling in audit reports by external providers. • No risk of conflict of interest in the work being undertaken by an in-house Internal Audit function. External firms may be undertaking work for other organisations which pose a conflict of interest. • Can shop around for the best resources for the particular audit required. • Capacity to allocate work internally or externally based on risk and nature of the work i.e. do not pay high hourly rates for 'tick and flick audits'. • Access to external providers - access to contemporary knowledge and skills - required skills can be accessed when needed under competitive tendering arrangements.	

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
3.Co-sourced model – In-house HIA • **Internal HIA plus external resources** • **No in-house staff** • **DPC PREFERRED MODEL**	• Advantages stated above PLUS • Save on cost of in-house Internal Auditors. • Save on audit infrastructure costs e.g. audit software ($3000 p.a.), accommodation, rent etc. Outsourced auditors will still need office space and access to network. • Internal HIA with qualifications and experience per financial legislation (full-time or part-time as required). • HIA performs contract management role over external resources to ensure value for money provision of internal audit. • HIA continues to perform all other responsibilities of Internal Audit and Risk Services i.e. risk management. • HIA reviews all reports prior to issue to senior management to ensure quality control and appropriateness of recommendations in DPC context. • Flexible blend of in-house and external resources as required to suit the changing role and risk profile of the department. • The right skills and resources can be sourced at the right time in accordance with objectives and risks.	• Maintain cost of in-house HIA. • Acquiring appropriate skill sets / experience / qualifications for HIA role now and in future.

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
4.Out-sourced model - CFO to operate as HIA • **CFO takes on role of HIA** • **This is essentially a full outsourced model given no Internal Audit expertise or capability internally**	• The advantages of co-sourcing outlined IN 2 AND 3 above PLUS • Save on cost of HIA and in-house Internal Auditors (Other resources may need to be brought in to support CFO in performing all of the activities related to the role). • Save on audit infrastructure costs e.g. software ($3000 p.a.), accommodation, rent etc. Outsourced auditors will still need office space and access to network. *Additional advantage of outsourcing over co-sourced models above: • Avoids independence and familiarity threats of in-house function.	• All of the potential disadvantages of outsourcing described below PLUS: • CFO may not have the required qualifications to operate as the HIA (CPA, CIA etc) under Queensland Financial Legislation, nor the knowledge and focus on strong internal controls / risk management. • Loss of all internal audit expertise in DPC - No strong internal audit presence (a seat at every table) – there is no longer a catalyst for a strong risk and compliance culture within the agency. • Compromises independence and objectivity of internal audit activity - CFO across those functions where fraud most likely – potential for conflict of interest or resources to be diverted to areas where the CFO is short of resources instead of where risks are – audit resources may be diverted to operational tasks. • Potential for stronger focus on financial matters and less focus on achievement of objectives; compliance; information technology risks, efficiency and effectiveness. • An officer in DPC will need to manage the contract with the outsourced provider. Additional resource will be required to support the CFO in this work – this may erode desired savings. • Other work of Internal Audit and Risk Services still needs to be undertaken. Again, resources required. Risks of outsourcing generally: • The department loses control of internal audit and loses

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
		internal focus on business and risk of the agency. • The organisation has to pay extra for anything that is above the agreed scope of services and the external provider may not have capacity to provide it. • Lose responsiveness of internal capacity. Cannot jump to address a fraud without resources or provide advice when required urgently. • Potential for outsourced provider to focus on revenue element of service level agreement (finishing jobs quickly and within budget) and lose focus on adding value and improving governance. • Outsourced provider may cross-sell other services through internal audit reports which starts to compromises independence. • Over time, outsourcing providers will command an ever greater premium for their services, since many outsourcing firms buy market share and then increase prices as competition decreases. • Outsourcing does not enable learning and skills development within the agency. • The potential exists for mixed allegiance, in that internal employees have allegiance to the organisation, while the outsourcer's employees are loyal to the outsourcing firm. In other words, the outsourcer does not have to live with the results – DPC does. • Outsourcing providers may utilise inexperienced personnel to perform audits e.g. graduates inexperienced in internal audit and in the agency's business. • Potential for provider to be less than honest – protecting source of income

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
		• If a contract in place less pressure to perform and respond in timely manner e.g. currently, there are chartered accounting firms with too much work who cannot deliver to existing clients (source: HIAs - Qld Govt Departments) • Less hours on the ground compared to in-house. • Critical matters are not identified and addressed e.g. Qld Health fraud – a chartered accounting firm did work in Qld Health to examine related concerns prior to the significant incident– this did not result in preventing the extreme fraud from occurring.
5 Out-sourced model - Another Qld Government Agency • **Outsource full IA function to another Qld Government agency**	• The benefit is the financial saving of half of the cost of DPC HIA. • All other costs will be replicated to some degree in host agency and be on-charged to DPC e.g. if there are two person years of work in DPC – two staff will need to be paid for. IT systems will need to be funded etc. There are also a number of activities that will still need to be undertaken in DPC and which will require resources and dollars.	• Similar disadvantages to outsourced model, but potentially without the access to leading edge external resources. • Host agency Internal Audit Unit may not have required resources, skill sets, qualifications to undertake the DPC Internal Audit coverage. • New Agency Internal Audit Unit has no corporate knowledge or relationships within DPC – learning curve. • DPC will need to arrange a service level agreement between DPC and the provider and manage the contract on an ongoing basis. This will pose an additional cost to DPC. • DPC will still need an independent ARMC and will still require resources to support this committee. • DPC will still need to perform risk management, ARMC secretariat and other related tasks. • DPC priorities compete with priorities of the host agency of the new IA team. • DPC may cross-subsidise higher risk activity in the other

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Alternative Internal Audit Service Delivery Models	ADVANTAGES	DISADVANTAGES / RISKS
		agency. • Historically government agencies fail to adequately manage service level agreements with other government agencies e.g. Shared Services (source QAO Reports over last 3 financial years). • DPC loses control of internal audit and loses internal focus on the business and risk profile of the agency. • Quality of audits are subject to internal management decisions within the new IA host agency regarding allocation and timing of resources. DPC may get junior, inexperienced staff but still pay for senior, experienced staff under the SLA. • Resources focused on work of DPC may be compromised in an effort to meet the needs of the host agency Director-General. • Potential for host to focus on revenue element of service level agreement (finishing jobs quickly and within budget) and lose focus on adding value and improving governance in DPC.

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Preferred Model for DPC

The advantages and disadvantages above have been analysed to determine the preferred approach for the provision of an efficient, effective and economical Internal Audit function for DPC, and ultimately, for other Queensland Government departments. The view has also been informed by current public research and reports published by the Queensland Audit Office and the Australian National Audit Office.

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The preferred model for Queensland Government agencies generally is Option 2 - A flexible co-sourced model - In-house Head of Internal Audit, in-house internal Auditors plus external provider resources.

The key advantages of this model is that it provides the 'best of both worlds' or the 'best of breed' – a stable internal function within the agency supporting a culture of strong governance, risk management and internal control, supplemented, as required by access to leading edge skills from a range of external providers. It is also a lower cost option overall, there is more continuity in the internal resources relative to the revolving door of external provider staff and less risk that urgent work cannot be undertaken because the external providers are busy elsewhere servicing other clients.

For DPC, the preferred model is Option 3 – Co-sourced model with in-house Head of Internal Audit. DPC is a key central agency providing critical services and influencing all agencies, however, it is not large in terms of staff numbers and operating budget.

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Folder No.: 12/21256
Document No.: 12/155514

Queensland Government Air Wing
Beechcraft King Air 350 Full Flight Simulator Training Proposal and Business Case

1. Introduction

1.1. The Queensland Government Air Wing (GAW) operate two aircraft, a Hawker 850XP and a King Air 350 for transport of senior Queensland Government personnel and for support of a number of other Government activities. The aircraft are crewed by six full time pilots based at the GAW/Police Air Wing facility at Brisbane Airport.

1.2. Each year GAW pilots are required by Aviation Legislation to complete a number of training and checking activities including:

a. Aircraft type Endorsement training,
b. Instrument Rating Issue or Renewal (one per year),
c. Base training and checking (2 per year),
d. Line checks (two per year during normal line operations)

1.3. GAW's training and checking requirements for the King Air have, up until now, been completed in the actual aircraft operated by GAW. In July 2012 CAE Australia Pty Ltd commissioned a King Air 350 Full Flight Simulator (FFS) at the Melbourne Simulator facility of Ansett Flight Training. This device has now obtained Civil Aviation Safety Authority (CASA) approval for use by Australian King Air aircraft operators for a range of training and checking activities, including those required for GAW pilots.

1.4. CAE Australia Pty Ltd (the Australian arm of the large Canadian based Simulator manufacturer and simulator training provider) have presented GAW with a proposal and draft contract to provide a FFS based training and checking service to GAW. A copy of the CAE proposal and draft contract will be included with this proposal.

1.5. This Proposal will outline the benefits of using a FFS for King Air specific training, including safety and economic benefits.

1.6. It must, however, be noted that there is no Hawker Jet type specific FFS in Australia. The nearest such device is located at Dubai in the UAE and is also operated by CAE as Emirates CAE Flight Training. A separate justification will be provided for the continuing need for Hawker Jet type specific FFS training using an overseas FFS.

2. Safety Benefits of Using a FFS

"If you think safety is expensive, try having an accident."
(Sir Stelios Haji-Ioannou, Easyjet Airlines)

2.1. On 22 March 2012 a Embraer EMB -120 Brasilla aircraft was conducting a training and checking flight at Darwin, NT. The Brasilla is a 30 seat, twin turbo prop aircraft similar in configuration and performance to the 10 seat King Air 350 aircraft operated by GAW.

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2.2. Shortly after lift-off on the first take off of the training flight, the check and training Captain simulated the failure of one engine by retarding the Power Control Lever for the left engine. The aircraft then entered a descending left hand turn and impacted the ground, killing both occupants and destroying the aircraft. A copy of the Investigation summary is at Annex A, a full copy of the report can be obtained at: http://www.atsb.gov.au/publications/investigation_reports/2010/aair/ao-2010-019.aspx

2.3. The operator of this aircraft had just entered into an agreement with a FFS provider to complete required training and checking for this type of aircraft. The accident occurred on the last planned training and checking activity using the actual aircraft. All training and checking, subsequent to the accident, involving the practice of abnormal and emergency procedures is now completed using the type specific CASA approved FFS.

2.4. GAW has a long history of safe training and checking using the actual aircraft, however there has been a small number of minor incidents, such as blown tyres, that have occurred during abnormal configuration landings. GAW Training and Checking pilots act in an extremely conservative manner while conducting training and checking activities, this has led to the excellent safety record maintained by GAW for such activities.

2.5. Due to safety considerations, training in the actual aircraft must limit the exposure of the trainee. Many situations are beyond risk tolerance and during training these are discussed in detail, but not experienced.

2.6. Training in a FFS enables the full range of emergency and abnormal situations to be experienced, frozen and evaluated.

2.7. Attached at Annex B is a list of training sequences/situations that can and should be flown during aircraft type endorsement training. The table shows those sequences that can be conducted safely in the aircraft against those that can be trained for, or practiced, in the FFS. As can be seen the FFS offers a vast improvement in risk/safety over training in the aircraft.

2.8. The safety case for training using a FFS is undeniable. It is therefore strongly recommended that no further training in abnormal and emergency situation be conducted in the actual GAW King Air aircraft. All such training should be now conducted in the type specific FFS available in Melbourne.

2.9. CASA are moving to mandate, by Regulation, the use of FFS where such devices are available in Australia. While use of a FFS is not yet a mandatory requirement for operations such as that conducted by GAW, it is increasingly industry best practice to use such devices where they are locally available.

3. Economic Benefits of FFS Training

3.1. In the Financial Year (FY) 2011/2012 GAW conducted 12.9 hours of dedicated training in the King Air. In addition 6.8 hours of training was conducted in the Hawker Jet. Using the current cost recovery rate for each aircraft this gives an approximate cost for training in each aircraft of:

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Aircraft	Cost (GST Exclusive)	Remarks
Hawker Jet	$23,569	This cost includes Instrument Ratings conducted in the Hawker Jet when the King Air is unavailable on tasking.
King Air	$23,018.69	King Air used for Instrument Ratings as far as possible. Figures provided by DPC finance.
Total	$45,584.69	

3.2. CAE Australia have submitted a draft commercial agreement (Attached) providing a range of costs for use of the Melbourne based FFS. The cost per hour for "dry" hire of the FFS is s49 - CTPI Note that dry hire does not include the provision of an FFS operator/instructor, required to operate the FFS. With the small number of available GAW staff pilots (six in total, including the Chief Pilot) it is not seen as feasible to train one of our own training and checking staff (GAW have two staff approved by CASA for these activities in actual GAW aircraft) to operate the FFS. It is therefore proposed to use CASA approved CAE provided FFS operators/instructors.

3.3. To meet the need for annual checks and tests for GAW pilots (six on staff), it is proposed to send each pilot to the FFS twice a year. To gain the maximum benefit to GAW from the FFS training and checking process, including the completion of the Annual renewal of a CASA Instrument Rating (see 1.2 .a above) it is proposed to send a complete crew (two pilots) for each FFS session. This process will also minimise the disruption of GAW's service delivery due to the unavailability of pilots. In this regard the option regarded as providing the most operational and cost benefit is to use the "CAE Wet Session" provided for in the attached Commercial Agreement (see also cost summary at Annex C). The quoted CAE cost of this option is s49 - CTPI session. This includes the use of the FFS and the provision of a CAE qualified operator /instructor delegated by CASA to conduct and issue Instrument Ratings. The total cost from CAE per year for use of the FFS is therefore s49 - CTPI

3.4. Some additional costs will be required, in the form of air fares to and from Melbourne and overnight accommodation for the crew should this be required to meet FFS availability periods. It should be noted that the FFS is expected to function for 20 hours per day, with a four hour period (usually early AM) made available for maintenance each day. Training "slots" can therefore occur from the early morning to late at night. The current HRG quotes cost of fully flexible air fares is $600 per person return Brisbane – Melbourne. Motel accommodation sampled in the vicinity of the CAE Facility is $110 per person, capital city allowance cost is $173.

3.5. The draft commercial agreement requires a commitment to a number of hours use of the FFS. It is proposed that GAW enter into an agreement for use of 20 hours of FFS per year (five sessions). The proposed programme would need six sessions per year (24 hours of FFS use). Committing to a minimum of 20 hours of FFS use will provide a buffer of four hours should the FFS not be used.

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3.6. A detailed summary of expected costing is at Annex D; the total expected annual cost is not more than s49 - CTPI As stated in the Safety benefits (Para 4) this cost, vs. the cost of training in the aircraft, should be balanced by the benefit of removing the high risk requirement for training in the actual GAW King Air. Compared to the cost of actual King Air training conducted in FY 2011/2012 the net cost would have been s49 - CTPI

4. Recommendations

4.1. *Recommendation 1:* GAW conducts all Emergency and Abnormal Training and Checking for the King Air 350 in an Australian based FFS.

4.2. *Recommendation 2:* Following assessment by DPC Corporate Legal Service, GAW Enter into an agreement, as per the Draft Agreement attached, for a minimum of 20 hours of FFS use in the CAE Australia FFS located in Melbourne, VIC.

Prepared by:

John McGhie
Chief Pilot/Director
Government Air Wing

8 August 2012

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Folder No.: 12/21256
Document No.: 12/155514

Annex A to:
FFS Training Proposal
Dated:

Australian Government
Australian Transport Safety Bureau

Aviation safety investigations & reports

Investigation title

Loss of control - Embraer S.A. EMB-120ER Brasilia, VH-ANB, Darwin Airport, Northern Territory, 22 March 2010

Investigation Number:AO-2010-019

Investigation status:Completed

[redacted]

Summary

On 22 March 2010, an AirNorth Embraer S.A. EMB-120ER Brasilia aircraft (EMB-120), registration VH-ANB, crashed moments after takeoff from runway 29 at Darwin Airport, Northern Territory, fatally injuring both pilots. The flight was for the purpose of revalidating the command instrument rating of the pilot under check and was under the command of a training and checking captain, who occupied the copilot's seat. The takeoff included a simulated engine failure.

Data from the aircraft's flight recorders was used to establish the circumstances leading to the accident and showed that the pilot in command (PIC) retarded the left power lever to flight idle to simulate an engine failure. That introduced a simultaneous failure of the left engine and propeller autofeathering system.

The increased drag from the 'windmilling' propeller increased the control forces required to maintain the aircraft's flightpath. The pilot under check allowed the speed to decrease and the aircraft to bank toward the inoperative engine. Additionally, he increased power on the right engine, and engaged the yaw damper in an attempt to stabilise the aircraft's flight. Those actions increased his workload and made control of the aircraft more difficult. The PIC did not restore power to the left engine to discontinue the manoeuvre. The few seconds available before the aircraft became uncontrollable were insufficient to allow 'trouble shooting' and deliberation before resolving the situation.

Shortly after the accident, an EMB-120 simulator and its staff were approved to undertake the operator's training requirements. In response, the operator transitioned the majority of its EMB-120 proficiency checking, including asymmetric flight sequences, to ground-based training at that facility.

No organisational or systemic issues that might adversely affect the future safety of aviation operations were identified. However, the occurrence provides a timely reminder of the risks associated with in-flight asymmetric training and the importance of the work being carried out by the Civil Aviation Safety Authority to mandate the use of simulators for non-normal flying training and proficiency checks in larger aircraft. In addition, the importance of appropriate operator procedures, and pilot awareness of the potential hazards were reinforced as risk mitigators where the only option was in-flight asymmetric training and checking.

A computer graphics animation of the Flight Data Recorder data was produced. The animation covered a 2-minute period commencing with the aircraft taxiing onto the runway and continuing until the end of recording.

Animation: [Play: Animation 15.6 MB]

Preliminary

Preliminary report released 19 May 2010

On 22 March 2010, at 1009 Central Standard Time, an Embraer - Empresa Brasileira de Aeronautica EMB-120ER Brasilia with two crew, prepared to take off on a training flight from runway 29 at Darwin Aerodrome, Northern Territory. The crew were the only occupants. The training captain advised the aerodrome controller that the departure would incorporate asymmetric flight (simulated engine failure) and was approved by the controller to perform the manoeuvre.

After becoming airborne, witnesses reported seeing the aircraft roll and diverge left from its take-off path. They watched as the aircraft continued rolling left, and entered a steep nose-down attitude. It disappeared into trees, south of the runway threshold from where a column of black smoke was seen shortly afterwards.

Aerodrome rescue and fire fighting services were in attendence very shortly thereafter and extinguished the fire. Both pilots were fatally injured and the aircraft was seriously damaged due to impact forces and an intense post-impact fire.

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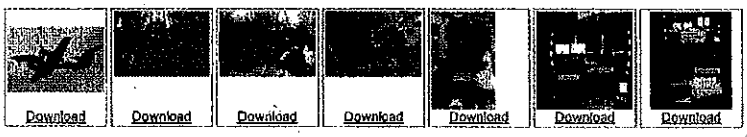
Photos



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General Details

Date:	22 Mar 2010	Investigation Status:	Completed
Time:	1010 CST	Investigation Type:	Occurrence Investigation
Location:	Darwin Airport	Occurrence Type:	Terrain Collision
State:	NT	Occurrence Class:	Operational
Release Date:	23 Feb 2012	Occurrence Category:	Accident
Report Status:	Final	Highest Injury Level:	Fatal

Aircraft Details

Aircraft Manufacturer:	Embraer-Empresa Brasileira De Aeronautica
Aircraft Model:	EMB-120-ER
Aircraft Registration:	VH-ANB
Serial Number:	120-116
Operator:	AirNorth
Type of Operation:	Air Transport Low Capacity
Damage to Aircraft:	Substantial
Departure Point:	Darwin, NT
Destination:	Darwin, NT

Last update 23 February 2012

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Annex B to:
FFS Training Proposal
Dated:

King Air Full Flight Simulator/Aircraft Training Sequences **Aug-12**

Flight Phase	Emergency/Abnormal or Training Sequence	Aircraft Training	FFS Training	Remarks
Pre Flight				
Start	Hot Start	No	Yes	
	Hung Start	No	Yes	
	After Start Electrical faults	No	Yes	
	Run Up Governor Fault	No	Yes	
	Run Up Prop Solenoid Fault	No	Yes	
	Run Up Rudder Boost Fault	No	Yes	
	Run Up Auto Fx Fault	No	Yes	
Taxi	Brake Fail	No	Yes	
	Evacuation	Yes	Yes	
Take-off	Engine Fail <V1 - Abort	Yes, Limited	Yes	Blown tyres highly probable
	Engine Fail >V1 - Continue	Yes, Limited	Yes	Flight Manual limits exist for aircraft practice.
	Engine Fail >V1 No Auto FX	Yes, Limited	Yes	High risk in aircraft
	Engine Fire >V1 - Continue	No	Yes	
	Obstacle Avoidance	No	Yes	
	Low Viz Take-off	No	Yes	FFS enables setting of "real" low visibility conditions.
	Low Viz Take-off - Engine Fail >V1	No	Yes	FFS enables setting of "real" low visibility conditions.
	Low Viz Take-off - divert	No	Yes	FFS enables setting of "real" low visibility conditions.
	Wind Shear encounter	No	Yes	
Climb	Generator Fail	No	Yes	

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	Double Generator Fail	No	Yes	
	PFD Fail	Yes, limited	Yes	
	MFD Fail	Yes, limited	Yes	
	Audio System Fail	No	Yes	
	FUEL PRES LO	No	Yes	
	Electrical System Smoke or Fire	No	Yes	
	Environmental System Smoke or Fire	No	Yes	
Cruise	Engine Re Start - Air Start no starter assist	Yes,limited	Yes	Risk of engine damage in aircraft.
	BLEED FAIL	No	Yes	
	Pressurisation - emergency descent	Yes,limited	Yes	High risk in aircraft.
	Double Engine Fail - Glide	No	Yes	
	Trim Runaway	No	Yes	
	TCAS avoidance	No	Yes	
	NO FUEL XFR	No	Yes	
	L DC GEN	No	Yes	
	GEN TIE OPEN	No	Yes	
	BAT TIE OPEN	No	Yes	
	ENG ICE FAIL	No	Yes	
Approach and Landing	ILS - Cat 1 Minima - Land	Yes, limited	Yes	FFS enables setting of real low visibility conditions.
	ILS - Cat 1 Minima - Engine Fail - missed	Yes, limited	Yes	FFS enables setting of real low visibility conditions.
	NDB/GNSS - Low Viz Circle to land	Yes, limited	Yes	FFS enables setting of real low visibility conditions.
	NDB/GNSS - Missed	Yes, limited	Yes	FFS enables setting of real low visibility conditions.
	Manual Gear Exension	Yes	Yes	
	Flapless Landing	Yes	Yes	Blown tyres highly probable
	Normal Landing - Go round	Yes	Yes	FFS enables runway blocked situations.

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	ESIS ILS - Land	Yes, limited	Yes	
	EGPWS Alert/Warning	No	Yes	
Other	Wind Shear encounter	No	Yes	
	PROP GND SOL fault	No	Yes	

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Document No.: 12/155514

Annex C to:
FFS Training Proposal
Dated:

Summary of CAE Cost Proposal

Course Description	Unit	Rate
Dry rate	Hr	s49 - CTPI
Instructor	Hr	
Wet Session	4hrs FFS and 5.5hrs IP	
Standard Recurrent	Per Crew (2 Students)	
Standard Recurrent	**Per Student**	
Extended Recurrent	Per Crew (2 Students)	
Extended Recurrent	**Per Student**	
Standard Initial Endorsement	Per Crew (2 Students)	
Standard Initial Endorsement	**Per Student**	
Extended Initial Endorsement	Per Crew (2 Students)	
Extended Initial Endorsement	**Per Student**	
B200 Differences	**Per Student**	
IOS Panel Operator	Max 2 Instructor Students	
Classroom Hire	Hr	

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Annex D to:
FFS Training Proposal
Dated:

FFS Cost Analysis Aug-12

Serial	Element	Cost	Number Required	Frequency	Element Total	Remarks
1	Air fares Brisbane - Melbourne	$ 300.00	6	2	$ 3,600.00	
2	Taxi fares/car parking (GAW - terminal)	$ 30.00	6	2	$ 360.00	
3	Taxi Fares (Airport - Hotel)	$ 30.00	3	2	$ 180.00	
4	Accommodation	$ 173.00	6	2	$ 2,076.00	
5	Taxi fares (Hotel FFS)	$ 30.00	3	2	$ 180.00	
6	Allowances/meals	$ 114.00	6	2	$ 1,368.00	
7	FFS Training session	s49 - CTPI	3	2	s49 - CTPI	
8	Taxi Fares (FFS - Airport)	$ 30.00	3	2	$ 180.00	
9	Air Fares Melbourne - Brisbane	$ 300.00	6	2	$ 3,600.00	
10	Taxi fares Airport - GAW	$ 30.00	6	2	$ 360.00	
	Total cost of FFS				s49 - CTPI	
	Current Training method				**$23,018.69**	
	Net Cost to GAW of FFs option				s49 - CTPI	

s49 - CTPI

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Pages 178 through 423 redacted for the following reasons:
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Contrary to Public Interest
Sch 3(2) - Cabinet Information brought into existence on or after commencement
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