
Measuring VAGO's impact on public sector accountability and performance

Our purpose is to provide assurance on public sector accountability and performance. Parliament and government agencies are responsible for making changes based on audit findings. Like all external auditors, the Auditor-General has no executive authority to direct our audit clients to accept recommendations. This preserves the independence of external audits.

The Auditor-General, however, aims to be a catalyst for change in the public sector. VAGO's vision is to influence improvements in accountability and performance through the relevance, accessibility and quality of our reports.

To measure our impact on public sector accountability and performance in 2009–10, we looked at a range of qualitative information, including:

- agency responses to audit process and recommendations
- impact on Parliamentary debates and reports and on the Public Accounts and Estimates Committee (PAEC) follow-up inquiries
- audited agency survey feedback
- media and public debate.

Ultimately, we assess our impact by focusing on the uses, and users, of our audit reports.

Agency responses to audit process and reports

In 2009–10, VAGO made 203 recommendations to government agencies in our audit reports. Audited agencies responded favourably to most recommendations, often committing to direct and immediate action and sometimes noting favourable outcomes following past audit reports.

External reviews of agency responses to our recommendations show similar strong levels of support. The *Response by the Minister for Finance to the Auditor-General's Reports issued during 2008–09*, published in December 2009, found 98 per cent of recommendations were either supported or partially supported.

Agency responses to 2009–10 audits: Extracts from Auditor-General reports

Public Hospitals: Results of the 2008–09 Audits (November 2009)

RESPONSE provided by the Secretary, Department of Health:

'I believe that the report generally provides a balanced analysis of the issues of health service financial sustainability...The department agrees with all the audit recommendations apart from partially agreeing to [recommendations 8 and 10].'

Use of Development Contributions by Local Government (December 2009)

RESPONSE provided by the Acting Chief Executive Officer, City of Port Phillip:

'As a result of the audit process, I am pleased to advise that the council has initiated a number of actions to directly respond to the matters raised in the review.'

The Community Building Initiative (May 2010)

RESPONSE provided by the Secretary, Department of Planning and Community Development:

'In line with the audit recommendations, DPCD has made a number of significant changes to the way we work with communities.'

Control of Invasive Plants and Animals in Victoria's Parks (May 2010)

RESPONSE by the Secretary, Department of Sustainability and Environment:

'The audit report will be an invaluable resource in formulating the future implementation of the government's Invasive Plants and Animals Policy Framework.'

Hazardous Waste Management (June 2010)

RESPONSE provided by the Chief Executive Officer, Environment Protection Authority:

'EPA acknowledges and accepts the report's recommendations. Implementation of the recommendations is underway, with interim solutions being put in place where longer-term solutions are required for a permanent resolution.'

Source: VAGO 2009–10 reports.

We do not measure our impact solely through how often accountable officers formally agree with our recommendations when the report is tabled. Sometimes we are aware of changes that occur more informally, during or soon after, the audit. In 2009–10, VAGO audit teams reported through our debrief process that several agencies responded to issues identified in the audit before, or soon after, the audit was finished.

Agency responses to 2009–10 audits: Observations from audit teams

Local Government: Results of the 2008–09 audits (November 2009)

Since the introduction of this report and the adoption of VAGO's sustainability indicators by many councils, financial sustainability in the sector has improved markedly, with no councils now rated as having a high financial sustainability risk.

Maintaining the integrity and confidentiality of personal information (November 2009)

The audit was a catalyst for DTF to finalise and issue whole-of-government information security policies and guidelines that had been under development or in draft for a number of years. Audited agencies acted quickly to address security over sensitive datasets and the rigour of their risk management practices.

Management of the Community Support Fund (November 2009)

DPCD brought its deadline forward for reporting publicly on all programs and aims to adopt all audit recommendations before 2012.

Making Public Transport More Accessible for People who Face Mobility Challenges (November 2009)

DOT strongly endorsed our recommendation to evaluate the effectiveness of the Public Transport Access Committee and address the management issues we raised in the audit.

Tendering and Contracting in Local Government (February 2010)

All five audited councils acknowledged audit findings and recommendations and all have started to review and change their tendering and contracting practices.

Tertiary Education and Other Entities: Results of the 2009 Audits (May 2010)

Universities and TAFEs have already begun to periodically self-assess their travel management policies and practices against the framework used in the audit report.

Administration of the Victorian Certificate of Education (June 2010)

VCAA indicated to VAGO that, following feedback during the audit, it had already put plans in place to improve its coursework audit processes, tighten exam security practices and develop a more data driven program of continuous improvement.

Follow-up inquiries conducted by PAEC also highlight the impact of our audits on agency performance and accountability. Agencies' evidence at these hearings in 2009–10 included their progress in addressing areas of concern from past audits. Few agencies had not acted on our recommendations.

Agency responses to audits: PAEC follow-up inquiries 2009–10

Patient Safety in Public Hospitals (May 2008)

'The Department [of Human Services] responded that it was addressing the recommendations from the 2005 audit through two large scale projects, the review of clinical governance in Victoria's public health services and the incident information system project.

'... [Regarding the 2008 audit] two recommendations had been fully completed, one was being supplemented by further tools and another recommendation was almost complete.'

Coordinating Services and Initiatives for Aboriginal People (June 2008)

'The Department of Planning and Community Development... [advised] that work in respect to... recommendations was already underway at the time of the audit.'

Planning for Water Infrastructure in Victoria (April 2008)

'The Department [of Sustainability and Environment] stated that quality control processes and guides for the review of plans had been implemented.'

Source: PAEC's review of the findings and recommendations of the Auditor-General's reports 2008, May 2010.

Impact on Parliament and PAEC

As well as guiding change at agency level, the Auditor-General's reports also support Parliamentary accountability mechanisms, inquiries and debate. As Parliament's auditor, we welcome this evidence of our impact on the state's accountability framework.

Surveys of Parliamentarians show that 86 per cent of members surveyed in 2009–10 agreed that our reports helped them monitor public sector accountability and financial performance, and around 90 per cent referred to our financial or performance audit reports at some point throughout the year.

Sometimes, Auditor-General reports are used intensively and in detail, to drive particular Parliamentary accountability processes. In 2009–10, PAEC used nine Auditor-General reports to inform their two crucial accountability

inquiries for Victorian public sector financial management—the Budget Estimates and the Financial and Performance Outcome inquiries.

Audits also inform broader Parliamentary debate on where government can improve. Hansard transcripts show that Parliamentarians made 112 references to our reports in the past financial year, with Parliamentarians from all sides commending them as important catalysts for action.

Impact on Parliament's accountability framework: extracts from Parliamentary debate 2009–10

Maintaining the integrity and confidentiality of personal information (November 2009)

'The government has ... asked the Department of Treasury and Finance to provide it with a program of activity to assist departments and agencies in their compliance with these guidelines and to identify any issues that would prevent agencies from protecting and securely handling individuals' personal information. The Auditor-General has highlighted these concerns, and we are acting on them.' (John Brumby, MLA, Premier)

Management of Concessions by the Department of Human Services (February 2009)

'There are 10 recommendations contained in the report ... and they all make a lot of sense. They are worthy of our support and speedy implementation.' (Nazih Elasmr, MLC, ALP)

Management of Safety Risks at Level Crossings (March 2010)

'The government will of course address the findings and recommendations in the report and work with all parties with a shared interest in and responsibility for level crossing safety to enable active participation in the upgrade process.' (Jaala Pulford, MLC, ALP)

Fees and Charges—cost recovery by local government (April 2010)

'I fully support these principles set by the Auditor-General; it is a good idea every now and then to have an independent review of how councils are going with their fees and charges'. (John Vogels, MLC, Liberals)

General comments after 9 June 2010 tabling of four reports

'A fantastic part of having an independent Auditor-General is that we should get a really good report, as we have had several excellent reports today, and that is much more important than just making a statement in the house'. (Colleen Hartland, MLC, Greens)

'I have found the Auditor-General, his key management team and his staff to be very professional and productive. For example, just yesterday four Auditor-General's reports were tabled, two of which are very significant in holding the government to account'. (Bill Sykes, MLA, Nationals)

Source: Victorian Parliament Hansard 2009–10.

Feedback from audited agencies

Agencies can only commit to act on our recommendations if they are constructive and achievable. One of the ways we measure this is through annual agency surveys.

This year, more than 70 per cent of performance and financial audit clients agreed that VAGO's findings and recommendations could improve the administration of audited activities. This is an improvement from last year and ranks higher than historical ratings received by most other Australian public sector audit offices.

We also value agencies' comments as a measure of our impact on accountability and performance. This year, 81 agencies took part in confidential interviews with our independent survey provider, to provide feedback on the quality and value of their financial or performance audits. Many agencies commented on how audits have been translated to action in their organisations. Other agencies reported that audit outcomes and advice supported and strengthened their responses to areas already identified for improvement.

Agency responses to audits: stakeholder interviews 2009–10

Performance Audit reports

The agency reported that:

It was 'keen to implement many of the audit recommendations, affirming [that it] saw value in putting the changes into practice. It stated [its] intention to improve the training of managers in relation to the setting of fees and charges.'

It 'had been using the audit findings and recommendations to ensure it was not neglecting any details.'

'The audit prompted [it] to make changes to the way it managed its programs..., including the way it handled its agreements with service providers.'

'The validation [the agency's] team received from the audit provided other areas of [the] organisation with a best practice benchmark framework that they could learn from.'

'The audit was beneficial for alerting [the] organisation to a capability in its IT system, which led to its more effective use of the system.'

'The audit recommendations were very sound. Once implemented, probity and procedures will be substantially improved.'

'As a direct result of the audit, their organisation was drafting a process to review its regional fleets and ensure that its service delivery remained in line with whole-of-government policies.'

Agency responses to audits: stakeholder interviews 2009–10 – continued

Financial Audit reports

The agency reported that:

'The key benefit of the financial audit had been VAGO's identification of the accounting treatments that [it] should adopt. [It] indicated that every audit [VAGO] conducted identified new improvement opportunities for his organisation.'

'[It was] both beneficial and important that [the agency] had undergone an independent, external audit. The rigour [of] the audit had enabled [it] to meet its statutory requirements and corporate governance needs.'

'[It] appreciated receiving the auditors' views on how [the agency] planned to handle some issues that had already been identified internally.'

Source: ORIMA Research, *Report on VAGO 2009–10 Client and Parliamentary Surveys*, 23 July 2010.

Media and public debate

Extensive media coverage during the past financial year demonstrates the strong public interest in our audit work. In 2009–10, 360 press articles discussed our audits and the response to our reports. This kind of public debate has generated greater transparency around some key accountability and performance issues raised through our audit program, and encouraged the government to act on some critical findings.

Two reports that sparked some of the most interest and ongoing debate were *Towards a 'smart grid—the roll-out of advanced metering infrastructure* (November 2009) and *Irrigation Efficiency Programs* (June 2010). The following is a summary of the media and public debate that was generated by these reports, along with some of the responses from the government.

Media coverage highlights 2009–10: Towards a 'smart grid'—the roll-out of Advanced Metering Infrastructure

Tabled on 11 November 2009, this report found that the Department of Primary Industries' roll-out of smart electricity meters was not subjected to the usual checks and balances of major state-funded investments.

The report prompted immediate and ongoing media and parliamentary debate. *Towards a 'smart grid'—the roll-out of Advanced Metering Infrastructure* appeared in 56 articles, across regional, state, national and local press. The report was referred to in 23 internet news and discussion portals and across Victorian radio stations.

The government responded with several community consultation strategies, a new cost-benefit analysis and an eventual moratorium on the roll-out. However, public debate on the issue continues, with calls for a full and independent cost-benefit analysis, in line with our audit recommendations.

Media coverage highlights 2009–10: Irrigation Efficiency Programs

Tabled on 9 June 2010, this audit assessed some of Victoria's most significant irrigation efficiency programs. We found planning was rushed, some investment decisions were poorly informed and that the rationale behind prioritising some approaches above others was unclear.

Since June, there have been 63 articles across regional, state, federal and local media referring to VAGO's report.

Parliamentary debate and discussion on the issue also continues. In an article for the *North East Farmer* in July 2010 Shadow Minister for Country Water Resources, Peter Walsh, called for an independent inquiry on the probity of public funds used for these projects.