



Queensland Audit Office

Follow up audit: Tourism industry growth and development

Report 14 : 2014–15



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May 2015

The Honourable P Wellington MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Follow up audit: Tourism industry growth and development*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Greaves', written over a light blue horizontal line.

Andrew Greaves
Auditor-General

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Summary

In 2012 we conducted a performance audit on three of the public sector entities responsible for tourism in Queensland. *Report 3: 2012–13 Tourism industry growth and development*, assessed whether Queensland's tourism development framework effectively met the government's growth agenda. The audit included a review of tourism growth strategies and plans, governance arrangements and outcomes.

We found that better collaboration and clearer definition of roles and relationships between the responsible entities was needed, along with robust strategies, plans, monitoring and reporting. In particular, performance monitoring was inadequate and entities could not demonstrate the effectiveness of their strategies in growing the tourism industry.

We made twelve recommendations; two to the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB); five to Tourism Queensland (TQ); and five to Events Queensland Pty Ltd (EQ). All recommendations were accepted.

Machinery-of-government changes in July 2012 combined the functions of TQ and EQ. The *Tourism and Events Queensland Act 2012* established the statutory authority, Tourism and Events Queensland (TEQ). DTESB became responsible for tourism industry growth and development, taking over from the former Department of Employment, Economic Development and Innovation.

Since the audit, in recognition of the significant contribution of tourism to the Queensland economy, the government initiated *DestinationQ*—a partnership between government and industry. *DestinationQ* has set strategic objectives for the tourism industry and an aspirational goal of doubling visitor expenditure by 2020 to \$30 billion in nominal dollars.

In March 2014, the Parliamentary State Development, Infrastructure and Industry Committee wrote to the Minister to seek advice on the implementation of the audit recommendations. The Minister's response indicated overall good progress in implementing the recommendations, but did not outline the specific actions taken to address each recommendation. The committee noted a number of changes had occurred within the tourism portfolio since the 2012 audit was conducted, including new performance measures established to better align with strategic directions. The committee was satisfied that DTESB and TEQ had worked towards implementing the recommendations of the audit report.

Twelve months on, this audit follows up the progress and effectiveness of the agencies in implementing the twelve audit recommendations.

Conclusions

Over the last three years, the number of higher quality hotels, visitor services and facilities, major events and attractions has increased. This has improved the supply side of tourism, consistent with the strategic directions set for the tourism industry for 2010–14, and provides a strong foundation to accommodate growth in demand.

DTESB and TEQ are now better placed to support the tourism industry having implemented our recommendations. They are monitoring and reporting on the effectiveness of growth strategies, which is critical to assuring value for money continues to be obtained.

However, the rate of growth in demand, as measured by visitor expenditure, remains a challenge. Queensland is not on track to achieve its aspirational high growth 2020 target of \$30 billion.

Total overnight visitor expenditure in Queensland was \$17.938 billion for the year to 30 September 2014. This is well below the December 2014 interim high growth target of \$21.462 billion. It is also not much more than the forecast of \$16.977 billion, made by Tourism Research Australia in 2010, which assumed only 'organic' growth.

Status of our recommendations

DTEBSB has fully implemented the two recommendations assigned to the department from *Report 3: 2012-13 Tourism industry growth and development*. TEQ has fully implemented eight and partially implemented two of the ten recommendations assigned to TQ and EQ. Figure 1 shows the implementation status of the recommendations.

Strategic direction

Significant work has taken place through collaborative action planning and leadership to implement *DestinationQ*, with a combination of strategic, regulatory, infrastructure and development strategies.

Clarification of roles, responsibilities and accountabilities has led to improved coordination and planning, with greater focus on strategic objectives and the outcomes DTEBSB and TEQ aim to achieve. Both agencies are better able to measure and report on the extent to which their activities influence tourism industry outcomes, and are now more accountable.

TEQ has developed and implemented a more robust strategic plan and there is clear and consistent alignment of objectives and key performance indicators across the key accountability documents, comprising the strategic plan, service delivery statements (SDS) and annual report.

Although no longer a legislative requirement, TEQ has developed a strategic marketing plan for tourism and events in Queensland. The plan articulates the strategic marketing principles to drive collaboration across the sector and sets the framework and direction for all marketing activities.

Campaign and events management

TEQ has adopted a project management methodology for managing campaigns within a clearly defined framework. A business planning tool provides more rigour around the approval and authorisation of a campaign, and regular review of documentation ensures that planning documents meet business needs and aid effective and informed decision making.

All campaigns require background, rationale and objectives to be documented, and show how the campaign aligns with the TEQ Strategic Plan, *DestinationQ* strategic objectives, operational plans and key performance indicators (KPIs). The campaign plan also covers key principles specified in the strategic marketing plan such as identifying the target market, brand, key messaging and media channels to be used.

Improvements to the way TEQ allocates and manages event funding mean it can be reasonably sure that event organisers are using public money efficiently, effectively and economically. The event investment pipeline governs event funding and specifies key activities in the life cycle of an event. The event funding approval process has been strengthened with a funding application passing through three gates before final approval. A performance assessment is used to assess the event's performance against set KPIs and specifically against targets attributed to incentive payments. Full and final payment of the investment amount depends on the defined performance expectations being met.

Figure 1
QAO assessment of the implementation status of recommendations

Recommendations	Implementation status
Department of Tourism, Major Events, Small Business and the Commonwealth Games	
1. Lead and coordinate tourism strategies and actions to achieve desired outcomes	Implemented
2. Set performance measure on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives	Implemented
Tourism and Events Queensland	
3. Consistently apply the campaign project management framework for proper planning, accountability and reduction of risks	Implemented
4. Prepare a state tourist and industry strategic marketing plan to comply with legislation	Implemented
5. Complement existing performance measures with outcome measures attributable to its own actions and linked to its organisational objectives	Partially implemented
6. Benchmark trends against other states for indicators of success	Implemented
7. Calculate retail campaign return on investment: - to only use data attributable to the campaign - proportionate to total funding	Alternate action undertaken - partially implemented
8. Implement a strategic plan with: - clear, measurable organisational objectives - targets and timeframes - performance measure on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives - operational and business plans that support the strategic plan	Implemented
9. Record performance data and report on achieving organisational and operational objectives	Implemented
10. Before approving the funding of an event: - establish and document why it is supporting the event and how the event is going to contribute to its organisational objective - document the rationale for the amount of funding, including an assessment of value for money	Implemented
11. Obtain reasonable assurance that event organisers use public funds economically, efficiently and effectively by: - including meaningful performance measures and targets linked to TEQ's organisational objectives in contracts with event organisers - thorough scrutiny of reports from event organisers - proper acquittal of expenditure	Implemented
12. Calculate events return on investment proportionate to total funding	Alternate action undertaken - implemented

Source: Queensland Audit Office

Performance measurement and reporting

Both DTESB and TEQ have complemented existing performance measures with outcome measures linked to their organisational objectives, with targets for each measure. Clearer alignment of objectives from the legislation to the SDS and annual reports has improved the transparency and accountability of DTESB and TEQ's performance.

The quality and use of trend and benchmarking data by TEQ has improved. Benchmark reporting in the annual report is balanced, showing both increases and decreases in performance from year to year, and clearly illustrating where Queensland sits in relation to other states, the rest of Australia and, in some cases, internationally. This gives a clearer indication on how TEQ is progressing against its goals, objectives, targets, and in comparison with other states.

A further improvement is the reporting of performance through the state of the industry report. The report provides a comprehensive update on how the tourism industry is performing and what has been done by each partner organisation, giving a holistic view of what government has achieved across the sector.

Both entities still need to report on at least one measure of efficiency to further demonstrate value for money. TEQ is developing modelling and forecasting methodologies as a framework for assessing future campaigns, and a more rigorous process for collecting and collating relevant data. A new events assessment methodology includes assessing the potential direct and incremental spend, commensurate with an appropriate level of investment. Developing appropriate return on investment measures is being considered as part of this on-going work.

Reference to comments

In accordance with section 64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Department of Tourism, Events, Small Business and the Commonwealth Games and to Tourism and Events Queensland with a request for comments.

Their views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report.

The comments received are included in Appendix A of this report.

1 Context

1.1 Background

Tourism is significant to Queensland, delivering the second highest income to the state. In 2013–14, tourism contributed \$23 billion to the Queensland economy and accounted for 7.9 per cent of Queensland's gross state product.

In 2012, the then government identified the tourism industry as one of the four pillars of the Queensland economy, making it a primary focus for development.

The government amalgamated Tourism Queensland and Events Queensland into a single body under the *Tourism and Events Queensland Act 2012* and initiated Destination Success: the 20-year plan for Queensland tourism, in line with the national tourism strategy. The strategy was not included in the 2012 audit as it was under development.

In his response to the original report, the Director-General of the Department of Tourism, Major Events, Small Business and Commonwealth Games (DTESB) responded positively to the recommendations of the 2012 audit.

The department and TEQ will strongly focus on measures that show Ministers, Parliament, the tourism industry and the wider community what contribution is being made to growing the industry. Our performance measures will show what we do (outputs), the results we achieve (our outcomes) and how this links to the overall objective for the industry. We will, where possible, use existing data sets and you have provided some useful suggestions in this regard.

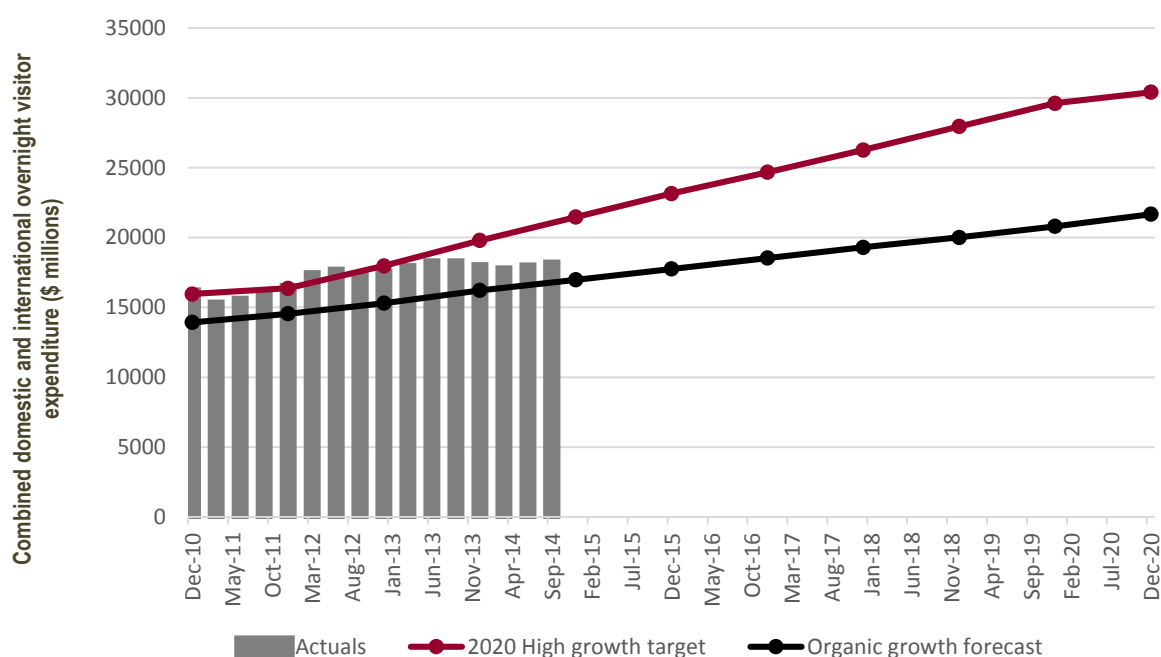
1.2 2020 Tourism Industry Strategy

The National Long-Term Tourism Strategy, endorsed in 2009, recommended developing performance indicators to track progress on the national tourism agenda. It was a response to a drop in visitor numbers to Australia and a growing preference for Australians to holiday overseas. The strategy was developed by Tourism Australia, and the Commonwealth Department of Resources, Energy and Tourism.

The National 2020 Tourism Industry Potential was launched in November 2010 to set clear goals for the tourism strategy. It set 10-year goals for the Australian tourism industry, focusing on overnight visitor expenditure (OVE). It included an agreement by the states to work towards doubling the OVE. It aimed for potential growth in national tourism of between \$114 billion (about 60 per cent increase in growth on 2010 OVE) and \$140 billion (100 per cent increase).

Queensland aimed for the high growth scenario of increasing OVE from \$15.4 billion in 2010 to \$30 billion in 2020. Figure 1A shows the progress towards the 2020 industry target for Queensland total overnight expenditure.

Figure 1A
2020 Progress - Total overnight visitor expenditure in Queensland



Source: Queensland Audit Office - adapted from DestinationQ portal.

Tourism Research Australia's visitor research indicated total overnight visitor expenditure in Queensland was \$17.938 billion for the year to 30 September 2014, which was a 0.6 per cent decrease compared with the previous year. This is well below the December 2014 forecasted interim target of \$21.462 billion, toward achieving the 2020 high growth target of \$30 billion.

It is acknowledged that visitor expenditure is affected by many exogenous variables, including economic factors such as the strength of the Australian dollar and by natural disasters and severe weather patterns.

1.3 Destination Success

Since the original audit, DTESB has led the establishment of *DestinationQ*—a partnership between government and industry, now in its third year. *DestinationQ* includes an annual forum that brings together representatives from the Queensland tourism industry and the government to:

- review progress
- explore opportunities for product investment and destination management into Queensland
- confirm future priorities for the industry and government partnership.

It was at the inaugural forum in 2012, that the *DestinationQ* 2020 target was set to \$30 million in OVE per annum.

At this first forum, a partnership agreement was signed by the then Premier, the then Minister for Tourism, Major Events, Small Business and the Commonwealth Games, and the Chair of the Queensland Tourism Industry Council. The actions assigned to both government and industry, and delivery of those commitments, are overseen by the post-forum working group. The group consists of senior industry and government representatives.

In 2013, the Queensland Government worked with tourism operators and industry representatives to develop a shared long-term vision for Queensland tourism. From this, *Destination Success* was developed—the 20-year plan for Queensland tourism.

Industry identified six themes in the 20-year vision as the most important things needed to change or build on to achieve the preferred future. These themes are:

- build strong partnerships
- preserve our nature and culture
- deliver quality, great service and innovation
- target a balanced portfolio of markets
- offer iconic experiences
- grow tourism investment and visitor access.

Destination Success will be implemented through annual action plans for government agencies and industry partners. The first action plan included 129 actions over 18 months (January 2014 – June 2015) to bring it into line with financial years.

1.4 Tourism and events funding

In 2011-12 total government funding for tourism was \$98.6 million, across the three entities of Tourism Queensland, Events Queensland, and the tourism division of the former Department of Employment, Economic Development and Innovation.

In 2013–14, Tourism Events Queensland (TEQ) received funding of \$121 million, an increase of \$17 million compared to 2012–13 and \$22.4 million compared to 2011–12. This has been invested in strategies and initiatives including:

- delivering on *DestinationQ* priorities
- growing Queensland's major event calendar
- providing \$7 million in financial support to the regional tourism organisation network to grow regional tourism.

This is consistent with government's focus on achieving the tourism industry target by improving the supply side of the tourism industry, such as increased number of higher quality hotels, visitor services and facilities, major events and attractions.

Figure 1B shows the total funding allocated to TEQ for tourism and events development.

Figure 1B
Summary of tourism and events funding

Budget source	2012–13 Actual '000	2013–14 Actual '000	2014–15 Estimated '000
DTESB—Tourism & Events Development service area	92 754	86 402	99 737
Total grants allocated to TEQ through department	95 854	110 676	91 075
TEQ own sourced revenue	8 141	10 346	7 600
Total funding—TEQ	103 995	121 022	98 675

Source: *Service Delivery Statements*

DTESB allocates the majority of its budget to TEQ as a grant from the Tourism and Events Development service area. Funding for 2014–15 has decreased by approximately 18 per cent on the previous year, back to levels comparable with the funding at the time of the original audit. This reflects the fact that increased funding was used from 2012–14 to develop and establish *DestinationQ* priorities.

1.5 Parliamentary review

The Parliamentary State Development, Infrastructure and Industry Committee first considered *Report 3: 2012-13 Tourism industry growth and development* in early 2013. It advised the Minister for Tourism, Major Events, Small Business and the Commonwealth Games of its intention to follow-up on the implementation of the audit recommendations within 12 months.

In March 2014, the committee wrote to the Minister to seek advice on the implementation of the recommendations. The Minister's response indicated overall good progress in implementing the recommendations, but did not outline the specific actions taken to address each recommendation. While the response provided some detail on how the agencies addressed the recommendations on performance monitoring and reporting, there was insufficient information to assess progress on other recommendations.

In her response to the committee in March 2014, the Minister advised that:

TEQ has implemented a more rigorous key performance indicator framework to ensure funding is allocated to marketing initiatives that deliver optimal gains for Queensland

In relation to the recommendation from the QAO to strengthen processes for approving the funding of events, TEQ has developed an in-depth funding approval process including specific criteria. All potential major events are specifically assessed against Board approved criteria in line with the Tourism and Events Queensland Act 2012.

The Minister's full response is included as an appendix to the committee's Report No. 38 - *Review of the Queensland Audit Office Report to Parliament 3 for 2012–13: Tourism industry growth and development*, tabled in May 2014.

The committee noted a number of changes had occurred within the tourism portfolio since the audit was conducted. It was pleased to note that, during the 12 month follow up period, new performance measures were established to better align with strategic directions and was it satisfied that DTESB and TEQ had worked towards implementing the recommendations of the audit report.

1.6 Audit objective, method and cost

The objective of this audit was to determine the progress and effectiveness of agencies in implementing the twelve recommendations in *Report 3: 2012–13 Tourism industry growth and development*.

DTESB and TEQ provided an update and supporting documentation on the implementation of each of the recommendations. A review of the update identified further areas for risk based checks to gain assurance on the agency actions. The review included testing the documentation for consistency with the agency responses and conducting interviews to clarify the responses.

The audit cost \$70 000.

1.7 Report structure

The remainder of the report provides further information on the progress made by agencies in implementing the audit recommendations. We examine whether the original identified issue or risk has been addressed and whether any further action is required.

The report is structured as follows:

- Chapter 2 examines the recommendations relating to strategic direction and planning
- Chapter 3 examines the recommendations relating to campaign and events management
- Chapter 4 examines the recommendations relating to performance measurement and reporting
- Appendix A contains responses received
- Appendix B contains details on the audit objective and approach

2 Strategic direction

In brief

Background

Report to Parliament No 3 for 2012–13: Tourism industry growth and development concluded that the three entities responsible for tourism and events needed to work more economically, efficiently and effectively if the state were to approach the targets of the 2020 Tourism Industry Potential or meet the National Long-Term Tourism Strategy.

We found that better collaboration and clearer definition of roles and relationships between the entities was needed, along with robust strategies and plans.

Conclusions

Bringing the three entities tightly under the portfolio with clear direction from *Destination Q* and strong input from industry, has increased coordination and improved planning. Robust strategies and plans mean the Department of Tourism, Major Events, Small Business and the Commonwealth Games and Tourism and Events Queensland (TEQ) are more likely to achieve the desired outcomes.

Key findings

- Clarity of roles has improved with the Minister's statement of expectations to TEQ and a statement of intent in response.
- Changes to governance structures, including the establishment of three committees to monitor progress, have led to more effective governance and greater accountability.
- Actions taken in the two years since the audit have clarified roles, responsibilities and accountability across the tourism sector.
- *DestinationQ* provides a framework for improved coordination and more targeted planning of the various tourism strategies and plans.
- TEQ has now developed both a strategic plan and a strategic marketing plan for tourism and events in Queensland.

2.1 Background

The original audit reported that clarification of roles, responsibilities and accountability across the three entities would improve the coordination, planning, monitoring and reporting of outputs and outcomes set out in the various tourism strategies and plans. We recommended that the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTEBS) lead and coordinate tourism strategies and actions to achieve the desired outcomes.

We also reported that strategic planning at Events Queensland (EQ) was inadequate and that the *Tourism Queensland Act 1979* required Tourism Queensland (TQ) to 'prepare a state tourist and industry strategic marketing plan'. TQ considered the Queensland tourism strategy to be the state's strategic marketing plan, but we determined that, while the strategy included some elements of marketing, it was not a comprehensive plan to guide TQ's marketing programs.

Figure 2A shows the recommendations relating to strategic direction and planning that will be examined in more detail in this section.

Figure 2A
Recommendations relating to strategic direction

Recommendation	Status
1. Lead and coordinate tourism strategies and actions to achieve desired outcomes	Implemented
4. Prepare a state tourist and industry strategic marketing plan to comply with legislation	Implemented
5. Implement a strategic plan with: <ul style="list-style-type: none"> - clear, measurable organisational objectives - targets and timeframes - performance measure on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives - operational and business plans that support the strategic plan 	Implemented

Source: Queensland Audit Office

2.2 Conclusions

Clear ministerial expectations and priorities for strategic and operational activities to be carried out by Tourism and Events Queensland (TEQ) and DTEBS set the strategic direction for developing the tourism industry in Queensland. This is supported by improved governance structures to improve accountability.

Significant work through collaborative action planning and leadership to implement *DestinationQ* has resulted in a more targeted planning of the various tourism strategies.

Clarification of roles, responsibilities and accountabilities has led to improved coordination and planning, with greater focus on strategic objectives and the outcomes DTEBS and TEQ aim to achieve.

2.3 Governance and accountability

Actions taken in the two years since the audit have clarified roles, responsibilities and accountability across the tourism sector. The actions are likely to have also been driven by the government's renewed focus on tourism.

The Minister for Tourism, Major Events, Small Business and the Commonwealth Games provides TEQ with an annual statement of expectations for strategic and operational activities to be carried out by TEQ, in conjunction with DTESB. TEQ responds with a statement of intent, outlining how they propose to comply with the Minister's expectations.

Changes to governance structures have led to more effective governance and greater accountability. The changes include establishment of the:

- Tourism Cabinet Committee (TCC)
- Tourism Interdepartmental Committee (TIDC)
- Joint Government/Industry Post Forum Working Group

Figure 2B outlines the purpose and membership of the governance bodies in place in January 2015 before the change in government.

Figure 2B
Purpose and membership of tourism governance bodies

	Purpose	Chair	Membership
TCC	Ensure coordinated and integrated approach to tourism and events Mobilise agencies in working toward the 2020 industry potential goal Remove impediments and blockages to deliver government's agenda for the visitor economy.	Minister of Tourism, Major Events, Small Business and the Commonwealth Games.	Six Ministers and two assistant Ministers across government.
TIDC	Facilitate and oversee implementation of the Queensland Government's tourism agenda, <i>DestinationQ</i>	Deputy Director-General, Tourism, DTESB	Senior executive representatives from seven departments plus Tourism Queensland.
Working group	Tasked with monitoring progress on <i>DestinationQ</i>	Director-General, Tourism, DTESB	Chairman TEQ, Chairman Queensland Tourism Industry Council (QTIC), CEOs from, QTIC, TEQ, Capricorn Enterprise, Gold Coast Tourism Corporation, Caravanning Queensland, Australian Timeshare and Holiday Ownership Council

Source: Queensland Audit Office

The two committees have clear terms of reference and all bodies have a defined role and purpose and report regularly on actions and outcomes.

The TIDC provides regular and full reports to the TCC on progress on industry reform, tourism issues and initiatives. The Joint Government/Industry Post Forum Working Group reports annually through the state of the industry report. After the 2012 forum, the group reported on outcomes at one month, three months, six months and twelve months, on the *DestinationQ* website.

2.4 Tourism strategies

DTEBS has taken the lead in coordinating tourism strategies and actions, leading to tangible achievements over two years and timely public reporting. The department has led, developed and coordinated:

- the establishment of *DestinationQ*
- *Destination Success*: the 20-year plan for Queensland tourism
- annual action plans to guide the implementation of *Destination Success*
- the first annual state of the industry report on *Destination Success*.

The *DestinationQ* website displays regular and publicly available reporting on all strategies, action plans and *DestinationQ* forum outcomes. The *Destination Success* action plan outlines what partners will do over one to two years to implement the 20-year plan. The plan identifies 20 strategic directions across six broad themes, with specific actions for each strategic direction.

We examined one action in detail. It is part of the strategic direction to deliver a sustainable multimodal transport system that provides safe and equitable access to destinations and iconic experiences. Led by DTEBS, the Queensland Drive tourism strategy 2013–2015 was launched in January 2013 to increase investment and visitor access to tourism infrastructure, facilities and products. It encourages travellers to take a driving holiday in Queensland, and it requires contributions from many government agencies, industry groups and other stakeholders. Examples include:

- improving roadside facilities for the self-contained traveller including waste disposal points and rubbish bins—the Royal Automobile Club of Queensland is working with the Roadside Rest Area Consultative Forum to promote and improve roadside rest areas.
- DTEBS and the Department of Natural Resources and Mines are working together to improve and manage campsite facilities.

Since the strategy launch, a detailed progress update on each action and priorities for the next six months is included in the quarterly reports available on the *DestinationQ* website.

The overarching framework of *DestinationQ* includes many similar strategies and actions. Improved coordination and more targeted planning of the various tourism strategies and plans means DTEBS and TEQ are more likely to achieve the desired outcomes.

2.5 Strategic plan

The original audit reported that the strategic planning and performance monitoring and reporting at EQ was inadequate to show whether EQ was achieving its tourism objectives. At the time, the strategic plan consisted of a charter relating only to major events. The plan listed 10 organisational objectives and some initiatives, but had no vision statement, time frames, targets or performance measures.

This prevented EQ from knowing whether it was on track to achieve its objectives and whether corrective actions were needed. In April 2011, the Board of Directors endorsed five organisational objectives to replace the 10 objectives in the strategic plan. No targets or performance measures were specified for the five new objectives and the strategic plan was not updated.

We recommended that EQ develop and implement a strategic plan with clear and measurable organisational objectives, with targets and time frames and performance measures on outputs and outcomes linked to its organisational objectives. We also recommended implementing business and operational plans to support the strategic plan.

TEQ has now developed and published a strategic plan covering the four year period from 2014–18. The plan:

- articulates TEQ's purpose
- articulates TEQ's vision for what the agency hopes to achieve by 2020
- defines TEQ's two objectives for what it wants to achieve. The objectives are outcome focused, consistent with government's broad objectives, aligned with TEQ's vision and purpose, and measurable
- includes key performance indicators (KPIs) and industry outcome measures.

Targets for the KPIs are not defined in the strategic plan but are defined in the service delivery statements (SDS) and reported against in the annual report. The only time frame set is the long term target of overnight visitor expenditure (OVE) of \$30 billion by 2020, and an interim OVE target of \$26.5 billion by 30 June 2018. OVE and market share of OVE are reported against in the annual report.

The KPIs are consistently reported in the strategic plan, the SDS and the annual report. Industry outcome measures are defined in the strategic plan and reported against in the annual report. These measures are:

- the total OVE
- market share of OVE
- number of passenger movements through Queensland airports
- economic contribution to the state.

TEQ has developed and implemented a more robust strategic plan which meets the requirements of the Queensland Performance Management Framework (PMF) by adequately describing its purpose, vision, objectives and strategies to deliver on its objectives. There is clear and consistent alignment of objectives and KPIs across the key accountability documents, comprising the strategic plan, service delivery statements and annual report.

The *Financial and Performance Management Standard 2009* requires each accountable officer and statutory body to develop operational plans for the relevant levels of the agency, or an operational plan for the whole agency, to cover a period of not more than one year. TEQ has developed an annual plan—the Tourism and Events Queensland budget and operational plan—to illustrate how the agency will deliver on its objectives within its allocated annual budget. The annual plan provides a high level summary of the budget, business priorities and planned activity for the period 1 July 2014—30 June 2015. The plan substantially meets the requirements specified in the PMF. It does not include specific information on the human, information, physical assets and ICT capabilities necessary to deliver the services. However, the annual plan is supported by a number of detailed business plans.

2.6 Strategic marketing plan

At the time of the original audit, Section 13.1.b of the *Tourism Queensland Act 1979*, required TQ to 'prepare a state tourist and industry strategic marketing plan'. TQ considered the Queensland tourism strategy to be the state's strategic marketing plan. The audit found that, while the Queensland tourism strategy included some elements of marketing, it was not a comprehensive plan developed to guide TQ's marketing programs.

We recommended that a specific strategic marketing plan be developed to comply with legislation. Since the audit, the legislation has been amended which removes this legislative requirement.

Despite no longer being a legislative requirement, TQ developed the 2020 strategic marketing plan for tourism and events in Queensland, as agreed at the 2013 *DestinationQ* forum. The plan articulates the strategic marketing principles to drive collaboration across the sector and sets the framework and direction for all marketing activities, including:

- market research
- destination's brand and positioning
- brand development and management
- advertising and promotion
- source markets
- product segmentation.

The plan does not fully cover all the five elements of a strategic marketing plan identified in the original audit report. It provides a guiding framework for industry partners, such as regional tourism operators, to develop their own marketing plans that align with national and state tourism objectives.

3 Campaign and events management

In brief

Background

Report to Parliament No 3 for 2012–13: Tourism industry growth and development concluded that poor planning, project management and monitoring of events and marketing campaigns made it difficult to demonstrate value for money and whether intended outcomes were being achieved.

Conclusions

Improved project and contract management has led to greater consistency and rigour in the management of campaigns and event funding. As a result, Tourism and Events Queensland (TEQ) can clearly demonstrate why it chose a particular campaign or funded a particular event. Better risk management and performance measurement of desired outcomes has improved accountability.

By setting clear performance expectations, TEQ can better demonstrate whether funding allocated to campaigns or event organisers is achieving expected outcomes and value for money.

Key findings

- TEQ is effectively using a project management methodology for managing campaigns within a clearly defined framework.
- Campaign plans require background, rationale and objectives for the campaign to be documented, and show how the campaign aligns with operational plans and key performance indicators (KPIs).
- The event investment process governs event funding and specifies key activities in the life cycle of an event.
- The event funding approval process has been strengthened with a funding application passing through three gates before final approval.
- A performance assessment is used to assess the event's performance against set KPIs and specifically against targets attributed to incentive payments. Full and final payment of the investment amount depends on the defined performance expectations being met.

3.1 Background

The original audit reported that Tourism Queensland (TQ) could not always show that its marketing campaigns were achieving intended outcomes. The campaigns examined in the audit lacked consistency and rigour in their planning and reporting. Some campaigns would have been improved by better performance measures for desired outcomes.

We recommended that TQ consistently apply the campaign project management framework for proper planning, accountability and risk management.

We also found that Events Queensland (EQ) did limited pre and post event assessments. It could not often demonstrate it was getting value for money from the events it supported. Nor could it show whether the funding allocated to event organisers was being used for the intended purposes.

We made recommendations to strengthen the approval process for funding events, including a value for money assessment. We also recommended that EQ obtain reasonable assurance that event organisers use public money efficiently, effectively and economically. Specifically we recommended that funding was linked to performance measures and targets aligned with the state's tourism objectives and that there was proper acquittal of expenditure.

Figure 3A shows the recommendations relating to campaign and events management that will be examined in more detail in this section.

Figure 3A
Recommendations relating to campaign and events management

Recommendation	Status
3. Consistently apply the campaign project management framework for proper planning, accountability and reduction of risks	Implemented
4. Before approving the funding of an event: <ul style="list-style-type: none"> - establish and document why it is supporting the event and how the event is going to contribute to its organisational objective - document the rationale for the amount of funding, including an assessment of value for money 	Implemented
5. Obtain reasonable assurance that event organisers use public funds economically, efficiently and effectively by: <ul style="list-style-type: none"> - including meaningful performance measures and targets linked to TEQ's organisational objectives in contracts with event organisers - thorough scrutiny of reports from event organisers - proper acquittal of expenditure 	Implemented

Source: Queensland Audit Office – extracted from Report 3: Tourism industry growth and development

3.2 Conclusions

Implementing project planning and reporting processes using a recognised project management methodology has led to greater consistency and rigour in the management of campaigns. As a result Tourism and Events Queensland (TEQ) can clearly demonstrate why the project is being initiated, what is to be done, who will be involved in its development, when it will be done and how it will be done. Better risk management and performance measurement of desired outcomes has improved accountability.

A defined contract management approach to event funding, with clear performance expectations, means TEQ can demonstrate whether funding allocated to event organisers is being used for the purposes intended and achieving value for money.

3.3 Campaign management

At the time of the original audit, TQ was assessing ways to improve its planning for marketing campaigns by:

- including in its planning documents the lessons learned from previous similar campaigns, the options considered, and the rationale for option and partner choices.
- ensuring the seven principles of the Queensland Government's project management methodology were adequately covered.
- adequately documenting the campaign budget and providing evidence of authorisation/approval to increase accountability.

TEQ has since adopted a project management methodology based on PRINCE2 (projects in a controlled environment). This structured approach to project management helps manage projects within a clearly defined framework.

TEQ has developed templates for both activity and project plans, consistent with PRINCE2 guidelines. Both templates require background, rationale and objectives for the campaign to be documented, and show how the campaign aligns with the TEQ strategic plan, *DestinationQ* strategic objectives, operational plans and key performance indicators. The campaign plan also covers key principles specified in the strategic marketing plan such as identifying the target market, brand, key messaging, and media channels to be used.

All activity and projects plans are recorded in the TEQ business planning tool. The tool includes documented approval and authorisation of the campaign budget, and regular reviews of documentation to ensure that planning documents meet business needs and aid decision making.

3.4 Event management

Since the original audit, TEQ has changed its approach to funding events and has developed, implemented and documented a strategic approach to managing event prospects. The event investment pipeline governs this process and specifies key activities in the life cycle of an event: moving through the several phases of acquisition and development:

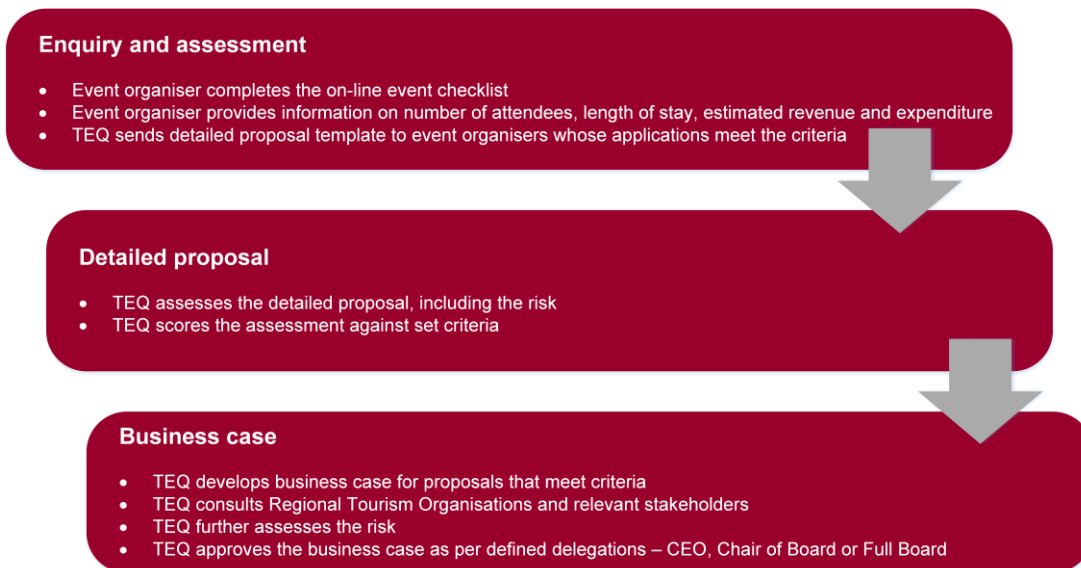
- enquiry
- assessment
- consultation
- approval
- engagement
- implementation
- post-event assessment.

3.4.1 Event funding approval process

The approval process has been strengthened with a funding application passing through three gates before final approval, as outlined in Figure 3B.

The new funding approval process was implemented in December 2013 and since then all new applications have been assessed and evaluated through the process. As at 1 January 2015 there were seven event contracts yet to be rolled over to the new process. While the funding for all these contracts was allocated under the previous process, TEQ has agreed with the event organisers on targets and performance conditions that are linked to payments.

Figure 3B
Overview of events funding approval process



Source: Queensland Audit Office

There has been a significant shift in the way event funding is approved and allocated since the original audit. There is a well-established and documented approval process which involves an assessment of value for money based on defined criteria. The assessment includes whether the event will contribute to the objectives and four criteria defined in the *Tourism and Events Queensland Act 2012* (the Act).

3.4.2 Event performance and acquittal

As part of the event investment pipeline, a contract management process tracks and monitors the status and performance of events. Previously funding had often been allocated with few or no conditions attached, whereas a defined contract management approach is now operating, with clear performance expectations. This includes being able to demonstrate whether the funding allocated to event organisers was being used for the purposes intended and whether the event generated good tourism results. As a result, TEQ can obtain reasonable assurance that event organisers are using public money efficiently, effectively and economically.

An internal performance assessment is used to assess the event's performance against set key performance indicators and specifically against targets attributed to incentive payments. The funding is linked to performance targets aligned with the four criteria defined in the Act and incorporated into TEQ's second strategic objective; namely to:

- contribute to the Queensland economy
- attract visitors to Queensland
- enhance the profile of Queensland
- foster community pride in Queensland.

Full and final payment of the investment amount depends on the defined performance expectations being met. We saw evidence of an occasion when the full payment was not made to the event organiser because it had not met all its targets.

The acquittal process outcome is well documented in a post event review report completed for all events. This review reports on performance targets and includes lessons learned and recommendations for future events.

4 Performance measurement and reporting

In brief

Background

Report to Parliament No 3 for 2012–13: Tourism industry growth and development reported a number of issues on how the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB), Tourism Queensland (TQ) and Events Queensland Pty Ltd (EQ) were reporting on their performance. It found a lack of reporting on some goals with no performance measures or targets set on others. The entities were not able to show efficient and effective use of public money or to demonstrate how their activities provided value for money and contributed to tourism outcomes.

At the time of the original audit in 2012, both TQ and EQ were using return on investment (ROI) for reporting on performance. The audit highlighted that the entities could not capture reliable data on sales—proportionate to both the total funding provided by all parties. As a result the calculated ROI was overstated and the reported performance was inaccurate.

Conclusions

Improvements made by both DTESB and Tourism and Events Queensland (TEQ) on how they report on their performance has made decision making more effective and strengthened accountability. Measuring outcomes makes it easier to know whether intended or desired effects are being achieved. However, both entities need to report on at least one measure of efficiency to further demonstrate value for money. TEQ maintains there is no acceptable and reliable measure available for ROI for tourism but continues to re-assess this position as part of the work underway on developing modelling and forecasting methodologies.

The annual state of the industry report provides a comprehensive update on how the tourism industry is performing and gives a more holistic view of what government has achieved across the sector.

Key findings

- DTESB now reports on output and outcome measures and has set targets for each service standard.
- However, the service delivery statements (SDS) do not yet include a measure of efficiency, as required by the Queensland Performance Management Framework.
- TEQ has developed a performance measurement framework and complemented existing performance measures with outcome measures linked to its organisational objectives. There is now a clear alignment of objectives from the legislation to TEQ's strategic plan, SDS and annual report.
- The quality and use of trend and benchmarking data has improved. TEQ now includes in its annual report overnight visitor expenditure and overnight visitation, benchmarking Queensland against New South Wales, Victoria and the rest of Australia.
- TEQ is developing modelling and forecasting methodologies as a framework for assessing future campaigns, and a more rigorous process for collecting and collating relevant data.
- A new events assessment methodology includes assessing the potential direct and incremental spend commensurate with an appropriate level of investment. While the data is not presented as an ROI figure, the calculation of the economic score uses similar inputs to those used in ROI.

4.1 Background

The original audit reported a number of issues on how the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTEsb), Tourism Queensland (TQ) and Events Queensland Pty Ltd (EQ) were reporting on their performance. It found a lack of reporting on some goals with no performance measures or targets set on others.

The issues specific to the department included:

- reporting on activities rather than on growth outcomes for the tourism industry
- the inability to distinguish the Tourism division's performance from the rest of the department because the performance information combined various divisions.

We recommended that the department set performance measures on outputs and outcomes directly attributable to its own actions and linked to organisational objectives.

We found that TQ reported on a number of measures in its service delivery statements (SDS) and annual report. These measures were generally consistent with those of national and international tourism bodies and reflected the difficulties in directly attributing outcomes. While they broadly indicated the performance achieved in some activities, they did not measure performance against TQ's four organisational goals.

A number of recommendations were made to improve TQ's external performance reporting, including detail on targets, trend data, benchmarks and outcomes.

At the time of the original audit in 2012, both TQ and EQ were using return on investment (ROI) for reporting on performance. The audit highlighted that the entities could not capture reliable data on sales—proportionate to both the total funding provided by all parties. As a result the calculated ROI was overstated and the reported performance was inaccurate.

Figure 4A shows the recommendations relating to performance measurement and reporting that will be examined in more detail in this section.

Figure 4A
Recommendations relating to performance measurement and reporting

	Recommendation	Status
2.	Set performance measure on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives	Implemented
5.	Complement existing performance measures with outcome measures attributable to its own actions and linked to its organisational objectives	Partially implemented
6.	Benchmark trends against other states for indicators of success	Implemented
7.	Calculate retail campaign return on investment: <ul style="list-style-type: none"> - to only use data attributable to the campaign - proportionate to total funding 	Alternate action undertaken - partially implemented
9.	Record performance data and report on achieving organisational and operational objectives	Implemented
12.	Calculate events return on investment proportionate to total funding	Alternate action undertaken - implemented

Source: Queensland Audit Office

4.2 Conclusions

There has been a marked improvement in how DTESB and Tourism and Events Queensland (TEQ) report on their performance since the original audit, with four of the six recommendations relating to performance measurement and reporting being fully implemented. The remaining two have been partially implemented with work still underway. These relate to developing data and tools to measure return on investment and considering other performance efficiency measures.

DTESB and TEQ now make more effective decisions and are more accountable. Both entities have developed outcome measures aligned to their objectives which make it easier to know whether intended or desired effects are being achieved. However, both entities need to report on at least one measure of efficiency to further demonstrate value for money.

The annual state of the industry report provides a comprehensive update on how the tourism industry is performing and gives a more holistic view of what government has achieved across the sector.

4.3 Reporting performance

The Tourism and Events Division within DTESB is now clearly distinguished from the rest of the department; meaning its performance is no longer combined with other divisions within the department. It now reports on output and outcome measures rather than activity and has set targets for each service standard.

TEQ has developed a performance measurement framework and complemented existing performance measures with outcome measures linked to its organisational objectives. There is now a clear alignment of objectives from the legislation to TEQ's strategic plan, SDS and annual report, which has improved the transparency and accountability of TEQ's performance. By recording relevant performance data, TEQ can now report on how it is achieving its objectives.

All major events funded by TEQ undergo a post-event economic and tourism value assessment conducted by an external consulting company. The performance data reported through these assessments is consolidated into a quarterly performance summary which is reported to the Board. The report includes key performance indicators (KPIs) for visitor numbers, visitor nights and overnight visitor expenditure (OVE), and economic contribution. Post event assessment and reporting is more robust and consistent and provides detailed performance information as a basis for the outcome and effectiveness measures.

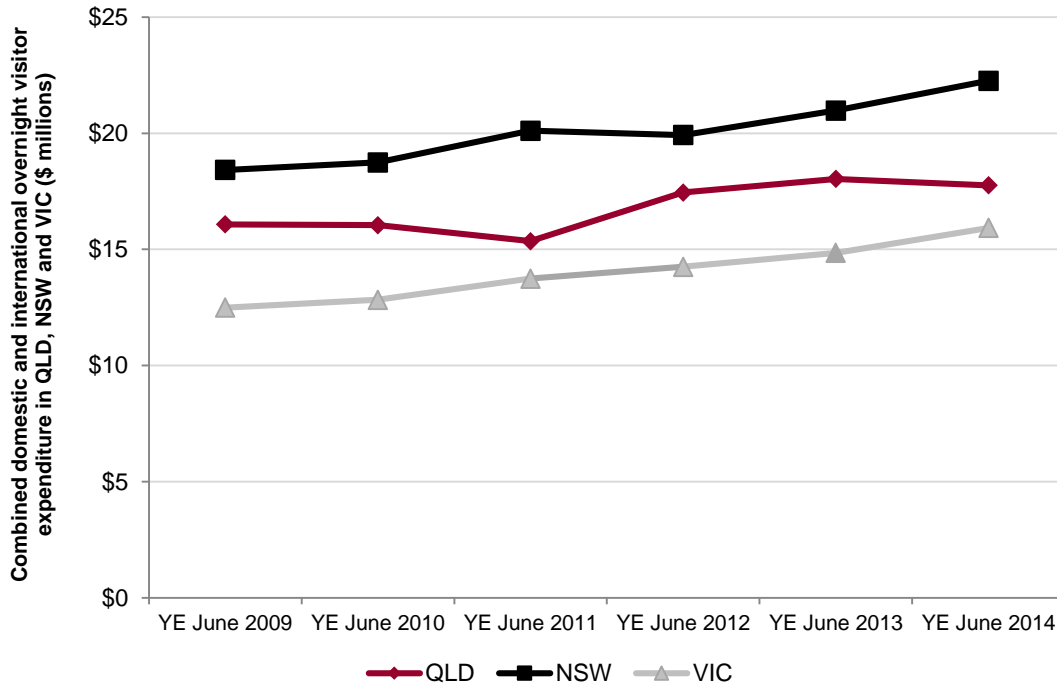
A further improvement is the reporting of performance through the state of the industry report. Intended to be an annual reporting mechanism, it provides a comprehensive update on how the tourism industry is performing and what has been done by each partner organisation. It gives a more holistic view of what government has achieved across the sector.

4.3.1 Benchmarking

The original audit recommended that TQ benchmark trends against other states for indicators of success. Benchmark trends would improve its annual report and help people to understand what TQ has achieved and how it was progressing against its objectives and targets, and compared to other states.

TEQ now includes in its annual report OVE and overnight visitation, benchmarking Queensland against New South Wales, Victoria and the rest of Australia.

Figure 4B
Total overnight visitor expenditure in Australia, Queensland, New South Wales and Victoria

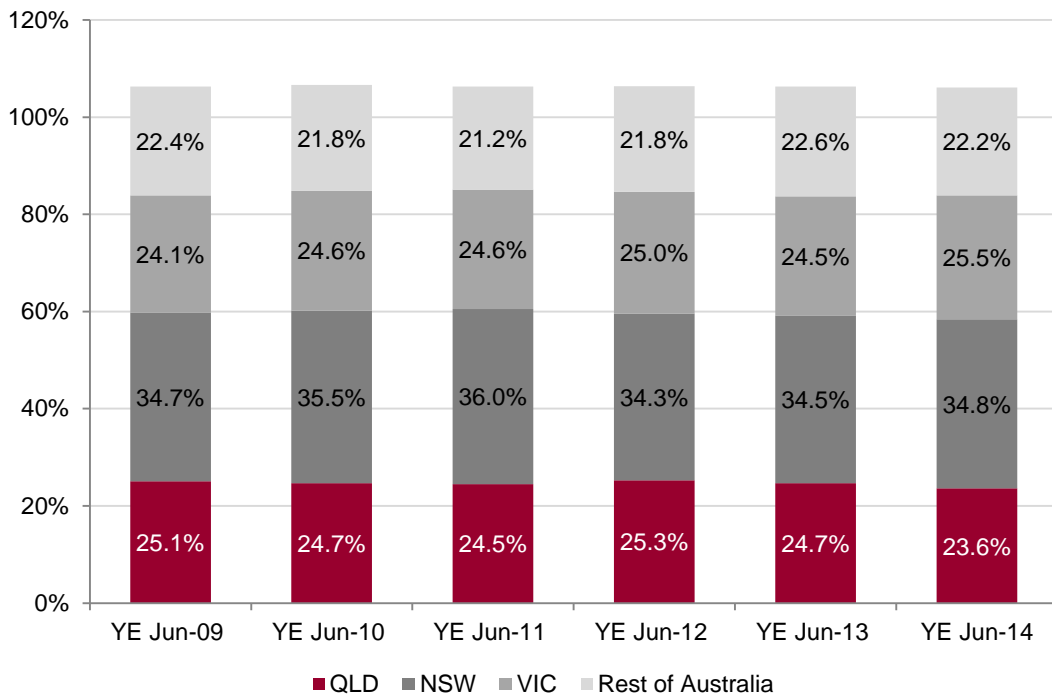


Source: QAO adapted from *Tourism Research Australia, National and International Visitor Surveys, year ended June 2014*

Queensland achieved 24.3 per cent of all OVE in Australia, which was second only to New South Wales. The expenditure of domestic overnight visitors in Queensland during the last year was \$13.76 billion as part of \$53.2 billion spent nationally. International OVE in Queensland was \$3.97 billion from a total of \$19.7 billion spent across Australia.

Figure 4C shows the market share of total overnight visitation in Australia, comparing Queensland with Victoria, New South Wales and the rest of Australia. The sum of the visitation share figures for each state adds to more than 100 per cent, as many visitors travel to more than one state on a trip.

Figure 4C
Market share of total overnight visitation in Australia



Source: QAO adapted from *Tourism Research Australia, National and International Visitor Surveys, year ended June 2014*

Queensland had a 23.6 per cent share of all overnight visitors to Australia in 2013–14, with New South Wales having the highest share at 34.8 per cent.

Benchmark reporting in the annual report is balanced, showing both increases and decreases in performance from year to year, and clearly illustrating where Queensland sits in relation to other states, the rest of Australia and, in some cases, internationally. The brand equity index is also reported, comparing Queensland to similar international destinations as well as domestic destinations.

TEQ’s international market snapshots provide a country by country summary of how each international market contributes to the total number of annual visitors to Australia and Queensland; their high level trip details; how much they spend; year-on-year changes; and the number forecast to visit in the future.

The quality and use of trend and benchmarking data has improved since the original audit in 2012. By benchmarking Queensland’s performance against other states, public and stakeholders understand what has been achieved and how TEQ is progressing against its goals, objectives, targets, and in comparison with other states. This increases transparency and accountability.

4.4 Performance measures

By separating the reporting of TEQ organisational results from those of the Queensland tourism industry, TEQ now measures and reports on outcomes that it has more control over.

TEQ has defined two objectives that relate directly to its function defined in the *Tourism and Events Queensland Act 2012* (the Act):

- to attract international and domestic travellers to travel to and within Queensland. This will be done through marketing and promoting tourism in Queensland, and tourism experience and destination development.
- to identify, attract, develop and promote major events that contribute to the state's economy. TEQ will work to secure major events to be held in Queensland that specifically:
 - contribute to the Queensland economy
 - attract visitors to Queensland
 - enhance the profile of Queensland
 - foster community pride in Queensland.

TEQ has improved its performance measures and substantially complied with the guidelines in the Queensland Performance Management Framework (PMF) by:

- having objectives that relate directly to its function defined in the Act
- clearly defining TEQ services and seven service standards in DTESB's SDS, all of which align with the objectives of TEQ
- improving the quality of performance information collected about the effectiveness of its service delivery and including these measures in public reports
- developing a balanced suite of measures, including organisational and industry outcome measures
- clearly reporting on the KPIs for service standards and industry outcomes measures in the annual report.

TEQ has developed a suite of KPIs that measure most components of the two objectives. Work is still underway to capture community pride outcomes through individual post event assessments undertaken by a third party reviewer. Data from event related survey responses include whether the event made a positive contribution to the image and reputation of the region and this is being used to develop community pride outcome measures.

Figure 4D shows the objectives, KPIs and targets outlined in TEQ's annual report and SDS.

4.4.1 Efficiency measures

The PMF—significantly revised in August 2012 while the original report was being finalised—now requires each public sector entity to publicly report on at least one standard of efficiency and one standard of effectiveness for each service area. *Report 18: 2013–14 Monitoring and Reporting Performance*, identified that DTESB should develop at least one measure of efficiency to further improve its performance measurement and reporting. TEQ also needs to develop at least one efficiency measure.

TEQ has been working, through DTESB, with Queensland Treasury and the Department of Premier and Cabinet on introducing a new SDS measure of efficiency for 2015–16.

Figure 4D
TEQ objectives and performance measures

Strategic objectives	KPIs - set out in strategic plan & SDS	2013–14 SDS target	Annual report performance statement 2013–14	2014–15 SDS target
Attract international and domestic travellers to travel to and within Queensland. This will be done through	Publicity and promotional value generated by TEQ activities	\$190 million	\$247.6 million	\$190 million
	<ul style="list-style-type: none"> marketing and promoting tourism in Queensland tourism experience and destination development. 	\$166 million	\$273 million	\$180 million
Identify, attract, develop and promote major events that contribute to the state's economy. TEQ will work to secure major events to be held in Queensland that specifically: <ul style="list-style-type: none"> contribute to the Queensland economy attract visitors to Queensland enhance the profile of Queensland foster community pride in Queensland. 	Overnight visitor expenditure generated by major events within the TEQ portfolio	\$75 million	\$206 million	\$125 million
	Visitors to Queensland generated by major events within the TEQ portfolio	265 000	157 000	128 000
	Direct visitor nights generated by major events within the TEQ portfolio	338 000	1 253 000	750 000
	Satisfaction with TEQ's development programs	70%	98%	70%
	Value of cooperative investment in marketing campaigns/ collaborative support	\$7 million	\$8.49 million	\$7 million

Source: QAO adapted from *Tourism and Events Queensland Annual Report 2013–14, 2013–14 and 2014-15 Queensland State Budget - Service Delivery Statements - Tourism and Events Queensland*

The KPIs are consistently reported in the strategic plan, the service delivery statements and the annual report.

4.5 Return on investment

At the time of the original audit in 2012, TQ was reporting ROI for some campaigns where a number of partners, in addition to TQ, contributed funding to a campaign. This then contributed to the generation of retail sales. The audit highlighted that TQ could not capture reliable data on sales that were specifically attributable to the campaign, overstating the ROI calculated. In addition the ROI was calculated using total campaign funding rather than TQ's proportion of allocated campaign funding.

Similarly, EQ was using ROI as a performance measure that was reported to the Board. In some instances it was also used to report externally on individual events. The ROI calculation was based on contract costs incurred solely by EQ rather than as a proportion of the total event funding.

In both cases, we concluded that the calculated ROI was overstated and the reported performance inaccurate. We recommended that the estimated ROI should consider financial contributions from other partners and be reported as proportionate to total funding incurred.

The original audit report acknowledged that calculating ROI accurately was complex and obtaining the relevant data difficult. For ROI to be a useful performance measure, it needs reliable sales data that can be calculated proportionate to TEQ's percentage of total funding. In the absence of this, the original report noted that an alternate measure of efficiency could be considered. We recommended that, if ROI was to be used as a measure, TEQ only uses data attributable to the campaign or event and proportionate to total funding.

4.5.1 Campaign return on investment

TEQ maintains there is no acceptable and reliable measure available for ROI for tourism. When campaign methodologies were applied to the tourism industry, it was found that these studies had no link to sales and therefore did not enable effective ROI measurement. Hybrid methodologies are costly to implement. They say that no marketing methodology exists which provides a cost effective ROI measure to improve reporting.

TEQ has however demonstrated a commitment to making the best use of limited marketing funds by building quantitative data to assess marketing effectiveness. Its Research, Economics and Insights department is developing modelling and forecasting methodologies to enable assessment of future campaigns. The model is due to be completed by the end of 2015.

The model includes consideration and analysis of economic trends and in-depth insight into data. Once it is developed, TEQ intends to use it to optimise marketing spend, and to determine appropriate measures to report on effectiveness. ROI, as a performance measure, is therefore an end result of the work currently being undertaken. At this stage there is still uncertainty about whether ROI can be measured effectively or whether it is an appropriate measure.

4.5.2 Events return on investment

In response to the original recommendation made to EQ on ROI, TEQ agreed that ROI would be used as an internal measure only and that cash funding from other government entities would be taken into account when calculating ROI.

With a change in senior management and board members, TEQ no longer agrees with the original management response. It has developed a new events strategy and believes it is appropriate to calculate ROI on TEQ funding only. As part of the new events assessment methodology TEQ assesses the potential direct and incremental spend commensurate with an appropriate level of investment. The data is not presented as an ROI figure, but the calculation of the economic score uses similar inputs as ROI.

An aggregate score is calculated across five criteria, which provides a consistent comparator across all events. Four of the criteria are identified in the Act: contribute to the Queensland economy; attract visitors to Queensland; enhance the profile of Queensland; foster community pride in Queensland.

A fifth criteria, on the strategic merit of TEQ investment, assesses seasonality and brand fit, infrastructure and capacity and legacy. Criteria are weighted as agreed by the Board. The aggregated score is used internally for investment decision making purposes.

Appendices

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Appendix A—Comments

In accordance with section 64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Department of Tourism, Major Events, Small Business and the Commonwealth Games and Tourism and Events Queensland with a request for comment.

Responsibility for the accuracy, fairness and balance of the comments rests with the head of these agencies.

Comments received from Director-General, Department of Tourism, Major Events, Small Business and the Commonwealth Games

Please quote: CTS 05994/15
Contact officer: Dr Tony Callaghan
Contact phone: (07) 3333 5264



Department of
**Tourism, Major Events,
Small Business and the
Commonwealth Games**

21 APR 2015

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr ^{Andrew} Greaves

I refer to your correspondence dated 31 March 2015, providing a copy of Report No. 14: 2014-15 *Follow up audit: Tourism industry growth and development* for information and comment.


I have reviewed the follow-up audit with respect to the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) and am generally satisfied with the report's findings, particularly with regard to the response of the tourism portfolio to the recommendations of the Queensland Audit Office's 2012-13 report. Both DTESB and Tourism and Events Queensland (TEQ) have made significant effort to address the recommendations of the original audit report.

In recent years the ongoing planning and coordination work, and the enhanced government and industry partnership approach, which has grown from *DestinationQ*, has resulted in significant improvements in the way the portfolio and the government work with industry.

I agree DTESB has now fully addressed the recommendations made in the 2012-13 report. I have noted the report's recommendation that DTESB should also report on at least one efficiency measure to further demonstrate value for money. We are working on identifying a meaningful and useful measure, though I am sure you would understand the challenge this represents in a policy and industry development context.

I understand TEQ will respond to you separately in relation to any concerns it may have about the follow-up report.

Yours sincerely

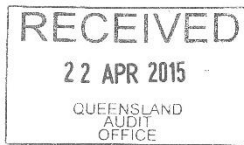

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Comments received from Chief Executive Officer, Tourism and Events Queensland



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21 April 2015

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
L14, 53 Albert Street
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Dear Mr Greaves

Re: Follow up audit: Tourism industry growth and development, Report 14: 2014-15

Thank you for your letter dated 31 March 2015, the associated report from QAO and the opportunity to provide formal comment regarding the follow up audit.

The TEQ Board and Executives have led the organisation by focusing on addressing each of the initial recommendations raised in the 2012 report. It is pleasing to note that the report acknowledges TEQ's significant progress in achieving full implementation on the majority of the recommendations. TEQ is committed to continued progress on the remaining items.

Specifically, we note that the report addresses three key themes, and I appreciate this opportunity to highlight TEQ's achievements in these areas of focus.

1. Strategic direction

Through DestinationQ, there is a clear action plan with accountability for the completion of actions to progress industry outcomes. TEQ's annual Statement of Intent from the Chairman clearly details how TEQ will meet our Minister's Statement of Expectations.

TEQ now has in place an overarching strategic plan, with a four year forward view, and industry targets are in place to 2020 and beyond. In addition, TEQ's Events Strategy 2020, the 2020 Strategic Marketing Plan and Destination Tourism Plans for each of the tourism regions provide an integrated roadmap and agreed priorities for the development and growth of tourism and events in Queensland's destinations. These priorities are agreed and documented by the Regional Tourism Organisations, in collaboration with all key stakeholder groups, including State and Local Government and associated Agencies, industry groups and individual operators where appropriate.

An experienced Board, with deep experience in tourism and events, and the establishment of specific sub-committees to oversee matters of Audit, Risk, Remuneration, and Events investment decisions, provide a strong and stable governance framework and guidance for management in the operations of the entity.

2. Campaign and events management

TEQ's adoption of project management methodology and disciplines has supported a greater consistency and rigour in the management of campaigns, while also improving risk management and performance measurement of desired outcomes.

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Comments received from Chief Executive Officer, Tourism and Events Queensland



The Annual Plan and related Partnership Agreements for each financial year are aligned to the framework provided by the longer-term 2020 Strategic Marketing Plan and the core marketing campaigns are carefully planned for each destination to target their key source markets. Outcomes and key performance indicators are clearly stated for each campaign prior to any campaign activity proceeding, and key learnings captured and applied to future campaigns.

Regarding events, there has been a significant strengthening of the investment appraisal process. The Events Strategy 2020 provides the overarching strategic framework for the events portfolio, and this is underpinned by a well-documented and robust three phased approach for event investment approvals. The strategy, framework and approach provide deep assurance that investments made on behalf of the State generate the commensurate outcomes for the State and its regions.

3. Performance measurement and reporting

TEQ has established a clear alignment from the Objects and Functions as stated in the Tourism and Events Queensland Act 2012, to TEQ's Strategic Plan, Events Strategy 2020 and Annual Plan. The Service Delivery Statement measures, organisational performance indicators and reporting mechanisms all combine to establish a clear and robust performance measurement framework. This has ensured that TEQ substantially complies with the guidelines in the Queensland Performance Management Framework.

Benchmarking and trend data is now widely used across the organisation and Queensland's position on key industry metrics compared to New South Wales, Victoria and other regions in Australia are regularly assessed and reported to the TEQ Board.

TEQ is undertaking the development of modelling techniques to provide enhanced decision making support, particularly with regard to investment optimisation for marketing campaigns. This will ensure that TEQ invests in the markets and consumer segments that are more likely to respond positively to campaign messaging, and choose to holiday in one of Queensland's destinations.

All of the achievements outlined above are now embedded into the organisation's core processes and plans. TEQ is committed to maintaining this level of governance over our operations and will continue to strive for the most optimal outcomes for the growth and development of the tourism and events industries throughout Queensland's unique destinations.

I would like to take this opportunity to thank your wider team for working constructively with TEQ throughout the follow up audit.

Yours sincerely

Leanne Coddington
Chief Executive Officer

cc. Mr Stephen Gregg, Chairman, Tourism and Events Queensland
Dr Richard Eden, Director-General, Department Tourism, Major Events, Small Business and the Commonwealth Games

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Appendix B—Audit details

Audit objective

The objective of this follow up audit was to assess the current status and effectiveness of the implementation of recommendations resulting from *Report 3: 2012-13 Tourism industry growth and development* which was tabled in November 2012. Specifically the audit addressed the objective through the following sub-objectives and lines of inquiry:

Sub-objectives		Lines of inquiry	
1	Recommendations have been actioned	1.1	There is accountability, monitoring and reporting for the actioning of recommendations
		1.2	The recommendations have been implemented in accordance with agency responses or appropriate alternative action has been taken
2	Performance or systems issues have been addressed	2.1	The risks which led to the recommendations have been addressed
		2.2	The agency's actions have resulted in performance or systems improvements

Reason for the audit

The *Auditor-General Act 2009* provides for the Auditor-General to report observations and recommendations about matters arising from an audit. These observations and recommendations may be reported to management and those charged with governance of an agency, relevant Ministers and ultimately the Parliament.

While the Auditor-General reports to the Parliament with recommendations to improve the performance of public sector entities or enhance public sector accountability, it is not the Auditor-General's role, to enforce the implementation of these recommendations.

The primary responsibility for implementing any change resulting from the recommendations rests with the Executive and individual agencies and Statutory Bodies. Where appropriate all public sector agencies and Statutory Bodies should have systems and processes to implement the recommendations of the Auditor-General.

The Queensland Audit Office follow up process provides accountability in identifying progress made by agencies in implementing audit recommendations or undertaking suitable alternative action to address identified risks.

Performance audit approach

The audit was conducted between October 2014 and February 2015. It involved:

- the Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Tourism and Events Queensland

The entities were requested to self-assess their progress against the following criteria:

- I - Recommendation has been fully implemented
- P - Recommendation has been partially implemented
- AA - Alternate action undertaken
- NA - No substantial action has been taken.

The entities provided comments and supporting documentation on their progress on implementing each recommendation. A review of the self-assessment and supporting documentation identified where it was necessary to perform risk-based checks to gain assurance on agency actions.

The review process included:

- ensuring the responses addressed the intent of the recommendation and subsequent effectiveness and outcomes of the recommendations
- testing documentation for evidence consistent with agency responses
- conducting interviews to clarify responses.

The follow-up audit also considered the Parliamentary State Development, Infrastructure and Industry Committee's review of progress in March 2014.

Auditor-General Reports to Parliament

Reports tabled in 2014–15

Number	Title	Date tabled in Legislative Assembly
1.	Results of audit: Internal control systems 2013-14	11 July 2014
2.	Hospital infrastructure projects	October 2014
3.	Emergency department performance reporting	October 2014
4.	Results of audit: State public sector entities for 2013-14	November 2014
5.	Results of audit: Hospital and Health Service entities 2013-14	November 2014
6.	Results of audit: Public non-financial corporations	November 2014
7.	Results of audit: Queensland state government financial statements 2013-14	December 2014
8.	Traveltrain renewal: Sunlander 14	December 2014
9.	2018 Commonwealth Games progress	December 2014
10.	Bushfire prevention and preparedness	December 2014
11.	Maintenance of public schools	March 2015
12.	Oversight of recurrent grants to non-state schools	March 2015
13.	Procurement of youth boot camps	April 2015
14.	Follow up audit: Tourism industry growth and development	May 2015