22 June 2017 Follow Up of Selected 2014-15 Performance Audits

Follow Up of Selected 2014–15 Performance Audits:

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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*.

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Follow-up program



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

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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.

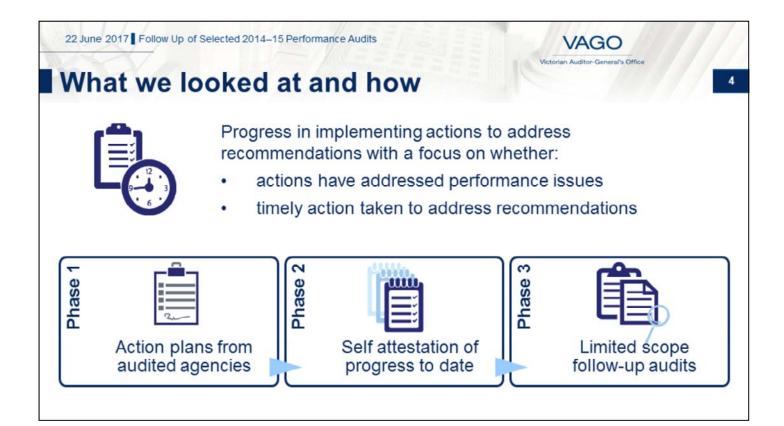
22 June 2017 Follow Up of Selected 2	2014–15 Performance Audits VAGO
Selected audit	Victorian Auditor-General's Office
Additional School Costs for Families	Department of Education and Training (DET)
Effectiveness of	Municipal Association of Victoria (MAV)
Support for Local	Local Government Victoria (LGV)—part of the Department of
Government	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:

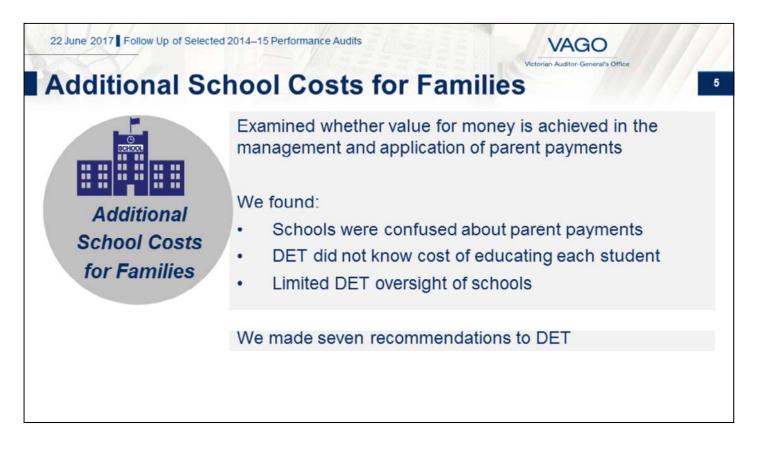
• Additional School Costs for Families, which involved the Department of Education and Training (DET)

• 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).



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.



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.

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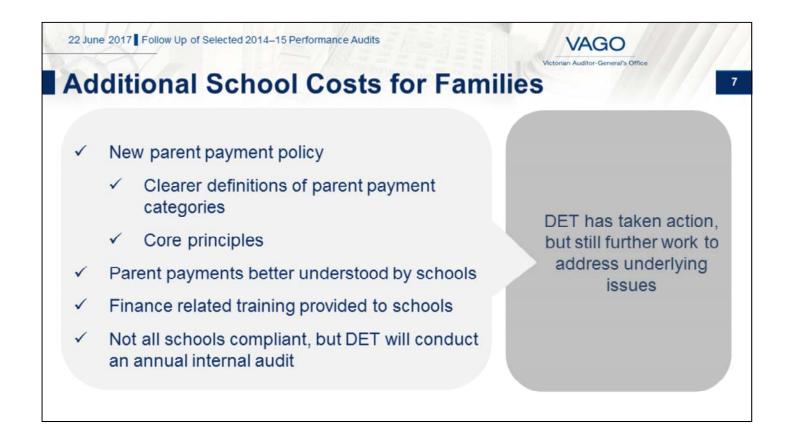
Additional School Costs for Families

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.



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.

22 June 2017 Follow Up of Selected 2	2014–15 Performance Audits	VAGO Victorian Auditor-General's Office
Effectiveness	of Support for Loc	
Effectiveness of Support for Local Government	 by MAV and LGV We found: Significant issues w Neither LGV or MAV their support was effective was effective was and their support was effective was and the support was effective was e	dations: AV

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.

22 June 2017 Follow Up of Selected 2014–15 Performance Audits	VAGO Victorian Auditor-General's Office
Effectiveness of Support for Local G	
Performance improvements (MAV):	
MAV has reviewed and updated all relevant internal governance policies and controls	MAV has addressed the governance
activities New strategic planning and annual reporting process	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.

22 June 2017 Follow Up of Selected 2014-15 Performance Audits VAGO Effectiveness of Support for Local Government 10 Performance improvements (LGV): \checkmark LGV has improved evaluation and feedback processes New process for monitoring councils engaged \checkmark in group procurement under the Local MAV and LGV have Government Act 1989 (LG Act) responded to the recommendations Municipal Association Act 1907 (MA Act) ~ and have taken review to clarify responsibilities and improve appropriate action oversight to address MAV and LGV have established a joint annual underlying issues strategic planning process

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.

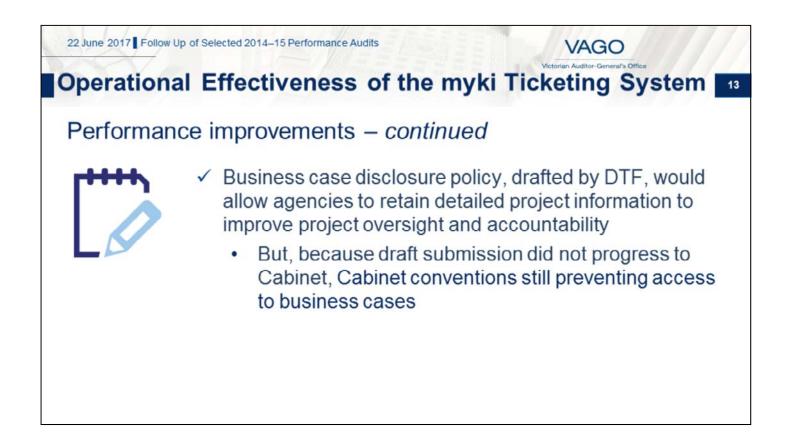
22 June 2017 Follow Up of Selected	VAGO
Operational Effe	ectiveness of the myki Ticketing System
Ē	Our 2015 audit examined myki's operational effectiveness and whether myki was achieving the outcomes and benefits expected from its introduction.
	We found:
Operational	Significant implementation issues with myki
Effectiveness of the myki Ticketing	 Incomplete and unreliable picture of myki's operational performance
System	 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).



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.

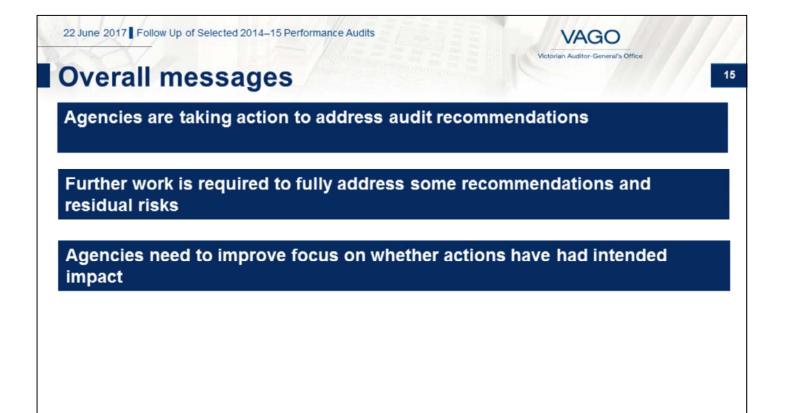


DTF drafted a business case disclosure policy, which proposed allowing agencies to retain detailed project information when there is a change of government. As the draft submission did not progress to Cabinet, Cabinet conventions are still preventing agencies from accessing the information needed to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

22 June 2017 Follow Up of Selected 2014-15 Performance Audits Operational Effectiveness of the myki Ticketing System [14] 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, 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. 22 June 2017 Follow Up of Selected 2014-15 Performance Audits



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For further information, please see the full report of this audit on our website, www.audit.vic.gov.au.