



# Annual Plan 2016–17



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The Victorian Auditor-General's *Annual Plan 2016–17* was prepared pursuant to the requirements of section 7A of the *Audit Act 1994*, and tabled in the Victorian Parliament on 8 June 2016.

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# Acting Auditor-General's comments

This annual plan is a primary accountability mechanism for my office. The reports my office plans to produce in 2016–17, as well as the topics we intend to cover the following year, are shown in Figure 1 on page 2.

As in previous years, extensive consultation has been undertaken with a wide range of stakeholders to develop this program. This year, consultation was expanded to include Parliamentary Committees in addition to departments, portfolio agencies, and integrity and oversight bodies, further ensuring that our primary stakeholders in Parliament and their nominated committees are provided with adequate opportunities to offer input into the development of our audit program. This year, we will report on audits of public participation in government decision-making, regulating gambling and liquor, effectiveness of the Victorian Public Sector Commission, and information and communications technology strategic planning in the health sector, among many other important topics.

As outlined on page 14, a restructure of our Performance Audit division has been undertaken this year, to better target audit effort and maximise our impact across the public sector. In addition, we have also further developed and strengthened the methodology and criteria we use to guide our topic assessment and selection. These measures are designed to direct our efforts towards doing the right audits at the right time, and using our resources to make a difference in the community.

I welcome Parliament's recent passage of the *Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016* amending the *Audit Act 1994* (the Act). This new legislation provides my office with the capacity to consider and report on the performance of bodies delivering government services under contract. While it goes a long way towards delivering on the Victorian Government's pre-election commitment to provide us with robust and unfettered follow-the-dollar powers, further reforms are needed to bring the Act up to date with the contemporary public sector, preserve the independence of Parliament's auditor, and improve transparency and accountability to the Victorian community. Figure 1 on page 2 identifies five audits that may utilise the new follow-the-dollar powers.

The *Annual Plan 2016–17* has been prepared and tabled in the transition between the resignation of Victoria's 26th Auditor-General and the commencement of Victoria's 27th Auditor-General. Consequently, drawing on the incoming Auditor-General's fresh perspective, the issues and areas of audit focus we have currently proposed in this Annual Plan may well be subject to review and revision. We will continue to communicate with audited agencies across the year and advise our agency contacts on any potential changes to their programs.

Finally, I thank the members of the community, Parliamentarians and public sector staff who have engaged with us as part of our planning process to help create this topical and comprehensive program of audits. I encourage you to continue doing so as part of our planning processes for future years.



Peter Frost  
Acting Auditor-General

8 June 2016

Figure 1: Proposed VAGO reports to Parliament and other key publications, 2016–17 and 2017–18

2016–17	2017–18
<b>Performance audits</b>	
<b>Community safety</b>	
Diverting young people from the criminal justice system	Developing and evaluating justice policies ▲
Managing community correction orders	Managing private prisons \$ ▲
Regulating gambling and liquor	Managing sex offenders ▲
	Property and exhibit management ▲
<b>Education</b>	
	Effectiveness of school governance
<b>Environment</b>	
Effectiveness of the Environmental Effects Statement process ▲	Implementing the Victorian Coastal Strategy
Enhancing food and fibre productivity	Meeting future water security challenges \$
Managing Victoria's planning system for land use and development	Mining rehabilitation ▲
Meeting obligations to protect Ramsar wetlands	Victoria's air quality ▲
Effectively planning for growth	
<b>Health and human services</b>	
Access to public dental services in Victoria	Clinical governance of Victorian health services ▲
Efficiency and effectiveness of hospital services: Emergency care ▲	Community-based youth services \$ ▲
	Community health centres \$ ▲
<b>Infrastructure</b>	
High Value High Risk	High Value High Risk
Maintaining state-controlled roadways ▲	Managing the level crossing removal program ▲
Managing school infrastructure	
Managing Victoria's public housing	
<b>Investments</b>	
Audit committee governance	Fraud and corruption prevention strategies in the public sector ▲
Board performance	Implementing the taxi industry reforms ▲
Effectively managing freight growth	Local government and economic development ▲
Effectiveness of the Victorian Public Sector Commission ▲	Reforming the skills system ▲
Internal audit programs	Supporting workers in transitioning industries ▲
Managing the performance of rail franchisees	V/Line passenger services ▲
Managing public sector records	Workforce participation ▲
Public participation and community engagement—Local government sector	Workforce planning ▲
Public participation in government decision-making	
<b>Follow-up program</b>	
Three limited scope follow-up audits	Three limited scope follow-up audits
<b>Financial audits</b>	
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2015–16 (sector wide)	Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2016–17 (sector wide)
Local Government: 2015–16 Audit Snapshot (local government sector)	Local Government: 2016–17 Audit Snapshot (local government sector)
Portfolio Departments and Associated Entities: 2015–16 Audit Snapshot (sector wide)	Portfolio Departments and Associated Entities: 2016–17 Audit Snapshot (sector wide)
Public Hospitals: 2015–16 Audit Snapshot (health sector)	Public Hospitals: 2016–17 Audit Snapshot (health sector)
Technical and Further Education Institutes: 2016 Audit Snapshot (education sector)	Technical and Further Education Institutes: 2017 Audit Snapshot (education sector)
Universities: 2016 Audit Snapshot (education sector)	Universities: 2017 Audit Snapshot (education sector)
Water Entities: 2015–16 Audit Snapshot (environment sector)	Water Entities: 2016–17 Audit Snapshot (environment sector)
<b>Information systems audits</b>	
Health ICT strategic planning	Digital dashboard: Status review of major ICT projects and initiatives – Phase 3
Hospital patient data security ▲	ICT disaster recovery planning \$ ▲
Security of infrastructure control systems for trains	Security and privacy over surveillance technologies ▲
Financial systems controls report	Financial systems controls report
<b>VAGO accountability products</b>	
Annual Plan 2017–18	Annual Plan 2018–19
Annual Report 2015–16	Annual Report 2016–17

Note: ▲ indicates a new report not in the previous annual plan. \$ indicates audits with follow-the-dollar potential. Yellow shading indicates Financial Audit reports.



1

# Our products and services



## 1.1 Introduction

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The Auditor-General is required to prepare and table an annual plan before 30 June that describes the proposed work program (Figure 1) for the coming financial year (section 7A of the *Audit Act 1994*). This provides Parliament, the public sector and the community with an opportunity to assess our goals, understand our priorities, and scrutinise our proposed work program for 2016–17 and 2017–18.

## 1.2 Role of the Auditor-General

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The role of the Auditor-General is to provide independent assurance to Parliament and the Victorian community on the financial integrity and performance of the state. We do this primarily by undertaking financial audits and performance audits of public sector entities. The entities themselves are accountable to Parliament for their use of public resources and the powers conferred on them by Parliament.

## 1.3 Guiding legislation

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The principal pieces of legislation governing and guiding the Auditor-General and the Victorian Auditor-General's Office (VAGO) are:

- the *Constitution Act 1975*, which establishes the role of the Auditor-General and gives the Auditor-General complete discretion in the performance and exercise of his/her functions and powers
- the *Audit Act 1994*, which establishes the Auditor-General's mandate, provides the legal basis for his/her powers, and identifies the Auditor-General's responsibilities.

Under the *Audit Act 1994*, the Auditor-General has the power to audit departments, public bodies, councils and other entities controlled by the state or a public body.

The key responsibilities of the Auditor-General as established by legislation are:

- financial audits
- performance audits
- publications for accountability and reporting purposes, such as the annual plan and annual report.

In addition, to increase the impact of our audits, the Auditor-General conducts other audit and accountability activities that relate to his/her primary responsibilities.

### 1.3.1 The need for legislative change

The *Audit Act 1994* (the Act) is now seriously out of date and, after more than 20 years, is failing to keep pace with contemporary trends in public service delivery. While extensive reforms to the Act recommended in a 2010 Parliamentary inquiry have yet to occur, VAGO welcomes the Victorian Government's decision to undertake a broad review of the Act in 2016.

The recently passed *Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016* delivers on urgent reforms sought by VAGO, such as follow-the-dollar powers—the capacity for performance audits to call for information from bodies providing government services under contract. The audit program on page 2 identifies five audits that may utilise any new follow-the-dollar powers provided to the Auditor-General.

Further changes are needed to bring the Act up to date with the contemporary public sector, preserve the independence of Parliament's auditor, and improve transparency and accountability to the Victorian community. More information on VAGO's priorities for reform is available on our website at [www.audit.vic.gov.au](http://www.audit.vic.gov.au).



## 1.4 Our funding, outputs and targets

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The resources allocated to VAGO each year to deliver our products and services are determined through Victoria's annual budget process. Under the State Budget framework, our resourcing is based on two output groups:

- **Output 1:** Parliamentary reports and services—this includes our reports to Parliament on both performance and financial audits, as well as our response to inquiries from Parliament and the public.
- **Output 2:** Audit reports on financial statements—this covers activities related to our financial audit function.

Performance measures for these VAGO outputs are published each year in the State Budget Papers and are reproduced in Figures 2 and 3. We will report on achievement of these targets in our annual report.

More information on the planned outputs of our performance, financial and information system audit functions is included in Parts 3, 4 and 5 of this annual plan.

## 1.5 Communication of findings

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As part of supporting VAGO's core audit functions, we have a stakeholder engagement framework that aims to share the results of our audit findings and to encourage agencies to act on audit recommendations.

We engage with stakeholders through a range of mechanisms including briefings and presentations to Members of Parliament, integrity bodies and audited agencies. We communicate findings of audits through presentations, meetings and one-on-one briefings to stakeholders, and also through the provision of media releases, submissions to inquiries and reviews, lectures, articles and occasional papers. We also provide information on our website ([www.audit.vic.gov.au](http://www.audit.vic.gov.au))—including reports, short videos and other summaries.

## 1.6 Accountability and reporting publications

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The *Audit Act 1994* includes accountability and reporting requirements for VAGO—specifically, that VAGO table an annual plan (see section 1.1) and an annual report in Parliament.

The annual report contains VAGO's financial statements and a report of operations. The financial statements are required to be audited by an independent auditor who is appointed by the Public Accounts and Estimates Committee. The report of operations and financial statements need to comply with reporting requirements of the *Audit Act 1994*, the *Financial Management Act 1994*, the Financial Reporting Directions and Standing Directions of the Minister for Finance and applicable Australian Accounting Standards. The annual report includes an acquittal of our output performance measures established in the State Budget Papers. It also includes an appendix of Key Audit Themes—a summary of the most frequent and significant audit findings, which offer opportunities for agencies to learn from the experience of others.

Figure 2: Output 1—Parliamentary reports and services

Performance measure	Unit of measure	2016–17 target	2015–16 expected outcome	2015–16 target	2014–15 actual
<b>Quantity</b>					
Auditor-General's reports	number	36	36	36	36
<b>Quality</b>					
Average score of audit reports by external/peer assessors	per cent	80	80	80	86
Overall level of external satisfaction with audit reports and services—Parliamentarians	per cent	85	85	85	81
<b>Timeliness</b>					
Inquiries from Members of Parliament and the public responded to within 28 days	per cent	95	95	95	98
Reports completed on time	per cent	90	90	90	97
<b>Cost</b>					
Total output cost <sup>(a)</sup>	\$ million	16.9	15.9	16.7	16.1

(a) The higher 2016–17 target reflects indexation.

Source: 2016–17 Budget Papers.

Figure 3: Output 2—Audit reports on financial statements

Performance measure	Unit of measure	2016–17 target	2015–16 expected outcome	2015–16 target	2014–15 actual
<b>Quantity</b>					
Audit opinions issued on nonfinancial performance indicators	number	110	110	110	108
Audit opinions issued on the financial statements of agencies	number	547	547	547	547
<b>Quality</b>					
External/peer reviews finding no material departures from professional and regulatory standards	per cent	100	100	100	86
<b>Timeliness</b>					
Audit opinions issued within statutory deadlines	per cent	98	98	98	99
Management letters issued to agencies within established time frames <sup>(a)</sup>	per cent	90	90	90	91
<b>Cost</b>					
Total output cost <sup>(b)</sup>	\$ million	25.7	24.7	24.1	22.9

(a) Management letters are issued to audited agencies on matters arising from audits, including observations about the quality of internal controls in place, accounting issues and compliance with applicable laws and standards.

(b) The higher 2016–17 target reflects indexation and increased employee costs.

Source: 2016–17 Budget Papers.



### 1.6.1 Other publications

In addition to VAGO's stakeholder engagement, we occasionally produce publications including better practice guidance, information pieces and occasional papers and contributory articles in books and journals.

Through our audit work, we collect information, knowledge and experience that has relevance beyond solely acquitting our legislative responsibilities. While we have strict secrecy provisions around audit evidence, there is some information that we are able to share which can be used by external stakeholders to help inform their own activities.

#### **Better practice guidance**

From time to time, the Auditor-General publishes better practice guidance in relation to an aspect of public sector activity where we have found systemic problems with performance or accountability.

#### **Information pieces**

VAGO publishes occasional information pieces on areas of high public interest to maximise the value to the community from the information we collect. This is achieved with consideration to secrecy provisions under the legislation and adds transparency to complex areas of public sector activity.

#### **Articles and publications on results of audits**

In order to drive action on audit findings and to share lessons from our audits, we occasionally publish papers or contribute articles to books and journals, based on our reports to Parliament.

### 1.6.2 Strengthening Victoria's accountability framework

VAGO has a unique perspective on the regulatory and policy framework governing the accountability of the Victorian public sector. We draw on our experience, expertise and research to contribute to the development of audit and accountability policy in the Victorian public sector, including reforms to legislation, regulation and standards. This takes the form of submissions to relevant Parliamentary or government inquiries, meetings with entities, and comments on exposure drafts. These activities help to increase the impact of our audits, as they ensure that the audit function remains robust and relevant to the Victorian community.

In 2016–17, VAGO will:

- continue to provide submissions to relevant Parliamentary or other inquiries
- continue to provide advice to government and advocate changes to the *Audit Act 1994*
- respond to exposure drafts of new accounting and auditing standards relevant to the Victorian public sector
- meet with representatives of agencies developing policy on audit and accountability issues
- monitor other developments in legislation, regulation and policy, and provide advice on audit and accountability implications
- implement the requirements of the *Privacy and Data Protection Act 2014*.







2

Factors  
shaping our  
audit program



### 2.1 A relevant, responsive and risk-based program

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In developing a quality work program, VAGO gathers a wide range of information, applies rigorous analysis, and undertakes extensive stakeholder consultation to identify and guide the development of our audit topics and areas of focus.

This input also ensures that our audit program keeps up with the changing priorities and challenges of the Victorian public sector.

### 2.2 Where do we get our ideas?

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To identify potential performance and financial audit topics we:

- perform environmental scanning
- consult with external stakeholders.

#### 2.2.1 Environmental scanning

Environmental scanning is a year-round process which includes ongoing research as well as the identification of key risks and challenges for public sector performance and accountability. It provides audit teams with an understanding of the particular context of that sector, as well as any relevant policy goals and service objectives set by the government of the day.

Our scanning includes consideration of research, statistical data and reports from external sources, information gathered from audits, and the examination of underlying trends to identify recurring findings. Key risks against our responsibilities under legislation are also considered as part of this process.

Examples of scanning activities include sourcing information from the Australian Bureau of Statistics, Parliamentary committees, other Auditor-General offices, integrity bodies, various documentation—such as budget papers and annual reports—and agencies' strategies and structures.

We also use input from members of the community who have shared their concerns about public sector performance and accountability. Examples of proposed audits arising from issues raised by the community in the past year include:

- Managing Victoria's public housing, 2016–17 (page 26)
- Mining rehabilitation, 2017–18 (page 22)
- Maintaining state-controlled roadways, 2017–18 (page 25).

#### 2.2.2 Stakeholder consultation

We consult widely to gather information and ideas for audit topics and to discuss the merits of, and approach to, potential audit topics. We seek input from Parliamentarians, Parliamentary committees, the public sector and other key stakeholders. This consultation helps us to refine our audit topics and areas of focus.

We analyse consultation feedback to identify recurring themes and instances of high relevance to our mandate. These are then fed into the planning process for consideration.

##### **Public sector and other key sector stakeholders**

Along with gathering information from the public sector, we consult heads of agencies, boards, audit committees and agency staff to help us understand the context of the information we have gathered and to assess the value of potential audit topics. We also consult other Victorian integrity bodies including the Independent Broad-based Anti-corruption Commission (IBAC) and the Victorian Ombudsman.

Audit teams also meet with representatives from industry, peak bodies, advocacy groups, community groups, unions and academics. This engagement can be through one-on-one meetings, facilitated focus groups, roundtable discussions and surveys.

Examples of proposed audits arising from issues raised by public sector and other key stakeholders in the past year include:

- Reforming the skills system, 2017–18 (page 32)
- Implementing the Victorian Coastal Strategy, 2017–18 (page 21)
- Security and privacy over surveillance technologies, 2017–18 (page 46).

### Parliamentarians

The interests of Parliamentarians are particularly relevant to our work, as they represent the interests of their communities. Throughout the year, we collect ideas and feedback from Parliamentarians on our work program through Parliamentary report tabling briefings, one-on-one meetings, surveys and correspondence.

Examples of proposed audits arising from issues raised by Parliamentarians in the past year include:

- Effectiveness of the Environmental Effects Statement process, 2016–17 (page 19)
- Effectiveness of school governance, 2017–18 (page 19)
- Community-based youth services, 2017–18 (page 24).

### Public Accounts and Estimates Committee

Our key mechanism for consulting Parliament on our proposed audit program is through the Public Accounts and Estimates Committee (PAEC). The *Audit Act 1994* requires us to seek PAEC's comments on our draft annual plan.

This year, PAEC provided useful inputs to our annual plan, including proposed audits for our future audit program and suggestions to improve the transparency and accountability of the plan.

Our legislation requires us to publish in the annual plan any changes to the draft plan suggested by PAEC that the Auditor-General does not adopt. Figure 4 identifies the suggestions and responses provided to PAEC for areas that we have not included in our 2016–17 annual plan.

**Figure 4: VAGO response to PAEC's suggested changes not included in the Annual Plan 2016–17**

PAEC consideration	VAGO response
For the performance audit on V/Line Passenger Services, in lieu of recent developments occurring in V/line, this performance audit should be moved to 2016–17 instead of 2017–18.	Keeping the proposed audit in 2017–18 allows sufficient time for V/Line to fully implement corrective actions currently underway, and enables the audit to determine whether these actions have addressed the range of service delivery issues recently encountered.

### Input for future audit topics

We will continue to consult with key stakeholders, including audited agencies and their audit committees, as we develop audit topics for future annual plans. VAGO also welcomes ideas and input from the community on topics of interest for future years. Suggestions can be directed to the Auditor-General via email, post or the easy-to-use contact form on our website, [www.audit.vic.gov.au](http://www.audit.vic.gov.au).

### 2.3 Deciding on the program

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Our scanning, consultation and analysis led to the identification of a large range of possible audit topics for 2016–17 and 2017–18. Each potential audit topic was assessed as part of the selection process, and then the balance and coverage of the program was considered as a whole.

#### 2.3.1 Assessing topics

Potential financial audit areas of focus are selected by considering how effectively they cover our legislative obligation to assess waste, probity and financial resource management, and address risks within the operating environment of the audited agency.

Potential performance audit topics are assessed based on a consideration of the following factors.

##### **Risk**

We use a definition of risk consistent with *AS/NZS ISO 31000:2009 Risk Management*. For each topic, we assess the possible impact and consequences if the public sector services were not delivered or if government's objectives were not achieved.

##### **Materiality**

Materiality describes the size or scale of the relevant operational area or public sector program. It is a concept that helps us consider how significant the audit will be to the Victorian community. We consider three kinds of materiality:

- economic materiality—for example, cost of program, economic impact of activity
- social materiality—for example, number of people affected, community impact and interest
- environmental materiality—for example, biodiversity, pollution, impact on the environment.

##### **Potential for VAGO to have an impact**

In examining the potential impact of a particular audit topic, we seek to determine if it has the potential to:

- improve the achievement of government's desired outcomes or program objectives (effectiveness)
- improve the management of public resources (efficiency, economy)
- identify solutions to significant systemic portfolio risks/challenges.

##### **Potential for VAGO to address matters of public interest**

We also consider the potential for an audit topic to address matters of significant public interest—specifically, if the audit topic has the potential to improve:

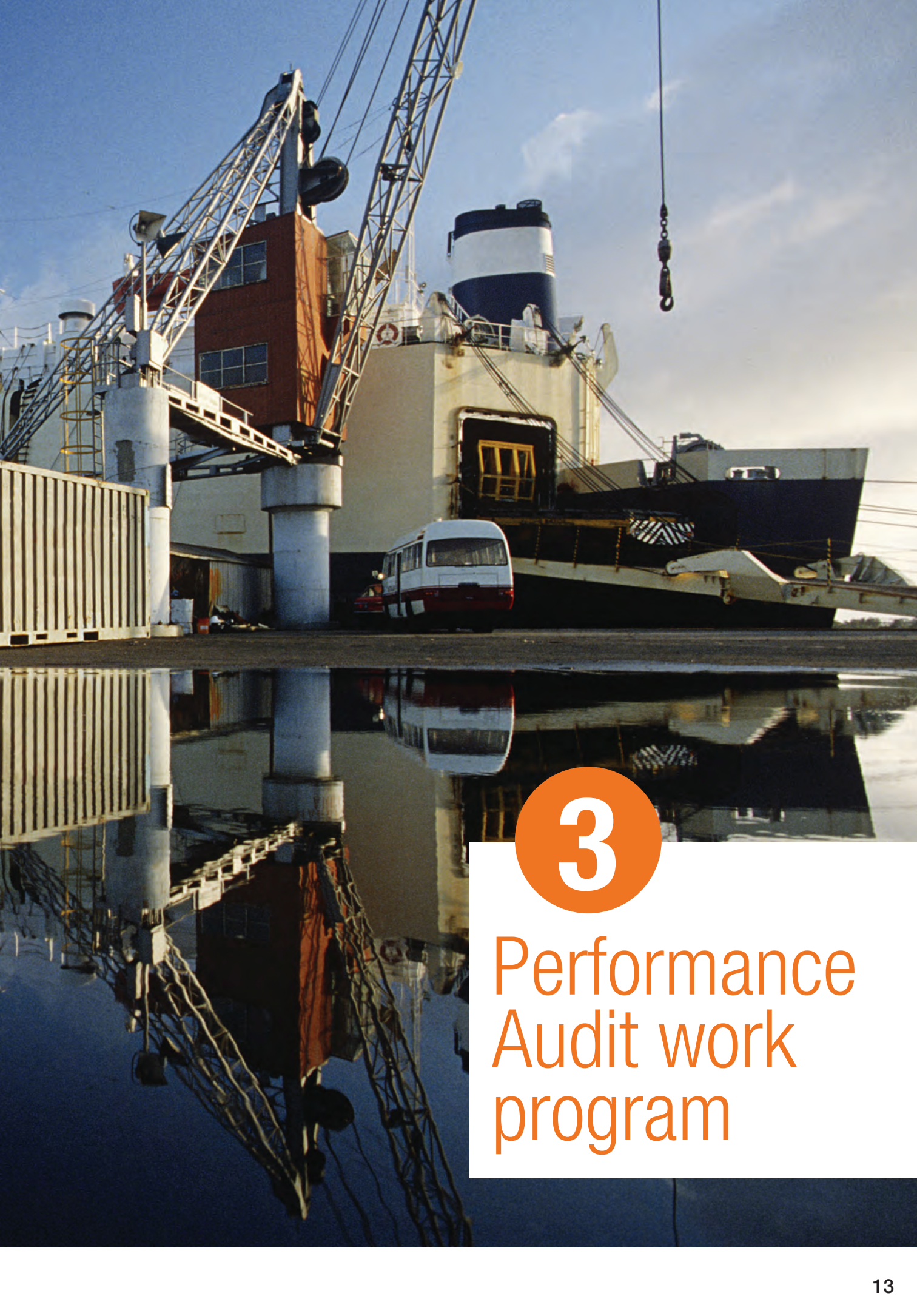
- public confidence in the integrity of public administration
- outcomes for key segments of the community (e.g. vulnerable people, regional Victoria and Indigenous Australians)
- the public's understanding of high-profile, contentious issues.

##### **Balance and coverage of the program**

When finalising topic selection, we consider whether we have effectively covered our legislative obligations to review efficiency, effectiveness, economy and compliance with all relevant Acts and to consider waste, probity and resource management. We also consider the spread of activity across both the sectors and selected themes, and the number of standalone and other topics, as well as ensuring that there is coordination between the financial audit and performance audit programs. Additionally, we consult with integrity bodies and agencies to minimise duplication across the broader integrity system.

We believe that this process has created a balanced, efficient and effective audit program for 2016–17 and 2017–18 that addresses our legislative obligations while remaining responsive to areas of public interest.





# 3

## Performance Audit work program

### 3.1 Overview of our performance audit program

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Performance audits assess whether an agency is meeting its aims effectively, using its resources economically and efficiently, and complying with legislation. They typically extend beyond the examination of the financial affairs and transactions of a government agency to encompass wider management issues of significance to the community.

Performance audits may examine all or part of an agency's activities, or the activities of a number of agencies. They can provide assurance about activities that are performed well or represent better practice, and also identify opportunities for further improvement.

#### **New Performance Audit divisional structure**

In late 2015, we restructured the Performance Audit division in order to better target audit effort and maximise our impact across the public sector. Instead of being structured in accordance with traditional sectors, the division is now structured with the following groups:

- Community safety
- Education
- Environment
- Health and human services
- Infrastructure
- Investments.

These groups were formed in recognition of the numerous cross-portfolio issues that have emerged in recent times, resulting from government activities and operations that span various sectors.

### 3.2 Delivering our audits

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Performance audits are conducted in accordance with relevant standards issued by the Australian Auditing and Assurance Standards Board. These standards cover planning, conduct, evidence, communication, reporting and other elements of performance audits.

As each audit typically takes six to 10 months to plan and execute, we will have commenced around half of the planned topics for the 2016–17 year at the time of this plan's publication. This is why we include a two-year program in the plan.

Our performance audits often involve complex issues and multiple agencies. Thus, after we have consulted with stakeholders as part of the development of the annual plan, we will typically undertake more detailed planning and scoping to refine the criteria and lines of inquiry related to an audit. We normally do this by gathering and reviewing relevant documents as well as consulting with key stakeholders—including agencies, interest groups, academics and others—about the key issues. We then finalise the audit specification before commencing the conduct phase.

Performance audits can be conducted at any stage of a program's life cycle. In many instances, there is value in conducting an audit in the early, formative stages of a program, particularly where a program addresses matters of public significance or involves a potential substantial investment by the state. The findings from an audit conducted during the formative stage provide an opportunity for assessing whether a program has been set up in a way that supports achievement of its intended outcomes. For example, the 2008–09 audit on the Port of Melbourne Channel Deepening Project assessed how effectively the business case prepared by the Port of Melbourne Corporation informed the decision to proceed with the project.



The 2007–08 audit on the new ticketing system tender examined the governance and planning arrangements for the tender and the extent to which the associated tender process was consistent with sound procurement principles. Both of these audits were conducted at specific times early in their respective project's life cycle, so as to provide the projects with the greatest opportunity to ensure they were set up for success in their formative stages. In planning for our performance audits, each audit is carefully scheduled following consideration of the optimal value its findings can generate, both for the program itself and for the broader community.

Our performance audits are typically delivered by in-house staff who are specially trained by us, however, we do periodically engage experts to advise our performance audit teams on complex and technical issues. We also use contractors to supplement our staff resources where required.

### Performance audit criteria

To reach conclusions against our audit objectives, we determine criteria against which to assess agency performance. We develop our audit criteria in accordance with relevant standards issued by the Australian Auditing and Assurance Standards Board and in consultation with the audited agencies. While criteria are specific to the audit topic and scope, our criteria often share common areas of focus. Figure 5 illustrates the types of criteria commonly included in performance audits.

**Figure 5: Performance audit common criteria**

<p><b>Effectiveness</b></p> <p><b>Definition:</b> Achievement of the objectives or other intended effects of activities at a program or entity level.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>the agency has achieved its objective</li> <li>program recipients have responded in line with objectives</li> <li>the project has delivered the solution in accordance with requisite standards.</li> </ul>	<p><b>Economy</b></p> <p><b>Definition:</b> Acquisition of the appropriate quality and quantity of resources at the appropriate times and at the best cost.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>services, projects and goods are procured for the best possible price</li> <li>the agency has prevented or minimised wastage of resources</li> <li>desired quality standards have been achieved within time and budget parameters.</li> </ul>	<p><b>Efficiency</b></p> <p><b>Definition:</b> Use of resources such that output is optimised for any given set of resource inputs, or input is minimised for any given quantity and quality of output.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>resources are used to maximise output or activity levels</li> <li>data is actively used to minimise inefficiency</li> <li>controls and monitoring are applied to track and manage resource use and improve efficiency.</li> </ul>
<p><b>Compliance</b></p> <p><b>Definition:</b> Compliance of an agency/program with all relevant Acts.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>agencies can demonstrate compliance with objectives, functions and requirements of relevant legislation</li> <li>agencies have systems and processes to monitor compliance and address instances of noncompliance.</li> </ul>		

Source: VAGO.



## 3.3 Planned performance audit outputs for 2016–17

In 2016–17, we plan to deliver 26 performance audits drawn largely from the topics listed in this annual plan. The topics cover a wide range of issues and areas across the public sector which may be specific to one sector or may span multiple sectors.

Our audit program strikes an appropriate balance between predictability and responsiveness, thus maximising its value to Parliament, the public sector and the community.

The following section sets out proposed specifications for our 2016–17 and 2017–18 performance audits. For each audit listed, we outline our proposed objective and the issues we intend to examine. We also set out the proposed agencies, where this can be determined based on the objectives and issues. Otherwise, we signal where we are likely to choose a selection of agencies from a particular sector or from across the public sector, after further detailed planning and scoping.

### 3.3.1 Proposed performance audit program specifications



#### COMMUNITY SAFETY

##### *Diverting young people from the criminal justice system, 2016–17*

**Objective** To assess the effectiveness of strategies to divert young people away from the criminal justice system.

**Issues** The trajectory into the criminal justice system starts early in life. Current systemic and welfare responses appear to have only a limited impact on preventing early contact with child protection and the youth justice system from escalating into a cycle of incarceration.

This audit will focus mainly on people in the youth justice system at risk of becoming immersed in the adult criminal justice system. This includes young people at the pre-sentencing and deferral of sentencing stage, and young offenders managed in the community through parole, probation, youth supervision orders, youth attendance orders or Youth Justice Centre orders. The audit will examine a range of youth justice support and diversion programs, including the adequacy of agencies' planning and delivery of services for young offenders and relevant reporting.

This audit is the third in a series of audits focusing on children and young people at risk. It follows the 2014 audit *Residential Care Services for Children* and the 2015 audit *Early Intervention Services for Vulnerable Children and Families*. It is also one of a series of planned or recently delivered audits focusing on managing offenders in the community, including *Administration of Parole* (2016), *Managing community correction orders* and *Managing sex offenders*.

**Proposed agencies** The Department of Health & Human Services, Victoria Police and relevant courts.

##### *Managing community correction orders, 2016–17*

**Objective** To assess the effectiveness and governance of community corrections programs.

**Issues** This audit is part of the series of planned audits examining the administration of programs for managing offenders in the community. Other proposed or recently delivered audits in this area include *Diverting young people from the criminal justice system*, *Administration of Parole* (2016) and *Managing sex offenders*.

Community corrections orders involve the management and supervision of offenders in the community. These offenders are serving court-imposed orders either as an alternative to imprisonment or as a condition of their release from prison. Community safety is dependent on these programs being effective, efficient and well governed.

This audit will examine the efficiency and effectiveness of community corrections programs with a focus on maintaining public safety, achieving social and financial benefits, and training and support for community corrections staff. The audit will also assess the appropriateness of and performance against key performance indicators and measures.

**Proposed agencies** Corrections Victoria and Victoria Police.

### *Regulating gambling and liquor, 2016–17*

**Objective** To examine the effectiveness and efficiency of the Victorian Commission for Gambling and Liquor Regulation in regulating gambling and liquor activities.

**Issues** Alcohol and gambling are accepted parts of the Australian culture and generate positive impacts for the state in the form of revenue and employment. However, misuse of alcohol and gambling can result in significant short-term and long-term harm for individuals, their families, their friends and the wider community.

The Victorian Commission for Gambling and Liquor Regulation is responsible for regulating gambling and liquor licensing. It oversees more than 21 000 liquor licences and manages the statewide cap of 30 000 gaming machines. The commission also collects approximately \$1.8 billion per year in revenue on behalf of the state. The audit will examine the commission's regulatory practices, including the licensing and compliance monitoring of venues. The audit will also examine relevant activities of the Department of Justice & Regulation and Victoria Police.

**Proposed agencies** The Victorian Commission for Gambling and Liquor Regulation, the Department of Justice & Regulation and Victoria Police.

### *Developing and evaluating justice policies, 2017–18*

**Objective** To assess the effectiveness of advice and strategies for informing the development of justice policies, including monitoring and reporting on justice policy outcomes.

**Issues** The responsibilities of the Department of Justice & Regulation are devolved and include the Attorney-General, police and corrections, emergency services and consumer affairs, as well as gaming and liquor regulation. The community's safety is dependent on the administration of an effective and efficient justice system.

In recent years, the Department of Justice & Regulation has implemented a series of strategies that aim to improve community safety. Outcomes from these strategies include longer sentences, greater prisoner numbers, fewer parolees who are subject to supervision on release, an increase in the detection of crime and related court cases. Despite these strategies, Victoria Police data indicates the total crime rate is rising.

Given the significant direct and indirect economic cost and social effects of justice policies, it is imperative that they are underpinned by a sound evidence base.

**Proposed agencies** The Department of Justice & Regulation, Victoria Police, Corrections Victoria, Court Services Victoria and Victoria Legal Aid.

#### *Managing private prisons, 2017–18*

**Objective** To assess whether prison services contracted under public private partnerships (PPP) are operating effectively and providing value for money.

**Issues** The Department of Justice & Regulation manages several public private partnership contracts for prison services.

Contracts for the Fulham Correctional Centre Prison Services Agreement (October 1995) and the Port Phillip Prison Services Agreement (July 1996) have recently been extended for approximately 20 years each, representing a combined nominal investment by the state of over \$4.5 billion over the life of the contracts.

Fulham Correctional Centre and Port Phillip Prison are unique amongst the private prisons in Victoria in that they are the only two 'full service' contracts in Victoria. This means the private sector provides both correctional and accommodation services, and Corrections Victoria monitors and manages the private sector provision for these services.

Together, these two prisons account for nearly 30 per cent of the total prisoner capacity in Victoria.

This audit will assess the value for money received by Victorian tax payers through these two PPP contracts, and assess the adequacy of the Department of Justice & Regulation's governance and oversight processes for private prisons. The audit will also examine the adequacy of services provided by private prisons to Victoria's prison population.

**Proposed agencies** The Department of Justice & Regulation and Corrections Victoria.

#### *Managing sex offenders, 2017–18*

**Objective** To assess whether serious sex offenders subject to detention or supervision orders and registrants on the Victorian Register of Sex Offenders living in the community are managed effectively.

**Issues** The *Sex Offenders Registration Act 2004* requires certain offenders who commit sexual offences to keep police informed of their whereabouts and other personal details for a period of time. It also provides for the establishment of a Register of Sex Offenders and sets out the requirements for offenders to be included on the register.

As at 30 June 2015, there were 6 056 sex offenders registered in the Victorian Register of Sex Offenders, which is an increase of over 500 from the previous financial year.

Under the *Serious Sex Offenders (Detention and Supervision) Act 2009*, serious sex offenders who pose an ongoing and unacceptable risk to the community may be subject to post-sentence supervision or detention. At 30 June 2015, there were 116 serious sex offenders subject to a supervision order and two subject to a detention order. Serious sex offenders subject to a supervision order are managed by specialist case managers at Corrections Victoria, either in the community or in the Corella Place or Emu Creek residential facilities in Ararat. Serious sex offenders subject to a detention order reside in a unit within Hopkins Correctional Centre, Ararat.

The audit will focus on how effectively Corrections Victoria manages sex offenders to ensure continued protection of the community. This includes ensuring that offenders are subject to a level of surveillance and monitoring in accordance with their supervision orders and the offender's assessed level of risk, and that any additional conditions imposed are complied with.

**Proposed agencies** The Department of Justice & Regulation and Victoria Police.



*Property and exhibit management, 2017–18*

**Objective** To ensure that Victoria Police is conducting its property and exhibit management functions efficiently and effectively.

**Issues** In the course of its activities, Victoria Police collects a vast range of exhibits—property that is intended to be presented to a court as evidence—and other property. This can include seizures of property and goods in relation to offences, lost or abandoned property, or property that may be temporarily handed in as part of a condition, for example, a bail condition. Property and exhibits are held at local police stations and in other police facilities and storage warehouses.

While this is primarily an administrative function of policing, mismanagement of property and exhibits poses risks to the administration of justice and can impact the community’s perception of police integrity. Past reviews have identified issues with property and exhibit management including overcrowded stores, deficiencies in record keeping, lack of training and weaknesses in property audits.

**Proposed agencies** Victoria Police.

**EDUCATION***Effectiveness of school governance, 2017–18*

**Objective** To assess the effectiveness of governance arrangements within Victoria’s autonomous schools model.

**Issues** In Victoria, government schools operate under an autonomous model, with the school principal and school council responsible for operating the school. While the Department of Education & Training provides guidance and support, accountability for school performance is largely devolved to the school.

Effectively governing schools comes with many challenges. Most school principals begin their career as classroom teachers but take on responsibility for issues such as staffing, asset management and financial management. These are operational areas that the Department of Education & Training would have previously managed.

Similarly, school councils have a key governance and accountability role. These councils rely heavily on volunteers and need the right mix of skills and competencies to perform effectively. Attracting capable volunteers who can contribute to improved governance also comes with challenges, especially in rural and small schools.

**Proposed agencies** The Department of Education & Training and selected schools.

**ENVIRONMENT***Effectiveness of the Environment Effects Statement process, 2016–17*

**Objective** To examine the effectiveness of the Environment Effects Statement (EES) process.

**Issues** Under the *Environment Effects Act 1978*, major projects with the potential to have significant adverse effects on the environment in Victoria may be required to undergo the EES process. While it is not a formal approval process in itself, it provides a framework for informed decisions about whether a project with potentially significant environmental effects should proceed.

If the Minister for Planning decides that an EES process is required, the project proponent must prepare the EES and perform the required investigations. The Department of Environment, Land, Water & Planning coordinates the EES process.

The audit will examine the rigour of the EES process, the quality of information for decision-making, the monitoring of conditions imposed through the process, and the extent to which previously recommended reforms have been implemented. It will also assess whether the current framework is equipped to deal with issues such as climate change impacts.

**Proposed agencies** The Department of Environment, Land, Water & Planning and the Environment Protection Authority.

#### *Enhancing food and fibre productivity, 2016–17*

**Objective** To examine the extent to which agricultural research, development and extension are used to drive innovation, productivity and practice change.

**Issues** Victoria's agricultural sector makes a significant contribution to the state's economy. During 2014–15, Victoria's food and fibre exports were valued at \$11.6 billion—27 per cent of Australia's total food and fibre exports.

While agricultural productivity continues to grow worldwide, the rate of growth in Australia has slowed since the 1980s and 1990s. Sustained agricultural productivity growth continues to be challenged by climate variability, increasing production costs, increasingly competitive markets and intensified consumer demands.

Productive, competitive agricultural industries are underpinned by effective and efficient research, development and extension (RD&E) which can lead to enhanced farming systems and practices that increase the value and volume of production and reduce input costs.

The audit will examine how the Department of Economic Development, Jobs, Transport & Resources prioritises, delivers, monitors and evaluates agricultural RD&E activities.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources.

#### *Managing Victoria's planning system for land use and development, 2016–17*

**Objective** To assess whether the Department of Environment, Land, Water & Planning is effectively managing planning schemes and the planning permit system, and whether it has achieved the intended outcomes of the *Planning and Environment Act 1987*.

**Issues** Planning decisions can have a significant impact on local communities, the environment, key industries and the broader economy. For this reason, it is important that such decisions are based on evidence and supported by a clear and transparent decision-making process that complies with the requirements of the *Planning and Environment Act 1987*. Effective application and oversight of these processes is essential for preventing inappropriate land use and development, and for enabling Parliament and the wider community to have confidence in the planning system.

The audit will provide assurance about whether the Department of Environment, Land, Water & Planning and selected councils are appropriately managing the statutory planning system and controlling land use and development to ensure the protection and conservation of land in Victoria.

**Proposed agencies** Department of Environment, Land, Water & Planning and selected local councils.

### *Meeting obligations to protect Ramsar wetlands, 2016–17*

**Objective** To assess the effectiveness of management of Ramsar wetlands, including whether Victoria is effectively meeting its national and international obligations, and the effectiveness of interagency collaboration.

**Issues** As a signatory of the Ramsar Convention, Australia must list and protect its wetlands of international importance. Effective management of these wetlands requires the states, territories and Commonwealth governments to collaborate to meet Ramsar obligations. It also relies on good knowledge of the environmental, social and economic values and benefits of the wetlands and management of the numerous potential threats to these.

This audit will provide assurance as to whether management, monitoring and evaluation practices are meeting responsibilities under the Ramsar Convention. It will examine how relevant obligations under the Victorian Waterway Management Strategy are being met, and how individual strategic management plans for each site are developed and implemented to effectively deliver the objectives and strategies in the statement for each site.

**Proposed agencies** The Department of Environment, Land, Water & Planning, Parks Victoria, Melbourne Water, other selected catchment management authorities and local councils.

### *Effectively planning for growth, 2016–17*

**Objective** To examine how effectively the state is planning for infrastructure and service provision, in both growth areas and developed areas, to meet the needs of the rapidly growing population.

**Issues** Victoria will grow substantially over the next 30 years. Current forecasts indicate that the state's population could reach up to 10 million by 2051, with 2.2 million people in regional areas and 7.8 million in greater Melbourne. Growth and change require effective planning and considerable investment in infrastructure and services of all types. The long-term risks of poorly managing growth are among the most serious facing Victoria. It is important that individual agencies and the state effectively plan for the delivery of necessary infrastructure and services to meet the needs of its growing population, as well as managing other issues such as urban encroachment into peri-urban agricultural lands, which may impact the state's long-term food security.

The audit may examine a selection of regional growth plans and will provide assurance on the effectiveness of planning for the delivery of the required infrastructure and services of growing communities by a selection of state government agencies and local councils.

**Proposed agencies** The Department of Environment, Land, Water & Planning, the Department of Treasury & Finance, the Metropolitan Planning Authority and selected state government agencies and local councils.

### *Implementing the Victorian Coastal Strategy, 2017–18*

**Objective** To assess the effectiveness of the Victorian Coastal Strategy and its implementation in sustainably planning and managing Victoria's coastal assets.

**Issues** The coast provides great social, cultural, economic and environment benefits for all Victorians. Tourism and commercial uses such as ports, shipping, fishing and aquaculture contribute over \$2.8 billion a year to the Victorian economy. The value of informal recreation such as walking, fishing, sailing, and sightseeing has been estimated at over \$1.9 billion. However, coastal assets face significant risks from climate change impacts, which may result in adverse effects such as inundation and erosion, increased bushfire risk and sea level rises. Unprecedented population growth along the coast is also placing pressure on many of Victoria's coastal communities, coastal environments and marine biodiversity.



The Victorian Coastal Strategy is the state government's key policy commitment for coastal, estuarine and marine environments. This audit will examine the strategy's delivery and the extent to which the coastline and its values are being sustainably managed.

**Proposed agencies** The Department of Environment, Land, Water & Planning, Victorian Coastal Council, Parks Victoria and selected coastal councils.

#### *Meeting future water security challenges, 2017–18*

**Objective** To assess the effectiveness of Victoria's water reform program to improve the security of the state's water supplies, with a focus on drinking water.

**Issues** Water management has been in the public eye in recent times, as a drought in Victoria between 1997 and 2009 led to fears of water shortages and the commissioning of the Victorian Desalination Plant. The government is currently in the process of developing a new statewide water plan, Water for Victoria.

The Office of Living Victoria was previously responsible for administering Melbourne's agenda for water reform under Melbourne's Future Water Strategy. This responsibility has now been moved to the Department of Environment, Land, Water & Planning after serious issues were found with the way the Office of Living Victoria was administering this process.

This audit will consider whether water is being managed to balance drinking water needs with other uses, such as irrigation. The audit will provide assurance on whether water is allocated efficiently and equitably to different uses, and on the state's preparedness to effectively implement the Water for Victoria plan and related urban water strategies, to be prepared by March 2017.

**Proposed agencies** The Department of Environment, Land, Water & Planning and a selection of water entities.

#### *Mining rehabilitation, 2017–18*

**Objective** To assess the effectiveness of the mine rehabilitation regulatory framework.

**Issues** The rehabilitation of mine sites is necessary to return land and water sources affected by mining activity to an acceptable environmental standard. This involves ensuring that any landforms and structures are stable and that any water sources are of acceptable quality. Rehabilitation can involve a number of activities such as the removal and safe disposal of hazardous materials, reshaping the land, the restoration of topsoil and revegetation with native species. Monitoring programs are required to ensure that measures undertaken are effective, as former mine sites can require long-term maintenance.

If the state fails to properly regulate, monitor, evaluate and report on the rehabilitation of mine sites, there can be significant social, environmental and economic impacts.

This audit will assess whether the state is effectively monitoring, reporting and enforcing compliance in line with the mine rehabilitation regulatory framework. It may also assess whether the current system of rehabilitation bonds is sufficient to cover the cost of rehabilitating mining sites.

**Proposed agencies** The Department of Environment, Land, Water & Planning, the Department of Economic Development, Jobs, Transport & Resources and the Environment Protection Authority.

*Victoria's air quality, 2017–18*

**Objective** To assess how effectively and efficiently Victoria's air quality is monitored and managed.

**Issues** Victoria's 2013 *State of the Environment* report found that our air quality has continued to improve overall. However, while there have been significant gains in managing some aspects of air pollution, such as vehicle exhaust emissions, there has been less progress in other areas, including airborne particles, industrial emissions and odour.

This audit will assess progress in managing Victoria's air quality, complementing the Hazelwood Mine Fire Inquiry and related processes. It will follow up on VAGO's 2002 audit *Managing Victoria's Air Quality* and examine Victoria's implementation of the national and state frameworks for managing air pollution and monitoring air quality. It will not include areas directly covered by the Hazelwood Mine Fire Inquiry, such as the management of potential health effects from air pollution, but it will focus on the overall management and monitoring of air quality.

**Proposed agencies** The Department of Environment, Land, Water & Planning and the Environment Protection Authority.

**HEALTH AND HUMAN SERVICES***Access to public dental services in Victoria, 2016–17*

**Objective** To assess the effectiveness of access to public dental health services in Victoria.

**Issues** Lack of timely access to public dental services for basic restorative and preventive care can result in poor oral health, particularly for already disadvantaged and vulnerable groups who rely on public services. Delayed access can also mean emergency care procedures are needed for preventable conditions.

This audit will assess whether public dental health services in Victoria are accessible and appropriately distributed across the state, and address the growing demand for general dental, preventative and emergency services.

**Proposed agencies** The Department of Health & Human Services, Dental Health Services Victoria and selected dental health providers.

*Efficiency and effectiveness of hospital services: Emergency care, 2016–17*

**Objective** To determine whether public hospital emergency departments (ED) manage patients efficiently and effectively.

**Issues** High and uneven population growth across metropolitan Melbourne and Victoria places pressure on metropolitan and regional EDs. Overcrowding and prolonged length of stay in EDs can lead to poorer health outcomes for patients and unnecessary costs for the health sector. High demand on EDs can also have flow-on effects, including ambulance ramping and bypass.

Previous VAGO audits have identified lost opportunities to free up hospital resources.

The National Emergency Access Target (NEAT) was agreed by the Council of Australian Governments (COAG) in 2011. NEAT measures the percentage of patients leaving an ED within four hours which, by 2015, should be at least 90 per cent of all patients presenting to an ED. Regular reporting against NEAT highlights the performance of public hospitals and their EDs.

This audit will seek to identify opportunities for improvement in managing patient flow through public EDs.

**Proposed agencies** The Department of Health & Human Services and selected EDs at major metropolitan and major regional hospitals.

#### *Clinical governance of Victorian health services, 2017–18*

**Objective** To assess the effectiveness of the clinical governance of Victorian health services.

**Issues** Within health services both in Australia and overseas, poor governance and leadership have been identified as significant factors in poor patient outcomes, including increased mortality rates. A recent example involved a regional health service that was found to have a higher than average number of avoidable infant deaths. A Department of Health & Human Services review of this health service noted failings in leadership and clinical governance during this period, but the health service's national accreditation status (and the department's monitoring status) remained clear.

Previous performance audits, including those that focused on staff and patient safety, indicate persistent shortcomings in the devolved governance model of Victorian health services.

The Department of Health & Human Services has been conducting training and education to improve the capability of health service boards of management, including the leadership and clinical governance skills of board members.

The primary aim of national accreditation standards is to protect the public from harm and to improve the quality of health service provision. This audit will examine whether the Department of Health & Human Services' reliance of these accreditation standards is sufficient for assessing the effective leadership and clinical governance of health services.

**Proposed agencies** The Department of Health & Human Services and selected health services.

#### *Community-based youth services, 2017–18*

**Objective** To assess whether government-funded community-based youth services are achieving effective outcomes for young people and represent value for money.

**Issues** Services for young people need to be well-coordinated, easy to access and responsive. There are currently 127 community services providers registered with the Department of Health & Human Services to provide community-based child and family services and out-of-home care services. Youth services and youth justice initiatives received \$155.7 million in the 2015–16 State Budget. Service providers complete regular self-assessments as part of their obligations to the Department of Health & Human Services, however, they have never been subject to a performance audit.

This audit will provide assurance to Parliament on the effectiveness, efficiency and economy of government-funded community-based youth services.

**Proposed agencies** The Department of Health & Human Services, a selection of government-funded youth services, Youth Justice Community Support Service partners, community-based child and family services, out-of-home care services operated by councils, Indigenous organisations, religious groups and unaffiliated not-for-profit providers.

#### *Community health centres, 2017–18*

**Objective** To assess the efficiency and effectiveness of community health centres and the Department of Health & Human Services in providing community health care.

**Issues** Community health centres (CHC) aim to improve the health and wellbeing of Victorians through the provision of primary health care. Priority access is given to disadvantaged populations with the poorest health and the greatest economic and social needs.



Victoria's 88 CHCs operate under two distinct legal and governance arrangements—32 are independently managed while the remaining 56 are part of rural or metropolitan health services.

CHCs have never been the focus of a VAGO performance audit in the last decade. This audit will provide important insights and assurance to Parliament on the performance of government-funded CHCs, and the Department of Health & Human Services' related oversight and governance arrangements.

**Proposed agencies** The Department of Health & Human Services and a selection of community health centres operating in Victoria.



## INFRASTRUCTURE

### *High Value High Risk, 2016–17*

**Objective** To determine whether the High Value High Risk (HVHR) process has been effectively updated and applied to sufficiently and reliably assure the deliverability of HVHR projects.

**Issues** This is the third audit examining whether the HVHR process is improving the delivery of the intended benefits of major infrastructure and ICT investments on time and within budget.

The HVHR process is critical for assuring the successful delivery of the state's \$52 billion capital program. In total, 40 projects with a combined total estimated investment (TEI) of \$31 billion in 2015–16 have been classified as HVHR projects.

The scale of government expenditure on capital projects and our previous findings of weaknesses in the application and effectiveness of the HVHR process are the basis for proceeding with a third audit in this area.

The audit will provide an updated view on the effectiveness of the HVHR process by examining:

- progress in addressing VAGO's earlier recommendations about the application of the HVHR process to project development and procurement, and market-led proposals
- its effectiveness during project implementation, using a sample of HVHR projects in the transport and health portfolios that have reached this stage.

**Proposed agencies** The Department of Treasury & Finance, the Department of Economic Development, Jobs, Transport & Resources, the Department of Health & Human Services, Public Transport Victoria, VicRoads, Monash Health, the Royal Children's Hospital Melbourne and the Royal Victorian Eye and Ear Hospital.

### *Maintaining state-controlled roadways, 2016–17*

**Objective** To assess whether Victoria's road network is being efficiently and effectively maintained.

**Issues** The need to improve road maintenance practices and increase the state's road maintenance investment was identified by VAGO in its 2008 audit of the regional arterial road network. Nevertheless, maintenance budgets have been reduced and still remain below the level of funding required to maintain roads to the required service standards. Although additional budget allocations were made in 2013, 2014 and 2015, concerns remain over the standard of maintenance and safety implications for road users.

**Proposed agency** VicRoads.

#### *Managing school infrastructure, 2016–17*

**Objective** To examine the effectiveness, efficiency and economy of the Department of Education & Training's planning for new school infrastructure and maintenance of existing school infrastructure.

**Issues** School infrastructure, consisting primarily of school buildings, is essential for the achievement of educational outcomes. At June 2015, Victorian school buildings, excluding land, were valued at \$8.5 billion. Commencing in 2015–16, the government embarked on a significant education investment program aimed at providing all Victorians with access to high-quality education and training through all stages of their lives. However, for the first time in 15 years, no new schools will be opened in 2016. In January 2016, the government acknowledged that it faced huge challenges to build enough schools to accommodate the 190 000 extra students predicted to flood the education system between 2016 and 2026.

**Proposed agencies** Department of Education & Training.

#### *Managing Victoria's public housing, 2016–17*

**Objective** To determine whether the Department of Health & Human Services is managing public housing efficiently and effectively.

**Issues** For vulnerable people, access to stable and affordable housing is critical for minimising the impact of mental illness, drug use, criminal behaviour and unemployment. Public housing is provided for low-income Victorians who are most in need of support and a place to stay. These people also have access to community housing provided through a partnership between the government and not-for-profit registered housing agencies.

At June 2015, the state's public housing stock was valued at \$17.8 billion.

Previous audits undertaken in 2004, 2010 and 2012 have identified substantial shortcomings in the management of public housing and related risks, including excessive vacancies, rental arrears, damage and vandalism or destruction of property.

**Proposed agencies** Department of Health & Human Services.

#### *High Value High Risk, 2017–18*

**Objective** To determine whether the expected benefits of a selection of completed HVHR projects are being realised.

**Issues** Under the government's HVHR process, infrastructure and ICT projects identified as being high value and/or high risk are subject to more rigorous scrutiny and approval processes, to ensure that these major investments are delivered successfully, on time, within budget, and with the intended benefits delivered in line with planned costs and time lines.

HVHR projects include large-scale, long-term projects, as well as hospital constructions, road upgrades, public transport improvements and other social infrastructure projects. As of December 2015, the total budget of projects undergoing the HVHR process was approximately \$34.7 billion.

This is the fourth in a series of HVHR audits. Previous audits have mostly focused on the planning, development and delivery of these projects up to their commissioning. This audit will focus on the extent to which the expected benefits of completed HVHR projects are being realised.

**Proposed agencies** The agencies covered in the audit will depend on the projects selected for examination.

### *Managing the level crossing removal program, 2017–18*

**Objective** To determine whether the level crossing removal program is being managed efficiently and effectively.

**Issues** The level crossing removal program aims to remove 50 crossings by 2022—including 20 by 2018—at an estimated cost of \$5 to 6 billion. At June 2015, three packages of works involving 17 level crossings were underway. A new body has been established to oversee the program, the Level Crossing Removal Authority.

Key intended benefits of the program include improved travel around Melbourne for train passengers and road users, stimulated economic growth and revitalised local communities through the rebuilding of some train stations.

The audit will assess the basis on which crossings to be removed were identified and prioritised, and whether the expected benefits of the program—such as improved travel for train and road users—are being realised.

**Proposed agencies** Level Crossing Removal Authority, VicRoads, Public Transport Victoria and VicTrack.



## INVESTMENTS

### *Audit committee governance, 2016–17*

**Objective** To examine the effectiveness of governance arrangements for audit committees, including their composition, operational arrangements and information received.

**Issues** Audit committees play a key accountability role in public sector agencies. Their role is primarily to provide independent assurance regarding risk management, internal controls, financial statements, compliance requirements, and internal and external audit.

A number of factors can significantly impact an audit committee's effectiveness in providing independent assurance. This includes its member composition and operating arrangements—including its terms of reference, roles and responsibilities, lines of communication and reporting, and the type and extent of information it receives from management.

**Proposed agencies** The Department of Education & Training, the Department of Health & Human Services, the Department of Economic Development, Jobs, Transport & Resources, the Department of Justice & Regulation, the Department of Environment, Land, Water & Planning, the Department of Treasury & Finance, the Department of Premier & Cabinet and Victoria Police.

### *Board performance, 2016–17*

**Objective** To examine whether public sector boards are effectively governing the agencies for which they are responsible.

**Issues** Public sector boards perform key governance roles—they have a critical role in leading public sector agencies and enabling them to achieve the objectives set for them by government.

They are accountable for the overall effectiveness of the entities they govern and need to have the capability and skills to exercise effective oversight and leadership in helping agencies achieve these objectives.

Over several years, VAGO audits and other investigations have found examples of inadequate leadership exercised by a range of public sector boards.



This audit will examine how well boards exercise their functions and, specifically, whether they understand and have the capability to perform their roles and responsibilities, and can demonstrate that they are effective.

**Proposed agencies** The Department of Premier & Cabinet, the Victorian Public Sector Commission, a sample of boards from major public sector agencies, and the relevant portfolio departments responsible for advising ministers on board appointments and performance.

#### *Effectively managing freight growth, 2016–17*

**Objective** To assess the effectiveness of strategies across agencies for managing freight growth.

**Issues** In 2011, the freight and logistics sector contributed between \$19 billion and \$23 billion to Victoria's gross state product. The scale of this sector is forecast to triple by 2050. Effective management of this growth will require significant investment in road and rail infrastructure, as well as investment in new port capacity. It also requires long lead times and timely decision-making to avoid the likely high costs if required transport corridors are encroached upon or not provided.

This audit will examine the extent to which agencies are integrating their planning for the future development of Melbourne's ports to effectively and efficiently support broader transport and land-use strategies. It will also address emerging challenges from expected freight growth and the proposed privatisation of the Port of Melbourne.

**Proposed agencies** The Department of Treasury & Finance, the Department of Economic Development, Jobs, Transport & Resources, Public Transport Victoria, VicRoads and selected port managers.

#### *Effectiveness of the Victorian Public Sector Commission, 2016–17*

**Objective** To examine whether the Victorian Public Sector Commission (the Commission) is effectively performing its functions.

**Issues** Victorian public sector entities deliver and manage a diverse range of services and assets across the education, health and human services, justice, emergency services, environment, transport, recreation, sport and culture and infrastructure sectors. Community trust in the capability and integrity of this public administration is essential in supporting the 'licence' for governments to make decisions on their behalf.

The *Public Administration Act 2004* provides a framework aimed at supporting good governance across the public sector and establishes the Commission as a key part of this framework. The Commission's objectives are to strengthen the efficiency, effectiveness and capability of the public sector and to maintain, and advocate for, public sector professionalism and integrity. The Commission is tasked with a number of key functions, including:

- providing advice and support on issues relevant to public administration, governance, service delivery and workforce management and development
- conducting research and disseminating best practice in these areas
- issuing public sector codes of conduct and standards; and monitoring compliance with public sector values, codes of conduct and standards.

This audit will examine how well the Commission performs its functions and achieves its objectives. Specifically, the audit will assess whether the Commission has the capability and strategies in place to effectively perform its functions and to demonstrate their effectiveness.

**Proposed agencies** The Victorian Public Sector Commission and the Department of Premier & Cabinet.

### *Internal audit programs, 2016–17*

**Objective** To examine how effectively, efficiently and economically agencies use their internal audit resources to contribute to the management of organisational risk.

**Issues** For public sector entities, internal audits are an assurance activity and a critical defence against a range of risks affecting good governance, integrity, probity and the achievement of agency objectives. Internal audits typically involve ‘arm’s length’ reviews of the effectiveness of an entity’s operations.

Each public sector entity is required to establish, maintain and resource an internal audit function that is independent of management. This internal audit function is overseen by the audit committee and encompasses both internal resources and the activities of the agency’s externally appointed internal auditors.

Over several years, numerous performance audits have questioned the effectiveness of agencies’ use of internal audit resources. This audit will examine the procurement of internal audit functions, including how topics are identified and linked to enterprise risks, the adequacy of the internal audits, and how the agency and audit committee implements and monitors recommendations.

**Proposed agencies** Department of Treasury & Finance, as the central agency for this area, and a sample of public sector agencies.

### *Managing the performance of rail franchisees, 2016–17*

**Objective** To examine Public Transport Victoria’s effectiveness in managing the performance of Melbourne metropolitan train and tram franchisees.

**Issues** Metropolitan transport services are critical to the economic development of Melbourne and come at a significant cost to government, totalling multiple billions of dollars. The current train and tram franchise agreements were established in November 2009 for a maximum of 15 years, split into an initial eight-year period and a seven-year extension. The government must decide whether to extend the contracts by November 2017. This will require a close review of past performance to determine the most appropriate course of action, including future performance requirements, penalties and enforcement measures.

The audit will examine this critical review process—including the adequacy of contracts and performance monitoring arrangements—and provide independent assurance to Parliament and the community about the performance of rail franchisees.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources and Public Transport Victoria.

### *Managing public sector records, 2016–17*

**Objective** To determine whether agencies are effectively managing records in accordance with the state’s requirements.

**Issues** Public records are the cornerstone of an accountable government and critical to the efficient and effective functioning of all agencies. All Victorian public offices are required by law to meet the prescribed standards of the Public Records Office Victoria for effective records management.

Our 2008 audit *Records Management in the Victorian Public Sector* found that the state could not be assured that its records management objectives were being met. Subsequent VAGO audits across a wide range of topics have continued to highlight systemic weaknesses in public sector agencies’ approaches to managing evidence of their activities.

This audit is an opportunity to identify the nature and extent of these ongoing weaknesses and the barriers that have prevented significant improvement. It will also examine whether the Public Records Office Victoria is effectively assisting agencies in their management of records.

**Proposed agencies** The Department of Premier & Cabinet, the Public Records Office Victoria and a sample of public sector agencies that is likely to include one or more government departments.

#### *Public participation and community engagement – Local government sector, 2016–17*

**Objective** To determine the effectiveness of community engagement and participation at the local government level.

**Issues** The *Local Government Act 1989* embeds the need for community engagement within a council's objectives. However, a number of past performance audits have identified inadequate community engagement across a range of council functions, including service delivery, planning and the development of council plans and strategies. For some of these activities, community engagement is mandatory, such as in the development of council budgets.

VAGO released its better practice guide *Public Participation in Government Decision-making* in January 2015. This guide aims to assist agencies to improve their public participation activities to inform government decisions. It also provides a clear, high-level structure and criteria for managing public participation exercises. This audit will examine councils' public participation practices against the principles described in the better practice guide.

**Proposed agencies** The Department of Environment, Land, Water & Planning (through which Local Government Victoria works cooperatively with Victoria's 79 local councils) and a sample of metropolitan and regional local councils.

#### *Public participation in government decision-making, 2016–17*

**Objective** To examine the effectiveness of public participation activities in agency decision-making.

**Issues** Transparent and well-managed public participation is a critical input for informing government policies and how these policies are translated into effective strategies, programs and projects.

VAGO released its better practice guide *Public Participation in Government Decision-making* in January 2015. This guide aims to assist agencies to improve their public participation activities to inform government decisions. It also provides a clear, high-level structure and criteria for managing public participation exercises.

This audit will examine public participation practices across a sample of public sector agencies against the principles described in VAGO's better practice guide.

**Proposed agencies** The Department of Premier & Cabinet, the Victorian Public Sector Commission and a selection of public sector agencies.

#### *Fraud and corruption prevention strategies in the public sector, 2017–18*

**Objective** To assess the effectiveness of fraud prevention strategies across the Victorian public sector.

**Issues** Fraud is the crime of obtaining financial or another benefit by deception. If it is committed by a public official, it is also corruption. Fraud can occur in any part of an entity's operations including procurement, asset management and human resources.

Fraud and corruption investigations by the Independent Broad-based Anti-corruption Commission and various performance audits have found that the integrity systems intended to control fraud risks have been applied inconsistently and that these systems require regular testing.

Our 2012 audit *Fraud Prevention Strategies in Local Government* concluded that the five councils examined had not effectively managed their exposure to fraud risk, as none had developed a strategic and coordinated approach to controlling fraud. This audit will extend this examination to state government departments and agencies.

**Proposed agencies** The Department of Treasury & Finance, as the key oversight agency, and a sample of public sector agencies including Public Transport Victoria, as a case study to assess its response to the Independent Broad-based Anti-corruption Commission's 2014 recommendations.

### *Implementing the taxi industry reforms, 2017–18*

**Objective** To determine the effectiveness of taxi reforms and their implementation, including the role of the Taxi Services Commission.

**Issues** In March 2011, the government initiated a comprehensive Taxi Industry Inquiry to investigate all aspects of the taxi and hire car industry.

Following the inquiry, the government announced a major reform package and, in June 2013, enacted the *Transport Legislation Amendment (Foundation Taxi and Hire Car Reforms) Act 2013*, aimed at delivering improvements that will benefit both taxi customers and drivers. The emergence of Uber and other ride-sharing applications outside current regulations covering taxis presents a challenge. In January 2016, a special task force provided the Minister for Public Transport with options for regulating Uber-type services.

It is important that Parliament and the community are assured that agencies understand and are adequately addressing emerging challenges and managing the impacts of taxi reforms, including whether the reforms:

- have been efficiently implemented
- are monitored, evaluated and reviewed
- have achieved their expected benefits.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources and the Taxi Services Commission.

### *Local government and economic development, 2017–18*

**Objective** To determine whether local government and the state government have worked effectively to support local economic development.

**Issues** Growing the economy and jobs is a top priority for the government—it has committed \$1.4 billion to jobs and growth initiatives and a further \$102 million to improve skills and knowledge, to give business access to the skills needed to grow. The government announced nine new regional partnerships in November 2015, emphasising the need to work cooperatively with local government to develop local economies.

Parliament's *Inquiry into local economic development initiatives in Victoria* (July 2013) identified the key role local councils play in promoting and facilitating economic development. However, it also found that few councils have adopted an integrated, whole-of-government approach to economic development.

This audit will provide assurance to Parliament and the community on the effectiveness of actions by councils and state agencies to strengthen local economic development initiatives.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources, Local Government Victoria (part of the Department of Environment, Land, Water & Planning) and a sample of urban and regional municipal councils.



#### *Reforming the skills system, 2017–18*

**Objective** To examine whether reforms to the skills system in Victoria have resulted in a high-performing, economical and efficient vocational education and training (VET) sector.

**Issues** The government announced a \$320 million TAFE Rescue Fund in late 2014 to reopen closed TAFE campuses, upgrade TAFE buildings, workshops and labs, and provide cash where necessary to support the financial viability of TAFEs. Additionally, the TAFE Back to Work Fund aims to help TAFEs better meet the training needs of businesses that hire unemployed youth, the long-term unemployed and retrenched workers.

This audit will examine the outcomes delivered by VET sector reforms, including how effectively the sector is meeting industry's demands for skills. It will also assess whether departments and the Victorian Registration and Qualifications Authority are adequately measuring and responding to performance.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources, the Department of Education & Training, the Victorian Registration and Qualifications Authority and a sample of TAFEs.

#### *Supporting workers in transitioning industries, 2017–18*

**Objective** To examine the effectiveness of programs aimed at supporting Victorian workers to transfer from declining industries to stable and emerging sectors of industry.

**Issues** Many of Victoria's industry sectors have undergone restructuring in recent times to adapt to changing economic circumstances and consumer demands. In particular, the manufacturing, retail, agricultural and tourism sectors have faced significant challenges in coping with the change and have 'transitioning workforces', where employees need to upskill, reskill or find alternative employment.

The potential large-scale job losses resulting from industry sector shifts have the potential to decrease the state's economic output and revenue available for public service delivery, while at the same time increasing the welfare dependency of many workers.

The government has committed to a range of programs to help workers transition to new occupations including:

- \$46.5 million for the Towards Future Industries: Victoria's Automotive Transition Plan
- \$100 million Back to Work Scheme, incentivising businesses to employ retrenched workers
- \$320 million for the TAFE Rescue Fund, to provide high-quality training facilities for workers
- \$713 million in targeted assistance for businesses to create new jobs
- \$33 million in targeted assistance to communities affected by large manufacturing closures.

The audit will examine the impacts of these programs in transitioning workers into productive and valuable employment.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources and the Department of Education & Training.

#### *V/Line passenger services, 2017–18*

**Objective** To examine whether V/Line has delivered effective and efficient public transport services and is adequately prepared to sustain and improve performance in the future.

**Issues** V/Line, a public sector corporation, is Australia's largest regional public transport operator—in 2014–15, it carried 15 million train and coach passengers. However, V/Line has struggled to deliver on its performance indicators in a challenging environment, consistently failing to meet its targets for punctuality. Additionally, overall customer satisfaction for regional trains over the past three years has fallen.

V/Line faces the challenge of improving its performance in the face of expected further passenger increases and in a strict fiscal environment.

This audit will examine how V/Line is managing these current and emerging challenges. It will also examine the support provided by the Department of Economic Development, Jobs, Transport & Resources and the Department of Treasury & Finance.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources, the Department of Treasury & Finance, Public Transport Victoria and V/Line.

### *Workforce participation, 2017–18*

**Objective** To determine the effectiveness of government programs to achieve greater workforce participation.

**Issues** The 2015 Commonwealth *Intergenerational Report* notes that the quality of living standards will depend on continually improving productivity. However, a critical barrier to achieving this, despite continuing population growth, is the decline in Victoria's labour force participation rate.

Challenges facing Victoria's labour force participation include:

- an ageing population
- rising unemployment and underemployment (including youth unemployment)
- workforce casualisation
- lower levels of women in the workforce than in other advanced economies
- the increasing and significant impacts of chronic disease and mental illness on the ability of people to participate.

This audit will examine the impact of the state's \$1.38 billion commitment to growing the economy and creating jobs and the \$320 million TAFE Rescue Fund on increasing workforce participation of these groups.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources and the Department of Premier & Cabinet.

### *Workforce planning, 2017–18*

**Objective** To examine whether agencies are managing their workforces to ensure the ongoing delivery of effective public services.

**Issues** With a growing population, the rapid ageing of the workforce, likely reductions in the future size of the workforce, increased competition for knowledge workers, and changing employee attitudes to issues such as work/life balance, public sector agencies must adopt an effective approach to workforce planning, to ensure they are ready to meet growing demand for public services. These workforce planning challenges were identified in four performance audits completed by VAGO between 2001 and 2006.

These challenges are significant and intensifying. Poor workforce planning can result in organisations not recruiting, developing and retaining the type of staff they need to be effective and which allow them to successfully adapt to rapidly changing circumstances.

This audit will provide assurance to Parliament on the effectiveness of agency workforce planning initiatives for ensuring they maintain sufficient and appropriately skilled staff who are capable of delivering quality public services, both now and into the future.

**Proposed agencies** The Department of Premier & Cabinet, the Victorian Public Sector Commission and a sample of public sector agencies including government departments.

### 3.3.2 Follow-up audits

As part of our audit program, we are also committed to conducting follow-up audits. These follow-up audits aim to monitor agency progress in implementing actions from previous performance audits and also verify that actions taken by agencies have been effective in addressing the recommendations.

Nearing the end of a performance audit, a proposed draft of the report is provided to audited agencies. At this time, agencies are asked to provide a written response to the report and its recommendations for inclusion in the published report.

To help provide clearer and more detailed information on agency responses to audit recommendations, agencies are now requested to complete an action plan including:

- whether or not they accept the recommendation
- intended action to meet the recommendation if accepted
- time lines for the intended action.

The follow-up audits will seek and assess evidence to verify agency responses to performance audit recommendations. The issues identified in the initial audit, as well as consideration of the risk and materiality of the subject matter will inform the selection of follow-up audits. The audit may review all recommendations and/or agencies, or a selection of them, from the original audit.

# 4

## Financial Audit work program





## 4.1 Overview of our financial audit program

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Key products produced as part of our financial audit program are summarised below.

### **Opinions on financial statements of public sector entities**

The Auditor-General issues audit opinions on whether the financial statements of public sector entities fairly present their financial position and performance for the year, in accordance with applicable Australian Accounting Standards and the relevant legislative reporting framework.

### **Opinions on performance statements of public sector entities**

Some entities are also required to prepare performance statements for audit by the Auditor-General. These present an entity's performance against key performance indicators. The Auditor-General produces an opinion on whether the performance statements are fairly presented in accordance with the relevant reporting framework.

### **Opinion on the Annual Financial Report of the State of Victoria**

The Annual Financial Report (AFR) of the State of Victoria sets out the consolidated financial position and performance of the State of Victoria and the Victorian General Government Sector. It is a key accountability document for informing Parliament and the public. The *Audit Act 1994* requires the Auditor-General to express an opinion as to whether the AFR is fairly presented in accordance with the relevant legislation and applicable Australian Accounting Standards.

### **Review of Estimated Financial Statements of the Victorian general government sector**

The *Audit Act 1994* requires the Auditor-General to review the Estimated Financial Statements of the Victorian general government sector and provide a report on that review. The review is not an audit as it is a limited assurance engagement and it also examines prospective information. The Auditor-General's review report is included in the State Budget Papers together with the Estimated Financial Statements.

### **Parliamentary reports on results of financial audits**

At the conclusion of each audit cycle, VAGO tables reports in Parliament about the results of our audits of public sector entities' financial statements and, where applicable, performance statements, and our audit of the AFR. Our reports include comment on selected areas of focus, covering key elements of financial and resource management, and governance.

## 4.2 Delivering our audits

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Financial audits are conducted by our staff or with the assistance of externally engaged firms. All audits conducted with the assistance of external firms—known as audit service providers—are subject to project management and quality assurance by our staff and all audit opinions are issued by the Auditor-General.

Our medium-term aim is to resource more of the higher-risk, material and/or strategic audits using our staff. Our resourcing decisions also take into account the level of highly specialised technical skills or expertise required in an audit, which may not currently exist within our organisation. In instances where it is not practical or viable to build this expertise internally, external specialists may be contracted to provide this capability.

### Timing of our key products and services

The majority of our annual financial audits relate to entities with financial year-end dates of 30 June and, to a lesser extent, 31 December.

Our audit and assurance services, including our Parliamentary reporting program, are undertaken progressively across the entire calendar year to enable the efficient and effective delivery of our key products and services.

## 4.3 Planned financial audit outputs for 2016–17

We will continue to deliver a diverse range of auditing and assurance services in 2016–17 pursuant to the *Audit Act 1994*. Figure 6 provides an overview of those activities and any other applicable legislative frameworks.

**Figure 6: Audits and assurance activities expected to be conducted in 2016–17**

Basis	Number <sup>(a)</sup>
<b>Financial statement audits</b>	
<i>Financial Management Act 1994</i> (including the AFR) and/or <i>Corporations Act 2001</i>	325
<i>Local Government Act 1989</i>	91
Other legislation or reporting frameworks	127
Audits by arrangement	4
<b>Total</b>	<b>547</b>
<b>Performance statement audits</b>	
<i>Financial Management Act 1994</i> (water entities) <sup>(b)</sup>	19
<i>Local Government Act 1989</i>	79
Ministerial request (technical and further education entities)	12
<b>Total</b>	<b>110</b>
<b>Review reports</b>	
<i>Audit Act 1994</i> (Review of Estimated Financial Statements)	1
<b>Parliamentary reports</b>	
<i>Audit Act 1994</i> (Reports on the results of audits)	7
<b>Other</b>	
<i>Financial Management Act 1994</i> (Warrants)	15
Various legislation (Acquittals of funds) <sup>(c)</sup>	86
<b>Total other</b>	<b>101</b>
<b>Total audit and assurance activities</b>	<b>766</b>

(a) The number of audits conducted varies year on year due to changes in the number of public sector entities and their associated entities.

(b) Following the release of Financial Reporting Direction 27C Presentation and Reporting of Performance Information all 19 water entities are required to prepare and have audited their performance reports.

(c) Based on 2015–16 data. Acquittals are only conducted if required under agreements relating to specific funding programs.

Our financial audit program is dynamic, reflecting changes such as the creation of new entities and the cessation of others, including the impacts of machinery-of-government (MOG) changes in the composition of portfolio departments and associated entities. As such, the number of audit and assurance activities we conduct can change throughout the year and over time in accordance with changes in the number of public sector entities.

### 4.3.1 Areas of focus 2016–17 and 2017–18

As part of our annual financial audits, we identify key areas of focus for our parliamentary reporting program that target matters that would provide the greatest value to Parliament and the citizens of Victoria.

In 2016–17, we plan to table seven reports in Parliament arising from the conduct of our annual financial audits.

Figure 7 lists the reports to Parliament and areas of focus to be reported on for 2016–17 and 2017–18.

**Figure 7: Financial audit reports to be tabled in 2016–17 and 2017–18, including areas of focus**

Report	Areas of focus 2016–17	Areas of focus 2017–18
<b>Sector-wide</b>		
Auditor-General's Report on the Annual Financial Report of the State of Victoria	Report on the outcomes and issues arising from the financial audit of the AFR of the State of Victoria ▲	Report on the outcomes and issues arising from the financial audit of the AFR of the State of Victoria ▲
Portfolio Departments and Associated Entities: Audit Snapshot	Machinery-of-government changes ▲	Procurement
<b>Education</b>		
Technical and Further Education Institutes: Audit Snapshot	Asset maintenance	Management of sessional academic staff ▲
Universities: Audit Snapshot	Telecommunication costs ▲	Executive remuneration
<b>Environment</b>		
Water Entities: Audit Snapshot	Asset valuations ▲	Procurement ▲
<b>Health</b>		
Public Hospitals: Audit Snapshot	Capital funding ▲	Private patient revenue ▲
<b>Local government</b>		
Local Government: Audit Snapshot	Asset valuations	Rate capping ▲

Note: ▲ indicates a new report not in the previous annual plan.

The areas of focus for 2016–17 and 2017–18 are discussed in more detail in the following section.



## AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA, 2016–17 AND 2017–18

The AFR of the State of Victoria presents the consolidated financial outcome for the State of Victoria and the Victorian general government sector.

The Auditor-General tables a report on the AFR late each calendar year. The report provides the results of the audit of the AFR. It also provides analysis of, and commentary on, key aspects of the financial performance and position of the State of Victoria and Victorian general government sector, drawing attention to significant trends, events, projects and developments that influenced the outcomes.



## PORTFOLIO DEPARTMENTS AND ASSOCIATED ENTITIES AUDIT SNAPSHOT REPORTS

### *Machinery-of-government changes, 2016–17*

Changes in MOG can significantly affect internal control frameworks and practices within public sector agencies. These changes are large scale and can be difficult to implement. The implementation of such changes can disrupt normal operations and increase the risk of error and internal control breakdown throughout affected entities. Victoria's most recent MOG changes took effect in January 2015.

We will perform a review of the implementation of these MOG changes at two portfolio departments, focusing on the impact on risk-management practices, internal controls and financial reporting.

### *Procurement, 2017–18*

Internal control frameworks and practices within public sector agencies should assure that procurement activities satisfy the entity's business needs and are suitably authorised, in line with policies and procedures, and consistent with the principles of value for money, open and fair competition, accountability, risk management, probity and transparency.

Portfolio departments are required to implement and maintain an effective internal control framework for procurement.



## TECHNICAL AND FURTHER EDUCATION INSTITUTES AUDIT SNAPSHOT REPORTS

### *Asset maintenance, 2016–17*

The move to a competitive operating environment for technical and further education (TAFE) institutes has seen their revenue decline, making it a challenge for TAFEs to achieve a targeted return on investment, as set by the Minister for Training and Skills. This has encouraged TAFEs to review operations to identify efficiencies, maximise revenue and reduce expenditure. In reviewing their operations, there is a risk that TAFEs may reduce discretionary expenditure on asset maintenance. Over time, asset condition will be impacted if asset maintenance is not being performed as required.

We will review the asset maintenance plans and asset maintenance framework at each TAFE institute. This will include a review of management controls and oversight of asset maintenance plans, asset condition assessments and spending on maintenance.

### *Management of sessional academic staff, 2017–18*

Salaries are the most significant expenditure at technical and further education (TAFE) institutes. Salary expenditure comprises both permanent ongoing staff and sessional teaching staff who are engaged to deliver course content on a needs basis. The oversight and control of salaries is therefore an important cost control activity for TAFE institutes.

We will assess the policies relating to management of sessional academic staff and the related management practices, governance and oversight at TAFEs. We will include comment on the cost of engaging sessional staff compared to permanent staff, the patterns and trends in sessional staff, and the cost of recruiting sessional staff.





### UNIVERSITIES AUDIT SNAPSHOT REPORTS

#### *Telecommunications costs, 2016–17*

Telecommunications devices are an important tool in any business, including public sector entities. Such devices can be an effective and efficient means of communication. However, where such devices are provided to employees, there must be adequate control over the cost and appropriate usage. Universities should have a framework in place to manage and control expenditure on mobile phones and personal devices, which should include a requirement for monitoring expenditure, trends and patterns in usage.

We will review the policies, management practices, oversight of telecommunications expenditure and use of personal devices across Victorian universities. Further testing and analysis will be undertaken at a sample of universities.

#### *Executive remuneration, 2017–18*

Executives form the key leadership and management group of a university. Remuneration for an executive should be set based on a policy framework, and any adjustments made should be subject to clear processes and parameters, with any key performance criteria articulated and assessed. University councils should oversee the nature and level of executive remuneration, and transparent disclosure of executive remuneration is expected to be made annually in audited financial statements.

We will review the controls, policies and processes, monitoring and oversight of executive remuneration in place at each university. We will analyse and assess the levels of, and trends in, executive remuneration over time.



### WATER ENTITIES AUDIT SNAPSHOT REPORT

#### *Asset valuations, 2016–17*

At 30 June 2015, the state's 19 water entities collectively held \$42.9 billion in non-financial assets, used in the delivery of water and water-related services to the citizens of Victoria. These assets are required to be reported at fair value in entities' financial statements, as prescribed by the Financial Reporting Directions in the *Financial Management Act 1994*.

Accurate and timely asset valuations are essential to the quality, accuracy and reliability of financial reports. Any material misstatements of asset values in these reports can lead to inaccuracies in assessing a water entity's financial position, allocating resources and planning for future infrastructure asset needs.

Issues regarding the valuation process, methodology and quality assurance over completed valuations were identified in the 2010–11 financial year and reported to Parliament. Our 2014–15 audit of water entities identified material errors regarding the model used to value infrastructure assets at four metropolitan water entities, resulting in their financial reports receiving a qualified audit report. The state's 19 water entities are required to revalue their assets during the 2015–16 financial year.

We will assess whether previous issues regarding asset valuations have been rectified. This review will include a case study review of management practices and oversight arrangements at a sample of water entities.

### *Procurement, 2017–18*

In 2014–15, the state's 19 water entities had a combined operating expenditure of \$1.2 billion and, given the asset-intensive nature of their businesses, combined capital expenditure of approximately \$1.3 billion.

Internal control frameworks and practices within public sector agencies should assure that procurement activities satisfy the entity's business needs and are suitably authorised, in line with policies and procedures, and consistent with the principles of value for money, open and fair competition, accountability, risk management, probity and transparency.

Our review of policies, procedures and a sample of tenders as part of the 2012–13 financial audit revealed deficiencies in conflict-of-interest declarations and issues regarding water entities' responsiveness to internal audit findings concerning procurement.

We will assess whether water entities have maintained an effective internal control framework for procurement as required by the Standing Directions issued by the Minister for Finance pursuant to the *Financial Management Act 1994*.



## **PUBLIC HOSPITALS AUDIT SNAPSHOT REPORTS**

### *Capital funding, 2016–17*

The public hospital sector held \$12.3 billion worth of assets at 30 June 2015. During 2014–15, the sector received \$672 million in capital funding from the Department of Health & Human Services and incurred \$770 million in depreciation expenses. Our 2014–15 Audit Snapshot report found that public hospitals face long-term financial sustainability risks around the replacement and renewal of assets.

We will assess the capital funding policies and processes used by the department and hospitals to allocate funding toward the replacement and renewal of assets.

### *Private patient revenue, 2017–18*

The public hospital sector generated private patient revenue of \$203.8 million for 2014–15, which was 1.6 per cent of all revenue received by the sector. Hospitals are looking into increasing alternative revenue streams beyond traditional grants from government, such as private patient revenue.

We will assess the trends in private patient revenue received by public hospitals, to ascertain if this revenue stream is being maximised.



## **LOCAL GOVERNMENT AUDIT SNAPSHOT REPORTS**

### *Asset valuations, 2016–17*

Under the accounting standard for Property, Plant and Equipment (AASB 116), local councils must report major classes of non-financial assets at fair value in their AFR. These assets—such as land and buildings, road networks and infrastructure—are subject to periodic revaluations by external consultants or by in-house valuers.

At 30 June 2015, net valuation increases recorded by Victoria's 79 local councils totalled \$2.6 billion, bringing the total value of non-financial assets to \$77.5 billion.

We will assess management practices and oversight arrangements for asset revaluations performed on local councils' non-financial assets, including a deeper review of related practices at a sample of councils.

### *Rate capping, 2017–18*

The *Local Government Amendment (Fair Go Rates) Act 2015* came into operation in December 2015. The legislation requires local councils to cap their annual rate increase to a combination of the consumer price index plus or minus any adjustment set by the Minister for Local Government. Any variation to the set annual rate index is to be accepted or rejected by the Essential Services Commission. This is effective from 1 July 2016.

The introduction of rate capping will require local councils to reassess their capital spending, what services they deliver, how they deliver those services, and the associated cost structures. Local councils may also seek to increase alternative sources of revenue. They will also need to appropriately consult with their communities.

We will assess how local councils have responded to rate capping and the impact of rate capping on local councils' operations and capital expenditure.

We will perform a review of the procurement policies, practices and management oversight at two portfolio departments.



5

Information  
Systems  
Audit



## 5.1 Overview of our ISA program

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VAGO's renewed focus on information and communications technology (ICT) led to the establishment of the Information Systems Audit (ISA) team in 2013–14. The dedicated effort in this area reflects the Victorian Government's significant ICT expenditure, which the April 2015 audit *Digital Dashboard: Status Review of Major ICT Projects and Initiatives – Phase 1* found was more than \$3 billion per annum.

In 2016–17, we plan to deliver four reports—three performance audit reports and one financial systems controls report—focused on information systems.

From time to time, we may introduce new topics into the program to accommodate high-priority ICT issues that emerge. We will provide advance notice to audited agencies and the Public Accounts and Estimates Committee (PAEC) of any proposed new performance audit topics.

## 5.2 Delivering our audits

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Our ISA team performs ICT-related performance audits in its own right and works closely with the financial audit teams to review information systems and controls as part of financial audits. We also provide expertise in data mining and analysis, and technical ICT-related advice to performance audit teams.

The two ongoing audit reports produced by our ISA team are:

- **Financial systems controls report**—a public-sector-wide report summarising the results of our audits of selected public sector entities' ICT general controls performed in support of VAGO's financial audits. This audit will also examine selected areas each year, focusing on certain aspects of ICT controls—for example, wireless network security and data classification (see section 5.3.2).
- **Digital dashboard**—an annual rolling status review examining the time, cost and delivery performance of significant ICT projects and initiatives across the public sector (see section 5.3.1). In order to provide relevant agencies with the time and opportunity to implement recommendations from the April 2015 *Digital Dashboard – Phase 1* report, the Digital Dashboard performance audit scheduled for 2016–17 has been deferred to 2017–18.

## 5.3 Planned ISA outputs for 2016–17

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This section sets out our ISA audit program for 2016–17 and 2017–18. For each audit listed, the audit scope is determined after detailed planning and consultation with PAEC and relevant departments and agencies.

Each proposed audit also indicates the agencies we plan to include in our audits. Sometimes the Auditor-General may add or remove an authority from an audit. This plan provides an indication of our intentions at this stage.

### 5.3.1 Proposed specification of ISA performance audit topics

This section sets out proposed specifications for our 2016–17 and 2017–18 ICT performance audits. For each audit listed, we outline an objective for the audit and the issues we intend to examine.

### *Health ICT strategic planning, 2016–17*

**Objective** To examine the effectiveness of ICT strategic planning in the public health sector.

**Issues** Despite several billion dollars in annual investment, the public sector does not have a good track record for planning and implementing ICT initiatives. Strategic planning for public sector ICT projects is often characterised by a reactive ‘internal’ view of service demand—and this view is being fundamentally challenged and sometimes overwhelmed by the emerging technology landscape.

This audit will examine the effectiveness of government’s Health ICT strategic planning in ensuring significant public resources are being effectively and efficiently invested, particularly on clinical ICT systems. It will also consider the effectiveness of government’s Health ICT strategic planning in responding to challenges brought about by the advancement of technology.

**Proposed agencies** The Department of Premier & Cabinet, the Department of Health & Human Services, and selected health services.

### *Hospital patient data security, 2016–17*

**Objective** To assess the effectiveness of ICT security policies, procedures and practices for hospital patient systems and data.

**Issues** Public sector entities, including those in the health sector, are increasingly reliant on ICT to deliver services. ICT environments are, however, being threatened more frequently by security risks of increasing scale and sophistication.

This audit will examine whether hospitals have rigorous security policies, procedures and practices in place over patient systems and data, to ensure that patients’ privacy is maintained and that data remains accurate and available to authorised persons when needed.

**Proposed agencies** The Department of Health & Human Services and selected public hospitals.

### *Security of infrastructure control systems for trains, 2016–17*

**Objective** To assess whether security risks to the critical ICT management systems that operate and control train infrastructure are managed effectively.

**Issues** Victoria’s train infrastructure relies on ICT management systems to operate and control train power and signalling systems. Any malfunction of such systems, be it deliberate or unintentional, can disrupt essential services with potentially catastrophic consequences for the state.

This audit will examine whether the governance arrangements, processes and controls in place effectively manage the security risks that may impact the train network’s infrastructure control systems.

This audit will also determine the extent to which transport agencies have implemented recommendations raised in our 2010–11 audit *Security of Infrastructure Control Systems for Water and Transport*.

**Proposed agencies** The Department of Economic Development, Jobs, Transport & Resources, Public Transport Victoria, V/Line, Victorian Rail Track Corporation, Emergency Management Victoria and Victoria Police.

### *Digital Dashboard: Status review of ICT projects and initiatives – Phase 3, 2017–18*

**Objective** To assess the effectiveness of the Department of Premier & Cabinet's oversight and reporting of relevant Victorian Government ICT expenditure and project information.

**Issues** As reported in the April 2015 audit *Digital Dashboard: Status Review of ICT Projects and Initiatives – Phase 1*, determining the status and outcomes of public sector ICT initiatives is currently difficult. Despite significant expenditure in ICT, most agencies and entities provide little, if any, public information specifying their activities and spend. This lack of transparency makes it difficult to determine whether ICT investments have enhanced government services and whether public resources have been spent in an efficient, effective and economical way.

Phase 1 of this audit recommended that the Victorian Government increase its level of transparency around ICT expenditure and the status of ICT projects. This audit will assess how reporting of relevant Victorian Government ICT expenditure and project information has progressed since 2015.

**Proposed agencies** The Department of Premier & Cabinet and selected agencies.

### *ICT disaster recovery planning, 2017–18*

**Objective** To assess the effectiveness of ICT disaster recovery planning in ensuring departments' and agencies' systems and data can be appropriately recovered in the event of a disaster.

**Issues** Disaster recovery planning is the ability of departments and agencies to recover their critical IT systems and data in a complete and timely manner in the event of a disaster at a primary data centre. If public sector entities—or their IT service providers—are unable to react and respond appropriately, a disaster could interrupt the entity's delivery of services to the community and could cause reputational damage to the state and the entities involved.

As reported in the October 2015 *Financial Systems Controls Report: Information Technology 2014–15*, disaster recovery planning continues to be a significant concern, particularly where a number of departments and agencies are dependent on a limited number of IT managed service providers.

This audit will focus on disaster recovery frameworks, processes and plans to ensure selected departments and agencies are prepared to continue service provision in the event of a disaster at a primary data centre.

**Proposed agencies** CenITex (selected departments and agencies), Victoria Police, the Department of Education & Training, and the Department of Health & Human Services (HealthSMART).

### *Security and privacy over surveillance technologies, 2017–18*

**Objective** To examine the effectiveness of ICT security and privacy policies, procedures and practices concerning surveillance technologies.

**Issues** The use of public surveillance technologies such as closed-circuit television (CCTV) and automatic number plate recognition by government agencies is widespread. While potentially beneficial for safety reasons, security and privacy concerns have continued to follow government's extensive use of these technologies. This proposed performance audit aims to provide assurance that the use of public surveillance technologies is:

- appropriately planned and implemented
- well managed in terms of adherence to privacy laws and appropriate usage policies.

**Proposed agencies** The Department of Health & Human Services, Victoria Police, VicRoads, Public Transport Victoria and selected local government councils.

### 5.3.2 Financial systems controls report: Information Technology

The annual financial systems controls report will summarise the results of the previous cycle of financial audits in addition to the results of examination of selected areas of focus. Work performed in relation to the selected areas of focus will cover both financial and operational ICT systems and processes implemented by agencies.

Figure 8 summarises the financial systems controls report areas of focus to be examined and reported on for 2016–17 and 2017–18. Each area of focus is discussed in more detail below.

**Figure 8: Financial systems controls report areas of focus 2016–17 and 2017–18**

Areas of focus 2016–17	Areas of focus 2017–18
IT general controls maturity	IT general controls maturity
Wireless network security	Data classification
Implementation of 'Top 4' cyber-intrusion mitigation strategies	Vulnerability management

#### *IT general controls maturity, 2016–17 and 2017–18*

In planning a financial audit, we undertake information technology (IT) general controls work to understand and evaluate an entity's IT environment and risks related to the reliability of financial reporting.

We will use the results of our IT general controls work performed as part of the previous cycle of financial audits, along with supporting procedures and reference to better practice maturity frameworks, to report on departments' and selected agencies' IT general controls maturity in the following areas:

- user access management
- authentication controls
- audit logging and monitoring of the IT environment
- IT change management
- patch management
- backup management, and business continuity and IT disaster recovery planning.

#### *Wireless network security, 2016–17*

Wireless networks enable users and systems to remotely access organisational data and resources without the need to be located within a trusted physical area, such as an office. Wireless security aims to prevent unauthorised access to systems using wireless networks. We will review the policies, procedures and established wireless network controls within departments and selected agencies, and assess them against better practice guidelines.

#### *Implementation of 'Top 4' cyber-intrusion mitigation strategies, 2016–17*

In accordance with the Victorian Information Security Management Framework, inner whole-of-Victorian-Government (WoVG) agencies are required to implement the Australian Signals Directorate's (ASD) 'Top 4' strategies to mitigate targeted cyber intrusions. The 'Top 4' strategies are:

- use application 'whitelisting' to help prevent malicious software and other unapproved programs from running
- maintain up-to-date software patches for applications such as PDF readers, Microsoft Office, Java, Flash Player and web browsers
- maintain up-to-date patches for operating systems
- minimise the number of users with administrative privileges.

We will review the policies, procedures and established controls implemented by selected inner WoVG agencies in relation to the ASD's 'Top 4' strategies.

### *Data classification, 2017–18*

Data classification strategies provide an organisation with a consistent approach for categorising, managing and storing data and information. Data classification typically includes reviewing and categorising data and information based on its nature and sensitivity. The Commissioner for Privacy and Data Protection has published the Victorian Protective Data Security Standards in November 2015, to better guide government entities in applying good practice processes.

We will review the policies, procedures and established data classification controls within departments and selected agencies against better practice guides and regulatory requirements, such as the Commissioner for Privacy and Data Protection's data security standards.

### *Vulnerability management, 2017–18*

According to the *Australian Government Information Security Manual*, managing vulnerability can help ensure that any new vulnerabilities are consistently addressed in a timely manner and that security is maintained through unforeseen events and changes. Measures to monitor and manage vulnerabilities can provide agencies with information about their level of exposure, to help them better identify, prioritise and respond to security threats. Vulnerability management activities also feed into an agency's wider risk management process, to ensure the overall confidentiality, integrity and availability of the IT environment and systems.

We will review the policies, procedures and established vulnerability management controls implemented within departments and selected agencies against better practice guides.





6

Our  
themes

## 6.1 Overview of our themes

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In 2014–15, VAGO's annual plan was given a greater strategic focus through the addition of a thematic approach to the selection of topics and areas of focus. While the development of the annual plan centres on identifying specific issues through environmental scanning, stakeholder consultation and desktop research, the introduction of a thematic approach assists in prioritising topics and areas of focus by considering overarching themes as an additional aspect when devising and prioritising our work program.

VAGO will aim to keep the audit themes stable over the next few years to enable comparability over time and assess the impact of audits in particular areas. Planned annual reviews will, however, consider if there is a specific requirement to vary, add, remove or substitute any themes. In selecting the themes consideration was given to:

- correspondence on issues relevant to Victoria
- analysis of other jurisdictions
- results of our work on identifying key themes across audit findings.

The 2016–17 themes are outlined in Figure 9 on page 52.

### **Governance and accountability theme**

Today's government is complex and interconnected, and citizens expect high levels of accountability as well as coordinated service delivery across agencies. Governance weaknesses have been a recurring issue revealed in departments over many years. Examples of audits proposed as part of this theme are:

- Board performance, 2016–17 (page 27)
- Internal audit programs, 2016–17 (page 29)
- Effectiveness of school governance, 2017–18 (page 19).

### **Information and communications technology theme**

The Victorian public sector does not have a good track record with information and communications technology (ICT) projects. A number of previous audits, including the 2014–15 *Digital Dashboard: Status Review of ICT Projects and Initiatives – Phase 1* and the *Information and Communication Technology Controls Report 2014–15*, highlighted persistent weaknesses in the planning and implementation of ICT projects, which often incur substantial delays and cost overruns.

Despite significant expenditure in ICT, most agencies and entities provide little, if any, public information specifying their activities and spend. This lack of transparency makes it difficult to determine whether ICT investments have enhanced government services and whether public resources have been spent in an efficient, effective and economical way. Examples of audits that fall under this theme include:

- Hospital patient data security, 2016–17 (page 45)
- ICT disaster recovery planning, 2017–18 (page 46)
- Security and privacy over surveillance technologies, 2017–18 (page 46).

### **Quality control, regulation and compliance theme**

Evolving complex regulatory frameworks require adequate accountability and responsibility for ensuring these frameworks are followed and complied with. Previous audits have found regulators needed to strengthen enforcement and compliance and also provide examples of where there is no routine compliance monitoring or, alternatively, inadequate monitoring, leading to little enforcement activity. Examples of audits for 2016–17 and 2017–18 that fall under this theme include:

- Effectiveness of the Environment Effects Statement process, 2016–17 (page 19)
- Regulating gambling and liquor, 2016–17 (page 17)
- Mining rehabilitation, 2017–18 (page 22).

### **Infrastructure and public private partnerships theme**

Victoria has experienced significant population growth over the past decade, primarily driven by migration from other states and overseas. This population increase requires a commensurate growth in service delivery. This creates some challenges both in terms of managing and maintaining existing infrastructure and assets, as well as investing in new infrastructure that will meet future needs. This includes investments in high-cost infrastructure for roads, public transport, schools and health facilities. As a result, the Victorian Government is investing in infrastructure with more and more capital projects being undertaken using public private partnerships arrangements.

While VAGO has always undertaken audits examining issues related to major infrastructure projects, due to the increasing investment in infrastructure and the rising number of capital projects, we will be increasing our focus in this area in 2016–17 and beyond. Accordingly, the annual plan includes a number of audits in this area:

- Managing Victoria's public housing, 2016–17 (page 26)
- Managing school infrastructure, 2016–17 (page 26)
- Managing the level crossing removal program, 2017–18 (page 27).

We expect that we will continue to focus on major projects going forward and will be looking to build our capability in examining details around the efficient and effective planning, implementation and financing of infrastructure projects.

Figure 9: Thematic overview of proposed VAGO reports to Parliament 2016–17 and 2017–18

2016–17	2017–18
<b>1. Governance and accountability</b>	
Access to public dental services in Victoria	Clinical governance of Victorian health services ▲
Audit committee governance	Community-based youth services \$ ▲
Board performance	Community health centres \$ ▲
Diverting young people from the criminal justice system	Effectiveness of school governance
Effectively managing freight growth	Fraud and corruption prevention strategies in the public sector ▲
Effectiveness of the Victorian Public Sector Commission ▲	Implementing the Victorian Coastal Strategy
Internal audit programs	Implementing the taxi industry reforms ▲
Maintaining state-controlled roadways ▲	Developing and evaluating justice policies ▲
Managing community correction orders	Managing sex offenders ▲
Managing performance of rail franchisees	Property and exhibit management ▲
Managing public sector records	Reforming the skills system ▲
Public participation and community engagement —local government sector	Supporting workers in transitioning industries ▲
Public participation in government decision-making	V/Line passenger services ▲
Local government: 2015–16 Audit Snapshot	Workforce participation ▲
Portfolio Departments and Associated Entities: 2015–16 Audit Snapshot	Workforce planning ▲
Public Hospitals: 2015–16 Audit Snapshot	Local government: 2016–17 Audit Snapshot
Technical and Further Education Institutes: 2016 Audit Snapshot	Portfolio Departments and Associated Entities: 2016–17 Audit Snapshot
Universities: 2016 Audit Snapshot	Public Hospitals: 2016–17 Audit Snapshot
Water Entities: 2015–16 Audit Snapshot	Technical and Further Education Institutes: 2017 Audit Snapshot
	Universities: 2017 Audit Snapshot
	Water Entities: 2016–17 Audit Snapshot
<b>2. Information and communications technology</b>	
Health ICT strategic planning	Digital dashboard: Status review of major ICT projects and initiatives – Phase 3
Hospital patient data security ▲	ICT disaster recovery planning \$ ▲
Security of infrastructure control systems for trains	Security and privacy over surveillance technologies ▲
Financial systems controls report	Financial systems controls report
<b>3. Quality control, regulation and compliance</b>	
Effectiveness of the Environmental Effects Statement process ▲	Mining rehabilitation ▲
Efficiency and effectiveness of hospital services: emergency care ▲	Victoria's air quality ▲
Meeting obligations to protect Ramsar wetlands	
Regulating gambling and liquor	
<b>4. Infrastructure and public–private partnerships</b>	
High Value High Risk	High Value High Risk
Managing school infrastructure	Managing private prisons \$ ▲
Managing Victoria's public housing	Managing the level crossing removal program ▲
	Meeting future water security challenges \$
<b>5. Other</b>	
Effectively planning for growth	Local government and economic development ▲
Enhancing food and fibre productivity	Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2016–17
Managing Victoria's planning system for land use and development	Three limited scope follow-up audits
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2015–16	
Three limited scope follow-up audits	

Note: ▲ indicates a new report not in the previous annual plan. \$ indicates audits with follow-the-dollar potential. Yellow shading indicates Financial Audit reports.

## **Photography**

### **Cover**

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Looking across the Yarra to  
the Arts Centre and Eureka Tower  
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A car-carrying ship docked  
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Financial Audit  
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Information Systems Audit  
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