

Tourism industry growth and development

Report to Parliament 3 : 2012-13



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November 2012

The Honourable F Simpson MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Madam Speaker

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *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', with a long, sweeping horizontal stroke extending to the right.

Andrew Greaves
Auditor-General

Contents

Summary	1
Audit overview	1
Conclusions	2
Key findings	2
Recommendations	6
Reference to agency comments	7
 1. Context	 9
1.1 Tourism in Queensland	9
1.2 Roles and responsibilities	9
1.3 Funding	11
1.4 Tourism strategies and initiatives	12
1.5 Report structure and cost	14
 2. Tourism strategies and plans	 15
2.1 Background	16
2.2 Conclusions	16
2.3 Queensland Tourism Strategy	16
2.4 Tourism Action Plan to 2012	16
2.5 National targets	18
2.6 Tourism Division	19
2.7 Roles	20
2.8 Recommendations	20
 3. Tourism Queensland	 21
3.1 Background	22
3.2 Conclusions	22
3.3 Corporate governance and performance	23
3.4 Marketing campaigns	26
3.5 Recommendations	30
 4. Events Queensland Pty Ltd	 31
4.1 Background	32
4.2 Conclusions	33
4.3 Organisational performance	34
4.4 Events	36
4.5 Magic Millions Racing Carnival and Yearling Sales	38
4.6 Grant acquittal	42
4.7 Recommendations	43
 Appendices	 45
Appendix A - Comments	46
Appendix B - Audit details	59

Summary

Queensland's tourism industry is a major economic driver for the country and the state, attracting more than a third of Australia's international visitors and a quarter of its domestic visitors. It employs 125 000 people, and in 2009-10 contributed 3.4 per cent to the gross state product. In 2011-12 State Government funding for the tourism portfolio totaled \$98.6 million.

At both the national and state levels tourism performance is usually assessed in terms of international and domestic; visitor numbers, visitor expenditure, visitor nights and market share.

The tourism industry is complex and wide ranging. Demand and supply sides of the industry are complementary and have areas in common. Tourism supply chains involve many components, not just accommodation, transport and excursions, but also bars and restaurants, handicrafts, food production, waste disposal, and the wider infrastructure that supports tourism. Generating demand involves understanding visitor needs, and increasing destination attractiveness and resources.

Tourism is sensitive to external variables such as natural disasters, currency exchange rates and global economic conditions. These factors contribute to make it difficult to isolate the direct effect of government and industry activities on visitor numbers, visitor expenditure or overnight stays.

In 2006 the state implemented the *Queensland Tourism Strategy*. Since then, Queensland has developed the *Tourism Action Plan to 2012* and committed to the *National Long-Term Tourism Strategy* and the national *2020 Tourism Industry Potential*. All four set strategic priorities including creating a sustainable industry and increasing overnight visitor numbers and spending.

Following the March 2012 state election, the government replaced the *Queensland Tourism Strategy* and *Tourism Action Plan to 2012* with *DestinationQ* strategy and reaffirmed the state's commitment to the *National Long-Term Tourism Strategy* and *2020 Tourism Industry Potential*.

Audit overview

This audit assessed whether Queensland's tourism development framework effectively meets the government's growth agenda. It reviewed whether:

- the strategies and plans are contributing to the growth and development of the tourism industry
- there was adequate governance to guide the implementation of the tourism framework
- outputs and outcomes are adequately monitored and reported.

It was conducted between January and May 2012 and therefore did not assess the impact of *DestinationQ*, which had not been fully implemented at that time. The audit included the three main government entities directly responsible for tourism in Queensland:

- the Tourism Division of the former Department of Employment, Economic Development and Innovation (now the Department of Tourism, Major Events, Small Business and Commonwealth Games)
- Tourism Queensland
- Events Queensland Pty Ltd.

Conclusions

Greater recognition by governments of the importance of tourism to the national and state economies has resulted in increased pressure on publicly funded tourism entities to measure and report on the extent to which their activities influence tourism outcomes. Visitor numbers, expenditure, nights and market share are effective measures of the health of the state's tourism industry, but due to the difficulty in isolating direct effects, these measures are not good indicators of the performance of the public sector entities.

While the three main government entities responsible for tourism face difficulties in identifying and measuring the impact of their activities on tourism industry growth, it is time for these publicly funded entities to rethink how they can attribute their activities to the headline results achieved. This could be assisted by:

- using a research and evidence base to target specific areas of tourism where their activities can have the greatest industry influence
- formulating organisational objectives closely connected to the intended outcomes of their activities, rather than seeking to relate their efforts to the performance of tourism in Queensland as a whole
- designing their activities with attributable performance measurement
- evaluating a broader range of performance, beyond individual activities, to include the effectiveness of the different campaign and event types and business units.

The need for this is long overdue, and in the meantime these entities are less accountable for their expenditure and activities. The entities need to be able to better demonstrate their own effectiveness in growing the tourism industry and thus their value for money to the taxpayer.

Clarification of the roles, responsibilities and accountabilities of the three entities will aid the coordination, planning, monitoring, and reporting of their activities and outcomes against the various tourism strategies and plans. Clarity is particularly important given the three different legal forms the entities take and the differing compliance and accountability frameworks under which they each operate, which at times serves to weaken rather than promote cooperation and coordination of activities.

The restructure of the tourism portfolio with the creation of the Department of Tourism, Major Events, Small Business and the Commonwealth Games, which brings together the three entities under one Minister, is an opportune time for the entities to reconsider their organisational goals, roles, responsibilities and performance.

Key findings

Industry performance

Over the past five years (year ending June 2008 to year ending June 2012) Queensland's overnight visitor expenditure increased on average at less than half the rate of the rest of Australia. During this period Queensland was also losing market share of international visitors. This result was achieved only because overnight visitor expenditure increased by 15.30 per cent in the year ending June 2012, reversing the trend of the preceding four years which saw Queensland's overnight visitor expenditure fall by 5.79 per cent, while the rest of Australia increased by 0.99 per cent.

The increase in 2012 will need to be sustained if Queensland is to approach the targets of the *2020 Tourism Industry Potential*, which aims to raise overnight visitor expenditure in Australia to at least \$115 billion, or to meet the current target to grow the annual overnight visitor expenditure in Queensland to \$30 billion by 2020. For the twelve months to June 2012, overnight visitor expenditure in Queensland was \$17.702 billion.

Progress on tourism strategies and plans

While most planned actions have been implemented as intended, a lack of clear overarching leadership and coordination between entities has meant that not all actions were undertaken. Some performance reporting was stopped, and many performance indicators lack benchmarks, targets or performance data. This limits the entities' ability to clearly demonstrate the extent to which their activities have contributed to the relatively poor headline performance for Queensland over the past five years.

Leadership and coordination

Issues around roles, responsibilities and the relationship between the Tourism Division of the former department and Tourism Queensland were raised in a number of independent reviews over the past five years. While acknowledging that defining roles and relationships is challenging, the Tourism Division and Tourism Queensland have still not addressed this issue. This has led to instances of poor consultation, information sharing and collaboration, with some actions not being completed and poor coordination of planning for national initiatives.

Queensland Tourism Strategy

In 2009 the Australian Bureau of Statistics (ABS) changed the way tourism data was collected affecting the forecasts and targets set for the three goals in the *Queensland Tourism Strategy* to increase visitor expenditure. Rather than re-forecasting or setting new targets to reflect the ABS changes, Tourism Queensland and the Tourism Division stopped reporting on these goals. The fourth goal - to maximise sustainable tourism growth for the social and environmental benefit of all Queenslanders, has no targets or performance information. Therefore, it is not known whether activities under this strategy have helped grow the tourism industry.

Tourism Action Plan to 2012

Tourism Queensland and the Tourism Division completed 30 of their 38 actions in the *Tourism Action Plan to 2012*, which was due to end this year. Of the remaining eight, three were stopped and five were nearing completion.

Events Queensland completed its one action.

Many of the performance indicators for these actions do not measure results or value for money. This means that the entities can show how active they have been, but not the effect of their activity on tourism industry growth.

Tourism Division

The Tourism Division's *Tourism Economic Opportunity Plan* merely restates the actions in its business plan and therefore serves no additional purpose. Neither document identifies targets and both lack measurable performance indicators. The combined data in the former department's annual report meant that the Tourism Division's performance could not be identified from the activities of other divisions of the department.

Tourism Queensland

The data used by the Tourism Queensland board to assess the entity's performance, operations and actions, is also used as the basis for decision-making, risk management and consideration of alternative actions.

Tourism Queensland has set organisational goals that are impacted by a broad range of factors beyond its control. It therefore struggles to show a clear relationship between its activities in producing the outcomes needed to meet these goals. In addition, informal confidentiality arrangements agreed by Tourism Queensland with external partners prohibit it from externally reporting useful performance information, on the basis that it is commercially sensitive. The claim of commercial sensitivity for some of this information is questionable and results in both good and poor performance being masked. As a result, Tourism Queensland cannot adequately demonstrate whether it is meeting its organisational goals or providing value for money from its marketing campaigns and other activities.

Its annual reports lack performance data such as appropriate targets, benchmarks and information on achievement of outcomes. Greater use of its Brand Health studies and market share data could help Tourism Queensland separate its own performance from external factors affecting the industry. For example, the 2011 results show that Queensland's Brand Equity Index score was steady despite the effects of natural disasters and the global financial crisis. Tourism Queensland is now starting to consider how it may make better use of benchmarks, targets and its Brand Health studies in its organisational reporting.

Tourism Queensland is also now assessing ways in which it can improve its planning for marketing campaigns, including:

- the inclusion in its planning documentation of the lessons learnt from previous similar campaigns, options considered and rationale for option and partner choice
- ensuring the seven principles of the Queensland Government's project management methodology are adequately covered
- campaign budget and authorisation/approval is adequately documented to increase accountability.

The marketing campaigns assessed during the audit lacked consistency and rigour in planning and reporting on cost-effectiveness. The design of some of these campaigns could be improved with a view to providing better performance measurement to attribute desired outcomes.

While the Best of Australia campaign met most of its objectives, Tourism Queensland did not collect data to indicate whether business opportunities for tourism operators were realised.

Tourism Queensland could not show whether its Gold Coast Flight Centre campaign met its goals. It overstated its share of the return on investment for this and other retail campaigns in its internal reports. While the Nothing Beats Queensland campaign met all performance targets, the Magic Millions met none.

Although the *Tourism Queensland Act 1979* requires Tourism Queensland to 'prepare a state tourist and industry strategic marketing plan' it has not done so. This would set the framework and direction for all marketing activities and unite and update the marketing elements of various existing strategies and plans.

Events Queensland Pty Ltd

Events Queensland's strategic and operational planning framework and performance reporting are not adequate to ensure it is meeting its objectives efficiently and effectively. Events Queensland also cannot adequately demonstrate that it is providing value for money from the public funds it receives.

Since the audit began, Events Queensland has started making changes and developing ways to improve its strategic planning and reporting framework. These changes include:

- updating the strategic plan
- drafting operational and business plans
- developing organisational performance reports
- creating a project plan for the development of a performance database.

The selection, assessment, funding and evaluation of business and regional events are adequate to ensure accountability and transparency. For major events however, which have the greatest potential for aiding tourism growth and development, Events Queensland did limited pre and post-event assessments until mid-last year, but has since started doing this. As with Tourism Queensland, Events Queensland overstates its share of the return on investment when reporting internally on major event results. Return on investment information has also been used in media releases.

The event governance and contract management for the Magic Millions Racing Carnival is inadequate. Events Queensland does not know if it is getting value for money from this event, or that the funding it provides is being used for the purposes intended.

Recommendations

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

- 1. lead and coordinate tourism strategies and actions to achieve desired outcomes**
- 2. set performance measures on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives.**

Tourism Queensland:

- 3. consistently apply the campaign project management framework for proper planning, accountability and reduction of risks**
- 4. prepare a state tourist and industry strategic marketing plan to comply with legislation**
- 5. complement existing performance measures with outcome measures attributable to its own actions and linked to its organisational objectives**
- 6. benchmark trends against other states for indicators of success**
- 7. calculate retail campaign Return on Investment:**
 - to only use data attributable to the campaign**
 - proportionate to total funding.**

Events Queensland Pty Ltd:

- 8. implement a strategic plan with:**
 - clear, measurable organisational objectives**
 - targets and timeframes**
 - performance measures 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.**
- 9. record performance data and report on achieving organisational and operational objectives**
- 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 objectives**
 - document the rationale for the amount of funding, including an assessment of value for money.**
- 11. obtain reasonable assurance that event organisers use public funds economically, efficiently and effectively by:**
 - including meaningful performance measures and targets linked to Event Queensland's organisational objectives in contracts with event organisers**
 - thorough scrutiny of reports from event organisers**
 - proper acquittal of expenditure.**
- 12. calculate events Return on Investment proportionate to total funding.**

Reference to agency 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; Tourism Queensland; Events Queensland Pty Ltd and the Minister for Tourism, Major Events, Small Business and the Commonwealth Games, 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 full comments received are included in Appendix A of this report.

1 Context

1.1 Tourism in Queensland

Queensland is a major tourist destination for international and domestic visitors, attracting 35.2 per cent of international visitors in 2011-12 and 24.5 per cent of the domestic visitor market.

The *State Tourism Satellite Accounts 2009-10*, that Tourism Research Australia published in June 2012 with the support of the Australian Government and the state and territory tourism offices, report that in 2009-10 tourism directly contributed \$8.4 billion to the Queensland economy and accounted for 3.4 per cent of the gross state product. It also directly employed 125 000 people.

The tourism industry includes other industries such as transport and hospitality. It can also be affected by external factors such as natural disasters, pandemics, global financial crises, as well as fluctuations in exchange rates, and changes in oil and fuel prices. These factors contribute to make it difficult to isolate the direct effect of government and industry activities on visitor numbers, visitor expenditure or overnight stays.

1.2 Roles and responsibilities

The three public sector entities directly responsible for promoting and growing tourism are:

- the Tourism Division of the former Department of Employment, Economic Development and Innovation (now the Department of Tourism, Major Events, Small Business and the Commonwealth Games)
- Tourism Queensland
- Events Queensland Pty Ltd.

Table 1A outlines the nature of the three government entities and their reporting arrangements prior to March 2012.

Table 1A
Entity type and reporting arrangements

Entity	Type	Reporting
Department of Employment, Economic Development and Innovation	Government department	Minister for Tourism, Manufacturing and Small Business
Tourism Queensland	Statutory body established under the <i>Tourism Queensland Act 1979</i>	Minister for Tourism, Manufacturing and Small Business
Events Queensland Pty Ltd	Company limited by share, special purpose vehicle established under the <i>Corporations Act 2001 (Commonwealth)</i>	Premier

Source: Queensland Audit Office

After the March 2012 state election the Tourism Division of the Department of Employment, Economic Development and Innovation was moved to the newly formed Department of Tourism, Major Events, Small Business and the Commonwealth Games. The three entities now report to the Minister for Tourism, Major Events, Small Business and the Commonwealth Games.

A bill was put to Parliament on 1 November 2012 to create a new statutory body called Tourism and Events Queensland. This will merge Tourism Queensland and Events Queensland Pty Ltd into a single entity.

1.2.1 Tourism Division

The role of the Tourism Division of the former Department of Employment, Economic Development and Innovation (Tourism Division) was:

- to build the evidence and options that underpin how the government will support the tourism industry
- to facilitate and work on projects that promote a favourable business environment for tourism
- to tailor departmental services to help tourism operators become more resilient and innovative.

The Tourism Division mainly focuses on the supply side of tourism, specifically ensuring that the industry has enough new investment, capable tourism operators and the skills and labour to meet demand.

It contributed to the department's objectives:

- creating the conditions for business success
- helping businesses and individuals respond to the economic challenges they face.

1.2.2 Tourism Queensland

Tourism Queensland is a statutory body established under the *Tourism Queensland Act 1979*. The *Tourism Queensland Act 1979* describes Tourism Queensland's main responsibility as 'facilitating the promotion, marketing and development of tourism and travel to, and within, Queensland.' It markets the state through brand awareness, event and retail campaigns in the international, interstate and intrastate markets.

As a statutory body, Tourism Queensland is also subject to the requirements of the public sector performance management framework, including the:

- *Financial Accountability Act 2009*
- *Financial and Performance Management Standard 2009*.

The framework requires public funds be used efficiently, economically and effectively, and that public sector standards of probity and propriety are upheld.

1.2.3 Events Queensland Pty Ltd

Events Queensland Pty Ltd (Events Queensland) is a government wholly owned and controlled company, subject to the *Corporations Act 2001 (Commonwealth)*. Under its charter it is responsible for identifying, attracting, supporting and developing major events that:

- contribute significantly to the economy and key industries
- enhance the national and international profile of Queensland
- inspire the people of Queensland.

Three of Events Queensland's five organisational objectives relate directly to tourism, and the other two relate indirectly. The organisational objectives are:

- identify, secure and/or create new major events that contribute to the generation of economic, marketing, or tourism outcomes
- ensure existing Events Queensland supported major events continue to generate economic, marketing or tourism outcomes
- increase and enhance the national and international profile of Queensland as a tourist and events destination
- provide whole of government leadership for events in the state, and promote the importance of the events industry in Queensland
- provide support to events across Queensland that contribute to Q2 objectives and build social, physical and knowledge infrastructure for ongoing sustainability of the events industry.

Public funding to Events Queensland has steadily increased since 2007, supporting mega, major, business or regional events:

- mega events are typically one-off, attracting over 10 000 visitors with a budget more than \$5 million
- major events typically attract from 1 000 and 10 000 visitors, can be recurring or annual events, and have a budget between \$2 million to \$5 million.

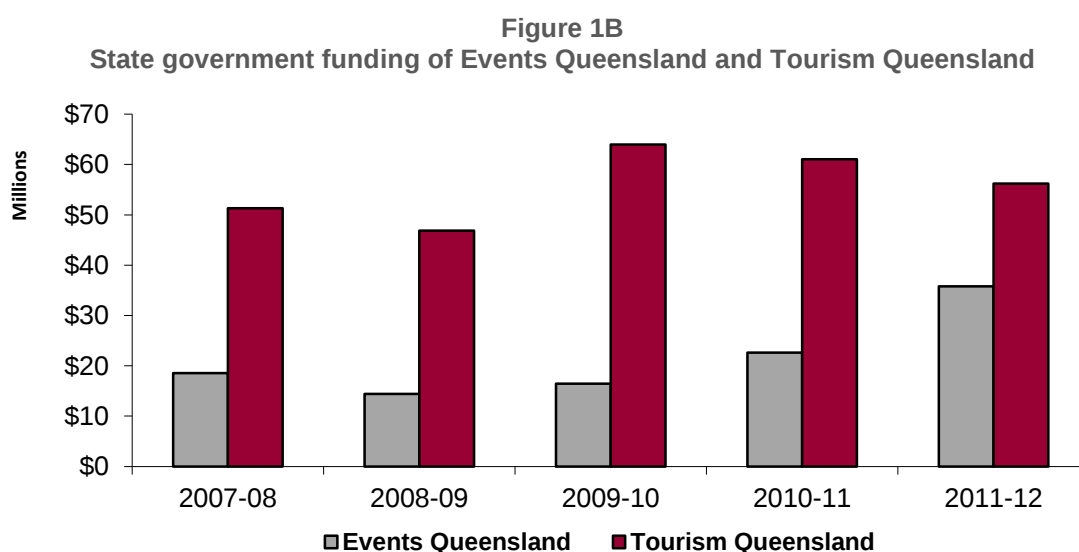
1.3 Funding

The 2011-12 government funding for the three entities was \$98.6 million:

- \$56.2 million for Tourism Queensland
- \$35.8 million for Events Queensland
- \$6.6 million for the Tourism Division.

Between 2007-08 and 2011-12, the state contribution to Tourism Queensland rose by 9.5 per cent and to Events Queensland by 92.8 per cent, the latter receiving base funding, regional events funding and Cabinet Budget Review Committee special purpose funding.

Figure 1B shows government funding between 2007-08 and 2011-12.



Source: Queensland Audit Office from Service Delivery Statements and Ministerial Portfolio Statements

1.4 Tourism strategies and initiatives

In 2006 the state implemented the *Queensland Tourism Strategy*. Since then, Queensland has developed the *Tourism Action Plan to 2012* and committed to the *National Long-Term Tourism Strategy* and the national *2020 Tourism Industry Potential*. All four variously aim to set strategic priorities, develop a sustainable industry and raise overnight visitor numbers and expenditure.

1.4.1 In 2006: Queensland Tourism Strategy

The *Queensland Tourism Strategy* outlines a ten year vision for sustainable tourism. The four strategy goals are to:

- increase visitor expenditure
- increase visitor expenditure in all Queensland destinations
- increase the value of tourism
- maximise sustainable tourism growth for the social and environmental benefit of all Queenslanders.

The strategy also has six themes and an action plan to contribute to achieving the four goals. Table 1C details the benchmarks, forecasts and targets for the goals.

Table 1C
Benchmarks, forecast and targets for Queensland Tourism Strategy goals

Goal	Performance measure	Benchmark 2005 actual	Forecast 2010-11*	Target 2010-11^	Forecast 2015-16*	Target 2015-16^
Goal one	Increase visitor expenditure (\$B)	14.83	17.11	17.50	20.24	21.67
	Visitor expenditure share (%)	27.28	27.23	27.85	27.13	29.05
Goal two	Specific 2015-16 visitor expenditure forecasts and targets for all tourism regions					
Goal three	Increase the value of tourism (GSP**) (\$B)	8.40	9.80	10.10	11.60	12.50
	Increase tourism employment	136 000	149 000	153 000	166 000	177 000
Goal four	Measures or targets to be developed through social and environmental indicators as one of the strategy actions.					

Legend

* = Forecasts: estimates of future status based on current performance

^ = Targets: stretch targets intended to exceed forecast result

**= Gross State Product.

Source: Queensland Audit Office from *Queensland Tourism Strategy*

A Queensland Tourism Strategy Implementation Steering Committee, chaired by the then Minister of Tourism, Regional Development and Industry, and including the Director-General of the Tourism, Regional Development and Industry (predecessor to the Department of Employment, Economic Development and Innovation), and the Chief Executive Officer of Tourism Queensland, was established. One of the purposes of this steering committee was to promote and monitor the implementation of the *Queensland Tourism Strategy*.

1.4.2 In 2009: Tourism Action Plan to 2012

The *Tourism Action Plan to 2012* and its list of actions began in 2009, replacing the actions identified in the *Queensland Tourism Strategy*. There are 41 actions specified for reaching the strategy's goals and later national initiatives. Lead and support agencies were allocated specific actions, with the Tourism Division, Tourism Queensland and Events Queensland given roles for all but two of the 41 actions.

Table 1D
Tourism Action Plan to 2012 actions allocated to the Tourism Division, Tourism Queensland and Events Queensland

Entity	Lead (sole or joint)	Support
Tourism Division	15	10
Tourism Queensland	22	13
Events Queensland	1	--

Source: Queensland Audit Office from the *Tourism Action Plan to 2012 – List of actions*

1.4.3 In 2009: National Long-Term Tourism Strategy

At the Tourism Ministers' Council meeting in October 2009, federal, state and territory ministers endorsed the *National Long-Term Tourism Strategy*, which the federal Tourism Minister released in December that year.

The strategy promotes nine principles to be implemented through nine working groups and work plans. Table 1E lists the Queensland Government representation on these working groups.

Table 1E
National Long-Term Tourism Strategy working groups

Working group	Queensland government representation	Chair
Destination Management Planning	Tourism Queensland	Queensland
Digital Distribution	Nil	New South Wales
Indigenous Tourism	Tourism Queensland	Northern Territory
Industry Resilience	Tourism Queensland	Queensland
Investment and Regulatory Reform	Tourism Queensland Tourism Division	Victoria
Labour and Skills	Nil	South Australia
Tourism Access	Tourism Queensland	Commonwealth
Tourism Quality Council of Australia	Tourism Division	Independent Chair
Tourism Research Advisory Board	Nil	Commonwealth

Source: Queensland Audit Office

1.4.4 In 2010: Tourism Industry Potential

The *National Long-Term Tourism Strategy* recommended developing 'performance indicators to track progress and support strategic priorities' for the national tourism agenda. At the October 2010 Tourism Ministers' Council meeting federal, state and territory ministers committed to achieving the *2020 Tourism Industry Potential* (the Potential).

The Potential focuses on overnight visitor expenditure. It developed growth scenarios into 'stretch targets' with an upper and lower trajectory against a baseline. In June 2010 the national overnight visitor expenditure was \$63 billion. By 2020 the Potential is estimated to be between \$115 billion and \$140 billion in overnight visitor expenditure nationally. If day trips are added in, total visitor expenditure is estimated to be \$135-160 billion.

1.5 Report structure and cost

The report is structured as follows:

- Chapter 2 examines performance against the goals, objectives, actions and targets of state and national tourism strategies, plans and initiatives. It also reviews the performance of the Tourism Division of the former Department of Employment, Economic Development and Innovation.
- Chapter 3 examines Tourism Queensland and how well it is meeting its organisational objectives and managing marketing campaigns.
- Chapter 4 examines Events Queensland Pty Ltd and how well it is meeting its organisational objectives and supporting events.
- Appendix A contains responses received
- Appendix B outlines the audit details.

The total cost of the audit was approximately \$630 000.

2 Tourism strategies and plans

In brief

Background

Since 2006, Queensland has endorsed four state and federal strategies and plans to promote and expand tourism. It is timely to review how well the three publicly funded entities are progressing against the goals and targets. This chapter assesses the performance of the former Department of Employment, Economic Development and Innovation's Tourism Division.

Key findings

- Tourism Queensland and the Tourism Division do not know if they have met the Queensland Tourism Strategy's 2010-11 targets because they stopped reporting on goals one to three and have no targets for goal four.
- Tourism Queensland and the Tourism Division have completed most of their actions in the *Tourism Action Plan to 2012*. Three have been discontinued and five are nearing completion. However, the focus on output performance indicators prevents them from demonstrating outcomes achieved and how they have contributed to the growth of the tourism industry.
- During the past year overnight visitor expenditure in Queensland increased by 15.3 per cent, outperforming the rest of Australia. It has not however kept pace with the rest of Australia over the past five years, during which Queensland's overnight visitor expenditure increased by less than half the percentage increase experienced in the rest of Australia.

Recommendations summary

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

1. **lead and coordinate tourism strategies and actions to achieve desired outcomes**
2. **set performance measures on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives.**

2.1 Background

The *Queensland Tourism Strategy* and the *Tourism Action Plan to 2012* outlined the growth agenda for sustainable tourism.

2.2 Conclusions

The three publicly funded entities need to work significantly more economically, efficiently and effectively if the state is to approach the targets of the *2020 Tourism Industry Potential* or meet the aims of the *National Long-Term Tourism Strategy*.

Improvement is needed to better respond to the challenges of a fall in international visitor market share and visitor nights, a lower rise over the past five years in overnight visitor expenditure than the rest of Australia and relatively steady domestic overnight visitors.

Performance monitoring is generally inadequate and all three entities frequently cannot demonstrate results against state tourism goals. The three entities need to better collaborate by clearly defining their roles and relationships. They also need to produce robust strategies and plans with practical performance management frameworks to provide the best chance of success in promoting the growth and development of the tourism industry.

2.3 Queensland Tourism Strategy

Tourism Queensland and the Tourism Division consulted with industry stakeholders when developing the *Queensland Tourism Strategy*. The strategy sets a ten-year vision for sustainable tourism and contains 2005 baseline data, and 2010-11 and 2015-16 targets and forecasts.

There are four goals stated in the *Queensland Tourism Strategy*:

- increase visitor expenditure
- increase visitor expenditure in all Queensland destinations
- increase the value of tourism
- maximise sustainable tourism growth for the social and environmental benefit of all Queenslanders.

Tourism Research Australia data shows that total visitor expenditure in Queensland rose by 7.92 per cent between June 2008 and June 2012, from \$20.167 billion to \$21.763 billion.

Methodology changes in the Australian Tourism Satellite Accounts in 2008-09 mean these figures cannot be compared with the forecasts and targets in the *Queensland Tourism Strategy*. Therefore, the Tourism Division and Tourism Queensland have not compared their performance against goals one, two and three of the strategy since 2008-09. Rather than re-forecast or set new targets, they stopped reporting against the targets. As a result, they do not know whether the strategy met any of the 2010-11 targets or has contributed to growth in visitor expenditure.

Tourism Queensland stated that the:

‘... responsibility for overseeing the implementation of the Queensland Tourism Strategy and demonstrating the Queensland Tourism Strategy is on track to meet its goals rested with the Queensland Tourism Strategy implementation steering committee ... Tourism Queensland has not been asked to demonstrate if the four goals have been achieved.’

The Chief Executive Officer of Tourism Queensland was a member of this steering committee that met three times, twice in 2007 and once in 2008. Good governance requires public sector entities to monitor, evaluate and report on their own progress toward goals.

The strategy's fourth goal has no performance measures or targets. Tourism Queensland commissioned social and environmental surveys as indicators of industry and community behaviour and attitudes. These were to inform future planning and development strategies.

Tourism Queensland could not demonstrate:

- a direct relationship between the surveys and the goal of maximising sustainable tourism growth for the social and environmental benefit of all Queenslanders
- any progress in achieving the goal of maximising sustainable tourism growth for the social and environmental benefit of all Queenslanders.

As a result, the Tourism Division and Tourism Queensland cannot reliably determine whether the activities they undertook as part of the strategy contributed to any increase in visitor expenditure, the value of tourism or sustainable tourism growth.

2.4 Tourism Action Plan to 2012

Both the *Tourism Action Plan to 2012* and the List of actions were developed in partnership between the Tourism Division and Tourism Queensland and were introduced in 2009. The actions replaced those in the *Queensland Tourism Strategy* and were consistent with the later *National Long-Term Tourism Strategy* and *2020 Tourism Industry Potential*. Events Queensland was not consulted on the development of the plan or actions.

Tourism Queensland and the Tourism Division have completed all of their lead actions contained in the plan, except for three that were discontinued and five that were nearing completion. Events Queensland has completed its one action.

Table 2A details progress on the actions where the Tourism Division, Tourism Queensland, or Events Queensland were either sole or joint lead agency.

Table 2A
Progress of agency lead actions in the *Tourism Action Plan to 2012*

Agency	Total lead actions	Actions completed	Actions discontinued	Actions ongoing
Tourism Division	15	10	2	3
Tourism Queensland	22	19	1	2
Events Queensland	1	1	--	--

Source: Queensland Audit Office – extracted from the *Tourism Action Plan to 2012 – List of actions*

Organisations use performance indicators to measure and assess the progress of activities and achievement of objectives. In order to do this, indicators need to be specific, measurable, achievable, timely and relevant to the desired result. They should also be accompanied by benchmarks and targets. A comprehensive set of performance measures should cover quantity, quality, cost, time and impact.

Many of the performance indicators for the *Tourism Action Plan to 2012* measure outputs (things done or produced) rather than outcomes (results). For example, one action requires Tourism Queensland and Arts Queensland to sign a statement of commitment to include arts and culture in tourism marketing, but that is not a performance measure.

The action attributed to Events Queensland required it to identify, jointly with Tourism Queensland, priority events for marketing, which they have done. The performance indicator associated to this action is the identification and endorsement of priority events. While Tourism Queensland report on the performance of individual campaigns for these events there is no evaluation of the overall value received for the \$2 million spent annually on their marketing.

Due to the emphasis on output measures, the performance reporting against the *Tourism Action Plan to 2012* provided an indication of the entities' activities, but not growth outcomes achieved for the tourism industry.

2.5 National targets

Tourism Queensland has begun modeling and forecasting emerging and priority international markets that are part of the national strategy. The Tourism Division has contracted for an assessment of the implications of the national initiatives for Queensland.

The *2020 Tourism Industry Potential* aims to raise overnight visitor expenditure to between \$115 billion and \$140 billion nationally by 2020. In line with this, the current state government has set a target to grow overnight visitor expenditure in Queensland to \$30 billion by 2020.

Figure 2B shows annual overnight visitor expenditure for the whole of Australia and Queensland since 2008.

Table 2B
International and domestic overnight visitor expenditure (\$ billion)

	June 2007-08	June 2008-09	June 2009-10	June 2010-11	June 2011-12
Queensland	17.015	16.073	16.030	15.353	17.702
Rest of Australia*	46.449	45.827	46.910	48.832	51.080
Australia	63.464	61.899	62.940	64.184	68.782

Legend

* Rest of Australia is Australia minus Queensland

Source: Office of Economic and Statistical Research – data from Tourism Research Australia

From June 2011 to June 2012, overnight visitor expenditure in Queensland has grown by 15.30 per cent, compared to the rest of Australia which increased by 4.60 per cent. These results may, in part, be due to a recovery from the impact of Queensland's natural disasters in 2011.

A longer-term assessment shows that between June 2008 and June 2012, Queensland's overnight visitor expenditure has risen by 4.04 per cent, from \$17.015 billion to \$17.702 billion. During the same period, overnight visitor expenditure in Australia rose by 8.38 per cent. This means that Queensland has not kept pace with the 9.97 per cent increase, from \$46.449 billion to \$51.080 billion, in the rest of Australia over this period.

From June 2008 to June 2010, prior to the 2011 natural disasters, Queensland's overnight visitor expenditure declined 5.79 per cent, while overnight visitor expenditure in the rest of Australia rose by 0.99 per cent.

Data available on Queensland's market share from 2004 to 2012 (refer to Table 3A, page 24), shows that Queensland's share of the international market has fallen steadily from June 2005, with little growth in the domestic market.

To lift overnight visitor expenditure to \$30 billion by 2020, the entities will need to target activities that will have the greatest effect in:

- reversing the fall in market share of international visitors and visitor nights
- making greater gains in market share of domestic visitors and visitor nights
- producing an average 6.40 per cent annual increase in overnight visitor expenditure between June 2012 and December 2020.

2.6 Tourism Division

The *Strategic Plan 2011-15* of the former Department of Employment, Economic Development and Innovation had three key objectives:

- creating the conditions for business success
- helping businesses and individuals respond to the economic challenges they face
- integrating service delivery to customers.

These objectives applied to all divisions of the former department, with the Tourism Division enacting them through the *2011-12 Business Plan for the Tourism Group* (the business plan). The actions detailed in the business plan did not identify targets or milestones. Many of the performance indicators did not describe a measureable or verifiable change, were not relevant to the objectives or sufficient as measures of outcome.

One action (Action 1.7) of the business plan was the development of a *Tourism Economic Opportunity Plan*. While this was done, all of the actions in the *Tourism Economic Opportunity Plan* are taken directly from the business plan. This means that the *Tourism Economic Opportunity Plan* is a restatement of the actions in the business plans and provides no additional plan for the growth of the tourism industry.

Many of the actions in the business plan and the *Tourism Economic Opportunity Plan* are poorly defined. Performance indicators tend to be aspirational statements rather than measures of performance. For example, both documents contain the following measures:

- improved evidence base around constraints on new product development leads to positive changes in policy and planning
- Queensland is recognised as a leader in tourism facilitation and regulation
- Queensland tourism industry gains a reputation for service excellence
- the business culture of tourism operators embraces service excellence.

As a result, it is not possible to determine whether the Tourism Division had met the *2011-12 Business Plan* or the *Tourism Economic Opportunity Plan* objectives.

In its performance reporting, the former Department of Employment, Economic Development and Innovation combined data from various divisions, meaning stakeholders could not distinguish Tourism Division performance from other areas.

2.7 Roles

The *National Tourism Planning Guide – A best practice approach*, published in 2011 by the Commonwealth Government stresses the need for an integrated and coordinated approach to tourism between government entities and across levels of government.

Confusion about respective roles affects the relationship of the Tourism Division and Tourism Queensland. It has led to instances of poor consultation, coordination and information sharing with regard to:

- ministerial submissions
- development of some tourism plans and initiatives
- planning for the *National Long-Term Tourism Strategy* and the *2020 Tourism Industry Potential*.

This issue also resulted in a lack of leadership across the tourism portfolio that was evident in the management and coordination of the *Queensland Tourism Strategy* and *Tourism Action Plan to 2012*. No agency took leadership to appropriately coordinate the monitoring and delivery of the actions and the strategy/plan as a whole. This resulted in some actions, such as the business events development strategy and the arts and cultural tourism strategy, not being completed. In addition, Events Queensland's important tourism role has not been adequately recognised or included in the state's strategies and plans for tourism growth. Events Queensland was not given a meaningful role in the *Queensland Tourism Strategy* or the *Tourism Action Plan to 2012*.

After four reviews, the relationship between Tourism Queensland and the Tourism Division remains unchanged. These reviews all identified this issue;

- 2007 – *Report on the Service Delivery and Performance Management Review of the Department of Tourism, Fair Trading and Wine Industry Development*, Service Delivery and Performance Commission
- 2008 – *Queensland Tourism Network Review*, The Stafford Group
- 2008/09 – an Independent Review of Queensland Government Boards, Committees and Statutory Authorities
- 2009 – Review of Tourism Queensland, David Williams.

Problems with role clarity and relationships between government departments and statutory bodies are not unique to Queensland. Research shows that many governments are grappling with how to develop whole of government approaches to various portfolios, including tourism.

The new Department of Tourism, Major Events, Small Business and the Commonwealth Games should allow for greater integration and collaboration between Tourism Queensland, the Tourism Division and Events Queensland.

2.8 Recommendations

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

- 1. lead and coordinate tourism strategies and actions to achieve desired outcomes**
- 2. set performance measures on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives.**

3 Tourism Queensland

In brief

Background

With state funding of \$55.6 million in 2011-12, Tourism Queensland plays a crucial role in contributing to national and state strategic goals and targets through to 2020, including raising visitor numbers and expenditure, and supporting growth of the tourism industry.

Key findings

- Tourism Queensland monitors its operations and reports on its actions, but cannot demonstrate how these actions contribute to meeting tourism development goals and targets.
- Marketing campaign planning is not consistent and not all campaigns are planned or designed adequately. This opens it to unnecessary risk, poor accountability and difficulty in showing outcomes and value for money.
- The direct impact of Tourism Queensland's retail campaigns is obscured by its performance reporting practices, including the use of non-campaign related data.

Recommendations summary

Tourism Queensland:

3. consistently apply the campaign project management framework for proper planning, accountability and reduction of risks
4. prepare a state tourist and industry strategic marketing plan to comply with legislation
5. complement existing performance measures with outcome measures attributable to its own actions and linked to its organisational objectives
6. benchmark trends against other states for indicators of success
7. calculate retail campaign Return on Investment:
 - to only use data attributable to the campaign
 - proportionate to total funding.

3.1 Background

Tourism Queensland is set up under the *Tourism Queensland Act 1979*, which describes Tourism Queensland's main responsibility as facilitating the promotion, marketing and development of tourism and travel to, and within, Queensland. Tourism Queensland's four goals are:

- increase leisure visitor expenditure
- maximise market share
- increase dispersal to benefit all Queensland regions
- maximise sustainable tourism growth for the social and environmental benefit of all Queenslanders.

Tourism Queensland has nine objectives to help achieve these goals. These objectives include global, international, interstate, intrastate and events marketing, as well as education, industry and market development, business attraction, industry leadership, and team capability and business management.

Tourism Queensland is governed by a Board of Directors and a senior executive team consisting of a Chief Executive Officer, a Chief Financial Officer and three Executive Directors. They are responsible for approximately 157 full time equivalent staff structured across four operational areas. It maintains international offices and works with regional tourism organisations, government agencies, industry and the community.

It received \$56.2 million of State Government funding in 2011-12. Between 2006-07 to 2010-11, expenditure on marketing, promotion and development initiatives has consistently accounted for 64 to 69 per cent of Tourism Queensland's total funding. The remainder of the expenditure is employee and operational expenses.

Tourism Queensland has delivered a range of activities under the Nothing Beats Queensland recovery campaign with the former Department of Employment, Economic Development and Innovation and the Australian Government. It was also responsible for the Best Job in the World and Million Dollar Memo marketing campaigns.

This chapter examines Tourism Queensland's organisational and campaign performance in contributing to the growth of the tourism industry.

3.2 Conclusions

Tourism Queensland has set four organisational goals which are impacted by a broad range of factors beyond its control. In addition, informal confidentiality agreements between Tourism Queensland and campaign partners prohibit it from publicly reporting useful performance information. This often masks both good and poor performance. These issues mean that it struggles to show its activities are producing the outcomes needed to meet its goals.

Tourism Queensland says that while it *'...cannot reliably demonstrate its exact contribution to the growth of the tourism industry (in terms of total visitation and expenditure) it is recognised that marketing activity significantly impacts the decision to travel and therefore influences the expenditure and visitation results.'*

However, Tourism Queensland is not always able to show that its marketing campaigns are effectively achieving intended outcomes. The campaigns examined in the audit lacked consistency and rigour in their planning and reporting, and the design of some campaigns would have been improved by better performance measurement to attribute desired outcomes.

As a result, Tourism Queensland cannot clearly demonstrate that it is fully meeting its legislated role, achieving its organisational goals, or providing value for money from its marketing campaigns and other activities.

Tourism Queensland is now assessing ways in which it can improve its planning for marketing campaigns, including:

- the inclusion in its planning documentation of the lessons from previous similar campaigns, options considered and rationale for option and partner choice
- ensuring the seven principles of the Queensland Government's project management methodology are adequately covered
- campaign budget and authorisation/approval is adequately documented to increase accountability.

However, without also working to clarify its role and rethinking its goals and objectives, Tourism Queensland is likely to continue to struggle to show its contribution to the growth of the tourism industry and that it is providing value for money.

3.3 Corporate governance and performance

Tourism Queensland's governance framework includes strategic, annual business and operational plans which comply with the government performance management framework and are consistent with state and national priorities.

3.3.1 Internal reporting

Tourism Queensland reports and monitors organisational and campaign performance through a quarterly operational performance review process. It developed a performance management framework that it applies to both organisational and campaign activities. Key performance information reported to executive management and the board of directors is used to assess performance, consider alternatives, manage risks, and make decisions.

3.3.2 External reporting

Tourism Queensland reports its organisational performance through its annual report, the Service Delivery Statement and quarterly reports to the Cabinet Budget Review Committee (through the department).

The measures reported in the Service Delivery Statement are:

- advertising value equivalent of Tourism Queensland's global publicity activity
- value of cooperative investment in marketing campaigns
- number of total records listed in the Australian Tourism Data Warehouse
- industry satisfaction with Tourism Queensland development programs
- number of unique visitors to Tourism Queensland's websites.

These measures are generally consistent with those of national and international tourism bodies and reflect the difficulties in directly attributing outcomes. They are broadly indicative of the performance achieved in some activities but do not provide a measure of performance against Tourism Queensland's four organisational goals. This is largely because of the broad range of factors beyond Tourism Queensland's control which influence the goals it has set. As a result, it struggles to find ways to measure achievement of its goals from the impact of external influences, such as natural disasters and global financial conditions.

In addition, confidentiality arrangements agreed by Tourism Queensland with external partners, but which are not contained in any contract agreement, prohibit it from externally reporting useful performance information, on the basis that it is commercially sensitive. In its report *Commercial-in-confidence arrangements*, published in November 2002, the Legislative Assembly of Queensland's Public Accounts Committee identified five principles to guide commercial-in-confidence arrangements:

- information should be publicly available
- accountability and public interest should prevail
- commercial sensitivity of information decays with time
- commercial-in-confidence clauses should be specifically tailored for each contract
- there is a cost to maintaining confidentiality.

These principles are consistent with the better practice guide published by the Australian National Audit Office in October 2012.

The informality of Tourism Queensland's confidentiality agreements, including verbal agreements, means there is little transparency and accountability regarding the public interest for these agreements. The claim of commercial sensitivity for some of this information is questionable and results in both good and poor performance being masked. This hinders Tourism Queensland's ability to show effectiveness of its marketing campaigns and achievement of its goals.

Maximising market share is one of Tourism Queensland's four corporate goals. The annual report provides limited information on Queensland's market share and no information on:

- how Queensland's market share is performing over time (including comparisons with other states)
- which of Tourism Queensland's activities are specifically directed at maximising market share.

Table 3A details Tourism Research Australia data which shows that between June 2005 and June 2012 Queensland's market share of international visitors and visitor nights has fallen, while domestic visitors and visitor nights have remained relatively steady.

Table 3A
Queensland's market share (%)

	June 2004-05	June 2005-06	June 2006-07	June 2007-08	June 2008-09	June 2009-10	June 2010-11	June 2011-12
International visitor nights	23.3	22.3	22.8	24.0	23.3	21.7	21.4	20.9
Domestic visitor nights	27.4	26.5	26.8	27.1	26.3	27.3	26.2	27.1
International visitor numbers	43.0	42.7	42.3	40.9	39.6	37.5	36.6	35.2
Domestic overnight visitor numbers	23.7	23.1	24.2	23.9	24.0	23.6	23.6	24.5

Source: Office of Economic and Statistical Research – data from Tourism Research Australia

Tourism Queensland's annual report would be improved with detail on targets, trend data, benchmarks and outcomes. This would provide the public and tourism stakeholders with a greater understanding of what Tourism Queensland achieved and how it is progressing over time against its goals, objectives, targets, and against other states.

Tourism Queensland commissions Brand Health studies on the state's tourism brand. These studies use a Brand Equity Index (BEI) to compare Queensland with national and international competitors and to identify trends. The BEI helps isolate the impact of external factors that affect all Australian jurisdictions similarly.

The 2011 results show that:

- Queensland's BEI score is steady despite the effects of floods, cyclones and the global financial crisis
- overall Queensland has higher levels of preference, visitation and recommendation than competitors
- the BEI for some regions, such as the Sunshine Coast, has dropped.

Tourism Queensland has agreed to include brand health results and comparisons with competitor destinations in its future annual reports. Use of brand health study results and more market share data in the annual report could assist Tourism Queensland in better communicating the state of tourism in Queensland, and provide useful comparisons nationally to provide greater context.

Strategic marketing plan

Section 13.1.b of the *Tourism Queensland Act 1979* requires Tourism Queensland to 'prepare a state tourist and industry strategic marketing plan.' Tourism Queensland considers the *Queensland Tourism Strategy* to be the state's strategic marketing plan. The focus of the Queensland Tourism Strategy is on:

- coordination, partnership and community engagement
- investment, infrastructure and access
- workforce development
- developing and marketing a Queensland style visitor experience
- natural environment and culture
- future insights and research.

Twelve of the 16 strategies and actions listed under the theme 'developing and marketing a Queensland style visitor experience' have a completion date of 2008-09.

While the *Queensland Tourism Strategy* includes some elements of marketing, it is not a comprehensive plan developed to guide Tourism Queensland's marketing programs, aimed at boosting Queensland tourism brand awareness and revenue. A strategic marketing plan should be detailed enough to:

- describe current marketing position
- articulate marketing objectives, timelines, performance indicators and review process
- describe steps to be taken to achieve those objectives
- decide budget allocation to specific marketing programs and markets
- optimise the allocated budget.

A specific strategic marketing plan would set the framework and direction for all marketing activities, including market research, destination's brand and positioning, brand development and management, advertising and promotion, target market and product segmentation. Such a plan would bring together and update the marketing elements of various documents, including the:

- *Queensland Tourism Strategy*
- *Tourism Action Plan to 2012*
- regional *Tourism Opportunity Plans*
- Tourism Queensland corporate, business, and zone plans.

3.4 Marketing campaigns

Tourism Queensland facilitates the promotion and marketing of tourism and travel through brand awareness and event and retail campaigns in the international, interstate and intrastate markets.

Drawing direct causal relationships between tourism marketing activities and visitor numbers, visitor expenditure or overnight stays is an industry challenge. This is due to the:

- range of booking, travel and accommodation options available to tourists
- time delay between promotion and marketing campaigns and travel
- difficulty of isolating the effect of promotion and marketing activity from other factors such as currency fluctuations, natural disasters, and global economic conditions.

In their guide to *Evaluating the financial impact of public sector marketing communication*, the United Kingdom Government Communication Network and the Central Office of Information identified a number of established techniques that can be used to isolate the results of marketing activities from the effects of other factors. These techniques include trend analysis, test and control, direct attribution, estimated attribution, econometrics, and careful logical argument. It is important that performance measurement is included as a focus in the design and planning of campaigns to ensure that effectiveness, and value for money, can be demonstrated.

Well planned and designed retail campaigns provide an opportunity for Tourism Queensland to draw direct causal relationships and, through its partner agencies, to capture booking and travel information directly related to these campaigns.

The audit reviewed Tourism Queensland's campaign governance and the following campaigns in detail:

- Nothing Beats Queensland domestic campaign
- Magic Millions Racing Carnival
- Best of Australia international campaign in the United States (with Tourism Australia)
- Gold Coast Flight Centre retail campaign.

3.4.1 Campaign governance

A robust process for planning, conducting, monitoring and evaluating marketing campaigns would allow Tourism Queensland to:

- identify the direct causal relationship between its retail marketing campaigns and tourism outcomes
- provide reliable and defensible assessments of performance for all of its campaigns.

The following criteria were used to assess the adequacy of the campaign governance:

- clear objectives to demonstrate the effectiveness of marketing communication activities
- robust planning to build a clear picture of how the marketing communication activity will deliver results to meet objectives
- identification of the external factors that may affect the results
- contracts in place where funding and/or service relationships were established between Tourism Queensland and external parties.

Progress reports monitor performance against set objectives, targets and milestones, and help in identifying potential emerging issues. They enable the timely identification, intervention and corrective action in circumstances where an activity (campaign) is not on track to achieve desired performance. The extent of progress reporting should be commensurate to the duration, resources, risks and cost of individual campaigns.

Tourism Queensland has now begun a process of reviewing its marketing and project planning documentation to ensure the seven principles of the Queensland Government's project management methodology are adequately covered. At the time of audit it had both a project plan template and a checklist for its marketing campaigns. There were no guidelines for when to use the project plan template or checklist and staff use them inconsistently. Of sixteen marketing campaigns reviewed, three had a project plan, five a checklist and eight had neither.

The project plan template is adequate as it covers most of the elements expected in a project plan. However, the checklist does not include:

- options considered
- risk assessments and mitigation strategies
- evaluations of previous similar campaigns as benchmarks and guides
- budget breakdown
- authorisation/approval.

The use of the checklist as a planning tool has the potential for poorly informed marketing decisions to be made, due to inadequate or insufficient information. For example, a checklist, but not a project plan, was prepared for the marketing campaign of the 2011 Magic Millions Racing Carnival and Yearling Sales. The checklist did not identify issues or potential risks. The marketing campaign aimed to raise event awareness and increase room nights and visitor expenditure on the Gold Coast between 7 and 21 January.

The campaign did not meet the set performance targets, with the actual numbers of website visitation and room nights well below targets.

The post-campaign assessment attributed the lack of success to factors such as event timing and limitations imposed by ticketing rights. These factors were not identified in any pre-event assessment.

Tourism Queensland develops post-campaign summary reports to assess the effectiveness of campaigns against performance measures. These summary reports vary slightly depending on the type, size and circumstances of the campaign. They are adequate for their purpose and generally include:

- campaign description
- objective
- performance measures and targets
- performance data
- 'learnings' from the campaign.

Tourism Queensland uses the post-campaign reports to inform decisions regarding future campaigns.

3.4.2 Campaign performance reporting

Tourism Queensland assesses performance based on a mixture of measures, dependent on campaign size and type, which are detailed in its performance management framework:

- campaign awareness
- direct sales (where possible, usually for retail campaigns)
- website visits
- co-operative funding
- advertising value equivalence.

These performance measures are generally consistent with those used across national and international tourism bodies, and reflect the difficulties in directly attributing outcomes.

If adequately planned and designed Tourism Queensland's retail campaigns can allow it to capture bookings directly resulting from the campaign.

Tourism Queensland assesses Return on Investment (ROI) for campaigns in limited circumstances. For ROI to be a useful performance measure it should capture reliable sales data, be calculated conservatively and be proportionate to Tourism Queensland's percentage of total campaign funding.

In the Gold Coast Flight Centre and Vitamin Me campaigns, Tourism Queensland reported sales not attributable to the campaigns, meaning the ROI ratio was overstated and the true campaign performance was not demonstrated. The reporting of non-related campaign data provides no value in assessing the performance of the campaign. These cases are detailed in the section on the Gold Coast Flight Centre campaign below.

3.4.3 Nothing Beats Queensland campaign

The Nothing Beats Queensland campaign was the \$6 million domestic component of the \$10 million disaster recovery campaign following the 2010-11 natural disasters. Running from 21 March 2011 to 30 June 2011, the campaign met all five performance targets and included surveys to measure campaign awareness, which was 80 per cent for the campaign and its message that 'Queensland is open for business.'

The campaign was funded by Tourism Queensland and Tourism Australia.

Table 3B
Break down of Nothing Beats Queensland domestic campaign funding

	Interstate marketing	Intrastate marketing	Agency costs	Total
Tourism Queensland	\$4.5 million	\$1 million	\$0.05 million	\$5.55 million
Tourism Australia	nil	nil	\$0.45 million	\$0.45 million
Total	\$4.5 million	\$1 million	\$0.50 million	\$6.00 million

Source: Queensland Audit Office from Tourism Queensland and Tourism Australia contract

The contract between Tourism Queensland and Tourism Australia details reporting requirements but is not specific in assigning obligations. It is implicit from the contract that Tourism Queensland was required to provide:

- a project plan
- monthly production budget reconciliations – domestic
- media plans
- weekly digital media results and optimisation plans
- monthly progress reports including 'topline' results, anecdotal visitation trends and partner booking results
- a post campaign analysis.

Tourism Queensland's project plan for the campaign was incomplete, lacking resource details, a project schedule, and risk mitigation strategies for two of the five identified risks.

Tourism Queensland was not able to show that weekly digital media results and optimisation plans or monthly production budget reconciliations were always completed. It did produce an end of campaign budget reconciliation.

3.4.4 Best of Australia campaign

The Best of Australia international marketing campaign took 16 tour operators from New South Wales and Queensland on a sales mission to the United States of America. It had six campaign objectives, including growing business opportunities with key trade partners.

Tourism Queensland surveyed tourism operators on their expectations and preferences, to inform planning for future campaigns. The response from operators was positive and helped identify potential improvements for future campaigns, including optimal timings and target states.

Tourism Queensland advised that while it can be possible to collect data on sales leads and conversions after the event, this was not considered a practical indicator/measure for this campaign due to the time lag (i.e. sales leads and conversions can eventuate months or years after the event). This information would have indicated whether business opportunities were realised and provide a greater understanding of whether the mission was successful. Tourism Queensland did not document its decision regarding the performance measures used, the basis for its conclusion that sales leads and conversions were not practical, or its consideration of alternative measures to assess the objective growth in business opportunities.

3.4.5 Gold Coast Flight Centre campaign

In partnership with Flight Centre, Gold Coast Tourism, Infinity Holidays and Virgin Blue, Tourism Queensland marketed the 2011 Gold Coast Flight Centre campaign.

For this campaign Tourism Queensland signed a campaign proposal with its partners. No formal contract was signed. The form and content of the campaign proposal gave Tourism Queensland no express contractual rights in the event of a breach by another party and exposed it to unnecessary risks.

The budget for the 2011 campaign was \$540 000 (ex GST), comprising \$240 000 from Tourism Queensland and \$300 000 from the campaign partners. Tourism Queensland could not demonstrate the rationale for the level of its contribution.

The campaign aims were to:

- positively influence and drive demand for a Gold Coast holiday through a dedicated retail campaign
- motivate consumers to book a Gold Coast holiday during the trough period of May to August
- provide Gold Coast operators with cost effective exposure in key markets.

The performance measures set were a percentage increase in retail sales, website visitation and co-operative income. While the targets were achieved, the performance measures and results do not allow Tourism Queensland to determine the effectiveness of the campaign. The co-operative income was the contribution from campaign partners set before the campaign. While it is a useful measure of Tourism Queensland's performance in partnering with industry, it is not a measure of campaign effectiveness.

Retail sales might be a good measure for Flight Centre, but are not for Tourism Queensland, because they provide no indication of the number of people who travelled, or how much, if any, of the money generated from the sales made its way into the Queensland economy. Information regarding passenger numbers and room nights was available and included in Tourism Queensland's campaign summary. These are better indicators for Tourism Queensland to report against and set targets.

The retail sales figure reported covered all sales, not just those resulting from the campaign. Total retail sales figures were reported to Tourism Queensland executive management and the board of directors with no indication that they included non-campaign data. Previous Flight Centre campaigns have had the same issues. Tourism Queensland advised that:

‘...due to a number of reasons including commercial in confidence, Tourism Queensland (TQ) cannot validate the sales results provided by campaign partners. TQ has established a relationship with its partners; all sales targets are set in conjunction with the partner and TQ is as confident as possible in the accuracy and validity of the reporting received by these partners.’

Tourism Queensland submitted revised sales figures to the Queensland Audit Office from the 59 operators who took part in the campaign. While the revised sales are a better indication than the total sales figures originally reported, they are still not adequate to show the effectiveness of the campaign. This is because the revised sales figures include all sales by these 59 operators, regardless of whether they were the result of the marketing campaign. Tourism Queensland cannot demonstrate with any assurance the value of sales achieved for the campaign cost of \$540 000.

Similar issues were identified in its 2012 Jetstar partnership for the Vitamin Me campaign. Tourism Queensland reported to its board a substantial increase in passengers over a comparable period. Despite acknowledging that not all of these passengers could be attributed to the campaign, Tourism Queensland used this figure to calculate inflated results.

The use of non-campaign related data means that reporting these figures provides no value in assessing the performance of the campaign. Furthermore, there was no explanation of the comparable period. This is crucial to determining the significance of the increase. If, for example, this period related to the previous year (2011), which would have included the aftermath of the Queensland natural disasters, the increase might only indicate a return to pre-disaster passenger numbers rather than a campaign related increase.

Appropriately designed and planned campaigns should be able to accurately capture relevant and reliable campaign related data. Alternatively other performance measures may need to be considered.

3.5 Recommendations

Tourism Queensland:

3. consistently apply the campaign project management framework for proper planning, accountability and reduction of risks
4. prepare a state tourist and industry strategic marketing plan to comply with legislation
5. complement existing performance measures with outcome measures attributable to its own actions and linked to its organisational objectives
6. benchmark trends against other states for indicators of success
7. calculate retail campaign Return on Investment:
 - to only use data attributable to the campaign
 - proportionate to total funding.

4 Events Queensland Pty Ltd

In brief

Background

Set up as a special purpose entity under the *Corporations Act 2001 (Commonwealth)*, Events Queensland Pty Ltd has received steadily increasing funding from the state to attract and develop major events that support tourism and other strategic aims.

Key findings

- Events Queensland cannot demonstrate it is spending public money economically, efficiently and effectively, and does not know how well it is contributing to tourism outcomes.
- While there are adequate processes for selecting and evaluating business and regional events, the governance and contract management of major events needs improving.
- The return on investment figures for major events are overestimated, and Events Queensland cannot accurately assess whether the government is getting value for money.
- The funding for the Magic Millions event has more than doubled since 2010 however, Events Queensland does not know whether the funding is being used for the purposes intended or whether the event generated good tourism results.
- Events Queensland has commenced addressing some of the issues raised during the audit.

Recommendations summary

Events Queensland Pty Ltd:

8. implement a more robust strategic plan
9. record performance data and report on achieving organisational and operational objectives
10. strengthen processes for approving the funding of events
11. obtain better assurance that event organisers use public funds appropriately
12. calculate events Return on Investment proportionate to total funding.

4.1 Background

Events Queensland Pty Ltd (Events Queensland) began as the Queensland Events Corporation in 1989. It is a company wholly owned by the State Government with subsidiary companies:

- Gold Coast Events Management Ltd, trading as Events Queensland Gold Coast
- Pan Pacific Masters Games Ltd
- Asia Pacific Screen Awards Ltd.

In 2010, as a result of an earlier external review, Queensland Events Corporation changed its name to Events Queensland Pty Ltd and a new Board of Directors and Chief Executive Officer were appointed. They oversee an organisation of 17.8 full-time equivalent staff structured across five operational areas:

- Arts, Culture and Lifestyle Events
- Sporting Events
- Business Events
- Regional Events
- Corporate Affairs.

Events Queensland works with tourism industry stakeholders to leverage the government's investment in major events as a means of targeting tourism markets domestically and internationally. It is responsible for administering the Events Queensland Regional Development Program which supports regional events to enhance communities and highlight the state's cultural and geographical diversity. Events Queensland also funds the state's seven convention bureau, which in 2010-11 supported 3 784 business events, attended by 356 375 delegates.

On 14 June 2011, the Premier announced an \$83 million increase (from \$74 million to \$157 million) to fund major events over the following four years, including increases of \$15 million in 2011-12, \$20 million in 2012-13 and \$24 million in both 2013-14 and 2014-15.

Table 4A details the 2011-2012 financial year operating budget presented to the board on 9 June 2011.

Table 4A
Events Queensland 2011-12 Financial Year Operating Budget vs. Actual

	Budget (\$ million)	Actual (\$ million)
Revenue	46.909	45.525
Expenditure		
Major events	17.765	24.534
V8 Supercars	9.000	9.000
Business events	4.000	4.000
Regional program	2.400	3.000
Administration	4.660	5.439
Event marketing	1.000	0.450
Total Expenditure	38.825	46.423
Surplus/(Deficit)	8.084	(0.898)

Source: Events Queensland 'Operating budget FY11/12-FY14/15', presented to the board on 9 June 2011; and correspondence from Events Queensland

Events Queensland has recently contributed to the state's bid to secure the 2018 Commonwealth Games, and supported a diverse portfolio of major events. It has partnered with other entities to secure a number of major art and museum events, including the Valentino and Surrealism exhibitions and the Mummy - Secrets of the tomb exhibition. Major sporting events include the Magic Millions Carnival and Sales, the Gold Coast Airport Marathon and the Townsville V8 Supercars.

4.2 Conclusions

Events Queensland's important tourism role has not been adequately recognised or included in the state's strategies and plans for tourism growth. Events Queensland was given no meaningful role in the *Queensland Tourism Strategy* or the *Tourism Action Plan to 2012*. This lack of tourism focus has resulted in strategic planning and performance monitoring, assessment and reporting that is inadequate to show whether Events Queensland is achieving its tourism objectives. This means it cannot provide assurance that its support of events is effectively contributing to the tourism industry.

Clarification of Events Queensland's tourism role and position within the tourism portfolio will aid the coordination, planning, monitoring, and reporting of its activities and outcomes against the state's tourism strategies and plans.

While Events Queensland has secured the Magic Millions event for Queensland until at least 2017, it has not exercised adequate governance, accountability and due diligence in managing the event contract. It cannot demonstrate adequate scrutiny or effective outcomes, and therefore value for money.

4.3 Organisational performance

4.3.1 Strategic and operational plans

A strategic plan provides a framework and high-level budget within which a company will work, and outlines a company's strategies and operational approach. A strategic plan should clearly articulate an entity's vision, purpose, objectives, performance indicators and parameters for operational plans.

In March 2010, Events Queensland developed a draft strategic directions paper that outlined a two phase approach to setting up its strategic planning framework:

- phase one: development of a core overarching strategy
- phase two: the development of strategic business plans for the five event areas of Events Queensland.

No dates were set for completing this framework.

Events Queensland completed phase one, with endorsement by the Board of Directors, of its strategic plan in July 2010. It is yet to complete phase two.

The strategic plan consists of a charter that relates only to major events. The plan lists 10 organisational objectives and some initiatives, but has no vision statement, timeframe, targets or performance measures. The absence of a timeframe, targets and performance measures prevents Events Queensland from knowing whether it is on track to achieve its objectives and whether corrective actions are needed.

In April 2011, the Board of Directors endorsed five organisational objectives to replace the 10 objectives in the strategic plan. No targets and performance measures were specified for the five new organisational objectives and the strategic plan was not updated.

An entity's operational plans detail how services will be delivered to achieve organisational objectives set in the strategic plan. Its planning framework should ensure all services, business area operational plans and specific purpose plans support its strategic plan. The intent is that an entity's plans must collectively deliver on the government's objectives for the community.

Events Queensland does not have operational plans for its five business areas, to detail what each area is to achieve, how performance is to be measured and how the area's activities contribute to the organisation's objectives. This means there is no structure to ensure all areas are collectively delivering Events Queensland's and the government's objectives for the community.

Events Queensland started work on a new strategic plan and operational plans on 15 March 2012, after discussions with the Queensland Audit Office. Due to machinery of government changes to the tourism portfolio and potential impacts on future structure, funding and strategic direction of the portfolio, Events Queensland has not completed this process. On 27 June 2012, the board approved:

- a new interim strategic plan
- an operational plan
- a business plan.

Events Queensland has also commenced drafting strategies for various areas of its operations.

Action plans, targets or performance measures have not yet been developed.

4.3.2 Organisational performance reporting

Performance measures quantify the extent to which an entity's outcomes are meeting its objectives.

Of Events Queensland's five organisational objectives, three pertain directly to tourism, those being:

- to identify, secure and/or create new major events that contribute to the generation of economic, marketing, or tourism outcomes
- to ensure existing Events Queensland supported major events continue to generate economic, marketing or tourism outcomes
- to increase and enhance the national and international profile of Queensland as a tourist and events destination.

Externally, Events Queensland reports through the department responsible for administering its funding. This was the Department of the Premier and Cabinet, but since March 2012, it is the Department of Tourism, Major Events, Small Business and the Commonwealth Games.

In both the 2011-12 Service Delivery Statement of the Department of the Premier and Cabinet, and the 2012-13 Service Delivery Statement of the Department of Tourism, Major Events, Small Business and the Commonwealth Games, the performance measures relating to Events Queensland's major events are:

- level of satisfaction by event organisers with support provided
- number of event submissions received and assessed.

These measures do not indicate whether Events Queensland is meeting its organisational objectives regarding economic, marketing or tourism outcomes.

From September 2011, Events Queensland, in consultation with the Department of the Premier and Cabinet and Queensland Treasury, started to review and develop additional and improved performance measures. This includes reporting on:

- the number of visitors from outside the event region
- the number of visitor room nights.

While the eight proposed revised performance measures for major events better align with the organisational objectives than the existing measures, they do not provide adequate information on whether the tourism outcomes linked to the organisational objectives have been achieved. For example, the revised measures do not provide an indication of:

- the economic, marketing and tourism outcomes generated by new events secured or created (objective 1)
- how Events Queensland's existing events are performing in generating economic, marketing and tourism outcomes (objective 2)
- how Events Queensland is performing in increasing and enhancing Queensland's profile as a tourist and events destination (objective 3).

Internally, Events Queensland reports to the Board of Directors. Following discussion with the Queensland Audit Office, Events Queensland developed a template for organisational performance reporting which it started using at the 19 April 2012 board meeting. These reports track progress against most of the proposed revised Service Delivery Statement measures and provide basic data on individual events. The 19 April 2012 report did not report information against three of the revised major events Service Delivery Statement measures, specifically:

- administration costs as a percentage of total costs
- the number of new major events secured
- the number of volunteers trained as a result of major events.

As a result, there is no information provided to assess Events Queensland's progress in achieving targets for these measures and determining whether corrective actions are needed. Prior to the development and use of this template Events Queensland reported financial and individual event progress, but did not track its performance against its organisational objectives or Service Delivery Statement measures.

These new organisational performance reports are based on spreadsheet data that has no access and quality assurance controls. This increases the risk of inaccurate data being provided to the board. The data in the spreadsheet does not contain adequate information to monitor organisational performance against strategic objectives and the data is not currently used in a systematic way.

As a result of discussions with the Queensland Audit Office, Events Queensland has started developing a performance information database. The first phase of this project has been completed and completion of the final phase is anticipated for the end of 2012.

4.4 Events

Events Queensland, through its events portfolio, seeks to enhance the national and international profile of Queensland as a tourist and events destination, and contribute to economic, marketing and tourism outcomes. While business and regional events contribute to these objectives, major events tend to have a bigger impact on tourism and the state's economy. This section assesses business and regional events, with a detailed assessment of major events, focusing on the Magic Millions Racing Carnival.

4.4.1 Business and regional events

Events Queensland has adequate processes to determine the selection, evaluation, funding and assessment for business and regional events. These events tend to be smaller with less funding than major events. The reasons for supporting these events include dispersing and developing events across the state, and supporting local communities. Support of these events may also result in some of these smaller events becoming major events in the future.

4.4.2 Major events

There are three phases to the management of major events. These are:

- **pre-event assessment** – includes establishing the objective and merits of funding or supporting the event; economic, marketing and tourism considerations; identified risks and mitigation strategies; rationale and appropriate level of funding; benefits to Queensland commensurate with the proposed funding; and funding approval
- **funding management** – includes securing the event; the establishment of contractual arrangements; the management and monitoring of contract conditions and deliverables; and progress payments
- **post-event evaluation** – includes evaluation of the event for meeting overall contractual deliverables; and assessment of outcomes against economic, marketing and tourism objectives.

In July 2011, Events Queensland developed pre-event assessment and post-event evaluation templates, which it is now using for major events. Before this, it did not consistently undertake pre-event assessments, progress reports, or post-event evaluations for major events.

Events Queensland's pre-event assessments include:

- competitor and market analysis
- estimated budget
- event governance
- projected attendance
- economic and marketing benefits
- strategic and community benefits
- partnership risks
- financial impact.

While the pre-event assessment considers potential economic and marketing benefits, it does not include consideration of tourism benefits or outcomes associated with supporting the event and does not assess potential opportunities for tourism from the proposed event. In addition, the assessment of proposals does not provide a rationale for the level of funding sought. This would provide assurance that the appropriate level of public funding is being granted to major events for the outcomes sought. These issues are further examined in an analysis of one major event, the Magic Millions Racing Carnival and Yearling Sales.

Once the decision has been made to support a major event, Events Queensland secures and manages the event through standard contracts. The contracts impose requirements on event organisers, such as:

- providing monthly progress reports
- preparing marketing and signage plans
- providing a post-event final report
- the achievement of key performance outcomes, including tourism outcomes.

If an event does not meet the performance criteria or contract terms, Events Queensland withholds payments and does not renew the contract. Between 2008 and 2012, Events Queensland withheld payment from two events and did not renew the contract of one of these.

Events Queensland assesses the performance of major events in terms of the key performance outcomes specified in the contract with event organisers. It also gathers survey data and, since 1 July 2011, assesses economic impact for all major events. Prior to July 2011 economic impact assessments were not done for all major events due to the cost of the assessments.

Events Queensland uses economic impact assessments to calculate a major events return on investment (ROI). By basing calculations only on the contract costs incurred by Events Queensland, the ROI from major events is overestimated.

A more accurate ROI would use Events Queensland's funding as a proportion of the total event funding.

For example, Events Queensland reported at the February and April 2012 Board of Directors meetings that its contribution to the Surrealism exhibition, staged at the Gallery of Modern Art, was \$1.2 million, with an estimated economic benefit to Queensland of \$2.26 million, and a resulting ROI ratio of 1.9 to 1. However, the estimated ROI did not consider financial contributions from Tourism Queensland, the Queensland Art Gallery and other sponsors.

Events Queensland advised that it does not have access to funding information from other organisations, including government agencies and therefore cannot include it in its ROI assessment. Not knowing the extent of government (and corporate) support means Events Queensland cannot accurately assess:

- the viability of the event
- the appropriate funding for an event
- whether it should be funding the event at all
- whether the state is receiving value for money.

Pre-event and post-event assessments provided by Events Queensland showed that event budget information is available to enable ROI calculations proportionate on total funding.

The next section is a detailed review of a major event sponsored by Events Queensland, the Magic Millions Racing Carnival and Yearling Sales.

4.5 Magic Millions Racing Carnival and Yearling Sales

One of Events Queensland's objectives is to ensure that the major events it supports continue to generate good economic, marketing or tourism results.

The Magic Millions Racing Carnival and Yearling Sales (MMCS) is a major event that Events Queensland and Tourism Queensland identified as a priority event under the *Tourism Action Plan to 2012*. The audit reviewed Tourism Queensland's marketing campaign for the 2011 MMCS in Chapter 3 of this report and assessed Events Queensland's support of this event for completeness.

Magic Millions Sales Pty Ltd (MM Pty Ltd) started in 1986 and currently consists of two annual events, the MMCS in January and the Magic Millions National Sales (MMNS) in May/June. Events Queensland has supported the MMCS since 1999 and the MMNS since 2007.

4.5.1 Contract and performance management

The better practice guide, *Developing and Managing Contracts – getting the right outcome, achieving value for money*, issued by the Australian National Audit Office in February 2012, highlights the importance of developing a contract to meet desired outcomes. This includes a statement of deliverables and a performance management strategy that specifies relevant measures and targets for the outcomes sought.

Effective contract management ensures that:

- deliverables meet required standards, within the agreed timeframe and achieve value for money
- contracts are actively managed throughout their life to secure satisfactory contractor performance
- stakeholders are well informed and all contract requirements are met.

Events Queensland relies on the Magic Millions contract to ensure timeframes and deliverables are met. It also relies on the contract as a tool to manage risk through:

- the use of milestone payments
- insurance requirements
- penalty clauses
- review mechanisms
- marketing, budget and traffic management plan requirements.

The outcomes and key performance measures in the Magic Millions contract are inadequate. For example, the race day measures consist of attendance figures, betting turnover, number of associated events and total media value. Events Queensland outcomes required under the contract are:

- demonstration of high profile branding of Events Queensland, commensurate with its investment and those of other sponsors of the event
- evidence that signage and hospitality was delivered at a minimum agreed level
- evidence of opportunities provided for Events Queensland and Queensland Government representatives to be involved with all major announcements/high profile activities associated with the event
- evidence that the event website was linked to Events Queensland's website
- evidence that a plan was developed to identify whole of government opportunities through the event.

These measures do not meet better practice standards as they do not assess outcomes and there are no targets to support them. The measures do not provide an indication of whether tourism outcomes were achieved. As a result, Events Queensland cannot assess whether its support of the MMCS is effectively contributing to achieving its organisational objectives pertaining to tourism.

Events Queensland acknowledges 'the wide ranging nature and breadth' of performance outcomes 'with only limited specific targets' is not ideal. It is in the process of reviewing performance outcomes with the event organiser.

The specific tourism outcomes required by the 2011-17 Magic Millions contract include evidence that a plan was developed to maximise interstate and international tourism. Table 4B details the overseas and interstate attendees for the 2012 Magic Millions Race Day and associated January sales. Comparison with previous years was not possible as this data was not collected prior to 2012.

Table 4B
Attendance to the Magic Millions 2012 Race Day and January Sales

Race day 14 Jan 2012	Overseas residents	Percentage of overseas attendees	Interstate residents	Percentage of interstate attendees
15 187	38	0.3%	2 344	15.4%
Sales 11-17 Jan 2012	Overseas residents	Percentage of overseas attendees	Interstate residents	Percentage of interstate attendees
4 178	54	1.3%	1 778	42.6%

Source: Queensland Audit Office from draft 2012 BMW Magic Millions Carnival Economic and Tourism Value report

Events Queensland did not set any targets or benchmarks for international or interstate visitors to the Magic Millions event. The majority (84 per cent) of attendees on the Gold Coast specifically for race day were Queensland residents. More than half (56 per cent) of the attendees during the January sales live in Queensland.

International marketing in 2012 has not been effective in attracting international visitors to either the race day or sales. The domestic marketing has been more effective in attracting interstate visitors to the race day than the sales. The lack of benchmark data and targets makes it difficult to determine whether these results could be considered successful.

Events Queensland has acknowledged these findings and started discussing targets for the 2013 Magic Millions event with the organiser. It also expressed satisfaction with the 2012 interstate visitor data however, was not able to show a basis for this assessment, given the absence of benchmarks and targets.

4.5.2 Event's governance

Good practice governance requires agencies to have an effective and robust set of responsibilities, practices, policies and procedures:

- to provide strategic direction
- to ensure objectives are achieved
- to manage risks
- to use resources responsibly and with accountability.

These principles can be easily applied to the governance of individual events through the adoption of pre-event assessments, progress reporting and post-event evaluations.

These assessments would assist Events Queensland in:

- establishing its objective or purpose in continuing to support the event
- demonstrating its rationale for funding and progress payments under the contract
- identifying possible issues and remedies
- ensuring appropriate and effective controls are in place
- identifying the effectiveness of the event in meeting Events Queensland objectives
- providing a level of assurance, accountability and transparency.

Progress reports and post-event evaluations enable assessment of the effectiveness of key aspects and overall performance of the major event.

Events Queensland has prepared a post-event evaluation for the 2012 Magic Millions based on its new templates, which were not used in the 2006 to 2011 events. It has also prepared an economic impact assessment for the 2012 event, having completed one in 2009 but not 2010 or 2011.

From 2006 to 2012, Events Queensland kept the board informed on the Magic Millions event but did not:

- complete detailed pre-event assessments (including risk assessments)
- receive or pursue detailed progress reports from event organisers
- conduct detailed post-event evaluations (except for 2012).

The 2011-17 Magic Millions contract requires the event organiser to produce a marketing plan, tourism plan, monthly progress and final reports. The organiser's marketing plans, which both Events Queensland and Tourism Queensland contributed to, detail interstate and international marketing objectives and initiatives. Events Queensland advised that the tourism plan was incorporated in the marketing plan. However, the marketing plan's objectives and strategies do not identify opportunities for tourism operators to leverage from the event or strategies to increase visitor stays and expenditure. Events Queensland did not request or receive a tourism plan or progress reports.

Events Queensland received a final report from the event organiser on the 'promotion and conduct' of the event each year between 2006 and 2012. The final reports cover:

- key performance outcomes
- major marketing initiatives – national and international
- media coverage and broadcast objectives
- sponsor benefits
- event budget details
- Director's statement
- additional information and attachments with data analysis.

There is no evidence that Events Queensland analysed, assessed or scrutinised the final reports to ensure the grant was used effectively and in line with the contract requirements. Events Queensland advised that:

- the issues of event budgeting, expenditure and profit were operational issues and the responsibility of the Magic Millions event organiser
- it did not consider it appropriate to inquire into operational matters.

Without adequate scrutiny and assessment, Events Queensland cannot show that the event delivered value for money. Value for money is a foundation concept of the Queensland Government State Procurement Policy and is a crucial consideration for entities spending public funds. The State Procurement Policy provides considerable guidance to assist public sector entities in assessing value for money.

4.5.3 Funding

Under the terms of the 2011-17 MMCS contract Events Queensland provides a grant for promotion and marketing, including the provision of temporary infrastructure for the event and social activities related to the event. The contract specifically prohibits Events Queensland's grant being used as prize money or to upgrade carnival or sales facilities.

The MMCS profit for the 2009 event changed considerably from the 2006, 2007 and 2008 events. The profits have since stabilised and have been steady over the past three years. While Events Queensland considered this change in profitability to be due to the global financial crisis, it did not investigate the on-going sustainability of the event or potential effects on achieving its objectives.

In 2010, Events Queensland, through the Department of the Premier and Cabinet, asked the Cabinet Budget Review Committee (CBRC) for more funding for the MMCS and MMNS. The CBRC approved increased funding of \$15.7 million over seven years, made up of \$10 million through CBRC and \$5.7 million from Events Queensland's discretionary budget. Events Queensland acknowledged that the MMCS is a commercially driven event that would be financially self-sufficient without the support of Events Queensland however, the funding increase was for two purposes:

- to secure the event for Queensland
- for national and international marketing and promotion of the Gold Coast and the state.

Events Queensland used a 2009 economic impact study to support the CBRC submission but did not include a cost benefit analysis. The submission did not raise the MMCS's change in profitability, nor provide a basis for the level of funding sought.

Events Queensland has been successful in retaining the Magic Millions event for Queensland. After the CBRC approval, Events Queensland and Magic Millions Sales Pty Ltd signed a new contract to keep the event on the Gold Coast from 2011 to 2017. The contract also provides Events Queensland with the rights of first and last refusal to agree to terms for the event for a further five years beyond 2017.

Table 4C outlines the Events Queensland total grant to the Magic Millions event (MMCS and MMNS) from 2008 to the end of the contract in 2017.

Table 4C
Events Queensland total grant to the Magic Millions event from 2008 to 2017

(\$000)	Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total contribution	600	600	600	1 625	1 625	2 500	2 500	2 500	2 500	2 500

Source: Queensland Audit Office from Events Queensland Pty Ltd Magic Millions event documentation

In both 2011 and 2012, \$1.225 million (75 per cent) of the \$1.625 million grant was allocated to the January race day and yearling sales, and \$400 000 to the national sales.

4.6 Grant acquittal

An acquittal process is necessary to determine whether the grant recipient has used the money for the purpose it was given.

4.6.1 Promotion and marketing

The event organiser can use Events Queensland's grant for promotion and marketing, and sponsorship and carnival expenses.

Both the contract and associated marketing plan identify interstate and international marketing as the focus. Despite Events Queensland's grants more than doubling since 2010, actual spend on promotion and marketing has dropped significantly. Events Queensland reviewed the marketing plan submitted by the event organiser as required under the contract. The plan included budget and expenditure information but Events Queensland did not query the drop in promotion and marketing expenditure or where the remainder of its funding was spent.

4.6.2 Sponsorship and carnival expenses

While use of the grant for 'sponsorship servicing and carnival expenses' is acceptable under the contract, Events Queensland is unable to fully account for what the grant has been applied. It cannot determine whether the funding was used for the purposes intended.

Events Queensland advised that it considered sponsorship budgeting and expenditure to be an operational decision of the event organiser and therefore did not consider it within its role to query.

As a result of discussions with the Queensland Audit Office, Events Queensland is now reviewing its contract template to include:

- greater detail on what is required from event organisers in monthly reports and marketing plans
- a requirement for marketing plans to clearly indicate what elements are contributing to the generation of interstate and international tourist outcomes
- a requirement on event organisers for full acquittal of Events Queensland's grant as part of the final report
- clauses requiring the auditing of event financial statements, or letters from auditors confirming the accuracy of event financial statements.

4.7 Recommendations

Events Queensland Pty Ltd:

8. implement a strategic plan with:
 - clear, measurable organisational objectives
 - targets and timeframes
 - performance measures 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.
9. record performance data and report on achieving organisational and operational objectives
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 objectives
 - document the rationale for the amount of funding, including an assessment of value for money
11. obtain reasonable assurance that event organisers use public funds economically, efficiently and effectively by:
 - including meaningful performance measures and targets linked to Event Queensland's organisational objectives in contracts with event organisers
 - thorough scrutiny of reports from event organisers
 - proper acquittal of expenditure
12. calculate events Return on Investment proportionate to total funding.

Appendices

Appendix A - Comments	46
<i>Auditor-General Act 2009</i> (Section 64) – Comments received	46
Comments received and response to recommendations	47
 Appendix B - Audit details	 59
Audit objective	59
Reasons for the audit	59
Performance audit approach	59
Application of the audit mandate	60

Appendix A - Comments

Auditor-General Act 2009 (Section 64) – Comments received

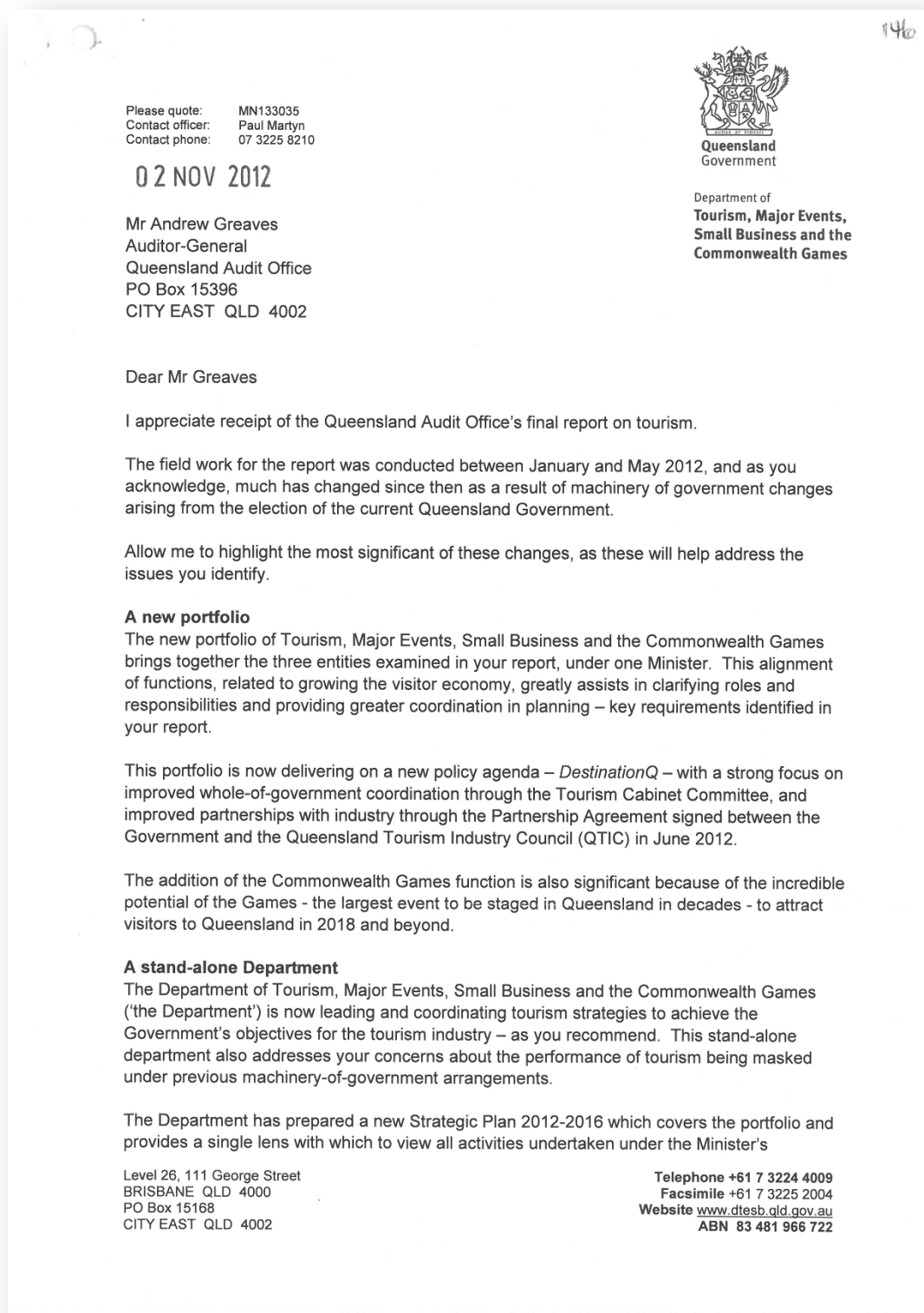
Introduction

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; Tourism Queensland; Events Queensland Pty Ltd and the Minister for Tourism, Major Events, Small Business and the Commonwealth Games, with a request for comments.

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

Comments received

Response provided by the Director-General, Department of Tourism, Major Events, Small Business and the Commonwealth Games on 2 November 2012.



2.

responsibility. The clear goal now for the whole portfolio is doubling annual overnight visitor expenditure to \$30 billion by 2020.

A new entity called Tourism and Events Queensland

Legislation is currently before Parliament to create a new statutory body called Tourism and Events Queensland (TEQ). This will merge Tourism Queensland (TQ) and Events Queensland (EQ) into a single entity. This approach will help address your recommendations in the following ways:

- A unified approach to using marketing and promotion, event attraction and tourism experience and product development to grow Queensland's visitor economy and create jobs;
- Greater accountability for events activities under standard government accountability arrangements for statutory bodies;
- Greater role clarity with the Department through the Minister's Statement of Expectations;
- A single strategic plan aligned with the Government's priorities, with operational plans to support delivery; and
- A new chair and board having the benefit of your recommendations.

Measuring Progress

The 2020 goal of doubling overnight visitor expenditure is now the portfolio goal – and all of our activities will align with this goal.

Deloitte Access Economics has provided the Department with projections for milestones towards the 2020 goal for 2015 and 2018, and a breakdown of the goal for each of Queensland's tourism regions.

I agree with your observation that many different factors may impact on the achievement of tourism objectives. External factors like natural disasters, global economic conditions, or outbreaks of disease can all impact on the industry's fortunes and the success or otherwise of steps taken to support tourism. Measurement of impact can be difficult, costly and time-consuming. A balance must be struck.

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.

Conclusion

The findings and recommendations of your report align with the direction being taken by the new portfolio. As the Department and TEQ move forward with the Government's agenda, your input will help to ensure even better performance to deliver for the tourism industry in Queensland.

Yours sincerely



Dr Richard Eden
Director-General

Department of Tourism, Major Events, Small Business and the Commonwealth Games response to recommendations.

Recommendation	Agree/ Disagree	Timeframe for Implementation	Additional Comments
Lead and coordinate tourism strategies and actions to achieve desired outcomes	Agree	Structures now in place to facilitate this.	The creation of a single tourism portfolio consisting of the Department of Tourism, Major Events, Small Business and the Commonwealth Games and Tourism and Events Queensland, reporting to the Tourism Cabinet Committee and supported by the Tourism Interdepartmental Committee, will enable strong leadership and coordination of tourism related strategies and actions across government.
Set performance measures on outputs and outcomes directly attributable to its own actions and linked to its organisational objectives.	Agree	A single objective, doubling overnight visitor expenditure by 2020, has been established and subsidiary performance measures are being developed for use in the 2012-13 year.	The portfolio will strongly focus on measures that show what contribution is being made to growing the industry. 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, where possible using existing data sets.

Comments received

Response provided by the Acting Chief Executive Officer, Tourism Queensland on 9 November 2012.



Tourism Queensland response to recommendations

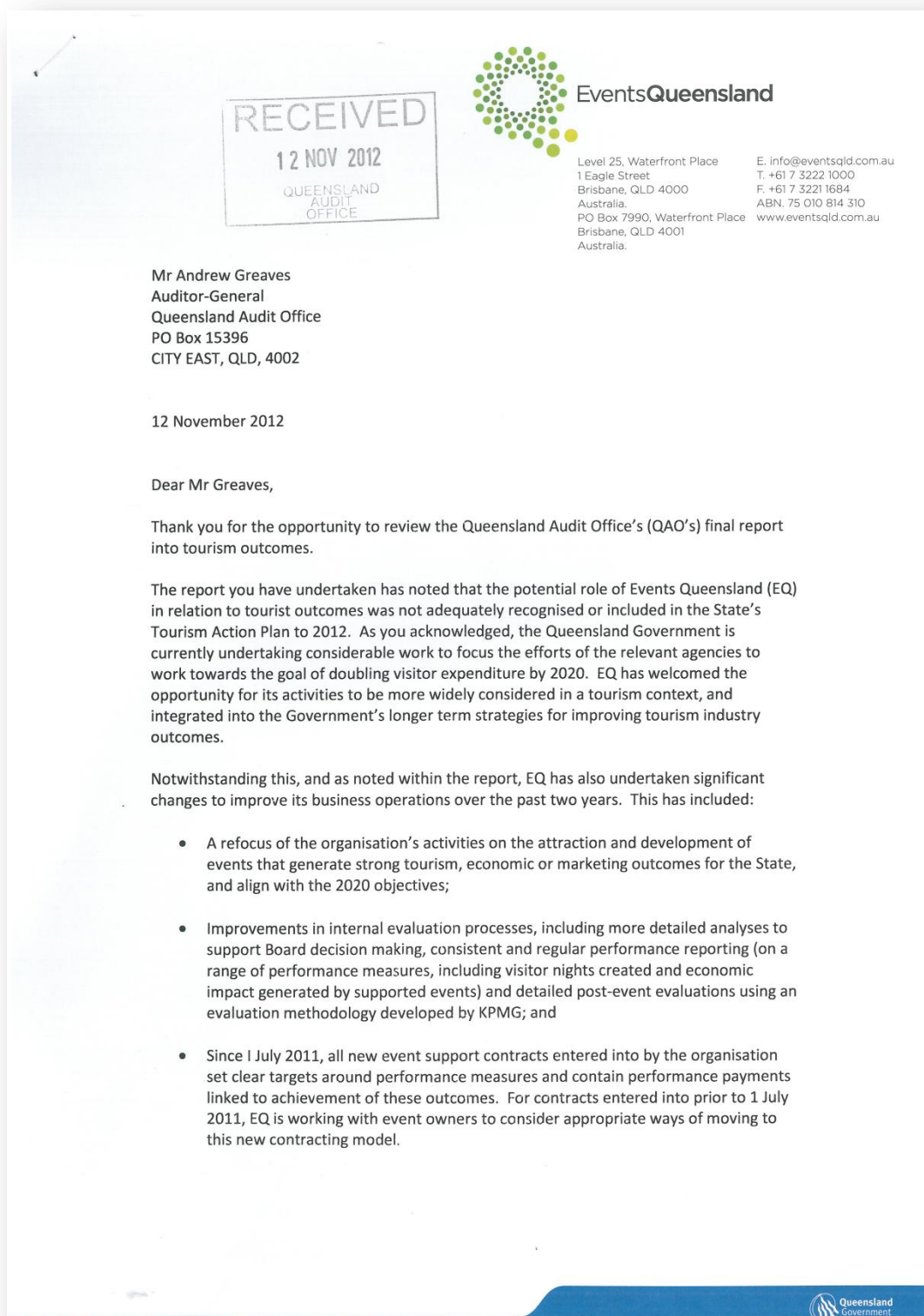
Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
Consistently apply the campaign project management framework for proper planning, accountability and reduction of risks	Agree	Immediate	Tourism Queensland acknowledges that a number of opportunities have been identified where the project management framework (specifically in relation to campaign planning) can be improved. A number of proposed improvements have been actioned since fieldwork was completed. Specifically, Tourism Queensland has enhanced the planning process to ensure the seven principles of the Queensland Government's project management methodology are included.
Prepare a State tourist and industry strategic marketing plan to comply with legislation.	Agree	June 2013	Tourism Queensland firmly believes it has complied with legislation through the preparation of the Queensland Tourism Strategy (2006-16) which provided a long-term vision for tourism including plans for marketing, investment, research and partnerships. However, in line with DestinationQ (the LNP's tourism strategy), Tourism Queensland's role is to deliver on the Government's 2020 strategy and the partnership approach, to include marketing, research, product and experience development, access and industry development; as part of this activity, a 2020 marketing strategy for Queensland is under development.

Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
Complement the existing performance measures with outcome measures attributable to its own actions and linked to its organisational objectives.	Agree	Ongoing	Tourism Queensland engaged KPMG in 2010 to assist (in consultation with the Department of Employment, Economic Development and Innovation, Queensland Treasury Corporation, Queensland Treasury and the Office of Economic and Statistical Research) in developing a performance management framework. There is currently no sound methodology which allows the direct attribution of results against tourism goals. As a result, Tourism Queensland measures the effectiveness of each activity in accordance with its performance management framework. The challenge remains for Tourism Queensland and the industry to separate their results, as each work together to grow tourism in Queensland. Measures will be considered on the basis of: • Enhanced reporting • Cost effectiveness of data collection • Efficiency and timeliness of results Whilst it can be challenging to directly attribute visitor numbers to specific tourism marketing activity, the effects of not undertaking tourism marketing activity is clearly evident in the Colorado case study 1993 (http://www.colorado.com/ai/TheRiseandFallofColoradoTourism.pdf). When Colorado tourism marketing activity was eliminated, the effects in the marketplace were significant. Colorado's rank in the US as a summer resort destination slipped from 1st to 17th, and its share of domestic pleasure travel declined by 30% between 1993 and 1997, equating to \$8 billion in lost revenue for the State annually.

Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
Benchmark trends against other states for indicators of success.	Agree	Implemented	Tourism Queensland has benchmarked its performance against other states for many years. A variety of publications which show trends against other states are made available on Tourism Queensland's corporate website. Publications include domestic tourism snapshots, international tourism snapshots and overseas arrivals and departures data sheets. A greater volume of trend data, benchmarks and comparison with other states, will be made available in future annual reports.
Calculate retail campaign Return on Investment: - to only use data attributable to the campaign - proportionate to total funding.	Agree	Ongoing	Calculation of Return on Investment is an evolving area of interest, as there is currently no acceptable and reliable measure for tourism available. Tourism Queensland will continue to monitor the development of acceptable measures as they emerge (in both the academic and commercial world) that can be adapted to tourism in the future. Measures currently of interest include those identified by the United Kingdom Government Communication Network. Measures will be considered on the basis of: - Enhanced reporting - Cost effectiveness of data collection - Efficiency and timeliness of results Tourism Queensland will endeavour to be transparent regarding the limitations of reported data.

Comments received

Response provided by the Interim Chief Executive Officer, Events Queensland on 12 November 2012.





EQ acknowledges the importance of working in partnership with key State agencies and authorities like the Department of Tourism, Major Events, Small Business and the Commonwealth Games, Arts Queensland and the Cultural Precinct Statutory Authorities, Stadiums Queensland, the Department of National Parks, Recreation, Sport and Racing, and Tourism Queensland, as well as local and regional stakeholders to deliver successful events. EQ has strengthened relationships with the Regional Tourism Organisations and Local Councils, and will only support events that have strong local support.

EQ ensures partnerships are developed between event operators and the local bodies to maximise opportunities to generate tourism outcomes. As the audit report focuses on TQ, EQ and the former DEEDI, EQ notes that the views of these local stakeholders were not able to be considered under the terms of reference of the QAO.

The work of EQ has had a direct impact in generating an estimated \$237 million in economic benefit through its major events portfolio in 2011/12. The agency is looking forward to continuing to grow this contribution to the visitor economy.

Review of Magic Millions Contract

While the QAO has considered the outcomes generated by the Magic Millions Carnival and Yearling Sales, it should be noted that this is one event contract, in a portfolio which will include 44 Major Events in 2013 and 26 regional events currently under contract. A further 58 regional events will be contracted for 2013 by 30 November.

As noted in your report, the decision to continue and increase the grant support to the Magic Millions was the subject of a CBRC decision in 2010. However, in accordance, with its new operating procedures since July 2011, EQ is working with the event owners to bring this contract into line with all other performance managed contracts within the EQ portfolio.

Working with local stakeholders, EQ is also developing new strategies to ensure grant funding is used to develop the event, and grow intrastate, interstate and international attendance.

It should be noted that Magic Millions is an event that has the strong support of local stakeholders, and has continued to grow to generate new visitation outcomes for the State. In 2012, the event (across its January Carnival Race Day and Yearling Sales) generated 44,651 visitor nights for Queensland – an increase from 38,948 visitor nights in 2011.

Future Activities

A number of the recommendations made by the QAO with regard to strategic planning will be actioned by the new entity Tourism and Events Queensland (legislation is currently before Parliament to create this body). However, EQ has commenced work on Recommendations (8) – (12), as detailed in our attached response.

As noted in your report, the activities of EQ have a significant opportunity to contribute to greater tourism outcomes. The forthcoming merger with Tourism Queensland, and the work undertaken by the new Department of Tourism, Major Events, Small Business and the Commonwealth Games, will ensure that these opportunities can be maximised.

Yours sincerely



Kirsten Herring
Interim Chief Executive Officer

Events Queensland response to recommendations

Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
Implement a strategic plan with: • Clear, measurable organisational objectives • Targets and timeframes • Performance measures 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	Agree	Underway	An interim strategic plan has been completed. Follow the merger of Events Queensland and Tourism Queensland, a new strategic plan will be developed which will take into account organisational objectives, targets and timeframes, and performance measures. The preparation of operational and business plans will follow this process.
Record performance data and report on achieving organisational and operational objectives	Agree	Underway	The revised strategic and operational plans will set clear, measurable objectives, including tourism outcomes. One of the tools for measuring tourism outcomes is a new database which is under development.
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 objectives • Document the rationale for the amount of funding, including an assessment of value for money	Agree	Underway	The rationale for the level of funding support and contribution to organisational objectives will be incorporated into the event assessment template. This information will form part of the material provided to the Board as part of the funding approval process.
Obtain reasonable assurance that event organisers use public funds economically, efficiently and effectively by:	Agree	Underway	Following the strategic planning process and development of appropriate performance measures, EQ will work with event owners to

• Including meaningful performance measures and targets linked to Events Queensland's organisational objectives in contracts with event organisers • Thorough scrutiny of reports from event organisers • Proper acquittal of expenditure		incorporate relevant measures in event contracts. EQ recently implemented a post event assessment template for all supported events to ensure greater scrutiny of event organiser reporting. Following the transition of Events Queensland into the statutory authority of Tourism and Events Queensland, appropriate acquittal processes for the new agency will be followed.
Calculate events Return on Investment proportionate to total funding.	Agree	1 July 2013
		The proportionate Return on Investment will be used as an internal measure only. Cash funding by other Government entities will be taken into account when calculating ROI.

Appendix B - Audit details

Audit objective

The objective of this audit was to determine whether the tourism development framework is effectively achieving the government's growth agenda.

It reviewed whether:

- the strategies and plans are contributing to the growth and development of the tourism industry
- there was adequate governance to guide the implementation of the tourism framework
- outputs and outcomes are adequately monitored and reported.

Reason for the audit

Queensland's tourism industry is a major economic driver for the country and the state. It employs 125 000 people and in 2009-10 contributed 3.4 per cent to the gross state product.

Tourism is sensitive to external variables such as natural disasters, currency exchange rates, pandemics and global economic conditions, which are outside the control of government entities.

Funding for the two main government entities, Tourism Queensland and Events Queensland Pty Ltd has steadily risen since 2007-08, and together with the Tourism Division of the former Department of Employment, Economic Development and Innovation (Tourism Division), totaled \$98.6 million in 2011-12.

This audit is timely, with the *Queensland Tourism Strategy* reaching its mid-point, the *Tourism Action Plan to 2012* concluding and Queensland committing to the *National Long-Term Tourism Strategy* and *2020 Tourism Industry Potential* over recent years.

Performance audit approach

The audit was conducted between January 2012 and May 2012. The audit examined the performance by the three main government entities responsible for tourism in Queensland in promoting tourism development and growth.

The audit consisted of:

- interviews with key staff of Tourism Queensland, Events Queensland Pty Ltd and the Tourism Division of the former Department of Employment, Economic Development and Innovation
- analysis of key documents including strategies, plans, policies and performance reports
- review of marketing campaigns and events
- analysis of tourism performance data.

The audit was undertaken in accordance with Queensland Auditor-General Auditing Standards, which incorporate Australian auditing and assurance standards.

Application of the audit mandate

Events Queensland was included in the scope of this audit because its purpose and objectives contribute to tourism outcomes. Of its five organisational objectives, three pertain directly to tourism, those being to:

- identify, secure and/or create new major events that contribute to the generation of economic, marketing, or tourism outcomes
- ensure existing Events Queensland supported major events continue to generate economic, marketing or tourism outcomes
- increase and enhance the national and international profile of Queensland as a tourist and events destination.

During the audit the former Chief Executive Officer of Events Queensland made submissions to the effect that:

- the Queensland Audit Office had a fundamental misconception as to the proper scope of a performance audit
- the audit findings and conclusions improperly and unfairly embark on an assessment of matters by reference to inapplicable standards and other measures.

The first matter relates to s.37A (3) of the *Auditor-General Act 2009* which states that the object of a performance audit includes ‘...deciding whether the objectives of the public sector entity are being achieved economically, efficiently, and effectively...’ To the extent that this audit examined only those objectives of Events Queensland related to tourism, it was contended that the audit did not have proper regard to all the objectives of Events Queensland.

However, s.37A (1) of the *Auditor-General Act 2009* provides that a performance audit may examine all or any particular activities of a public sector entity. When these two subsections are read together it is clear that the Act provides for consideration of the achievement of particular objectives, and therefore the scope of the audit is consistent with the provisions of the Act.

In relation to the second matter, the issue pertains to s.37A (4) of the *Auditor-General Act 2009*, which provides that the Auditor-General must have regard to the prescribed requirements that apply to the entity.

Events Queensland Pty Ltd (Events Queensland) is a propriety company limited by shares, wholly owned by the government. As a ‘public sector’ company, its operations are governed by the *Corporations Act 2001 (Commonwealth)*, and not the *Financial Accountability Act 2009*, which applies to most types of public sector entities. For the purposes of the *Auditor-General Act 2009* the ‘prescribed requirements’ that apply to Events Queensland are those set out in the *Corporations Act 2001 (Commonwealth)*.

This notwithstanding, Events Queensland is an entity with public interest due to the investment of government funds. In the case of Events Queensland, the parent company relies wholly on government grant revenue to fund its activities, and these grants represent more than 80 per cent of group revenues.

The *Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies* issued by Queensland Treasury and Trade, last updated in January 2011, reiterate this:

“It is therefore important that sound principles of accountability, economy, effectiveness and efficiency are embedded in the company’s governance structure.

The community effectively holds an interest in the public sector company. Consequently, the community needs to be confident that the policies of the elected governments, services delivered and conduct by the public officials are aligned with public interest. When a public sector company is formed, the rights of the public and value for money are paramount.”

The clear expectation from the guidelines is that public sector companies will exercise good corporate governance and accountability, including high standards of internal control, ethical practices and external reporting; and that they will regularly review financial and operational performance to ensure that projected performance targets, business plans and agency objectives are met.

In assessing the performance of Events Queensland, where the *Corporations Act 2001* (Commonwealth) is silent, we have utilised as our evaluation criteria, principles and guidance set out in the public sector financial and performance management framework and other relevant whole of government planning and reporting guidelines. Given the company is a public sector entity these are considered relevant and appropriate benchmarks against which to gauge performance.

The objective of the audit as it related to Events Queensland was to assess whether it was effectively contributing to the growth of the tourism industry through its support of events, particularly major events.

Auditor-General Reports to Parliament

Tabled in 2012-13

Report Number	Title of report	Date tabled in Legislative Assembly
1	Racing Queensland Limited: Audit by arrangement	July 2012
2	Follow up of 2010 audit recommendations	October 2012

Reports to Parliament are available at www.gao.qld.gov