

VAGO

Victorian Auditor-General's Office



Follow Up of Oversight and Accountability of Committees of Management

September 2018



Victorian Auditor-General's Office

Follow Up of Oversight and Accountability of Committees of Management

Independent assurance report to Parliament

Ordered to be published

VICTORIAN GOVERNMENT PRINTER

September 2018

PP no 438, Session 2014–18

This report is printed on Monza Recycled paper. Monza Recycled is certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Gas Protocol and ISO 14040 framework. The Lifecycle Analysis for Monza Recycled is cradle to grave including Scopes 1, 2 and 3. It has FSC Mix Certification combined with 99% recycled content.

ISBN 978 1 925678 29 1



Victorian Auditor-General's Office

The Hon Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report *Follow up of Oversight and Accountability of Committees of Management*.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Andrew Greaves', is written over a faint, light blue circular stamp.

Andrew Greaves
Auditor-General

5 September 2018

Contents

Audit overview	7
Conclusion	7
Findings.....	8
Response to report	9
1 Audit context	11
1.1 Committees of management.....	11
1.2 Roles and responsibilities	12
1.3 Previous audits	12
1.4 What this follow up audit examined and how	13
1.5 Report structure	13
2 The land management model	15
2.1 Summary of progress.....	15
2.2 Performance improvements.....	17
2.3 Impacts	17
2.4 Residual risks	18
3 Understanding risks and needs	21
3.1 Summary of progress.....	22
3.2 Performance improvements.....	25
3.3 Impacts	27
3.4 Residual risks	29
4 Governance and appointments.....	33
4.1 Summary of progress.....	33
4.2 Performance improvements.....	35
4.3 Impacts	35
4.4 Residual risks	36
5 Guidance and support	39
5.1 Summary of progress.....	39
5.2 Performance improvements.....	41
5.3 Impacts	41
5.4 Residual risks	42
Appendix A. <i>Audit Act 1994</i> section 16—submission and comments	45
Appendix B. Survey of CoMs, June 2018.....	47

Acronyms

CoM	committee of management
CAV	Consumer Affairs Victoria
DELWP	the Department of Environment, Land, Water and Planning
DEPI	the former Department of Environment and Primary Industries
VAGO	Victorian Auditor-General's Office

Audit overview

This report follows up our performance audit *Oversight and Accountability of Committees of Management*, tabled February 2014.

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

Each year we ask agencies to attest to their progress in implementing actions that address previous performance audit recommendations that they accepted. Using these attestations—as well as our assessment of the public interest and materiality of audit topics—we select topics to follow up.

Our 2014 audit found that the governance of committees of management (CoM) required significant improvement and that the former Department of Environment and Primary Industries (DEPI) was not targeting its support to reserves with higher risk profiles. Consequently, it had not taken sufficient steps to ensure that CoMs are managing Crown land reserves appropriately.

This follow up audit assesses progress by the Department of Environment, Land, Water and Planning (DELWP) in responding to the 11 recommendations in our 2014 audit.

Conclusion

The actions that we recommended in our 2014 audit are increasingly relevant, as some Crown land reserves continue to deteriorate and CoMs experience increasing challenges in recruiting appropriately skilled volunteers.

DELWP's lack of progress in addressing our recommendations means that the risks that we identified in 2014 remain. The root issue we identified is unresolved—CoMs continue to report that they are not able to safely and effectively manage their Crown land reserves. As DELWP advised government in May 2018, and CoM members reiterated in our survey, real risks to public safety and assets are present on some of the land managed by CoMs. Without a robust risk assessment approach, it is not possible for DELWP to understand, or assure Victorians about, the extent or breadth of risks that exist on its 1 500 Crown land reserves managed by voluntary CoMs.

As we identified in our 2014 audit, DELWP needs to take a more strategic and risk-based approach to managing CoMs. Without undertaking the risk analysis that we recommended in 2014, DELWP cannot be assured that it is directing its limited resources to the areas of greatest risk or need, nor can it develop the business cases for increased resourcing in high-risk areas. This issue is compounded because DELWP has poor information about Crown land reserves.

Successive audits and reviews over almost 30 years have made consistent findings about poor governance and fragmented oversight by the responsible department. These reviews have also questioned the effectiveness of the CoM model for land management. The lack of progress will continue while accountability within DELWP for CoMs and Crown land reserves is dispersed and ineffective.

Findings

DELWP has not fully addressed any of the 11 recommendations from our 2014 audit—see Figure A. Several actions taken by DELWP have reduced its oversight of CoMs and consequently heightened the risks we identified in the original audit.

While DELWP’s internal audit processes confirmed that it had completed necessary actions to address all of the recommendations, this is incorrect. DELWP is reviewing its internal audit processes to improve its monitoring of progress to address our recommendations.

Figure A
Status of recommendations

Audit	Tabling date	Recommendations from the 2014 audit			
		Made	Accepted	Complete	Incomplete
Oversight and Accountability of Committees of Management	February 2014	11	11	0	11

Source: VAGO.

The action plan that DEPI provided to us in response to the original audit included four projects comprising 14 initiatives which would have partly addressed seven of our 11 recommendations. However, five of the 14 initiatives were not completed.

In addition to the action plan, DEPI committed during the audit to a range of actions against every recommendation. These actions went further than the action plan to address our recommendations. There is no evidence that DELWP has monitored or implemented these actions except for the limited number that were also in its action plan.

In December 2015, we tabled the results of our 2014–15 follow up survey in Parliament, and we reported DELWP’s assertion that it had completed its actions in response to 10 of our 11 recommendations. Instead, we assess none of the recommendations as having been fully addressed. When we sought to verify this attestation in this follow up audit, we could not verify four of the actions that DELWP had reported to us as having completed.

Response to report

We have consulted with DELWP and we considered its views when reaching our audit conclusions. As required by section 16(3) of the *Audit Act 1994*, we gave a draft copy of this report to DELWP and asked for its submission or comments. We also provided a copy of the report to the Department of Premier and Cabinet.

The following is a summary of DELWP's response. The full response is included in Appendix A.

DELWP acknowledged the need for further work on its oversight of CoMs and reported a number of new actions it is commencing.

1

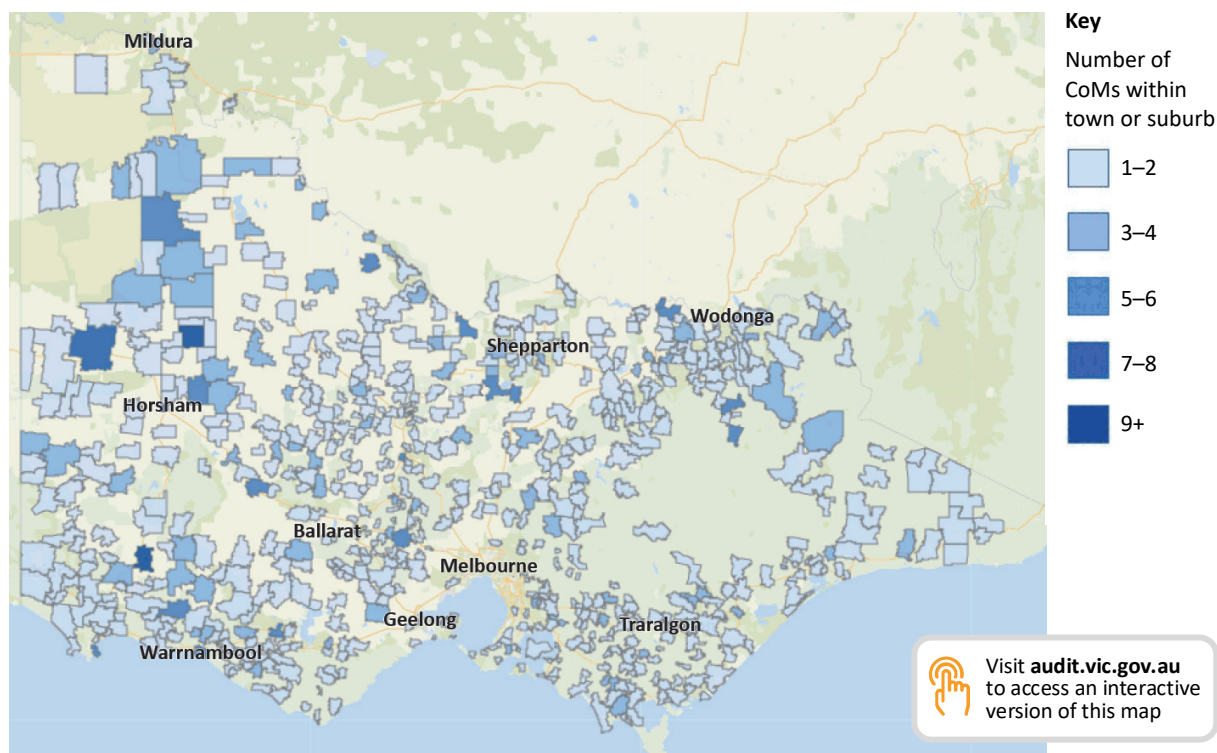
Audit context

1.1 Committees of management

CoMs make a substantial contribution to Victoria. Through their volunteer labour, they maintain and oversee almost 1 500 Crown land reserves.

Crown land reserves are areas of public land set aside for the benefit and enjoyment of Victorians. Nearly 1 200 CoMs, comprising more than 8 000 volunteers, manage these 1 500 reserves—see Figure 1A. Reserves managed by CoMs vary from sporting grounds, parks and gardens that play important roles in their local communities to historic buildings and international tourist precincts such as Phillip Island Nature Reserve and the Great Ocean Road.

Figure 1A
Victoria's CoMs



Source: VAGO based on DELWP's Portal database of CoMs and Crown land reserves as at March 2018. Map data © Qlik, OpenStreetMap contributors.

1.2 Roles and responsibilities

DELWP manages the majority of Victoria's public land, including Crown land reserves, on behalf of the Minister for Energy, Environment and Climate Change.

While DELWP manages some public land directly, for specific reserves it delegates its management to groups of volunteers or other bodies such as Parks Victoria and local government. This delegation of land management occurs when the responsible minister appoints the volunteers or other body as the CoM for a reserve.

In this audit, we focused on CoMs that are made up of groups of volunteers, which DELWP refers to as 'voluntary CoMs' or 'community-based CoMs'. They may be:

- a group of three or more people, generally volunteers from the local community, who are appointed through either an expression of interest process or public election, or as nominated representatives of user groups
- a community group that has been incorporated for a public purpose under the *Crown Land (Reserves) Act 1978*, the *Incorporated Associations Act 2012* or other relevant legislation.

The *Crown Land (Reserves) Act 1978* requires CoMs to manage, improve, maintain and control their reserves for the purposes for which the land was reserved.

DELWP retains responsibility for assets on Crown land reserves. Under the Victorian Government's 2016 *Asset Management Accountability Framework*, portfolio departments must know what assets they have and their condition and have processes for maintaining the assets and managing emergencies.

1.3 Previous audits

Almost 30 years ago, a VAGO performance audit of Crown land reserves found that the responsible department did not have a systematic approach for administering and monitoring the delegated management of the reserves. Our follow up audit in 1997 found that the responsible department's overall framework was still deficient and did not facilitate proper accountability and monitoring of CoMs.

In 2014, our audit *Oversight and Accountability of Committees of Management* found that:

- DEPI needed to significantly improve its governance of CoMs
- DEPI did not take a strategic approach to supporting and overseeing CoMs, as it was not sufficiently targeting CoMs that managed reserves with higher risk profiles
- CoMs' sustainability was uncertain because DEPI had not taken sufficient steps to ensure that appropriate land managers were overseeing Crown land reserves.

During the 2014 audit, DEPI developed proposed actions to address most of the weaknesses we identified. We published these proposed actions in the final audit report as 'DEPI committed actions' against each recommendation.

Earlier this year, our audit *Protecting Victoria's Coastal Assets* considered how effectively DELWP supported coastal CoMs to manage coastal assets and found that DELWP's current guidance does not adequately support them. We found that not all coastal CoMs are adequately skilled to undertake the risk-based management of coastal assets on Crown land that DELWP prescribes. We also found that DELWP's limited oversight of CoMs means it does not know whether they are effectively assessing risks to coastal assets.

1.4 What this follow up audit examined and how

The objective of follow up audits is to determine whether agencies have effectively addressed the audit recommendations that they accepted in the original audit. We consider whether agencies have:

- addressed performance issues relating to the recommendations
- taken timely action to address recommendations
- put plans in place to address incomplete recommendations
- monitored their actions for review and impact.

As part of this follow up audit, we also sought to verify DELWP's attestations about its progress in addressing the recommendations and the actions it committed to undertake during the 2014 audit, which included an action plan submitted in response to the audit together with a series of committed actions negotiated with us during the audit, all of which were published in the original audit report. We reviewed documents, interviewed staff and surveyed 462 members of CoMs. See Appendix B for further information about the survey methodology and respondents.

We conducted our audit in accordance with section 15 of the *Audit Act 1994* and ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements. The cost of this audit was \$260 000.

1.5 Report structure

The remainder of this report presents the findings of the audit including assessment of progress against our 2014 audit recommendations, and is structured as follows:

- Part 2 examines the land management model
- Part 3 looks at DELWP's understanding of CoMs' risks and needs
- Part 4 considers governance and appointments
- Part 5 examines guidance and support for CoMs.

2

The land management model

In our 2014 audit, we found situations where a CoM overseen by DEPI was not the most appropriate arrangement for managing a Crown land reserve:

- Some reserves that had only local significance and use would have been more effectively and efficiently managed by local councils, which were already providing substantial support such as insurance and maintenance, generally through informal arrangements.
- Some reserves would have been better aligned with the activities of other government departments.
- Some CoMs did not have sufficient volunteers to function effectively, so it was necessary for them to merge with neighbouring CoMs or transfer the management of their reserve to another body such as the local council.

2.1 Summary of progress

Figure 2A summarises our assessment of DELWP's progress in implementing the two recommendations from the 2014 audit that relate to the land management model, as well as progress against the actions it committed to and the updates provided through our annual follow up survey.

Figure 2A
Status of recommendations—land management model

Recommendation		Agency progress
9	That DEPI develop and implement strategies to better identify the most appropriate managers for Crown land reserves, and align reserves accordingly	Incomplete
DEPI's committed actions, 2014		
'DEPI is currently developing Crown land assessment criteria to guide determination of the most appropriate manager for a Crown land reserve. This will include seeking to align reserves with the most appropriate department, and engaging with and seeking to reassign to local councils reserves with local-level values—that is, reserves that are not of regional or state significance.'		<ul style="list-style-type: none"> • Criteria have not been developed. • No reserves have been realigned to other departments. • DELWP engaged with City of Bendigo to reassign Crown land reserves but they did not make any progress.

Figure 2A

Status of recommendations—land management model—*continued*

Recommendation	Agency progress
<p>DEPI Action Plan, 2014</p> <p>‘The department will undertake engagement with local government to seek opportunities for the reassigning of Crown land reserves with local-level values to obtain the maximum community benefits from community land use.’</p> <p>Excerpt from DELWP’s response to our 2017 follow up survey</p> <p>‘A framework to guide the consideration of the most appropriate managers of areas of Crown land has been drafted and pilot work in partnership with the City of Bendigo has been undertaken. Unfortunately, the first proponent of this work and then his successor have moved onto higher priority initiatives within the portfolio ... Resourcing for the recommendation is currently under consideration ... The major component of this work relates to the aim of local councils assuming management of Crown land reserves where appropriate (where the reserves are of local rather than statewide significance). Work undertaken so far has led to the conclusion that, in a rate capped world, local councils are likely to seek financial assistance from the State to continue to manage reserves currently under their management and will definitely seek financial compensation to take on additional reserves. In the absence of funding to support these efforts, progress will be gradual at best.’</p>	<ul style="list-style-type: none"> • DELWP has not produced the framework it described. • Pilot work with City of Bendigo was an initial discussion but not a partnership or project. • The Municipal Association of Victoria, the peak body for local government, has verified that the rate capping policy is a significant impediment to progress and that councils are not willing to take on additional responsibilities, nor continue some of their existing informal arrangements supporting voluntary CoMs, without additional resources.
<p>10 That DEPI develop and implement strategies to ensure that CoMs have an adequate volunteer base, including by investigating opportunities to amalgamate CoMs</p>	<p>Incomplete</p>
<p>DEPI’s committed actions, 2014</p> <p>‘DEPI has committed to investigate opportunities to amalgamate CoMs, where this would provide better management or financial improvements. DEPI has also committed to identifying ways to recognise volunteer service, which should improve volunteer satisfaction and retention.’</p> <p>DEPI Action Plan, 2014</p> <p>‘The department will investigate and influence the amalgamation of CoMs where this would provide better management and financial improvements.’</p> <p>‘The improved categorisation framework will also identify approaches for the recognition of volunteer service suitable for different types of committees.’</p> <p>DELWP’s response to our 2015 follow up survey</p> <p>‘In 2015 DELWP conducted a volunteer recognition process for CoMs, involving the presentation of certificates to nominated CoM members, which was very well received by DELWP regions and CoMs. This will now be conducted annually. Additionally, pursuant to Land Administration’s long-term response to recommendation 9, Land Administration will seek to identify opportunities to amalgamate CoMs where appropriate.’</p>	<ul style="list-style-type: none"> • DELWP is piloting a new approach to amalgamate CoMs around the Western Port coastline, which it plans to expand to other coastal areas. Discussions about amalgamating CoMs in Waratah Bay in Gippsland have been underway since 2013. No amalgamations have occurred since our previous audit. • DELWP does not monitor where CoMs have inadequate volunteers. • The categorisation framework does not include volunteer recognition. • DELWP has not repeated the volunteer recognition process that ran in 2015. It has increased its recognition and networking activities for CoM volunteers in some regions and for the 30 coastal CoMs.

Source: VAGO.

2.2 Performance improvements

DELWP is considering better arrangements for managing Crown land in some coastal areas, including amalgamating CoMs. A four-year project to streamline land management arrangements across three coastal areas will likely provide some important lessons about the amalgamation process and community engagement. Lessons learnt could be used in other areas, both coastal and beyond, where there are issues with sustainability and appropriateness of the CoMs to manage their reserves. It will be important for DELWP to evaluate and capture these experiences and communicate them for potential broader use.

DELWP has increased its support for volunteers involved in coastal land management—its Coastcare program now includes a volunteer forum, community grants and volunteer awards. Volunteer recognition for non-coastal CoMs varies greatly across different DELWP regions, from established programs to none at all.

DELWP has targeted its support activities to coastal CoMs because it considers them a higher risk. It does not plan to extend this support to all CoMs.

At the local level, DELWP has been engaging with councils to understand the issues they face in supporting CoMs, and to develop solutions around individual reserves as opportunities arise:

- In February 2018, DELWP's Hume region began to meet with its councils to discuss various land management issues, including discussions about CoMs on two occasions.
- In the Gippsland and the Port Phillip regions, DELWP convenes meetings of all the coastal land managers for wide-ranging discussions which often touch on CoM issues.
- DELWP's Loddon Mallee region convened a meeting with the chief executive officers of its local councils, which included discussion of CoMs. DELWP advised that if reserves managed by voluntary CoMs were to be transferred back to DELWP, they would likely be sold off.
- In the Grampians region, DELWP identified two reserves where the council would make a more appropriate manager and initiated the necessary discussions, one of which resulted in a transfer of management.

DELWP has advised that this proactive work with councils is occurring frequently, but poor record-keeping practices limit its ability to demonstrate what is being done.

2.3 Impacts

Since our 2014 audit, six Crown land reserves have been transferred from a CoM to a more appropriate land manager. However, these changes occurred reactively, often at points of crisis. Three of these transfers occurred due to the CoM not functioning adequately. One resulted from community and council concerns about public safety on the reserve and an urgent need for maintenance of the reserve. The other two occurred in response to a request from the relevant local council to facilitate its plans to develop or manage the reserve.

2.4 Residual risks

DELWP has not taken strategic action to identify where Crown land reserves could have more appropriate land managers, and it continues to manage land even when it knows that it is not the most appropriate manager.

During this audit, DELWP advised us that 13 local councils have communicated significant concerns about supporting local CoMs—in some instances, the councils have removed insurance coverage and maintenance support for relevant reserves. The City of Bendigo has communicated its concerns to the responsible minister. During the audit, local government and DELWP were considering a joint workshop to discuss these issues.

At the annual meeting of the Municipal Association of Victoria—the peak body for local councils—in both 2016 and 2017, local councils passed resolutions calling on the state to provide greater support for CoMs managing Crown land reserves, and to work together to access resources.

DELWP has not made any progress in realigning reserves to other government departments whose portfolios better align with the use of the Crown land reserves—for example, transferring hospitals to the Department of Health and Human Services or racing tracks to the Department of Justice and Regulation. DELWP met with the Department of Health and Human Services to discuss the resource burden of leasing arrangements for hospitals. Beyond this, however, we found no evidence that DELWP had broader discussions with any department about transferring the management of Crown land reserves that better aligned with the department's portfolio.

Further, DELWP has not sought to understand where volunteer capacity is inadequate or where the CoM model is not sustainable or effective. DELWP could not advise us how many vacant positions there are on CoMs.

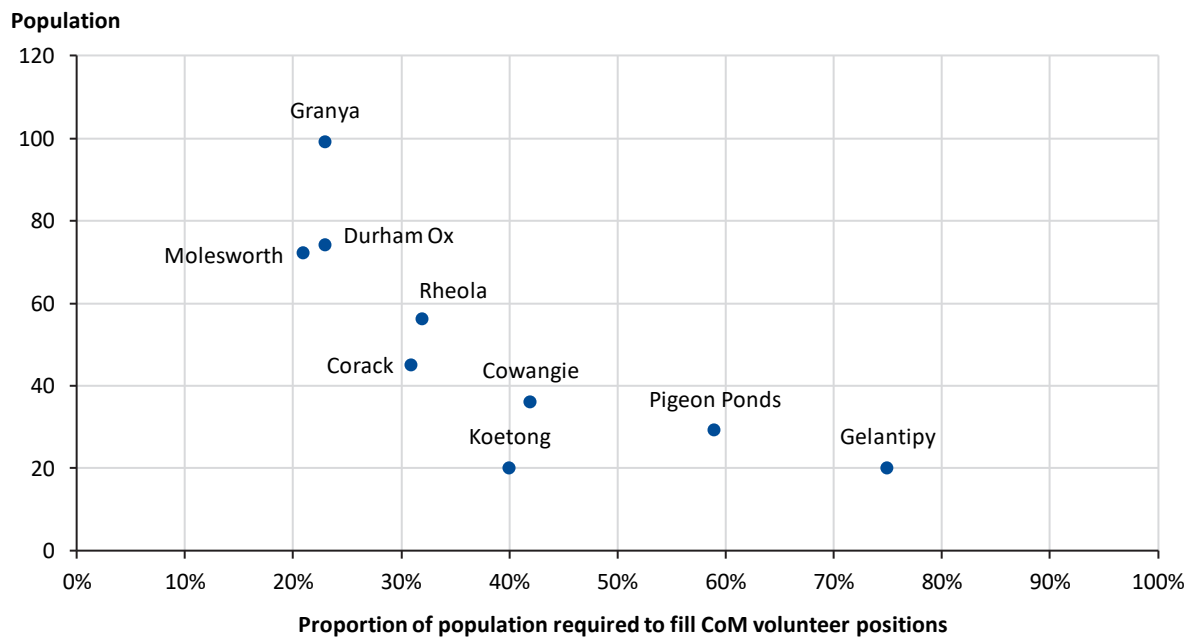
We surveyed volunteers in June 2018. Of the 462 respondents:

- 26 per cent said they do not have enough volunteers to do the work required to manage their reserve
- 18 per cent said they do not have enough committee members
- 19 per cent said that their CoM does not comprise the right skills to manage their reserve effectively
- 38 per cent were dissatisfied with their CoM's ability to attract new members.

There are many towns where CoMs need to draw large numbers of volunteers from small populations. For example, in the town of Granya in north-eastern Victoria, with a population of 99 people, there are four CoMs comprising 23 volunteer positions—equivalent to 23 per cent of the population. Granya has separate CoMs for the public hall, the public park, the recreation reserve and the local history museum.

Figure 2B shows there are nine towns where filling volunteer positions across their multiple CoMs would require more than 20 per cent of the population to volunteer. This type of analysis could help DELWP to identify priority risk areas for the sustainability of CoMs and opportunities for amalgamations. This is particularly important given our 2014 audit's findings about the ageing profile and declining number of volunteers.

Figure 2B
Towns and suburbs with multiple CoMs that have the highest number of CoM positions relative to their population



Note: This figure shows only those towns with the highest ratios and with multiple committees. There are additional towns that have very high ratios but only one committee.

Source: VAGO based on DELWP's 'Portal' database of CoMs and Crown land reserves as at March 2018.

3

Understanding risks and needs

Under the Victorian Government's 2016 *Asset Management Accountability Framework*, DELWP has a statutory responsibility to know what assets are on Crown land reserves and what condition they are in.

Our 2014 audit found that DEPI did not adequately collect, collate and analyse information about CoMs and their performance. It was not using available information to inform its support and guidance. There were significant gaps in DEPI's internal coordination of CoMs. We also found that DEPI was only considering the financial risks of CoMs when there can also be considerable environmental and social risks involved with managing land.

These findings resulted in five recommendations that focused on the need for DELWP to analyse, review or evaluate CoMs' operations to better understand risks associated with the CoM model.

3.1 Summary of progress

Figure 3A shows our assessment of DELWP's progress in addressing the five recommendations from the 2014 audit related to understanding CoMs' risks and needs, as well as progress against the actions it committed to and updates provided through our annual follow up survey.

Figure 3A
Status of recommendations—understanding risks and needs

Recommendation	Agency progress
<p>1 That DEPI further develop its categorisation framework for CoMs, based on an analysis of financial, social and environmental risks</p> <p>DEPI's committed actions, 2014</p> <p>'DEPI has committed to further develop its categorisation framework to include consideration of social and environmental risks as well as financial risk.'</p> <p>DEPI Action Plan, 2014</p> <p>'The department will commit to developing the CoM Categorisation in consultation with regional and corporate staff to provide a tailored approach to induction, reporting, governance and compliance requirements for each category of CoMs.'</p> <p>DELWP's response to our 2017 follow up survey</p> <p>'The completeness of the agreed action has been independently verified by the department's internal auditor and was endorsed by the Risk and Audit Committee for closure in April 2015.'</p>	<p>Incomplete</p> <ul style="list-style-type: none"> DELWP has added nine non-financial risks to its categorisation framework, covering significance, political interest, coastal land and multiple governance arrangements, plus regional discretion of a need for greater oversight. DELWP has not analysed risks. The process and information which informed the new non-financial risks was limited to internal discussions that it did not document. DELWP contends that 'significance' is a sufficient social risk and escalating coastal committees to higher risk categories is sufficient consideration of environmental risks. DELWP also advises there are reserves with significant historical or cultural values that are still categorised as low risk because of limited resources. The documentation that informed the internal audit rating of 'complete' did not reference the full recommendation, including the risk analysis component.
<p>6 That DEPI evaluate its current collection and use of information, identify any shortcomings, and develop and implement a strategy to guide information collection with respect to CoMs and their management of Crown land reserves</p> <p>DEPI's committed actions, 2014</p> <p>'DEPI has committed to evaluating how it currently uses the information that it collects. It will centrally review and analyse information reported to date by CoMs through annual returns and will distil and refer any issues identified to regional offices for follow-up.</p> <p>DEPI has also committed to using its revised categorisation framework to tailor and streamline the annual reporting information it seeks from CoMs. DEPI will tailor its template for annual returns across CoM categories, such that it requests a greater range of information from higher-risk CoMs than is currently sought and less information is sought from lower-risk CoMs, with the template requesting summary financial details and providing an opportunity for CoMs to raise issues.'</p>	<p>Incomplete</p> <ul style="list-style-type: none"> DELWP has not undertaken this evaluation of information it collects or the review of information that CoMs have reported through their annual returns to date. DELWP has recently started to centrally analyse and report on annual returns from the high-risk (Category 1 and 2) CoMs.

Figure 3A

Status of recommendations—understanding risks and needs—*continued*

Recommendation	Agency progress
<p>DEPI Action Plan, 2014</p> <p>Nil.</p> <p>DELWP's response to our 2015 follow up survey</p> <p>'DELWP reviewed the range of information sought from CoMs via the annual return process which is the primary information collection method. Information sought from category 1 CoMs has been made more comprehensive and consistent whereas information sought from category 3 CoMs has been reduced. In addition, a simpler declaration of private interest form has been introduced for category 3 CoMs.</p> <p>All CoMs that are subject to divisions 2 and 3 of part 5 of the <i>Public Administration Act 2004</i> have been made aware of the associated requirement for three yearly audits of their financial statements.</p> <p>Other ongoing CoMs (over 90 per cent) are incorporated associations which are subject to a governance framework pursuant to the <i>Associations Incorporation Act 2012</i>; in this context the CoM <i>Categorisation Framework</i> provides that DELWP's involvement with these CoMs will be confined to issues that are specific to Crown land.'</p>	<ul style="list-style-type: none"> • DELWP only reviews annual returns from Category 3 CoMs to determine whether their expenditure warrants an increase in their categorisation. Otherwise, the information collected is only accessed reactively. • DELWP has tailored reporting requirements across CoM categories. • DELWP did not provide evidence of its review of the information sought from CoMs. • Commencing July 2015, DELWP revised its reporting processes, requiring: <ul style="list-style-type: none"> • CoMs in Category 1 to provide their annual report • CoMs in Category 2 and 3 to submit annual return templates, with a chairman's report (for Category 2) or a section bringing issues to DELWP's attention (Category 3) • CoMs in Category 4 (also known as 'ongoing') no longer report to DELWP—DELWP no longer has any oversight of these CoMs and it contends that this is appropriate.
<p>7 That DEPI clarify staff roles and responsibilities relating to committees of management through group and work performance plans</p> <p>DEPI's committed actions, 2014</p> <p>'DEPI has established a cross-organisational project team responsible for leading the CoM initiatives it has committed to. It is developing project plans for each of the initiatives that will clearly identify and allocate responsibilities across these projects.</p> <p>More broadly, DEPI has also indicated that it is undertaking a business planning collaboration project, which is aimed at ensuring that business plans for DEPI's six regions and for DEPI's policy groups are aligned, assign responsibilities and accountabilities, and avoid duplication.'</p> <p>VAGO's formal response to DEPI's committed actions, 2014</p> <p>'These actions will improve the clarity of responsibilities. However, DEPI should take steps to ensure that it systematically identifies and clearly allocates all organisational responsibilities for CoMs.'</p>	<p>Incomplete</p> <ul style="list-style-type: none"> • The project team was short term, and this recommendation relates to ongoing responsibilities that are a separate matter. • DELWP articulates specific oversight roles and their responsibilities in its categorisation framework for CoMs. However, the roles described in the framework exceed its resources, so roles and responsibilities remain unclear. • DELWP has not documented internal responsibilities such as reviewing annual returns or following up on them. • There is significant variation, by region and over time in how roles are allocated and carried out.

Figure 3A

Status of recommendations—understanding risks and needs—*continued*

Recommendation	Agency progress
<p>DEPI Action Plan, 2014</p> <p>‘The department will determine who is responsible for the ongoing development and publication of consistent information and guidance for CoMs.’</p> <p>DELWP’s response to our 2017 follow up survey</p> <p>‘The CoMs categorisation framework provides tailored governance and oversight for each of the four CoM categories. Simpler annual return templates and declaration of private interest forms are now in place for smaller CoMs. Additionally, the development of the categorisation framework has helped to clarify DELWP roles relating to CoMs.’</p>	<ul style="list-style-type: none"> • There is no evidence that the collaboration project that DEPI described has improved responsibility for CoMs. Machinery-of-government changes and restructures of the regional offices since the 2014 audit potentially make the collaboration project redundant.
<p>8 That DEPI develop and implement an internal communication strategy outlining formal and informal communication channels to improve information sharing across the department on issues relating to CoMs</p>	<p>Incomplete</p>
<p>DEPI’s committed actions, 2014</p> <p>‘DEPI has taken steps to improve internal communication regarding CoMs. It has established a cross-organisational project team with responsibility for implementing DEPI’s CoM initiatives, which includes staff from regional offices and from head office. Public land program managers from each region—who have lead responsibility for DEPI’s public land roles, including CoMs—are now meeting on a monthly basis, with the project team chair attending these meetings.’</p> <p>VAGO’s formal response to DEPI’s committed actions, 2014</p> <p>‘These steps should significantly improve communication across DEPI regarding CoMs. However, DEPI should go further to formalise its communication channels and processes, as this is important to ensure improved information sharing.’</p> <p>DEPI Action Plan, 2014</p> <p>‘The department will ensure information on the risks is effectively communicated to decision-makers.’</p> <p>DELWP’s response to our 2015 follow up survey</p> <p>‘The development of the categorisation framework has clarified the roles and responsibilities relating to CoMs in DELWP. Further improvements have been identified for implementation.</p> <p>Additionally, DELWP’s “Information for CoMs” web page has been reconfigured accordingly. It includes linkages to the updated “Responsibilities and Good Practice Guidelines” (which include many useful linkages including to the WoVG grants page), guidance notes and model policies.’</p>	<ul style="list-style-type: none"> • During the audit, DELWP has committed to establish a whole-of-department reporting process for monitoring risks and actions related to CoMs, with a single DELWP executive responsible and the risk and audit committee auditing the process by March 2019. • DELWP has not developed an internal communication strategy. • Regional managers of the public land program continue to meet monthly. • There is no evidence that DELWP has formalised communication channels. • The ‘Oversight’ chapter of the categorisation framework identifies some roles and responsibilities but does not address how DELWP should communicate or manage issues internally. • The guidelines do not suffice as an internal communication strategy.

Figure 3A

Status of recommendations—understanding risks and needs—*continued*

Recommendation	Agency progress
11 That DEPI develop an informed approach to understanding the funding needs of CoMs, so that funding decisions appropriately consider and address risks, including the sustainability of CoMs	Incomplete
<p>DEPI's committed actions, 2014</p> <p>'DEPI has committed to provide information about grant opportunities and guidance on preparing grant applications on its CoMs website. DEPI has also acknowledged the need to develop a better understanding of CoMs' funding needs, so that it can allocate funds to best address risks, and ensure that the government is aware of the potential consequences of funding arrangements. Other actions that DEPI has committed to, particularly in regard to Recommendations 6 and 8, will assist it to achieve this.'</p> <p>DEPI Action Plan, 2014</p> <p>Nil.</p> <p>DELWP's response to our 2015 follow up survey</p> <p>None. The survey response duplicated a response to another recommendation and did not relate to funding needs so appears to be an administrative error in DELWP's completion of the survey.</p>	<ul style="list-style-type: none"> • DELWP has not taken any strategic action to understand CoMs' funding needs. Grants programs collect information that could increase DELWP's understanding of CoMs' funding needs, but there is no evidence that it uses applications for grants programs in this way. • One regional manager maintains an informal spreadsheet of CoMs' funding needs, which total \$169 million. • DELWP has added a link to Grants Victoria in the guidelines. It also includes links to grant opportunities in the CoMs email newsletter two to three times per year. • DELWP has not provided guidance on preparing grant applications.

Source: VAGO.

3.2 Performance improvements

DELWP has introduced nine non-financial criteria for categorising CoMs—shown in Figure 3B—which consider the significance of the land, political interest in the land, whether the land is coastal and whether the CoM is subject to a governance framework separate to the *Crown Land (Reserves) Act 1978*. There is an additional criterion that allows regional staff to apply their local knowledge and discretion to recommend a higher level of oversight.

DELWP reports that this is an effective and appropriate risk management approach and that it considers all financial, social and environmental risks. However, this approach is not consistent with the methods for assessing the value and significance that DELWP's own entities have developed, discussed further in Section 3.4.

Figure 3B
DELWP's new non-financial criteria for categorising CoMs

Category	Non-financial criteria
Category 1	<ul style="list-style-type: none"> • Crown land is of statewide significance. • Crown land is likely to generate statewide political interest.
Category 2	<ul style="list-style-type: none"> • Crown land is of region-wide significance. • Crown land is likely to generate region-wide political interest. • The CoM manages coastal land and is not a Category 1 CoM. • The CoM manages multiple reserves of combined significance. • A major development is underway, and the CoM is not Category 1. • The region has determined that the CoM would benefit from being assigned a client manager.
Category 3	n/a ^(a)
Category 4	<ul style="list-style-type: none"> • CoMs and other DELWP-delegated land managers that are subject to a governance framework separate to the <i>Crown Land (Reserves) Act 1978</i>, but which remain accountable to the Minister for Energy, Environment and Climate Change as Crown land manager.

(a) There are no specific criteria for CoMs in Category 3. DELWP defines CoMs in this category as those 'which DELWP has full oversight responsibility for that do not qualify as a Category 1 or Category 2 CoM'.

Source: VAGO based on DELWP's categorisation framework, 2016–17.

DELWP uses the four categories defined in its categorisation framework to scale the intensity of its planned oversight of CoMs. While DELWP has documented these oversight arrangements, it has not fully implemented them in critical areas that the framework prescribes, including annual reviews, site inspections and annual contact.

DELWP has acknowledged repeatedly that it has poor-quality information on the location, type, age, integrity and use of many assets on Crown land reserves managed by CoMs. In June 2018, DELWP engaged a contractor to deliver a \$2.7 million project to improve its Crown land information and business systems by 31 December 2019. This may improve DELWP's understanding of the assets for which it is responsible, however, it is too early for us to examine how well this project will address the risks identified in our 2014 audit.

3.3 Impacts

DELWP acknowledges that poor information inhibits its ability to strategically manage CoMs. In advice to government in May 2018, DELWP described this limitation:

With poor information constraining the capacity for DELWP to make strategic decisions in relation to funding and supporting efforts across all CoMs, efforts tend to concentrate on areas that are ‘broken’ creating a highly reactive rather than proactive approach to public land management.

The same advice also noted that DELWP’s lack of data about Crown land reserves, combined with degrading facilities, is responsible for some of the insurance claims that DELWP faces. For the five years from 2013–14 to 2017–18, DELWP paid \$2.01 million on 25 insurance settlements for below-excess claims on Crown land reserves managed by voluntary CoMs. The Victorian Managed Insurance Authority paid an additional \$3.6 million in the same period for four above-excess claims. These six claims per year on average remain a small portion of the 80 claims per year across DELWP’s portfolio.

Where public land is not managed and maintained appropriately, risks to public safety can arise, especially when reserves contain sporting facilities or very old buildings, which are common on Crown land reserves managed by CoMs. DELWP’s May 2018 advice acknowledged also that ‘many [facilities] have deteriorated to the point that they expose users to risk of serious injury or death’.

In our survey, CoM members detailed 106 examples of public safety risks that they were managing on their reserves. The types of risks include:

- infrastructure or vegetation that is a fire risk
- buildings that expose users to injury
- dangerous trees
- roads or tracks that need to be upgraded
- insufficient lighting for safety
- sporting grounds that are dangerous to play on
- inadequate fencing
- car parks that cause safety problems
- buildings that contain asbestos
- fire safety equipment in need of an upgrade.

The case study in Figure 3C provides an example of ageing assets that pose a risk to public safety.

Figure 3C
Case study: Melbourne's former Royal Mint

The former Royal Mint in Melbourne has 140-year-old brick walls up to 5.4 metres high around its perimeter. Specialist surveyors had monitored the walls' condition over the past 15 years and recommended a full engineering assessment in 2013. On the Building Commission's advice, the surveyor recognised similarities to an incident in Swanston Street earlier that year, where masonry walls collapsed and killed three people. Despite the surveyor's recommendation, an assessment of the Royal Mint's brick walls was not conducted for a further three years.

The March 2016 engineering assessment commissioned by the site's CoM found that it was extremely likely that the walls could collapse outward onto the footpath and adjoining buildings at any time. The walls run along the busy thoroughfares of Latrobe and Little Lonsdale streets, making this assessment a significant public safety risk.

In April 2018, DELWP sought the minister's necessary endorsement so that the CoM could seek a loan to finance the repairs and, at the time of this follow up audit, repairs had commenced.

The Royal Mint's CoM first identified this issue when it started managing the site in 1998. This means that a significant public safety risk had been known about for 20 years and was known to be at a critical level for two years since the 2016 assessment before repairs commenced.

The CoM managing the Royal Mint is a high-risk (Category 1) CoM known as Working Heritage Inc. As a Category 1 CoM, it receives the highest level of oversight and support from DELWP, but this was still not sufficient to address this very serious risk promptly.

Source: VAGO.

Dangerous trees are another risk to public safety on public land, but some CoMs cannot manage this risk effectively. In our survey, members provided 22 detailed reports of dangerous trees that their CoM was concerned could pose a risk to public safety. As an example, one high-risk (Category 2) coastal CoM engages an arborist every year to review and manage its highest-risk trees. The arborist consistently advises the CoM to do further work to protect public safety on its reserve, which includes a camping ground where serious incidents have occurred as a result of falling trees. However, the CoM lacks the financial and other resources to do so.

In 2017–18, DELWP's grants program Public Safety on Public Land awarded 12 of the 27 grants it made to CoMs for removal of dangerous trees. This grants program cannot fund all applications it receives each year, and it only seeks applications on advice from DELWP staff. Given the sporadic nature of DELWP's oversight of CoMs, this process is unlikely to be capturing all of the cases where CoMs need assistance to manage dangerous trees.

3.4 Residual risks

DELWP does not adequately understand the risks that exist on Crown land reserves managed by CoMs. It therefore cannot target its resources to the areas of greatest risk and need.

In 2015–16, an independent risk assessor engaged by DELWP’s Public Safety on Public Land grants program made five recommendations about DELWP taking a more strategic approach to identifying and managing public safety risks on Crown land reserves. Its recommendations included ensuring that CoMs specifically improve their risk identification and reporting. However, there is no evidence that DELWP has acted in response to this advice.

The approach to assessing risks and needs of CoMs which is prescribed by DELWP’s categorisation framework for CoMs is not robust or transparent and is inconsistent with approaches developed by its own entities. The framework does not define several key concepts in the criteria used to categorise CoMs, despite definitions existing in other DELWP documents.

The *Victorian Government Land Use Policy and Guidelines* (2017) state that determining the value of government land requires assessment of environmental, economic, social and intergenerational impacts and details the types of issues that should be considered, as shown in Figure 3D. The Heritage Council of Victoria also provides a detailed methodology for assessing whether places or objects have cultural heritage significance. The Victorian Government’s *Strategic Crown Land Assessment Policy and Guidelines* (2017) identify four tiers of significance—local, regional, state and national—and provide definitions for each.

Figure 3D
Public value indicators defined by the *Victorian Government Land Use Policy and Guidelines*

Environmental	Social	Economic	Intergenerational equity
Resource use and management	Community health, safety and wellbeing	Employment creation	10-year impact
Biodiversity and ecosystems	Access to transport, services and recreation	Improved labour and capital productivity	30-year impact
Climate change mitigation and adaptation	Social inclusion and equity	Access to employment	50-year impact
Contamination, effluents, emissions and waste	Housing diversity and supply	Business and industry attractiveness	
Agricultural production and food security	Affordable services and housing	Transport network efficiency	
	Local amenity		
	Cultural and heritage identity		

Source: *Victorian Government Land Use Policy and Guidelines*, 2017.

When a Crown land reserve is created, it has a specific purpose registered as the reason for reserving that land for public use. During this audit, DELWP staff reported that there are reserves with significant cultural heritage that would benefit from higher categorisation which would, in turn, result in greater DELWP oversight, to ensure their CoM is managing them appropriately.

There are 31 reserves currently categorised by DELWP as low risk (Category 3) whose purpose is registered as conserving a natural, scientific or historic interest, including an Aboriginal cemetery and a war memorial. Figure 3E shows nine of these low-risk reserves whose cultural significance has been formally recognised with a heritage or similar listing. DELWP has not implemented stronger governance arrangements for these significant reserves because its regional offices do not have the capacity to provide additional oversight.

Figure 3E
Crown land reserves assessed as low risk (Category 3) that have been formally recognised as significant

Reserve	Listing
Carman's Tunnel Historic Reserve	Victorian Heritage Inventory
Coleraine Historical Court House Reserve	Southern Grampians Shire
Knob Recreation Reserve	Gunaikurnai Settlement Agreement under the <i>Traditional Owner Settlement Act 2010</i>
Moliagul Historic Interest Reserve	Victorian Heritage Register
Mount Macedon War Memorial Cross Reserve	Victorian Heritage Register
Psyche Bend Historical Reserve	Victorian Heritage Register
	National Trust
Suggan Buggan Old School House	National Trust—file only ^(a)
The Pines	Victorian Heritage Register
Trentham Police Camp Reserve	National Trust—file only ^(a)

(a) 'File only' means the National Trust retains a file on the reserve but it is not officially classified.

Note: This list is limited to reserves managed by Category 3 CoMs that were gazetted for historical, conservation or preservation reasons and are also recognised on a heritage register or list, as well as other reserves managed by Category 3 CoMs whose significance was identified through this audit. A full analysis of every reserve and its significance is likely to identify additional reserves that meet these two criteria.

Source: VAGO based on the Victorian Heritage Database and DELWP's Portal database as at March 2018.

DELWP does not analyse the non-financial information that it receives through annual returns from the 1 020 low-risk (Category 3) CoMs that are required to report annually, and the information is only used sporadically and reactively.

DELWP's central program area and six regional offices share responsibility for implementing its support and oversight arrangements. Despite this shared responsibility, there is no structure or process for coordinating these responsibilities aside from an informal monthly meeting of regional managers.

In our 2014 audit, we identified five areas requiring either evaluation or analysis:

- social and environmental risks on Crown land reserves
- funding needs of CoMs
- sustainability of CoMs
- information that the department collects from CoMs and how it uses it
- the support and guidance needs of CoMs.

Since the original audit, DELWP has not evaluated or analysed these issues. While it has taken action in some of these areas, as described in Figure 3A and Section 3.2, the appropriateness of those actions cannot be assured, because they were not informed by analysis that we recommended in 2014.

The poor quality of information that DELWP holds about Crown land reserves and CoMs, combined with poor information systems and record-keeping practices, have contributed to its inaction in fully understanding the risks and needs of CoMs. DELWP's current work to improve Crown land information and business systems, due for completion at the end of 2019, is positive and should increase DELWP's capacity to understand the risks and needs of CoMs. However, it was at a very early stage during this audit.

4

Governance and appointments

Our 2014 audit found that DEPI needed to significantly improve the governance of CoMs. Specifically, we found that DEPI was not using consistent and sufficiently robust methods to appoint members to higher-risk CoMs, and it was not ensuring that higher-risk CoMs had adequate internal governance processes. We found that probity checks were adequate but not tailored to risk.

4.1 Summary of progress

Figure 4A shows our assessment of DELWP's progress to address the two recommendations from the 2014 audit that relate to governance and appointments, as well as progress against the actions it committed to and updates provided through our annual follow up survey.

Figure 4A
Status of recommendations—governance and appointments

Recommendation	Agency progress
2 That DEPI apply its categorisation framework to develop a tailored and consistent approach to governance processes for CoMs	Incomplete
<p>DEPI's committed actions, 2014</p> <p>'DEPI has committed to use its revised categorisation framework to develop a tailored and consistent approach to:</p> <ul style="list-style-type: none"> • appointment methods—ensuring that higher-risk CoMs are appointed using a skills-based process, where possible • probity requirements—including reducing declaration of private interest requirements for lower-risk CoMs • reporting, governance and compliance requirements—this includes assessing whether it should recommend additional higher-risk CoMs become subject to the governance requirements of Divisions 2 and 3 of Part 5 of the <i>Public Administration Act 2004</i>, and considering remuneration for these CoMs. <p>DEPI is also evaluating the compliance risks posed by CoMs that are appointed on an ongoing basis, and will determine an appropriate oversight mechanism for them.'</p>	<ul style="list-style-type: none"> • Some higher-risk (Category 2) CoMs are not using a skills-based appointment process. • DELWP introduced a reduced 'declaration of private interests' form for Category 3 CoMs in 2015, although it has not had this reduced probity requirement endorsed by the responsible minister as is required by the Victorian Government's <i>Appointment and Remuneration Guidelines</i> effective 1 July 2017. • All Category 1 CoMs are now subject to the governance requirements of the <i>Public Administration Act 2004</i>.

Figure 4A

Status of recommendations—governance and appointments—continued

Recommendation	Agency progress
<p>DEPI Action Plan</p> <p>‘The improved categorisation framework will reduce red tape for smaller CoMs and ensure compliance requirements for larger CoMs are in line with their responsibilities.’</p> <p>‘The department will determine which additional Category A and B CoMs it recommends become subject to Divisions 2 and 3 of Part 5 of the <i>Public Administration Act 2004</i> under an Order of the Governor in Council.’</p> <p>‘The department will ensure CoMs subject to Division 2 and 3 of Part 5 of the <i>Public Administration Act 2004</i> are aware of VAGO audit requirements.’</p> <p>‘The department will evaluate the compliance risk of ongoing committees to determine an appropriate oversight mechanism.’</p> <p>‘The department will determine its position in relationship to CoMs that are incorporated associations.’</p> <p>DELWP’s response of our 2015 follow up survey</p> <p>‘Pursuant to the development of the CoM Categorisation Framework, the department:</p> <ul style="list-style-type: none"> • confirmed the seven CoMs that will be subject to divisions 2 and 3 of Part 5 of the <i>Public Administration Act 2004</i>; and • concluded that for most CoMs that are incorporated associations, an adequate governance framework is in place pursuant to the <i>Associations Incorporation Act 2012</i> (the department will only become involved where there are issues specific to Crown land).’ 	<ul style="list-style-type: none"> • All Category 1 CoMs are now remunerated, and their eligibility for remuneration is clearly communicated in the categorisation framework. • DELWP has not reviewed the compliance risks of ongoing CoMs or determined a mechanism to oversee the additional probity risks that can exist with these CoMs. • Incorporated associations are no longer required to provide an annual return to DELWP which removes an unnecessary reporting burden but has inappropriately reduced DELWP’s oversight of these CoMs.
<p>3 That DEPI review and revise its appointment procedures for skills-based CoMs to ensure that they are robust and are applied consistently</p>	<p>Incomplete</p>
<p>DEPI’s committed actions, 2014</p> <p>‘DEPI has committed to review and revise the procedures it uses to recommend appointment of members to skills-based CoMs, to ensure that they are robust and consistently applied.’</p> <p>DEPI Action Plan, 2014</p> <p>Nil</p> <p>DELWP’s response to our 2015 follow up survey</p> <p>‘Pursuant to the development of the categorisation framework the recruitment methodology for each CoMs (CoM) category has been confirmed. Separately, detailed Visio flowcharts have been developed to guide the consistent application of those processes by DELWP regions.</p> <p>Other ongoing CoMs (over 90 per cent) are incorporated associations which are subject to a governance framework pursuant to the <i>Associations Incorporation Act 2012</i> ... DELWP’s involvement with these CoMs will be confined to issues that are specific to Crown land.’</p>	<ul style="list-style-type: none"> • DELWP reviewed its appointment procedures which resulted in a flowchart documenting the processes, but it deemed no revisions necessary. DELWP could not provide evidence of the review process. • The ‘Oversight’ chapter of the categorisation framework describes the appointment methods for each CoM category. • The appointment flowcharts lack specificity in critical areas such as probity checks. • DELWP does not monitor whether CoMs that are incorporated associations are capable of managing their Crown land reserves, though this remains its responsibility.

Source: VAGO.

4.2 Performance improvements

DELWP has tailored its governance and appointment processes to the four categories of CoMs, which has reduced some unnecessary burdens on lower-risk CoMs.

DELWP has also revised the process for CoMs to declare private interests—in focus groups conducted during our 2014 audit, lower-risk CoMs described the previous process as highly inappropriate and out of step with the risks of their roles, as well as creating a significant barrier to recruiting new committee members. In our survey for this audit, 78 per cent of committee members who were aware of the process for declaring private interests reported it as being appropriate for the risks they manage.

DELWP has removed the requirement for incorporated associations to provide an annual return, which was similar to their annual reporting to Consumer Affairs Victoria (CAV), addressing the unnecessary reporting burden we identified in 2014. However, creating the Category 4 classification also removed all probity checks and DELWP oversight of these CoMs and the reserves they manage, which is inappropriate.

4.3 Impacts

Good governance enables organisations to do their work well. The Australian Institute of Company Directors describes governance as the rules, relationships, systems and processes that management within organisations uses to exercise their authority and control the organisation's operations. It includes the mechanisms used to hold companies and management to account.

In our survey of CoM volunteers, 18 per cent of respondents said their CoM did not comprise the right mix of skills. They also described examples of governance challenges:

- 'I tried to apply [to join the CoM for many years] but didn't quite know how to go about it. I had spoken to the Secretary but she refused to give me information.'
- 'Even to this day people have to pay for the minutes of our meetings.'
- 'I am hoping the new [DELWP] managers will help in getting the controlling dysfunctional committee to work with the community and not for their own self-interest. DELWP are going to teach us how to hold forums with the community and lots of other interesting things which sounds reassuring.'
- 'There are five committee members. The Treasurer is resigning, I am currently the Chair and Secretary because no one was willing to take on these roles, I feel I may now need to be Treasurer as well which I'm not even sure is allowed?'

4.4 Residual risks

DELWP cannot be assured that CoMs' governance arrangements are tailored to risk because it has not analysed the risks facing CoMs, as discussed in Section 3.2.

DELWP could not provide any evidence of the review it conducted of the process for making skills-based appointments to CoMs. DELWP advised us that it did review the process and decided that no revisions were necessary. However, there is no evidence that it has resolved the issues identified in our 2014 audit. These issues included that DELWP's appointment processes do not:

- place sufficient emphasis on governance skills and business acumen
- consider the past performance of renominating members and consult with CoM members regarding the CoM's skill gaps
- stagger appointments to allow greater continuity of CoM members.

When a CoM is confirmed as an incorporated association under the *Incorporated Associations Act 2012*, DELWP allocates the CoM to a very low level of oversight and does not obtain, review or confirm the annual returns the CoM submits to CAV. Further, the information the CoMs submit to CAV is limited to finance and governance matters and does not include any information that could help DELWP assess the CoMs' effectiveness or viability as a land manager. In turn, this increases some of the risks that we identified in the original audit. DELWP cannot rely solely on the CAV annual returns process to oversee CoMs and assure itself that these CoMs are managing their Crown land reserves effectively.

There are 11 CoMs that DEPI initially assessed as high risk under its 2012 framework but that DELWP has since reduced to the lowest risk category because they are incorporated associations—see Figure 4B. DELWP revised these risk assessments without considering any risks to the Crown land reserves that the CoMs manage. Three CoMs in this list have annual expenditure or a cash balance exceeding \$1 million and a further eight exceed \$250 000.

Figure 4B

CoMs that DELWP reduced from high-risk (Category 1 or 2) to the lowest risk (Category 4) because they are incorporated associations

Category	Expenditure or cash balance	CoMs
A	≥\$1 million or borrowings with approval of the Treasurer of Victoria	<ul style="list-style-type: none">• Bendigo Agricultural Show Society• Geelong Racing Club• Yarra Valley Racing
B	≥\$250 000	<ul style="list-style-type: none">• Ballarat Turf Club• Terang Harness Racing Club• Royal Geelong Agricultural and Pastoral Society• Geelong Lawn Tennis Club• Isabel Hendersen Kindergarten• Chinese Museum of Australian History• Collingwood Children's Farm• Parklands Albury-Wodonga

Source: VAGO based on DELWP's Portal database as at March 2018.

Our 2014 audit found that the 168 CoMs appointed on an ongoing basis may pose additional compliance risks because the members are often the primary users and beneficiaries of the reserve they manage. This makes it difficult for DELWP to be assured that CoMs are managing the reserves for the broader public good, rather than for their own benefit. DELWP has failed to deliver the agreed action to determine an appropriate oversight mechanism for this group.

5

Guidance and support

Under section 13A of the *Public Administration Act 2004*, the secretary of a government department is responsible for ‘working with, and providing guidance to, each relevant public entity to assist the entity on matters relating to public administration and governance’.

Our 2014 audit found that DEPI was not providing sufficient support and guidance to CoMs. Gaps in departmental coordination had further reduced the effectiveness of DEPI’s support and guidance.

5.1 Summary of progress

Figure 5A shows our assessment of DELWP’s progress in implementing the two recommendations from the 2014 audit that relate to guidance and support, as well as progress against the actions it committed to and updates provided through our annual follow up survey.

Figure 5A
Status of recommendations—guidance and support

Recommendation	Agency progress
<p>4 That DEPI develop and implement an engagement guideline to guide its approach to providing support and guidance to CoMs, informed by its revised categorisation framework and the key areas in which CoMs require support and guidance</p> <p>DEPI’s committed actions, 2014</p> <p>‘DEPI has committed to using its revised categorisation framework to develop a tailored approach to providing inductions to CoMs. It is also piloting a CoM engagement program in one region. This program brings CoM members together for a half or full day, provides training and relevant information, offers recognition for volunteer service, and facilitates networking between CoMs.’</p> <p>VAGO’s formal response to DEPI’s committed actions, 2014</p> <p>‘While tailored inductions and DEPI’s pilot engagement program are good steps forward, DEPI’s broader approach to providing support and guidance to CoMs needs to be developed and articulated. A more strategic approach to engaging with CoMs is required.’</p>	<p>Incomplete</p> <ul style="list-style-type: none"> Part 2 of the revised categorisation framework details oversight arrangements tailored to categories. However, the arrangements DELWP developed cannot be implemented with its current resources. DELWP published an induction video for low-risk (Category 3) CoMs on its website in 2016. This has been viewed 406 times. DELWP could not provide any evidence of the pilot CoM engagement program. A ‘coastal committee forum’ was run in 2017 as an induction day for both new and continuing members of four Category 1 CoMs within one region. The forum was attended by 14 of 35 members.

Figure 5A

Status of recommendations—guidance and support—*continued*

Recommendation	Agency progress
<p>DELWP's response to our 2015 follow up survey</p> <p>'The completeness of the agreed action has been independently verified by the department's internal auditor and was endorsed by the Risk and Audit Committee for closure in April 2015.'</p>	
<p>5 That DEPI take steps to improve the support and guidance it provides to CoMs, including:</p> <ul style="list-style-type: none"> • updating its <i>Committees of Management Responsibilities and Good Practice Guidelines</i> and developing detailed supporting guidance on key issues • consolidating guidance information and useful links for CoMs onto one website • supporting networking between CoMs 	<p>Incomplete</p>
<p>DEPI's committed actions, 2014</p> <p>'DEPI is currently:</p> <ul style="list-style-type: none"> • updating its CoM guidelines to provide high-level guidance for CoMs, and developing supporting detailed guidance on key areas in the form of fact sheets, tailored to different CoM categories • developing its CoMs webpage to include all existing DEPI guidance material for CoMs, and links to additional guidance and support available from other government and community volunteer support agencies • considering ways to develop networking between CoMs using online engagement and social media.' <p>VAGO response to DEPI's committed actions, 2014</p> <p>'These actions will significantly improve the support and guidance that DEPI provides to CoMs. However, DEPI has not indicated that it will prepare any additional guidance materials in some key areas in which they are currently lacking, such as materials tailored to management issues for different types of reserves. The development of further materials should be guided by the engagement guideline proposed in Recommendation 4.'</p> <p>DEPI Action Plan, 2014</p> <p>'The department will update the current interim guidelines. The final guidance will be endorsed and published online.'</p> <p>'The department will provide easy access to current information and useful links relevant to CoMs on one department webpage. This will include links to existing materials on the DEPI website which are relevant to CoMs, links to information about grants available to CoMs and other useful websites and resources.'</p> <p>'The department will investigate the development of online engagement with CoMs via social media.'</p> <p>DELWP's response to our 2015 follow up survey</p> <p>'The completeness of the agreed action has been independently verified by the department's internal auditor and was endorsed by the Risk and Audit Committee for closure in June 2015.'</p>	<ul style="list-style-type: none"> • DELWP finalised the guidelines and had them endorsed by the Minister for Environment and Climate Change. However, the guidelines are only directed to Category 3 CoMs. • DELWP has published three fact sheets and four model policies online. • A single website consolidates information for Category 3 CoMs. CoMs in Category 1 and 2 are redirected to DELWP's general good governance guides. No formal guidance is directed to Category 4 CoMs. • DELWP convened an online engagement workshop with CoM volunteers. While this group concluded that social media was not an appropriate strategy for developing CoM networks, the Grampians region proceeded with this approach. Its Facebook group has 101 members—6 per cent of CoM members in the region. • DELWP sends a statewide email newsletter to CoMs once or twice per year. • The Hume region's governance training pilot and the Barwon region's induction days both provide networking opportunities for CoM members.

Source: VAGO.

5.2 Performance improvements

During our audit, one region was piloting a governance training program modelled on a course from the Australian Institute of Company Directors. Volunteers from 70 CoMs participated in the training to learn about their duties and responsibilities, finance, strategy and risk, and received a workbook about effective governance. The program cost \$78 000 plus 626 hours of DELWP staff time, excluding extensive travel time. DELWP is conducting an evaluation of the course, but it is not yet complete. There was no evidence that DELWP would continue the training program or expand it to other regions.

DELWP is in the very early stages of considering a coaching program for high-risk (Category 2) CoMs. It has identified that such a program needs to focus on increasing volunteers' understanding of their roles and responsibilities, insurance, risk management, governance skills and reporting requirements. However, DELWP has not allocated resources to the program and it did not provide evidence that it had committed to implement it.

Two regions have conducted an in-person induction session for high-risk CoMs—one was a presentation at a meeting of a newly formed committee, and the other brought together the four coastal CoMs in the region for a coastal committee forum. Both new and existing members were encouraged to attend.

DELWP has increased the volume of information it distributes to CoMs through a statewide newsletter, a consolidated website for Category 3 CoMs and an induction video. Individual regions have also introduced a Facebook group and a newsletter. In comparing the results from our June 2018 survey to the 2012 survey, CoM volunteers now report that they consult the DELWP website for information more frequently than they did previously—12 per cent of respondents in 2018, up from 8 per cent in 2012. However, DELWP has not monitored or evaluated the uptake and effectiveness of these mechanisms.

5.3 Impacts

One CoM did not understand its need to insure the assets on its reserve, so when their building, a 125-year-old courthouse, burnt down in an accidental fire in June 2016, it remained derelict and the CoM had to redirect its efforts to raise \$1 million for repairs. This example reflects a basic misunderstanding of the CoM's obligations. DELWP is responsible for providing guidance on such matters, but it is not doing this effectively.

The need for building insurance is noted in chapter 11 of DELWP's *Committees of Management Responsibilities and Good Practice Guidelines*. We assessed this document at a grade 11 reading level, which is too high for public guidance. In our survey, only 42 per cent of CoM volunteers reported using these guidelines, which has decreased from 50 per cent in 2012. Surveyed CoM volunteers assessed the guidelines' usefulness as average.

5.4 Residual risks

DELWP's regional offices are primarily responsible for DELWP's engagement with CoMs. During our audit, DELWP staff repeatedly described their day-to-day approach as 'reactive crisis management'. This was reiterated by CoM volunteers in our 2018 survey:

I would like to see each member sent a copy of the guidelines and strategic planning training offered to assist on making the management of the reserve more than a series of responses to problems.

DELWP is not fully implementing the oversight arrangements it developed after our 2014 audit. Figure 5B shows seven substantial oversight requirements that are not being implemented in all regions. There is an especially low level of oversight occurring in Barwon region which has four high-risk (Category 1) CoMs. No DELWP region is making annual contact with its Category 4 CoMs or running induction days for high-risk (Category 2) CoMs.

DELWP's regional managers advised us that they could not meet all their documented oversight responsibilities with their available resources. However, during the audit, DELWP created and advertised six new positions, one in each region, for CoM coordinators—this role will lead a project to increase the capacity and capability of CoMs and provide a greater level of oversight and support to CoMs. These additional resources should increase DELWP's capacity to implement its oversight arrangements.

Figure 5B
Implementation of oversight requirements by DELWP regions

Oversight requirements ^(a)	DELWP regions					
	Barwon	Gippsland	Grampians	Hume	Loddon Mallee	Port Phillip
Annual appraisal of Category 1 CoMs	X	n/a	n/a	X	n/a	X
Induction day for Category 1 CoMs	1 session for coastal CoMs; others online	n/a	n/a	1 session with a new Category 1 CoM	n/a	X
Induction day for Category 2 CoMs	X	X	X	X	X	X
Client manager appointed to Category 1 CoMs	X	n/a	n/a	✓	n/a	✓
Client manager appointed to Category 2 CoMs	X	✓	✓	✓	✓	✓
Three-yearly appraisals of Category 2 CoMs	X	1	X	X	1 underway	X
Annual contact with Category 4 CoMs	X	X	X	X	X	X

(a) Compiled from DELWP's categorisation framework, 2016–17.

Source: VAGO based on our survey of DELWP regional managers, Land and Built Environment.

Uptake of the new communication tools that DELWP has developed is low, with:

- only 6 per cent of the Grampians region's CoM volunteers becoming members of its Facebook group
- only 72 per cent of CoMs receiving DELWP's statewide newsletter
- the induction video being viewed only 406 times.

To help CoMs apply for grants to manage their reserves, DELWP has added some links to its CoMs webpage, but it is unclear how effective this approach has been—in our survey, 25 per cent of CoM volunteers reported not receiving any information about grants, and 51 per cent reported not receiving any guidance or support on applying for grants.

Because all the new communication tools are distributed by email or online, the 28 per cent of CoMs who do not have an email address for their chair or secretary recorded in DELWP's database are not receiving any increase in communication.

In our survey, 62 per cent of CoM volunteers were not satisfied with the support and guidance provided by DELWP. More specifically, 27 per cent said DELWP never initiated contact with their CoM. This has increased from 19 per cent reporting no contact from DELWP in a 2012 survey—an increase that is statistically significant. The group that reported receiving no contact from DELWP in our 2018 survey included eight high-risk CoMs (Category 1 and 2) and included CoMs across all DELWP regions. There was significant regional variation in these results which suggests that DELWP's regions take different approaches to engaging with their CoMs.

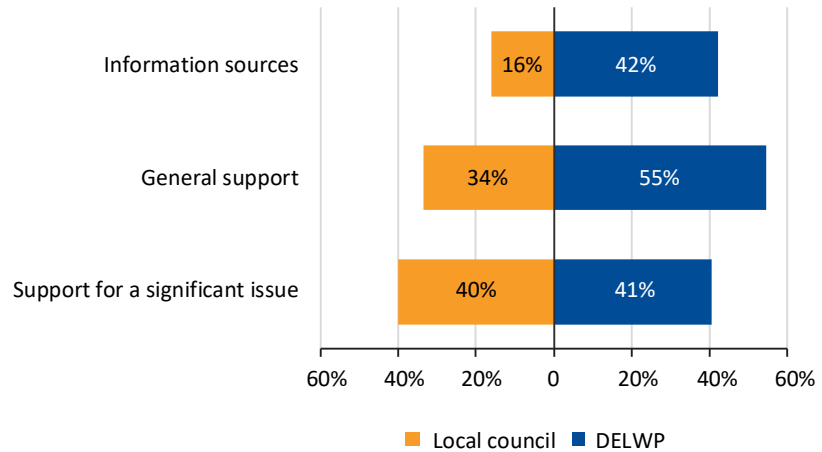
Despite the recommendations from our 2014 audit, DELWP still does not consistently induct new committee members to help them to understand their roles and responsibilities. In our 2018 survey, 27 per cent of CoM volunteers who had been appointed since our 2014 audit reported receiving no induction to their role. A further 30 per cent reported only receiving an induction from their local CoM which did not include information from DELWP.

Local councils provide a significant amount of support and guidance to CoMs despite not being resourced or necessarily equipped to do so.

Figure 5C shows that when CoMs dealt with a significant issue on their reserve, they sought assistance equally from DELWP and their local council as a first point of contact (40 per cent and 41 per cent respectively). For general matters, 34 per cent of respondents contacted a DELWP regional representative first, while 55 per cent contacted their local council first. Similarly, 16 per cent of CoMs identified DELWP's *Committees of Management Responsibilities and Good Practice Guidelines* as their most common source of information while 42 per cent mostly consulted their local council's website. Of those who contacted DELWP for assistance with a significant issue, 26 per cent reported they had not received a timely and appropriate response.

Figure 5C

Responses to our 2018 survey: DELWP versus local councils as first or major source of information or support



Source: VAGO survey of CoM members, June 2018.

One of the responses to our survey demonstrated the impact of CoM volunteers not understanding DELWP’s oversight role:

I didn’t even know that DELWP was able to help our committee until a member came to sort out a dispute on our committee and I went to a governance training day. Unfortunately, this is 2.5 yrs into my 3 year term on the committee and I would’ve loved to have found this out earlier!

Communication methods that DELWP has introduced since our 2014 audit remain one way, from DELWP to CoMs. DELWP does not monitor the usefulness of its communication to CoMs nor their uptake.

Our original 2014 audit found that there could be numerous benefits in connecting CoMs that were managing reserves with similar purposes and similar issues—particularly when the CoMs were managing sites with complex technical requirements, such as cricket grounds, racing tracks or historic sites. This finding and the related recommendation drew upon research by Victoria University that recommended a ‘communities of practice’ model to connect CoMs with similar purposes to each other and to relevant experts within DELWP and peak bodies. Victoria University’s research recommended using online communication to build these connections.

DELWP made one attempt to convene a meeting of the sixteen CoMs in Melbourne that manage public halls and mechanics institutes. DELWP could not provide us with evidence that a meeting took place or that networking occurred. DELWP has not acted on this opportunity that we highlighted in our original 2014 audit.

Appendix A

Audit Act 1994 section 16— submission and comments

We have consulted with DELWP, and we considered its views when reaching our audit conclusions. As required by section 16(3) of the *Audit Act 1994*, we gave a draft copy of this report to DELWP and asked for its submission and comments. We also provided a copy of the report to the Department of Premier and Cabinet.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

DELWP's response is included overleaf.

RESPONSE provided by the Secretary, DELWP



Department of Environment,
Land, Water and Planning

PO Box 500, East Melbourne,
Victoria 8002 Australia
delwp.vic.gov.au

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31 / 35 Collins Street
MELBOURNE VIC 3000

Ref: SEC013734



Dear Auditor-General

**PROPOSED PERFORMANCE AUDIT REPORT - FOLLOW UP OF OVERSIGHT AND
ACCOUNTABILITY OF COMMITTEES OF MANAGEMENT**

Thank you for your letter dated 13 August 2018 providing the Department of Environment, Land, Water and Planning (DELWP) with the proposed performance audit report *Follow up of Oversight and Accountability of Committees of Management*. I wish to advise that the department has no comments to be included in the report.

As advised to you in my correspondence of 1 August, the department recognises the need for further work to ensure effective and efficient oversight of committees of management (CoMs). To this end it has commenced, or will be commencing, a number of actions to increase our oversight of, and support to CoMs, and to strengthen our internal coordination and monitoring of this work. These actions include:

- The development of a new, contemporary information system for the administration of Crown land, including for reserves managed by CoMs.
- The development of a program, funded out of the Sustainability Fund, to better organise coastal CoMs and facilitate associated amalgamations, with a pilot now underway with a number of CoMs around Westernport Bay.
- The creation of a new VPS-4 position in each of the six DELWP regions to support CoMs.
- The establishment of a whole of department reporting process for monitoring risks and issues relating to CoMs, drawing on the information and advice from the six new regional staff.
- The Risk and Audit Committee will be requested to include an audit of the new reporting and monitoring process in its 2018/19 internal audit program.
- The department's Risk and Audit Committee will be requested to review the progress and effectiveness of the actions outlined in this letter.

Should you have any questions on this matter, please contact Peter Beaumont, Executive Director Land Management Policy, on 9637 9087 or peter.beaumont@delwp.vic.gov.au.

Yours sincerely


John Bradley
Secretary

27/8/18

Any personal information about you or a third party in your correspondence will be protected under the provisions of the Privacy and Data Protection Act 2014. It will only be used or disclosed to appropriate Ministerial, Statutory Authority, or departmental staff in regard to the purpose for which it was provided, unless required or authorized by law. Enquiries about access to information about you held by the Department should be directed to foi.unit@delwp.vic.gov.au or FOI Unit, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.



Appendix B

Survey of CoMs, June 2018

We conducted a survey of CoM volunteers to inform this audit. This appendix provides an overview of the methodology and a profile of survey respondents and the response rate.

Methodology

The survey contained 29 questions:

- 12 multiple-choice questions
- five questions that used rating scales
- three open-ended questions, requiring thematic analysis
- nine demographic profile questions.

Eighteen questions were directly repeated, with permission, from a survey conducted by Victoria University as part of a research project commissioned by the former DEPI—*Understanding volunteer motives in public land management*, published in June 2012. These questions had been developed from a series of focus groups.

We emailed an invitation to complete the survey to both the chair and ‘main contact’ of each CoM in DELWP’s Portal database, as provided to us in March 2018. DELWP’s database did not contain an email address for 334 CoMs (28 per cent). For these CoMs, we mailed a letter to both the chair and the ‘main contact’ inviting them to complete the survey, offering both an online option and a phone number they could call to complete the survey with one of our auditors.

Response rate

In total, 462 people completed the survey. This represents 26 per cent of people directly invited to participate in the survey, but less than 6 per cent of the total CoM volunteer population. The ambiguity in calculating the exact response rate arises because DELWP cannot report the number of people who are members of Category 4 CoMs, so the total number of CoM volunteers from which to calculate the response rate is unknown.

The response rate, by category of CoM, is detailed in Figure B1.

Figure B1
Response rate to VAGO survey of CoM volunteers, June 2018

Category	Number of CoMs	Number of CoM members	Invitations			Survey respondents		
			By post	By email	Total ^(a)	Number	Percentage of total invitations	Percentage of total committee members
Category 1	8	56	0	16	16	9	56%	16%
Category 2	37	267	2	60	62	68	110%	25%
Category 3	1 000	7 382	476	1 040	1 516	362	24%	5%
Category 4	122	Not recorded	166	39	205	23	11%	Unknown
Total	1167	>7 705	644	1 155	1 799	462	26%	<6%

(a) Invitations sent to chair and 'main contact' for CoMs listed in DELWP's Portal database.

Note: While we invited the chair and main contact to share the survey invitation with the members of their CoM, 80 per cent of the survey respondents were office bearers. It is not clear how many other members received the invitation to complete the survey, so we have reported the response rates as both percentage of respondents and percentage of total population.

Source: VAGO.

Profile of respondents

There is not a current demographic profile of all CoM volunteers that we could use as a comparison. We interpreted the survey results as consistent with general characteristics of the CoM volunteer profile in terms of age, years on committee and hours spent, but some groups are over-represented—females, office bearers and two regions.

Figure B2 shows the characteristics of the respondents to our survey.

Figure B2**Characteristics of CoM survey respondents, June 2018**

Characteristic	Respondent profile		Comments
Membership	Current member of a CoM	98%	Office bearers significantly over-represented
	Office bearers	80%	
Years on committee	Range	0–40 years	
	Average	10.7 years	
	Mode	10 years	
Hours per month spent on CoM work	Range	0.5–230 hours	
	Average	14 hours	
	Mode	10 hours	
Region	Gippsland	23%	Gippsland and Port Phillip over-represented; Grampians under-represented
	Hume	20%	
	Loddon Mallee	15%	
	Grampians	15%	
	Barwon	15%	
Gender	Port Phillip	11%	Females may be slightly over-represented if demographics unchanged from Victoria University's 2012 analysis of DELWP's database which showed 67 per cent of CoM members were male
	Male	63%	
Age	20–29 years	0.5%	
	30–49 years	14%	
	50–69 years	59%	
	70+ years	26%	

Note: Totals may not add up to 100 per cent due to rounding.

Source: VAGO.

Auditor-General's reports tabled during 2018–19

Report title	Date tabled
Local Government Insurance Risks (2018–19:1)	July 2018
Managing the Municipal and Industrial Landfill Levy (2018–19:2)	July 2018
School Councils in Government Schools (2018–19:3)	July 2018
Managing Rehabilitation Services in Youth Detention (2018–19:4)	August 2018
Police Management of Property and Exhibits (2018–19:5)	September 2018
Crime Data (2018–18:6)	September 2018

All reports are available for download in PDF and HTML format on our website
www.audit.vic.gov.au

Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne Vic 3000
AUSTRALIA

Phone +61 3 8601 7000
Email enquiries@audit.vic.gov.au