Licensing builders and building trades

Report 16: 2019–20

Queensland
Audit Office
Better public services

Your ref:
Our ref: 9171P

23 June 2020

The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Speaker

Report to parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled
Licensing builders and building trades (Report 16: 2019–20).

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

Yours sincerely

Karen Johnson
Deputy Auditor-General

Contents

Auditor-General's foreword

The Queensland public sector, local governments, and wider community are facing unprecedented challenges during COVID-19.

Government-led responses need to be supported by sound controls to manage any additional risks, and effective governance and leadership must continue. Trust and confidence in our system of government is important for it to operate effectively.

The Queensland Audit Office's role in providing independent oversight over matters of public concern or importance during periods of significant change is key. We are continuing our efforts around improving state and local government governance, internal controls, financial management, reporting and performance. During this demanding time, we continue to give our clients and the Queensland public confidence in government accountability and transparency.

We have been working with entities on how best to deliver our work. We know that some entities are facing difficulties as they change how they do their work and deliver their services, and we are changing our audit activities and services as needed.

I have adjusted my reporting program, including extending some timelines for client consultation and resultant tabling dates. Over the next six months, I expect we will table most of our planned reports, with some changes to performance audits as we respond to new priorities set by state and local governments.

It is important we apply the insights from our audits across government, including to new and emerging programs being delivered in response to COVID-19. In my reports, there are learnings that are useful to all entities around administration of government as we act on COVID-19 impacts.

Brendan Worrall
Auditor-General

Report on a page

In this audit we assessed whether the Queensland Building and Construction Commission (QBCC) effectively regulates the building industry by issuing and managing licences in a fair and balanced way.

Snapshot

This snapshot of our audit shows the importance of the building industry to the economy, industry changes, barriers QBCC faces, and key themes from our recommendations.

Queensland's building industry:

- Employs 230,000
- Contributes $46 billion to economy
- Around 91,000 active licences
- Less than one per cent of licences cancelled or suspended each year

Industry changes are creating new challenges and risks

Significant legislative reform is transforming QBCC into a risk-focused, insights-driven regulator

Barriers to change
QBCC changes are hindered by:

- lack of data, resources, skills and capability
- rate of legislative change
- delays in approving strategies and plans.

11 recommendations

- Maintain momentum to become a risk-focused regulator
- Improve planning and reporting
- Strengthen controls

Our conclusions

QBCC recognises the imperative to move from a complaints-driven licensing authority to a risk-focused, insights-driven regulator. It has the building blocks needed to transform the organisation as required but implementing and embedding these into the organisation is taking time. Progress is hindered by a lack of data, resources, skills, and capability.

Managing licences needs a more targeted compliance program to be fully effective. The current program, while driven by agreed priorities, is too operational.

QBCC has effective processes and probity checks in place to assess whether licence applicants meet requirements. There is a risk that fraud in relation to licence applications could go undetected. Control changes that are relatively easy to implement could mitigate the risk.

Our recommendations

We made 11 recommendations to help QBCC become a stronger and more effective regulator. They include strengthening controls and improving planning and reporting, and highlight the critical need for QBCC to commit resources and build capability as it moves to become a risk-focused, insights-driven regulator.

1.   About the audit

The building and construction industry (the industry) is a significant contributor to the Queensland economy. In 2018–19, it was responsible for employing around 230,000 people and contributing around $46 billion to the state.

Over the past 20 years, the industry has changed significantly. Building has become more complex and lifestyles have changed. The increase in high-rise, medium-density residential housing creates new risks and challenges for regulation. Events in other jurisdictions and overseas show what can happen if the behaviour of the building industry does not meet community expectations and accepted building standards.

Changes to the industry and legislation have significantly impacted the Queensland Building and Construction Commission (QBCC). In 2016, it refocused its role as a regulator, away from a complaints-driven licensing authority. QBCC now has more powers to enforce the integrity and probity of the sector and the community expects it to use these powers. But to become more risk-focused it needs better data, analytics and automation.

The industry is governed by legislation, codes, and standards designed to facilitate a strong and safe environment for both domestic and commercial building industry participants and for consumers.

QBCC provides four main services for Queensland's homeowners and contractors:

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

Licensing of commercial and domestic building and construction work can increase public confidence in the sector. It ensures people working in the industry satisfy and continue to meet minimum eligibility requirements, and have the skills, knowledge, and financial resources to competently carry out building work. Using or installing approved building products and maintaining building standards can minimise the risks of defective or incomplete building work, and reduce the risk of non-payment or late payment of debts for building work carried out.

How we performed the audit

The audit objective was to assess how effectively QBCC regulates the building industry by issuing and managing licences in a fair and balanced way. We did this by examining whether QBCC:

- maintains proper standards and processes to ensure only appropriately licensed operators work in the industry
- effectively regulates domestic building contracts to achieve a reasonable balance between the interests of the building contractors and consumers
- provides appropriate support, education, and advice about maintaining industry standards to those undertaking building work and to consumers
- effectively manages and reports on the performance of its core functions and operations.

The audit covered QBCC's licensing and education services. We did not examine the effectiveness of the Home Warranty Insurance Scheme or the non-conforming building products program.

2.   Audit findings

Licensing builders

The Queensland Building and Construction Commission (QBCC) has effective processes and probity checks in place to assess whether individuals and companies who apply for a licence meet the requirements. We identified two areas where potential fraud could go undetected or not be found in a timely manner. Some system access controls need tightening to reduce the risk of unauthorised changes.

QBCC relies on penalty provisions in the *Queensland Building and Construction Commission Act 1991* (QBCC Act) to deter licensees from providing false or misleading statements or documents. The QBCC Act does not require the applicant to lodge certified documents and QBCC has assessed the potential fraud risk as low. In 2019, the Special Joint Taskforce report recommended that the licence application process require applicants to provide proof of identity, including certified photo identification. The government accepted this recommendation, but QBCC has not yet implemented it.

These risks may mean that QBCC identifies fraudulent behaviour only after a breach has been found through compliance activities. However, nothing came to our attention to indicate that any fraud had occurred.

Disparate information technology systems across QBCC create inefficiencies, difficulties in data reporting and analytics, and data integrity risks. QBCC has an approved project to address this, but it is currently on hold as the skilled resources needed were used on other priority projects.

Staff are generally well trained, but there are opportunities to improve the training and guidance materials provided. A recently revised *QBCC Quality Assurance Framework* provides further assurance that licences are granted appropriately. We found that the Licensing Services Branch has embraced and implemented the framework. However, we found low levels of engagement and take-up in other parts of the business.

Monitoring and enforcing compliance

QBCC had a formalised and approved compliance and enforcement strategy in place for 2018–19, but has not had one since 1 July 2019. This is because QBCC considered the strategy was too operational, focusing on activity targets rather than impacts and outcomes. QBCC has developed a new regulatory strategy to guide its transition to a risk-focused, insights-driven regulator. QBCC only expects to finalise the new strategy around April 2020, after board approval and stakeholder consultation. The strategy will then take time to embed, partly due to its reliance on having better data, including financial data on licensees. In the meantime, business as usual has been driven by agreed priorities.

Insights-driven regulation relies on having appropriate information and data to form the necessary intelligence, and then using the intelligence to identify data-driven opportunities to improve regulatory outcomes. This will improve QBCC's ability to more accurately identify risks to the industry before they occur and to use identified risks in regulatory decisions. QBCC has developed its new regulatory strategy, but resource and capability gaps mean it could take three to five years to fully implement. It will require sustained attention and disciplined management by QBCC to translate its strategy into a targeted compliance program. Delays to implementing the strategy will hinder QBCC's ability to achieve its objectives and effectively manage the transition to a risk-focused regulator.

Since 2014, a lack of financial data on licences has contributed to QBCC's largely reactive audit activity addressing financial detriment. New laws introduced on 1 January 2019 mean that licensees must now provide financial information each year, which will provide QBCC with ongoing information on licensees' financial sustainability. QBCC needs to proactively use this data as a step to becoming a more risk-focused regulator.

QBCC has a robust complaints management process that generally operates effectively. However, improving record keeping will increase its effectiveness. QBCC takes appropriate enforcement actions against parties who breach their obligations, particularly since 2016 when it refocused on its core role as a regulator.

Providing education and support

QBCC provides a broad range of education and advice activities through different mediums and across different regions, with appropriate quality controls over information and products. Feedback received from licensees and consumers is generally positive, but the effectiveness and value of feedback are compromised by generally low response rates and lack of qualitative responses.

QBCC's Customer Contact Centre has not met key performance indicators since 2017, such as average speed to answer a call and percentage of abandoned calls. The recently redesigned integrated voice recognition system is expected to address this, but it is too early to assess its success. The current lack of status reporting for other education and support programs makes it difficult to accurately assess their timeliness.

QBCC is moving to a more strategic education and communication approach to better target higher risk areas and regulatory needs, but this is taking longer than expected, partly due to resource and capability gaps.

Managing and reporting performance

QBCC recognises the imperative to move from a complaints-driven licensing authority to a risk-focused regulator. It has identified the building blocks needed to transform the organisation into the required future state. These include, but are not limited to, a new regulatory strategy, governance frameworks, integrated planning, performance management processes, and project assurance.

QBCC is making progress with this transformation but implementing and embedding the changes into the organisation is taking time. QBCC has increased staff numbers gradually over the last 18 months but progress is hindered by a lack of skills and capability, including change management capability. The speed and volume of change, including legislative change, is also a factor.

Most of QBCC's performance measures are based on activity and output, rather than on outcomes. Its operational and management reporting are currently not sufficient to understand performance and enable informed decision-making. QBCC has not evaluated any of its core regulatory functions due to a lack of evaluation skills and ability.

3. Audit conclusions

Since 2016, the primary strategy for the Queensland Building and Construction Commission (QBCC) has been to refocus on its role as a regulator of the building and construction industry. This means focusing on areas that pose the greatest risk, or that threaten community safety and economic confidence in the sector.

To do this, QBCC needed to move from a complaints-driven licensing authority to a risk-focused, insights-driven regulator. While it has the building blocks to do this, implementing and embedding it into the organisation is taking time. Progress is hindered by a lack of resources, skills, and capability. The speed and volume of change, including legislative change, is also a factor.

Issuing licences and monitoring and enforcing compliance with licence requirements are key to QBCC's role, but it has more work to do to become an effective, risk-focused regulator. Managing licences needs a more targeted compliance program to be fully effective. The current program, while driven by agreed priorities, is too operational in its focus on activity targets rather than impacts and outcomes. This means that scarce resources may not be allocated towards the greatest risk of harm. Lack of financial data on licensees since 2014 has contributed to this operational approach. While new laws were introduced on 1 January 2019 meaning licensees must now provide financial information each year, it is too soon to know how well this will help QBCC to manage financial distress in the industry.

QBCC has good processes and probity checks in place to assess whether individuals and companies who apply for a licence meet eligibility requirements. There is a risk that fraud could go undetected, but control changes that are relatively easy to implement could mitigate this risk.

The lack of skills and resources was a root cause of many of the issues we found. For this reason, we looked at how well QBCC plans to meet its objectives and whether it reports effectively on its performance. QBCC needs to do more to embed its plans and processes. It is critical that QBCC allocates enough resources and develops its capability to finalise strategies, plans, and reporting frameworks to guide progress. It also needs to drive ahead with the steps needed to become an insights-driven regulator and enable it to prioritise regulatory effort where and when it is most needed.

Recommendations

Queensland Building and Construction Commission

We recommend that the Queensland Building and Construction Commission:

Compliance and enforcement

1. allocates enough resources to finalise and implement the steps needed to become an insights-driven regulator to enable it to prioritise regulatory effort where and when it is needed, including:

    - identifying areas of greatest risk and potential harm

    - focusing on high-value, high-complexity tasks (Chapter 5)

Licensing

2. reduces the risk of unauthorised system changes or fraud, by:

    - implementing a systematic process to remove and review the BUILD licence system access for staff who return to their substantive position once temporary roles are over (Chapter 4)

    - regularly reviewing audit log reports to ensure no unauthorised changes are made to BUILD data (Chapter 4)

3. implements recommendation 4 of the 2019 Special Joint Taskforce report that requires licence applicants to provide certified proof of identity photo identification (Chapter 4)

4. allocates and commits enough resources, with the required capability and skill, to implement its internal project to address the issue of disparate information technology systems (Chapter 4)

5. ensures the *QBCC Quality Assurance Framework* and program of quality assurance reviews are implemented across all business units covered by the framework (Chapter 4)

6. reviews and updates licence assessment training and support for staff, by:

    - reviewing procedural manuals and supporting tools to ensure they are up to date

    - formalising the training program, including setting learning objectives, to ensure all staff receive consistent and relevant training (Chapter 4)

Education and support

7. finalises and implements the *2019–20 Customer and Communications Operational Plan* and the supporting education and communication calendar.

    This should include allocating enough resources to deliver the program of activities (Chapter 6)

8. considers ways to assess and report on the quality and effectiveness of support, education, and advice provided to licensees and consumers to inform continual improvement (Chapter 6)

Managing and reporting performance

9. establishes clear milestones and firm time frames for implementing current and future planning activities, including:

   - determining regulatory strategies, outcomes, and goals

   - undertaking and finalising corporate, special purpose, and operational planning, including budgeting, and resource planning and utilisation (Chapter 7)

10. develops and implements further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness, including:

    - using the activity-based costings developed to implement an internal costing framework, so that consistent, reliable, and timely cost information is available on its resources and service activities

    - identifying clear service outcomes and measures to track the status and effectiveness of those goals, and management-level efficiency indicators to monitor and report on its operations and services

    - having clear accountabilities for all senior officers (Chapter 7)

11. develops the evaluation skills, capability, and processes needed for the formal assessment of the appropriateness, relevancy, process, effectiveness and/or efficiency of a program, service, initiative, or strategy (Chapter 7).

Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to the Queensland Building and Construction Commission. In reaching our conclusions, we considered its views and represented them to the extent we deemed relevant and warranted. The Queensland Building and Construction Commission's formal response is at Appendix A.

4. Detailed findings—licensing builders

This chapter is about how effectively the Queensland Building and Construction Commission (QBCC) manages processes to grant licences to individuals and companies who satisfy the relevant licence requirements.

Under s. 31 of the *Queensland Building and Construction Commission Act 1991* (QBCC Act), an individual is entitled to a contractor's licence if the QBCC is, on application by the individual, satisfied that the individual:

- has the relevant qualifications and experience required to hold a licence

- is a fit and proper person to hold the licence and can lawfully work in Queensland

- is not an individual who is excluded, disqualified, or banned from holding a licence under the QBCC Act

- satisfies minimum financial requirements for the licence

- does not have an unpaid judgement debt in relation to a claim under the Queensland Home Warranty Scheme.

Are QBCC processes to grant licences effective?

QBCC has effective processes and probity checks in place to assess whether individuals and companies who apply for a licence meet the eligibility requirements. The qualifications, experience and other requirements that an applicant must meet before they may be granted a licence are set out in legislation. Probity checklists and procedures used by staff reflect these requirements and processes, and adequately support decisions to grant or decline licence applications. Nothing came to our attention that indicates QBCC officers made incorrect decisions when granting licences. However, QBCC should reconsider the risk of accepting uncertified proof of identify documents. Poor access controls over the licensing system also present a fraud risk that needs mitigating.

Documentary evidence

QBCC does not routinely undertake validation checks to ensure the authenticity of the information provided by the applicant, such as proof of identity and relevant technical qualifications. This is because the QBCC Act does not require an applicant to lodge certified documents but has penalty provisions on providing false or misleading statements or documents. The consequences of providing false or misleading information are reinforced on the application form. While this legislative position is clear, it is possible that QBCC would only detect potential fraud by responding to complaints or undertaking compliance activity, rather than during the assessment process.

In June 2019, the Special Joint Taskforce report recommended that the licence application process require applicants to provide proof of identity, including certified photo identification. The government accepted this recommendation, stating it would be a simple change to help ensure the integrity of industry participants, but QBCC has not yet implemented this recommendation.

QBCC recently assessed the risk of accepting uncertified copies of qualifications and identity documents as low. Licensing officers undertake validation enquiries where any concern is identified. However, we still consider this a fraud risk and important that QBCC implement the Special Joint Taskforce report recommendation in a timely manner.

Fit and proper checks

DEFINITION

The QBCC Act provides the following considerations for QBCC when deciding whether an applicant is fit and proper to hold a contractor's licence:

- honesty and integrity in commercial and other dealings
- any failure to carry out commercial or statutory obligations and the reasons behind the failure
- whether they have done any defective work of significance
- whether they have failed to pay an infringement notice for an offence under the QBCC Act
- any other relevant factor (for example, criminal history).

QBCC has effective processes to appropriately consider whether an applicant meets the fit and proper criteria. The probity checklists and procedures require licensing staff to consider past behaviours or actions of an individual or company during the assessment process. They do this through a combination of manual and system-generated checks. Inbuilt controls mean the licensing system will not allow the application to be approved where a probity issue has been identified and not addressed. This may include complaints, insolvency history, previous history of offending, or monies owed.

All licence applications where there are potential fit and proper issues are referred to the Licensing Standards Unit for a detailed assessment and determination. The level of assessment depends on the concern circumstances, but may include national criminal history checks and inquiries with relevant courts, regulatory authorities, and police authorities. QBCC conducts face-to-face meetings with any applicant identified as high risk, to prove the veracity of information provided.

Having four teams within the Licensing Services Branch responsible for assessing and issuing licences enables QBCC to address both the complex nature of the licensing systems it administers and the harms that the licensing system seeks to manage.

Are QBCC's licensing systems fit for purpose?

Disparate information technology systems across QBCC create inefficiencies, difficulties in data reporting and analytics, and data integrity risks. Licensing staff use three separate systems to complete a licence assessment. The systems are not integrated, requiring staff to switch between the separate systems.

Across the organisation, QBCC uses four business systems and has identified a critical need for an integrated solution that provides timely access to accurate data. QBCC has an approved strategic project to address this, but it is currently on hold as the skilled resources needed were used on other priority projects. This system project is vitally important for QBCC to become an effective risk-focused, insights-driven regulator.

Access controls

QBCC does not have appropriate controls over the licensing system to ensure users only have access appropriate to their role and responsibilities. Poor access controls over the licensing system increase the risk that unauthorised deletions or changes to the status of a builders' licence would not be detected by management. QBCC has already commenced changes to mitigate these deficiencies in line with our recommendation.

Does QBCC have effective quality controls over decision-making for granting licences?

The Licensing Services Branch has internal control measures in place to promote quality decision-making. These include supervisor endorsement of higher-risk or complex decisions, weekly random reviews, and regular training. Assessments requiring a higher level of knowledge are escalated to specialist licensing officers. The licensing system also has inbuilt system controls to support the assessment process.

QBCC has implemented a revised quality assurance framework to provide further assurance that staff capability in terms of decision-making matches the requirements and expectations of the organisation. We found that the Licensing Services Branch has embraced and implemented the framework. However, in examining records for the whole of QBCC, we found low levels of engagement and take-up in other parts of the business.

Are QBCC licensing staff appropriately trained?

Procedure manuals and supporting tools to guide staff in the licensing assessment process are fit for purpose. Staff are trained by an experienced licensing officer using appropriate training materials consistent with licensing procedures. QBCC has a mentoring system in place for new employees.

However, we observed that some licensing staff refer to locally saved procedures that are no longer current. If staff refer to out-of-date information, there is a risk they may not follow the correct licence assessment process. QBCC should review procedures to ensure they are up-to-date and take steps to ensure staff are not referring to old materials.

QBCC has not formalised the licensing training program. It has no set learning objectives and outcomes, nor does it assess the effectiveness of its training activities in providing the required skills and knowledge.

5. Detailed findings—monitoring and enforcing compliance

This chapter is about how effectively the Queensland Building and Construction Commission (QBCC) monitors and enforces compliance with licence requirements, including how it investigates and manages complaints.

QBCC utilises powers available under current legislation to carry out a program of proactive and responsive activities to identify potential breaches of licence requirements and other compliance issues.

Is QBCC monitoring compliance strategically?

We found that while there was a formalised and approved compliance and enforcement strategy in place for 2018–19, QBCC has not had one since 1 July 2019. This is because QBCC considered the *2018–19 Compliance and Enforcement Strategy* was too operational. Although guided by identified priorities, actual activities were not well targeted, focusing on meeting activity quotas rather than impacts and outcomes. QBCC has developed a new regulatory strategy to guide its transition to a risk-focused, insights-driven regulator. However, the new strategy, the first of its kind developed by QBCC, is only scheduled for approval by the board in April 2020, after stakeholder consultation. The strategy will then take time to embed, partly because it relies on access to better data, which will take time to collect. In the meantime, business as usual has been driven by identified priorities.

Insights-driven regulation

The new regulatory strategy outlines QBCC's regulatory approach and identifies goals and key outcome indicators. It defines QBCC's strategy to become an insights-driven regulator using data-driven opportunities to improve regulatory outcomes. Insights-driven regulation will improve QBCC's ability to more accurately identify risks to the industry before they occur and to use data to inform regulatory decisions. This includes using insights to target unscrupulous and unlicensed contractors in place of random building site audits, and will allow for more effective resource allocation.

However, insights-driven regulation relies on access to appropriate data, from which to form the necessary intelligence. To embed insights-driven regulation into the organisation, QBCC needs to better leverage data, technology, and people capability. For the 2019–20 financial year, QBCC received $3 million of additional government funding to begin development of its program for insights-driven regulation.

QBCC has assessed it will take three to five years to fully implement all intended aspects of insights-driven regulation. It will require sustained attention and disciplined management by QBCC to translate its regulatory strategy into a targeted compliance program. Delays in implementing the regulatory strategy will hinder QBCC's ability to achieve its objectives and effectively manage the transition to a risk-focused regulator.

Is QBCC effectively monitoring compliance?

QBCC's current compliance program is guided by identified priorities, but the lack of a formalised strategy and program since 1 July 2019 means there is a risk that management oversight over performance is reduced. Compliance activities were appropriately reported to QBCC's executive and its QBCC board, but the effectiveness and overall success of these activities is not clearly measured.

QBCC met only seven of its 13 targets in the *2018–19 Compliance and Enforcement Strategy*. While some business areas exceeded the number of required proactive audits, others did not meet the minimum requirements outlined in the strategy.

No formal evaluation was undertaken following the strategy's completion to examine the true value of the compliance program.

Compliance priorities

QBCC's *2018–19 Compliance and Enforcement Strategy* addressed 10 compliance priorities, covering risks and issues such as reducing financial detriment, combatting unlicensed building work, and improving building quality. QBCC developed the 10 priorities using a risk-based approach that allowed QBCC to prioritise effort towards achieving its strategic objectives and identifying the highest risk impact. However, most of the actions or audit activities taken against each priority were not risk-based, resulting in an operational approach focused on activity targets rather than outcomes.

Since 1 July 2019, QBCC has continued to undertake activities guided by the 10 compliance priorities and other emerging priorities agreed by management. It is also guided by policies that assist QBCC to focus on matters that present the greatest risk to the industry and its participants, and to strategically discontinue matters that do not warrant ongoing investigation. One of the policies was developed following an identified need to prioritise matters for further investigation because of resource capacity. QBCC is currently reviewing the effectiveness of this policy.

Compliance with minimum financial requirements

One of QBCC's 10 compliance priorities was to avert licensees causing financial detriment to participants of the building and construction industry. Compliance activities addressing this priority included industry education audits of licensees' financial records through an approved audit program, ensuring establishment of project bank accounts where legally required, and prosecution of anyone found to have provided false or misleading documents or to have avoided contractual obligations causing significant financial loss.

Since 2014, QBCC audit activity has been largely reactive, as it did not have the financial information on licensees needed to identify any potential insolvency issues. The main triggers for audits to assess insolvency risks were monies-owed complaints. On 1 January 2019, the Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018 commenced, meaning that licensees must now provide financial information each year. Licensees' annual reporting will provide QBCC with ongoing information on the financial sustainability of licensees and help QBCC to identify licensees without an appropriate level of working capital. The first annual reports were due on 31 December 2019. This is in addition to financial information licensees must provide when applying for a licence.

Identifying unlicensed builders

Another compliance priority is to identify individuals or companies carrying out, or offering to carry out, work without the appropriate licence. QBCC aims to identify individuals operating without a licence through planned compliance activities and through the investigation of complaints, claims, and disputes.

If QBCC gathers enough evidence during site interviews to establish a potential breach, they refer the licensee for investigation as a suspected unlicensed contractor.

Figure 5A shows the interviews conducted between 2013 and 2019, and the corresponding numbers of suspected unlicensed contractors identified. The low rate detected indicates that this approach is not the best use of resources. In 2018–19, the rate of suspected unlicensed contractors was 1.4 per cent of contractors interviewed. QBCC does not record how many of these are confirmed and then subject to enforcement action.

Figure 5A
Number of suspected unlicensed contractors 2013–2019
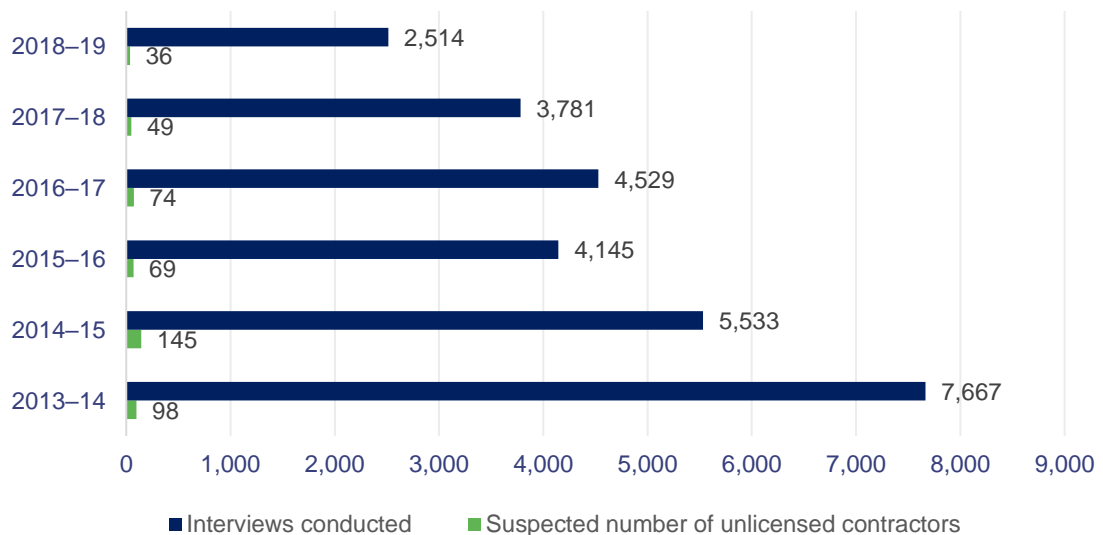
Source: Queensland Audit Office based on data extracted from QBCC annual reports.

Unlicensed contracting results in an infringement notice, prosecution, or disciplinary action. Once action is taken, QBCC does not effectively monitor those individuals to bring them back into compliance or check if they re-offend. However, under the new regulatory approach QBCC will use this information to develop intelligence to target areas of greatest harm.

Risk-based compliance

On a regional visit to Townsville, we heard of a proactive compliance activity that was devised outside the compliance and enforcement strategy to target a potentially high-risk event.

The following case study summarises the activity and resulting outcomes, showing that the approach enabled QBCC to identify a higher proportion of unlicensed contractors than through usual compliance activities. The proactive approach demonstrates QBCC's flexibility, capacity, and capability to quickly develop and deliver an effective targeted proactive compliance program.

Case study 1
A case study in proactive compliance

Townsville floods 2019
The significant weather event that occurred in the Townsville region in early 2019 saw thousands of homes inundated with flood water.

QBCC has identified that after such events the community is at greater risk of using unlicensed builders, receiving defective building work, and not having the protection of a legal contract or insurance policy. To support the community in its recovery, QBCC developed and implemented a disaster response plan within a week.

Key outcomes from the plan included:

- effective compliance outcomes through an intense program of proactive work, including unannounced site inspections and engagement; a total of 196 site visits resulted in

  – identifying 19 suspected unlicensed contractors and one excluded individual carrying out (or offering to carry out) building work

  – 52 contractors were provided with advice on licencing requirements and undertaking building work through the QBCC's Service Centre in Townsville or during site visits

- positive feedback from licensed contractors, particularly around the proactive approach used by QBCC.

Source: Queensland Audit Office based on information and data from QBCC Flood Disaster Audit Townsville Regional Service Centre – Phase 3 and Phase 4 Outcome Reports.

Does QBCC manage complaints in a timely, fair, and balanced way?

QBCC has a robust complaints management process that generally operates effectively and clear guidelines and review processes to ensure complaints are dealt with appropriately. However, improving record keeping will increase its effectiveness.

QBCC receives complaints about potential compliance breaches, potential defects, financial concerns, and safety issues. It does not have enough resources to pursue all the complaints it receives. QBCC uses a triage policy to guide the assessment of all complaints and notifications received, and direct resources to investigating matters that are likely to provide the greatest overall benefit for consumers and industry.

QBCC facilitates the resolution of complaints in two ways:

- if the contract is not completed—through an early dispute resolution service for disputes between principal contractors and consumers or between principal contractors and subcontractors, concerning building defects, non-completion, and contractual issues

- if the contract is completed—through a dispute resolution process to help consumers and contractors resolve problems when things go wrong and the consumer and builder cannot agree on an outcome. The dispute resolution process can only be initiated by consumers. QBCC does not offer a dispute resolution process between contractors and subcontractors once the contract is complete.

In 2018–19, QBCC met or exceeded three of its four timeliness measures relating to early dispute resolution cases. It does not have measures on the timeliness of claims or dispute cases received after contract completion.

The complaints management process is thorough and well documented. Assessment guidelines are available to help staff, and provide information about thresholds and required supporting evidence.

Our testing to assess whether the complaints process was effective and timely identified some minor errors. These were mainly around poor record keeping—such as lack of evidence in the case file to substantiate that required searches had been completed as part of the initial assessment. Further checks confirmed these errors had no impact on the final decision. However, inconsistent or incomplete record keeping has the potential to compromise the overall effectiveness of the process.

Appendix C contains a flow diagram of the complaints management process.

Does QBCC respond effectively to non-compliance?

QBCC has processes in place to effectively implement enforcement action. It provides clear procedural guidance for staff on how enforcement action is to be implemented.

QBCC uses a range of enforcement options if a licensee or unlicensed individual fails to comply with legislation or there is a serious breach of relevant laws. In 2016, QBCC renewed its focus on its core role as a regulator; this correlates with a significant increase in enforcement action.

Enforcement options

Enforcement options include stop-work orders, disciplinary actions, penalty infringement notices and demerit points, and suspending and cancelling licences.

Enforcement action and outcomes are reported regularly to the Senior Leadership Team and QBCC board. Regular team meetings and discussions within the compliance unit also provide an opportunity to discuss specific cases and courses of enforcement action.

Externally, QBCC reports on selected enforcement actions through its annual report, including the issuing of warnings, infringement notices, and demerit points. Figure 5B shows the externally reported enforcement actions taken by QBCC between 2013 and 2019.

Figure 5B
Enforcement actions 2013–2019
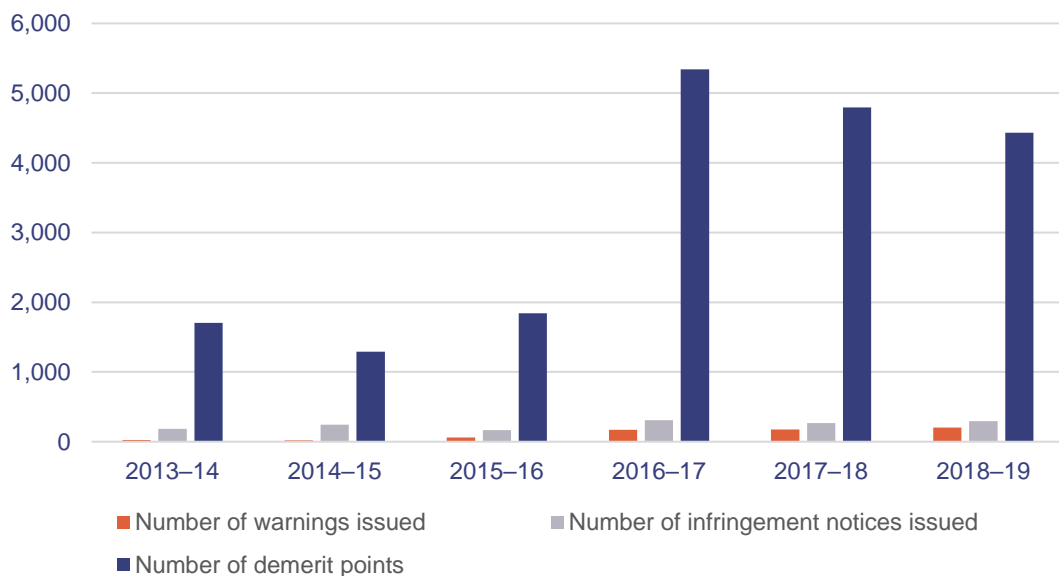
Source: Queensland Audit Office based on data extracted from QBCC annual reports.

There was a significant increase in the number of warnings, infringement notices, and demerit points issued by QBCC between 2015–16 and 2016–17. Most significantly, the demerit points issued increased by 190 per cent. The increase reflects the purposeful refocus by QBCC on its core role as a regulator and its allocation of greater resources and energy on compliance activities.

Licence cancellations and suspensions

QBCC has the legislative capability to cancel or suspend a licence if a licensee breaches their licensing obligations, usually resulting in a serious risk of substantive harm posed by a licensee to industry participants or consumers. For example, QBCC may suspend a licence due to defective or incomplete building work resulting from inadequate supervision, non-payment of debts, and endangering or causing significant financial or other harm to industry participants or consumers.

As of 30 June 2019, there were 91,164 active licences in Queensland (an increase of about 4.5 per cent since 2015–16). In the 2018–19 financial year, QBCC cancelled 280 licences and suspended 495. This equates to less than one per cent of all licences being cancelled and/or suspended.

Figure 5C shows the numbers of licences cancelled and suspended since 2015.

Figure 5C
Numbers of licences cancelled and suspended by QBCC from 2015–2019
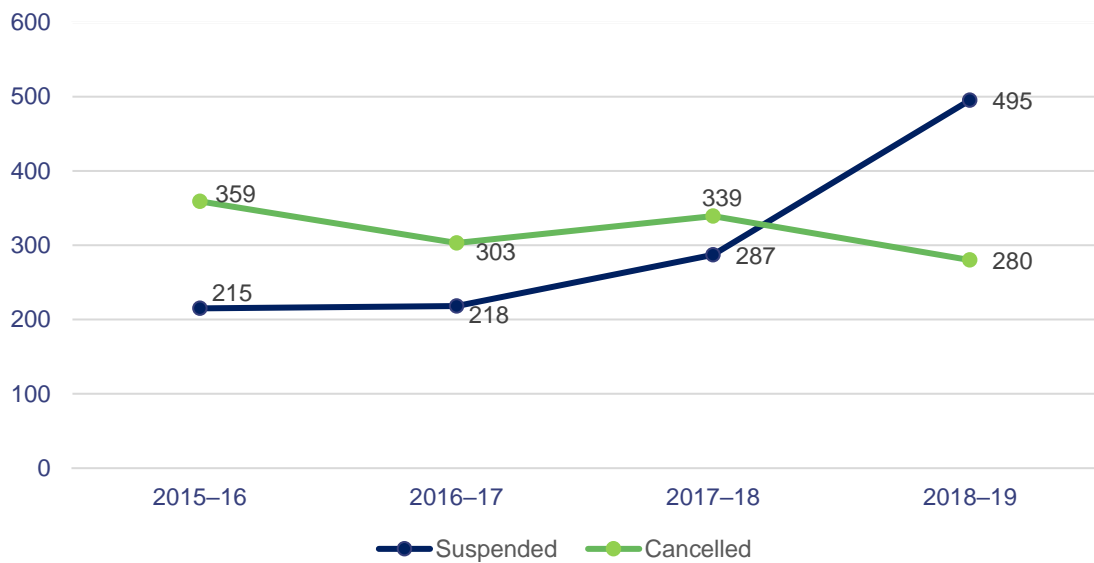
Source: Queensland Audit Office based on data extracted from QBCC annual reports.

Since 2015, the number of licences cancelled by QBCC has decreased by 22 per cent, while the number of licences suspended has increased by 130 per cent. The largest increase was in 2018–19, which corresponds to the move to a more risk-based approach to compliance. Almost 43 per cent of licences suspended in 2018–19 was due to a breach of minimum financial requirements. This correlates with one of QBCC's compliance priorities—to avert licensees causing financial detriment to participants in the building and construction industry.

6. Detailed findings—providing education and support

This chapter is about whether the Queensland Building and Construction Commission (QBCC) provides support, education, and advice to those who undertake building work and to consumers in a way that is appropriate, accurate, and timely.

QBCC currently:

- delivers education seminars and webinars to consumers and contractors

- produces fact sheets and publications on a range of building industry issues

- provides information and support through its Customer Contact Centre, website, social media, and email.

Does QBCC have an effective strategy to drive education and support services?

QBCC is moving to a more strategic approach to providing education and support, based on insights-driven regulatory needs. However, this is taking time to implement and there is a risk that the current education and training program is not sufficiently targeted to support the achievement of a well-skilled industry with well-informed consumers.

The delay is mainly because the regulatory strategy (which identifies risks and harms for the building industry) is not yet approved. The regulatory strategy will provide further input on education and communication priorities needed before QBCC can finalise its customer and communications operational plan for 2019–20. However, work on the 2020–21 plans should have commenced in December 2019. Other reasons cited for delays in finalising the plan and resulting program of activities include lack of resources and diverting effort to emerging and higher priority activities.

In the absence of an approved plan, QBCC has a calendar of education and communication activities. It developed this through consultation across the business, stakeholder feedback, and aligning it with QBCC's strategic plan, compliance and enforcement operational plan and the *Queensland Building Plan.*

While QBCC does not currently report formally on its progress against the education and communications calendar, we found that six of the ten high-priority campaigns for 2019–20 were complete or in progress (as at December 2019). In comparison, we were advised that only half the campaigns on the 2018 calendar were completed, including four of the eight high-priority campaigns. This indicates either a lack of allocated resources in 2018 to carry out priority campaigns, an ad hoc approach, or a combination of both.

Does QBCC provide accurate and timely advice?

QBCC provides a broad range of education and advice for licensees, consumers, and other stakeholders. It provides education and advice through multiple mediums and across different regions.

Adequate and appropriate information is available about how to apply for a licence and maintain industry standards. However, anecdotal feedback indicates some people find it challenging to navigate the website to access information.

Upcoming events are advertised through email, social media, and on QBCC's website. However, the website link to events is not easy to find. This could mean that licensees, consumers, and other stakeholders miss critical information around licensing requirements and building standards. QBCC is looking at ways to improve the website within the confines of its existing technology.

The lack of formal reporting on progress against the education and communications calendar made it difficult to accurately assess the timeliness of education and support. However, we did find evidence that for significant industry changes, such as project bank accounts and the move to annual financial reporting, QBCC provided a range of information regularly throughout 2018 and 2019. These included Tradie Tours, information sessions, webinars, and web-based information. Tradie Tours are state-wide, face-to-face information sessions for contractors.

Written information is well presented and includes fact sheets, information packs, and frequently asked questions developed from enquiries received through the Customer Contact Centre. QBCC applies a quality assurance and approval process to content that suits the complexity and importance of the information it publishes.

Education for licensees

QBCC provides education programs and advice for licensees, such as Tradie Tours, including technical information about common defects, new standards, legislation and regulation requirements and changes, and best practice methods. These programs are also available to others working with licensees, such as bookkeepers, accountants, and legal representatives. QBCC often partners with industry stakeholders for education programs, such as technical subject matter experts, the Australian Taxation Office, and Australian Securities and Investment Commission.

Tradie Tours are particularly well received by attendees. The aim is to educate industry on high-risk matters where informing stakeholders may lead to positive compliance outcomes. Technical topics address common defects. Non-technical topics are based on regulatory changes and requirements, or feedback received from stakeholders.

Education for consumers

QBCC provides consumers with information about their rights and responsibilities when purchasing building work. It provides relevant information on its website and through education programs (such as homeowner information sessions and an information stand and seminars at the Brisbane Home Show).

QBCC maintains a licensee register, which can be accessed through its website. This enables consumers and building industry participants to confirm that a contractor is appropriately licensed and review a contractor's licence history. The register contains information about each licensee, including: the classes of licence held; any offences committed by the licensee; and any demerit points, licence suspensions, or cancellations.

QBCC also offers a search allowing consumers to find a licensed contractor in their local area.

Customer Contact Centre

The QBCC Customer Contact Centre receives almost 90 per cent of enquiries by phone, and QBCC anticipates the number of calls is likely to increase. For the last two years, the Customer Contact Centre has not met key performance indicators such as average speed to answer a call and percentage of abandoned calls.

The Customer Contact Centre is considered the frontline to support licensees in complying with building industry standards and assisting consumers to understand their rights and responsibilities. The centre has around 50 staff trained to provide general advice and assistance on licensing and compliance requirements, changes in legislation, and complaints and disputes.

Figure 6A shows that QBCC has not met its Customer Contact Centre targets since 2017.

Figure 6A
Customer Contact Centre data 2017–18 to 2019–20 (July–December 2019)

KPI	Target	FY 2017–18	FY 2018–19	FY 2019–20 YTD
Average speed of answer	5 minutes	6.47 minutes	10.19 minutes	6.56 minutes
Abandoned calls	<15%	21%	28%	21%
Average handling time	7 minutes	8.2 minutes	9.03 minutes	8.17 minutes

Note: KPI—key performance indicator; FY—financial year; YTD—year to date.

Source: QBCC Customer Contact Centre dashboard data.

QBCC recently redesigned its integrated voice recognition (IVR) system to reduce customer effort, make language more relevant and meaningful, and ensure the caller is connected to the most appropriate officer. It anticipates the system will improve Customer Contact Centre performance and address the anticipated increase in enquiries due to significant regulatory, technological, and legislative changes.

QBCC implemented the Customer Contact Centre changes in October 2019. But it is too early to assess whether the IVR improvements will result in better response and handling times. Response and handling times improved in November 2019, but there was an upward spike in December 2019 due to the large number of queries (35,808 inbound calls in December against a year-to-date average of 22,540) relating to the implementation of minimum financial reporting (MFR) annual reporting requirements.

QBCC anticipated the significant increase in enquiries relating to the implementation of the MFR annual reporting by deploying extra resources, extending call centre hours and introducing new work practices. These practices included providing a specific IVR queue for annual reporting calls, creating guidance for staff to ensure consistency, and information for licensees on its website. QBCC also updated the Frequently Asked Questions section on its website, in response to common queries received. Between 28 October 2019 and 23 February 2020, QBCC took 35,929 phone calls regarding MFR annual reporting with an 8:13 minute average handling time and two per cent abandoned calls. The average handling time again exceeded the target of seven minutes, but the percentage of abandoned calls was a significant improvement on trends since 2017 and well under the 15 per cent target.

Does QBCC seek feedback to improve its education services?

QBCC has several feedback mechanisms in place to assess the success of its communication, education, and engagement. However, the effectiveness and value of these mechanisms is compromised by low response rates and a lack of qualitative data.

QBCC sends feedback forms to customers who attend an education event or make an enquiry. The survey asks customers to rate their experience, trust of QBCC, and how easy it was to deal with QBCC. The data is collated and used to determine the service delivery statement (SDS) measures and key performance indicators (KPIs).

Prior to July 2019, QBCC prepared monthly customer satisfaction reports and annual customer insight reports, which it circulated to business units for information. These reported on the SDS measures, KPIs, and qualitative analysis of themes from customer comments.

From 1 July 2019, the survey forms were amended to exclude open text boxes for customer comments, removing opportunities for customers to provide qualitative responses. This means the business may miss out on useful information to explain ratings, pinpoint specific issues, and find out what customers are looking for.

We were advised that the rationale to no longer collect qualitative feedback was linked with QBCC's shift from a customer-centric organisation back to a regulator. QBCC's concern was that where a decision goes against what the customer wanted, they may give unfavourable comments regardless of whether the process and service were effective. We acknowledge this concern when seeking qualitative feedback on complaint management. However, removing the option for customers to provide open comments from all survey forms means that QBCC does not know how effectively it provides support, education and advice for those who undertake building work and consumers.

QBCC still produces campaign reports on each Tradie Tour, including a lesson learned section.

7. Detailed findings—managing and reporting performance

This chapter is about how well the Queensland Building and Construction Commission (QBCC) manages the performance of its functions and operations, including its governance processes over high-risk/high-value projects.

There are legislated performance management requirements for public sector entities covering:

- planning—to determine what outcomes are to be achieved for customers, stakeholders and the community
- measuring and monitoring performance—to know and be able to demonstrate the entity is operating efficiently, effectively and economically
- public reporting—to facilitate accountability.

Does QBCC have an effective performance-management framework?

Prior to late 2018, QBCC did not have a performance-management framework to guide governance, planning, and reporting, which resulted in ad hoc, inconsistent, and insufficient practices. QBCC then developed the enterprise performance management framework to help deliver on its objectives and core role as a regulator. However, it has not been fully implemented because of resourcing and capability constraints.

The framework has six workstreams:

- operational excellence
- governance
- business planning
- risk management
- performance reporting
- data and technology.

QBCC conducted a maturity assessment on each that identified significant gaps between its current practices and desired future state. On a maturity scale of 1 to 5 (1 being initial, 5 being efficient), QBCC rated all its workstreams 1 or 2. Business planning, performance reporting and data were rated 1. This was because of limited business planning and failure to collaborate across the organisation. Data in performance reports produced was uncoordinated and metrics were not aligned to the strategy.

QBCC has identified initiatives to improve each workstream. It is vital that it implements all initiatives in a timely manner to better manage the transition to a risk-focused regulator and help achieve its objectives. QBCC has recently recruited senior, suitably skilled staff to implement the framework and initiatives.

Does QBCC effectively plan to achieve its objectives?

While QBCC has robust processes to develop its organisational plans, its planning is not fully effective because its governance processes need improvement.

QBCC has finalised and approved both a *2019–23 Strategic Plan* and *2019–20 Corporate Plan*. However, at the time of the audit, management had not formally approved the supporting 2019–20 operational plans for each division. This reduces management's ability to monitor its achievement of QBCC's service outcomes and hold staff accountable.

As reported in earlier chapters of this report, QBCC had also not finalised its 2019–20 regulatory strategy or education and engagement plan. This means the specific-purpose plans that cascade from strategic corporate plans are not happening in a timely way. There is a risk QBCC is not adequately monitoring initiatives or maximising its resources effectively.

QBCC has an Integrated Business Planning Framework that details the essential business planning requirements for it to deliver its strategic objectives. The framework describes the various plans and reports required.

QBCC should have started work on its 2020–21 operational plans in December 2019. But this was delayed due to QBCC prioritising its resources to develop special purpose projects for the implementation of major new laws.

Does QBCC measure, monitor, and report on its performance?

QBCC monitors and reports externally on the effectiveness of its services through its service delivery statement (SDS) and annual report. However, its measures are largely activity and output based, rather than outcome focused. It does not provide a material assessment of the efficiency of its services to the building and construction sector.

Performance reporting

QBCC has a documented performance reporting framework that specifies three approaches to reporting—external reporting, operational reporting and management reporting. Currently, QBCC's operational and management reporting are not done well enough to understand performance and enable informed decision-making. QBCC does not have the skills or capability to carry out program evaluations.

External reporting

QBCC's service delivery statement includes 11 measures: two effectiveness measures, one efficiency measure, and eight other measures.

The efficiency measure, on debt recovery, only covers 1.2 per cent of its service budgeted expenses. Therefore, the measure does not provide a material assessment of the efficiency of its services.

QBCC does not have appropriate efficiency measures because it does not currently capture activity costs. In April 2018, QBCC identified activity-based costings for its three main services of licensing, enforcement and compliance, and technical services. The costing data are repeatable and QBCC could potentially use these to develop better efficiency measures to monitor its services.

The eight other measures are essentially activity measures. QBCC should establish more appropriate performance indicators so it can measure the extent to which it achieves its objectives and outcomes.

Figure 7A shows the service delivery statement measures and performance from 2016–17 to 2018–19. Prior to 2017–18, QBCC reported only activity or output measures. Effectiveness and efficiency measures were introduced from 2017–18. In 2018–19, QBCC met or exceeded six measures and did not meet five, including the effectiveness measures.

Figure 7A
SDS measures—Performance 2016–17 to 2018–19

SDS measure	Target	2016–17[5] actual	2017–18 actual	2018–19 actual
Effectiveness measures				
Perception of fairness in decision-making: percentage of survey respondents agree the final decision was fair	65%	NA	65%	56%
Percentage of decisions overturned by the Queensland Civil and Administrative Tribunal	4%	NA	2.3%	6%
Efficiency measure				
Cost of recovering $1.00 of funds owed to creditors	$0.70	NA	$0.77	$0.47
Other measures				
Percentage of early dispute resolution cases finalised within 28 days	80%[1]	88%	94%	80%
Average number of days to process licence applications	30 days	23 days	15 days	20 days
Percentage of owner-builder permits approved within 15 working days	90%	91%	92%	100%
Percentage of adjudication applications referred to an adjudicator within 4 days	98%[2]	97.6%	98%	97%
Percentage of insurance claims for defective work assessed and response provided within 35 business days	50%[3]	30%	59%	50%
Percentage of internal review applicants contacted within 2 business days	95%	95.7%	96%	96%
Average processing time for an early dispute resolution case (in working days)	28	NA	10	15
Average approval time for defects claims less than $20,000 (in working days)	35[4]	NA	36	45

Notes: [1] Target in 2016–17 was 90%.
[2] Target in 2016–17 was 97%; legislative changes on 17 December 2018 meant target and actual was 100%.
[3] Target in 2017–18 was 33%, and in 2016–17 was 90%.
[4] Target in 2017–18 was 31 days.
[5] Data for five targets not available in 2016–17.
NA—not applicable.

Source: Queensland Audit Office based on information from service delivery statements.

Operational and management reporting

QBCC's performance reporting framework specifies that specific-purpose plan owners must provide the commissioner with a quarterly status report covering achievements and progress to date against objectives and activities, and risks and issues potentially impeding delivery. The Senior Leadership Team should also report on its operational plans' performance in monthly one-on-one meetings with the commissioner, utilising its monthly key performance indicator (KPI) scorecard report. QBCC has not effectively implemented either of these reporting mechanisms. While monthly meetings occur and there is a scorecard report template for each division, managers are not yet populating the scorecards. Specific-purpose plan reporting is not happening because none of the plans have been approved.

Program evaluation

In addition to measuring and monitoring performance, government agencies should have processes for the formal evaluation of policies and related services (including performance measures) to enable continuous improvement in service delivery. QBCC has not evaluated any of its core regulatory functions. This is due to a lack of evaluation skills and ability. Evaluations are an essential tool to strengthen efficiency and demonstrate outcome effectiveness.

Does QBCC have an effective framework to manage its projects?

QBCC has developed a *Project Development and Implementation Framework* to guide its strategic and high-risk/high-value projects and initiatives. A Portfolio Governance Committee provides management oversight and control. The defined methodology and project control processes are in line with good practice, but resource and capability gaps and competing priorities have compromised execution to date.

Oversight and control

QBCC has a Portfolio Governance Committee (PGC) that provides overall control and assurance over the approved program of strategic projects. QBCC clearly defines responsibilities and accountabilities in the committee charter, project business cases, and status reports. Portfolio and project reporting are in line with good practice. However, we noted five of the 12 scheduled PGC meetings in 2019 were cancelled, weakening what could be a strong assurance process.

QBCC has adopted the *Project Development and Implementation Framework*, which is based on a recognised project and program methodology and includes processes to monitor and control strategic and high-risk/high-value projects. Until recently, the execution of these monitoring processes was sometimes compromised by a lack of resources and capability and/or by competing priorities. However, newly created roles will be responsible for the leadership, oversight, and delivery of QBCC's strategic projects.

QBCC is currently delivering seven strategic, high-risk/high-value projects with total approved budgets of $16.1 million. It is important, given the significant change QBCC is experiencing, that the Project Management Office is adequately and appropriately resourced with the right people who are not reallocated to different tasks.

Appendices

A. Full responses from entities

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the Queensland Building and Construction Commission. We also provided a copy to the Department of Housing and Public Works for its information.

The head of these agencies are responsible for the accuracy, fairness and balance of their comments.

This appendix contains their detailed responses to our audit recommendations.

Comments received from Commissioner, Queensland Building and Construction Commission

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION

Contact: Brett Bassett
Office: Brisbane
Telephone: 139 333
Fax: 3225 2999

11 June 2020

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

Dear Mr Worrell,

RE: PERFORMANCE AUDIT ON LICENSING BUILDERS AND BUILDING TRADES

Thank you for your letter dated 22 May 2020 regarding the proposed report to Parliament and the recommendations made as an outcome of the recent performance audit.

I acknowledge the report's conclusions and wish to thank you for the recommendations made to improve in the areas of licensing, monitoring and enforcing compliance, providing education and support to licensees and consumers, and improvements to the way in which the QBCC manages and reports on performance.

The QBCC has commenced implementing the recommendations and we are very optimistic that these improvements will be delivered within the timeframes we have indicated in the attachment.

Thank you for the opportunity to provide our feedback and also please convey our thanks to your officers, who conducted the audit with the utmost professionalism. We look forward to assisting your officers again during the follow-up audit.

If you require any further information or assistance with this matter please contact me directly.

Yours sincerely,

Brett Bassett
COMMISSIONER
QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION

Enc.

Responses to recommendations

Queensland Audit Office
Better public services

Queensland Building and Construction Commission

Licensing builders and building trades

Response to recommendations provided by the Commissioner, Queensland Building and Construction Commission (QBCC) on 11 June 2020.

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
Compliance and enforcement			
1. allocates enough resources to finalise and implement the steps needed to become an insights-driven regulator to enable it to prioritise regulatory effort where and when it is needed, including: • identifying areas of greatest risk and potential harm • focusing on high-value, high-complexity tasks (Chapter 5)	Agree	Q2 2021 (April-June)	Phase 1 of the QBCC's Insights Driven Regulator (IDR) project will be completed by 30 June 2020. Following recent Board endorsement of the Regulatory Strategy, the IDR capability will continue to support the rollout of a targeted compliance program over the next 4 years, providing QBCC officers with insights based on real-time data to make better informed, high-value compliance and enforcement decisions, which are often difficult due to the high-complexity of the issues. This will ensure focus is better directed to the areas of greatest risk and potential harm. To ensure there is sufficient ongoing resources allocated, next steps include undertaking a workforce capability analysis across the QBCC, to identify what is required to support the uplift in both insights capability and capacity, with sufficient levels of digitally-literate FTE who are capable of utilising data meaningfully in the application of business intelligence, machine learning and cognitive automation techniques. It is envisaged this workforce strategy will be completed by 31 December 2020 and budget and resource allocation will commence from 1 July 2021.

1

Queensland
Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
Licensing			
2. reduces the risk of unauthorised system changes or fraud, by: • implementing a systematic process to remove and review the BUILD licence system access for staff who return to their substantive position once temporary roles are over (Chapter 4) • regularly reviewing audit log reports to ensure no unauthorised changes are made to BUILD data (Chapter 4)	Agree	Q3 2020 (July-September)	The QBCC is strengthening processes to: • review and remove access to the BUILD licensing system when temporary staff return to their substantive roles within the QBCC; and • regularly review audit log reports to ensure no unauthorised changes are made to BUILD data.
3. implements recommendation 4 of the 2019 Special Joint Taskforce report that requires licence applicants to provide certified proof of identity photo identification (Chapter 4)	Agree	Q4 2020 (October- December)	Work has commenced to determine the requirements to integrate the new initiative of photo identification for new licence applications, which will be implemented as an activity in the FY 2020/2021 Operational Plan and delivered by 31 December 2020.
4. allocates and commits enough resources, with the required capability and skill, to implement its internal project to address the issue of disparate information technology systems (Chapter 4)	Agree	Q3 2020 (July - September)	A business case was approved in 2017 and the subsequent annual tranche project documents have been reviewed and remain materially correct. These include works that would consolidate the user experience for the information systems being subject to this recommendation. Updated estimates including provision for new groups in the QBCC have been completed. This project will be submitted for funding consideration for the FY 2020/2021. A revised Information Services Roadmap will be developed and approved by 30 September 2020. This will enhance the understanding of what IT systems need to be enhanced; the resources and budget required; and the overarching impact on supporting the organisation.

2

Queensland
Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
5. ensures the Quality Assurance Framework and program of quality assurance reviews are implemented across all business units covered by the framework (Chapter 4)	Agree	Q3 2020 (July-September)	From 1 July 2020 the Commissioner will direct that every SLT member commits and reports on a monthly basis on the application and implementation of the QA Framework
6. reviews and updates licence assessment training and support for staff, by: • reviewing procedural manuals and supporting tools to ensure they are up to date. • formalising the training program, including setting learning objectives, to ensure all staff receive consistent and relevant training (Chapter 4)	Agree	Q4 2020 (September – December)	Processes are established and being implemented for: • reviewing the Licensing Services procedure manual on an ongoing basis (integrating governance controls showing version date and numbering on the manual as evidence of regular updates). The Future of Work project is specifically supporting the review of all manuals and this work will be completed by October 2020. • maintaining regular liaison with the QBCC's Learning & Development (L&D) Team to ensure all staff receive consistent and relevant training in the procedures, including revisions to the Licensing Services procedure manual. The L&D system will record evidence of each staff member having undergone training.

3

Queensland Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
Education and support			
7. finalises and implements the 2019–20 Customer and Communications Operational Plan and the supporting education and communication calendar. This should include allocating enough resources to deliver the program of activities (Chapter 6)	Agree	Q2 2020 (April-June)	The 2019–20 Customer and Communications Operational Plan was finalised and implemented with quarterly reporting as an ongoing management control. The Education and Communication Calendar will be developed as a part of the Communications and Engagement Strategy by 30 June 2020. This supports the Regulatory Strategy and organisational needs. Reporting and evaluation of the success of each campaign will be conducted after the campaign is completed. An annual review of completed calendar activities will be conducted at the end of each financial year.
8. considers ways to assess and report on the quality and effectiveness of support, education, and advice provided to licensees and consumers to inform continual improvement (Chapter 6)	Agree	Q2 2021 (April-June)	The QBCC will consider customer feedback channels to assess and report on quality and effectiveness of education and advisory services for licensees and consumers, by 30 June 2020. This data will be used to enable continual improvement and quarterly reporting. Market research will be considered where it provides value for money. As part of the QBCC's Integrated Business Planning process, management will be required to assess and report on customer and communications performance by utilising the outcomes and metrics as documented in the Communications & Engagement Specific Purpose Plan. The results of this will inform the QBCC's continuous improvement intent and transformation agenda.

4

![Queensland Audit Office — Better public services]

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
Managing and reporting performance			
9. establishes clear milestones and firm timeframes for implementing current and future planning activities, including: • determining regulatory strategies, outcomes, and goals • undertaking and finalising corporate, special purpose, and operational planning, including budgeting, and resource planning and utilisation (Chapter 7)	Agree	Q2 2020 (April-June)	The QAO final report acknowledges the various frameworks which have recently been introduced and being implemented, to ensure current and future planning, budgeting and resource allocation activities are undertaken within sufficient timeframes, to enable plans to be implemented from 1 July each year. Evidence of ongoing commitment to these undertakings will be available for review by the QAO, by 1 July 2020, by the production of a full suite of strategic, corporate, special purpose, program/project portfolio and operational plans, with associated budgets and resource allocations.

5

Queensland Audit Office

Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
10. develops and implements further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness, including: • using the activity-based costings developed to implement an internal costing framework, so that consistent, reliable, and timely cost information is available on its resources and service activities • identifying clear service outcomes and measures to track the status and effectiveness of those goals, and management-level efficiency indicators to monitor and report on its operations and services • having clear accountabilities for all senior officers (Chapter 7)	Agree	Q4 2020 (September-December)	The QBCC is well-advanced with implementing further elements of its performance management framework. Performance reporting of clearly identified service outcomes and development of individual plans for all senior officers to drive accountability are on track, to enable the delivery of clear and transparent reporting for the period ending 31 December 2020. These individual plans will be aligned and cascade from a revised Corporate Plan and the subsequent Operational Plans by division and the Specific Purpose Plans by function. While the QBCC is currently reporting on metrics for the Commissioner utilising a simple dashboard, the QBCC is working towards delivering on a more sophisticated suite of performance reports in a visualisation tool, to enable senior management to monitor efficiency indicators and track the status and effectiveness of goals. The new tool is on track to be implemented by 31 December 2020. The QBCC will utilise this functionality to further enhance performance reporting thereafter. The QBCC will also finalise a review of the activity-based costing model to ensure it is in line with the organisation as it sits now; compared to when it was first implemented. This review will be completed by 31 December 2020.
11. develops the evaluation skills, capability, and processes needed for the formal assessment of the appropriateness, relevancy, process, effectiveness and/or efficiency of a program, service, initiative, or strategy (Chapter 7).	Agree	Q2 2021 (April-June)	A function providing the evaluation skills, capability and processes will be embedded within the new Strategy and Transformation divisional structure of the QBCC.

6

Comments received from Director-General, Department of Housing and Public Works

Our Ref: HPW 01275-2020
Your Ref: 9171P

Queensland
Government

Department of
Housing and Public Works

– 9 JUN 2020

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Level 14, 53 Albert Street
BRISBANE QLD 4002

Dear Mr Worrall

Thank you for your letter of 22 May 2020 regarding the performance audit on licensing builders and building trades.

I acknowledge the objective of this audit is to assess how effectively the Queensland Building and Construction Commission (QBCC) regulates the building industry by issuing and managing licences in a fair and balanced way.

Thank you for providing the draft in-confidence report and proposed 11 recommendations that aim to help the QBCC become a stronger and more effective regulator. Thank you also for your advice regarding the current timeframes for finalising and tabling the report.

The Department of Housing and Public Works (DHPW) notes the draft findings and recommendations in the report and will, where appropriate, assist the QBCC to address identified issues.

Should you need to contact an officer in relation to this matter, Dr Michelle Hill, Acting Director, Building Legislation and Policy of DHPW can be contacted on   or email

Yours sincerely

Liza Carroll
Director-General

Level 31 1 William Street
Brisbane Queensland
GPO Box 2457 Brisbane
Queensland 4001 Australia

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B. Audit objectives and methods

Performance engagement

This audit has been performed in accordance with the Standard on Assurance Engagements ASAE 3500 *Performance Engagements,* issued by the Auditing and Assurance Standards Board. This standard establishes mandatory requirements, and provides explanatory guidance, for undertaking and reporting on performance engagements.

Audit objective and criteria

The objective of the audit was to assess how effectively the Queensland Building and Construction Commission (QBCC) regulates the building industry by issuing and managing licences in a fair and balanced way.

We planned and designed this audit to provide reasonable assurance about QBCC's performance against the identified criteria. The audit addressed the primary objective through the criteria and specific criteria set out in Figure B1.

Figure B1
Audit scope

	Criteria		Specific criteria
1.1	QBCC maintains proper standards and processes to ensure only appropriately licensed operators work in the industry.	1.1.1	QBCC has effective processes to grant and renew licences to individuals and companies who satisfy the relevant requirements for a licence.
		1.1.2	QBCC identifies and acts on individuals and companies carrying out or offering to carry out building work without holding the appropriate licence.
		1.1.3	QBCC monitors ongoing compliance with licence requirements.
1.2	QBCC provides appropriate support, education, and advice about maintaining industry standards to those undertaking building work and to consumers.	1.2.1	QBCC educates and advises licensees about industry standards and expectations in a timely and accurate manner.
		1.2.2	QBCC provides timely and accurate advice to consumers about their rights and responsibilities when purchasing building work.
1.3	QBCC effectively regulates domestic building contracts to achieve a reasonable balance between the interests of building contractors and consumers.	1.3.1	QBCC proactively identifies potential issues through monitoring, audit programs, and inspections.
		1.3.2	QBCC investigates and manages complaints and disputes in a timely, fair, and balanced way.
		1.3.3	QBCC takes appropriate actions against parties who breach their obligations.

Source: Queensland Audit Office.

Our audit included regional visits to Rockhampton and Townsville.
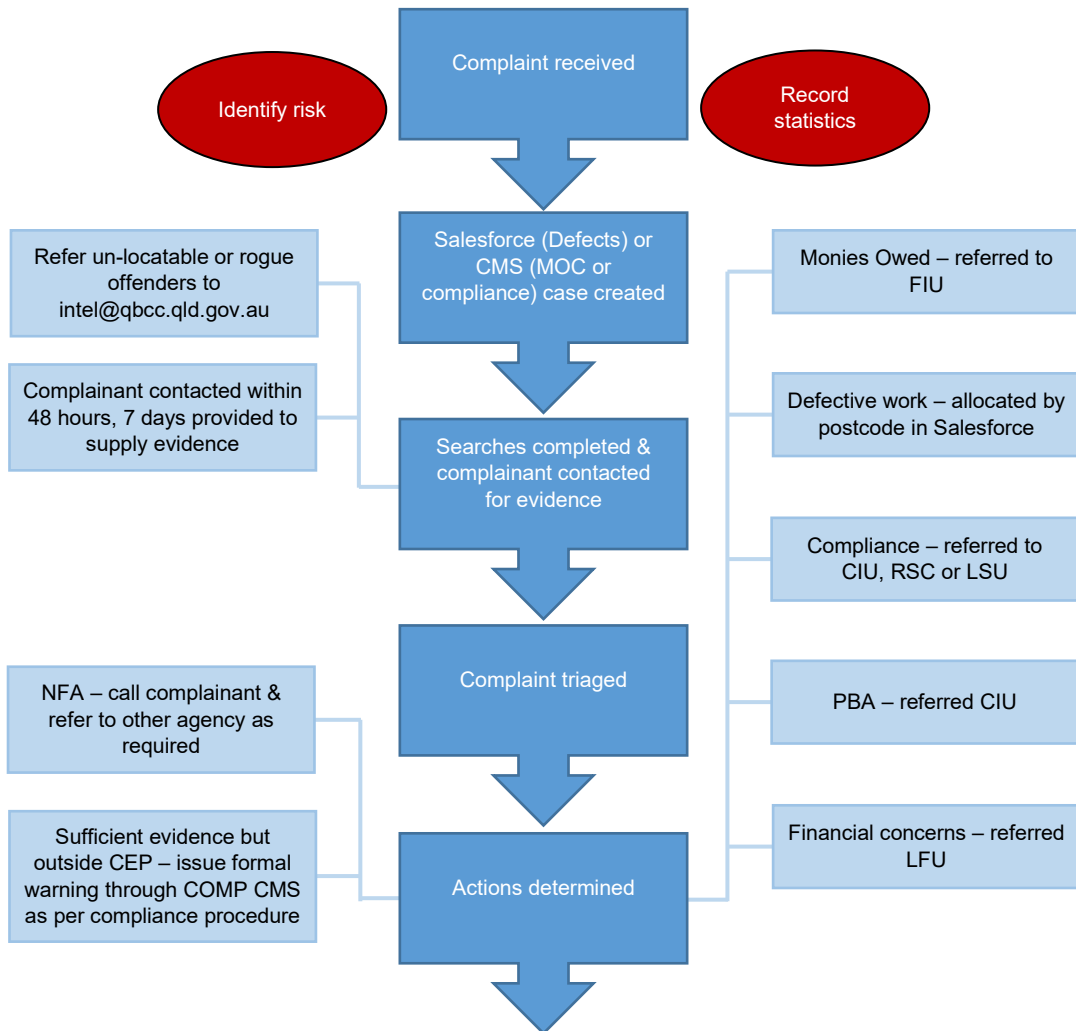
Scope exclusions

The audit did not examine the effectiveness of the:

- non-conforming building products program
- Home Warranty Insurance Scheme.

C. QBCC complaints management process

```
                    ┌──────────────────────┐
                    │  Complaint received  │
   ╭──────────╮     └──────────────────────┘    ╭──────────╮
   │ Identify │              │                   │ Record   │
   │   risk   │              ▼                   │statistics│
   ╰──────────╯                                  ╰──────────╯
```


Source: Queensland Building and Construction Commission.

Flowchart (top to bottom):

Complaint received → **Salesforce (Defects) or CMS (MOC or compliance) case created** → **Searches completed & complainant contacted for evidence** → **Complaint triaged** → **Actions determined**

Ovals: Identify risk; Record statistics

Left-side boxes:
- Refer un-locatable or rogue offenders to intel@qbcc.qld.gov.au
- Complainant contacted within 48 hours, 7 days provided to supply evidence
- NFA – call complainant & refer to other agency as required
- Sufficient evidence but outside CEP – issue formal warning through COMP CMS as per compliance procedure

Right-side boxes:
- Monies Owed – referred to FIU
- Defective work – allocated by postcode in Salesforce
- Compliance – referred to CIU, RSC or LSU
- PBA – referred CIU
- Financial concerns – referred LFU

Audit and report cost

This audit and report cost $375,000 to produce.

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