AUDIT BRIEF 28 June 2023

Implementing machinery of government changes

Report 17: 2022–23

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This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*.

Brendan Worrall
Auditor-General

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Acknowledgement

The Queensland Audit Office acknowledges the Traditional and Cultural Custodians of the lands, waters, and seas across Queensland. We pay our respects to Elders past, present, and emerging.

Auditor-General's foreword

On 18 May 2023, the Queensland Government announced an unexpected Cabinet reshuffle and changes to the way the public sector functions and departments' responsibilities are organised.

We commenced this report in November 2022, to collate the volume of insights we have gleaned across our work and provide advice ahead of the 2024 Queensland state election. Now, with the 2023 announcement, our recommendations are more pertinent than ever.

The scope of each change can vary greatly in terms of complexity. What does not vary is that they divert focus from leading service delivery. As we prepared to send this draft report to departments for consultation, Queensland was facing 11 functions being transferred between 10 departments, noting 6 of those also moved in the 2020 restructures. The most moved areas continue to be arts and multicultural affairs; however, youth justice has moved 4 times in under 6 years. The Department of Communities, Housing and Digital Economy lost communities and digital economy, but had already progressed beyond transactional changes following 2020 and started implementing strategies for longer-term benefits.

Departments will now shift their attention to change implementation, thus reducing their ability to focus on improving the efficiency and effectiveness of their service delivery. A risk that is difficult to quantify, but is very real, is the grief and frustration employees will experience as they respond, while continuing business as usual in their desire to do the right thing for the community.

Professor Coaldrake shared advice on machinery of government changes in his 2022 report on culture and accountability in the Queensland public sector. He urged self-restraint by any government in limiting changes to those that are necessary, and assessing benefits against cost and loss of momentum. I paraphrase, but he points out that the burden of disruption typically lands on the agencies dealing with vulnerable community groups. We see this with the 2023 shifts for youth justice, seniors, and disabilities.

I have had ongoing concerns about the disruption of such changes. In *State entities 2021,* tabled April 2022, we recommended the Department of the Premier and Cabinet (DPC) and Queensland Treasury advise on the risk of restructures and guide departments on how to measure and report on costs and benefits. As covered in this report, DPC advised it has partially implemented this recommendation, with expected completion before the 2024 election. I will assess if the 2023 announcement affects progress.

I am concerned that government does not have a good enough understanding of the costs of the re-organisation – both initially, and ongoing as departments deliver new or altered services. I am concerned that government is not clear on the benefits it aims to gain from such reorganisations.

I call out the bearing on financial reporting. The timing of this change means 11 departments will need to reflect this in their 2022–23 financial statements. This takes additional time, and also means financial information is no longer comparable with the prior year or published budget. If this decision occurred 2 weeks later, it would have taken effect for 2023–24 financial statements – preventing additional effort to prepare and audit financial statements, and reducing confusion when assessing financial performance.

Professor Coaldrake also points out that agencies must work together to tackle the biggest issues facing government, rather than emphasising demarcating boundaries. I agree that restructuring agencies is not a substitute for strategy, nor does it guarantee better service delivery. The need for effective strategies, and multi-agency collaboration, are learnings I have repeatedly reported on.

Machinery of government changes can take months, or even years, before new functions are fully integrated. However, there are learnings from the past that Queensland can action from the very onset. I draw attention to the guidance in this report, including the checklist on common issues that will arise. It is my desire that our insights are immediately valuable for departments. I endeavour to limit the repeat of the same issues and consequential disruption to the delivery of public services in years to come.

Brendan Worrall
Auditor-General

Report on a page

The government of the day has the right to decide how best to organise the functions it governs. Restructures of government functions (referred to as machinery of government changes) often occur after an election, and many functions have been moved between departments over many governments. The restructures can seek to align services with the government's objectives and ministers' skills and backgrounds. However, they are rarely quick, inexpensive, or simple.

Following the most recent Queensland general election on 31 October 2020, a machinery of government change was announced on 12 November 2020. This affected 17 of the core departments and moved 23 functions, with transfers of over 6,200 staff and approximately $8.3 billion in assets. Only 6 core departments were not affected by this change.

This report provides insights into central agency leadership during the change, analyses the change management practices of 4 departments that were significantly affected, and assesses the effect that restructures have on departments' internal controls (their people, systems, and processes).

Central agency leadership makes a difference

The Public Service Commission (since renamed as the Public Sector Commission) established a framework to oversee the implementation of the 2020 changes and guide decision-making. The sector viewed this positively, but challenges still arose, largely due to complications from past changes. Queensland Treasury is now undertaking a review of one department's budget to identify and resolve any remaining issues. The information supporting this framework should be updated before the next change to ensure it remains appropriate, and can be applied consistently during future changes.

All 4 departments we reviewed had errors in the amounts they agreed to transfer. Departments would benefit from guidance on how to resolve disagreements over errors.

Experience and knowledge have been lost

The changes in 2020 relied heavily on the knowledge of a small number of senior public servants, some of whom have since left the public sector. Those departments that did not have that experience had more difficulty in implementing the changes. This needs to be carefully managed in future.

The 4 departments we reviewed all prepared checklists and established project groups to manage the initial implementation of the changes. Two of the 4 departments engaged internal audit at 6 months into the change to assess the implementation. This was effective in focusing them on the remaining action needed to implement the change. However, none of the 4 departments kept complete project documents or documented lessons learned from the process. This loss of knowledge, combined with the loss of experience, increases the risk of departments 'reinventing the wheel' or repeating past mistakes.

Departments need to focus on culture and on records

It often takes over 2 years to implement a change, with the initial focus on transfers of budgets, employees, assets, and systems. This can be further complicated if different systems are used across departments. There are longer-term impacts on organisational culture. Given Queensland general elections occur every 4 years, changes may only be fully implemented as the next change is announced. This encourages departments to adopt a faster 'plug and play' approach, which risks longer-term benefits.

Operational requirements can take priority, and issues such as recordkeeping can be neglected. Recently, departments have identified over 87,000 records that were not transferred correctly as part of restructures in 2017 and 2020. They have not yet been appropriately transferred or disposed of. This increases the risk of sensitive information being lost.

1. Recommendations

We make the following 7 recommendations in this report:

Improve decision-making processes for the distribution of resources when implementing machinery of government changes (Public Sector Commission and all departments)	
REC 1	We recommend that, before the next Queensland general election, the Public Sector Commission, in conjunction with departments and with oversight from the Public Sector Governance Council: • revisits the corporate services thresholds developed in 2020 (referred to in the principles outlined in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes,* to guide the allocation of corporate services employees depending on the complexity of services and size of a department) to ensure they remain appropriate • updates and shares information on corporate structures, staffing, experience of senior corporate staff, and shared service arrangements/corporate partnerships. Use this to identify and assist any departments that may face challenges with machinery of government changes.
Consistently apply principles when implementing machinery of government changes (Public Sector Commission and all departments)	
REC 2	When future machinery of government changes are being implemented, we recommend the Public Sector Commission and departments consistently apply the principles in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* and have reference to the corporate services thresholds in assessing the allocation of employees between departments. This should ensure each department has a minimum viable corporate services function, and should overcome any ongoing challenges from past changes. This should be overseen by the Public Sector Governance Council, consistent with its responsibilities under the *Public Sector Act 2022*.
Establish a process for a workforce or budget review when issues are identified (Public Sector Commission and Queensland Treasury)	
REC 3	If information becomes available that indicates employee or budget decisions made following a machinery of government change have had adverse unintended consequences, we recommend a process be established for a workforce or budget review by the Public Sector Commission or Queensland Treasury. This could be part of the existing functions of the Public Sector Governance Council under the *Public Sector Act 2022* – to request public sector reviews. This process should be documented in existing frameworks and guidelines published by the Public Sector Commission and Queensland Treasury.
Improve the documentation of processes when implementing machinery of government changes (Public Sector Commission and all departments)	
REC 4	We recommend that the Public Sector Commission develops a suite of templates for departments to use when implementing machinery of government changes, including for project plans, terms of reference for project groups, risk registers, management reporting, and lessons learned. The Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* should be expanded to include worked examples and case studies that incorporate these templates. This should also help departments to focus on areas that need more attention after a change, including culture and records. We recommend departments: • improve their documentation of key processes and actions performed as part of their implementation of machinery of government changes • as part of the finalisation of the project, assess lessons learned in order to inform management and central agencies of what went well and of areas requiring further improvement. This will assist in the transfer of knowledge and experience in preparation for a future machinery of government change.

Outline requirements for agreeing on changes to transferred amounts if errors are identified (Queensland Treasury)	
REC 5	We recommend that Queensland Treasury updates *Guidelines for Machinery of Government (MoG) changes* to outline the action that departments need to take to resolve disagreements over errors identified in sign-off forms. This should stipulate that errors need to be assessed from the perspective of the smallest department.
Ensure all information is kept in approved business applications and systems (all departments)	
REC 6	We recommend that all departments: • identify the information they hold in physical and electronic form • in consultation with Queensland State Archives, develop digitisation policies and prepare a plan to digitise paper records that are required to be retained • prioritise digitisation of processes so that records are created in approved business applications and systems • implement a records disposal program (that reviews records held by departments against an approved retention and disposal schedule) to ensure records are disposed of appropriately and at the correct time • ensure all records that belong to another government department as a result of previous machinery of government changes are appropriately transferred.
Ensure systems are compatible across government and facilitate good recordkeeping (all departments)	
REC 7	We recommend that departments prioritise implementing whole-of-government systems, or systems that are compatible with those used by other Queensland Government departments, and meet minimum records management requirements. This should ensure recordkeeping is in accordance with government policy, and allow for the transfer of records following a machinery of government change. Technologies could then be leveraged that provide a greater ability to access records across multiple systems.

Prior year recommendation to be addressed before the next Queensland general election

In our report, *State entities 2021* (Report 14: 2021–22), we made the following recommendation, which the Department of the Premier and Cabinet has advised is expected to be completed before the 2024 Queensland general election.

Figure 1A
Status of recommendations from our report *State entities 2021* (Report 14: 2021–22)

Advise on machinery of government changes, set performance measures, and monitor costs (central agencies)		**Partially implemented**
REC 1	We recommend the Department of the Premier and Cabinet and Queensland Treasury take the following actions for future government restructures: • Provide advice to the incoming or returning government on potential impacts of restructures, including the key risks to be managed and estimated costs to implement, drawing on lessons learnt from past machinery of government changes. • Require departments to articulate, measure, and report on the benefits to be achieved from the machinery of government change and the cost to implement the restructure. This should include guidance on how to measure and report benefits and costs.	In its response to this recommendation, the Department of the Premier and Cabinet indicated its agreement in principle to the recommendations made. The time frame for implementation will be in the 2024–25 financial year following the completion of the 2024 state election. The Department of the Premier and Cabinet has advised it has undertaken significant work on this recommendation, and expects it to be completed ahead of proposed time frames.

Note – Where a recommendation is specific to an entity, we report on the action that entity has taken and whether the issue is considered to be *fully implemented*, *partially implemented, not implemented*, or *no longer applicable*. We define *partially implemented* as: significant progress has been made in implementing the recommendation or taking alternative action, but further work is required before it can be considered business as usual. This also includes where the action taken was less extensive than recommended, as it only addressed some of the underlying issues that led to the recommendation.

Source: Queensland Audit Office.

Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at Appendix A.

2. Overview of machinery of government changes

Machinery of government changes involve the restructure of functions across government departments. They are based on an order made by Governor in Council (which is the Governor acting on advice of the Executive Council to approve the decisions of Cabinet. All Cabinet ministers are members of the Executive Council, with at least 2 ministers and the Governor needed for a meeting). Machinery of government changes can occur at any time, although they commonly occur after an election to align services with the government's objectives and facilitate changes to ministers' portfolios.

DEFINITION

A **machinery of government change** is the formal transfer of functions from one agency (usually a department) to another, made by Administrative Arrangements Orders and Departmental Arrangements Notices published in the Government Gazette. Agreements to transfer resources and functions must be published in a Gazette notice to be considered formal machinery of government changes.

Source: Queensland Treasury Guidelines for Machinery of Government (MoG) changes.

Restructures can vary in size and impact, ranging from the transfer of minor functions to the creation and abolition of departments. Figure 2A shows the number of functions that have been transferred following Queensland general elections between 2009 and 2020.

Figure 2A
Number of functions that have been transferred in machinery of government changes following Queensland general elections between 2009 and 2020

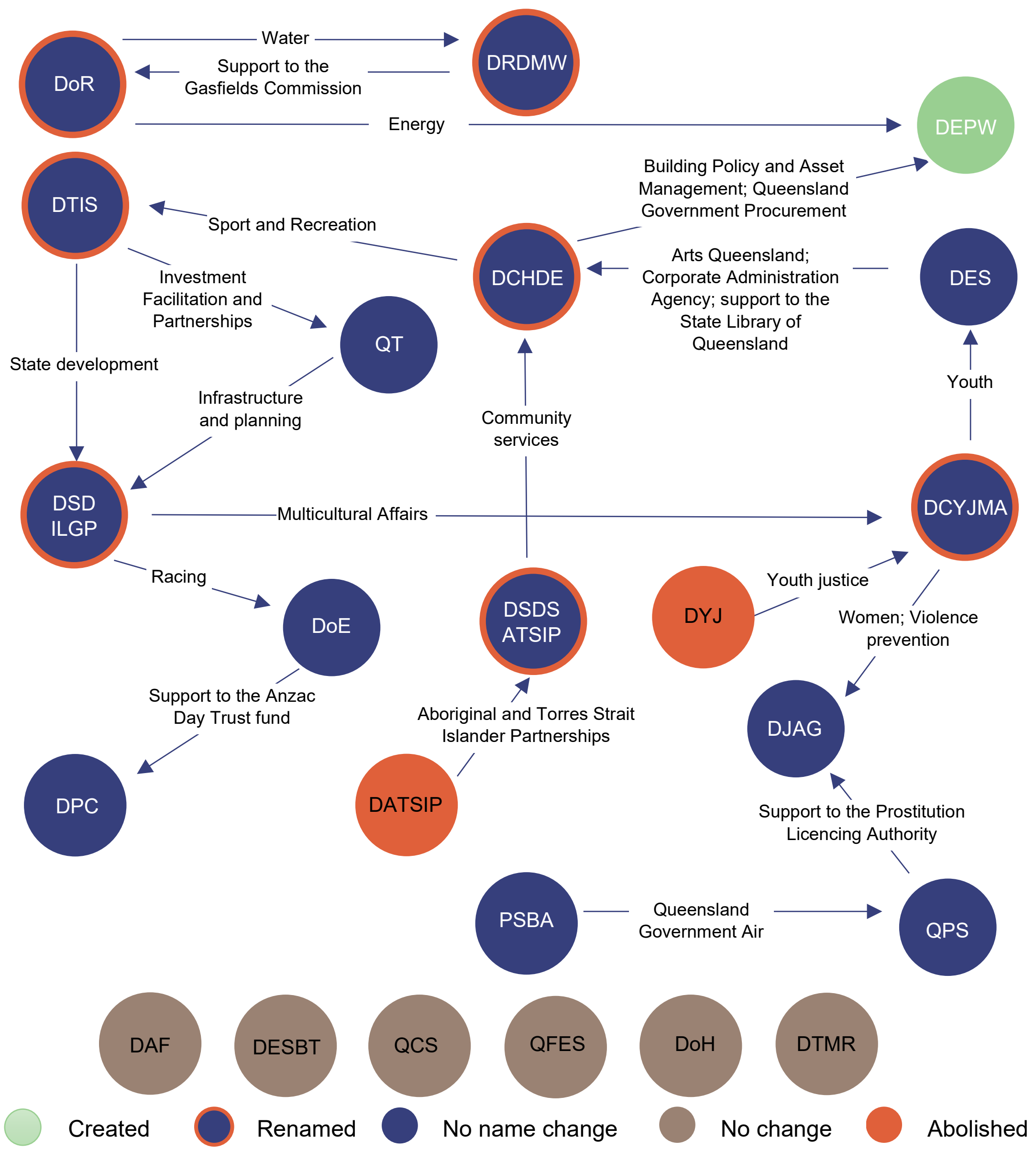
2009	64 functions moved
2012	45 functions moved
2015	8 functions moved
2017	43 functions moved
2020	23 functions moved

Source: Compiled by the Queensland Audit Office.

Transferring functions between departments requires the transfer of budgets, employees, assets, records, information systems, and other resources. The change in 2020 restructured 17 departments and transferred over 6,200 staff and approximately $8.3 billion in assets.

This takes considerable time and effort on the part of the affected departments, and this report analyses the change management practices adopted during this change. Figure 2B shows the functions that transferred on 1 December 2020.

Figure 2B
Functions that transferred in the 2020 machinery of government change



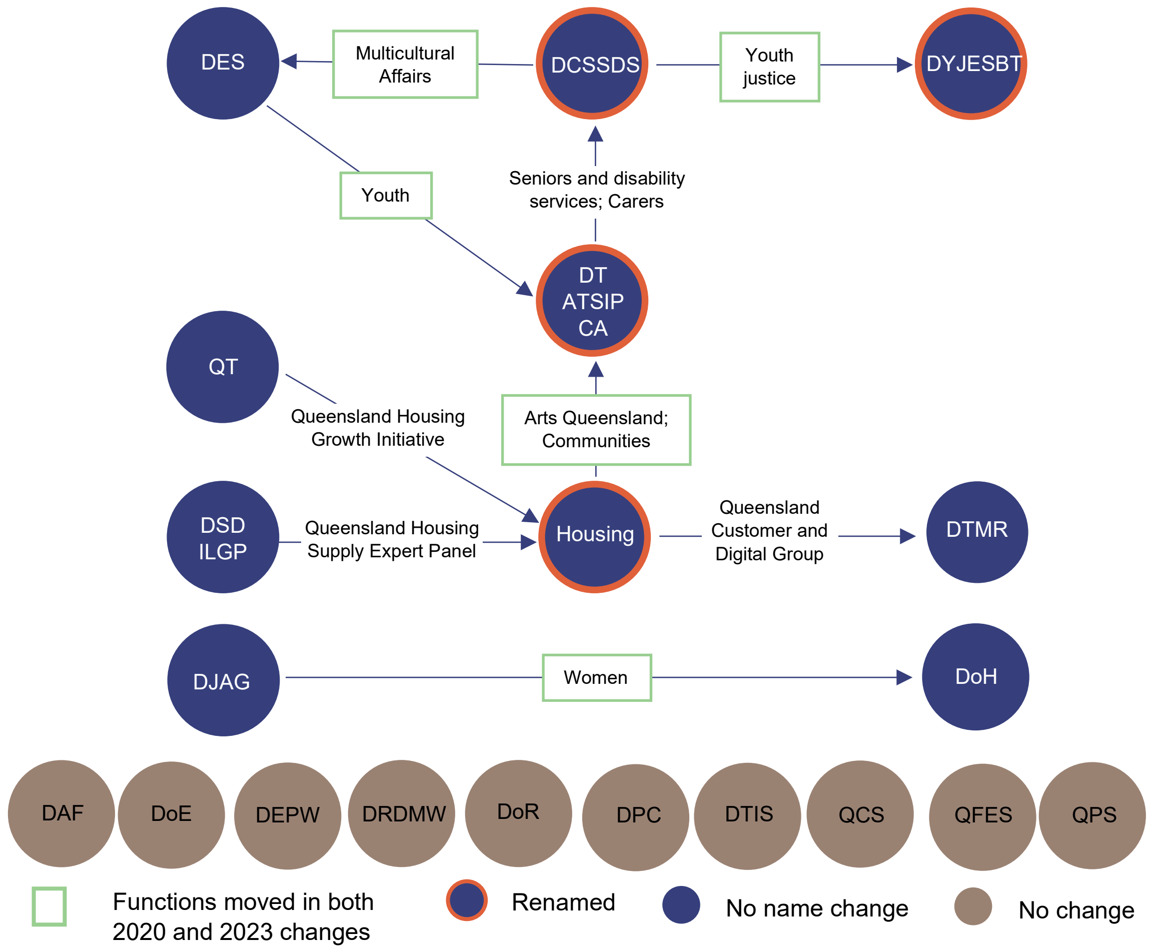
DAF – Department of Agriculture and Fisheries	DATSIP – Department of Aboriginal and Torres Strait Islander Partnerships	DCHDE – Department of Communities, Housing and Digital Economy
DCYJMA – Department of Children, Youth Justice and Multicultural Affairs	DEPW – Department of Energy and Public Works	DES – Department of Environment and Science
DESBT – Department of Employment, Small Business and Training	DJAG – Department of Justice and Attorney-General	DoE – Department of Education
DoH – Department of Health	DoR – Department of Resources	DPC – Department of the Premier and Cabinet
DRDMW – Department of Regional Development, Manufacturing and Water	DSDILGP – Department of State Development, Infrastructure, Local Government and Planning	DSDSATSIP – Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships
DTIS – Department of Tourism, Innovation and Sport	DTMR – Department of Transport and Main Roads	DYJ – Department of Youth Justice
PSBA – Public Safety Business Agency (subsequently abolished on 30 June 2021)	QCS – Queensland Corrective Services	QFES – Queensland Fire and Emergency Services
QPS – Queensland Police Service	QT – Queensland Treasury	

Source: Queensland Audit Office.

Further changes were announced on 18 May 2023, outside of the 4-year election cycle. This saw 11 functions transferred between 10 departments, with 6 of those functions also moved in the 2020 changes. This is shown in Figure 2C.

Specifically, youth justice has now moved departments 4 times in just under 6 years. This diverts the focus of public servants to the restructure, as they re-establish the corporate services that support frontline service delivery. This constant change reduces their ability to improve the efficiency and effectiveness of their services.

Figure 2C
Functions that transferred in the 2023 machinery of government change



DCSSDS – Department of Child Safety, Seniors and Disability Services	Housing – Department of Housing
DTATSIPCA – Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts	DYJESBT – Department of Youth Justice, Employment, Small Business and Training

Source: Queensland Audit Office.

Restructures come at a cost, and risks must be carefully managed

An elected government has the right to decide how to organise its executive functions, but restructures come at a cost. When a restructure takes considerable time and effort to implement, there is a risk that the costs outweigh the benefits.

The benefits of a machinery of government change should be realised through improved efficiency and effectiveness of government service delivery. Restructuring aims to achieve this by refocusing the priorities of government, improving accountability, streamlining roles and responsibilities, and centralising policy formation.

It is difficult to quantify the costs of these changes. Direct costs are not consistently tracked by affected departments, and there are also indirect costs, such as inefficiencies experienced through loss of staff knowledge and diversion of effort from business improvement activities.

In our report, *State entities 2021*, we recommended that the Department of the Premier and Cabinet requires departments to articulate, measure, and report on the benefits to be achieved, and the cost to implement the restructure. This requirement should include guidance on how to measure and report benefits and costs.

The Department of the Premier and Cabinet agreed 'in principle' with our recommendation. It has advised us that it has undertaken significant work on this recommendation, which it expects will be completed before the 2024 Queensland general election.

Departments need to manage the risks of not achieving benefits or of incurring excessive costs from machinery of government changes. There are some common risks that should be consistently assessed, including that:

- changes in senior **leadership** mean new relationships need to be established (both internal and external to the department). This can affect strategic initiatives and project delivery
- different **cultures** within individual functions mean the department does not work cohesively to achieve the same strategic objectives and adopt the same corporate values
- the people, systems, and processes (**internal controls**) do not address the risks or meet the needs of the new department
- the transfer of information between **systems** and networks does not occur in a timely manner or is inaccurate, increasing inefficiencies and cost of implementation
- all **records** are not transferred appropriately, so information cannot be efficiently accessed by staff, or records are misplaced or not held securely
- the implementation is not appropriately **planned and resourced**, resulting in
  - the initial disruption to business-as-usual activities (particularly in corporate services) being significant
  - not all changes required to fully integrate functions being completed, as this needs to occur over years.

3. Strategies for implementing machinery of government changes

This chapter describes the various strategies adopted by central agencies and 4 departments when implementing the changes that occurred in 2020. We chose 4 departments that were significantly affected by the 2020 changes and that had different approaches to implementing the changes. This chapter explores the strengths and weaknesses of those strategies, and identifies the change management practices that were the most effective.

Snapshot

We assessed 4 of the 17 departments affected by the 2020 machinery of government change

- Department of Resources (DoR)
- Department of Energy and Public Works (DEPW)
- Department of Regional Development, Manufacturing and Water (DRDMW)
- Department of Communities, Housing and Digital Economy (DCHDE)

Strengths in change management processes at individual departments	• Establishing collaborative working groups and regular reporting • Identifying immediate changes necessary for staff and systems • Using existing information systems and shared service arrangements • Effectively using internal audit.
Areas of change management that need improvement at/for individual departments	• Provide more support for smaller departments with less experience with machinery of government changes • Develop change management plans that go beyond initial implementation • Improve recordkeeping for implementation, so all plans and reports are centrally recorded, and key decisions and lessons learned are documented.
Whole-of-government learnings for future changes	• Consistently apply frameworks and principles • Provide an opportunity to revisit decisions where adverse unintended consequences in budget or employee allocations are subsequently identified • Ensure each department has a minimum viable corporate services function, with sufficient budget, employees, and access to shared service arrangements/ corporate partnerships • Develop support tools and resources, including case studies, for all departments.
Challenges for future changes	• Departments benefited from having experienced public servants through the 2020 changes. A number of these public servants have since left the public service, resulting in a significant loss of corporate knowledge.

Importance of central oversight of machinery of government changes

As machinery of government changes affect multiple departments, adequate central agency oversight is required to ensure that:

- the implementation process is timely and efficient
- equitable decisions are made about the transfer of budget, employees, assets, and systems.

While these restructures are not uncommon in Queensland, experience in implementing them is not always the same across entities, making it even more important that departments are well supported by central agencies.

The Public Sector Commission (renamed from the Public Service Commission (PSC) in March 2023) supports public sector agencies in managing their workforces. It also briefs incoming or returning governments on the functions of government that can help inform decisions on changes, and assists departments as they implement the government's decisions.

The Public Sector Governance Council was established under the *Public Sector Act 2022*. It replaced the former PSC Board. A function of the council under the legislation is to oversee the implementation of changes to the machinery of government and resourcing decisions related to the changes.

The Public Sector Commission works closely with the Department of the Premier and Cabinet, which oversees policy and broader government strategy; and Queensland Treasury, which manages the state's finances. Queensland Treasury also publishes the *Guidelines for Machinery of Government (MoG) changes* and supports departments in meeting accounting and budget requirements following a change. The guidelines provide an overview of requirements for transferring functions between departments.

Framework for the 2020 machinery of government changes

Following the 2017 changes, the PSC began a project designed to improve departments' preparedness for the next change. It used learnings and key reflections sought from departments following the 2017 changes to identify improvements to the process.

The review identified the need for key principles to be developed that would help guide departments through the changes and associated decision-making process. It also identified the need for the PSC and other central agencies to provide governance during the process.

The PSC started implementing its findings prior to the 2020 election in preparation for another machinery of government change. This included developing a framework that outlined the governance arrangements summarised in Figure 3A.

Figure 3A
Whole-of-government oversight of 2020 machinery of government implementation

PSC Board

- Chief executives from PSC, Queensland Treasury, and the Department of the Premier and Cabinet
- Approves the framework, provides an escalation pathway for resourcing decisions, and signs off on final allocations of corporate and executive support to new and affected departments.

Deputy Directors-General implementation group

- Members from the PSC, Queensland Treasury, and the Department of the Premier and Cabinet
- Oversees the distribution of resources from abolished departments and between new and affected departments, and identifies experienced staff who can temporarily support new or affected departments.

Heads of Corporate Services group

- Representatives from all departments, who are commonly responsible for finance, human resources, and information technology
- Collaborates to implement changes, including with shared service providers.

Source: Compiled by the Queensland Audit Office from Public Service Commission's A framework to support preparations and implementation of machinery of government (MoG) changes*.*

The framework also outlined the principles to be adopted in decision-making for the machinery of government change. These were agreed with the Heads of Corporate Services group and included the following:

- Costs are to be minimised as far as possible and result in a neutral impact on the state budget.
- Existing public service resources will be redistributed to support the delivery of government priorities, and minimum corporate services thresholds (see Appendix C) will inform corporate services resource decisions. This distribution will be based on the current state, not on historical decisions, and may involve the contribution of resources by departments not affected by changes.
- Existing shared service arrangements should be used as much as possible by new or affected departments.
- Resourcing decisions for departments subject to changes are to be finalised within 90 days, or by a date approved by the PSC Board.

The first principle is achieved when no additional budget is provided to a department for implementation of the change. However, that does not mean the change does not have a cost. Employee effort is just redirected – from service delivery to implementing the change. At present there is no requirement for departments to record the cost of implementing a machinery of government change. In our report, *State entities 2021*, we recommended that the Department of the Premier and Cabinet require departments to measure and report on the cost to implement these changes. The Department of the Premier and Cabinet has advised this recommendation is expected to be completed before the 2024 Queensland general election.

The corporate services thresholds range from 6 to 23 per cent of a department's workforce, depending on the size and services of the department. This acknowledges that each department must have a minimum viable corporate services function to support its frontline service delivery and meet its legislative obligations, but the specific needs will vary.

Other information is considered in using these thresholds to guide decision-making. This includes the use of shared service arrangements and corporate partnerships in departments. For example, the Information and Technology Partners group within the Department of Agriculture and Fisheries (DAF) is a corporate partnership that provides strategic and operational information technology and information management services for multiple departments. This means DAF would have a higher ratio for information and communication technology (ICT) employees, and the departments it supports would have low or no ICT staff.

Outcome of the 2020 machinery of government process

In May 2022, the PSC conducted a survey to obtain feedback from all the departments' heads of corporate services on the 2020 change process. The survey was designed to assess the impact of the PSC's new framework, and to identify further improvements. Survey responses showed that while there were improvements in the process, with the principles contributing to more consistent decision-making, there were still issues with the distribution of resources.

The PSC survey questions were focused on 4 key elements in the framework. Figure 3B summarises the findings by each of the elements.

Figure 3B
Public Service Commission post-machinery of government survey findings by framework element

Element	Summary of survey outcome
Principles of implementation	The principles provided a good foundation; however, there is room to supplement and improve them, including building departments' understanding ahead of the next change to ensure they are implemented effectively. **76.9%** agreed the principles contributed to more consistent decision-making.
Resource distribution	Significant improvements are still required for how resourcing decisions are made and to ensure the approach taken addresses the problems faced. **53.8%** did not think the approach to resourcing distributions resulted in better resourcing decisions (the remaining 46.2% was neutral).
Governance arrangements	Governance arrangements were not well understood (or acknowledged) by all parties. Most respondents neither agreed nor disagreed that the framework assisted this element. Only **30.8%** agreed that their departments' leads were supported by central agencies to progress changes (61.5% remained neutral and 7.7% disagreed).
Program management – responsibilities of the PSC and departments	Improvement is required in the way in which departments are supported during changes, including with the provision of more supporting materials. Only **30.8%** agreed the process enabled departments to find solutions to problems raised (61.5% remained neutral and 7.7% disagreed).

Source: Compiled by the Queensland Audit Office, from PSC evaluation of machinery of government governance processes survey.

Our review of the PSC survey and the 4 departments' practices for implementing the 2020 changes confirmed the need for strong leadership by central agencies during a machinery of government change. This was particularly evident for decision-making and the escalation and resolution of issues.

Decisions about resource distribution were complicated by lingering issues from previous changes and the short time frame (of 90 days) allowed for resourcing decisions. While the 90-day time frame is realistic for smaller changes, for larger and more complex changes, it presents a significant challenge.

This is because issues may not become immediately apparent. It takes time for departments to gain enough understanding of the functions they are receiving to be able to effectively negotiate for resources.

They need to understand the services provided, any significant government commitments or strategies, the operating structure (and the degree of independence or integration within the previous department), the systems used, the people required to deliver the services, the cost of service delivery, and the approved budget.

When further information becomes available, it is important that there is an avenue for departments to escalate these matters to central agencies so an appropriate review can occur. Otherwise, issues arising from past decisions will continue to present a challenge for the department until the next change, when they will be passed to the next department.

Case study 1, in Figure 3C, provides an example of decisions that affected one department in the 2020 change. It demonstrates the importance of departments being large enough and having the corporate structure to be able to effectively implement a machinery of government change. It also shows the benefit of leadership from central agencies, and the need for relevant experience within a department. Finally, it highlights the challenges that can arise when functions that have been integrated are transferred out. This can incentivise departments to operate a ‘plug and play’ model as they wait for the next change, which can prevent long-term efficiencies being achieved.

Figure 3C
Case study 1

Challenges in resource distribution following a machinery of government change

History of machinery of government changes

In 2020, the Department of Regional Development, Manufacturing and Water underwent 2 machinery of government changes within 6 months:

- The first occurred on 11 May 2020, when it changed from the Department of State Development, Manufacturing, Infrastructure and Planning to the Department of Regional Development and Manufacturing. Its infrastructure and planning functions were transferred to Queensland Treasury; and its state development, major projects, and economic development functions were transferred to the Department of State Development, Tourism and Innovation.
- The second change took place on 12 November 2020, when the water function was transferred to it from the Department of Resources. At this point, it became the Department of Regional Development, Manufacturing and Water.

Impact on the organisational structure

The first change had a significant impact on the department's organisational structure. In its 2019–20 annual report, it reported only one full-time equivalent (FTE), with 40 FTEs seconded from the Department of State Development, Tourism and Innovation (DSDTI) (2018–19: 946 FTE) for regional development and manufacturing functions. DSDTI also provided the corporate services function at this time. The second change saw the number of employees at the department significantly increase to 547 in 2020–21.

During 2020–21, there were changes to all 5 of the department’s key management personnel. People acted in 4 of these roles during the year, with permanent appointments not made until 2021–22.

Corporate services

The Public Service Commission used the thresholds in Appendix C to guide the allocation of corporate services employees following the second change. The Public Service Commission Board approved the corporate allocations in February 2021, and noted that particular focus had been given to the Department of Regional Development, Manufacturing and Water, given its relative size.

Analysis provided to the board reported that 10.27 per cent of the department’s employees were in corporate services, and this was within the range of 10 to 28 per cent for departments of 100 to 800 employees. Most core services were to be delivered internally, with some services provided by other departments or through shared service arrangements.

However, the lack of a permanent corporate structure, and of staff who had a good understanding of the new department or previous experience of machinery of government changes, affected the department’s ability to effectively manage the second change and negotiate the transfer of resources.

Challenges in resource distribution following a machinery of government change

Land and water functions were integrated within the Department of Resources

The Department of Resources had integrated its land and water functions, so employees were providing both services. This allowed it to operate effectively and develop economies of scale, particularly in regional areas.

Following the change, employees who had previously provided both land and water services were allocated between the 2 departments, and their responsibilities were redefined. This loss of economies of scale presented challenges for both departments, as it was not always possible to reassign responsibility for service delivery within the region. For some services a model was implemented where the customer is referred to another officer via phone to help with their query or payment.

Impacts on the Department of Regional Development, Manufacturing and Water's budget

Due to the 2020–21 and 2021–22 budgets being prepared so soon after the changes, the budget required for the department was only fully analysed in January 2022, when preparing the 2022–23 budget. In March 2022, additional funding was requested. Some of the areas where the budget was assessed as being insufficient included:

- employee positions within the water function that were necessary for the delivery of significant water projects. The importance of these water projects in ensuring water supply in drought-declared areas of Queensland, and in maintaining dams to meet safety requirements, is described in our reports on *Water 2021* (Report 3: 2021–22) and *Regulating dam safety* (Report 9: 2021–22)
- corporate services staff necessary to support a stand-alone department, particularly in relation to information technology digital capability, procurement, and governance (this would increase the corporate services threshold to 12 per cent, which is still within the guidance of 10 to 28 per cent, and would be complemented by the shared service arrangements and corporate partnerships used by the department)
- corporate overheads such as accommodation and software licences.

Additional budget was approved for 2022–23, with Queensland Treasury starting a review in 2023 to understand the impact of the change on the Department of Regional Development, Manufacturing and Water and to assess the ongoing funding required to support the department's work program and corporate services.

Source: Queensland Audit Office.

Recommendation for the Public Sector Commission and all departments

Improve decision-making processes for the distribution of resources when implementing machinery of government changes (REC 1)

We recommend that, before the next Queensland general election, the Public Sector Commission, in conjunction with departments and with oversight from the Public Sector Governance Council:

- revisits the corporate services thresholds developed in 2020 (referred to in the principles outlined in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes,* to guide the allocation of corporate services employees depending on the complexity of services and size of a department) to ensure they remain appropriate
- updates and shares information on corporate structures, staffing, experience of senior corporate staff, and shared service arrangements/corporate partnerships. Use this to identify and assist any departments that may face challenges with machinery of government changes.

Recommendation for the Public Sector Commission and all departments

Consistently apply principles when implementing machinery of government changes (REC 2)

When future machinery of government changes are being implemented, we recommend the Public Sector Commission and departments consistently apply the principles in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* and have reference to the corporate services thresholds in assessing the allocation of employees between departments. This should ensure each department has a minimum viable corporate services function, and should overcome any ongoing challenges from past changes. This should be overseen by the Public Sector Governance Council, consistent with its responsibilities under the *Public Sector Act 2022*.

Recommendation for the Public Sector Commission and Queensland Treasury Establish a process for a workforce or budget review when issues are identified (REC 3)
If information becomes available that indicates employee or budget decisions made following a machinery of government change have had adverse unintended consequences, we recommend a process be established for a workforce or budget review by the Public Sector Commission or Queensland Treasury. This could be part of the existing functions of the Public Sector Governance Council under the *Public Sector Act 2022* – to request public sector reviews. This process should be documented in existing frameworks and guidelines published by the Public Sector Commission and Queensland Treasury.

Principles of change management for machinery of government changes at individual departments

Machinery of government restructures can require extensive changes for individual departments. This presents challenges for individual departments when planning for the change and looking to realise the benefits. Change programs must identify the end state they are aiming for, and the benefits they want to realise. Then they can effectively plan to achieve them.

In our report *State entities 2021* (Report 14: 2021–22), we recommended the Department of the Premier and Cabinet and Queensland Treasury take lead roles in these restructures by providing guidance to individual departments on key matters such as the measuring of/reporting on how benefits are realised.

We used a change management maturity model to assess the maturity (the increase in efficiency and effectiveness) of the processes that departments undertook to manage the restructure. The model was tailored for machinery of government changes, based on the change management principles listed in Figure 3D under 4 main steps.

Figure 3D
Change management steps in implementing machinery of government changes

Scope	Plan	Execute	Assess
Step 1	Step 2	Step 3	Step 4
• Define what needs to change (people, processes, systems) • Identify the end state and benefits (this includes benefits to the department, wider government, and community. For example, whether service delivery for different functions should be integrated or stand-alone) • Consider different options to achieve change (document the assessment for future learnings) • Identify, document, and communicate risks	• Outline key steps to achieve the option selected • Assign time frames • Delegate steps to key personnel • Share the process with external stakeholders (for example, other affected departments, shared service providers, and oversight functions) • Agree and formally document steps requiring collaboration with other departments	• Regularly monitor the change process. Include all stakeholders in the monitoring process • Develop reports to track progress (for executives to monitor) • Identify and address deviations from planned progress. (Communicate the decision-making process if revising plans)	• Measure the end state against the plan • Identify the corrective actions needed to achieve the desired end state. (This can be implemented for the current change or documented for future learnings) • Recognise achievements and learnings following project close

Source: Queensland Audit Office.

Time taken to implement a machinery of government change

In assessing the practices of 4 departments, we observed that machinery of government changes differ from other projects for which change management would commonly be implemented, for example, a system implementation.

This is because decisions about the transfer of functions are made by the government of the day, with limited ability for public servants to prepare for changes before they occur. A lot of the planning for a change occurs after it is announced, with 90 days given to plan and approve the transfers of budgets, employees, and assets. Actual transfers and system changes take over a year to implement.

Once those aspects are finalised, management can assess the alignment of the strategy and culture within the new department, and implement longer-term strategies to achieve the desired outcomes. Figure 3E shows our observations from recent changes about the time frames required for the full implementation of the changes.

Figure 3E
Time frames to implement a machinery of government change

Prepare for a machinery of government change	Implement immediate transfers	Assess alignment of departmental strategy and culture	Implement strategies for longer-term alignment	Assess benefits achieved and future strategies
Year 0	Year 1	Year 2	Year 3	Year 4

Source: Queensland Audit Office.

Given Queensland general elections occur every 4 years, changes may only be fully implemented as the next change is announced.

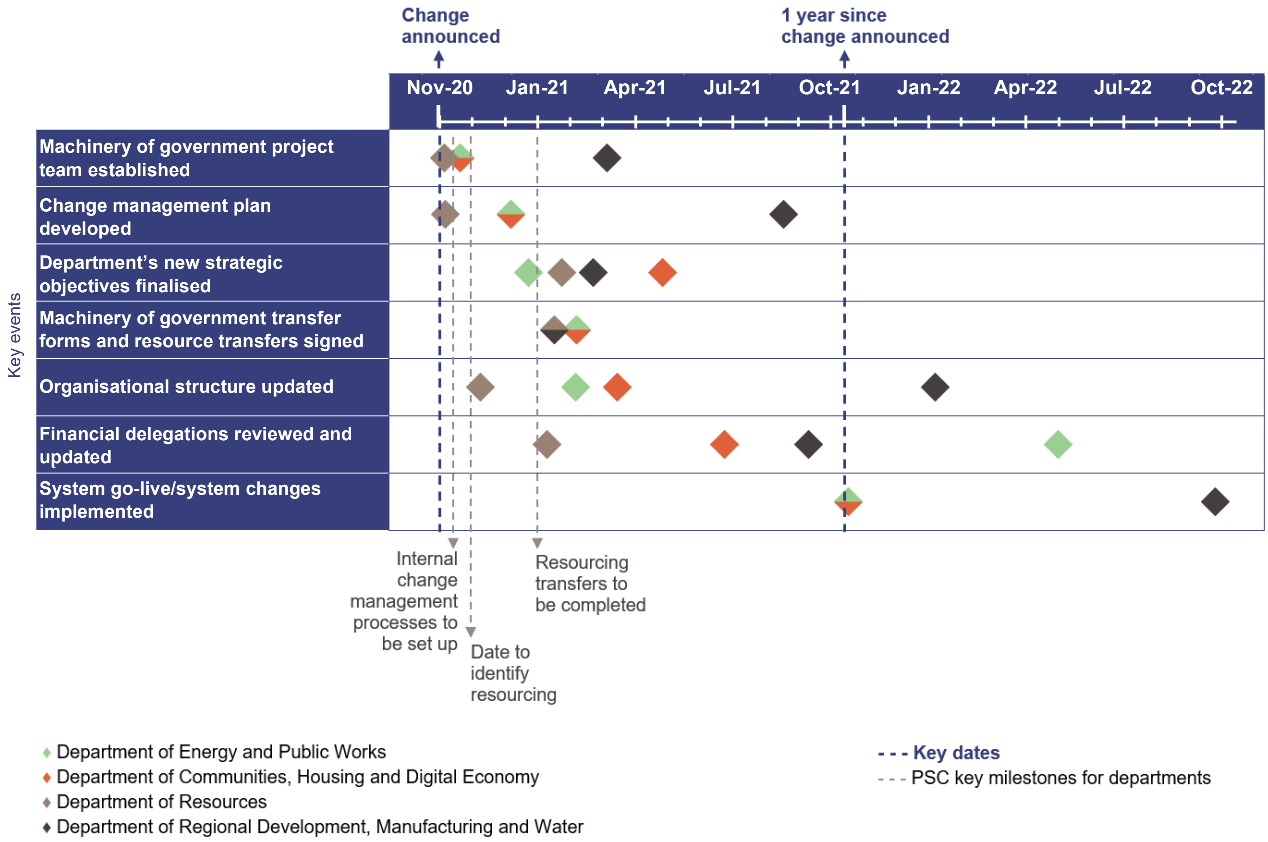
Departments can improve their practices for implementing machinery of government changes

We assessed the maturity of change management practices at 4 of the 17 departments affected by the 2020 change. These 4 departments were significantly affected by the change, and had different approaches to planning and implementing the changes, allowing us to assess and compare the approaches (see Appendix D). These different approaches were taken due to the history of previous changes, the structure of the departments prior to the change, and the use of shared service providers and common information systems.

Two departments acknowledged the challenges arising from previous changes and their former structure. They took 12 months to plan and then implement the initial changes. Their use of shared service providers and common systems meant the changes then took effect quickly. The other 2 departments started implementing the initial changes almost immediately, but staffing challenges and the lack of common systems meant that these changes took 23 months to implement.

The departments generally handled the initial stage of the implementation process well. Departments have milestones they are expected to hit by certain times that are set by central agencies. Apart from that, the departments are responsible for the ongoing delivery of the changes and for providing support to staff. Figure 3F shows that after initial implementation the departments progressed at different rates, due to the different challenges experienced and approaches adopted.

Figure 3F
Timeline of key events at each of the 4 departments



Note: The changes to Department of Resources' systems were to remove energy and water functions, and did not require new systems to be developed and implemented, so this metric was not applicable.

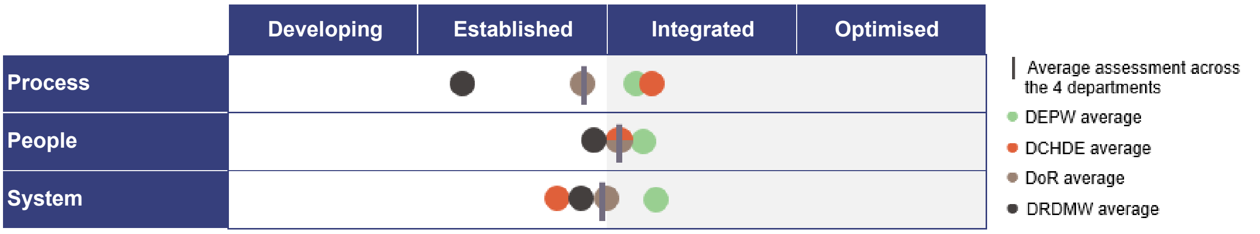
Source: Compiled by the Queensland Audit Office.

Maturity of change management practices

We developed a model to measure the maturity of change management practices used by 4 departments in implementing machinery of government changes. A copy of this model – *Implementing machinery of government changes maturity model* – is available on our website at www.qao.qld.gov.au/reports-resources/better-practice. The model includes 25 questions about the processes, people, and systems departments relied on in implementing such changes. Figure 3G summarises the results, showing:

- the average result from these components for each department – as a coloured dot
- the average result across all 4 departments – as a solid line.

Figure 3G
Average maturity of change management practices for implementing machinery of government changes at departments



Notes:

- Shading indicates the maturity that departments should aim for when implementing changes. These change management practices are expected to be more efficient and effective. This is important given the size and frequency of changes across government over time. This desired maturity may vary for individual departments depending on the size and complexity of the change they are implementing.
- Department of Resources did not receive any operational functions from the change (when Gasfields Commission became part of the Minister for Resources' portfolio, the department provided support to this statutory body through its existing operations). As a result, some questions were assessed as not applicable. For example, changes to systems were to remove energy and water functions, and did not require new systems to be developed and implemented.

Source: Compiled by the Queensland Audit Office, from our maturity model assessment of change management at 4 departments.

DEFINITION

We use 4 levels of maturity, which we define as:

- developing – an entity does not have this control, or it is not operating effectively, so the identified risk is not managed
- established – an entity shows basic competency in this area, so legislative requirements are met, or the identified risk is managed
- integrated – an entity is developed in this area or regularly demonstrates this, so controls work together to respond to the identified risk; however, the efficiency or effectiveness of controls could still be improved
- optimised – the entity consistently demonstrates this control and is a leader of best practice in this area.

The average maturity of departments in implementing the changes was 'established', with responses to individual questions for the 4 departments ranging from 'developing' to 'optimised' across each of the components.

Given how frequently machinery of government changes occur, action needs to be taken to improve the efficiency and effectiveness with which departments implement these changes. This should result in their maturity being more consistently in the 'integrated' to 'optimised' range (as indicated by the shading in Figure 3G). While the desired maturity of change management practices may vary for individual departments depending on the size and complexity of a change (for example, where changes are smaller or a department is not receiving any functions, the change management practices may not need to be as mature), a lower maturity is likely to mean the changes take longer to implement and may not be fully implemented before the next change is announced. This can prevent a department from achieving its objectives, and result in non-compliance with legislative requirements.

Processes supporting change management

Our assessment of the processes supporting change management focused on departments' governance, planning, risk management, and reporting for the 2020 change.

Figure 3H shows some of the individual strengths and areas for improvement we identified in the processes that support change management across the 4 departments.

Figure 3H
Strengths, areas for improvement, and likely future challenges in change management processes at individual departments

Change management processes		
Identified strengths	**Areas for improvement**	**Future challenges**
• Establishing a clear governance structure to implement changes • Using checklists and project groups well • Collaborating with other affected departments and Queensland Shared Services to establish a joint project plan and approach to implementing changes • Effectively using internal audit to review the status of changes 6 months into the project.	• Performing a risk assessment for the changes • Assessing the benefits and desired outcomes for the department as part of the change • Recording the lessons learned as part of the change and improvements for future changes • Ensuring transfers of assets and liabilities are accurate.	• Managing the increase in corporate workload at departments that are required to implement changes.

Source: Compiled by the Queensland Audit Office, from our maturity model assessment of change management at 4 departments.

Good use of checklists and collaboration between departments

The 4 departments all prepared checklists and established project groups to manage the initial implementation of the changes. In doing so, they referred to existing guidance provided by Queensland Treasury and to the Queensland Audit Office's *Checklist for managing machinery of government changes* that was originally developed in 2017. This checklist has recently been updated and is included in Appendix F. However, for one department these processes were only formalised in a change management plan after an internal audit review in July 2021.

There were also instances of good collaboration. For example, all 4 departments collaborated with Queensland Shared Services in implementing system changes. Two departments also collaborated well in determining the best allocation of corporate services staff between them after the change.

The effectiveness of collaboration was influenced by the process they followed and the people who were involved. Those with more experience in implementing changes placed a strong emphasis on regular communication and on bringing people together to find the best solution for all involved. This is explored further under the section headed 'The people aspect of change management', later in this chapter.

A collaborative approach made the process easier, but all departments involved noted the additional workload for staff as they implemented the change and met their ongoing business-as-usual work commitments. Given the budget constraints that departments were under at this time arising from the government's savings and debt plan, they were not able to employ additional staff or contractors to assist them.

Additional support for departments and shared service providers immediately following a change may help them to progress the implementation and to get back to business-as-usual processes more quickly, while still maintaining effective internal controls.

The concept of a flying squad (public sector employees with experience in implementing machinery of government changes, who could assist affected departments for short periods) was included in the PSC's *A framework to support preparations and implementation of machinery of government (MoG) changes*. This was explored prior to the changes being announced, but the wide-spread nature of the changes meant this was not used in 2020. This may be worthwhile considering for future changes.

Risks, benefits, and lessons need to be documented for longer-term benefit

As part of assessing the maturity of the departments' change management practices, we reviewed their documentation of the processes performed throughout the implementation. Through this, several areas were identified where documentation could be improved. These gaps largely reflected a focus on the initial implementation, and a desire to get back to business-as-usual due to staffing constraints, without sufficient consideration of longer-term outcomes.

Examples of the documentation that could be improved included:

- approved terms of reference for project groups
- risk registers that identified all risks associated with the change and an appropriate response, not just those related to a system change
- identification of longer-term benefits and expected outcomes that could be achieved from the change, or recognition of the impact on strategy and culture, and how this could be aligned
- lessons learned at the end of the project, so good practices continue and past mistakes are not repeated.

While all departments followed a similar process and used similar documents, all project documents had been individually created. There is an opportunity for the Public Sector Commission to develop and template support materials for all departments to use, including common project documents. This could guide departments through the process and help them achieve more thorough project management and documentation.

Recommendation for the Public Sector Commission and all departments

Improve the documentation of processes when implementing machinery of government changes (REC 4)

We recommend that the Public Sector Commission develops a suite of templates for departments to use when implementing machinery of government changes, including for project plans, terms of reference for project groups, risk registers, management reporting, and lessons learned. The Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* should be expanded to include worked examples and case studies that incorporate these templates. This should also help departments to focus on areas that need more attention after a change, including culture and records.

We recommend departments:

- improve their documentation of key processes and actions performed as part of their implementation of machinery of government changes
- as part of the finalisation of the project, assess lessons learned in order to inform management and central agencies of what went well and of areas requiring further improvement.

This will assist in the transfer of knowledge and experience in preparation for a future machinery of government change.

Internal audit reviews helped identify action that was still needed

Two of the departments' internal audit functions performed reviews over their changes in 2020–21. These reviews were extremely effective in focusing the departments on the remaining action needed to implement the changes. They also enabled the departments to reflect on their processes and determine lessons learned and areas for future improvement – either internally or to be communicated as feedback to the PSC.

Errors in transfers between departments

Queensland Treasury's *Guidelines for Machinery of Government (MoG) changes* indicates that departments need to agree on their assets and liabilities at the date of the change, and on the budgeted revenues and expenses that are to be transferred between departments. Once agreed, these amounts are reflected in the sign-off form, which is approved by the directors-general of each department.

It is not uncommon for errors to be identified in the amounts transferred. These errors can arise for a variety of reasons, including that:

- assets were not accurately recorded at fair value (the cost of replacing the asset) at the effective date of the transfer. Assets like land and buildings are recorded at fair value by government departments, with annual processes in place to update the fair value of these assets as at 30 June each year. The value can fluctuate throughout the year, and it can be challenging to accurately reflect the fair value at the effective date of the change
- additional information is identified after the transfer. Depending on the complexity of the change, it can be difficult to accurately record all assets and liabilities to be transferred within the required time frame.

When these errors are identified, the error should be corrected in the original department and a new sign-off form be signed, with the updated amounts being transferred.

All 4 departments identified errors in their original sign-off forms. Two departments agreed to adjust the original amounts transferred due to valuation changes that occurred before the machinery of government change but were not accurately reflected on the original sign-off form.

A similar error was identified for the other 2 departments, but no change was agreed, and the sign-off form was not updated. This was despite the error being considered large for the new department. Further guidance on how to resolve disagreements over errors is needed.

Recommendation for Queensland Treasury

Outline requirements for agreeing on changes to transferred amounts if errors are identified (REC 5)

We recommend that Queensland Treasury updates *Guidelines for Machinery of Government (MoG) changes* to outline the action that departments need to take to resolve disagreements over errors identified in sign-off forms. This should stipulate that errors need to be assessed from the perspective of the smallest department.

The people aspect of change management

In assessing the people aspect of change management, we reviewed:

- the way management restructured the department
- the assigned responsibilities and lines of accountability
- the involvement of and commitment from senior management
- how changes were communicated to the workforce.

Figure 3I shows some of the individual strengths and areas for improvement we identified in the people aspect of change management across the 4 departments.

Figure 3I
Strengths, areas for improvement, and likely future challenges for the people responsible for change management at individual departments

People responsible for change management		
Identified strengths	**Areas for improvement**	**Future challenges**
• Using the experience of staff familiar with machinery of government changes • Communicating the status of the changes to staff • Quickly establishing/updating strategic plans and organisational structures • Two departments have begun or completed an assessment of workplace culture, and are developing strategies to align current and desired culture and values across their department in 2023.	• Better support for departments who do not have staff who are experienced with machinery of government changes • Existing policies and procedures were adopted, but were not always updated for consistency across the department or communicated to staff.	• Maintaining knowledge of machinery of government changes and associated requirements within departments • Developing workforce plans to build a versatile workforce.

Source: Compiled by the Queensland Audit Office, from our maturity model assessment of change management at 4 departments.

Departments that have been more recently affected by machinery of government changes are more likely to need to update their policies and procedures so they are contemporary and accessible, as well as to develop effective workforce plans. These are areas that require attention across the Queensland Government, and are explored further in Chapter 4.

Senior leadership drives strategy and culture

Departments identify the immediate changes required for staff and systems following a restructure. They are also quick to establish new strategic plans that outline their objectives. However, some changes extend well beyond the initial implementation. Longer-term changes require a thorough understanding of the functions within the department, and of whether their individual culture and values align with the strategic direction. The strategy and culture of a department is driven by its senior leadership.

Machinery of government changes often coincide with changes in senior leadership. Two of the 4 departments had acting directors-general until June 2021 – for one a new appointment was made at that time; for the other the acting director-general was appointed. Existing directors-general were appointed to lead the other 2 departments. Both had responsibility for some functions of their departments before the change, but also took on new functions.

Our model considered whether departments had assessed their culture following the change. The most common method for departments to assess this was through pulse surveys, although 2 departments were performing detailed reviews of their current culture. These reviews were assessing the alignment of values across the department, to inform the development of future workforce strategies that will be implemented in 2023.

Systems should reflect the needs of the new department

In assessing the departments' systems, we focused on:

- planning for information systems after a machinery of government change
- information security controls and initiatives
- policies and procedures
- recordkeeping.

Figure 3J shows some of the individual strengths, areas for improvement, and potential future challenges that may arise in the systems used by the 4 departments.

Figure 3J
Strengths, areas for improvement, and likely future challenges in the systems used at individual departments

Systems at departments undergoing change		
Identified strengths	**Areas for improvement**	**Future challenges**
• Management assessed information systems, and where required, made a plan for the transition to new systems that were compatible with the needs of their departments • Management worked with Queensland Shared Services to transfer payroll and finance information to new systems • Two departments performed a formal review of records and established plans to identify records to be transferred and digitised.	• Storage and accessibility of departmental records • Existing IT policies and procedures were adopted, but were not always updated for consistency across the department or communicated to staff.	• The need to plan to digitise departmental records to allow departments to effectively maintain their records in accordance with retention and disposal schedules in the *Public Records Act 2002*.

Source: Compiled by the Queensland Audit Office, from our maturity model assessment of change management at 4 departments.

Machinery of government changes significantly impact on a department's information systems. While new departments will likely need to implement new systems, departments affected by transferring functions also need to make changes to their systems.

The information systems and the information security controls and initiatives in place at the departments were assessed by management following the change. They confirmed their systems were largely compatible with their needs, and where required, plans were developed and implemented for the transfer of information from old to new systems.

This was in line with the results of the 4 departments' reports on their information security management systems (which identify and manage information security risks). Their assessments of maturity before and after the change were also largely the same. The assessments were supported by a list of their information assets, with both business and finance systems included in scope. However, immediately following the change all departments moved to performing their own assessment, which provided less assurance than an independent assessment. This was so the departments could properly assess the new functions that had transferred to the department, including correctly identifying all their information assets and defining the systems in scope, before obtaining independent assurance in the future. In 2021–22, 3 of the 4 departments reported an improvement in the maturity of their information security management systems, after they stabilised their information system changes.

Use of a shared service provider enables departments using the same systems to adopt a collaborative approach

Our report *Delivering shared corporate services in Queensland* (Report 3: 2018–19) observed that shared service arrangements in Queensland aimed to minimise disruption from machinery of government changes. Our review of the 2020 changes confirmed the support provided by shared service providers during the implementation was beneficial.

Two of the 4 departments used Queensland Shared Services (QSS), the shared service provider for most departments' payroll, expenditure, and general ledger services. These departments adopted a collaborative approach between them and QSS to implement the changes. This enabled a combined piece of work to be undertaken, and provided both departments with oversight of the required changes.

In this instance, both departments were using the same version of the QSS-supported finance system, allowing a smoother transfer of information between systems, and of employee roles between departments. While considerable effort has been made to move government departments to a single finance and payroll system, it is not compulsory for departments to use the systems and services of QSS. This can further complicate restructures.

One department had moved off the QSS-supported finance system to a new, self-supported system in 2016–17. This department has since been subject to several machinery of government changes, including in 2020.

Two functions that transferred out in 2020 went to departments that used a QSS-supported finance system. One of these departments made the decision to move to a QSS-supported finance system quickly, and the system change took effect from August 2021.

The second department did not make a decision to move to a QSS-supported finance system until March 2022. This was over a year after the machinery of government change. The migration to the QSS-supported finance system occurred on 10 October 2022. Until this time, the original department continued to provide some form of corporate support services to the new department. This meant the initial implementation of the machinery of government change went on for 23 months.

Some reviews of records have been performed, but this needs to occur across all departments

Two departments had performed a review of records that were being transferred to them following the machinery of government change. This allowed plans to be developed for records to be included digitally in their centralised records management systems, along with details of their retention and disposal dates, in accordance with the *Public Records Act 2002*.

However, department records were not consistently stored in a central location in a digital format. This can impact on the efficiency of a department's service delivery, as information is not readily available for public servants to perform their job. It also increases the risk of records being lost, improperly accessed, or not appropriately transferred when a change occurs. This is an area that requires attention across the Queensland Government, and is explored further in Chapter 4.

4. Impact of machinery of government changes on internal controls

Internal controls are the people, systems, and processes that ensure an entity can achieve its objectives, prepare reliable financial reports, and comply with applicable laws. Features of an effective internal control framework include:

- strong governance that promotes accountability and supports strategic and operational objectives
- secure information systems that maintain data integrity
- robust policies and procedures, including appropriate financial delegations
- regular monitoring and internal audit reviews.

Any change in an entity's operations will affect its internal controls. Changes need to be carefully assessed and planned to avoid long-term negative impacts such as objectives not being achieved, higher operating costs, instances of fraud, and non-compliance with laws or regulations.

This chapter reports on the maturity of internal controls at the 20 core departments that existed at 30 June 2022 (core departments are entities gazetted as departments under the *Public Service Act 2008,* and are responsible for most of the public services that departments provide). It compares the maturity of internal controls for the 11 departments that were involved in significant machinery of government changes in recent years (as outlined in Appendix G) with that of the 9 departments that either had no or minor changes. It also identifies the control areas that departments should focus on when implementing future machinery of government changes.

Chapter snapshot

Departments have **generally effective internal controls.**

Departments that have been **impacted by significant machinery of government changes** usually have **less mature internal controls.**

Departments need to focus more on **culture** and on **records management** after machinery of government changes.

Internal controls are affected by machinery of government changes

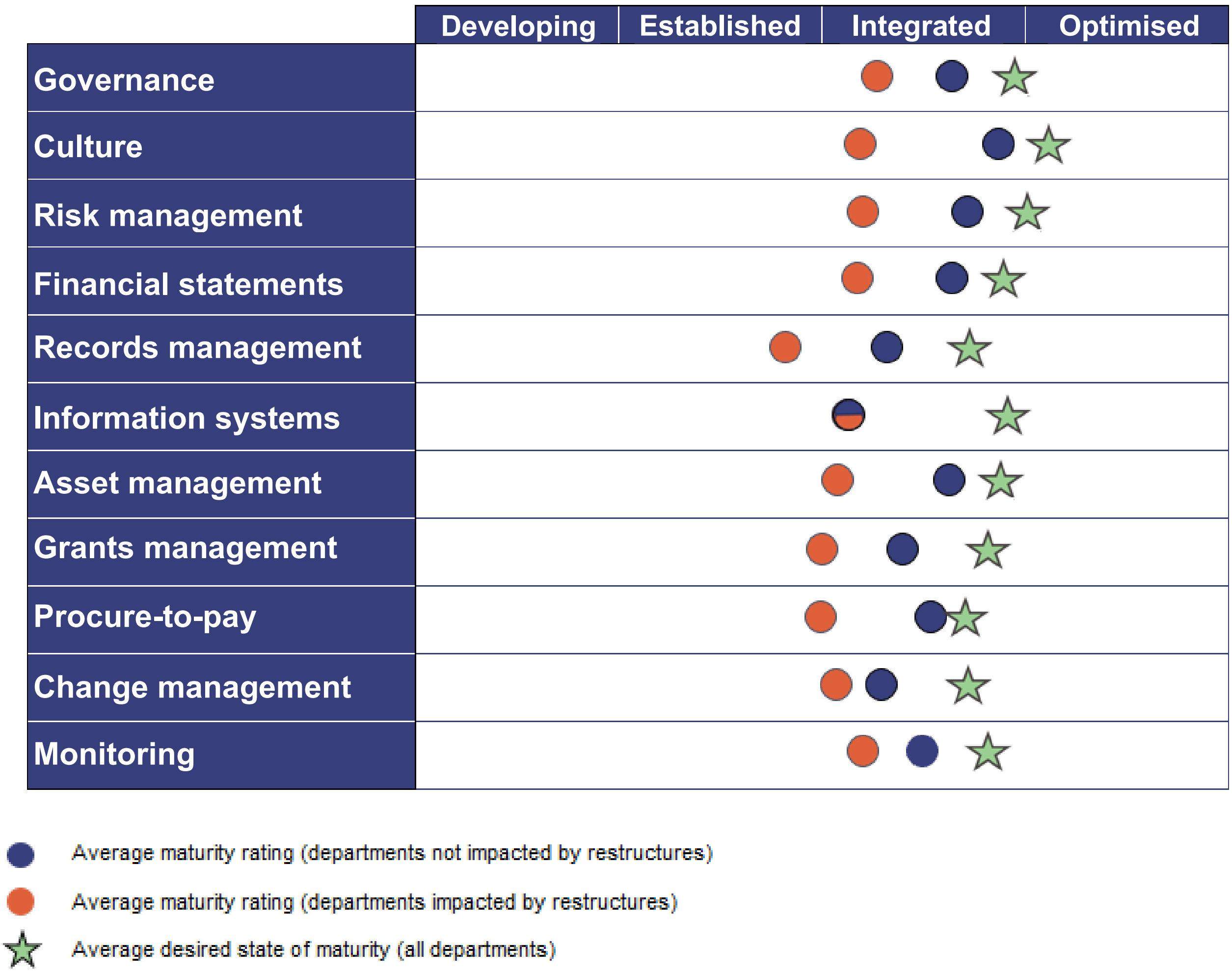
We are developing a suite of models to measure the maturity (the increase in efficiency and effectiveness) of entities' internal controls relevant to financial reporting and compliance. This is explained further in Appendix E.

In 2021–22, we assessed the maturity of departments' internal controls using the *Annual internal control assessment* available on our website at www.qao.qld.gov.au/reports-resources/better-practice. Our annual assessment includes 41 questions across 11 components.

It provides an option for departments to decide what level of maturity they want to achieve with their internal controls (this is their 'desired' state). Management can then focus attention and investment on the biggest gap between their current and desired states, to improve the internal controls that will be of most benefit to their departments. Their decisions on this should be based on the risk if those internal controls do not work effectively or efficiently, and on the cost of improving them – this will be different for every department.

Figure 4A summarises the results, showing the average result for departments for each component as a coloured dot, comparing those that were significantly affected by machinery of government changes in recent years (the orange dot) with those that were not (the blue dot). The green star shows the average of the desired state, as assessed by management.

Figure 4A
Comparison of average internal control maturity rating for departments that were significantly affected by changes with those that were not



Notes: Procure-to-pay refers to the whole procurement process. At the time of reporting, one department was finalising its desired maturity ratings, and has been excluded from the average. Our assessment of the significance of machinery of government changes for each department is outlined in Appendix G.

Source: Compiled by the Queensland Audit Office, from internal control maturity model assessment at 20 departments.

DEFINITION

We use 4 levels of maturity, which we define as:

- developing – an entity does not have this control, or it is not operating effectively, so the identified risk is not managed
- established – an entity shows basic competency in this area, so legislative requirements are met, or the identified risk is managed
- integrated – an entity is developed in this area or regularly demonstrates this, so controls work together to respond to the identified risk; however, the efficiency or effectiveness of controls could still be improved
- optimised – the entity consistently demonstrates this control and is a leader of best practice in this area.

The departments subject to recent changes generally have lower internal control maturity ratings than departments that have not been affected by these changes. The reasons for this are discussed in further detail in this chapter.

Records management

The departments affected by machinery of government changes had the lowest maturity rating for records management. This was because their records management is decentralised, with multiple records management systems used by different business areas. These systems often do not link to allow for automated processes or central oversight.

In some departments there were instances of documents stored outside of approved records management systems and paper records still being received or created. This creates challenges for government functions subject to restructures when transferring business records to their new department.

One large department affected by machinery of government changes has begun a project to retrieve records following the 2020 change. This is described in Case study 2 in Figure 4B.

Figure 4B
Case study 2

Managing the transfer of and access to records
Several government functions were transferred to one department as part of a significant machinery of government change in 2009. Details of business records relating to contract management for this department were captured in a records management system, including file number, file name, date created, date closed, and retention/disposal dates. The actual public records were managed through hard copy filing of physical records and saving electronic records to a network drive. Machinery of government changes in 2017 and 2020 saw functions transfer to different departments, but information in the records management system, hard copy files, or network drives were not transferred with the functions to the relevant departments. Queensland State Archives advises that the transfer of records should automatically follow the transfer of the function. Employees in functions that transferred to other departments can no longer access the previous records management system, meaning the current departments do not have oversight of their own records created prior to 2020. The previous department estimates there are 17,744 boxes (87,611 files) in secure storage that have not been transferred to the departments that now own them. Each box contains business records relating to several functions, and the department cannot determine how many of the files belong to each function without manually inspecting each box. As it cannot confirm ownership of the records, it continues to pay for their secure storage. One of the current departments has also identified boxes of closed files across Queensland regions, and ownership has not been identified for these either. One of the current departments is undertaking a project to transfer ownership of the files in secure storage. A cross-departmental group has engaged with Queensland State Archives for advice on how to reconcile records ownership and identify cost savings through authorised records destruction. It is also progressing the implementation of a new electronic document records management system to better enable transfer of records during restructures.

Source: Compiled by the Queensland Audit Office, from a department project brief.

Nine departments were not consistently using electronic records management systems that supported effective central oversight or robust processes for the appropriate retention and disposal of records. While more than three-quarters of them were subject to recent significant machinery of government changes, this area requires attention from *all* departments.

Governments hold a significant amount of sensitive information, including but not limited to information related to children, patients, businesses, and employees. Government has a responsibility to only collect the information it needs, to protect the information it has collected, and to dispose of that information safely at the correct time.

When departments do not know or regularly review the information they hold, there is a significant risk that this information is not stored securely or disposed of appropriately at the correct time. It may also prevent the community accessing information held by the government under right to information legislation, or impact decision-making, because relevant information cannot be found. In the case of a natural disaster or a security breach, sensitive information could be lost or inappropriately accessed.

Departments should take the opportunity to implement consistent electronic records management systems and practices. This would improve the security of sensitive information held by government and the efficiency of records management practices.

The Queensland State Archives has published guidance for *Recordkeeping during MOG and administrative change*. The guidance is available to all entities and includes information on how to prepare, identify impacted records, agree on who is responsible for the records and information, and transfer the records. The guidance is supported by resources and tools developed for records management that will assist departments implementing best practice records management and in preparing for a future machinery of government change.

Recommendation for all departments
Ensure all information is kept in approved business applications and systems (REC 6)

We recommend that all departments:

- identify the information they hold in physical and electronic form
- in consultation with Queensland State Archives, develop digitisation policies and prepare a plan to digitise paper records that are required to be retained
- prioritise digitisation of processes so that records are created in approved business applications and systems
- implement a records disposal program (that reviews records held by departments against an approved retention and disposal schedule) to ensure records are disposed of appropriately and at the correct time
- ensure all records that belong to another government department as a result of previous machinery of government changes are appropriately transferred.

Recommendation for all departments
Ensure systems are compatible across government and facilitate good recordkeeping (REC 7)

We recommend that departments prioritise implementing whole-of-government systems, or systems that are compatible with those used by other Queensland Government departments, and meet minimum records management requirements. This should ensure recordkeeping is in accordance with government policy, and allow for the transfer of records following a machinery of government change. Technologies could then be leveraged that provide a greater ability to access records across multiple systems.

Information systems

The second lowest maturity rating for all departments was for information systems. This is consistent with findings raised in our report *State entities 2022* (Report 11: 2022–23), with 43 out of 66 internal control issues reported to core departments in 2021–22 relating to information systems security.

It is also consistent with departments' reporting on their information security management systems (ISMS) in 2020–21. The ISMS is a systematic approach to identifying and managing information security risks, including the risk of a cyber attack. While the ISMS maturity of the Queensland Government is improving, more can still be done. In 2020–21, only 33 per cent of departments had an operating level ISMS where risks are identified, managed, and continuously improved. In 2021–22, this increased to 73 per cent. The target is 100 per cent.

The information systems component was the only one where those departments affected by machinery of government changes reported the same average internal control maturity rating as those that were not affected by a change.

Non-change-affected departments tended to have large, decentralised, and complex information technology environments, with multiple systems, sub-systems, and legacy systems used by different business areas. The complex environment creates challenges in terms of maturing internal controls – including greater risk, longer time, and higher cost involved in improving internal controls.

In contrast, change-affected departments are more likely to have a smaller, more centralised, and less complex information technology environment. For these entities, a change can also provide the opportunity and incentive to streamline through the use of common information systems and shared service providers or corporate partnerships. This can have longer-term benefits.

A lot of departments use a shared service provider such as Queensland Shared Services, or a corporate partner such as the Information Technology and Partners group (which is part of the Department of Agriculture and Fisheries and provides information technology and information management services for multiple departments). These providers have well-established processes for implementing machinery of government changes, and can provide consistent services when future changes occur.

Culture

Culture was the area assessed as having the largest difference between departments that were involved in recent significant changes and those that were not. Departments and functions frequently subject to changes generally reported lower maturity ratings for internal controls relating to culture.

This does not mean they have a poor culture. All have a code of conduct on which employees receive training, and all have conducted an annual staff survey to identify areas for improvement. A lot of departments place great reliance on these measures, but after a machinery of government change, more may need to be done. There are opportunities to analyse other information – for example, about complaints, leave balances, absenteeism, or resignations – to identify any cultural issues that need to be addressed.

Functions that frequently move during government restructures are less likely to fully integrate into their new departments due to the anticipation that they will be moved again during the next restructure. These functions may also operate under different values, which will impact on their alignment with the strategic objectives of their current department. This creates a risk of departments and their functions operating in silos, which can affect the flow of information within a department and can also impact on risk management and decision-making.

In our review of 4 departments affected by 2020 changes, 2 had started projects to assess and influence their culture following the changes.

Management wants to improve grants management

Across all departments, the most significant difference between the current and desired states was in grants management. We previously assessed the maturity of internal controls over grants management for 8 grant programs at 5 departments. Our findings were included in *Improving grants management* (Report 2: 2022–23). The report found that older grant programs (which have had a longer time to establish and develop internal controls) tend to have more efficient and effective systems in place than newer programs.

Similarly, machinery of government changes affect the maturity of grants management across departments. This is because different systems and processes are used for grants management across the Queensland Government. When these changes occur, multiple functions can transfer to a new department, each with their own system and process for grants management. Departments rarely have time to implement consistent systems and processes before the next change occurs.

The Department of State Development, Infrastructure, Local Government and Planning has established a project to lead improvements in grants management across the Queensland Government. This may provide departments with an opportunity to implement consistent systems and processes more easily.

Other maturity areas for improvement

The average results for each component reflect responses to several specific questions. Lower ratings for individual questions can be offset by higher ratings for other questions in the same component. Individual questions with lower-than-average ratings were noted in governance, procure-to-pay, and monitoring of compliance with laws and regulations.

Governance – workforce management

One key maturity measure is the implementation of policies and procedures to support staff attraction, development, and retention. This includes effective workforce planning and performance management. While all departments had these policies and procedures in place, they were not always implemented consistently. Ten departments did not have effective workforce plans in place, and also did not have consistent and formalised processes for assessing staff performance. Of these departments, 8 were recently affected by significant machinery of government changes.

While these internal controls can take time to implement following a restructure, they are important in ensuring a department's workforce remains appropriate for its service delivery, determining the training required, assisting in the retention and advancement of qualified personnel, and managing poor performance.

Governance – policies and procedures

All departments have policies and procedures in place to establish rules and provide guidance to employees on matters like human resources, finance, and information systems.

After a machinery of government change, most departments adopt the policies and procedures of their former departments, with some updates to reflect the operations of the current department. Departments noted their intention to revise their policies to make them more contemporary and accessible, but that this work was frequently delayed due to other priorities. As a result, policies were assessed as having the largest difference between departments that were involved in recent significant changes and those that were not.

It is important that employees understand what is expected of them, so they can provide a consistent level of service and comply with legislative requirements. Policies and procedures that are relevant, and are easy to find and follow, are integral to this. Where policies are out of date, there is a greater risk of inconsistent practices and poor decision-making, that may result in financial loss or non-compliance with legislation.

Procure-to-pay

The majority of departments use different systems for their procurement, contract management, and finance processes, with a lack of integration between the systems used. This increases the risk of different information being recorded in each system and of poor contract management practices. It can result in the maximum value for money not being achieved under existing contracts. Of these departments, 69 per cent were recently affected by significant machinery of government changes.

Monitoring compliance with laws and regulations

Strong practices for monitoring legal and regulatory compliance include implementing reporting tools to monitor and report incidents, oversighting from committees, and developing action plans for identified risks. Eight departments had a maturity rating of established or lower, and 7 of these departments had been affected by machinery of government changes.

Departments need to monitor their own compliance with laws and regulations, but may also have regulatory responsibilities to ensure individuals and businesses comply with legislative requirements. Where this is the case, departments need to ensure their monitoring extends to their regulatory responsibilities, so they can promptly respond to instances of non-compliance.

Regulators' failure to monitor compliance is a common observation in our performance audit reports. We published guidance for improving regulator performance in chapter 4 of *Regulating animal welfare services* (Report 6: 2021–22). It drew on findings from across many performance audits over a number of years. It identified that departments needed to improve their planning, monitoring, and reporting of compliance.

This can be exacerbated by machinery of government changes. Internal controls over monitoring of compliance need to be prioritised when functions are being transferred between departments.

Appendices

A. Entity responses

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:

- Director-General, Department of the Premier and Cabinet
- Acting Under Treasurer, Queensland Treasury
- Public Sector Commissioner, Public Sector Commission
- Director-General, Department of Energy and Public Works
- Director-General, Department of Housing
- Acting Director-General, Department of Regional Development, Manufacturing and Water
- Director-General, Department of Resources
- Director-General, Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts.

We also provided a copy of the report to those listed below and gave them the option of providing a response:

- Premier and Minister for the Olympics and Paralympic Games
- Treasurer and Minister for Trade and Investment
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement
- Minister for Housing
- Minister for Regional Development and Manufacturing and Minister for Water
- Minister for Resources
- Minister for Treaty, Minister for Aboriginal and Torres Strait Islander Partnerships, Minister for Communities and Minister for the Arts
- accountable officers of other core departments.

This appendix contains the detailed responses we received.

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

Comments received from Director-General, Department of the Premier and Cabinet

Queensland Government

Department of the **Premier and Cabinet**

For reply please quote: *P&L/AB – TF/23/7631 – DOC/23/112252*
Your reference: *PRJ03869*

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

Brendan
Dear Mr ~~Worrall~~

Thank you for your email of 25 May 2023 providing a copy of the draft report, 'Implementing machinery of government changes', for comment. The recommendations are noted.

With regard to Recommendation 6, the Department of the Premier and Cabinet (DPC) currently has an electronic records management system with inbuilt retention and disposal schedules, and the management of records accords with the requirements of the *Public Records Act 2002* and policies issued by the Queensland State Archivist. DPC will continue to work with the Queensland State Archivist to support fit-for-purpose and contemporary information management practices.

DPC notes the intent of Recommendation 7 of the draft report and that 'Priority 6: Digitally enabled government' under Our Thriving Digital Future: 2023–2026 Action Plan, includes an initiative to establish core and common platforms across the Queensland Government. Core and common digital assets can be implemented by all agencies or shared as a resource for a collection of agencies, depending on individual agency requirements. Adoption of a common system would need to be considered on a case-by-case basis by each agency, taking account of likely costs and benefits and operational needs.

Again, thank you for providing DPC with a copy of the draft 'Implementing machinery of government changes' report.

Yours sincerely

Rachel Hunter

Rachel Hunter
Director-General

14/6/23

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Telephone 13 QGOV (13 74 68)
Website www.premiers.qld.gov.au
ABN 65 959 415 158

Comments received from Public Sector Commissioner, Public Sector Commission

Queensland Government

Public Sector Commission

Please quote: **TF/23/8534**

13 June 2023

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

Dear Mr Worrall

Thank you for your email dated Thursday 25 May 2023 regarding your proposed report to Parliament, *Implementing machinery of government changes* (the report).

The Public Sector Commission (PSC) has considered the report and proposed recommendations, which aim to deliver continuous improvement in implementing machinery of government changes in the Queensland public sector.

PSC regularly updates frameworks and guidelines to support departments during machinery of government changes in collaboration with Queensland Treasury, the Department of the Premier and Cabinet and other agencies. The Public Sector Governance Council continues to provide timely guidance and oversight to support the consistent application of machinery of government principles.

The report provides information which PSC will consider in reviewing frameworks, guidelines and tools to ensure efficient and effective machinery of government change processes.

I have enclosed the PSC's response to relevant recommendations as requested.

Should you require further information, please contact [redacted]

Yours sincerely

David Mackie
Public Sector Commissioner

Enclosed: Response to recommendations

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Queensland 4002 Australia
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Responses to recommendations

Queensland Audit Office
Better public services

Public Sector Commission

Implementing machinery of government changes

Response to recommendations provided by David Mackie, Commissioner, Public Sector Commission on 13 June 2023.

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
REC 1 **Improve decision-making processes for the distribution of resources when implementing machinery of government changes** We recommend that, before the next Queensland general election, the Public Sector Commission, in conjunction with departments and with oversight from the Public Sector Governance Council: • revisit the corporate services thresholds developed in 2020 (referred to in the principles outlined in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes*, to guide the allocation of corporate services employees depending on the complexity of services and size of a department) to ensure they remain appropriate • update and share information on corporate structures, staffing, experience of senior corporate staff, and shared service arrangements / corporate partnerships. Use this to identify and assist any departments that may face challenges with machinery of government changes.	Agree	October 2024	The Public Sector Commission (PSC) will collect data from agencies on: • corporate structures and staffing • senior corporate staff • shared services arrangements and corporate partnerships. PSC will utilise this data to update corporate services thresholds in anticipation of the 2024 Queensland General Election.

1

Queensland Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
REC 2 Consistently apply principles when implementing machinery of government changes When future machinery of government changes are being implemented, we recommend the Public Sector Commission and departments consistently apply the principles in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* and have reference to the corporate services thresholds in assessing the allocation of employees between departments. This should ensure each department has a minimum viable corporate services function, and should overcome any ongoing challenges from past changes. This should be overseen by the Public Sector Governance Council, consistent with its responsibilities under the *Public Sector Act 2022.*	Agree	December 2024	PSC's Machinery of Government framework and implementation guidelines were most recently applied in response to the machinery of government changes announced on 18 May 2023. The framework and accompanying principles will also be applied for any machinery of government changes announced following Queensland's state election on 26 October 2024. As set out *in the PSC document Ensuring the efficient, effective and equitable implementation of machinery of government changes,* machinery of government changes are guided by a number of principles including that the "reallocation of corporate and executive functions for new or impacted agencies will be based on the agency circumstances at the date of the machinery of government change, informed by evidence and data provided as opposed to historical decisions". The Public Sector Governance Council utilises the principles set out in these guidelines, along with corporate services thresholds, to ensure that each department has a minimum viable corporate services function.
REC 3 Establish a process for a workforce or budget review when issues are identified If information becomes available that indicates employee or budget decisions made following a machinery of government change have had adverse unintended consequences, we recommend a process be established for a workforce or budget review by the Public Sector Commission or Queensland Treasury. This could be part of the existing functions of the Public Sector Governance Council under the	Agree	October 2024	PSC will work with Queensland Treasury to develop and document a workforce or budget review process. This will include identifying the most appropriate (policy or legislative) head of power for these reviews.

2

Queensland Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
Public Sector Act 2022 – to request public sector reviews. This process should be documented in existing frameworks and guidelines published by the Public Sector Commission and Queensland Treasury.			
REC 4 Improve the documentation of processes when implementing machinery of government changes We recommend that the Public Sector Commission develop a suite of templates for departments to use when implementing machinery of government changes, including for project plans, terms of reference for project groups, risk registers, management reporting, and lessons learned. The Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* should be expanded to include worked examples and case studies that incorporate these templates. This should also help departments to focus on areas that need more attention after a change, including culture and records. We recommend departments: • improve their documentation of key processes and actions performed as part of their implementation of machinery of government changes • as part of the finalisation of the project, assess lessons learned in order to inform management and central agencies of what went well and of areas requiring further improvement. This will assist in the transfer of knowledge and experience in preparation for a future machinery of government change.	Agree	October 2024	As part of the regular updating of machinery of government frameworks and guidelines, PSC will provide guidance as to the types of templates for use during machinery of government changes and consider developing or collecting better practice templates to share with agencies, as needed. PSC has conducted lessons learned processes following recent machinery of government changes and uses this information to update and improve frameworks and guidelines, templates, and governance and support mechanisms. These evaluative processes will continue to be undertaken for future machinery of government changes.

3

Comments received from Acting Under Treasurer, Queensland Treasury

Queensland Government

Queensland Treasury

Our Ref: 02288-2023

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

Email: QAO.Mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 25 May and letter dated 16 June 2023 seeking Queensland Treasury's (Treasury) formal response to your proposed report to parliament *Implementing machinery of government changes*.

I note your recommendation that a process be established for a workforce or budget review when issues are identified (Recommendation 3). Treasury will liaise with the Public Sector Commission to enable joint implementation of this recommendation.

I acknowledge the report's recommendation for Treasury to outline requirements for agreeing on changes to transferred amounts if errors are identified (Recommendation 5).

Treasury will work closely with the Queensland Audit Office to establish an agreed process for MoG adjustments and error corrections that takes a whole-of-government approach. The approach will be prescribed in the revised *Guidelines for Machinery of Government Changes* and include close liaison with departments to resolve issues when errors are identified.

If you require any further information, please contact [redacted]

Yours sincerely

Maryanne Kelly
Acting Under Treasurer

21 / 06 / 2023

1 William Street
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Website www.treasury.qld.gov.au
ABN 90 856 020 239

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

Queensland Government

Department of
Energy and Public Works

Our Ref: MN06075-2023
Your Ref: PRJ03869

13 JUN 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
53 Albert Street
BRISBANE QLD 4000
By email: qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 25 May 2023 regarding your proposed report to Parliament *Implementing machinery of government changes*, and the opportunity to comment on the proposed recommendations.

I have reviewed the report and recommendations and the Department of Energy and Public Works (DEPW) supports recommendations 1, 2, 4, 6 and 7 which are relevant to all Queensland Government departments.

Your report notes that DEPW is rated as having 'integrated' average maturity of change management practices for implementing the November 2020 machinery of government changes. I acknowledge Queensland Audit Office's (QAO) assessment that controls were adequately developed and worked together to respond to the risks associated with the change, and note that controls could still be improved.

DEPW has taken the opportunity to again reflect and learn from the 2020 machinery of government change implementation as part of this audit. DEPW is committed to ongoing improvements in the efficiency and effectiveness of controls for future machinery of government changes, in accordance with QAO's applicable recommendations.

If you need any further information, please contact [redacted]

Yours sincerely

Paul Martyn PSM
Director-General

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GPO Box 2457 Brisbane
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Website www.epw.qld.gov.au

Comments received from Director-General, Department of Housing

Queensland Government

Office of the
Director-General

Department of **Housing**

Our reference: MN06299-2023

14 June 2023

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

Dear Mr Worrall

Thank you for the opportunity to review and provide comments on the proposed report to Parliament, Implementing Machinery of Government Changes.

The draft report comes at an opportune time for the Department of Housing.

I welcome the support of central agencies, including the Queensland Audit Office, Public Sector Commission, Queensland Treasury and Queensland State Archives, on the current and any future Machinery of Government (MoG) changes.

The findings of the report will be incorporated into planning and processes for the current MoG change impacting this department. In particular, I can advise a MoG governance committee has been established to oversee the distribution of resources including management of corporate structures; transfer of staff; budgets and shared service arrangements. Additionally, a Records Management Transformation function was stood up earlier in 2023 to improve efficiency and effectiveness of records management, including those relating to MoGs.

If you require any further information or assistance in relation to this matter, please contact

I trust this information is of assistance.

Yours sincerely

Mark Cridland
Director-General

1 William Street
Brisbane Queensland 4000
GPO Box 806 Brisbane
Queensland 4001 Australia

Comments received from Acting Director-General, Department of Regional Development, Manufacturing and Water

Queensland Government

Our ref: CTS 09541/23

Your ref: PRJ03869

Department of
Regional Development, Manufacturing and Water

13 JUN 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
53 Albert Street
BRISBANE QLD 4000

Email: qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 25 May 2023 regarding your report to Parliament on '*Implementing machinery of government changes*'.

The Department of Regional Development, Manufacturing and Water (the department) appreciates the productive engagement that occurred with officers of the Queensland Audit Office during the completion of the audit. As an outcome of this, the department has no further formal comments to provide.

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

Yours sincerely

Linda Dobe
Acting Director-General

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Comments received from Director-General, Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts

Queensland Government

Office of the
Director-General

Department of
Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts

Your reference: PRJ03869
Our reference: MN02333-2023

12 JUN 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
53 Albert Street
BRISBANE QLD 4000
gao@qao.qld.gov.au

Dear ~~Mr Worrall~~ Brendan

Thank you for your email of 25 May 2023 regarding the draft *Implementing machinery of government changes* report (the Report) and seeking commentary from my department.

I take this opportunity to acknowledge the work undertaken by the Queensland Audit Office, and thank you for providing me with a copy of the draft Report.

The timeliness of the Report has provided useful insights in the 2023 Machinery-of-Government (MoG) changes which have established my new department, the Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts (DTATSIPCA).

My department supports and welcomes the recommendations in the planning and implementation of future MoG changes.

My department will carefully consider the recommendations which apply to all departments, and will work collaboratively with the Public Sector Commission, the Department of the Premier and Cabinet, and Queensland Treasury to support any recommendations which they have leadership for.

I have also provided feedback specifically on the Report as it relates to recordkeeping from the Queensland State Archives (**Attachment 1**). This feedback is provided to ensure clarity of the legislative provisions in the Report.

If you require any further information or assistance in relation to this matter, please contact [redacted]

I trust this information is of assistance.

Yours sincerely

C. O'Connor
Director-General

Enc. (1)

1 William Street
Brisbane Queensland 4000
GPO Box 806 Brisbane
Queensland 4001 Australia

Queensland Audit Office and the Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts discussed the feedback noted in Attachment 1 and agreed on changes, as warranted, in the report. As such, Attachment 1 (referred to in the letter above) has not been included as part of the formal response.

Comments received from Director-General, Department of Child Safety, Seniors and Disability Services

Queensland Government

Office of the
Director-General

Department of
Child Safety, Seniors and Disability Services

Our reference: CSSDS 02436-2023

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

Dear Auditor-General

Thank you for your email concerning your proposed report to parliament *Implementing machinery of government changes*. I appreciate the opportunity to provide a response on behalf of the Department of Child Safety, Seniors and Disability Services.

While I support the report generally, Recommendation 6 which relates to information management will likely have a significant impact for the department which I would like to bring to your attention.

The core business undertakings of the department, including the Child Safety portfolio, inherently generate significant records holdings and the majority of these records have long term retention requirements. Such records include child protection files documenting decisions regarding each child in care and historical Disability Services files.

Moving forward, the department is committed to the digital recording of information and embracing digital records management, however, to plan to systematically digitise the paper holdings of this department is an extraordinarily resource intensive task. The records attributable to only the Child Safety portfolio exceed 108,000 boxes of records. While the department's records document business decisions across the span of the last century, the task of digitising these paper records would require a substantial diversion of the department's resourcing away from critical front line service delivery.

As such, implementation of this recommendation would impose a significant resourcing impost on this agency and would not be practical to implement.

If you require any further information or assistance in relation to this matter, please contact [redacted]

Thank you for providing me with the opportunity to review the proposed report.

Yours sincerely

Deidre Mulkerin
Director-General

14/06/2023

Comments received from Director-General, Queensland Health

Queensland Government

Queensland Health

Enquiries to: [redacted]
Telephone: [redacted]
Our ref: C-ECTF-23/6077

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

Email: QAO.Mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email dated 25 May 2023, providing an opportunity to provide feedback on the proposed Report to Parliament – *Implementing machinery of government changes*.

I agree that the regularity of Machinery of Government (MoG) impacts on the ability of departments to focus on improving the efficiency and effectiveness of their service delivery. Whilst it has been many years since the Department of Health has been impacted by a significant MoG change, several of the recommendations in the above report may have an impact on my department should we be subject to a future MoG change.

I offer specific feedback on selected recommendations in the attachment.

Should you require further information, the Department of Health's contact is [redacted]

Yours sincerely

Shaun Drummond
Director-General
19 / 06 / 2023

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Responses to recommendations

Appendix 1

QAO Recommendation	Agree / Disagree	Department of Health Advice
Improve decision-making processes for the distribution of resources when implementing machinery of government changes (Public Sector Commission and all departments) **Recommendation #1** We recommend that, before the next Queensland general election, the Public Sector Commission, in conjunction with departments and with oversight from the Public Sector Governance Council: • revisit the corporate services thresholds developed in 2020 (referred to in the principles outlined in the Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes*, to guide the allocation of corporate services employees depending on the complexity of services and size of a department) to ensure they remain appropriate • update and share information on corporate structures, staffing, experience of senior corporate staff, and shared service arrangements / corporate partnerships. Use this to identify and assist any departments that may face challenges with machinery of government changes.	Agree	The Department of Health (DoH) will actively contribute to the Public Sector Commission led process on corporate services thresholds.
Consistently apply principles when implementing machinery of government changes (Public Sector Commission and all departments) **Recommendation #2** When future machinery of government changes are being	Agree	When DoH is subject to a future machinery of government change, the relevant guidelines applicable at that time will be considered and relevant principles consistently applied.

3

QAO Recommendation	Agree / Disagree	Department of Health Advice
implemented, we recommend the Public Sector Commission and departments consistently apply the principles in the Public Sector Commission's A framework to support preparations and implementation of machinery of government (MoG) changes and have reference to the corporate services thresholds in assessing the allocation of employees between departments. This should ensure each department has a minimum viable corporate services function and should overcome any ongoing challenges from past changes. This should be overseen by the Public Sector Governance Council, consistent with its responsibilities under the Public Sector Act 2022.		
Improve the documentation of processes when implementing machinery of government changes (Public Sector Commission and all departments) **Recommendation #4** We recommend that the Public Sector Commission develop a suite of templates for departments to use when implementing machinery of government changes, including for project plans, terms of reference for project groups, risk registers, management reporting, and lessons learned. The Public Sector Commission's *A framework to support preparations and implementation of machinery of government (MoG) changes* should be expanded to include worked examples and case studies that incorporate these templates. This should also help departments to focus on areas that need more attention after a change, including culture and records. We recommend departments:	Agree	Should DoH be subject to a future MoG change, DoH will utilise Public Sector Commission developed templates to documented key processes and actions performed as part of the implementation of the MoG changes.

QAO Recommendation	Agree / Disagree	Department of Health Advice
• improve their documentation of key processes and actions performed as part of their implementation of machinery of government changes • as part of the finalisation of the project, assess lessons learned in order to inform management and central agencies of what went well and of areas requiring further improvement. This will assist in the transfer of knowledge and experience in preparation for a future machinery of government change.		
Ensure all information is kept in approved business applications and systems (all departments) **Recommendation #6** We recommend that all departments: • identify the information they hold in physical and electronic form'	Disagree	The scope of this recommendation as written is very broad and will make it difficult for departments to meet this threshold. It is also unclear if the intent of this recommendation is for "information" or "records" which are different concepts, as the remainder of the recommendations are aligned to records. The department disagrees with the recommendation as stated. Instead, DoH will apply this recommendation to information that is assessed as high risk to DoH.
• in consultation with Queensland State Archives, develop digitisation policies and prepare a plan to digitise paper records that are required to be retained	Disagree	Digitisation advice needs to take into consideration the limitation within retention schedules which require many classifications to be retained permanently. A more practical recommendation could be for QSA to review the retention periods for records to ensure that "permanent" and lengthy retentions, for example greater than 30 years, are assigned with rigorously defined criteria, due to ongoing costs and risk to obsolete technologies.

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QAO Recommendation	Agree / Disagree	Department of Health Advice
		Upon completion of the QSA component of this recommendation, departments to prepare and plan to digitise paper records where criteria is less than years set within the new QSA policy, and for records outside this period, departments to consider on a cost benefit assessment basis if storage of records within an approved business application outweighs the cost of storage and retrieval from off-site storage providers.
• prioritise digitisation of processes so that records are created in approved business applications and systems	Disagree	Whilst this recommendation is theoretically strong, it is also necessary that approved business systems have been classified with a retention schedule or are developed with the capability to dispose of records at the correct time as required in the retention schedule. The challenge with the current retention schedules is the level of complexity to address the root cause of managing disposals in a cost-effective way, significant work is required to simplify retention schedules. An alternative recommendation could be: *Departments to implement processes to assign a retention schedule at the time a new approved business system is commissioned.* *Departments to prioritise processes so that records are created, managed and have authorised disposal from the approved business application.* *QSA to use the current legislative review to define and better prescribe what constitutes an official record and to simplify the retention schedules and set*

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QAO Recommendation	Agree / Disagree	Department of Health Advice
		defined criteria lengths for which different types of official records are to be held.
• implement a records disposal program (that reviews records held by departments against an approved retention and disposal schedule) to ensure records are disposed of appropriately	Agree	No additional comment.
• ensure all records that belong to another government department as a result of previous machinery of government changes are appropriately transferred	Agree	No additional comment.
Ensure systems are compatible across government and facilitate good recordkeeping (all departments) **Recommendation #7** We recommend that departments prioritise implementing whole-of-government systems, or systems that are compatible with those used by other Queensland Government departments and meet minimum records management requirements. This should ensure recordkeeping is in accordance with government policy and allow for the transfer of records following a machinery of government change. Technologies could then be leveraged that provide a greater ability to access records across multiple systems.	Disagree	Whilst this recommendation sounds good in theory, the practicality of implementing whole of government systems is likely to require significant investment in ICT and change management as well as a mechanism to have a lead agency responsible for leading the implementation of the recommendation. The ability for "all departments" to implement this recommendation is very challenging given the way the recommendation has been worded without a lead agency and in an environment where front line delivery of services is likely to have prioritising of funding.

B. How we prepared the audit brief

About this audit brief

The objective of this audit brief is to:

- provide insights into central agency leadership during the November 2020 machinery of government change
- analyse the change management practices for 4 departments that were significantly affected by the change
- assess the effect that restructures have on departments' internal controls (their people, systems, and processes).

Entities subject to the audit

We examined the change management processes at 4 departments. These entities are:

- Department of Communities, Housing and Digital Economy
- Department of Energy and Public Works
- Department of Regional Development, Manufacturing and Water
- Department of Resources.

We assessed the maturity of internal controls at the 20 core departments that existed at 30 June 2022.

Scope and methods

To provide insights on central agency leadership, we reviewed documents provided by the Public Sector Commission regarding the guidance and support provided to the departments throughout the change. We also analysed the results of the survey of departments' heads of corporate services conducted by the Public Service Commission after the change.

We obtained an understanding of the change management practices applied by 4 departments when implementing the machinery of government changes. In doing this, we:

- conducted interviews with staff from relevant entities to understand their change management processes
- reviewed relevant documents, including transfer forms, action plans, risk registers, policies and procedures for key processes, and performance reports.

We developed a change management maturity model with reference to general change management principles and guidance specific to machinery of government changes published by governments and professionals in Australia and internationally. We assessed the 4 departments' practices against this model.

We reviewed the internal control assessments performed through our annual financial statement audits in 2021–22. Each assessment involved interviews with staff from across the department; inspection of documents including plans, delegations, and policies; and where relevant to our audit, testing of internal controls to ensure they were operating effectively throughout the year. As part of our review, we compared departments significantly impacted by machinery of government changes in recent years (as outlined in Appendix G) with those that either had no or minor changes.

We have not undertaken a full evaluative audit to examine the efficiency and effectiveness of change management processes at all 17 core departments affected by the restructure.

As a result, we have not provided a conclusion under the auditing standards. Instead, we have analysed available information and presented relevant facts and recommendations.

We performed these audits in accordance with the *Auditor-General Auditing Standards*, incorporating, where relevant, standards on assurance engagements issued by the Auditing and Assurance Standards Board.

C. Machinery of government corporate allocations

The Public Service Commission (PSC) developed corporate services thresholds to guide the allocation of corporate services employees depending on the services and size of a department. The purpose of the thresholds was to contribute to a more equitable allocation of corporate resources in entities affected by the 2020 machinery of government changes. Thresholds were developed using pre-machinery of government benchmarking data.

Figure C1 reflects the corporate services thresholds developed by the PSC to guide decision-making about staff allocations following the change.

Figure C1
Corporate services thresholds used to guide decision-making about staff allocations

	Service delivery (large)	Service delivery (small)	Policy/program design (large)	Policy/program design (small)
Workforce range by department type prior to the 2020 machinery of government change				
Full-time equivalent employees (FTE) for the department	3,350–7,200	1,000–3,350	1,000–3,000	100–800
Corporate FTE (as a per cent of total FTE)	360–750 (6–11%)	45–427 (3–13%)	162–382 (8–19%)	32–180 (10–28%)
Examples of departments	Department of Transport and Main Roads Department of Housing and Public Works	Department of Justice and Attorney-General Department of Child Safety, Youth and Women	Queensland Treasury Department of Natural Resources, Mines and Energy	Department of State Development, Technology and Innovation Department of the Premier and Cabinet
Thresholds used to guide decision-making on corporate resource allocation during the 2020 machinery of government change				
Corporate FTE ratio:	8–11%	6–8%	11–15%	11–23%
• Information and communication technology (ICT) FTE ratio	2.8–4.3%	3.4–5.5%	3.1–4.4%	3.1–5.1%
• Human resources FTE ratio	1.4–1.8%	1.6–2.6%	1.3–1.9%	3.2–3.5%
• Finance FTE ratio	1.5–2.4%	1.2–1.8%	1.5–2.1%	2.8–4.6%

Source: Compiled by the Queensland Audit Office from information provided by the Public Service Commission.

D. Implementation approaches for 4 departments

We assessed the maturity of change management practices at 4 of the 17 departments affected by the 2020 change. These 4 departments were significantly affected by the change, and had different approaches to planning and implementing the changes, allowing us to assess and compare the approaches.

Figure D1 summarises the approaches adopted by each of the 4 departments in their implementation of machinery of government changes.

Figure D1
Implementation approaches for 4 departments

<table>
<tr><th>Department</th><th>Summary of 2020 machinery of government change impact</th><th>Adopted implementation approach</th></tr>
<tr><td>Department of Resources (DoR)</td><td>Renamed from Department of Natural Resources, Mines and Energy
Functions were transferred into (+) and out of (-) the department
+ Support to the Gasfields Commission
- Energy
- Water</td><td rowspan="2">Agreement about the allocation of employees between departments was reached within 105 days, and the reallocation and transition of work responsibilities began from this time.
The Department of Resources continued to provide support for DRDMW as it established its corporate support arrangements, which included transitioning to other Queensland Government shared service arrangements over a 23-month period.
DRDMW received additional support from the Public Service Commission and Queensland Treasury to work through the initial implementation.</td></tr>
<tr><td>Department of Regional Development, Manufacturing and Water (DRDMW)</td><td>Renamed from Department of Regional Development and Manufacturing
Significant increase in staff (525 employees)
+ Water
- Support to the Gasfields Commission</td></tr>
<tr><td>Department of Energy and Public Works (DEPW)</td><td>New department
+ Energy
+ Building Policy and Asset Management
+ Queensland Government Procurement</td><td rowspan="2">While agreement was reached about the allocation of employees between departments within 125 days, the reallocation and transition of work responsibilities between each department's employees was deferred until the full impact of the change could be assessed and the transition planned. For finance teams, these arrangements continued for approximately 12 months, while for technology and legal services, this support continues to be provided by the Department of Energy and Public Works to DCHDE, under a formal agreement, on an ongoing basis.</td></tr>
<tr><td>Department of Communities, Housing and Digital Economy (DCHDE)</td><td>Renamed from Department of Housing and Public Works
+ Arts Queensland
+ Corporate Administration Agency
+ Support to the State Library of Queensland
+ Community Services
- Building Policy and Asset Management
- Queensland Government Procurement
- Sport and Recreation</td></tr>
</table>

Source: Compiled by the Queensland Audit Office.

E. Internal controls maturity models

The Queensland Audit Office (QAO) has developed new assessment tools for internal controls.

These tools aim to take internal control assessments beyond an effective or ineffective result, to identify where an entity has opportunities to improve the efficiency and/or effectiveness of its controls. Entities should consider these opportunities in light of the investment required and the benefit this will provide.

The assessment tools are scalable to an entity's size and complexity, and are principle-based, so they respond to factors that influence an entity's practices.

We use information from these assessments to share learnings and better practice across the public sector.

Annual assessment and deep dives

We prepared an annual assessment tool for understanding where entities sit on a maturity scale for effective internal controls, relevant to financial reporting and compliance. The tool focuses on common controls across government entities.

The tool includes 41 questions across 11 components and should allow entities to highlight areas for targeted improvement. We will use this tool to identify components where we may consider performing a deep dive assessment.

We have developed deep dive assessment tools for:

- change management (specific to machinery of government changes)
- grants management
- procure-to-pay.

We will continue to develop deep dive assessment tools for areas that we identify as higher risk for entities.

We have used both the annual internal control assessment tool and the change management deep dive assessment tool, tailored for the machinery of government changes, in the preparation of this report. A copy of these models is available on our website at www.qao.qld.gov.au/reports-resources/better-practice.

Each assessment tool uses 4 levels of maturity, consistent with our financial statement preparation maturity model. These are defined as:

- developing – an entity does not have this control, or it is not operating effectively, so the identified risk is not managed
- established – an entity shows basic competency in this area, so legislative requirements are met or the identified risk is managed
- integrated – an entity is developed in this area or regularly demonstrates this, so that controls work together to respond to the identified risk; however, the efficiency or effectiveness of controls could still be improved
- optimised – the entity consistently demonstrates this control and is a leader of best practice in this area.

Entity assessments

The assessment tools are entity driven. This means each entity sets its own target of maturity between established and optimised, and assesses its practices to determine if it has met them.

An entity should establish an expectation that is commensurate with its business. As entities implement internal controls to treat risk – the risk of not achieving their objectives, fraud or error in financial reporting, or non-compliance with legislative requirements – the desired positioning should reflect the level of risk for their entity. The higher the risk, the greater the investment in internal controls is likely to be, to reduce risk to an acceptable level.

The desired positioning of maturity will also differ depending on the size, complexity, age, structure, and available resources of each entity. Entities may adjust their expectations during a period of change, for example, a machinery of government change, internal restructure, or changes to program delivery or major systems.

QAO does not expect that all entities will sit in the integrated and optimised categories, nor always aim to be in those categories. Entities should always consider the cost of moving categories in the context of the benefits this will provide.

For some, achieving a higher maturity may not be the best investment, if those internal controls are not related to the department's core service delivery. For example, policy departments do not require a large asset base to deliver their services, so they would not see a significant benefit in investing in asset management. This is very different to those delivering health, transport, and education services, which require well-maintained assets and need their internal controls for asset management to be efficient and effective.

F. Checklist for implementing machinery of government changes

Introduction to checklist

Machinery of government changes occur when the Premier alters the government's administrative arrangements. This is achieved through an Administrative Arrangements Order, which is made by Governor in Council (which is the Governor acting on advice of the Executive Council to approve the decisions of Cabinet. All Cabinet ministers are members of the Executive Council, with at least 2 ministers and the Governor needed for a meeting).

An Administrative Arrangements Order identifies the responsibilities of ministers and their portfolios, including the Acts they administer and the departments, agencies, and office holders responsible for them.

Machinery of government changes usually result in the transfer of specific functions and legislative responsibilities from one department to another. This also involves the transfer of assets and liabilities between departments. Machinery of government changes may include:

- the abolition of existing departments with all responsibilities transferred to other departments
- the creation of new departments
- changes to the functions, outputs, or resources within existing departments.

As this process can also affect other government entities, for example, statutory bodies and controlled entities, we use the generic term 'agencies' to describe all of the entities.

Given the wide-ranging impact of machinery of government changes, affected agencies should consider all aspects of change including governance, delegations, financial systems, and corporate policies and conduct a formal, planned approach. This will help them to identify, manage, and monitor the associated risks at both an operational and strategic level.

The Queensland Audit Office (QAO) developed the following *Checklist for managing machinery of government changes* to provide an overview of the main areas of change faced by agencies in implementing machinery of government changes.

This checklist provides guidance on some of the most common and important issues that arise during machinery of government changes. It is a guide only and does not address every possible issue resulting from these changes. They will be different in every agency.

This is a starting point. How you apply the checklist will depend on the particular circumstances of the changes affecting your agency.

General governance and organisational issues

Change management

- ☐ **Decide who will drive the changes**

  Identify clear lines of responsibility for driving the required changes, and involve senior executives where appropriate.

- ☐ **Agree on the changes required**

  Make sure that the transferring and receiving agencies agree on the nature and scope of the changes required. This will include agreeing on the date of the transfer, and we strongly recommend this occurs at a month end.

- ☐ **Communicate the changes**

  Make sure that everyone who is affected by the changes understands what is required.

- ☐ **Appoint a project team**

  Set up a project team early in the transition phase to coordinate all aspects of reorganisation. Ensure:

  - members of the project team have the right mix of skills and experience, including project management
  - the project team, as a matter of urgency, identifies and assesses key issues, risks, expected impacts, and necessary resources
  - the project team receives clear direction from a senior executive officer, who provides regular reporting to the executive leadership team
  - the project team, with guidance from a senior executive officer, identifies
    - – the desired benefits and expected outcomes intended to be achieved from the change
    - – the options to consider in implementing the change (for example, the degree of integration of functions that will be achieved, the time frame in which the change will be implemented)
    - – which values and cultures are to be reinforced in the new organisation.

- ☐ **Develop a transition plan**

  Develop a transition plan that not only addresses change issues, but also business-as-usual issues. Ensure it includes:

  - mitigation strategies for the key identified risks
  - steps for reviewing progress against plans and reporting to a senior executive officer on a regular basis
  - procedures for dealing with variations to plans.

- ☐ **Seek expert assistance if necessary**

  Decide whether you need consultants or contractors to assist in managing the process.

- ☐ **Develop a communication strategy**

  Design your communication strategy early, and ensure it includes:

  - communicating with central agencies and external audit
  - notifying clients and other external stakeholders about relevant changes to operations
  - keeping staff informed of the process.

- ☐ **Consider external committees**

  If the agency is represented on external committees, identify any adjustments required and inform those committees of impending changes.

- ☐ **Document lessons learned**

  Ensure all documents associated with implementing the change are recorded, and capture lessons learned through the process.

Corporate policies and plans

- ☐ **Review policies**

  Review and update policies to ensure they are relevant and appropriate, and maintain accountability.

- ☐ **Review standards**

  Review corporate standards in finance, human resources, and administration.

- ☐ **Review plans**

  Review and update strategic plans, asset plans, information and communication technology plans, and operational plans, where appropriate.

- ☐ **Review performance measures**

  Review and update performance measures, where appropriate.

Delegations

- ☐ **Review, check, and update delegations**

  Ensure you:

  - review instruments of delegation and, where appropriate, update them to ensure there is timely decision-making and continuity of operations
  - confirm that delegations conform to the Administrative Arrangements Order and the new structure, and are consistent across the agency
  - review relevant legislation and adjust references in instruments of delegation, where necessary.

Governance

- ☐ **Consider the organisational impact of revised ministerial responsibilities**

  Assess whether organisational changes are required to reflect revised ministerial responsibilities under the Administrative Arrangements Order.

- ☐ **Assess the structural compatibility of merging and transferred areas**

  Determine whether the jobs, staff numbers, and pay levels are comparable and what needs to be done about any incompatibilities.

  Reassess workforce plans to ensure they reflect the new department. This should include an assessment of the needs of the new department against current staff numbers, skills, and experience. Where differences are identified, the plan should outline the risks that arise because of these differences, and the proposed actions to address them.

☐ **Review accountability arrangements**

Focus on:

- the continuing relevance of core/strategic committees (for example, audit, finance, information technology, and risk management)
- the composition, skills, and terms of reference of core committees
- internal management reporting requirements
- organisational, compliance, and policy frameworks
- the performance reporting framework.

☐ **Communicate expectations to stakeholders**

Clearly communicate expectations to all relevant parties and stakeholders in a timely manner.

☐ **Address outstanding issues in audit reports and external reviews**

Follow up on issues raised in previous audit reports and external reviews before reorganisation.

☐ **Identify significant issues from key committees**

Ensure all significant and ongoing issues raised at key committees of the previous agencies are identified and carried forward. This should include a briefing to key committees of historical matters, for example, past issues that have been resolved and important events or decisions that continue to inform strategy and operations.

Legal

☐ **Address all legal matters**

Review existing obligations from contracts, leases, and litigation.

- Get confirmation from Crown Law about pending matters.
- Identify opportunities for review and renegotiation of terms and contracts.
- Transfer contracts for outgoing functions.

Records

☐ **Manage the handover of records**

In doing so:

- decide which records need to be transferred
- ensure agreements are in place between agencies for the transfer and maintenance of records
- develop and implement an effective handover process
- review the status of, and responsibility for, completion of right to information requests
- consider any requirements or guidance issued by Queensland State Archives
- ensure information privacy requirements are complied with.

Staff changes

☐ **Consider and address the impact on staff**

- Deal with possible negative effects on morale with the loss of key staff and corporate knowledge and with the merging of different organisational cultures.
- Provide counselling services for staff where necessary.
- Communicate with staff on secondment or long-term leave.

☐ **Attend to payroll, salary packaging, leave, and superannuation issues**

- Arrange transfers between payroll systems.
- Review salary packaging arrangements.
- Advise the relevant superannuation fund of the personnel who are being transferred.
- Reconcile recreation leave, long service leave, and superannuation records.

☐ **Manage staff-related records and equipment**

- Arrange for the transfer of staff records.
- Arrange for the return or issue of security passes and access cards.
- Arrange for the return of equipment where necessary (for example, laptop computers).

☐ **Address relocations, secondments, and contracts**

- Arrange for staff relocation or secondments.
- Wind down temporary contract arrangements if these skills are no longer required.

Stationery, signage, and uniforms

☐ **Assess all stationery, signage, and uniforms**

Decide what can still be used and what needs to be replaced.

Financial management issues

Budget implications

☐ **Address all budget implications**

- Transfer budgets between agencies in accordance with Governor-in-Council approval under s. 79 of the *Financial Accountability Act 2009* (FA Act).
- Review issues surrounding equity injection/withdrawal.
- Review recoverable funding arrangements.
- Consider the budget implications of the changes implemented.
- Undertake a ‘gap analysis’ to determine the differences between the previous and new budgeting processes.

Chart of accounts

☐ **Review and align the chart of accounts**

- Review and align with the new organisational structure.
- Review and align financial reporting requirements.

Financial and other systems

- ☐ **Make decisions about key systems**
  - Consider arrangements to ensure financial, human resources, and other systems are operative from day one or workable interim arrangements are put in place.
  - Decide which systems to use. This should prioritise use of shared service arrangements/corporate partnerships and common systems across government, including for functions like finance, payroll, corporate card, procurement, contracts, grants, records, risk, employee performance, training, and complaints.
  - Realign key systems for the new organisational structure and operating arrangements. Merge computerised financial databases.
  - Consider how to interface various systems.
  - Where systems are incompatible, set up a working party to identify and resolve the issues.
  - Consider issues with data conversion and staff training.
  - Transfer ownership, licences, and staff.
  - Review internal controls to ensure they are continuing to operate effectively and efficiently.
  - Update the information security management system to reflect the current information assets, risks, and systems in scope.
  - Perform reconciliations of all subsidiary systems at the time of the split (before and after transfer) and of all relevant account balances.
  - Remove system access for personnel leaving the organisation and arrange access for new personnel.
  - Update business directories.
  - Review contractual arrangements.
  - Update internet and intranet sites.

Financial policies and procedures

- ☐ **Reach agreement on policies and procedures**
  - Consider the need for short-term operating procedures to deal with administrative matters until the new arrangements are in place.
  - Review and update policies and procedures, instructions, and manuals to ensure they are relevant and appropriate and maintain accountability.
  - Agree on policies and procedures to be adopted for transferred areas. Ensure these align with policies and procedures adopted by other areas of the agency.
- ☐ **Address staffing responsibilities related to policies and procedures**
  - Communicate policy and procedural changes to staff.
  - Adopt appropriate measures to ensure staff comply with new or revised policies and procedures.
  - Review the roles and responsibilities of staff within the finance division.
  - Clarify responsibility for processing of transactions straddling the handover date to ensure all valid transactions are processed accurately and on a timely basis.

- ☐ **Address financial policy and reporting compliance issues**
  - Ensure that all accounting policies are reviewed for compliance with prescribed requirements.
  - Assess the impact on financial reporting by the relevant agencies, including compliance with:
    - s. 80 of the FA Act – Financial reporting – when redistribution of public business of the agency takes effect for financial reporting purposes
    - s. 44 of the Financial and Performance Management Standard 2009 (FPMS), which contains the financial reporting provisions for newly formed departments and statutory bodies
    - s. 47 and 48 of the FPMS, which identify financial reporting requirements for abolished departments and statutory bodies
    - s. 52 of the FPMS, which contains the annual reporting provisions for newly formed departments and statutory bodies
    - s. 53 of the FPMS, which contains annual reporting provisions for abolished departments and statutory bodies
    - Financial Reporting Requirements (FRRs) issued by Queensland Treasury: FRR 2F – Machinery of Government Changes; and FRR 4F – Equity, Contributions by Owners and Distributions to Owners.

GST issues

- ☐ **Make necessary changes and review responsibilities for GST-related matters**
  - Consider any necessary changes to existing grouping arrangements. Apply the criteria used during the implementation phase to assess the implications of those changes.
  - Liaise with Queensland Treasury to notify the Australian Taxation Office of changes to grouping, new registrations, deregistration, and other administrative changes, for example, registering a new Australian Business Number if required.
  - Review responsibility for preparation of Business Activity Statements and appointment of input tax credits.

Management reporting

- ☐ **Ensure that effective management reporting continues**
  - Review current management reporting requirements, identify new requirements, and determine options going forward.
  - Consider the need to produce an interim report to management.
  - Ensure that all new accountable officers, management, and committee members are informed about the agency's major activities and provided with all relevant financial information (for example, budgets, financial position, and financial performance) and audit issues.

Shared service arrangements/corporate partnerships

- ☐ **Identify and resolve any issues related to shared service arrangements/corporate partnerships**
  - Consider the impact of the changes on shared service arrangements/corporate partnerships, including any impacts on the providers.
  - If necessary, renegotiate service level agreements (SLA).
  - Consider controls in place to ensure compliance with the SLA, including implications for breach of agreements.
  - Consider any changes to the information needs of agencies within the shared service environment.
  - Keep all stakeholders (including staff) informed of any new reporting requirements, responsibilities, and protocols.
  - Review controls over the processing of transactions, data, and maintenance and access to files and records.

Split of assets, liabilities, revenue, and expenses

- ☐ **Formally agree split of balances**

  Do this as soon as practicable after the change is announced and:
  - ensure account balances to be transferred are confirmed and formal sign-off between agencies (relevant accountable officers to sign) takes place
  - where agreement cannot be reached by agencies, ensure the issue is escalated to the Public Sector Governance Council for determination
  - perform a physical stocktake with representatives of all affected agencies
  - revalue assets in accordance with the requirements of the FRRs issued by Queensland Treasury
  - re-brand assets during stocktake
  - ensure capital work in progress is correctly calculated
  - maintain detailed records
  - implement effective handover procedures.

Split of funds

- ☐ **Officially split funds**
  - Ensure accruals are correctly calculated.
  - Confirm the final split of funds and ensure there is an official sign-off between entities.
  - Ensure an effective handover.

Audit issues

- ☐ **Record, identify, and review audit issues**
  - Keep a register of audit issues raised by the QAO and internal audit. This should include both closed issues and those that are yet to be resolved.
  - Identify recent matters reported to parliament or proposed to be reported to parliament by the QAO.
  - If prior year financial statements received a modified auditor’s opinion, review the issues giving rise to the opinion and identify measures to be adopted to address the issues.

- ☐ **Follow up outstanding matters**

  Follow up any outstanding matters referred to the QAO, the Crime and Corruption Commission (CCC), the Ombudsman, or internal audit for review or investigation.

- ☐ **Raise potential concerns with the QAO**

  Raise potential concerns or issues associated with the changes with QAO auditors as soon as practicable, and maintain regular communication.

G. Departments affected by machinery of government changes

Figure G1 outlines the 20 core government departments as at 30 June 2022. We assessed the significance of machinery of government changes experienced by these departments in recent years for the purposes of analysing the continuing impact on their internal controls as at 30 June 2022.

We deemed a change significant if a new department was created in 2017, or functions were transferred into a department in 2020 or 2021. If a department only transferred functions out, minor functions were transferred in (assessed by number of employees or value and nature of assets), or functions were transferred in prior to 2020, we did not assess it as being significantly affected as at 30 June 2022.

Eleven departments were assessed as being affected by significant machinery of government changes as at 30 June 2022.

Figure G1
Departments affected by machinery of government changes

Department	Affected	Comment
Agriculture and Fisheries	No	No changes
Children, Youth Justice and Multicultural Affairs	Yes	Transfers in and out (2020)
Communities, Housing and Digital Economy	Yes	Transfers in and out (2020)
Education	No	Minor transfer in (2020)
Employment, Small Business and Training	Yes	Transfers in (2017) (new department)
Energy and Public Works	Yes	Transfers in (2020) (new department)
Environment and Science	No	Minor transfers in and transfers out (2020)
Justice and Attorney-General	No	Minor transfers in (2020)
Regional Development, Manufacturing and Water	Yes	Transfers in and out (2020)
Resources	No	Transfers out and minor transfer in (2020)
The Premier and Cabinet	No	No changes
Tourism, Innovation and Sport	Yes	Transfers in and out (2020)
Transport and Main Roads	No	No changes
Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships	Yes	Transfers in and transfer out (2020)
State Development, Infrastructure, Local Government and Planning	Yes	Transfers in and out (2020)
Queensland Corrective Services	Yes	Transfers in (2017) (new department)
Queensland Fire and Emergency Services	Yes	Subject to dissolution of the Public Safety Business Agency (2021)
Queensland Health	No	No changes
Queensland Police Service	Yes	Transfers in and subject to dissolution of the Public Safety Business Agency (2021)
Queensland Treasury	No	Minor transfer in and transfers out (2020)

Source: Compiled by the Queensland Audit Office.

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