

Lessons from audits:  
Key themes from our  
2009–10 audit program

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1. Arm's length accountability
2. Oversight deficit – roles for departments
3. Decision-making and planning
4. Outcomes and effectiveness
5. Performance information
6. Information technology
7. Information security
8. Conflicts of interest

Arm's length service delivery poses challenges for traditional accountability as delivery becomes 'further down the line'.

2009–10 audits found challenges to accountability across:

- Community partnerships; acquittals and reporting (*Community Building Initiative, Partnering with Community Sector*)
- Private partnerships/alliances; current accountability requirements are not always adhered to (*Managing the Requirements for Disclosing Private Sector Contracts, Rollout of the AMI project*)
- Small 'r' regulation; departments needs greater rigour and stronger focus on compliance (*Hazardous Waste Management, Social Housing*)

The Community Building Initiative is part of *A Fairer Victoria*, which identifies adopting innovative ways of delivering services and developing capacity through **community partnerships**.

The Department of Planning and Community Development adopted a flexible approach to managing the initiative, however it:

- needed to **balance flexibility** with sufficient **transparency and accountability** (especially around funding and intervention)
- didn't **appropriately intervene** to resolve conflicts when projects were at risk.

The Department of Primary Industries (DPI) aims to install 2.4 million smart meters in homes and businesses through a **private sector partnership** with the industry.

Checks and balances that would ordinarily apply to a major State investment **were not used**.

Much **stronger departmental oversight** is warranted – DPI is solely an 'observer' on the industry steering committee.

- An '**oversight gap**' has emerged **between the public and private** project partners.
- Further risk – **audit mandate is limited** with private sector partners, making the ongoing role of DPI even more crucial.

This audit found that the Environment Protection Authority is not effectively **regulating** (via the *Environment Protection Act 1970*) the private sector management of hazardous waste.

**Compliance monitoring** is inadequate – inspections decreased significantly and were de-centralised without clear rationale.

**Enforcement** practices are concerning:

- Poor data meant it wasn't possible to assess timeliness, consistency and appropriateness of enforcement action.
- The review panel was not fulfilling its role.
- The enforcement policy lacked sufficient detail (penalties, triggers for response).

## 2. Oversight deficit – roles for departments

Devolved accountability and ‘subsidiarity’ – delegation to the lowest or least centralised authority.

- This can lead to gaps and challenges in **oversight** arrangements. Who is monitoring? Whose responsibility is compliance? What is the role of departments and central agencies?

Audits found that:

- departments should **strengthen oversight and guidance** for portfolio entities (*Managing Teacher Performance in Government Schools, Tendering and Contracting in Local Government*).
- **central agencies** should take a stronger oversight role for whole-of-government policies (*Maintaining the Integrity and Confidentiality of Personal Information; Managing the Requirements for Disclosing Private Sector Contracts; Auditor-General’s Report on the Annual Financial Report*).

This audit found inconsistencies and gaps in how schools assess teachers.

The Department of Education and Early Childhood Development (DEECD) does not routinely assess how well schools evaluate teachers or whether they are in line with departmental requirements.

We recommended a stronger role for DEECD in monitoring its **portfolio entities** (schools) including:

- mandating a set of core performance indicators and an assessment scale
- getting regular and reliable assurance that schools are managing performance in line with its requirements.

Agencies have not always complied with the requirement to publish contracts with a value greater than \$10 million.

- 43 contracts worth more than \$10 million were not disclosed, adding to a total value of about \$3 billion.

There is confusion about requirements – what is required and who it applies to.

Stronger **central agency** guidance from the Victorian Government Purchasing Board is required. Current tools are weak and there is insufficient oversight.

### 3. Decision-making and planning

Good management and effective projects need high quality analysis and information to underpin decision-making and planning.

Audits found that:

- business cases were not always used when, how, or as well as they could/should be (*Management of Major Rail Projects, Rollout of the AMI project*)
- sometimes documentation did not show an adequate basis for significant decisions involving public resources (*Irrigation Efficiency Programs, Management of the Community Support Fund*).

Weak analysis at the decision-making stage compromised the efficiency and effectiveness of the programs.

Decisions to invest around \$2 billion in irrigation efficiency projects (2004–07) were **poorly informed**.

- Advice was based on unverified assumptions and unproven technology.
- **Business cases** were not sufficiently rigorous for the risk and cost of the proposed projects.

It's now uncertain whether the assets will achieve targeted water savings or whether they were the best way of achieving government policy objectives of saving/securing water.

Programs funded and authorised by Parliament to achieve **outcomes** for the public.

- The public sector has an obligation to ‘report back’ to Parliament and the public on whether outcomes are achieved.
- However this information is often missing from the public realm.

Audits found that:

- **program outcomes** were not included in **performance reporting** (*Making Public Transport More Accessible for People Who Face Mobility Challenges, Performance Reporting in Departments*)
- a lack of clear measurable outcomes at the **planning stage** makes it difficult to clearly determine whether benefits were achieved (*Irrigation Efficiency Programs, Management of Major Rail Projects*).

This audit found that the Department of Transport (DOT) complied with disability standards across most parts of the public transport system.

However, it has not adequately measured how its actions have affected people with a disability.

This raises the questions: What are the outcomes? Are DOT's initiatives effective?

This information should be publically shared, once available.

*‘Overall, there is **a lack of effective outcomes performance reporting** across the departments, and the standard of reporting varies considerably.*

*Only **a few departments** were able to demonstrate the extent to which objectives had been met.*

*While other jurisdictions have made considerable advances in outcomes performance reporting over the last decade, Victoria has made little demonstrable on the ground progress.’ (p. vii)*

Performance information is crucial in demonstrating public value – a ‘proxy for profit’.

Previous years’ audits highlighted weaknesses in the design and use of performance information.

2009–10 audits found these issues have persisted:

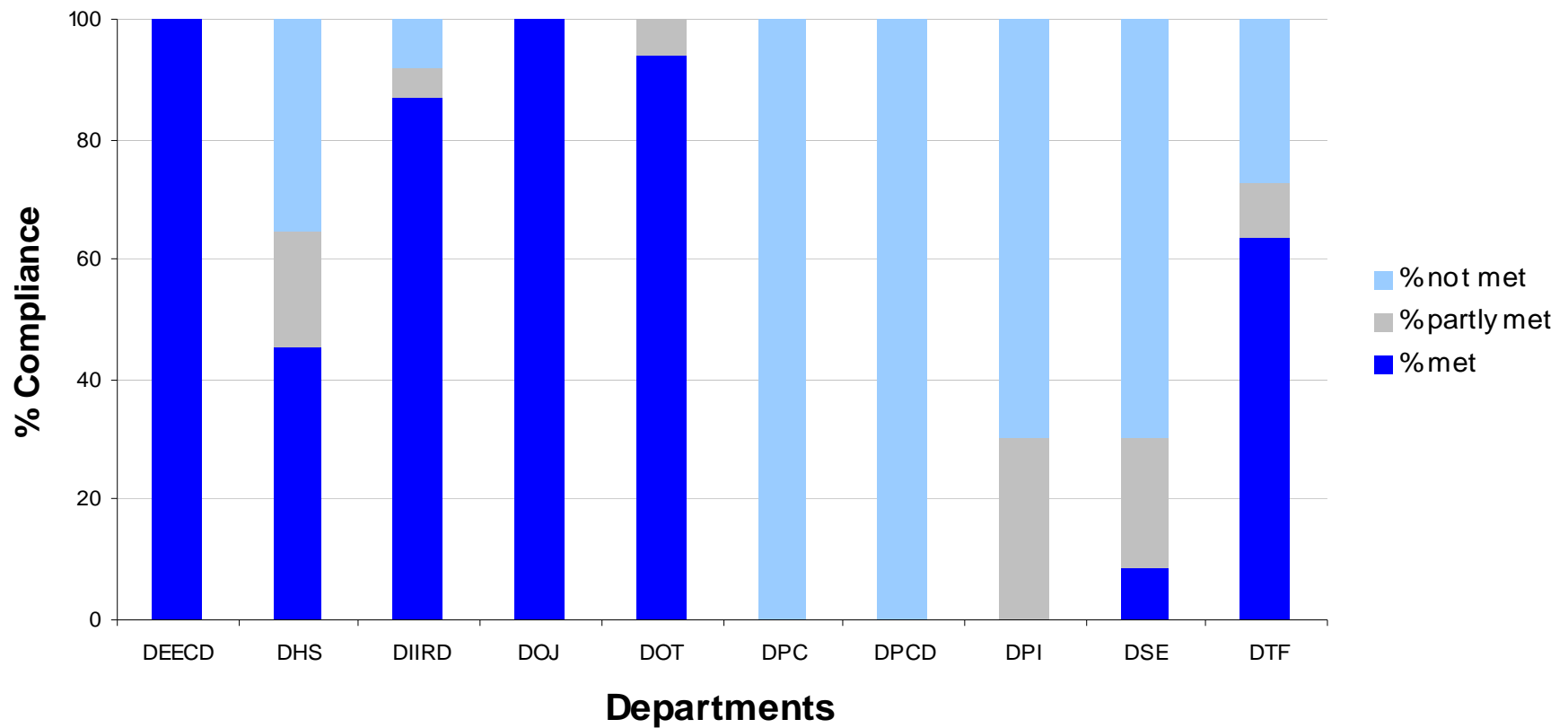
- There is a **lack of relevant and appropriate indicators** – only around 30% of the 322 performance indicators examined were both relevant and appropriate (*Performance Reporting by Departments*).
- Performance measures should ideally be **mandated** and **audited** (*Tertiary Education and Other Entities: Results of the 2009 Audits, Managing Teacher Performance in Government Schools*).

# Performance Reporting by Departments

– May 2010

VAGO

## Relevance of department performance indicators

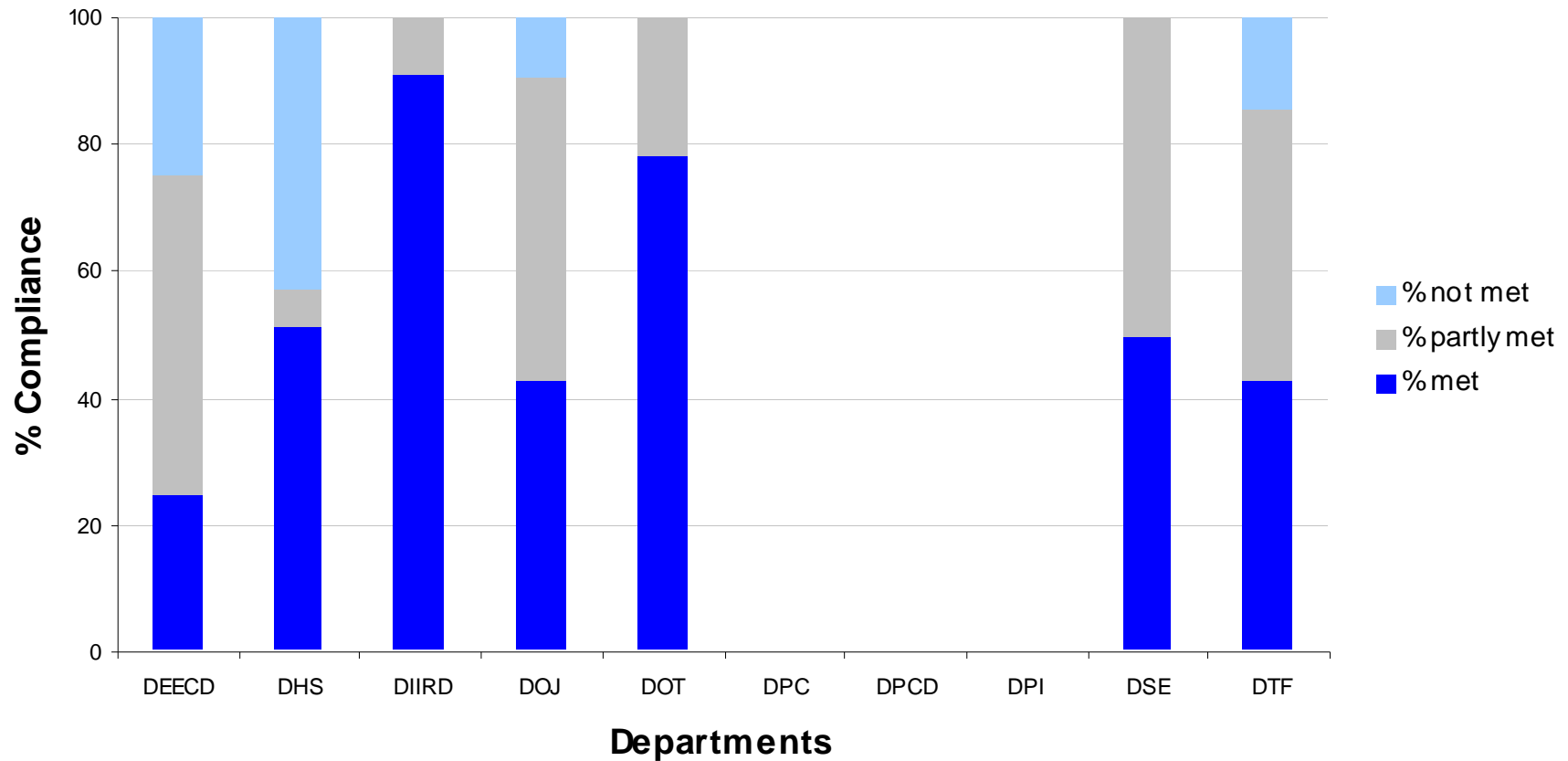


# Performance Reporting by Departments

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## Appropriateness of departmental performance indicators



Information technology is a consistent ‘governance soft spot’ in the public sector.

2009–10 financial audits have (again) found issues with:

- continuity; weaknesses in business continuity plans and disaster recovery
- outsourcing; outsourced provision is common, yet contracts are not always in place and performance monitoring was often inadequate.
- security; poor controls over password and remote access, with limited monitoring of the integrity of security systems.

*Linked to the previous theme*

A vast amount of **personal information** is held by public sector entities. Weak control environments put this information at risk.

Financial audits found that information could easily be compromised and that the sector (and its systems) often lacked robust controls in this area.

A major cross-sector performance audit found evidence that the risk of inappropriate use of information had, in some cases, translated into reality.

This audit found that the confidentiality of personal information collected and used by the public sector can be, and has been, easily compromised.

- Unauthorised people could access personal information quickly and easily.
- Database access controls were either missing or not operating.
- Systems logs were not maintained nor routinely reviewed.
- Personal information was stored and exchanged in unsecured formats.
- Third parties (e.g. vendors) didn't certify that their security arrangements at least equalled public sector requirements.

Public sector management requires the highest standards of **probity**. Conflicts of interest must be declared and managed.

Audits found sector-wide issues, including:

- no systematic gathering of declarations of interest
- no consolidated policies
- a lack of guidance on managing conflicts, once declared
- a lack of clarity on consequences for non compliance
- a need for improved (more frequent, more inclusive) training
- conflicts of interest on tender panels in local government.

*(Portfolio Departments: Interim Results of the 2009–10 Audits, Tendering and Contracting in Local Government)*

We share these lessons to help drive improvement across governance, compliance and performance.

Agencies should continue to learn from audits. Audits are not a closed book but should inform the future.

Agencies can learn from:

- agency internal and external audits
- other people's audits (*one advantage of* <sup>22</sup>

Audits and reviews are not about **avoiding risk**,  
but **allowing intelligent risk-taking**.

Audits inform risk assessment

Risk informs your governance practice

Governance drives compliance

Compliance underpins performance

More information

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