

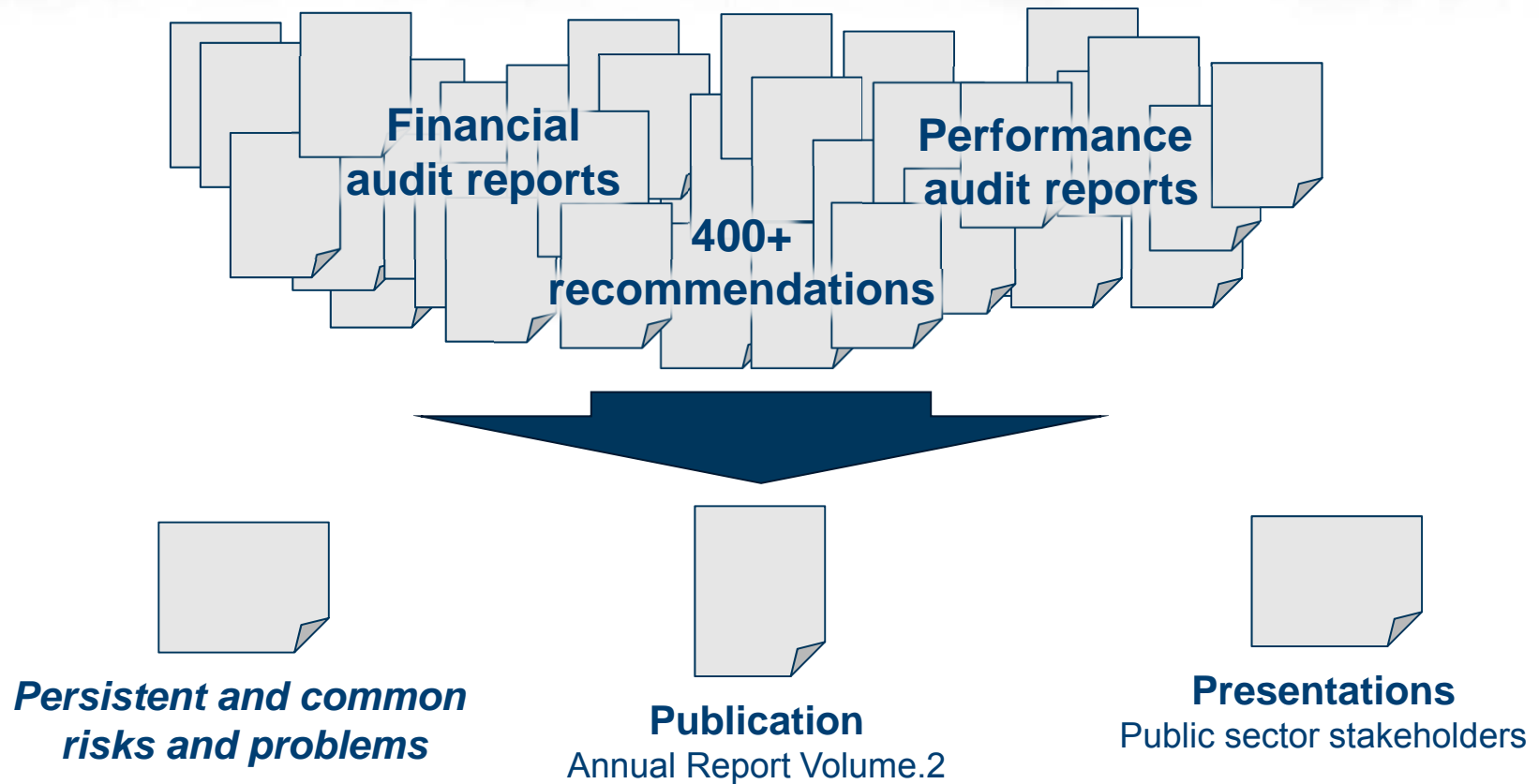
Annual Report

Volume 2: Key Audit Themes

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Acting Auditor-General



Deriving the Key Audit Themes



2014–15 Key Audit Themes

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1. Oversight, monitoring and accountability
2. Planning for an efficient and effective public sector
3. Managing challenges to financial sustainability
4. Managing risks to the public sector and community
5. Procurement and contract management
6. Measuring and reporting performance
7. Timely action on recommendations and reviews

01

**OVERSIGHT,
MONITORING AND
ACCOUNTABILITY**

Oversight by departments

Guidance and support
from departments

Oversight and monitoring
by agency management

Self-assessment questions

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1. Does my department have oversight mechanisms in place to monitor portfolio agencies' compliance with relevant legislation?
2. Do we monitor progress of other areas/agencies against the actions and goals in our major plans and strategies?
3. How does my department/agency know the guidance and support we provide to portfolio agencies/staff is meeting the needs of those agencies/staff?
4. Do we check up on compliance with our internal policies and frameworks?



Using strategic plans to effectively achieve objectives

02

**PLANNING FOR
EFFICIENT AND
EFFECTIVE
PUBLIC SECTOR
SERVICES**

Understanding needs and planning for efficient service delivery

Self-assessment questions

1. Are our high-level goals supported by strategies and plans with clear actions and priorities?
2. Do our plans include targets and indicators to help measure our progress?
3. Do our plans comply with applicable legislation and clearly link to the relevant statutory and government policy and objectives?
4. Does our operational planning reflect an understanding of our capacity and the demand for our services? Is this understanding informed by a sound evidence base?
5. Do we refresh our operational plans based on periodic analysis of both good and poor performance across the system?



Challenges to income

Ability to meet
financial obligations

Managing cash

Servicing debt

Maintaining
and renewing assets

03

**MANAGING
CHALLENGES TO
FINANCIAL
SUSTAINABILITY**

Self-assessment questions

1. Does my organisation have an appropriate risk management regime in place to assess and monitor financial sustainability risks?
2. Are the pricing and funding models applicable to my agency resulting in financially sustainable revenue streams?
3. Is my organisation's debt at sustainable levels?
4. Does my organisation have a sound basis upon which to adopt the going concern assumption for financial reporting purposes?
5. Does my organisation efficiently manage its cash flows?
6. Is my organisation maintaining, replacing and renewing its assets as required?



04

MANAGING RISKS TO THE PUBLIC SECTOR AND COMMUNITY

Risks to
technology security

Financial risks

Risks to the community

Self-assessment questions

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1. How does my agency approach our compliance with the *Victorian Government Risk Management Framework*?
2. Are our information and communications technology systems secure, with sufficient integrity and capacity to meet our operating needs?
3. When we plan a major project or initiative, do we adequately consider the financial risks faced now and in the future?
4. What are the risks to the community from our activities and how effectively are we monitoring and addressing these?
5. Do our risk management processes prepare us for periods of peak pressure, as well as everyday operations?



05

**PROCUREMENT AND
CONTRACT
MANAGEMENT**

Value for money
in procurement

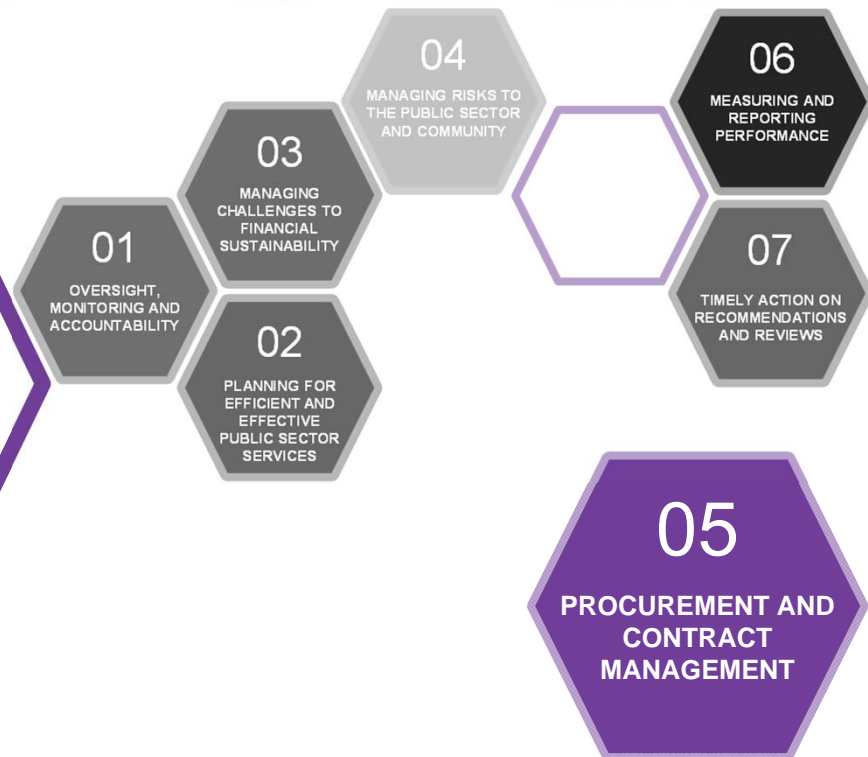
Probity in procurement

Managing contractor
performance

Governance of
outsourced services

Self-assessment questions

1. Are our procurement policies and procedures in line with government policy and better practice?
2. How can we be sure that our purchases and contracts represent value for money?
3. Will all our procurements meet the public sector standards of honesty and integrity, and stand up to public scrutiny?
4. Have we effectively used the incentives and penalties in our contracts?
5. Do we verify important performance information provided by contractors?
6. Do we have the necessary assurance over the functions and controls of outsourced service providers?



Reliable and transparent
financial reports

Reliable and accurate
performance reports

06

**MEASURING AND
REPORTING
PERFORMANCE**

Meaningful and
transparent performance
reports

Performance
measurement:
measuring the right things

Self-assessment questions

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1. How do we verify the accuracy of the information in our performance reports?
2. Does the performance information we use cover all the key activities?
3. Are our indicators relevant to the activity they are intended to measure?
4. Do our indicators align with our goals and strategy?
5. Do our performance reports explain performance transparently?



07

**TIMELY ACTION ON
RECOMMENDATIONS
AND REVIEWS**

Addressing issues from
internal and external
reviews

Acting on financial
audit findings

Acting on performance
audit recommendations

Self-assessment questions

1. Have we done enough to address the problems and issues we already know about?
2. Do our actions really address the recommendations made to us?
3. Do we track our actions against internal and external reviews and audits?
4. Do we have a process to identify and address outstanding or slow-moving actions?
5. Are our audit committee and management appropriately involved in monitoring progress against recommendations?
6. How are reports of progress against recommendations verified?



Using this analysis

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- Management - use as a checklist when developing and implementing programs and projects.
- Boards and audit committees - seek assurance from management that the risks identified by the themes are being managed and that controls are in place to address them.
- Internal auditors - inform own annual program of audits.
- Private or not-for-profit organisations working on behalf of the public sector - inform their risk assessments and improve the way they design and deliver government services.



Contacts and Questions

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