

Responses to Performance Audit Recommendations: 2012–13 and 2013–14

Tabled 8 December 2015

The Auditor-General provides assurance to Parliament on the accountability and performance of the Victorian Public Sector. The Auditor-General conducts financial audits and performance audits, and reports on the results of these audits to Parliament.

On 8 December 2015, the Auditor-General tabled his performance audit report, *Responses to Performance Audit Recommendations: 2012–13 and 2013–14*.

Overview

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- Our performance audits cover a range of public sector agencies, services and issues.
- Capacity to make a significant positive impact.
- Can only be achieved when agencies accept and fully enact audit recommendations.

Our performance audits cover a wide range of public sector agencies, services and issues, and as such have the capacity to make a significant positive impact on improving the management and delivery of public services.

However, this can only be achieved when agencies proactively engage with us in developing audit recommendations, which they accept and fully enact.

Overview – *continued*

We found that:

- there was a high level of acceptance of performance audit recommendations
- some responses lack information to assess if recommendations have been fully addressed
- only half of the outstanding 2012–13 recommendations were completed.

We found that:

- there were high levels of acceptance of performance audit recommendations, and reports of completed and substantially completed recommendations
- the quality of some responses still lack sufficient information to enable us to assess whether recommendations have been fully addressed. In our previous report these issues were also highlighted and guidance was provided to agencies—this has had little effect.
- at least two years on from when the 2012–13 recommendations were originally made, just over a half of those that were outstanding in last year's report are still not fully actioned.

Background

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- Performance audits provide independent assurance to Parliament and the community.
- Performance audits include recommendations for agencies to implement to address identified issues.
- In 2014, the Auditor-General started asking agencies to provide action plans.

Performance audits are a key mechanism to provide independent assurance to Parliament and the community on public sector performance. They include recommendations designed to address the issues that an audit has identified.

Performance audits include recommendations for agencies to implement and are designed to address the issues that an audit has identified, with the aim of improving the management and delivery of public services.

In 2014, the Auditor-General started asking agencies to specify what actions they plan to take, and the time frames for implementing recommendations. These action plans provide the baseline against which progress is assessed in our follow-up audits.

Background – *continued*

- Standing Direction 2.6 (f) of the *Financial Management Act 1994* requires agencies to monitor the implementation and completion of recommendations.
- We made 482 recommendations during 2013–14 and agencies previously reported 180 recommendations from 2012–13 as outstanding.
- We provided audited agencies with an opportunity to respond to individual recommendations for both years.

Agencies are required under Standing Direction 2.6 (f), of the *Financial Management Act 1994*, to closely monitor whether accepted recommendations are implemented and completed in a thorough and timely manner.

During 2013–14, we made 482 recommendations as part of 29 performance audits. In addition there were 180 outstanding recommendations from our 2012–13 audits.

We provided each of the audited agencies with an opportunity to respond to each individual recommendation from both years.

Focus of this audit

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Key areas examined

Public sector agency response to, and monitoring of, performance audit recommendations.

Can agencies:

- articulate responses that directly address recommendations in a timely manner and outline actions
- identify and report how they monitor responses.

Audit scope

- Forty-nine agencies subject to recommendations in 2013–14.
- Thirty agencies outstanding recommendations from 2012–13.

The focus of this audit was to determine the extent of public sector agency response to, and monitoring of, VAGO performance audit recommendations.

The audit examined whether 49 agencies subject to recommendations in 2013–14 and 30 agencies with outstanding recommendations from 2012–13 audits can articulate responses that directly address recommendations made to them in a timely manner that outline any action taken and, where relevant, time lines for further actions.

The audit also examined if agencies can identify and report on how they monitor responses to recommendations.

Action taken on recommendations

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- Agencies fully accepted 96% of recommendations from 2012–13 and 2013–14.
- 70% of the 2013–14 recommendations were either completed or substantially completed.
- Half of the outstanding 2012–13 recommendations are yet to be completed.

Swift action is required to complete outstanding 2012–13 recommendations.

Agencies fully accepted 96 per cent of recommendations from our 2013–14 performance audits. We gave agencies the opportunity to reaffirm their acceptance of the outstanding recommendations from 2012–13 and agencies also fully accepted 96 per cent of these.

Agencies reported that nearly 70 per cent of 2013–14 recommendations were either completed or substantially completed.

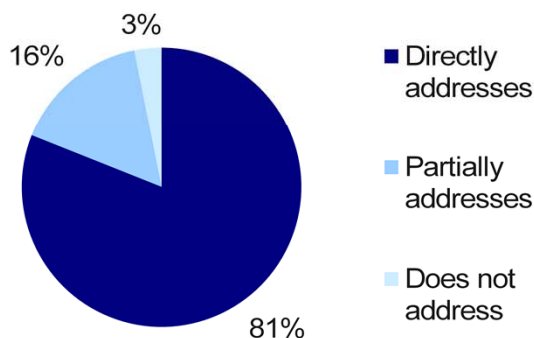
Just over a half of the outstanding recommendations from 2012–13 are still to be fully actioned and agencies will be requested for a third time to report on this progress.

Swift action is now required to complete these outstanding recommendations to ensure that risks are addressed, standards are improved and efficiencies are gained in a timely manner.

Fully addressing recommendations

- 81% of agency responses directly and clearly addressed the recommendations.
- Our previous report highlighted high-quality and poor responses to help agencies improve their reporting.

Did agency responses clearly and directly address the recommendations?



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Some agencies need to improve the clarity, completeness and relevance of their progress reports.

We assessed whether agency responses directly addressed the recommendations and clearly explained how recommendations were implemented. Of the 448 fully accepted and acted on recommendations, 81 per cent of agency responses directly and clearly addressed them.

Our report on the 2012–13 recommendations highlighted both high quality and poor responses to help agencies improve their monitoring and reporting practices. However, this has had a limited effect on the quality of responses, which still vary significantly in clarity.

Some agencies still need to improve the clarity, completeness and relevance of their progress reports.

Timeliness of action

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- On average, agencies took 3.8 months to commence work on recommendations.
- The time taken to complete action on recommendations is an average of 10.4 months.

Generally agencies started work earlier and completed actions sooner than reported previously.

On average, agencies reported taking 3.8 months from the audit report tabling date to commence work on recommendations, 1.6 months less than reported last year.

Similarly, the average time taken to complete recommendations has fallen by three months from 13.4 months to 10.4 months.

Generally, agencies started work on recommendations earlier and completed actions sooner than reported previously.

Monitoring and reporting recommendations

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- Majority of agencies assigning responsibilities for action to responsible individuals.
 - Reflected in the completion rates for agencies that took this approach.
- A fifth of agencies neither provided reports or identified audit committees as playing a monitoring role.

Further work is required on compliance with the Standing Directions of the *Financial Management Act 1994*.

The majority of agencies, 82 per cent, reported assigning recommendations to responsible individuals. Nearly half of these individuals held executive management positions.

This greater accountability is reflected in the completion rates for agencies that took this approach.

Just over half of the agencies reported that audit committees had a role in monitoring progress against performance audit recommendations.

However, a fifth of agencies did not provide regular progress reports to their audit committees or identify their committees as playing a monitoring role.

Further work is required around compliance with the Standing Directions of the *Financial Management Act 1994*, to ensure the oversight that audit committees are expected to provide is achieved.

Key messages

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Swift action is required to complete outstanding 2012–13 recommendations.

Some agencies need to improve the clarity, completeness and relevance of their progress reports.

Further work is required on compliance with the Standing Directions of the *Financial Management Act 1994*.

The key messages of this report are:

- Swift action is required to complete the outstanding 2012–13 recommendations.
- Some agencies need to improve the clarity, completeness and relevance of their progress reports.
- Further work is required on compliance with the Standing Directions of the *Financial Management Act 1994*.

Overall message

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Again agencies reported a high level of acceptance and completion of recommendations. However, some agencies need to improve the quality of their progress reports.

The overall message of this audit is that:

Agencies again reported a high level of acceptance and completion of recommendations. However some agencies need to improve the quality of their progress reports.

Relevant audits

- *Responses to 2012–13 Performance Audit Recommendations* (February 2015)
- *Follow up of Collections Management in Cultural Agencies* (August 2015)
- *Follow up of Management of Staff Occupational Health and Safety in Schools* (August 2015)
- *Follow up of Managing Major Projects* (August 2015)

Relevant audits:

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- Follow up of Collections Management in Cultural Agencies (September 2015)
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Contact details

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For further information on this presentation please contact:

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If you have any questions about this or other reports, or if you have anything else you would like to discuss with us including ideas for future audit topics, please call us on 03 8601 7000 or contact us via our website.