

Slide 1



This presentation provides an overview of the Victorian Auditor-General's report *Compliance with the Asset Management Accountability Framework*.

**Overview**

**\$265b** of non-financial assets managed at 30 June 2018

Buildings      Transport and communication      Education

Land and national parks      Health and welfare      Plant, equipment and vehicles

Recurring weaknesses found in asset management

This audit looked at all seven departments' compliance with the government's *Asset Management Accountability Framework* (the AMAF)

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The delivery of public services relies on assets such as trains, roads and schools.

The Victorian government manages \$265 billion of non-financial assets.

Our previous audits have found recurring weaknesses in the way agencies manage assets across their portfolios.

In this audit we looked at all seven departments' compliance with the government's *Asset Management Accountability Framework* (the AMAF).

## **Asset Management Accountability Framework (AMAF)**



**Introduced by the Department of Treasury and Finance (DTF) in 2016**

**Increased accountability focus:**

- agency head attests AMAF compliance in annual report
- audit committees review compliance prior to attestation

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The Department of Treasury and Finance (DTF) introduced the AMAF in 2016.

The AMAF increases the accountability that agency heads have for the way they manage their assets.

Agencies are required to apply the AMAF and attest to their levels of compliance with it in their annual reports.

Audit committees need to review compliance and satisfy themselves with the attestation before the annual report is published.

**What we looked at**

- Objective**: Determine the reliability of departments' attestations of compliance
- Key areas examined**: Whether departments have sound approaches to:
  - implementing the AMAF
  - checking their compliance with it
- X**: We did not examine asset management practices or the AMAF's effectiveness

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We examined departments' first attestations of compliance with the AMAF in 2018.

We determined whether they are reliable by assessing whether departments used sound approaches to implement the AMAF and to check compliance.

We did not examine asset management practices or the effectiveness of the AMAF.

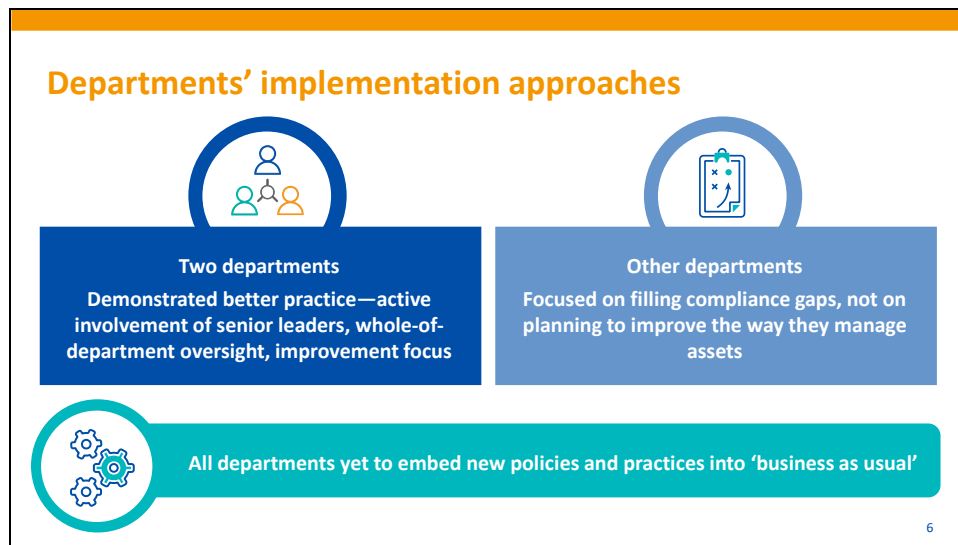
**Who we looked at**

**All seven departments in place at the time of 2018 attestation**

- Department of Environment, Land, Water and Planning
- Department of Education and Training
- Department of Health and Human Services
- Department of Justice and Regulation—now the Department of Justice and Community Safety
- Department of Economic Development, Jobs, Transport and Resources—now the Department of Jobs, Precincts and Regions and the Department of Transport
- Department of Premier and Cabinet
- Department of Treasury and Finance

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This audit focused on all seven departments in place at the time of the 2018 attestation.




Two departments have demonstrated better practice in how they planned their implementation of the AMAF and assure compliance. These are the Department of Economic Development, Jobs, Transport and Resources, and the Department of Education and Training. This stems from the active involvement of their senior leaders in areas such as overseeing AMAF implementation and supporting the need to improve asset management practices.

The other departments focused on filling key gaps to achieve compliance, but they did not plan to improve their asset management in the longer-term.

All departments still need to embed the new asset management policies as 'business as usual'.

### Departments' checks on compliance



- Departmental oversight is sound, but can improve
- Five departments had reliable compliances checks, but two did not
- Only two departments verified compliance and found many inaccuracies
- All departments had inadequate evidence of compliance

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Departments' arrangements for overseeing compliance are sound but can improve, particularly by involving senior leaders in approving compliance assessments and the attestation.

Five departments used reliable processes to determine the extent to which they comply with the AMAF.

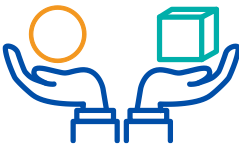
The remaining two departments did not have enough detail in their approaches for them to reliably assess whether they comply with the AMAF.

Only two departments verified the evidence supporting their compliance assessments. They found examples where they did not have enough evidence to show they complied.

The other departments do not know how accurate their assessments were, but we found they also had examples of inadequate evidence.

This indicates a strong need for departments to verify or check their assessments.

### Inconsistent interpretation of AMAF and compliance obligations



Departments' interpretation and application of AMAF varied, particularly:

- numbers of mandatory requirements
- risk-based approach to checking evidence of AMAF compliance.

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There are inconsistencies and uncertainty in departments' understanding and application of the AMAF and their compliance obligations.

One example was that the departments used different numbers of mandatory AMAF requirements.

Another example was that they did not understand how they can apply a risk-based approach to the evidence needed for assessing compliance. This means that assets with a higher risk or complexity require stronger evidence of compliance.



### Audit committees' checks on compliance



- Approach to review—not planned or transparently aligned with asset-related risks
- Information received—three received information on actual compliance, others focused only on deficiencies
- Compliance review:
  - two committees checked evidence
  - one determined its low risk assets did not need checking
  - four committees relied on departmental advice
- Satisfaction with attestation—not documented

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Departmental audit committees have a broad range of responsibilities, and should take a risk-based approach to determine where they target their attention.

However, none of the committees clearly documented how their review of the department's AMAF compliance assessment and attestation aligned with the department's asset-related risks.

We also found that:

- four committees received information about non-compliant areas only
- four committees relied on departmental advice about levels of compliance, but could not show how they tested the advice they received, and
- none of the committees clearly recorded what they relied on to satisfy themselves about the veracity of the department's attestation.

### DTF's support for AMAF implementation and compliance



- Met its responsibilities to support the AMAF's implementation
- Can provide more support and clarity to departments and audit committees
- No current plan for evaluating the AMAF's effectiveness

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DTF has met its responsibilities to support the AMAF. For example, it runs an AMAF working group for departments, and has produced guidance on implementing the AMAF.

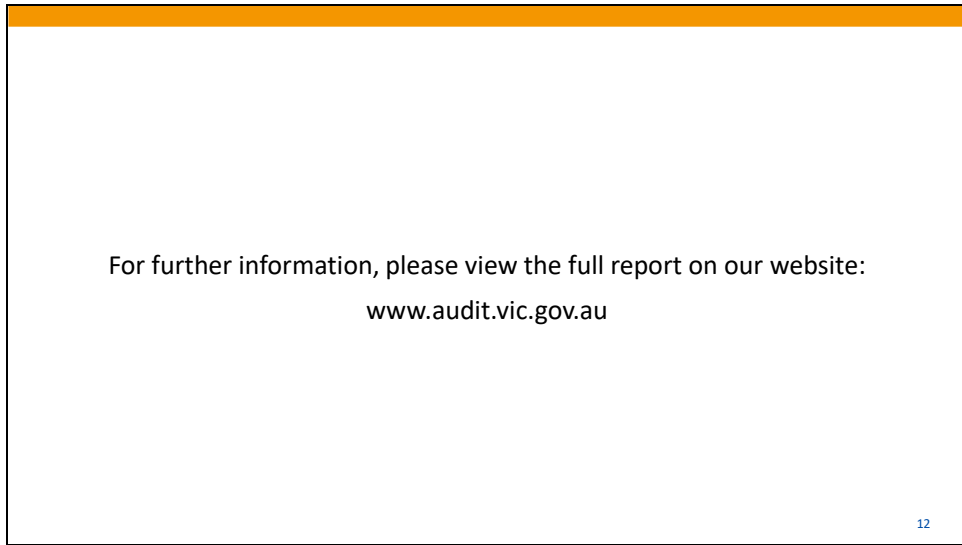
However, gaps and inconsistencies remain in how departments interpret and apply the AMAF requirements and DTF can provide more support and clarity on these issues.

DTF has not planned to evaluate the AMAF's effectiveness.



We made 11 recommendations. These included:

- four recommendations for all departments, as they can all improve their AMAF implementation and asset management, and
- five for the Department of Treasury and Finance to further support agencies in implementing the AMAF, and to evaluate the AMAF's effectiveness.



For further information, please view the full report on our website:  
[www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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