

# auditing

## in the public interest

2009: number 1

## 2008–09 the year in review

As you will see from this newsletter the 2008–09 financial year has been a busy but rewarding year for VAGO. We transmitted 18 reports to Parliament in the second half of the financial year making a total of 32 reports for the year.

The 2009–10 Annual Plan was also tabled on 6 May 2009. It sets out our audit program for the coming year and includes initiatives intended to better meet the expectations of Parliament and further enhance our focus on delivering authoritative and relevant audit reports and advice. Importantly, it also includes a prospective program of performance audits covering the period 2010–2011 to 2012–13. The prospective areas of interest form an indicative program from which we will develop our future annual plans and provides the opportunity for agencies to prepare for these audits. This program will be reassessed periodically and amended to reflect emerging issues or changed risk assessments.

It is always gratifying to get positive feedback about our work, so I was very pleased when the contribution of VAGO's audit program towards improved public sector performance was recognised with a prestigious industry award. We received the Sir Rupert Hamer Records Management Award for the *Records Management Checklist*, which was issued in July 2008 following consultations and feedback on the March 2008 performance audit report on *Records Management in the Victorian Public Sector*.



I was also particularly pleased when the Public Accounts and Estimates Committee (PAEC) announced an Inquiry into the *Audit Act 1994* (the Act). I wrote to PAEC drawing attention to a number of areas where the audit mandate is unclear or deficient. While revisions have been made to the Act over the years it has not been comprehensively reviewed for some time. The Committee intends reviewing the Act in its entirety, particularly paying close attention to the changed delivery arrangements governments use to deliver services to ensure that the Act remains adequate and relevant in the modern public sector environment.

I welcome the scope of this Inquiry, having previously briefed PAEC on the need for changes to legislation to address accountability issues arising from increases in outsourcing, public-private partnerships and other 'arms length' public sector service delivery.

PAEC expects to present its findings to Parliament by October 2010.

VAGO is committed to fostering productive relationships with our audit clients. As a way of improving communication with our clients in regional Victoria we have introduced a program of regional forums for mayors, the chairs of boards and chief executives of audited entities. The objective of the forums is to explain our audit plan and highlight key financial and audit issues. Two forums have been held with a further three planned for the near future (see page 6 for details). I look forward to meeting some of you at these forums and welcome your feedback on future topics and directions for these forums, and for VAGO's work more generally.

D D R Pearson  
Auditor-General

P2 Reports tabled in Parliament

P4 Upcoming reports for 2009–10

P5 Recognition awards for VAGO publications

P6 Parliamentary follow-up of Auditor-General Reports

# REPORTS TABLED IN PARLIAMENT

## Management of the Multi-Purpose Taxi Program

TABLED 3 DECEMBER 2008

The multi-purpose taxi program subsidises taxi trips for people with severe and permanent disabilities which prevent them from using trams, trains or buses.

This report examines: whether projections of service demand are soundly based; the effectiveness of organisational arrangements for monitoring and assessing service demand; the extent to which projected demand and cost pressures are likely to affect the long-term sustainability of the program; and the degree to which robust controls are in place to safeguard against fraud.

## Results of Audits for Entities with 30 June 2008 Balance Dates

TABLED 3 DECEMBER 2008

This report summarises the results of financial report audits of 380 public sector entities with 30 June 2008 balance dates. The report also covers the results of our audit of the performance statements of sixteen water sector agencies for the same period.

## Preparedness to Respond to Terrorism Incidents: Essential Services and Critical Infrastructure

TRANSMITTED TO PARLIAMENT 21 JANUARY 2009

Following the 11 September 2001 attacks and the subsequent Bali bombings, a series of Victorian Government policy initiatives, legislation and arrangements were established to address the terrorist threat. Funding of over \$255 million has been provided for state counter-terrorism initiatives since late 2002.

This audit examined the state's preparedness to respond to terrorism incidents, relating to essential services and critical infrastructure.

## Literacy and Numeracy Achievement

TABLED 4 FEBRUARY 2009

The objective of this audit was to determine whether student literacy and numeracy are improving in Victoria's government schools. This primarily involved a detailed analysis of the Department of Education and Early Childhood Development's and the Victorian Curriculum and Assessment Authority's statewide student achievement data covering the period 1998 to 2007.

## Administration of the Flora and Fauna Guarantee Act 1988

TABLED 1 APRIL 2008

The *Flora and Fauna Guarantee Act 1988* (the Act) is the main Victorian legislation governing the conservation of threatened species and ecological communities, and addresses the management of processes that threaten native flora and fauna.

This audit reviewed how effective the Department of Sustainability and Environment's administration of the Act has been in preserving Victoria's native flora and fauna.

## Access to Public Hospitals: Measuring Performance

TABLED 1 APRIL 2009

Timely access to care is important. For patients requiring emergency care, as well as those waiting for elective surgery, the time taken to receive services can significantly affect clinical outcomes. This report examines the 12 performance indicators used by the Department of Human Services to measure the timeliness of access to hospital care, as well as the accuracy of reported data.

## The New Royal Children's Hospital— a public private partnership

TABLED 6 MAY 2009

The redevelopment of the Royal Children's Hospital is being delivered as a public private partnership in accordance with the state's Partnerships Victoria framework. This audit assessed the adequacy of the state's planning, procurement and management of the redevelopment.



An artist's impression of the main internal walkway of the new hospital.  
(Image courtesy of Billard Leece Bates Smart and Sharp Design)

## Results of Audits for Entities with other than 30 June 2008 Balance Dates

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TABLED 6 MAY 2009

This report deals with the financial audit of 123 public sector entities from the Higher Education, Vocational Training, Alpine Resorts, Health, and Community Development sectors.

### Management of School Funds

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TABLED 6 MAY 2009

This audit assessed whether government schools were managing their funds appropriately and the adequacy of the Department of Education and Early Childhood Development's role in supporting and monitoring schools' funds management. The audit also looked at whether using school cooperatives to borrow funds was in line with legislation and whether this function is being adequately managed and disclosed by schools.

### The Channel Deepening Project

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TABLED 6 MAY 2009

The Port of Melbourne Corporation is the statutory authority that provides and manages port services. It developed the channel deepening project so that ships with up to a 14-metre draught could use the port. This audit assessed how effectively the Port of Melbourne Corporation has developed and implemented the channel deepening project to date.

### Governance and Fraud Control within Selected Adult Education Agencies

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TABLED 3 JUNE 2009

Fraud management and governance are inextricably linked, as robust governance is essential in managing fraud risk, and providing effective fraud control. The initial audit objective of examining whether the four audited agencies' systems, policies and procedures were robust and discouraged fraud was broadened to include agency governance arrangements after the audit found that some boards and management were not complying with agency policies and procedures.

### Withdrawal of Infringement Notices

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TABLED 3 JUNE 2009

In mid-2006 the Department of Justice introduced a new system to promote a fairer and firmer framework for dealing with about 2 000 types of infringement offences. This audit examined the extent to which the department complied with its responsibility to monitor the system's operation—specifically the withdrawal of infringement notices and the conduct of internal reviews. It also looked at whether selected enforcement agencies were withdrawing notices appropriately and in compliance with the *Infringements Act 2006*.

## Claims Management by the Victorian WorkCover Authority

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TABLED 3 JUNE 2009

This report assesses the effectiveness and efficiency of claims management by Victorian WorkCover Authority (VWA). The audit examined the policies, procedures and activities of VWA and its six agents, with a particular emphasis on the arrangements for managing high risk claims.

### Effectiveness of Drought Assistance Measures

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TABLED 10 JUNE 2009

Since 2005–06 the Victorian Government has allocated nearly \$400 million to about 50 drought assistance programs for farmers, businesses, councils, catchment management authorities and sports clubs.

This audit focused on the fixed water charges rebate and municipal rate subsidies between 2005–06 and 2008–09 because these initiatives attracted about 48 per cent of the funding.

### Implementing Victoria Police's Code of Practice for the Investigation of Family Violence

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TABLED 10 JUNE 2009

In August 2004 Victoria Police introduced the *Code of Practice for the Investigation of Family Violence* (the Code) to address community concerns about the way they responded to these issues.

The audit objective was to determine whether Victoria Police offers safety and support services to victims and perpetrators of family violence that help to reduce the impact of family violence on the community.

### Connecting Courts—the Integrated Courts Management System

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TABLED 10 JUNE 2009

The Integrated Courts Management System (ICMS) is a major Information Technology initiative of the Department of Justice. The objective of the program is to establish a single integrated technology platform and a set of applications for all Victorian courts and tribunals.

This audit assessed whether the progress of the ICMS program has conformed with its original investment objectives.

## International Students

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TABLED 24 JUNE 2009

International students are major purchasers of Australian education services and consequently are a significant source of revenue.

This report assessed whether three universities were achieving their strategic and operational goals for international students, the associated business and financial risks were being managed efficiently and effectively and services provided were in accordance with relevant legislation.

## Buy-back of the Regional Intrastate Rail Network

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TABLED 24 JUNE 2009

The non-metropolitan intrastate rail network is a significant state asset, particularly for regional communities that rely on it for passenger and freight services. The state granted a 45-year lease on the network to a private company in 1999 as part of broader privatisation reforms in the rail sector.

This report examines whether the state's decision to buy back the intrastate rail network was adequately informed and whether the transaction was effectively managed.

## Funding of the Home and Community Care Program

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TABLED 24 JUNE 2009

The Home and Community Care (HACC) Program funds a range of basic maintenance and support services so that frail older people and people with a disability can live independently in the community and avoid premature or inappropriate admission to long-term residential care.

This audit examined whether the Department of Human Services has effectively addressed the funding inequities across the state and within regions; regional planning and coordination of HACC services; as well as monitoring and reporting arrangements, including reporting on whether HACC achieved funding equity.

## Melbourne's New Bus Contracts

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TABLED 24 JUNE 2009

The Victorian Transport Plan 2008 included new metropolitan bus contracts to improve the value derived from the growing investment in bus services.

This audit assessed the effectiveness of the new bus contracts, examining the Department of Transport's contract negotiations and how closely it followed contract requirements, and whether evaluation and improvement processes had been made.

# UPCOMING REPORTS FOR 2009–10

VAGO's Annual Plan 2009–10 sets out our reporting program for the coming year, and includes a prospective program of performance audits covering the period 2010–11 to 2012–13. Areas of audit interest for performance audits for 2009–10 are:

### *Thriving economy*

- Biotechnology development
- VicForests
- Management of major rail projects, including project outcomes
- Rail safety
- Rollout of advanced metering infrastructure
- Vehicle fleet management

### *Quality health and education*

- Access to social housing
- Teacher performance
- Effectiveness of student welfare services
- Management of concessions to pensioners and beneficiaries
- Management of funding and service agreements with non-government service providers
- Review of the Victorian Curriculum and Assessment Authority

### *Healthy environment*

- Environmental management in Victorian parks
- Irrigation efficiency programs
- Water demand and supply management

### *Caring communities*

- Capacity of police and emergency services to respond to people with mental health issues
- Community-building projects
- Compliance with Community Corrections Orders
- Construction of new police stations and courthouses
- Personal safety on public transport
- Public transport access for persons with disabilities
- Utilisation of development contributions by local government

### *Vibrant democracy*

- Maintaining the integrity and confidentiality of personal data
- Tendering in local government
- Fees and charges—cost recovery by local government
- Performance reporting across government agencies

In 2009–10 the Auditor-General also expects to provide an audit opinion on over 600 financial statements, and 114 performance statements prepared by municipal councils, certain water bodies and technical and further education (TAFE) institutes. The results of the financial statement audits are summarised in a series of Parliamentary reports:

- Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2008–2009
- Results of Financial Statement Audits for Entities with 30 June 2009 Balance Dates—core government

- Results of the Financial Statement Audits—Human Services Entities with 30 June 2009 Balance Dates
- Results of the Financial Statement Audits—Local Government entities with 30 June 2009 Balance Dates
- Results of the Financial Statement Audits—Water Entities with 30 June 2009 Balance Dates
- Results of Financial Statement Audits—Education and Alpine Resorts Entities with other than 30 June 2009 Balance Dates

More information about these reports is included in our 2009–10 Annual Plan. The Annual Plan is available to download from our website at: [http://www.audit.vic.gov.au/reports\\_publications/corporate\\_publications/annual\\_plan.aspx](http://www.audit.vic.gov.au/reports_publications/corporate_publications/annual_plan.aspx)

## BETTER PRACTICE IN ICT

Recent audits have highlighted that agencies within the Victorian public sector sometimes begin large, expensive information and communication technology (ICT) projects without a sufficiently clear understanding of goals, required resources, or risks. Some projects were not planned carefully enough and others were not structured properly. These projects will undoubtedly struggle during implementation and deliver disappointing results—if indeed they deliver any benefit at all.

Our recent audit of the Integrated Courts Management System, a program being implemented by the Department of Justice, reinforced these findings. The audit found that—while supplier related issues contributed to the significant cost and time overrun—inadequacies in planning and management of the program also contributed to the difficulties.

VAGO's better practice guide *Investing Smarter in Public Sector ICT* (tabled in July 2008) uses a lessons-learned approach to develop general principles that can be applied by any agency undertaking an ICT-dependent investment. These principles are structured around an ICT investment life cycle that extends from creating an initial understanding of the organisational need for an ICT investment, to carrying out a final review of the outcomes of that investment. These principles are also illustrated with case studies based on VAGO's experience with ICT projects across the Victorian Government.

A copy of the guide is included with this newsletter. It can also be downloaded from our website at [http://www.audit.vic.gov.au/reports\\_publications/reports\\_by\\_year/2008/20080730\\_ict\\_bpg.aspx](http://www.audit.vic.gov.au/reports_publications/reports_by_year/2008/20080730_ict_bpg.aspx)

For further information contact Paul O'Connor, Sector Director responsible for ICT investments on 8601 7123.



## RECOGNITION AWARDS FOR VAGO PUBLICATIONS

### 2007–08 Annual Report

Following on from our success in last year's Australasian Reporting Awards, VAGO once again received a silver award for our 2007–08 annual report.

The award was presented at this year's annual Australasian Reporting Awards dinner on 4 June 2009.



### Records Management Checklist



L-R Justine Hazelwood (Director of PROV and Keeper of Public Records) Matthew Brennan, Joy Patton and Izabela Dobrostanski (VAGO), Peter Harmsworth AO, Public Records Advisory Council

The contribution of VAGO's audit program towards improved public sector performance has been recognised with a prestigious industry award. VAGO received the Sir Rupert Hamer Records Management Award for the Auditor-General's *Records Management Checklist*, issued in July 2008 as part of Parliamentary reporting on our Records Management performance audit, led by Matthew Brennan and Joy Patton. The Award recognises excellence and innovation in records management.

The Records Management Checklist is currently being used by eight of the ten Victorian Government departments, and is intended to help agencies establish and foster a culture of sound records management, increase senior management awareness and support of records management, and identify permanent value records for transfer to the Public Records Office of Victoria.

An interactive pdf of the checklist can be downloaded VAGO's website [http://www.audit.vic.gov.au/reports\\_publications/reports\\_by\\_year/2008/20080730\\_records\\_checklist.aspx](http://www.audit.vic.gov.au/reports_publications/reports_by_year/2008/20080730_records_checklist.aspx)

# AUDIT PRACTICE STATEMENT

As part our commitment to engaging transparently with our clients and stakeholders, VAGO has developed an Audit Practice Statement. The statement provides information about how the Auditor-General exercises the audit mandate, including the core principles, elements and stages common across VAGO audits. The statement also provides information on how the Auditor-General selects areas of audit interest and details the key products and services offered by VAGO to Parliament and audited agencies. We also use this publication to support our face to face communications with Parliamentarians, universities and researchers, professional bodies, other audit and accountability authorities, community groups and our clients.

A copy of the Audit Practice Statement is included with this newsletter. It is also available on the VAGO website at [http://www.audit.vic.gov.au/reports\\_publications/corporate\\_publications.aspx](http://www.audit.vic.gov.au/reports_publications/corporate_publications.aspx).

## PARLIAMENTARY FOLLOW-UP OF AUDITOR-GENERAL REPORTS

Through its Public Accounts and Estimates Committee (PAEC), Parliament follows up matters raised by the Auditor-General in reports to Parliament. When choosing which audits to follow-up, PAEC considers the seriousness of audit findings, public interest, risk, materiality, unresolved disputes, and opportunities to enhance accountability.

Since June 2008, PAEC held public hearings and took evidence from public entities involved in thirteen audit reports, tabled across 2006 and 2007.

The reports on these 2008–09 inquiries were tabled in November 2008 and June 2009, and contained more than 70 recommendations for response by the state government. PAEC commended many agencies on their positive and active response to audit findings. They also held agencies to account to address audit recommendations, and made comment if they felt actions were inadequate or were taking too long.

These inquiries were often extensive, involving new evidence, new directions and calls for further action. At times, PAEC made suggestions to the Auditor-General for further audit work or new reporting approaches, and these suggestions will be considered in planning our forward audit program.

This inquiry program is continuing into the latter part of 2009. PAEC is currently reviewing the following four Auditor-General reports tabled between September 2007 and February 2008:

- *Program for Students with Disabilities: Program Accountability* (September 2007).

- *Improving our Schools: Monitoring and Support* (October 2007)
- *Funding and Delivery of Two Freeway Upgrade Projects* (December 2007)
- *Agriculture Research Investment, Monitoring and Review* (February 2008)

More information on the follow up of Auditor-General reports is available at <http://www.parliament.vic.gov.au/paec/inquiries/agreports/default.htm>

## VAGO'S REGIONAL ROADSHOW



The Victorian Auditor-Generals office has in excess of 620 clients, located in a range of geographical areas from Mildura in the north to Orbost in the east and west to Edenhope.

Since commencing as the Victorian Auditor-General in October 2006, Des Pearson has sought to meet and engage with all clients including those in regional areas.

To overcome the challenge of travelling many miles to every client location, VAGO commenced a program of regional forums. Two regional forums have now been held: the first in Ballarat in May 2008 and recently in Geelong in May 2009.

These forums are an opportunity for mayors, the chairs of boards and chief executives to meet the Auditor-General and hear about his plans and strategic goals for VAGO. The forums are also an opportunity to network with other VAGO clients during a working lunch that, showcases the quality of TAFE hospitality training facilities—most recently Davidsons Restaurant at the Gordon Institute of TAFE.

The next regional forum is scheduled for 14 July 2009 in Bendigo taking in clients in the North West of the State. Future forums are also planned for the North East region and Gippsland in October 2009.

Mr Pearson looks forward to meeting his regional clients at these forums and welcomes your feedback on future topics and directions for these forums.

## REDUCING OUR ENVIRONMENTAL FOOTPRINT

In 2007–08 VAGO joined the *ResourceSmart* program run by Sustainability Victoria, which helps manage the environmental footprint of organisations. The program is being rolled out in stages across all government entities. VAGO staff attended training for the program and recommended that an in house environmental committee would be the best way to implement the necessary changes throughout the office.

In May 2008 the committee was established and has developed an action plan to assist staff monitor and reduce the VAGO's environmental impact. The action focuses on:

- minimising our consumption of energy, water, paper and other material inputs
- minimising waste generation
- reducing the environmental impact of our travel and other business activities
- identifying opportunities to work with other organisations to reduce environmental impact.

We hope that our commitment to improving our environmental performance will not only consolidate our reputation for excellence in the public sector, and create an environmentally aware office culture, but also help to protect and preserve the planet.

## RUN MELBOURNE

On June 28, 15 members of VAGO's staff joined the 14 000 runners and walkers who participated in Run Melbourne — an annual event which offers participants the option of running/walking 5km, 10km or 21km and raising money for a charity of their choice in the process.



Participants in the 5 km walk/run were: Alana Sidebottom, Ivy Ly, Sophanny Ing, Jenny Tien, Jan-Michael Perez, Kevin Chan, James Holloway, Maria Salvatico, John Jutoy and Mohini Sashindranath and in the 10 km run were: Karen Jordan, Steve Glaveski, Peter Stephenson, Laurence McGlade and Allan Choong.

Melbourne Citymission—the charity we sponsored—were extremely grateful for our contributions which amounted to \$1 253.15.

## INTRODUCING THE POLICY AND COORDINATION DIRECTORATE

2009 has seen some changes in the way VAGO provides strategic support to its leadership, stakeholders and audit groups—aligning support providers with the operational functions they assist.

Expert technical advice is now provided by teams within the Financial Audit Group, while the Performance Audit Group has taken on the development of VAGO's Annual Plan and selection of areas of performance audit interest.

A new Policy and Coordination Directorate has been formed to provide policy, project and secretariat services directly to the Auditor-General and senior management, and to provide strategic support for the Auditor-General's relationships with key stakeholders.

Leading this new team is Marco Bini, Director Policy and Coordination.

Marco started with VAGO in 2007 as a Director Performance Audit, after prior senior public sector roles at the Department of Premier and Cabinet.

Marco's experience with significant public sector legislation—in particular the *Public Administration Act 2004*—will be an asset to the Directorate in 2009, as the group leads VAGO's review of its legislation and participation in the recently announced Parliamentary Inquiry of the *Audit Act 1994*.

Other key 2009 projects for the new directorate include:

- Preparing for the upcoming performance audit of the office by the Public Accounts and Estimates Committee.
- Coordinating a research project for the Australasian Council of Auditors General on the independence of Auditors-General.
- Conducting the office's survey of clients and Parliamentarians, with an emphasis on sharing results more broadly and more swiftly with internal and external stakeholders.





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*Auditing in the Public Interest*

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### FURTHER INFORMATION

*Auditing in the Public Interest* is prepared by the Victorian Auditor-General's office. It is published to provide information to public sector agencies on recent activities of the Victorian Auditor-General's Office, and current developments in financial disclosure and reporting. Information on recent and upcoming parliamentary reports is also provided.

This newsletter is prepared by the Victorian Auditor-General's Office. Every effort is taken to ensure that the information is accurate. Neither the office, nor any of its employees, shall be liable on any grounds whatsoever to any party in respect of decisions or actions they may take as a result of using the information contained in this newsletter.

The information in this newsletter is of a general nature only and is not intended to be relied upon as, or as a substitute for, specific professional advice.

Further information about any of the issues contained in this newsletter, or about the Victorian Auditor-General's Office, may be obtained from:

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