

Follow Up of Selected 2014–15 Performance Audits:
Additional School Costs for Families
Effectiveness of Support for Local Government
Operational Effectiveness of the myki Ticketing System

Tabled 22 June 2017

This presentation provides an overview of the Victorian Auditor-General's report *Follow Up of Selected 2014–15 Performance Audits*.

Follow-up program

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Performance audits focus on the efficiency, economy and effectiveness of public sector entities

Aim of this audit:

To improve accountability for addressing recommendations

Performance audits focus on the efficiency, economy and effectiveness of public sector entities, and include recommendations to improve the management and delivery of public services.

The purpose of following up performance audits is to improve agencies' accountability for addressing recommendations.

Selected audits and agencies

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*Additional School
Costs for Families*

Department of Education and Training (DET)

*Effectiveness of
Support for Local
Government*

Municipal Association of Victoria (MAV)
Local Government Victoria (LGV)—part of the Department of
Environment, Land, Water and Planning (DEWLP)

*Operational
Effectiveness of the
myki Ticketing System*

Public Transport Victoria (PTV)
Department of Treasury and Finance (DTF)

The three performance audits we selected for follow up were:

- Additional School Costs for Families, which involved the Department of Education and Training (DET)
- Effectiveness of Support for Local Government, which involved the Municipal Association of Victoria (MAV) and Local Government Victoria (LGV)
- Operational Effectiveness of the myki Ticketing System, which involved Public Transport Victoria (PTV) and the Department of Treasury and Finance (DTF).

What we looked at and how



Progress in implementing actions to address recommendations with a focus on whether:

- actions have addressed performance issues
- timely action taken to address recommendations



We examined the progress audited agencies have made in implementing actions to address the recommendations from our original audits. We did this by verifying agency self-attestations, reviewing documents, interviewing staff, and testing compliance with policy and process improvements.

Additional School Costs for Families

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Examined whether value for money is achieved in the management and application of parent payments

We found:

- Schools were confused about parent payments
- DET did not know cost of educating each student
- Limited DET oversight of schools

We made seven recommendations to DET

Our 2015 audit of Additional School Costs for Families examined whether DET was achieving value for money in the management and application of parent payments.

We made seven recommendations to DET.

Additional School Costs for Families

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We found:

- Government has commissioned reviews and increased sample size
- No change to Student Resource Package
- New school funding reform team
- Limited oversight, but DET is reviewing performance measures

Since our audit, the government has commissioned a number of reviews into school funding and costs, and has increased the sample sizes of schools used. However, no changes have been made to the Student Resource Package funding model as a result of these reviews. DET has recently established a school funding review team to drive and coordinate school funding reform policy.

Defining what an efficient and economic school should look like remains a challenge. DET's oversight of efficiency and economy at schools has not changed since our 2015 audit and it remains limited. To address this, DET is working to review efficiency and economy performance measures for schools.

Additional School Costs for Families

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- ✓ New parent payment policy
- ✓ Clearer definitions of parent payment categories
- ✓ Core principles
- ✓ Parent payments better understood by schools
- ✓ Finance related training provided to schools
- ✓ Not all schools compliant, but DET will conduct an annual internal audit

DET has taken action, but still further work to address underlying issues

DET has implemented a new parent payment policy. We were pleased to find that schools now better understand DET's parent payment policy and they are applying the parent payment categories more consistently. However, risks remain due to DET's limited monitoring and oversight of schools.

We tested a sample of 10 schools' policies and found that they were not all fully compliant with DET's requirements. This highlights the need for DET to be proactive in its oversight and monitoring of parent payments and in its support to schools. DET is conducting an annual internal audit of schools to test schools' compliance with the policy.

DET has taken action to respond to our recommendations, although some actions are still ongoing. DET needs to do further work to address the underlying issues identified in our 2015 audit.

Effectiveness of Support for Local Government

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- Our 2015 audit examined support provided to councils by MAV and LGV
- We found:
 - Significant issues with MAV's governance
 - Neither LGV or MAV could demonstrate whether their support was effective
- We made 15 recommendations:
 - eight directed to MAV
 - four to LGV, one to DELWP
 - two joint recommendations to MAV and LGV

Our 2015 audit on the Effectiveness of Support for Local Government examined the support that the Municipal Association (MAV) and Local Government Victoria (LGV) provided to councils. We found that there were significant issues with MAV's governance, and that neither MAV nor LGV could demonstrate whether their support to councils was effective. We made 15 recommendations—eight directed to MAV, four to LGV, one to DELWP, and two joint recommendations to MAV and LGV.

Effectiveness of Support for Local Government

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Performance improvements (MAV):

MAV has reviewed and updated all relevant internal governance policies and controls

Improved performance monitoring for councillor support activities

New strategic planning and annual reporting process

MAV has addressed the governance issues identified by our audit

Our follow-up audit found that MAV has revised and updated all relevant internal governance policies and controls, and has implemented a new internal audit program targeted at key areas of risk. MAV has introduced an improved performance monitoring and reporting framework for support activities, including councillor training and events. MAV has also developed a new strategic plan and annual reporting process with clearer, measurable targets and intended outcomes.

Effectiveness of Support for Local Government

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Performance improvements (LGV):

- ✓ LGV has improved evaluation and feedback processes
- ✓ New process for monitoring councils engaged in group procurement under the *Local Government Act 1989* (LG Act)
- ✓ *Municipal Association Act 1907* (MA Act) review to clarify responsibilities and improve oversight
- ✓ MAV and LGV have established a joint annual strategic planning process



MAV and LGV have responded to the recommendations and have taken appropriate action to address underlying issues

LGV—which is part of the Department of Environment, Land, Water and Planning (DELWP)—has improved its processes for collecting feedback from councils, to ensure that its guidance materials are meeting council needs. LGV has developed a process for monitoring councils that participate in group procurement—including through MAV—without having to conduct their own tender. The new monitoring protocol will provide LGV with greater assurance that group tenders are being conducted competitively and achieve value for money for local councils.

A review of the *Municipal Association Act 1907* is currently underway, and LGV has released a consultation paper outlining a range of possible reforms to the Act, to strengthen oversight and governance of MAV.

MAV and LGV have also established a joint annual strategic planning process and associated action plan.

Overall, both MAV and LGV have responded to our recommendations and have taken appropriate action to address the underlying issues identified in our 2015 audit.

Operational Effectiveness of the myki Ticketing System

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Operational Effectiveness of the myki Ticketing System

Our 2015 audit examined myki's operational effectiveness and whether myki was achieving the outcomes and benefits expected from its introduction.

We found:

- Significant implementation issues with myki
- Incomplete and unreliable picture of myki's operational performance
- myki retender benefits and outcomes not clearly defined
- Cabinet conventions were preventing access to business cases and impeding project oversight.

We made four recommendations to PTV and one recommendation to DTF

Our 2015 audit on the myki ticketing system examined myki's operational effectiveness and whether myki was achieving the outcomes and benefits expected from its introduction. We found that there were significant implementation issues with myki, and that Public Transport Victoria (PTV) did not have a complete or reliable picture of myki's operational performance. We also found that Cabinet conventions, when there is a change of government, have been preventing agencies from retaining business cases, which they need for conducting post-implementation reviews and measuring the intended benefits of major projects.

We made four recommendations to PTV and one recommendation to the Department of Treasury and Finance (DTF).

Operational Effectiveness of the myki Ticketing System

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Performance improvements:

- ✓ Stronger performance regime under new myki contract
 - 'Five layers' performance framework
- ✓ More robust performance indicators
- ✓ More rigorous approach to monitoring service provider's performance
 - monthly review of reported performance results
 - performance requirements audit



Our follow up audit found that PTV has developed a stronger performance regime for the new myki contract, which includes more robust performance indicators. It also addresses broader aspects of performance, including performance from a customer's perspective, and provides flexibility to address emerging service priorities. PTV is also adopting a more rigorous approach to monitoring the service provider's performance.

Operational Effectiveness of the myki Ticketing System

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Performance improvements – *continued*



- ✓ Business case disclosure policy, drafted by DTF, would allow agencies to retain detailed project information to improve project oversight and accountability
 - But, because draft submission did not progress to Cabinet, Cabinet conventions still preventing access to business cases

DTF drafted a business case disclosure policy, which proposed allowing agencies to retain detailed project information when there is a change of government. As the draft submission did not progress to Cabinet, Cabinet conventions are still preventing agencies from accessing the information needed to effectively implement, monitor and evaluate projects.

Operational Effectiveness of the myki Ticketing System

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Residual risks:

- Effectiveness of performance regime dependent on contract management
- Oversight and management of retender benefits realisation required
- Two recommendations to PTV:
 - Complete post-implementation review
 - Complete benefits management plan



The effectiveness and integrity of the performance regime will depend on how PTV manages the contract.

PTV has not yet completed a post-implementation review against myki's original objectives and benefits. It is also still in the process of developing a benefits management plan for the new myki contract. We made two recommendations to PTV to address this incomplete work in our follow up report.

Overall messages

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Agencies are taking action to address audit recommendations

Further work is required to fully address some recommendations and residual risks

Agencies need to improve focus on whether actions have had intended impact

Overall, agencies have acted to address our recommendations, although further work is required in some areas. Agencies also need to improve their focus on measuring whether their actions have had the intended impact.

For further information, please view the full report on
our website: www.audit.vic.gov.au

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