



31 October 2008

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**External Audit of Queensland Rail (QR) Network's compliance with its obligations under Clause 3.3, 3.4 and Subclause 3.5.1 of the QR Access Undertaking being an audit of QR Network's Management of Confidential Information and Complaints Handling Arrangements, and QR Network's Decision Making Principles – Audit Report for the year ended 30 June 2008.**

**Background**

The QR Access Undertaking provides for the negotiation of Access required for the operation of train services by Access Seekers.

QR has established its organisational structure to facilitate the separation of the management of Rail Infrastructure from the operation of Train Services. QR Network has been established as a subsidiary of QR, separate from QR Operational Business Groups.

Clause 3.5.2(b) of the QR Access Undertaking states that QR Network's compliance with its obligations under Clause 3.3 and Subclause 3.5.1 will be audited annually. Clause 3.3 deals with the Management of Confidential Information, including a definition of confidential information and specific provisions for the handling of that information. Subclause 3.5.1 provides the Complaint Handling Process in relation to QR Network's obligations under Clause 3.3.

Clause 3.5.2(a) of the QR Access Undertaking states that QR Network's compliance with its obligations under Clause 3.4 may be audited where the QCA has a reasonable basis for believing that a decision of QR Network has resulted, or may result in a material adverse effect on an Access Seeker's or Access Holder's rights under QR's Access Undertaking or an Access Holder's Access.

Clause 3.4 of the QR Access Undertaking states the following:

- (a) Subject to Paragraph 3.4(b), QR Network will comply with the following decision making principles when making a decision under this Undertaking that will, or has the potential to, materially and adversely affect an Access Seeker's or Access Holder's rights under this Undertaking or an Access Holder's Access:
  - i) the decision is made by an identified decision maker responsible for the relevant type of decision;

- ii) the decision is made in a manner that is consistent between Access Seekers and/or Access Holders in the same circumstances; and
  - iii) either
    - a. the decision is required in order to comply with:
      - a law;
      - a lawful direction of an Authority;
      - this Undertaking;
      - the Access Agreements of adversely affected Access Holders; and
      - an access code made under the Act;
    - b. the decision is made in accordance with QR Network's documented policies and procedures; or
    - c. the reasons for the decision are documented by QR Network
- (b) Decision made in relation to a reasonable act done in, and for, or to prevent an emergency (including an emergency that involves, or may involve, injury to persons or damage to property) are exempt from the decision making process prescribed by Paragraph 3.4(a).

In accordance with Subclause 3.5.2, an audit plan for decision making, ring fencing and complaints handling was prepared for QR Network. This audit plan was developed in conjunction with feedback from the QCA.

Accordingly our audit has not been conducted in accordance with Australian Auditing Standards, which apply to the audit of financial information, but has been performed in accordance with the audit plan, being an audit of compliance with obligations as detailed above. We disclaim any assumption of responsibility for any reliance on this report, other than for the purpose for which it was prepared.

#### **Scope - Audit of QR Network's Management of Confidential Information and Complaints Handling Arrangements**

The scope of work section is to be read in conjunction with the background explanation above.

We have carried out an external audit of QR Network's management of confidential information and complaints handling arrangement for the year ended 30 June 2008 in accordance with Clause 3.5.2 of QR's 2005 Access Undertaking.

In accordance with Subclause 3.5.2, an audit plan was prepared with QR Network. The process adopted for the conduct of the audit, which is in accordance with the agreed audit plan, was as follows:

- a) Reviewed the requirements of the Undertaking;
- b) Carried out discussions with QR Network staff to determine the nature of enquiries and events in relation to Access Seekers and identified how they were handled through the system;
- c) Tested each type of enquiry through the system by following those enquiries, registered in the QR Network Ringfencing Register, from the Project Leader to the Addressee as stated on the register, and discussed and verified their process to maintain confidentiality.
- d) Examined the flow of confidential information through the organisation to establish how it is controlled and whether any breaches have occurred;
- e) Tested relevant divisions of QR Network to whom the confidential information is directed for the year ended 30 June 2008 where relevant and discussed and verified the procedures of staff in the relevant divisions who received confidential information to determine if confidentiality was maintained.
- f) A review of QR Network internal processes for adequacy by discussing processes with staff in each division to determine if they are adequate to maintain confidentiality;
- g) Reviewed and enquired into the nature and incidence of complaints; and
- h) Reviewed how complaints were handled.

Our procedures have been undertaken, in order to identify in our audit report, whether QR Network has complied in all material respects with its obligations under Clause 3.3 and Subclause 3.5.1. We note that there were no entries made in the Ringfencing Register or Complaints Register for the year ended 30 June 2008.

#### **Scope – Decision Making Principles**

The process adopted for the conduct of the audit was as follows:

1. We reviewed QR Network's documented policies and procedures, the decision making register established by QR Network and conducted initial discussions with QR Network staff to determine:
  - a) The types of decisions made and the relevant decision maker for those types of decisions under the Access Undertaking that do, or have the potential to, materially or adversely affect the rights of the third party Access Seeker and/or Holder under the Access Undertaking;

- b) which of those decisions were considered 'high risk' – either because of being the most likely to adversely impact Access Holders or Access Seekers, or because of the magnitude of the potential adverse impact on Access Holders or Access Seekers. The 161 decisions contained in the register were rated on risk by QR Network based on discussions between them and the QCA, and of these 19 were allocated to the highest risk category;
  - c) the general system and internal procedures employed by QR Network in relation to compliance with the decision making obligations in the Access Undertaking; and
  - d) identification of training and awareness employed by QR Network to assist QR Network staff in performing its obligations.
2. Given the number of decisions made by QR Network, it was unreasonable to assess and test every decision made. The process we employed for testing a representative sample of decisions involved:
- a) Decisions were randomly selected;
  - b) Selection of decisions in relation to a number of different Access Seekers;
  - c) The sample comprised 20 decisions, which was considered a reasonable sample size in light of the total decisions made for the year; and
  - d) A larger proportion of high risk decisions, relative to the total number of decisions in this category, were included in the sample.
3. To assess QR Network's compliance with decision making obligations in the Access Undertaking, the process for verifying the results of initial inquiries with QR Network personnel regarding sampled decisions included testing whether the sampled decisions were:
- a) made in accordance with QR Network documented policies and procedures – in which case the relevant policy or procedure was reviewed; and
  - b) made for reasons which were documented – in which case the documentation supporting the decisions were reviewed.

Decisions made to prevent an emergency are exempt from the decision making process as per Clause 3.4(b) of the QR Access Undertaking. These decisions are covered by the Rail Emergency Response Plan. They were not included in the decision making register and as such they were not included in our population or the resultant sample. However we were able to discuss the process with one of the senior members of the QR Network Safety and Investigation Systems team. From our discussions we understand that an Incident Management System is being developed which will better capture these decisions in the future to verify if the emergency existed.

Our procedures have been undertaken, in order to identify in our audit report, whether QR Network has complied in all material respects with its obligations under Clause 3.4.

## Audit Opinion and Results

In our opinion, based on the scope of work as detailed above, QR Network has complied in all material respects with its obligations under Clause 3.3, 3.4 and Subclause 3.5.1. This includes the following:

- A ringfencing register has been established;
- Separate registers have been established and are being maintained by each relevant QR business group;
- Ringfencing training and awareness is being provided to employees having access to confidential information;
- A decision making register has been established;
- There are decision making procedures in place; and
- Informal training and awareness, in the form of on the job training, is provided to employees who participate in the decision making process.

We note the following exceptions from the work performed. It is our opinion that the following exceptions do not result in material non-compliance with decision making processes.

- Approximately 13.79% of the exit certificates for employees leaving QR Network to work elsewhere in QR Network were not able to be provided for the purposes of our audit. In our view, there was insufficient evidence to confirm that QR Network was appropriately fulfilling its obligations to debrief employees in relation to the management of confidential information.
- There were a number of exceptions noted in our sample of decisions. These exceptions are identified in the annual performance report and were as follows:
  - Of the twenty decisions sampled, two exceeded the required request for information period as per Clause 4.2(b) of the QR Access Undertaking;
  - Six decisions exceeded the required acknowledgement period as per Clause 4.2(a); and
  - Indicative Access Proposals for two of the decisions were issued after the thirty day issue period as per Clause 4.2(c).
- Evidence of acceptance could not be provided for one of the decisions included in the sample.



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- Emergency decisions were not included in the decision making register provided to us by QR Network and as such were not included in our sample and we were unable to perform any testing.

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**Zoran Radosevic**  
Partner