

Examination of Auditor-General
Report 16: 2019-20
Licensing Builders and Building
Trades

Report No. 8, 57th Parliament
Transport and Resources Committee
July 2021

Transport and Resources Committee

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Acknowledgements

The committee acknowledges the assistance provided by the former Department of Housing and Public Works, the Queensland Building and Construction Commission and the Queensland Audit Office.

All web address references are current at the time of publishing. Please note that all in-text references have been removed. Refer to original source for more information.

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Abbreviations

Auditor-General Report	Auditor-General Report 16: 2019-20 – Licensing Builders and Building Trades
BIF Act	<i>Building Industry Fairness (Security of Payment) Act 2017</i>
the committee/TRC	Transport and Resources Committee (57 th Parliament)
DHPW	Former Department of Housing and Public Works
EPM	Enterprise Performance Management
the former committee/TPWC	Transport and Public Works Committee (56 th Parliament)
HIA	Housing Industry Association
ID	Identification documents
IDR	Insights Driven Regulator
IT	Information technology
MFR	Minimum Financial Reporting
QAO	Queensland Audit Office
QBCC	Queensland Building and Construction Commission
QBCC Act	<i>Queensland Building and Construction Commission Act 1991</i>
Taskforce	Special Joint Taskforce

Chair's foreword

This report presents a summary of the Transport and Resources Committee's examination of the Auditor-General Report No. 16: 2019-20- *Licensing Builders and Building Trades*.

The committee's consideration of the Auditor-General's report commenced during the previous Parliament when the Auditor-General's report was referred to the former Transport and Public Works Committee. That committee held a public briefing with the Queensland Audit Office, the Queensland Building and Construction Commission (QBCC) and the former Department of Housing and Public Works in September 2020, prior to the dissolution of the Parliament for the election in October 2020.

After the commencement of the new Parliament, the Transport and Resources Committee resolved to continue the inquiry and sought written updates from the QBCC regarding the Auditor-General's report and progress on the implementation of the audit recommendations.

The committee identified that the QBCC is part way through the transition from a complaints-driven authority to a risk-focused, insights-driven regulator. The committee considered that finalisation of this process, as soon as practically possible, is essential.

Whilst the committee agreed to report on the Auditor-General's report now, it also agreed that it would continue to monitor progress on finalisation of the audit recommendations and will report again if necessary.

On behalf of the committee, I thank the Queensland Audit Office, the QBCC and the former Department of Housing and Public Works for their assistance with the committee's examination.

I also thank the former members of the Transport and Public Works Committee as well as the current members of the Transport and Resources Committee for their contribution to the committee's inquiry.

I commend this report to the House.



Shane King MP

Chair

Recommendations

Recommendation 1

2

The committee recommends that the Legislative Assembly note the contents of this report.

1 Introduction

1.1 Role of the committee

The Transport and Resources Committee (committee) is a portfolio committee of the Legislative Assembly which commenced on 26 November 2020 under the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly.¹

The committee's primary areas of responsibility are:

- Transport and Main Roads
- Energy, Renewables, Hydrogen, Public Works and Procurement
- Resources.

The committee has responsibility within its portfolio areas for the assessment of the integrity, economy, efficiency and effectiveness of government financial management by:

- examining government financial documents
- considering the annual and other reports of the Auditor-General.²

1.2 Role of the Auditor-General

The role of the Auditor-General is to provide Parliament with independent assurance of public sector accountability and performance. This is achieved through reporting to Parliament on the results of its financial and performance audits.

A financial audit assesses whether the information contained in the financial statements of public sector entities is accurate, can be relied upon and is prepared in accordance with Australian Accounting Standards and relevant legislative requirements.³

A performance audit evaluates whether an agency or government program is achieving its objectives effectively, economically and efficiently, and is compliant with relevant legislation. It does not consider the merits of government policy. Rather, it focuses on how that policy is implemented.⁴

Auditor-General Report No. 16: 2019-20, titled '*Licensing Builders and Building Trades*' (Auditor-General Report) was prepared under Part 3 Division 3 of the *Auditor-General Act 2009* and was tabled in the Legislative Assembly in accordance with section 67 of that Act on 23 June 2020. The Auditor-General Report presents the results of the Queensland Audit Office's (QAO) performance audit.

1.3 Referral of the Auditor-General Report

Standing Order 194B provides the Committee of the Legislative Assembly shall as soon as practicable after a report of the Auditor-General is tabled in the Assembly, refer that report to the relevant portfolio committee for consideration. The Auditor-General Report was referred to the former Transport and Public Works Committee, 56th Parliament, (TPWC) on 16 July 2020. The report now sits within the portfolio area of the Transport and Resources Committee.

A portfolio committee may deal with this type of referral by considering and reporting on the matter and making recommendations about it to the Assembly.

¹ *Parliament of Queensland Act 2001*, s 88 and Standing Order 194.

² *Parliament of Queensland Act 2001*, s 94(1)(a).

³ Queensland Audit Office (QAO) Practice Statement – Financial statement audit, p 1.

⁴ QAO Factsheet - About us, p 2.

1.4 Examination process

The TPWC held a public briefing with representatives from the QAO, the former Department of Housing and Public Works (DHPW) and the Queensland Building and Construction Commission (QBCC) on 7 September 2020. The TPWC received additional written response to questions taken on notice at the briefing from the QBCC. See Appendix A of this report for a list of witnesses. A copy of the transcript and the response to the questions taken on notice can be accessed on the committee's webpage.

The TPWC did not finalise its inquiry into the Auditor-General Report before the Parliament was dissolved for the election on 31 October 2020.

The committee resolved to complete the inquiry into the Auditor-General Report commenced by the TPWC. In February 2021, the committee wrote to the QBCC seeking further information on various matters. QBCC's response was received in March 2021. The committee sought a further update in June 2021. QBCC's response was received in July 2021. A copy of the responses can be accessed on the committee's webpage.

1.5 Committee conclusions and recommendation

The committee is satisfied that the QBCC is taking appropriate action to address the Auditor-General's recommendations. Refer to the committee's comments contained in section 2.7 of this report.

Recommendation 1

The committee recommends that the Legislative Assembly note the contents of this report.

2 Examination of the Auditor-General Report

2.1 Audit rationale

The Auditor-General Report assessed whether the QBCC effectively regulates the building industry by issuing and managing licences in a fair and balanced way. The audit was planned and designed to provide reasonable assurance about QBCC's performance against identified criteria.⁵ The criteria included in the audit scope are set out in Table 1 below:

Table 1: Audit scope

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

Source: Queensland Audit Office, Auditor-General Report No. 16: 2019-20, p 37.

The reasons cited for undertaking the audit included:

- Significant changes in the industry over the past 20 years, including more complexity, increase in high-rise, medium-density residential housing and events in other jurisdictions and overseas in relation to building industry standards.
- Changes in legislation impacting on the QBCC's role, including its role as a regulator, of an industry governed by legislation, codes and standards to facilitate a strong and safe environment for both domestic and commercial building participants and for consumers.

⁵ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 37.

- Changing licensing requirements which ensure people working in the industry satisfy and continue to meet minimum requirements, including skills, knowledge and financial resources, to reduce the risk of defective or incomplete building work and reduce the risk of non or late payment for building work.⁶

The Auditor-General Report states:

Changes to the industry and legislation have significantly impacted the Queensland Building and Construction Commission (QBCC). In 2016, it refocused its role as a regulator, away from a complaints-driven licensing authority. QBCC now has more powers to enforce the integrity and probity of the sector and the community expects it to use these powers. But to become more risk-focused it needs better data, analytics and automation.⁷

2.2 Background information

The QBCC was established under the *Queensland Building and Construction Commission Act 1991* (QBCC Act) to regulate the building industry.

In 1999, the QBCC Act was amended to introduce audits of licensees to determine if they continued to satisfy financial requirements stated in the board's policies. In 2014 changes were made to the financial reporting requirements to reduce the regulatory burden and cost of maintaining licences by removing the need to provide financial information when licences were renewed.

The Auditor-General Report noted:

Since 2014, QBCC audit activity has been largely reactive, as it did not have the financial information on licensees needed to identify any potential insolvency issues. The main triggers for audits to assess insolvency risks were monies-owed complaints.⁸

QAO confirmed:

QBCC has good processes and probity checks in place to assess whether an individual or company who applies for a licence does meet the eligibility requirements, but how it manages licences is too operational. It needs a more targeted compliance program to be fully effective and ensure that the scarce resources are allocated towards the greatest risk of harm. Lack of financial data on licensees since 2014 has contributed to this operational approach.⁹

Following a series of high profile building and construction industry collapses in 2015-16, the government committed to reviewing the issue of security of payment for subcontractors. The government introduced the Building Industry Fairness (Security of Payment) Bill 2017 in August 2017. This Bill amended the QBCC Act to improve regulatory compliance and enhance the QBCC's enforcement capability.¹⁰

⁶ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 3.

⁷ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 3.

⁸ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 13.

⁹ Public briefing transcript, Brisbane, 7 September 2020, p 1.

¹⁰ Transport and Public Works Committee, Report No 36, 56th Parliament – Building Industry Fairness (Security of Payment) and Other Legislation Amendment Bill 2020.

The Bill also introduced new laws to strengthen the Minimum Financial Reporting (MFR) requirements by requiring applicants applying for a contractor's licence to satisfy minimum financial requirements for a licence and to require the licensee's financial circumstances at all times satisfy the minimum financial requirements and that these requirements must be prescribed by a regulation.¹¹ The Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018 commenced on 1 January 2019.

The Auditor-General Report noted:

On 1 January 2019, the Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018 commenced, meaning that licensees must now provide financial information each year. Licensees' annual reporting will provide QBCC with ongoing information on the financial sustainability of licensees and help QBCC to identify licensees without an appropriate level of working capital. The first annual reports were due on 31 December 2019. This is in addition to financial information licensees must provide when applying for a licence.¹²

As part of the amendments to the Bill a statutory requirement for an independent review of phase 1 was required. The government appointed the Panel, chaired by Ms Bronwyn Weir, pursuant to section 200A of the *Building Industry Fairness (Security of Payment) Act 2017* (BIF Act). The Panel reported in March 2019, and the report was tabled by the Minister on 28 November 2019. The Panel conducted a review of the Act to determine the effectiveness of the legislative framework in meeting the policy intent and identifying opportunities for improvement of security of payment outcomes.¹³

The Panel's report contains 20 recommendations under the following themes:

- Managing the financial transition – to provide the best chance of minimising financial stress as the sector transitions to improved financial viability
- Simplifying the framework – and in doing so improve the balance between the administrative costs to comply and the need for transparency over the movement of project funds
- Improving protections – by expanding the obligation to hold retentions on trust to all parts of the contracting chain and creating new mechanisms to secure funds in dispute to all claimants.¹⁴

The government accepted or accepted in principle all 20 recommendations.

In February 2019, the Premier also announced the establishment of a Special Joint Taskforce (Taskforce) comprising of officers from the Queensland Police Service, the QBCC and the Office of the Director of Public Prosecutions and chaired by the Honourable John Byrne AO RFD, to investigate complaints of fraudulent behaviour relating to sub-contractor non-payment and consider the ability of government and regulators to respond to this type of behaviour. The Taskforce published its report in June 2019, making 10 recommendations, which were all accepted by government.¹⁵

¹¹ Public Works and Utilities Committee, Report No 50, 55th Parliament – Building Industry Fairness (Security of Payment Bill 2017, October 2017, p 49.

¹² Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 13.

¹³ Building Industry Fairness Reforms Implementation and Evaluation Panel, Building Fairness: An Evaluation of Queensland's Building Industry Fairness Reforms, March 2019.

¹⁴ Building Industry Fairness Reforms Implementation and Evaluation Panel, Building Fairness: An Evaluation of Queensland's Building Industry Fairness Reforms, March 2019, p 1

¹⁵ Special Joint Taskforce, Investigating subcontractor non-payment in the Queensland building industry, June 2019, p 4.

The result of the Panel and Taskforce recommendations was that further amendments were made to the QBCC Act in the Building Industry Fairness (Security of Payment) and Other Legislation Amendment Bill 2020. Included in the objectives of that Bill were:

- implement the recommendations of the Building Industry Fairness Reforms Implementation and Evaluation Panel (Panel)
- implement the recommendations of the Special Joint Taskforce that investigated subcontractor non-payment in the Queensland building industry (Taskforce)
- enhance Queensland's security of payment legislation and further extend the protections for industry
- improve the QBCC's ability to address fraudulent behaviour in the industry
- strengthen Queensland's building laws to enhance regulatory oversight capabilities, clarify licensing requirements, improve building safety and support industry professionals.¹⁶

The Auditor-General Report observed:

Over the past 20 years, the industry has changed significantly. Building has become more complex and lifestyles have changed. The increase in high-rise, medium-density residential housing creates new risks and challenges for regulation. Events in other jurisdictions and overseas show what can happen if the behaviour of the building industry does not meet community expectations and accepted building standards.¹⁷

QAO noted that the changes identified above have impacted on the QBCC with the QBCC now having more powers to enforce the integrity and probity of the sector. The Auditor-General Report states:

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

To do this, QBCC needed to move from a complaints-driven licensing authority to a risk-focused, insights-driven regulator.¹⁸

2.3 Audit conclusions

QAO concluded:

- QBCC has the building blocks needed to transform the organisation as required but implementing and embedding these into the organisation is taking time. Progress is hindered by a lack of data, resources, skills, and capability.
- Managing licences needs a more targeted compliance program to be fully effective with the current program being too operational.
- QBCC has effective processes and probity checks in place to assess whether licence applicants meet requirements.

¹⁶ Transport and Public Works Committee, Report No 36, 56th Parliament – Building Industry Fairness (Security of Payment) and Other Legislation Amendment Bill 202, p 8.

¹⁷ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 3.

¹⁸ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 6.

- There is a risk that fraud in relation to licence applications could go undetected. Control changes that are relatively easy to implement could mitigate the risk.¹⁹

QAO made 11 recommendations to 'help QBCC become a stronger and more effective regulator'. Recommendations focused on strengthening controls, improving planning and reporting, and highlighting the 'critical need' for QBCC to commit resources and build capability.²⁰

2.4 QAO recommendations

The Auditor-General recommended that the QBCC:

Compliance and enforcement

1. allocates enough resources to finalise and implement the steps needed to become an insights-driven regulator to enable it to prioritise regulatory effort where and when it is needed, including:
 - identifying areas of greatest risk and potential harm
 - focusing on high-value, high-complexity tasks

Licensing

2. reduces the risk of unauthorised system changes or fraud, by:
 - implementing a systematic process to remove and review the BUILD licence system access for staff who return to their substantive position once temporary roles are over
 - regularly reviewing audit log reports to ensure no unauthorised changes are made to BUILD data
3. implements recommendation 4 of the 2019 Special Joint Taskforce report that requires licence applicants to provide certified proof of identity photo identification
4. allocates and commits enough resources, with the required capability and skill, to implement its internal project to address the issue of disparate information technology systems
5. ensures the *QBCC Quality Assurance Framework* and program of quality assurance reviews are implemented across all business units covered by the framework
6. reviews and updates licence assessment training and support for staff, by:
 - reviewing procedural manuals and supporting tools to ensure they are up to date
 - formalising the training program, including setting learning objectives, to ensure all staff receive consistent and relevant training

Education and support

7. finalises and implements the *2019–20 Customer and Communications Operational Plan* and the supporting education and communication calendar. This should include allocating enough resources to deliver the program of activities.
8. considers ways to assess and report on the quality and effectiveness of support, education, and advice provided to licensees and consumers to inform continual improvement.

¹⁹ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 2.

²⁰ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 2.

Managing and reporting performance

9. establishes clear milestones and firm time frames for implementing current and future planning activities, including:
 - determining regulatory strategies, outcomes, and goals
 - undertaking and finalising corporate, special purpose, and operational planning, including budgeting, and resource planning and utilisation
10. develops and implements further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness, including:
 - using the activity-based costings developed to implement an internal costing framework, so that consistent, reliable, and timely cost information is available on its resources and service activities
 - identifying clear service outcomes and measures to track the status and effectiveness of those goals, and management-level efficiency indicators to monitor and report on its operations and services
 - having clear accountabilities for all senior officers
11. develops the evaluation skills, capability, and processes needed for the formal assessment of the appropriateness, relevancy, process, effectiveness and/or efficiency of a program, service, initiative, or strategy.²¹

2.5 Agency responses to the Auditor-General Report

Section 64 of the *Auditor-General Act 2009* outlines that a copy of the report was required to be provided to the DHPW. QBCC provided a response to the report's recommendations, and these are outlined in Appendix B.

DHPW advised that:

The Department of Housing and Public Works (DHPW) notes the draft findings and recommendations in the report and will, where appropriate, assist the QBCC to address identified issues.²²

At the committee's public briefing in September 2020, the QBCC advised the committee:

The QBCC accepts all of the findings and 11 recommendations from the QAO audit. The recommendations help maintain the momentum the QBCC has gained over the past few years towards becoming a risk based, risk focused and insights driven regulator. The QBCC agrees that implementing the recommendations will also strengthen controls and improve planning and reporting. Of the 11 recommendations made, I am pleased to confirm that five have already been delivered by the QBCC. Planning for the remaining six is well underway, and they are scheduled to be in place in accordance with the time frames outlined in the QAO report.²³

²¹ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, pp 7-8.

²² Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 36.

²³ Public briefing transcript, Brisbane, 7 September 2020, p 4.

QBCC provided the following update on progress of implementation:

I would like to provide the committee with an update on those QAO recommendations that have already been delivered by the QBCC. The QBCC has updated its licence application forms to require licence applicants to provide certified photographic proof of identity to further reduce any potential risk of fraud. Those updated forms are available on the QBCC website. The QBCC has implemented its quality assurance framework across all relevant business units, with all senior leadership team members required to regularly provide updates to me as commissioner on the ongoing effectiveness of that framework. It is intended that the framework will be reviewed in the next six months to ensure it continues to be relevant and effective in delivering the desired quality assurance outcomes across the organisation.

The QBCC has finalised a number of planning and reporting frameworks, including the customer and communications operational plan, for the current financial year. Those initiatives from the previous year's operational plan that were unable to be delivered have now been transferred into the current plan. Operational plans have also been completed across QBCC business areas, with work underway to deliver on these plans within existing resource and budget constraints. To ensure robust project delivery, the QBCC has created a new executive director portfolio delivery role that has been tasked with ensuring project outcomes are delivered to scope, within agreed time frames and, importantly, to budget.

The QBCC continues to implement new customer insight initiatives to improve customer service and the effectiveness of its regulatory obligations to provide industry with education and engagement. The QBCC has for a number of years had an established education and engagement team. That team is providing education and engagement through a variety of mediums to home owners, licensees and other industry participants including through tradie tours, roadshows, webinars, information sessions and expos. The QBCC will continue to build on its education and advice functions based on industry feedback and compliance outcomes. We have also finalised the planning activities that were well underway before the QAO finalised its audit.

Our integrated business planning framework has been reviewed and updated for the financial year 2020-21 and includes the strategic plan, corporate plan, specific-purpose plans and operational plans. Strategies are in place to help the QBCC deliver on all of these plans and the milestones and metrics contained therein to support us in measuring and managing our performance and driving further accountability for delivery.

I would also like to provide the committee with a short update on those QAO recommendations where planning and implementation activities are currently underway. The QAO recommended that sufficient resources be allocated to finalise and implement the QBCC's insights driven regulator program. We have been on that dedicated journey for several years to become an insights driven regulator so that our resources are better directed towards those areas of greatest risk and potential harm. As an insights driven regulator, we will be better equipped to use data and intelligence to tell us where we should focus our regulatory activities. To support the QBCC, the Queensland government has funded the insights driven regulator project to this point. Ongoing funding is, of course, key in the continued delivery of the insights driven regulator program of work and for the QBCC to deliver on the intent of this important initiative.

A five-year plan around IDR was developed to move the QBCC to being an appropriately risk based, proactive, forward-looking regulator with a corresponding uplift of staff capability. One part of this project is the delivery of an early warning system to detect construction companies under financial distress earlier than what might otherwise have been possible using traditional methods, including old complaints. We now have the ability and the capacity to forecast the type of defective work that a licensee may perform over the course of their working life. Ongoing implementation of the insights driven regulator program is considered critical to supporting the QBCC to become a more efficient and effective risk based regulator. The QBCC welcomes the QAO findings and recommendations that support this momentum around insights driven regulator continuing. Of course, we are committed to continually improving the way we regulate.

The QBCC board recently approved the QBCC's new regulatory strategy for 2020-2024 which outlines how the QBCC will regulate the building and construction industry while transitioning into an outcomes focused, insights driven, risk based regulator. The QAO also recommended allocating sufficient resources to deliver on QBCC's agenda to improve information technology systems and to build on the QBCC's training programs for licensing staff. With the resources available to us within our current budget, we are putting the necessary controls in place to mitigate risks while longer term solutions are being developed, funded and implemented.

The QAO's final recommendation refers to developing an evaluation capability within our organisation. We are in the process of developing this function, which will be imbedded in our strategy and transformation division, which is led by the chief strategy and transformation officer.²⁴

The QBCC reiterated its commitment to delivering on all of its recommendations. However, the QBCC commented that it requires funding to deliver on the recommendations. QBCC advised:

The QBCC will continue to work within our budget and will continue to make decisions and allocate our resources based on the issues that pose the greatest risk to home and property owners and the building and construction sector. To support the organisation in focusing on the right areas and making the right decision for allocation of its resources, we have procured a sophisticated system that takes an integrated and holistic approach to strategy, risks, projects, workforce and performance planning, management and reporting.²⁵

Throughout the inquiry the committee has continued to seek regular updates from QBCC regarding the progress being made on the implementation of the Auditor-General Report recommendations.

QBCC advised the committee that they remain committed to delivering on all recommendations from the Auditor-General Report. QBCC advised 6 of the 11 recommendations have been delivered and work is continuing in relation to the remaining 5 recommendations, including one partially implemented, 2 are on track to be delivered by the end of March 2021 and the delivery of the remaining 2 will continue in the 2021/22 and 2022/23 financial years.²⁶

The committee sought a further update from QBCC in June 2021 in relation to progress on recommendations 10 and 11, which were due to be delivered by the end of March 2021, and recommendation 2, which was partially implemented. QBCC advised:

With regard to recommendation 10, the organisation's Enterprise Performance Management (EPM) Framework documents have been reviewed and updated for the 2020-21 financial year. These documents are critical in supporting the QBCC in efficiently and effectively planning, managing, governing and reporting on its performance.

The QBCC has also procured and configured an EPM System that will support the operations of the EPM Framework in a single, coherent and live tool – providing invaluable information for timely decision-making by Senior Leaders on strategy (including key performance indicator performance), audit, risk management, projects and workplace health and safety.

With regard to recommendation 11, a number of key leadership roles have been recruited to embed the necessary skills, capabilities and processes to drive efficiency of programs, services, initiatives and strategies. These roles include Director – Strategy, Planning and Performance, Director – Transformation Improvement and Executive Director – Portfolio Delivery.

The QBCC has also stood up a reporting and analytics function to report on efficiency and effectiveness measures that support the organisation's strategic planning, in addition to supporting the longer-term vision of becoming an Insights Driven Regulator.

²⁴ Public briefing transcript, Brisbane, 7 September 2020, pp 4-5.

²⁵ Public briefing transcript, Brisbane, 7 September 2020, p 5.

²⁶ Queensland Building and Construction Commission, correspondence, 19 March 2021, attachment, p 1.

In relation to the remaining three (3) recommendations, including recommendation 2, the remainder of delivery of these recommendations has been incorporated into the QBCC's broader transformation agenda to ensure alignment to the strategic vision and direction of the organisation.

In April 2021, the QBC Board approved the organisation's long-term transformation strategy as part of the 'QBCC's Future Blueprint'. The organisation is currently working towards delivery of a supporting roadmap and investment case for the foundational program of work to the QBC Board in August 2021. This will detail a plan and costings for how the organisation's capability and capacity will be lifted in a range of areas, including, but not limited to, Information Technology.

A thorough, measured and considered approach has been applied to how the organisation best delivers on the remaining recommendations in light of the broader strategic program of work. A number of critical pieces of work have been scoped out as part of the 'Digitisation and Operating Model' pillar of the QBCC's Future Blueprint.

These pieces of work relate to delivering on the Insights Driven Regulator Strategy and Roadmap, considering the organisation's broader Information Security Framework, including:

- Dealing with the risk of unauthorised system changes and fraud in the BUILD system;
- Developing a target state IT architecture that brings together the QBCC's IT ecosystem;
- Addressing the issues around disparate information technology systems.²⁷

Appendix C contains a summary of QBCC's initial response to the recommendations and updates on progress on implementation.

2.6 Detailed audit findings

The Auditor-General Report focused on four areas:

- Licensing builders
- Monitoring and enforcing compliance
- Providing education and support
- Managing and reporting performance

2.6.1 Licensing builders

The audit considered a number of questions in order to assess how effectively QBCC manages processes to grant licences to individuals and companies:

- Are QBCC processes to grant licences effective?
- Does QBCC have effective quality controls over decision-making for granting licences?
- Are QBCC licensing staff appropriately trained?

QAO assessed whether QBCC has effective process to grant licences. QAO found that:

QBCC has effective processes and probity checks in place to assess whether individuals and companies who apply for a licence meet the eligibility requirements. The qualifications, experience and other requirements that an applicant must meet before they may be granted a licence are set out in legislation. Probity checklists and procedures used by staff reflect these requirements and processes, and adequately support decisions to grant or decline licence applications.²⁸

²⁷ Queensland Building and Construction Commission, correspondence, 13 July 2021, pp 1-2.

²⁸ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 9.

However, QAO identified that QBCC:

- does not routinely undertake validation checks to ensure the authenticity of information provided by applicants and should reconsider the risk of accepting uncertified proof of identity documents
- had poor access controls over the licensing system which presented a fraud risk which needs mitigating.²⁹

QAO considers that the reason for the above issues is that it is not a requirement in the QBCC Act that an applicant lodge certified documents.³⁰

The Auditor-General Report notes that the QBCC Act does have penalty provisions for providing false or misleading statements or documents and QBCC relies on these provisions to deter licences from providing false or misleading statements or documents.³¹

QAO considered that, while the legislative position is clear, it is possible QBCC would only detect potential fraud by responding to complaints or undertaking compliance activity rather than during the assessment process. It should be noted that QAO found no evidence that QBCC made incorrect decisions when granting licences.³²

The committee sought further information on what the QBCC is doing to reduce the risk of fraudulent behaviour in terms of licensees providing false and misleading statements and documents. QBCC advised:

We are certainly making sure that we have regular reviews of access to the build system. That is part of the recommendation from the QAO audit. That is one of the clear recommendations that we have already delivered on. As part of checking the probity of information that licensees give us in the application and renewal process, we regularly sit down with licensees or their brokers, for lack of a better word, against whom we think there might be a need to challenge. We certainly do sit down and regularly ask questions. We pick up the phone, we interview people and we check the veracity of the information they give us.³³

Taskforce recommendation 4 states:

That the licence application process require applicants (including a director or nominee for a company) to provide:

- any previous name by which the applicant has been known
- proof of identity, including certified photo identification.³⁴

²⁹ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 9.

³⁰ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 9.

³¹ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 4.

³² Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 9.

³³ Public briefing transcript, Brisbane, 7 September 2020, p 5.

³⁴ Special Joint Taskforce, Investigating subcontractor non-payment in the Queensland building industry, June 2019, p 6.

The Auditor-General Report noted that, at the time of the audit, QBCC had not yet implemented this recommendation. The Auditor-General Report also states:

QBCC recently assessed the risk of accepting uncertified copies of qualifications and identity documents as low. Licensing officers undertake validation enquiries where any concern is identified. However, we still consider this a fraud risk and important that QBCC implement the Special Joint Taskforce report recommendation in a timely manner.³⁵

QAO recommended (Recommendation 3) that QBCC:

Implements recommendation 4 of the 2019 Special Joint Taskforce report that requires licence applicants to provide certified proof of identity photo identification.³⁶

QBCC advised that they have completed this recommendation and certified photo ID is now required for all new licence applications.³⁷

The audit identified that QBCC has:

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

Staff are generally well trained, but there are opportunities to improve the training and guidance materials provided. A recently revised QBCC Quality Assurance Framework provides further assurance that licences are granted appropriately. We found that the Licensing Services Branch has embraced and implemented the framework. However, we found low levels of engagement and take-up in other parts of the business.³⁸

2.6.2 Monitoring and enforcing compliance

The audit considered a number of questions in order to assess how effectively QBCC monitors and enforces compliance with licence requirements, including how it investigates and manages complaints:

- Is QBCC monitoring compliance strategically?
- Is QBCC effectively monitoring compliance?
- Does QBCC manage complaints in a timely, fair and balanced way?
- Does QBCC respond effectively to non-compliance?

As noted above, under the legislative changes which commenced on 1 January 2019, licensees must now provide financial information to the QBCC each year. In regard to addressing the issue of a lack of financial data on licensees, QAO advised:

While new laws were introduced on 1 January 2019 meaning licensees must not provide financial information each year, it is too soon to know how well this will help QBCC to manage financial distress in the industry.³⁹

³⁵ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 4.

³⁶ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 9.

³⁷ Queensland Building and Construction Commission, correspondence, 19 March 2021, Attachment 1, p 1

³⁸ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 4.

³⁹ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 6.

The Auditor-General Report notes that QBCC recognised that its strategies were too operational and it needed to design a new regulatory strategy. The new regulatory strategy is designed to guide its transition to a risk-focused, insights-driven regulator. However, the new regulatory strategy, the first of its kind developed by QBCC, was only scheduled for approval by the QBCC Board in April 2020, after stakeholder consultation.⁴⁰

At the committee's briefing in September 2020, QAO advised the committee:

Since 2016 the QBCC has been on a journey to move from a complaints driven licensing authority to a risk focused, insights driven regulator. This means focusing on areas that pose the greatest risk or threaten community safety and economic confidence in the sector. QBCC has the building blocks to do this, but implementing and embedding it into the organisation is taking time. Its progress has been hindered by a lack of resources, skill and capability. QBCC has had to prioritise its resources to develop special-purpose projects for the implementation of major new laws. It is critical that QBCC now allocates enough resources and develops its capability to finalise its strategies and plan to guide progress to become a more effective risk focused regulator.⁴¹

The audit therefore assessed the compliance and enforcement strategy in place for 2018-19. QAO noted this strategy, although guided by identified priorities, focused on meeting activity quotas rather than impacts and outcomes and actual activities were not well targeted.⁴²

With regard to the new strategy, the Auditor-General Report identifies it will take time to embed, partly because it relies on access to better data, which will take time to collect.⁴³ The QAO report states:

The new regulatory strategy outlines QBCC's regulatory approach and identifies goals and key outcome indicators. It defines QBCC's strategy to become an insights-driven regulator using data-driven opportunities to improve regulatory outcomes. Insights-driven regulation will improve QBCC's ability to more accurately identify risks to the industry before they occur and to use data to inform regulatory decisions. This includes using insights to target unscrupulous and unlicensed contractors in place of random building site audits, and will allow for more effective resource allocation.⁴⁴

QBCC considers that it will take 3 to 5 years to fully implement all intended aspects of insights-driven regulation. QAO considers:

It will require sustained attention and disciplined management by QBCC to translate its regulatory strategy into a targeted compliance program. Delays in implementing the regulatory strategy will hinder QBCC's ability to achieve its objectives and effectively manage the transition to a risk-focused regulator.⁴⁵

⁴⁰ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 12.

⁴¹ Public briefing transcript, 7 September 2020, Brisbane, p 1.

⁴² Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 12.

⁴³ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 12.

⁴⁴ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 12.

⁴⁵ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 12.

Whilst acknowledging that the QBCC is in year 2 of a 5 year program, the committee sought further information regarding when it expects to be doing more insights work than operational type work. QBCC advised:

What I can tell you is that where the insights driven regulator allows us to be proactive it means that we are not waiting for something to come in the front door. That means that we can hopefully cut the risk off before the risk arises and therefore there would be impacts in respect of the backlog, for lack of a better word. Where I have done this before in different regulatory environments there is definitely an increase in compliance in respect of education activities based on targeted insights and a decrease in regulatory action that needs to occur because people are doing the right thing.⁴⁶

The committee queried whether QBCC has sufficient resources and skills to achieve its intention to transition from a complaints driven to an insights driven organisation. QAO responded:

We have certainly observed that over the last 18 months they have increased their level of resources, but the issue is not so much only the sufficiency of the resources; it is also the adequacy of the resources, making sure they have the resources with the right skills. In their response to our recommendations QBCC did commit to doing a workforce plan that will help them identify what those core capabilities are.⁴⁷

When the same question was asked of the QBCC, they responded:

We certainly have sufficient resources in respect of being a regulator by its very nature. We have lifted our capability in respect of the technical part of the organisation. As the QAO audit specifically calls out, the insights driven piece, or the ability to actually crunch the data and make it information that we can then use to become a more risk focused regulator, is where we need to lift our capability and capacity.⁴⁸

The committee asked whether more resources are needed to move to the new model. QBCC responded:

... we want to move to a position where we know the risk is coming before the risk actually manifests itself. That includes a number of steps. The first thing is that we need to be able to get the data, and we certainly are getting the data in. We need to, as the QAO audit recommends, lift the capability of our staff to analyse that data, to crunch that data and, in effect, to tell us where we should be going and hunting before we need to get out there. We certainly have the right technical people on the ground. We have very strong investigatory and regulatory staff. The gap for us at the moment is moving from transactional to forward thinking and forward planning. That is where we continue to work closely with the Department of Housing and Public Works in respect of the funding that we need to be able to get to that point.⁴⁹

QBCC confirmed:

The insights driven regulator program is about making sure that we know where we should be having the greatest focus of our staff—at the greatest risk.⁵⁰

In March 2021, the committee sought further update from the QBCC regarding whether its current resourcing capacity will ensure it is on track to complete the insights driven regulator project within its original timeframe. QBCC advised that it:

... is working on a resourcing model to support the continued delivery of the IDR model to ensure that it can deliver against the roadmap. This includes ensuring the QBCC has adequate resourcing capacity to deliver both the technical and insights aspects of this work. Cost savings and efficiency gains from “The Next Normal” initiatives will be allocated to resourcing and technology enhancements needed to support the QBCC resourcing model.

⁴⁶ Public briefing transcript, Brisbane, 7 September 2020, p 8.

⁴⁷ Public briefing transcript, Brisbane, 7 September 2020, p 2.

⁴⁸ Public briefing transcript, Brisbane, 7 September 2020, p 5

⁴⁹ Public briefing transcript, Brisbane, 7 September 2020, p 6.

⁵⁰ Public briefing transcript, Brisbane, 7 September 2020, p 8.

The QBCC is working to identify how it might facilitate the ongoing work of the IDR program.⁵¹

The committee also sought updates regarding what actions it was taking to ensure it allocated enough resources to finalise and implement the steps needed to become an insights driven regulator and enable it to prioritise regulatory effort where and when it was needed. QBCC responded:

The QBCC remains committed to delivering on the Insights Driven Regulator (IDR) program to ensure the QBCC becomes a more efficient and effective risk-based regulator, with a corresponding uplift in staff capability.

The proposed five-year delivery timeline for the IDR project anticipated full implementation of the IDR program in 2023.⁵²

The Auditor-General Report notes that the compliance program at the time of the audit was guided by identified priorities and the compliance activities were appropriately reported on. However, the effectiveness and overall success of these activities had not been clearly measured.⁵³

In regard to QBCC's complaints management process, the Auditor-General Report advises that it 'generally operates effectively' but 'improving record keeping will increase its effectiveness'.⁵⁴

In regard to enforcement action, the Auditor-General states that QBCC takes appropriate enforcement action against parties who breach their obligations'.⁵⁵

Overall, QAO concluded that QBCC has 'more work to do to become an effective, risk-focused regulatory' and that '[m]anaging licences needs a more targeted program to be fully effective'.⁵⁶

The committee sought information from QAO regarding the key areas needing further investigation. QAO responded:

... the key thing from this point forward for QBCC is having a look at what it needs to do to move towards being the risk insights regulator that it is aiming to be. In terms of the next step for QBCC, there are a few things that we have observed. The first is making sure that it allocates and commits enough resources and with the capability and skill required to implement its strategic projects. The second is to make sure it establishes clear milestones and firm time frames for implementing its planned activities and to develop and implement further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness.

Broadly speaking, we have made comments in the report about the fact that it is trying to move from this complaints driven model to an insight driven model and what has hindered that progress is not having all of the resources available to do that, and that has slowed its progress in moving in that strategic direction. We have made a number of recommendations that specifically touch on the resourcing challenges that QBCC is facing, and in its response to our recommendations it is certainly addressing those.⁵⁷

⁵¹ Queensland Building and Construction Commission, correspondence, 19 March 2021, attachment, pp 2-3

⁵² Queensland Building and Construction Commission, correspondence, 19 March 2021, attachment, p 2.

⁵³ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 13.

⁵⁴ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 4.

⁵⁵ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 4.

⁵⁶ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 6.

⁵⁷ Public briefing transcript, Brisbane, 7 September 2020, p 2.

The benefits of moving to become an insights driven regulator include the ability to identify companies or licensees that are potentially tracking towards financial distress. QBCC explained:

An example of that would be that prior to us having this capability we literally waited for a complaint to come in the front door, through a moneys owed complaint, or for the licensee to go down and then we would get a referral through the liquidator. Using data from a range of external providers, we now have the ability to identify, using a red flag system, that somebody is tracking towards financial distress. A clear example would be if their terms of trade are starting to blow out from 30 to 60 to 90 days or if they are starting to be declined credit from using credit scoring. What that means is that we now have the ability to intervene earlier.

We did a review of a number of very large corporate collapses when we were doing this proof of concept. That data and review showed that if we had that proof of concept available at the time of these eight corporate collapses—I think it was eight—we would have identified the risk of tracking towards financial distress up to 12 months earlier. That is very important. It means that we can step in and use the regulatory tools, such as conditioning licences and undertaking financial audits, to actually stop the licensee from going into financial distress or into insolvency. We see that the early warning system, which is what we are calling it, is not about getting licensees and taking them out of the system but about keeping them in the system, with a ring fence around them to protect those people who are owed money.⁵⁸

QBCC also advised the committee that it intends to use its home warranty insurance, defects and complaints data to potentially predict the types of defects that would be expected during the life cycle as a builder. QBCC advised:

The reason we think that is important is that if we can identify those licensees that are at greatest risk of doing defective work, we can get out there and proactively engage with them, we can educate them and we can work with them so that those defects do not occur.⁵⁹

2.6.3 Providing education and support

The audit considered a number of questions in order to assess whether the QBCC provides support, education, and advice to those who undertake building work and to consumers in a way that is appropriate, accurate and timely:

- Does QBCC have an effective strategy to drive education and support services?
- Does QBCC provide accurate and timely advice?
- Does QBCC seek feedback to improve its education services?

QBCC provides a broad range of education and advice activities and has ‘appropriate quality controls over information and products’. QAO found that ‘[f]eedback received from licensees and consumers is generally positive, but the effectiveness and value of feedback are compromised by generally low response rates and lack of qualitative responses’.⁶⁰

With regard to complaints management and feedback, QAO found:

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

⁵⁸ Public briefing transcript, Brisbane, 7 September 2020, p 6.

⁵⁹ Public briefing transcript, Brisbane, 7 September 2020, p 6.

⁶⁰ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 5.

QBCC is moving to a more strategic education and communication approach to better target higher risk areas and regulatory needs, but this is taking longer than expected, partly due to resource and capability gaps.⁶¹

In response to the committee's questions about educating consumers about legislative requirements, QAO advised that QBCC:

... do very extensive communication and education activities. We have made some recommendations in our report as to further things they could do.⁶²

And,

What we did observe is that licensees' and consumers' feedback was generally positive, but what is compromising the process is being able to monitor the effectiveness of those education activities. They are getting pretty low response rates and using qualitative measures, so we recommended in our report that QBCC consider better ways to assess and report on the quality of the education services they are providing.⁶³

QBCC further advised the committee:

The first thing I would say is that the QBCC has a statutory role under the QBCC Act to make sure that we educate. I am just looking for some statistics in respect of the number of education activities we have undertaken over the last financial year. To say that they are numerous is an understatement.

In the 2019-20 financial year we did a statewide tradie tour, which included 11 face-to-face events and one webinar. We did a statewide financial requirements roadshow that incorporated 10 general information sessions and 10 information sessions for accountants. We have done a whole lot of minimum financial requirements and annual reporting webinars. We have attended mechanical services licensing amendment webinars and home show events. We have also worked with some of the stakeholder groups such as Master Builders Queensland, Master Plumbers' Association of Queensland and the HIA at some of their stakeholder events. The reason I talk about that is: we know that we need to be out there telling people what the law is and how they need to meet that law so that they can increase. The QAO audit suggested that we needed to make sure we understood how effective our education work was. That is something that we are going to work on to make sure that we deliver on the recommendation of the QAO audit.⁶⁴

2.6.4 Managing and reporting performance

The audit considered a number of questions in order to assess how well the QBCC manages the performance of its functions and operations, including its governance processes over high-risk/high-value projects:

- Does QBCC have an effective performance management framework?
- Does QBCC effectively plan to achieve its objectives?
- Does QBCC measure, monitor, and report on its performance?
- Does QBCC have an effective framework to manage its projects?

⁶¹ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 2020, p 5.

⁶² Public briefing transcript, Brisbane, 7 September 2020, p 2.

⁶³ Public briefing transcript, Brisbane, 7 September 2020, p 2.

⁶⁴ Public briefing transcript, Brisbane, 7 September 2020, pp 6-7.

The transformation to a complaints-driven licensing authority to a risk-focused regulator will include, in addition to a new strategy, governance frameworks, integrated planning, performance management processes, and project assurance.⁶⁵

QAO stated that QBCC is making progress with this transformation but that implementing and embedding the changes is taking time. Staff numbers have increased gradually over the last 18 months but 'progress is hindered by a lack of skills and capability, including change management capability'. QAO concluded that this lack of skills and resources 'was a root cause of many of the issues found'. QAO stated further:

For this reason, we looked at how well QBCC plans to meet its objectives and whether it reports effectively on its performance. QBCC needs to do more to embed its plans and processes. It is critical that QBCC allocates enough resources and develops its capability to finalise strategies, plans, and reporting frameworks to guide progress. It also needs to drive ahead with the steps needed to become an insights-driven regulator and enable it to prioritise regulatory effort where and when it is most needed.⁶⁶

Additionally, QAO is also of the view that the speed and volume of change, including legislative change, are factors.⁶⁷

In terms of QAO monitoring how QBCC manages and reports performance, QAO advised:

Most of QBCC's performance measures are based on activity and output, rather than on outcomes. It's operational and management reporting are currently not sufficient to understand performance and enable informed decision-making. QBCC has not evaluated any of its core regulatory functions due to a lack of evaluation skills and ability.⁶⁸

The committee sought further information about the quality assurance frameworks. The QBCC advised:

... there are benefits in respect of the quality assurance framework internally. That should flow throughout the entire organisation. The insights driven regulator piece will have flow-on impacts across, for example, the home warranty insurance scheme, because if we can stop the defects happening earlier then that means that the number of people who are getting defects in their homes will hopefully decrease over a period of time which means that hopefully there will be less call on the home warranty insurance scheme over the long tail of the scheme.

Similarly, if licensees are not tracking towards insolvency then that means that hopefully they will not fall over and therefore the home warranty insurance scheme may not need to come in and rectify when a builder goes bust. It is too early to see that as yet, but we do expect that some of these recommendations will go across the entire organisation.⁶⁹

⁶⁵ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 5.

⁶⁶ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 6.

⁶⁷ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 5.

⁶⁸ Queensland Audit Office, Auditor-General Report No. 16: 2019-20 – Licensing Builders and Building Trades, June 20201, p 5.

⁶⁹ Public briefing transcript, Brisbane, 7 September 2020, p 8.

2.7 Committee comments

As highlighted in section 2.2 of this report, the QBCC's role has changed significantly since its inception with increasingly complex responsibilities being introduced. The QBCC has needed to adapt in order to fulfil these additional responsibilities. QBCC is transitioning from a complaints-driven authority to a risk-focused, insights-driven regulator.

The Auditor-General Report has provided the QBCC with a range of recommendations which will assist it in achieving its plan to achieve this transition. The committee agrees with the QBCC Commissioners comments that:

... implementing the recommendations will also strengthen controls and improve planning and reporting.⁷⁰

QAO found that progress on this refocus of the organisation has been hindered by a lack of resources, skills and capability. The committee considers that there is a need to ensure that QBCC has sufficient resources – both human and financial – in order to complete this transition. The committee considers that it is essential that QBCC completes its transition from a complaints-driven licensing authority to a risk-focused regulator as soon as practically possible.

In relation to the implementation of recommendations, QBCC has actively been pursuing implementation of the Auditor-General's recommendations. QBCC has implemented 8 of the 11 recommendations. The remaining 3 recommendations are being progressively implemented.

The committee will continue to monitor QBCC's progress in implementing the audit recommendations and the transition of the commission to a risk-focused regulator over its planned 5 year timeframe.

The committee is aware that QAO conducts a review of the implementation of audit recommendations during its annual financial audit program and the committee envisages that the Auditor-General will consider undertaking a follow-up audit should implementation progress not be satisfactory. QAO advised the committee that:

We certainly plan to do a follow-up to determine how well and what response they have made to our recommendations; however, in our strategic audit plan, which is our pipeline of work for the next three to five years, at the moment there are no further topics on the QBCC.⁷¹

⁷⁰ Public briefing transcript, Brisbane, 7 September 2020, p 4

⁷¹ Public briefing transcript, Brisbane, 7 September 2020, p 2.

Appendix A – Officials at public briefing on 7 September 2020

Queensland Audit Office

- Karen Johnson, Acting Auditor-General
- Patrick Flemming, Assistant Auditor-General
- David Toma, Director

Department of Housing and Public Works

- Richard Cassidy, Assistant Director-General, Building Legislation and Policy

Queensland Building and Construction Commission

- Brett Bassett, Commissioner

Appendix B – Responses to recommendations included in the Auditor-General Report

A. Full responses from entities

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

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

This appendix contains their detailed responses to our audit recommendations.

Comments received from Commissioner, Queensland Building and Construction Commission



Contact: Brett Bassett
Office: Brisbane
Telephone: 139 333
Fax: 3225 2995

11 June 2020

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

Dear Mr Worrell,

RE: PERFORMANCE AUDIT ON LICENSING BUILDERS AND BUILDING TRADES

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

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

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

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

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

Yours sincerely,

Brett Bassett
COMMISSIONER
QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION

Enc.

Responses to recommendations



Queensland Building and Construction Commission

Licensing builders and building trades

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

Recommendation	Agree/Disagree	Timeframe for implementation (Quarter and year)	Additional comments
Compliance and enforcement			
1. allocates enough resources to finalise and implement the steps needed to become an insights-driven regulator to enable it to prioritise regulatory effort where and when it is needed, including: <ul style="list-style-type: none"> identifying areas of greatest risk and potential harm focusing on high-value, high-complexity tasks (Chapter 5) 	Agree	Q2 2021 (April-June)	<p>Phase 1 of the QBCC's Insights Driven Regulator (IDR) project will be completed by 30 June 2020.</p> <p>Following recent Board endorsement of the Regulatory Strategy, the IDR capability will continue to support the rollout of a targeted compliance program over the next 4 years, providing QBCC officers with insights based on real-time data to make better informed, high-value compliance and enforcement decisions, which are often difficult due to the high-complexity of the issues. This will ensure focus is better directed to the areas of greatest risk and potential harm.</p> <p>To ensure there is sufficient ongoing resources allocated, next steps include undertaking a workforce capability analysis across the QBCC, to identify what is required to support the uplift in both insights capability and capacity, with sufficient levels of digitally-literate FTE who are capable of utilising data meaningfully in the application of business intelligence, machine learning and cognitive automation techniques.</p> <p>It is envisaged this workforce strategy will be completed by 31 December 2020 and budget and resource allocation will commence from 1 July 2021.</p>

Recommendation	Agree/ Disagree	Timeframe for Implementation (Quarter and year)	Additional comments
Licensing			
2. reduces the risk of unauthorised system changes or fraud, by: <ul style="list-style-type: none"> implementing a systematic process to remove and review the BUILD licence system access for staff who return to their substantive position once temporary roles are over (Chapter 4) regularly reviewing audit log reports to ensure no unauthorised changes are made to BUILD data (Chapter 4) 	Agree	Q3 2020 (July-September)	The QBCC is strengthening processes to: <ul style="list-style-type: none"> review and remove access to the BUILD licensing system when temporary staff return to their substantive roles within the QBCC; and regularly review audit log reports to ensure no unauthorised changes are made to BUILD data.
3. implements recommendation 4 of the 2019 Special Joint Taskforce report that requires licence applicants to provide certified proof of identity photo identification (Chapter 4)	Agree	Q4 2020 (October- December)	Work has commenced to determine the requirements to integrate the new initiative of photo identification for new licence applications, which will be implemented as an activity in the FY 2020/2021 Operational Plan and delivered by 31 December 2020.
4. allocates and commits enough resources, with the required capability and skill, to implement its internal project to address the issue of disparate information technology systems (Chapter 4)	Agree	Q3 2020 (July - September)	A business case was approved in 2017 and the subsequent annual tranche project documents have been reviewed and remain materially correct. These include works that would consolidate the user experience for the information systems being subject to this recommendation. Updated estimates including provision for new groups in the QBCC have been completed. This project will be submitted for funding consideration for the FY 2020/2021. A revised Information Services Roadmap will be developed and approved by 30 September 2020. This will enhance the understanding of what IT systems need to be enhanced; the resources and budget required; and the overarching impact on supporting the organisation.

Recommendation	Agree/ Disagree	Timeframe for Implementation (Quarter and year)	Additional comments
5. ensures the Quality Assurance Framework and program of quality assurance reviews are implemented across all business units covered by the framework (Chapter 4)	Agree	Q3 2020 (July–September)	From 1 July 2020 the Commissioner will direct that every SLT member commits and reports on a monthly basis on the application and implementation of the QA Framework
6. reviews and updates licence assessment training and support for staff, by: <ul style="list-style-type: none"> reviewing procedural manuals and supporting tools to ensure they are up to date. formalising the training program, including setting learning objectives, to ensure all staff receive consistent and relevant training (Chapter 4) 	Agree	Q4 2020 (September – December)	Processes are established and being implemented for: <ul style="list-style-type: none"> reviewing the Licensing Services procedure manual on an ongoing basis (integrating governance controls showing version date and numbering on the manual as evidence of regular updates). The Future of Work project is specifically supporting the review of all manuals and this work will be completed by October 2020. maintaining regular liaison with the QBCC's Learning & Development (L&D) Team to ensure all staff receive consistent and relevant training in the procedures, including revisions to the Licensing Services procedure manual. The L&D system will record evidence of each staff member having undergone training.

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

Recommendation	Agree/ Disagree	Timeframe for Implementation (Quarter and year)	Additional comments
Managing and reporting performance			
9. establishes clear milestones and firm timeframes for implementing current and future planning activities, including: <ul style="list-style-type: none"> determining regulatory strategies, outcomes, and goals undertaking and finalising corporate, special purpose, and operational planning, including budgeting, and resource planning and utilisation (Chapter 7) 	Agree	Q2 2020 (April-June)	<p>The QAO final report acknowledges the various frameworks which have recently been introduced and being implemented, to ensure current and future planning, budgeting and resource allocation activities are undertaken within sufficient timeframes, to enable plans to be implemented from 1 July each year.</p> <p>Evidence of ongoing commitment to these undertakings will be available for review by the QAO, by 1 July 2020, by the production of a full suite of strategic, corporate, special purpose, program/project portfolio and operational plans, with associated budgets and resource allocations.</p>

Recommendation	Agree/ Disagree	Timeframe for Implementation (Quarter and year)	Additional comments
<p>10. develops and implements further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness, including:</p> <ul style="list-style-type: none"> • using the activity-based costings developed to implement an internal costing framework, so that consistent, reliable, and timely cost information is available on its resources and service activities • identifying clear service outcomes and measures to track the status and effectiveness of those goals, and management-level efficiency indicators to monitor and report on its operations and services • having clear accountabilities for all senior officers (Chapter 7) 	Agree	Q4 2020 (September-December)	<p>The QBCC is well-advanced with implementing further elements of its performance management framework. Performance reporting of clearly identified service outcomes and development of individual plans for all senior officers to drive accountability are on track, to enable the delivery of clear and transparent reporting for the period ending 31 December 2020. These individual plans will be aligned and cascade from a revised Corporate Plan and the subsequent Operational Plans by division and the Specific Purpose Plans by function.</p> <p>While the QBCC is currently reporting on metrics for the Commissioner utilising a simple dashboard, the QBCC is working towards delivering on a more sophisticated suite of performance reports in a visualisation tool, to enable senior management to monitor efficiency indicators and track the status and effectiveness of goals. The new tool is on track to be implemented by 31 December 2020. The QBCC will utilise this functionality to further enhance performance reporting thereafter.</p> <p>The QBCC will also finalise a review of the activity-based costing model to ensure it is in line with the organisation as it sits now, compared to when it was first implemented. This review will be completed by 31 December 2020.</p>
11. develops the evaluation skills, capability, and processes needed for the formal assessment of the appropriateness, relevancy, process, effectiveness and/or efficiency of a program, service, initiative, or strategy (Chapter 7).	Agree	Q2 2021 (April-June)	A function providing the evaluation skills, capability and processes will be embedded within the new Strategy and Transformation divisional structure of the QBCC.

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



Department of
Housing and Public Works

Our Ref: HPW01275-2020
Your Ref: 9171P

- 9 JUN 2020

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

Dear Mr Worrall *Brendan*

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

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

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

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

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

Yours sincerely

A handwritten signature in blue ink, appearing to read "Liza Carroll".

Liza Carroll
Director-General

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Appendix C – Summary of progress of implementation of recommendations included in the Auditor-General Report

QBCC's responses to audit recommendations – update as at 13 July 2021

The following table summarises the QBCC response and proposed completion timeframe:

Recommendation	Agree/Disagree	Timeframe for implementation	Notes	Update – March 2021	Update – July 2021
1. allocates enough resources to finalise and implement the steps needed to become an insights driven regulator to enable it to prioritise regulatory effort where and when it is needed, including: <ul style="list-style-type: none"> identifying areas of greatest risk and potential harm focusing on high-value, high complexity tasks 	Agree	Q2 2021 (April – June)	<ul style="list-style-type: none"> Phase 1 to be completed by 30 June 2020 Program to be rolled out over next 4 years Workforce capability analysis to be completed by 31 December 2020 Budget and resource allocation to commence by 1 July 2021 	<ul style="list-style-type: none"> Delivery will continue in the 2021/2022 and 2022/2023 financial years – allocate sufficient resources to become an insights-driven regulator 	<ul style="list-style-type: none"> Incorporated into QBCC's broader transformation agenda to ensure alignment to the strategic vision and direction of the organisation
2. reduces the risk of unauthorised system changes or fraud, by: <ul style="list-style-type: none"> implementing a systematic process to remove and review the BUILD licence system access for staff who return to their substantive position once temporary roles are over regularly reviewing audit log reports to ensure no unauthorised changes are made to BUILD data 	Agree	Q3 2020 (July – September)		<ul style="list-style-type: none"> Partially implemented – reducing the risk of unauthorised system change or fraud in BUILD 	<ul style="list-style-type: none"> Incorporated into QBCC's broader transformation agenda to ensure alignment to the strategic vision and direction of the organisation
3. Implements recommendation 4 of the 2019 Special Joint Taskforce report that requires licence applicants to provide certified proof of identity photo identification	Agree	Q4 2020 (October – December)	Work has commenced to determine requirements to integrate photo identification for new licence applications to be implemented by 31 December 2020	<ul style="list-style-type: none"> Completed - Certified photo ID now required for all new licence applications 	

Recommendation	Agree/Disagree	Timeframe for implementation	Notes	Update – March 2021	Update – July 2021
4. allocates and commits enough resources, with the required capability and skill, to implement its internal project to address the issue of disparate information technology systems	Agree	Q3 2020 (July – September)	This project will be submitted for funding consideration in FY 2020/21. A revised information services roadmap will be developed and approved by 30 September 2020	<ul style="list-style-type: none"> Delivery will continue in the 2021/2022 and 2022/2023 financial years – allocate sufficient resources to address issue of disparate IT systems 	<ul style="list-style-type: none"> Incorporated into QBCC's broader transformation agenda to ensure alignment to the strategic vision and direction of the organisation
5. ensures the Quality Assurance Framework and program of quality assurance reviews are implemented across all business units covered by the framework	Agree	Q3 2020 (July – September)		<ul style="list-style-type: none"> Completed - Quality Assurance Framework implemented 	
6. reviews and updates licence assessment training and support for staff, by: <ul style="list-style-type: none"> reviewing procedural manuals and supporting tools to ensure they are up to date formalising the training program, including setting learning objectives, to ensure all staff receive consistent and relevant training 	Agree	Q4 2020 (September – December)	Processes are established and being implemented for: <ul style="list-style-type: none"> reviewing the Licensing Services procedure manual project to review all manuals to be completed by October 2020 regular liaison with learning and development team to ensure consistent training recording evidence of each staff member having undergone training 	<ul style="list-style-type: none"> Completed - review and update licence assessment training and support for staff 	

Recommendation	Agree/Disagree	Timeframe for implementation	Notes	Update – March 2021	Update – July 2021
7. finalises and implements the 2019-20 Customer and Communications Operational Plan and the supporting education and communication calendar. This should include allocating enough resources to deliver the program of activities	Agree	Q2 2020 (April – June)	2019-20 Customer and Communications Operational Plan was finalised and implemented with quarterly reporting as an ongoing management control. Education and communication calendar will be developed as part of the Communications and Engagement Strategy by 30 June 2020.	<ul style="list-style-type: none"> Completed 	
8. Consider ways to assess and report on the quality and effectiveness of support, education, and advice provided to licensees and consumers to inform continual improvement	Agree	Q2 2021 (April – June)	QBCC will consider customer feedback channels to assess and report on quality and effectiveness of education and advisory services by 30 June 2020 Data will be used to enable continual improvement and quarterly reporting Market research will be considered where it provides value for money Results from Integrated Business Planning process will be used to inform continuous improvement	<ul style="list-style-type: none"> Completed 	
9. Establishes clear milestones and firm timeframes for implementing current and future planning activities including: <ul style="list-style-type: none"> determining regulatory strategies, outcomes and goals undertaking and finalising corporate, special purpose, and operational planning, including budgeting, and resource planning and utilisation 	Agree	Q2 2020 (April – June)	Frameworks recently introduced Production of full suite of strategic, corporate, special purpose, program/project and operational plans, with associated budgets and resource allocations to be available by 1 July 2020	<ul style="list-style-type: none"> Completed – clear milestones and timeframes for current and future planning activities 	

Recommendation	Agree/Disagree	Timeframe for implementation	Notes	Update – March 2021	Update – July 2021
<p>10. develops and implements further elements of its performance management framework to improve accountability and adequately measure and report on its efficiency and effectiveness, including:</p> <ul style="list-style-type: none"> • using the activity-based costings developed to implement an internal costing framework, so that consistent, reliable, and timely cost information available on its resources and service activities • identifying clear service outcomes and measures to track the status and effectiveness of those goals, and management-level efficiency indicators to monitor and report on its operations and services • having clear accountabilities for all senior officers 	Agree	Q4 2020 (September – December)	<p>Well advanced with implementing further elements of its performance framework</p> <p>Performance reporting of individual plans on track to commence 31 December 2020.</p> <p>Working towards delivering on more sophisticated suite of performance reports for the Commissioner. On track to be implemented by 31 December 2020.</p> <p>Will also finalise a review of activity-based costing model to be completed by 31 December 2020.</p>	<ul style="list-style-type: none"> • On track to be delivered by March 2021 – implementing elements of performance planning framework include ABC model, clear service measures and clear accountability for senior officers 	<ul style="list-style-type: none"> • QBCC's Enterprise Performance Management (EPM) Framework documents have been reviewed and updated. QBCC has also procured and configured an EPM system that will support the operations of the EPM Framework in a single, coherent and live tool

Recommendation	Agree/Disagree	Timeframe for implementation	Notes	Update – March 2021	Update – July 2021
11. develops the evaluation skills, capability, and processes needed for the formal assessment of the appropriateness, relevancy, process, effectiveness and/or efficiency of a program, service, initiative, or strategy	Agree	Q2 2021 (April – June)	Will be embedded within the new Strategy and Transformation divisional structure of the QBCC.	<ul style="list-style-type: none"> On track to be delivered by March 2021 – Develop evaluation skills, capability and processes relevant to efficiency of programs, services, initiatives and strategies. 	<ul style="list-style-type: none"> A number of key leadership roles have been recruited to embed the necessary skills, capabilities and processes to drive efficiency of programs, services, initiatives and strategies QBCC has also stood up a reporting and analytics function to report on efficiency and effectiveness measures that support the organisation's strategic planning, in addition to supporting the longer-term vision of becoming an insights driven regulator