

VAGO

Victorian Auditor-General's Office

Auditing in the Public Interest

Annual Plan 2009–10

Prepared pursuant to the
requirements of section 7A of the *Audit Act 1994*

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Victorian Auditor-General's Office
Auditing in the Public Interest

The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

I am pleased to transmit my Annual Plan for 2009–10 in accordance with section 7A of the *Audit Act 1994*.

Yours faithfully



D D R PEARSON
Auditor-General

6 May 2009

Foreword

My 2009–10 Annual Plan includes initiatives intended to better meet the expectations of Parliament and to enhance our focus on delivering audit reports which are authoritative and relevant.

The plan also progresses the goals outlined in our Strategic Plan 2007–08 to 2009–10, and places emphasis on providing independent assurance to the Parliament on the accountability and performance of the Victorian public sector.

We work against a backdrop of rising public expectations, evolving public finance practice, and changed legislative, organisational and service delivery arrangements. While responding to these changes, we will retain the focus on issues of compliance and process, and effectiveness, economy and efficiency which remain our hallmark value sets.

The global financial crisis and the recent bushfires have had a profound effect on our state. They also raise a dual challenge to public accountability and government service delivery. In difficult economic times, and when the public sector needs to react to unforeseen circumstances, the role of this office takes on even greater significance. In this respect, I acknowledge the support of the Public Accounts and Estimates Committee for my request for an adjustment to my budget. This increase is needed to maintain my existing service capability.

With the review of the *Audit Act 1994* still underway, we remain concerned to avoid further erosion of the audit mandate. In our submissions to government we have made the case to retain the ability to audit all public sector programs. With increased privatisation of service delivery, explicit provision for audit access to information, documents, records and public assets in the hands of service providers is sought. This is to avoid diminution of accountability and to assure capacity for continued cost effective and independent audit scrutiny. Continued public trust in our public sector relies to a significant extent on the independent and comprehensive auditing of service delivery and its expenditure of public monies.

To fulfil the intention of the *Audit Act 1994*, we need to protect the discretion to perform audits on the efficient and effective expenditure of all public monies and to have the capacity and flexibility to respond to emerging areas of interest. To this end, we also maintain a capacity to deploy resources to accommodate unforeseen requirements.



D D R PEARSON

Auditor-General

6 May 2009

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1 Our mandate and outputs

1.1 Our mandate

The Auditor-General is an independent officer of the Victorian Parliament, established by the *Constitution Act 1975* to conduct and report on financial and performance audits of the public sector. The Auditor-General's principal aim is to provide assurance to Parliament on the accountability and performance of the Victorian public sector. Under the *Audit Act 1994* the Auditor-General is assigned responsibility for the audit of over 600 public sector organisations including government departments, public bodies, government business enterprises, superannuation funds, health services, universities, TAFE colleges, local government and water authorities. This Act also provides the basis for the Auditor-General's access to all government information and the freedom to report findings arising from audits to Parliament. The Auditor-General is not subject to control or direction by either Parliament or the government.

The *Constitution Act 1975* and the *Audit Act 1994* are complemented by other legislation. The *Financial Management Act 1994* requires responsible ministers to provide annually to Parliament audited financial and, where applicable, performance statements of entities within their portfolios. The *Local Government Act 1989* requires local governments to prepare an annual report containing audited financial and performance statements.

1.2 Our outputs

Under the *Audit Act 1994* the Auditor-General undertakes performance audits and financial audits.

Performance audits establish whether public sector entities use resources, including those provided to non-government bodies, economically, efficiently and effectively, and in compliance with all relevant legislation. These audits are undertaken in accordance with the methodology outlined in our electronic performance audit toolset, which complies with the *Audit Act 1994* and Australian Auditing Standards.

Financial audits establish that the financial statements prepared by entities present the financial information fairly. The issue of an unqualified audit report adds credibility to the statements. Where required the Auditor-General also audits non-financial performance statements prepared by local government, certain water bodies and technical and further education institutes, and issues an audit report.

An audit report each on the Annual Financial Report of the State and of a review of the Government's Estimated Financial Statements are also provided.

Consistent with the provisions of section 3A(2) of the Act, in discharging the objectives of the Audit Act, regard is also had to whether there has been any wastage of public resources or any lack of probity or financial prudence in the management or application of public resources.

The entities audited by the Auditor-General include government departments and agencies, public hospitals and ambulance services, universities and other educational institutions, water authorities, public sector superannuation funds, as well as companies, trusts and joint ventures controlled by public sector agencies. The Auditor-General also has responsibility for auditing the local government sector, which comprises 79 councils, 12 regional library corporations and 11 companies, trusts and joint ventures.

Combined, the more than 600 entities audited by the Auditor-General collect income of approximately \$55 billion and incur about \$53 billion in expenditure annually, and hold in excess of \$153 billion in assets.

Under Victoria's output management system, the level of resources allocated to the office each year is determined on the basis of outputs that it expects to deliver, namely:

- Output 1: Parliamentary reports and services
- Output 2: Audit reports on financial and performance statements.

Details of these outputs are presented in Appendix B, page 29.

1.3 Amendments to the *Audit Act 1994*

The Audit Act 1994 has been amended a number of times since its introduction in 1994 when it replaced the *Audit Act 1958*. Major amendments were made in 1995, 1999 and 2003. A number of minor amendments were made in the intervening years.

The Act is unclear as to the ability for the Auditor-General to audit the courts and the Parliament. Audits of their administrative functions have previously been conducted by invitation. Also, executive discretion is generally required for the Auditor-General to gain access to information, documents, records and public assets relevant to program delivery by private sector service providers on commercial terms.

The public sector is increasingly using private sector service providers to fund and deliver major capital and operating programs. This has led to an erosion of audit coverage and independence as public sector information, documents, records and assets are increasingly held by contractors.

Over the past year a number of amendments to the *Audit Act 1994* have been proposed to address these matters and we remain in discussion with government.

1.4 Changes to the audit program

The plan contains prospective areas of performance audit interest that have evolved from multi-year programs included in annual plans since 2007–08. Prospective audit topics included in multi-year programs or progressively identified through our performance audit planning processes are periodically reviewed for relevance and priority. These and other factors lead to changes to the audit program between one year and the next. However, the discretion to replace or reschedule topics to accommodate issues of higher priority that may emerge is retained.

Changes in the audit program can be influenced by both external and internal factors.

1.4.1 External influences

Emergencies such as the recent bushfires as well as other events including the global financial crisis have led to changes to the audit program. It is in circumstances such as these that the role of VAGO takes on even greater importance. The 2009–10 audit program is predicated on maintaining the existing level of VAGO resources. To this end we appreciate the Public Accounts and Estimates Committee's support for our budget bid.

Public sector agencies can be affected by changes in service delivery methods, or evidence of performance gaps may come to light. We may decide to review how agencies deal with such matters, and change our audit program accordingly.

If a program or initiative is rescheduled, this can affect the audit plan timetable, as can an agency undertaking its own review in an area previously identified for audit.

The Auditor-General also responds to concerns raised by Parliament, agencies or the public about the performance of public sector agencies, and exercises his discretion whether or not to pursue such concerns.

1.4.2 Internal influences

We are vigilant in implementing an audit program which meets the expectations of Parliament and the public. Given recent satisfactory results in many audits dealing with process and compliance issues, emphasis will increasingly be given to identifying and reporting more on substantive value for money issues and on achievement against objectives.

We also review our assessments of risk and materiality of prospective areas of performance audit interest periodically and may change the audit program as these assessments change.

1.5 Initiatives

In 2007–08, a separate report on the results of financial audits for the local government sector which includes regional library corporations, associated companies, trusts and joint ventures, was tabled. Up to that time results for the local government sector had been included in a single public sector agencies compendium report along with results of other public sector agencies with a 30 June balance date.

The focus on local government as the third independent tier of government, controlling about 34 per cent of the state's publicly owned assets, was well received by Parliamentarians, the public and councils. Of particular note, is the fact that the financial viability indicators used in the report have been broadly embraced.

In keeping with Parliament's expectations for audit reports which are focussed and timely, we intend to table separate reports on the results of financial audits specific to the health and water sectors in 2009–10.

2 Proposed audit activity

2.1 Selection of areas of interest

2.1.1 Performance audit

Areas of audit interest for performance audits are selected within a framework which considers public sector performance against the Victorian Government's *Growing Victoria Together* (GVT) visions and goals. These visions and goals represent the government's framework for priority setting, including legislation and spending decisions to 2010 and beyond.

The GVT visions and related goals are:

Thriving economy

- more quality jobs and thriving innovative industries across Victoria
- growing and linking all of Victoria

Quality health and education

- high quality accessible health and community services
- high quality education and training for lifelong learning

Healthy environment

- protecting the environment for future generations
- efficient use of natural resources

Caring communities

- building friendly, confident and safe communities
- a fairer society that reduces disadvantage and respects diversity

Vibrant democracy

- greater public participation and more accountable government
- sound financial management.

We seek to identify areas for audit that are major contributors to the achievement of GVT objectives. Consideration is also given to wastage and lack of probity or financial prudence in all audits undertaken.

More detail about our performance audit topic selection method can be found in Appendix C.

2.1.2 Financial audit

The *Audit Act 1994* provides the mandate to audit the annual financial statements of all authorities, including departments and public bodies, and to express an audit opinion on each of those statements. Where required the Auditor-General also audits non-financial performance statements prepared by local government, certain water bodies and technical and further education institutes, and issues an audit report.

Areas of audit interest for financial audits are selected within a framework which considers:

- the effectiveness of the control environment and internal control within an entity supporting the preparation of the financial statements
- maximising the utilisation of management's data and the accrual information provided in entities' financial statements.

Our framework includes analysis of inherent risk, the control environment, internal control and relevant financial data across individual sectors. From this we identify areas that contribute to improvements in the reliability of financial reporting, compliance with applicable laws and regulations and the effectiveness and efficiency of operations.

In 2007–08 a programmed cycle of financial audit coverage of areas of public resources wastage or lack of probity or financial prudence in the management or application of public resources commenced. Current areas of focus for financial audit during 2009–10 include aspects relating to:

- treasury management
- asset management
- management of employment costs
- procurement
- grant administration.

Prospective areas of focus in 2010–11 to 2012–13 will build on the cyclic coverage to date, including matters related to the use of credit cards, audit committees and risk management, and will target revenue, expenditure, assets, liabilities and governance of public sector entities.

2.1.3 Audit reports

A list of audit reports covering performance and financial audit results tabled from 2006–07 to 2008–09 can be found in Appendix D.

2.2 Areas of performance audit interest 2009–10

This section sets out our areas of performance audit interest for 2009–10. The audits listed encompass two levels of coverage:

- audits with a broad scope of review of effectiveness, economy and efficiency
- audits with a limited scope of review focussing on aspects of effectiveness, economy and efficiency.

For each prospective audit listed, the final audit approach will be determined after the completion of our detailed planning, a process that requires consultation with the Public Accounts and Estimates Committee and relevant agencies.

2.2.1 Performance audits relating to a *Thriving economy*

Areas of performance audit interest
<p>Broad scope</p> <ul style="list-style-type: none"> • biotechnology development • VicForests • management of major rail projects, including project outcomes. <p>Limited scope</p> <ul style="list-style-type: none"> • rail safety • rollout of advanced metering infrastructure • vehicle fleet management.

Background to performance audits

Biotechnology development

Victoria has been at the forefront of Australia's biotechnology-based industry for over 80 years. Biotechnology has been the focus of sustained funding, policy, programs and projects in Victoria since 2000. The Department of Innovation Industry and Regional Development reports that the value of biotechnology deals signed from 2004 to 2007 exceeded its target of \$1 billion by at least \$3 billion, and estimates that the biotechnology sector is worth \$21 billion to the state's economy.

The audit will examine the transparency, accountability and value for money of outcomes delivered by public sector investment in the biotechnology sector. It will include an examination of whether investments in the Bio21 biotechnology precinct and the Synchrotron project have delivered intended outcomes.

VicForests

Following the release of the 2002 *Our Forests, Our Future* policy, a new commercial entity, VicForests, was established as a means of separating commercial functions from policy and regulatory functions and to enable management of the state's commercial interface with industry. VicForests commenced operations in 2004. Its key responsibilities include the sale and supply of timber resources in Victorian state forests, developing and managing an open and competitive sales system for timber resources, and pursuing other commercial activities as agreed by the Treasurer and responsible minister.

The audit will examine the organisational efficiency and effectiveness of VicForests in meeting its legislative objectives.

Management of major rail projects, including project outcomes

The Victorian Transport Plan (VTP) underpins the state's continued economic growth and liveability. It includes a \$12 billion commitment for additional track capacity and rail extensions, and \$3.2 billion for new trains. Completing these major rail capital projects on time is critical to achieving the VTP's objectives. Previous audits of *Regional Fast Rail*, *Rail Gauge Standardisation* and the *Restoration of Country Rail Passenger Services* have highlighted the need to improve the management and delivery of rail projects.

The audit will assess whether selected projects are well managed and whether intended project outcomes were achieved.

Rail safety

A 2008 Commonwealth Government report found that over half of all injuries at Australian level crossings between 2001 and 2006 occurred in Victoria. Between July 2006 and June 2008 the state government spent \$50 million on improving pedestrian and road level crossings and a further \$56 million separating the Lilydale and Belgrave lines from Middleborough Road in Melbourne's eastern suburbs. In addition, the Victorian Transport Plan includes \$540 million to make level crossings safer across the state.

The audit will examine the adequacy of planning for managing safety risks at railway crossings, whether the prioritisation given to works is justified, and whether in the case of works conducted, the incidence and impact of railway crossing accidents has reduced.

Rollout of advanced metering infrastructure

In 2006 the deployment of advanced metering infrastructure to electricity consumers using less than 160 MWh per year—generally small businesses and residential customers—was approved. Advanced metering infrastructure enables remote reading and connection of meters and two way communications. The rollout was to commence at the end of 2008 and be completed over four years. The project is being managed by the Department of Primary Industries (DPI) and delivered by the private sector electricity distributors.

The audit will examine whether the economic value of the rollout was adequately analysed and justified, and the effectiveness of DPI's stakeholder and project management.

Vehicle fleet management

Inner budget agencies operate around 8 800 passenger and light commercial vehicles with an estimated value of \$215 million. Local councils also operate vehicle fleets in their own right. Good fleet management should result in the optimal use of public resources to minimise fleet life-cycle costs.

The audit will examine whether the public sector passenger fleets and those of a selection of councils are operationally justified and well managed. This will include examining the adequacy of control over fleet full life cycle costs and the environmental impact of fleets.

2.2.2 Performance audits relating to *Quality health and education*

Areas of performance audit interest
Broad scope <ul style="list-style-type: none">• access to social housing• teacher performance.
Limited scope <ul style="list-style-type: none">• effectiveness of student welfare services• management of concessions to pensioners and beneficiaries• management of funding and service agreements with non-government service providers• review of the Victorian Curriculum and Assessment Authority.

Background to performance audits

Access to social housing

The Office of Housing is responsible for providing subsidised housing for low-income Victorians unable to access private rental or home ownership markets. Population growth, declining vacancy rates and increased rental costs in the private rental market increased the demand for affordable housing in Victoria, including public housing. Increasing numbers of single and older people and people with disabilities has led to a need for greater diversity in the housing stock. A recent initiative has been to transfer legal title of government-owned housing stock to not-for-profit housing associations registered and regulated by the Housing Registrar. These associations are to borrow against the value of the houses to fund additional housing stock.

This audit will examine the extent to which the strategy has improved access to housing for low income Victorians. It will examine how well Housing Associations have responded to increased demand and to the need for greater diversity in housing stock.

Teacher performance

Teacher performance critically influences student learning outcomes. Schools manage teacher performance and development under the School Accountability and Improvement Framework which is overseen by the Department of Education and Early Childhood Development. The School Accountability and Improvement Framework articulates three outcomes that government schools strive to achieve, i.e., improved student learning, enhanced student engagement and wellbeing, and successful transitions and pathways.

This audit is important given our audit of *Literacy and Numeracy Achievement* tabled in January 2009. It will examine the application of the teacher performance and development process in government primary and secondary schools, including the extent to which it has facilitated high standards of teacher quality and improved education outcomes.

Effectiveness of student welfare services

The link between self-esteem and educational achievement is well documented. A long-standing challenge for schools is to provide an environment that addresses the learning needs and wellbeing of each student. The Department of Education and Early Childhood Development guides and supports schools in improving student wellbeing through student welfare services. Support provided to students includes: Student Support Services Officers, such as speech therapists and psychologists; school nurses; the School Focused Youth Strategy, in conjunction with the Department of Human Services; and the Program for Students with a Disability.

The audit will examine whether school student welfare services have resulted in improved student wellbeing.

Management of concessions to pensioners and beneficiaries

The provision of a range of concessions including for housing, rates, water, energy, health, education and transport is critical to maintaining the affordability of essential services to low income households. The Department of Human Services manages and coordinates the distribution of around 60 per cent of the state's concessions to eligible persons.

The audit will examine the management of concessions to pensioners and beneficiaries by DHS. It will assess whether concessions are provided on a timely basis and whether information about concessions is readily available. The audit will examine how well the concessions 'system' responds to changed circumstances affecting demand, such as rising utilities costs, increasing unemployment and reduced retirement savings. The effectiveness of coordination between DHS and selected state government agencies and third parties that provide the concessions will also be examined.

Management of funding and service agreements with non-government service providers

Nearly 80 per cent of the Department of Human Services' total funding of \$13.1 billion is allocated to around 2 300 external agencies to deliver a range of services including health, mental health, drug and alcohol services, housing, child protection and family services, and other public and community services. DHS is the largest funder of non-government providers of services to the community. DHS uses funding and service agreements to establish performance standards and accountability arrangements for service providers.

The audit will examine funding and service agreements with non-government service providers across the human services portfolio to determine how effectively DHS assures that service providers deliver the services for which they are funded, to the agreed service delivery standards.

Review of the Victorian Curriculum and Assessment Authority

The Victorian Curriculum and Assessment Authority (VCAA) is responsible for providing high quality curriculum, assessment and reporting that promotes individual lifelong learning for both government and non-government school students. This work covers both the compulsory and post-compulsory years of schooling. For Years 11 and 12 students, VCAA administers the Victorian Certificate of Education (VCE), the Victorian Certificate of Applied Learning and the Vocational Education and Training in Schools program. This task includes reporting learning achievements to students, schools, parents and the community.

The audit will examine the organisational efficiency and effectiveness of VCAA in administering the VCE assessment system.

2.2.3 Performance audits relating to a *Healthy environment*

Areas of performance audit interest
<p>Broad scope</p> <ul style="list-style-type: none"> • environmental management in Victorian parks • hazardous waste management • irrigation efficiency programs • water demand and supply management.

Background to performance audits

Environmental management in Victorian parks

Victoria has around four million hectares of wilderness, national, state or regional parks and reserves. This equates to around 17 per cent of the state's land. Parks perform a crucial role in protecting biodiversity and ecosystem processes, providing clean air and water, regulating climate, maintaining healthy waterways and preventing soil erosion. Parks also provide a significant public benefit, contributing around \$960 million annually to Victoria's economy through tourism, employment and management expenditure.

Pest plants are a major cause of biodiversity loss—threatening natural ecosystems, invading native plant communities and resulting in a reduction of plant diversity and loss of habitat for native fauna. Pest plants can also impact on the economic value of adjacent land and damage cultural values and park assets. Pest animals threaten the survival of a range of native fauna and have caused local species extinctions through a combination of habitat modification and predation. They can also have environmental impacts, including degraded water quality, soil stability and vegetation cover due to burrowing and grazing.

The audit will examine the effectiveness of weed and pest programs in protecting Victoria's parks.

Hazardous waste management

Hazardous wastes are by products of producing everyday goods and services, like the manufacture of motor vehicles and plastics, or the dry cleaning of clothes. These wastes, also referred to as prescribed wastes, require a high level of control with the *Environment Protection Act 1970* (the Act) regulating their management. The Environment Protection Authority (EPA) enforces the Act and uses a range of strategies to promote compliance.

The audit will examine the effectiveness of the EPA's enforcement of the *Environment Protection Act 1970* and the Environment Protection (Prescribed Waste) Regulations 1998.

Irrigation efficiency programs

The 2004 *Our Water, Our Future* policy aims to contribute to improving the efficiency of Victorian irrigation systems by 25 per cent by 2020. A number of irrigation renewal projects have now been completed or are underway. In June 2007, the next stage of the policy announced a further \$2 billion to be spent over five years upgrading irrigation channels in the 'foodbowl' in northern Victoria, to capture lost water, and \$750 million to pipe one third of the saved water to the Sugarloaf Reservoir.

The audit will examine the management of irrigation renewal projects by the Department of Sustainability and Environment and water authorities, including whether intended outcomes have been achieved. It will also examine the case to proceed with the foodbowl upgrade and the Sugarloaf pipeline, including estimates of costs and water savings.

Water demand and supply management

A number of programs designed to curb the demand for, and boost the supply of, water have been developed and implemented in response to the ongoing drought and the state's growing population. As rainfall has remained low, the community has been encouraged to increase water recycling. Industries, hospitals, parks and sports grounds use recycled water, and for certain urban centres, recycling forms a critical component of their water supply. In 2007–08, Melbourne recycled 23 per cent of its wastewater. The upgraded Eastern Treatment Plant, scheduled for completion in 2012, expects to provide around 135 000 megalitres of recycled water per year. Greater attention has also been given to using groundwater to support a significant amount of Victorian agriculture and provide water supplies to urban centres, such as Geelong. Licensing arrangements established under the *Water Act 1989* regulate groundwater allocation for commercial and irrigation purposes.

The audit will examine how well the demand and supply of Victoria's recycled and ground water is being managed by the Department of Sustainability and Environment and water authorities. It will include the extent to which planning takes into account future needs, and whether compliance with licensing arrangements is monitored and enforced.

2.2.4 Performance audits relating to *Caring communities*

Areas of performance audit interest
<p>Limited scope</p> <ul style="list-style-type: none"> • capacity of police and emergency services to respond to people with mental health issues • community-building projects, including governance and financial management • compliance with Community Corrections Orders • construction of new police stations and courthouses • personal safety on public transport • public transport access for persons with disabilities • utilisation of development contributions by local government.

Background to performance audits

Capacity of police and emergency services to respond to people with mental health issues

Each year nineteen per cent of Victorians experience mental illness. This taken together with the deinstitutionalisation of mental health services, means police and emergency services personnel increasingly have to deal with people with mental health issues. For the wellbeing of all involved, and to minimise the potential for harmful outcomes, it is imperative that police and emergency services can respond effectively to such situations.

The audit will examine the appropriateness of the response by police and emergency services to incidents involving people with mental health issues.

Community-building projects, including governance and financial management

The Community Building Initiative (CBI) aims to improve the capacity of communities to manage their own affairs and engage in partnerships with government and other sectors to achieve social, economic, cultural and environmental benefits for the communities and for the state. The CBI commenced in 2005 and builds on the Community Capacity Building Initiative, which operated from 2000 to 2004. Since 2005, \$12.8 million has been allocated to the CBI and associated projects. The CBI currently supports 19 projects in around 100 small rural communities, which are guided by local steering committees. The Department of Planning and Community Development supports the community-building projects.

The audit will examine the CBI governance model and the financial management of funded projects, with a focus on whether CBI projects have delivered their intended outcomes.

Compliance with Community Corrections Orders

Community Corrections Orders (CCOs) are a non-custodial sentencing option for offenders, enabling them to stay in the community where their chance of rehabilitation is greater. Corrections Victoria manages offenders subject to CCOs. In the context of a prisoner population that has increased by nearly 60 per cent in the decade to 30 June 2007, CCOs are a significantly cheaper alternative: the annual cost of managing an offender on a CCO is around \$7 000 compared with around \$80 000 for a prisoner. However, cost is not the only consideration—it is important that the courts have confidence in CCOs as a viable sentencing option.

The audit will examine Corrections Victoria's management of CCOs. It will assess whether the program is achieving its objectives, including the extent of offender compliance, and the effectiveness of the actions taken to address non-compliance.

Construction of new police stations and courthouses

Since 2003–04 more than \$330 million has been committed to building and upgrading police stations and courthouses, to provide a safer community and more efficient justice services. The Department of Justice and Victoria Police are working together to consider opportunities for police to co-locate with courts and other emergency services.

The audit will examine implementation of the Department of Justice and Victoria Police's asset investment programs. It will assess how well strategic and operational priorities for building and upgrading have been determined, and whether individual projects have been adequately justified and delivered on time and on budget.

Personal safety on public transport

The Victorian Transport Plan (VTP) aims to deliver more trains, better roads and improved public transport choices. To make full use of public transport passengers need to feel safe and free from the risk of crime and unsocial behaviour. Crime statistics and regular surveys of passengers show that the personal safety of public transport users needs improvement, particularly in metropolitan railway stations and trains. Melbourne's public transport system is patrolled by 230 transit police and train operators employ customer service staff to provide a reassuring presence at railway stations, on trains and on trams. Recent investment has included closed circuit television cameras on the metropolitan train network to improve the personal safety of passengers. The VTP provides \$30 million for an additional 50 transit police and 24 customer service staff to be located at railway stations.

The audit will examine the Department of Transport's activities aimed at improving the personal safety of travellers using the metropolitan rail system, and whether the incidence and severity of violence against public transport users is reducing as a result.

Public transport access for persons with disabilities

The Department of Transport estimates that around 6 percent of Victorians experience a disability that affects how they use the public transport system. Many older Victorians also need public transport that is more convenient and easier to access. This demand will increase with the ageing of the population—one in four Victorians will be over 60 by 2021. Historically, the design of Victoria's public transport system has made it difficult for persons with disabilities and the frail to enjoy the same access as the fully fit or unencumbered. The Department of Transport has developed and is implementing the Accessible Public Transport Action Plan 2006–2012.

The audit will examine the Department of Transport's plans to make the public transport system more accessible to all Victorians, their implementation, and whether initiatives completed have improved accessibility for persons with disabilities.

Utilisation of development contributions by local government

Development contributions are payments or works-in-kind provided by developers towards the supply of infrastructure to support new land developments. Obligations for development contributions are created under the *Planning and Environment Act 1987* (the Act) and councils can seek contributions through development contribution plans, planning and building permit processes, and voluntary agreements with developers. The Act sets out procedures and responsibilities for councils for collecting and administering development contributions (infrastructure levies). The value of development contributions collected across all Victorian councils was approximately \$600 million in 2007–08, a decrease of around 9 per cent from 2006–07 (\$659 million).

The audit will examine the development contributions levied by selected councils and whether these contributions are being used appropriately.

2.2.5 Performance audits relating to a *Vibrant democracy*

Areas of performance audit interest
Broad scope <ul style="list-style-type: none">• maintaining the integrity and confidentiality of personal data• tendering in local government.
Limited scope <ul style="list-style-type: none">• fees and charges—cost recovery by local government• performance reporting across government agencies.

Background to performance audits

Maintaining the integrity and confidentiality of personal data

Victorian public sector agencies collect, create, use, hold and distribute a wide range of information, including personal information about individual members of the public, to perform their functions. Personal data used and stored by agencies can range from 'identifying information' such as names, birth dates and addresses, to sensitive or highly confidential data such as details of a person's health status, or criminal record.

The audit will determine whether the integrity and confidentiality of personal information held by a selection of agencies, is maintained.

Tendering in local government

Local government spends more than \$2.7 billion on goods and services annually. Major areas of local government expenditure include roads and associated infrastructure, construction and maintenance, waste management and plant and equipment. Effective tendering and contracting are central to the delivery of many projects and services, and are critical to councils achieving their objectives including delivering value for money to ratepayers. In 2008 a local government procurement strategy was released to drive efficiencies in council procurement practices and to improve service delivery. The strategy outlines a range of initiatives to improve the sector's procurement capability. Enhanced procurement practices have the potential to deliver annual savings of \$180–350 million. Projects underway in 2009 include initiatives to improve collaborative procurement arrangements, sector-wide training, and development of best practice guidelines for procurement capability.

The audit will examine the adequacy and application of policies, guidelines and procedures for tendering and contracting in local government. It will assess the extent of legislative compliance, adherence to probity standards and effectiveness of tendering practices in minimising waste and misuse of public resources, for a selection of major procurements.

Fees and charges—cost recovery by local government

Local government provides a range of services to their communities and are custodians of significant community assets. To remain viable and to sustain assets councils must balance the cost of service delivery against the ongoing demands of effective asset maintenance and renewal. User fees and charges are a significant source of operating revenue for councils. In order to develop sound operating budgets, to set fees and charges, to understand the extent of subsidisation of local services, and to make financially prudent resource allocation decisions, councils need reliable and relevant information on the full cost of the services they provide.

The audit will examine whether councils have relevant and reliable full cost information, and how well this information is being used when determining fees and charges for services.

Performance reporting across government agencies

Accurate and timely performance reporting is a critical component of effective management. It enables managers to monitor agency activities, progress in implementing programs and the achievement of outcomes. It also forms the basis of accountability to the Parliament and the public. Central to effective performance reporting and management are performance measures, indicators and reports that are relevant to agency objectives, appropriate for assessing actual performance, and which fairly represent performance.

This audit will examine the appropriateness of performance reporting across government.

2.3 Current and prospective areas of performance audit interest 2009–10 to 2012–13

Figure 2A presents the 2009–10 areas of performance audit interest and prospective areas of performance audit interest for the period 2010–11 to 2012–13, by portfolio for each GVT vision. The prospective areas of interest for 2010–11 to 2012–13 form an indicative program from which we will develop our future annual plans.

The program will be reassessed periodically and areas of audit interest added or removed to reflect emerging issues and changed risk assessments.

Figure 2A
Current and prospective areas of performance audit interest
2009–10 to 2012–13

Thriving economy				
Portfolio	2009–10	2010–11	2011–12	2012–13
Innovation, Industry and Regional Development	<ul style="list-style-type: none"> • Biotechnology development (broad) 	<ul style="list-style-type: none"> • Investment attraction • Small Business Support Program 		<ul style="list-style-type: none"> • Tourism strategy
Planning and Community Development		<ul style="list-style-type: none"> • Transit Cities—Revitalising Central Dandenong 		<ul style="list-style-type: none"> • Builders warranty insurance
Primary Industries	<ul style="list-style-type: none"> • Rollout of advanced metering infrastructure (limited) 	<ul style="list-style-type: none"> • Energy generation security • Melbourne Markets redevelopment 		
Sector-wide and central agencies	<ul style="list-style-type: none"> • Vehicle fleet management (limited) • VicForests (broad) 			
Transport	<ul style="list-style-type: none"> • Management of major rail projects, including project outcomes (broad) • Rail safety (limited) 	<ul style="list-style-type: none"> • Management of freight transport 	<ul style="list-style-type: none"> • Rail rolling stock procurement • Road based freight system operations in Victoria • Safety of Victorian bridges 	<ul style="list-style-type: none"> • Management of major road projects by VicRoads • Port of Melbourne channel deepening project—achievement of objectives • Public transport congestion • Fare evasion on public transport
Local Government				<ul style="list-style-type: none"> • Compliance with building permits

Figure 2A
Current and prospective areas of performance audit interest
2009–10 to 2012–13 – *continued*

Quality health and education				
Portfolio	2009–10	2010–11	2011–12	2012–13
Education and Early Childhood Development	<ul style="list-style-type: none"> Effectiveness of student welfare services (limited) Review of the Victorian Curriculum and Assessment Authority (limited) Teacher performance (broad) 	<ul style="list-style-type: none"> Early childhood development programs Learning technologies in government schools, including status of the implementation of the UltraNet School management of risks such as arson, vandalism, security Student safety including bullying 	<ul style="list-style-type: none"> Indigenous education Review of the Victorian Institute of Teaching School modernisation program Sessional teacher arrangements Victorian Registration and Qualifications Authority 	<ul style="list-style-type: none"> After school care program Preparedness for changing demographics Science and maths participation rates and initiatives Select entry schools
Human Services	<ul style="list-style-type: none"> Access to social housing (broad) Management of concessions to pensioners and beneficiaries (limited) Management of funding and service agreements with non-government service providers (limited) 	<ul style="list-style-type: none"> Child protection Inter-relationship between public hospitals and universities 	<ul style="list-style-type: none"> Aged care Dental services Management of drug and alcohol services in the public health system Nurse on Call Procurement practices in the health sector Visiting Medical Officer payments in public hospitals 	<ul style="list-style-type: none"> Infection control in hospitals Integrity of funding arrangements between the Department of Human Services and hospitals Metropolitan and rural ambulance services Risk management in public hospitals Victorian Alcohol Action Plan
Innovation, Industry and Regional Development		<ul style="list-style-type: none"> Financial performance of universities' off-shore and interstate operations 		
Primary Industries		<ul style="list-style-type: none"> Farm business management programs Genetically modified foods 	<ul style="list-style-type: none"> Victorian Resources Online (information for primary producers) 	<ul style="list-style-type: none"> Renewable energy use in Victoria

Figure 2A
Current and prospective areas of performance audit interest
2009–10 to 2012–13 – *continued*

Healthy environment				
Portfolio	2009–10	2010–11	2011–12	2012–13
Primary Industries		<ul style="list-style-type: none"> • Farm business management programs • Genetically modified foods 	<ul style="list-style-type: none"> • Victorian Resources Online (information for primary producers) 	<ul style="list-style-type: none"> • Renewable energy use in Victoria
Sustainability and Environment	<ul style="list-style-type: none"> • Environmental management in Victorian parks (deferred from 2008–09) (broad) • Hazardous waste management (broad) • Irrigation efficiency programs (carryover from 2008–09) (broad) • Water demand and supply management (broad) 	<ul style="list-style-type: none"> • Critical information communication technology infrastructure (water sector) • Environmental management of Victorian ports • Salinity management 	<ul style="list-style-type: none"> • Foodbowl modernisation project, including the Sugarloaf Interconnector • Health of Victoria's natural water systems (lakes, rivers, wetlands) • Performance reporting: water authorities 	<ul style="list-style-type: none"> • Carbon trading regime • Fire prevention and preparedness on public land • Management of contaminated sites • Water and energy consumption by government agencies

Figure 2A
Current and prospective areas of performance audit interest
2009–10 to 2012–13 – continued

Caring communities				
Portfolio	2009–10	2010–11	2011–12	2012–13
Innovation, Industry and Regional Development			<ul style="list-style-type: none"> • Construction of the Rectangular Stadium 	
Justice	<ul style="list-style-type: none"> • Capacity of police and emergency services to respond to people with mental health issues (limited) • Compliance with Community Corrections Orders (limited) • Construction of new police stations and courthouses (carryover from 2008–09) (limited) 	<ul style="list-style-type: none"> • Law enforcement assistance program (LEAP) enhancement • Performance indicators—police and emergency services • Prisoner health system and services • Problem gambling • Procurement of prison services 	<ul style="list-style-type: none"> • Court backlogs • Court diversion strategies (including alternative courts—drug courts, Koorie courts and neighbourhood justice centre) • Effectiveness of victims of crime programs • Legal aid provision • Racing industry: Boards of management 	<ul style="list-style-type: none"> • Crime statistics—reliability • Emergency services telecommunication system and emergency alerting systems, including response times by emergency services • Financial counselling provided by agencies • Service delivery in private prisons • Victoria Police Forensic Science Department
Planning and Community Development	<ul style="list-style-type: none"> • Community-building projects, including governance and financial management (limited) 			
Sector-wide and central agencies		<ul style="list-style-type: none"> • Dependence on volunteers in selected agencies 		
Transport	<ul style="list-style-type: none"> • Personal safety on public transport (limited) • Public transport access for persons with disabilities (limited) 		<ul style="list-style-type: none"> • Motorcycle safety programs 	
Local Government	<ul style="list-style-type: none"> • Utilisation of development contributions by local government (limited) 	<ul style="list-style-type: none"> • Local community transport (bus) service provision • Local government role in waste management 		

Figure 2A
Current and prospective areas of performance audit interest
2009–10 to 2012–13 – continued

Vibrant democracy				
Portfolio	2009–10	2010–11	2011–12	2012–13
Innovation, Industry and Regional Development			<ul style="list-style-type: none"> Provincial Victoria Growth Fund 	
Local Government	<ul style="list-style-type: none"> Fees and charges—cost recovery by local government (limited) Tendering in local government (broad) 	<ul style="list-style-type: none"> Business continuity planning in local government 		<ul style="list-style-type: none"> Fraud prevention strategies in local government
Transport		<ul style="list-style-type: none"> Project management and governance framework in the Department of Transport 		
Sector-wide and central agencies	<ul style="list-style-type: none"> Maintaining the integrity and confidentiality of personal data (carryover from 2008–09) (broad) Performance reporting across government agencies (limited) 	<ul style="list-style-type: none"> Administration of corporate sponsorship arrangements Compliance with requirements to disclose details of contracts with the private sector State Trustees Ltd—represented persons Accident compensation conciliation services 	<ul style="list-style-type: none"> Arts Victoria capital works program Government advertising and communication Personal expense reimbursement/travel expenses Revenue management practices 	<ul style="list-style-type: none"> Data security of disposed equipment Government internet security Prudential supervision Shared services Use of corporate credit cards

2.4 Areas of financial audit interest 2009–10

The *Audit Act 1994* provides the mandate to audit the annual financial statements of all authorities, including departments and public bodies, and to express an audit opinion on each of those statements. In 2009–10 the Auditor-General expects to provide an audit opinion on over 600 financial statements, and 114 performance statements prepared by municipal councils, certain water bodies and technical and further education (TAFE) institutes.

Financial audits provide independent assurance to public sector entities, Parliament and the public that the information in the financial reports of public sector entities is presented fairly, in all material respects, according to Australian accounting standards, the *Financial Management Act 1994* and/or other relevant legislative reporting requirements. Additionally, these audits provide assurance to public sector entities and Parliament on the appropriateness of aspects of the use of public sector resources.

The results of the financial statement audits are summarised in a series of Parliamentary reports. These reports and the audit report on the state's Annual Financial Report provide Parliament with assurance regarding the overall financial stewardship of the reported entities. Observations on areas of financial audit interest and reporting of current year areas of focus on the use of public sector resources are also included in these reports. The reports proposed for tabling during 2009–10 are detailed in Figure 2B.

Figure 2B
Parliamentary reports 2009–10

Report title	Proposed report topics
Whole of government	
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2008–2009	The results of the audit of the state's annual financial report, quality and timeliness of financial reporting, explanation of significant financial results for the state and the general government sector, and changes to the accounting framework. Discussion of the financial impact of transactions that have materially affected the results.
Portfolio or sector specific	
Results of Financial Statement Audits for Entities with 30 June 2009 Balance Dates—core government	The results of the financial statement audits not included in specific sector reports, the timeliness of financial reporting, and financial sustainability.
Results of Financial Statement Audits—Human Services Entities with 30 June 2009 Balance Dates	The results of financial statement audits of entities in the human services sector, the timeliness of financial reporting, effectiveness of internal control, and indicators of financial sustainability and aspects of investment management practices of public hospitals.
Results of Financial Statement Audits—Local Government Entities with 30 June 2009 Balance Dates	The results of financial statement audits in the local government sector, the timeliness of financial reporting, effectiveness of internal control, financial sustainability and performance reporting.

Figure 2B
Parliamentary reports 2009–10 – continued

Report title	Proposed report topics
<i>Portfolio or sector specific – continued</i>	
Results of Financial Statement Audits— Water Entities with 30 June 2009 Balance Dates	The results of financial statement audits in the water sector, the timeliness of financial reporting, effectiveness of internal control, financial sustainability and aspects of performance reporting.
Results of Financial Statement Audits— Education and Alpine Resorts Entities with other than 30 June 2009 Balance Dates	The results of the financial statement audits for entities with other than 30 June balance dates, the timeliness of their financial reporting, and financial sustainability

Planning will also commence for an additional report on the *Results of Audits of Entities' Internal Control Activities Supporting the Financial Statements*. Intended content of this proposed report includes the effectiveness of internal controls, with potential observations on aspects of internal audit, fraud management and asset procurement and management.



Appendix A

Our Strategic Plan 2007–08 to 2009–10

This Annual Plan falls in the third and final year of the VAGO Strategic Plan released in 2007–08. The Strategic Plan sets out VAGO’s objectives, how it is intended to achieve them and the key performance indicators.

Our overriding purpose is to provide independent assurance to Parliament on the accountability and performance of the Victorian public sector while at the same time engaging professionally and transparently with the entities it audits, and promoting continuous improvements in their performance.

Key result areas	Objective	Strategies
Reports and advice	Being authoritative and relevant	<ul style="list-style-type: none"> Increasing transparency in performance audit topic selection Demonstrably applying materiality and risk criteria in topic selection Emphasising the evidence and the application of authoritative criteria Reporting clearly and unequivocally
Parliament	Being highly regarded by Parliament	<ul style="list-style-type: none"> Engaging with parliamentary committees and parliamentarians to assure the relevance and appropriateness of our audits Strengthening relationships with the Public Accounts and Estimates Committee and other parliamentary committees
Clients	Fostering productive relationships with audit clients	<ul style="list-style-type: none"> Better informing our clients about our audit activities Engaging early and consistently on audit issues and findings
People	Being an employer of choice	<ul style="list-style-type: none"> Demonstrating the relevance of VAGO to the public interest Continuously developing our people Providing an attractive and stimulating work environment
Organisation	Being innovative and cost effective	<ul style="list-style-type: none"> Continuously improving our systems, methodologies and processes Valuing ideas and knowledge sharing Aligning tasks with office-wide objectives

Indicators to measure success in attaining our objectives

- Feedback from our various stakeholders including Parliamentarians, the Public Accounts and Estimates Committee and client agencies.
- Our performance compared to our peers.
- Achievements against annual plans tabled in Parliament and our internal business plans.
- The level of acceptance of our recommendations.
- Timeliness of our audits.
- Feedback from our employees.

Our values

- **Impartial**—independent and objective.
 - **Professional**—displaying integrity, reliability and a strong service ethic.
 - **Engaging**—client and outcome focused.
 - **Respectful**—communicating openly and transparently.
 - **Collaborative**—valuing our people and working together.
-

Appendix B

Our outputs for 2009–10

The level of resources allocated to VAGO each year through Victoria's annual budget process is determined in consultation with Parliament's Public Accounts and Estimates Committee. Under the budget framework, our resourcing is based upon two output groups, namely:

- Output 1: Parliamentary reports and services
- Output 2: Audit reports on financial statements.

Output 1: Parliamentary reports and services

Our reporting products

We inform Parliament, our primary client, of the results of our work through our reports. These reports provide Parliament with independent assurance on the adequacy of accountability and resource management practices in the public sector. Throughout each year we report to Parliament on matters arising from:

- our program of performance audits, addressing issues of effectiveness, efficiency and economy in the management of public resources
- our review of the Estimated Financial Statements and audit of the Annual Financial Report of the State of Victoria
- the results of annual audits of public sector agencies' financial and performance statements, including the local government, water and health sectors.

We also table the Auditor-General's Annual Plan and the VAGO Annual Report to inform Parliament of our planned activity and actual performance respectively.

In 2009–10 we intend to table 34 reports in Parliament (33 in 2008–09).

Other services we provide to Parliament

We complement our reports by providing a range of other services for Parliament. These services foster enhanced accountability and performance, while promoting better practice resource management in the public sector.

Services include:

- advice and assistance to Parliament, including submissions to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, government agencies and the public, which sometimes leads to the conduct of audits
- advice to central agencies and other public sector agencies, in such areas as draft legislation, financial management proposals, and the development of accountability frameworks
- guidance to public sector agencies, arising from our audit work, in specific areas of governance, management and accountability to support their improved future performance
- advice to external bodies on emerging developments associated with the public sector, including commentary on draft accounting and auditing pronouncements.

In providing this range of services, we seek to use the skills and experience of VAGO to encourage sustained improvement in the management of public resources.

Performance measures

Figure B1 outlines the performance measures for which we will be accountable for in 2009–10 as part of our delivery of the Parliamentary reports and services output.

Figure B1
Output 1: Parliamentary reports and services

Performance measures	Unit of measure	2009–10 target	2008–09 expected outcome	2008–09 target	2007–08 actual
Quantity					
Auditor-General's reports ^{(a)(b)}	number	34	33	31	33
Quality					
Overall level of external satisfaction with audits ^(c)	score	75	80	80	72
Timeliness					
Inquiries from Members of Parliament and the public responded to within 28 days	per cent	95	95	95	95
Reports completed on time	per cent	90	90	90	88
Cost					
Total output cost ^(d)	\$ million	13.9	12.3	12.2	13.9

- (a) The target for the performance measure 'Auditor-General's reports' has increased from 31 to 34 between 2008–09 and 2009–10. This reflects the disaggregation of results of financial statement audits into sector-specific reports.
- (b) The 2008–09 expected outcome for the performance measure 'Auditor-General's reports' has increased to 33 from a target of 31. This reflects our responsiveness to issues of high priority that emerged during the year.
- (c) The target for the performance measure 'Overall level of external satisfaction with audits' has decreased from 80 (per cent) to 75 (score) between 2008–09 and 2009–10. This reflects a change in the methodology of measurement, where a given percentage is generally equivalent to a lower score.
- (d) The target for the performance measure 'Total output cost' has increased from \$12.2 million to \$13.9 million from 2008–09 to 2009–10. This reflects both an increase in the complexity of audit requirements, and market-driven cost pressures on audit service providers.

Source: 2009–10 Budget papers.

Note: Approval has been sought from the Department of Treasury and Finance for additional expenditure of \$2.1 million in 2008–09 to be funded from accumulated surplus in line with s33 of the *Financial Management Act 1994*. This will increase the estimated 2008–09 total output cost for Parliamentary Reports and Services to \$14.4 million.

Output 2: Audit reports on financial statements

Key attest functions

The main products under this output are the:

- provision of audit opinions on the financial statements of public sector agencies and on the Annual Financial Report of the State of Victoria
- furnishing of audit reports on non-financial performance indicators prepared by local government, certain water bodies, and technical and further education institutes
- preparation of an independent review report on the state's Estimated Financial Statements for inclusion in the annual budget papers
- issuing of management letters to audited agencies conveying the findings of audits
- certification of warrants authorising the expenditure of public funds by government.

While our audit reports expressed on financial statements and non-financial performance indicators are issued in the first instance to Ministers and audited agencies, their ultimate purpose is to provide independent assurance to Parliament on the quality and reliability of financial and, in some cases, non-financial performance data that agencies include in their annual reports.

In 2009–10, the Auditor-General will have responsibility for the audit of more than 600 financial statements and 114 non-financial performance statements (607 financial statements and 115 non-financial performance statements in 2008–09).

Examination and certification by the Auditor-General of warrants authorising the expenditure of public funds by government

The preparation of warrants in Victoria is required under the provisions of the Constitution Act and the Financial Management Act. Warrants provide the constitutional authority for the Treasurer to spend the funding allocated in the annual budget and must be signed by the Auditor-General and approved by the Governor. Warrants examined and certified by the Auditor-General during 2008–09 had an aggregate expenditure value of more than \$35.9 billion as at 24 April 2009 (\$35.2 billion in 2007–08).

Performance measures

Figure B2 outlines the performance measures for which we will be held to account for in 2009–10 as part of our delivery of the audit reports on financial statements output.

Figure B2
Output 2: Audit reports on financial statements

Performance measures	Unit of measure	2009–10 target	2008–09 expected outcome	2008–09 target	2007–08 actual
Quantity					
Audit opinions issued on non-financial performance indicators	number	114	115	115	114
Audit opinions issued on the financial statements of agencies	number	600	607	625	640
Quality					
Overall level of external satisfaction with audits ^{(a)(b)}	score	75	75	80	73
Timeliness					
Audit opinions issued within statutory deadlines	per cent	98	98	98	96
Management letters and reports to Ministers issued within established timeframes	per cent	90	92	90	90
Cost					
Total output cost ^{(c)(d)}	\$ million	19.8	18.4	15.6	19.2

(a) The target for the performance measure 'Overall level of external satisfaction with audits' has decreased from 80 (per cent) to 75 (score) between 2008–09 and 2009–10. This reflects a change in the methodology of measurement, where a given percentage is generally equivalent to a lower score.

(b) The 2008–09 expected outcome for the performance measure 'Overall level of external satisfaction with audits' has decreased to 75 (score) from a target of 80 (per cent). This reflects a change in the methodology of measurement, where a given percentage is generally equivalent to a lower score.

(c) The target for the performance measure 'Total output cost' has increased from \$15.6 million to \$19.8 million from 2008–09 to 2009–10. This reflects both an increase in the complexity of audit requirements, and market driven cost pressures on audit service providers.

(d) The 2008–09 expected outcome for the performance measure 'Total output cost' has increased to \$18.4 million from a target of \$15.6 million. This reflects both an increase in the complexity of audit requirements, and market-driven cost pressures on audit service providers.

Source: 2009–10 Budget papers.

Appendix C

Performance audit topic selection framework

Figure C1 provides an overview of the framework we use for selecting performance audit topics.

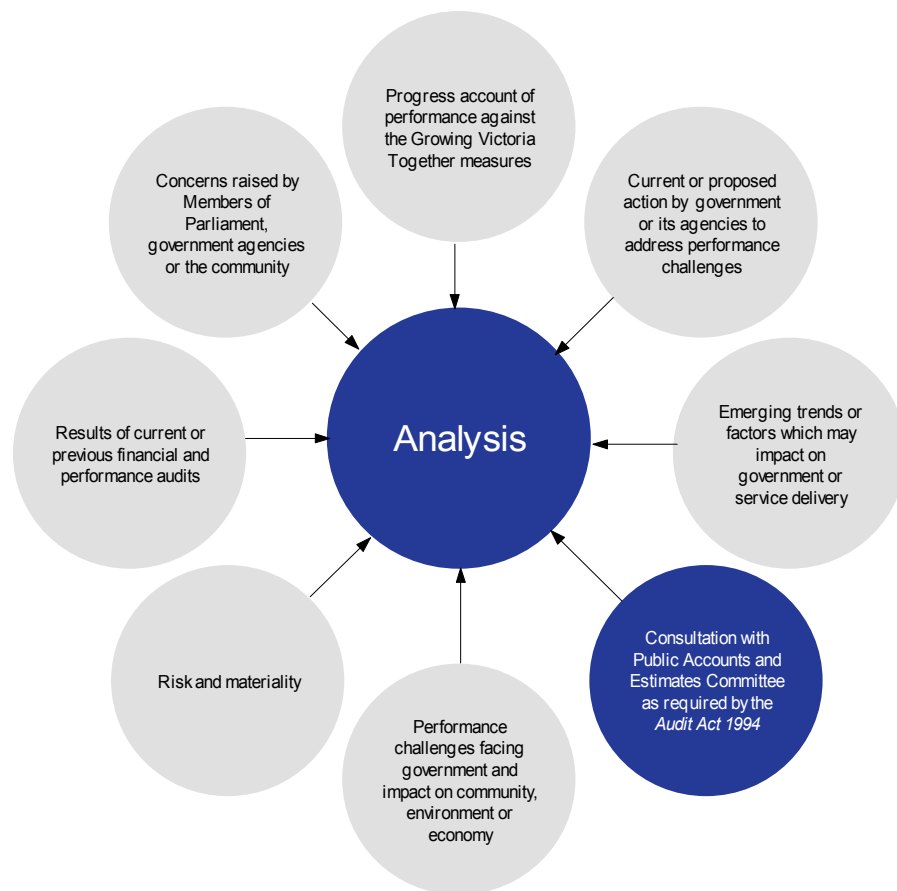
Figure C1
Performance audit topic selection framework



Identification and analysis of public sector programs and initiatives is conducted with reference to:

- the Victorian Government’s *Growing Victoria Together* (GVT) visions and goals. These visions and goals represent the government’s framework for priority setting, including legislation and spending decisions to 2010 and beyond
- consideration of a range of other factors as set out in Figure C2.

Figure C2
Factors considered during the analysis stage



The analysis focuses on emerging trends, inherent risks and challenges that could influence the achievement of the established visions and goals. The inherent risks include constraints to the efficient and economic allocation of resources, the effective achievement of objectives, and compliance with relevant legislation. We identify initiatives and programs with significant inherent risks, underperformance issues, or which are not meeting community expectations or where there is strong public interest. These are identified as potential areas of audit interest.

The potential areas of audit interest are then subjected to a risk and materiality assessment. The risk and materiality assessment considers the potential impact on the community in terms of economic, social and environmental sustainability, categorising them into five risk categories, ranging from ‘negligible’ to ‘catastrophic’.

Based on the risk and materiality assessment, prospective audit topics are prioritised and areas of performance audit interest for the Annual Plan are determined. Prospective areas of performance audit interest for the ensuing three years are also prioritised and incorporated into a multi-year strategy published in the Annual Plan.

For each prospective area of audit interest, the final audit approach will be determined based on detailed planning by our office, a process requiring consultation with the Public Accounts and Estimates Committee and relevant agencies.

While the framework is the main method applied for selecting topics, the Auditor-General retains the discretion to respond to emerging and unforeseen issues and to report on these to Parliament.



Appendix D

Performance audit and other Parliamentary reports 2006–07 to 2008–09

Details of performance audit and other Parliamentary reports tabled in the period 2006–07 to 2008–09 are presented in Figure D1. The 2008–09 program includes audits that are scheduled for tabling in Parliament by 30 June 2009 not yet tabled.

Figure D1
Reports tabled 2006–07 to 2008–09

Growing Victoria Together vision	2006–07	2007–08	2008–09
Thriving economy	<ul style="list-style-type: none"> Delivering regional fast rail services Docklands film and television studios: Status of state's interest Maintaining Victoria's rail infrastructure assets Making travel safer: Victoria's speed enforcement program Purchase of contaminated land by the Melbourne Port Corporation Rail gauge standardisation project State investment in major events 	<ul style="list-style-type: none"> Audits of two major Partnerships Victoria projects (Melbourne Convention Centre and Southern Cross Station) Discovering Bendigo project Funding and delivery of two freeway upgrade projects (buy-back of CityLink concession notes, Tullamarine and Calder Interchange project, and M1 Upgrade project) Maintaining the state's regional arterial road network New ticketing system tender Victoria's planning framework for land use and development 	<ul style="list-style-type: none"> Buy-back of the regional intra-state rail infrastructure network* Effectiveness of drought assistance measures* Enforcement of planning permits Management of the multi-purpose taxi program Melbourne's new bus contracts* Port of Melbourne channel deepening project

Figure D1
Reports tabled 2006–07 to 2008–09 – continued

Growing Victoria Together vision	2006–07	2007–08	2008–09
Quality health and education	<ul style="list-style-type: none"> • Accountability for public funds provided to a non-government organisation (human services) • Condition of public sector residential aged care facilities • Contracting and tendering practices in selected agencies • Giving Victorian children the best start in life • Maintaining public housing stock—follow up, including Housing integrated information Program • Managing emergency demand in public hospitals—follow up • Managing medical equipment in public hospitals—follow up • Promoting better health through healthy eating and physical activity • Review of major public cemeteries • Vocational education and training: meeting the skill needs of the manufacturing industry 	<ul style="list-style-type: none"> • Accommodation for people with a disability • Coordinating services and initiatives for Aboriginal people • Delivering HealthSMART—Victoria's whole-of-health ICT strategy • Improving our schools: Monitoring and support • Management of specific purpose funds by public health services • Patient safety in public hospitals • Program for students with disabilities: Program accountability • The new Royal Women's Hospital—a public private partnership 	<ul style="list-style-type: none"> • Access to public hospitals: measuring performance • CASES21 • Delivery of Home and Community Care program* • International students* • Literacy and numeracy achievement • Management of school funds • Managing acute patient flows • Private practice arrangements in health services • School buildings: Planning, maintenance and renewal • The new Royal Children's Hospital redevelopment—a public private partnership

Figure D1
Reports tabled 2006–07 to 2008–09 – continued

Growing Victoria Together vision	2006–07	2007–08	2008–09
Healthy environment	<ul style="list-style-type: none"> • Westernport Region Water Authority: investigation of aspects of the authority's management 	<ul style="list-style-type: none"> • Agricultural research investment, monitoring and review • Piping the system—incorporating the Wimmera-Mallee pipeline and Goldfields superpipe • Planning for water infrastructure in Victoria • Review of South-East Water's works alliance agreement 	<ul style="list-style-type: none"> • Administration of the <i>Flora and Fauna Guarantee Act 1988</i> • Bio-security incidents: planning and risk management for livestock diseases
Caring communities	<ul style="list-style-type: none"> • Addressing the needs of Victorian prisoners—follow up • Administration of non-judicial functions of the Magistrates' Court of Victoria 	<ul style="list-style-type: none"> • Implementation of the Criminal Justice Enhancement Program • Services to young offenders 	<ul style="list-style-type: none"> • Connecting Courts—the Integrated Courts Management System* • Implementing Victoria Police's code of practice for the investigation of family violence* • Management of the Community Support Fund* • Managing complaints against ticket inspectors • Preparedness to respond to terrorism incidents: essential services and critical infrastructure • Working with children check

Figure D1
Reports tabled 2006–07 to 2008–09 – continued

Growing Victoria Together vision	2006–07	2007–08	2008–09
Vibrant democracy	<ul style="list-style-type: none"> • Auditor-General 's report on the Annual Financial Report of the State of Victoria, 2005–06 • Auditor-General 's report—Results of financial statement audits for agencies with 30 June 2006 balance dates • Government advertising • Managing risk across the public sector: toward good practice • Public hospital financial performance and sustainability • Raising and collection of fees and charges by departments • Results of audits for agencies with other than 30 June 2006 balance dates 	<ul style="list-style-type: none"> • Auditor-General 's report on the Annual Financial Report of the State of Victoria, 2006–07 • Local government: Results of the 2006–07 audits • Parliamentary appropriations: Output measures • Performance reporting by public finance corporations • Performance reporting in local government • Project Rosetta (streams 1 and 2) • Records management in the Victorian public sector • Results of audits for agencies with 30 June 2007 balance dates • Results of audits for entities with other than 30 June 2007 balance dates 	<ul style="list-style-type: none"> • Auditor-General 's report on the Annual Financial Report of the State of Victoria, 2007–08 • Claims management by the Victorian WorkCover Authority* • Governance and fraud control in selected adult education agencies* • Local government: results of the 2007-08 audits • Results of audits for entities with 30 June 2008 balance dates • Results of audits for entities with other than 30 June 2008 balance dates • Withdrawal of infringement notices*

* Report yet to be tabled.