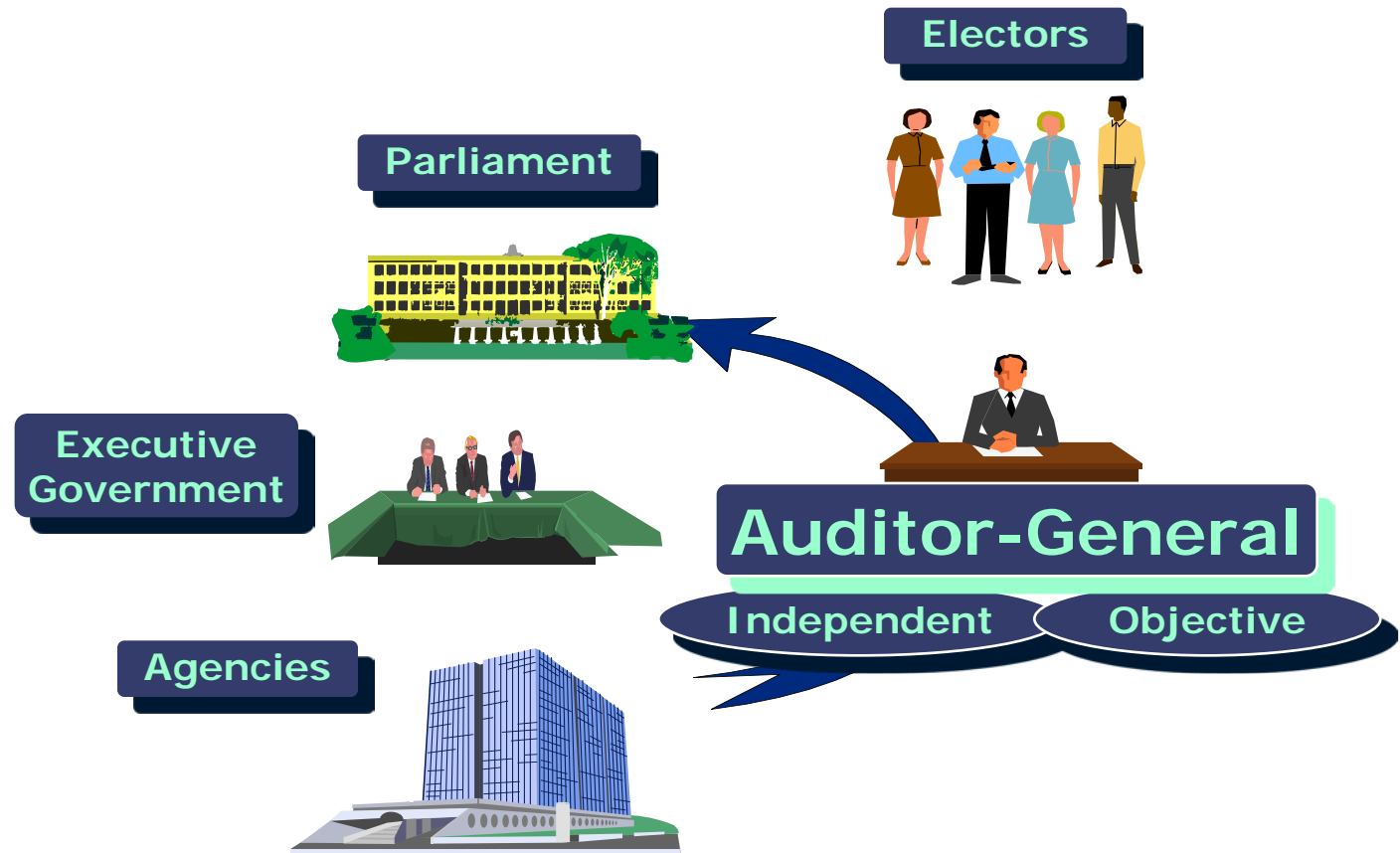


# Lessons from audits: Shaping the future of public sector governance

Des Pearson, Auditor-General

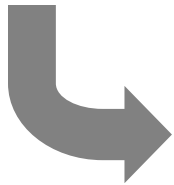
19 August 2009, Chartered Secretaries Australia

# Setting the scene: Role of Auditor-General





**Increased stakeholder expectations** in transparency, governance and reporting



**Increased role for audit** in public sector



**Expand audit** beyond review of financial statements → now includes **efficiency & effectiveness**, probity & compliance

## Our Purpose

- *Providing **assurance** to Parliament on the accountability and performance of the Victorian public sector*

## Underlying this, we aim to

- *Promote **improvement** in the public sector*  
→ Presentations and discussions like this are a key way to promote improvement and share lesson from audits

## Review the past

- 2008-09 audit program - recurring findings, key themes and 'governance hot spots'

## Implications for the future

- What role should audits and reviews play in shaping public sector governance?

1. Oversight and coordination
2. Outcomes and benefits
3. Performance information
4. Training and knowledge management
5. Records management
6. Boards and governing councils

# 1. Oversight and coordination

## Devolved accountability and ‘subsidiarity’

- Increasingly common in Victorian accountability arrangements → principle of “*delegation to lowest/ least centralized authority*”
- Applies both **within portfolios** (Departments and agencies) and **inside entities** (accountable officer and program area).
- However – you can delegate responsibility, but not accountability!

## Audits found:

- Gaps and challenges in **oversight** arrangements – who is monitoring?
- Program outcomes compromised and challenged by **lack of clarity** of roles/responsibilities
- Several audits recommended Departments
  - **strengthen their oversight** role
  - more actively monitor/respond to subsidiary **performance information**.

- **Devolved governance arrangements** underpin Victoria's terrorism response framework

Audit found:

- **Lack of clarity** of roles and governance responsibilities – lead agency (DPC), committees, networks, steering group and line agencies.
- **“Confusion and gaps”**
  - some Depts unaware of requirements under the policy and legislation
  - varying progress in meeting policy targets and legislative responsibilities
- We recommended → **DPC strengthen oversight & coordination** arrangements.
- DPC questioned this stronger role: *“VAGO advocates a role that DPC should perform.... that is different to that which DPC believes it should undertake”*, highlighting need for greater clarity of governance arrangements.



### **Policies, plans and procedures** are often in place

- This is positive from a **controls and compliance** perspective

### Audits found:

- Need to shift focus beyond plans, policies and procedures to **outcomes, implementation & delivering program benefits**
  - From ‘compliance’ to ‘performance’
- This ‘focus on outcomes’ will inform our 2009-10 audit program

# *Implementing Victoria Police's Code of Practice for the Investigation of Family Violence* (June 2009)

- Victorian Police *Code of Practice for the Investigation of Family Violence* – a policy designed to improve the effectiveness of police response, and better meet community expectations

## Audit found:

- Victoria Police were **complying with Code** requirements
- Related activity (attendance incidents, intervention orders, criminal charges, investigations and prosecutions) has increased
- **However - data does not show** whether this has **improved outcomes** for victims of family violence.
- We recommended → VicPol focus on **measuring outcomes** of this policy, through measures such as appropriate service referrals, successful prosecutions and repeat offences.

# 3. Performance information

In the public sector, performance information is crucial in demonstrating public value – a ‘proxy for profit’

This is a **continuing theme** from previous years’ audit programs

## Themes from a number of 2008-09 audits

Sector-wide need to improve the use of performance information

- External reporting → need to improving the use of effectiveness measures to **show outcomes are being achieved.**
- Internal management information → better **integration of performance information** in **planning, management** and **internal controls** frameworks.

Looking ahead → in 2009-10, we plan to undertake a significant **cross-agency audit of performance reporting**

# 4. Training and knowledge management VAGO

Efficient and effective service delivery depends on the **capabilities** of responsible public sector staff, particularly when

- Delivering specialised services i.e. case management *(Claims Management by the Victorian WorkCover Authority)*
- Managing major projects *(Connecting Courts - the Integrated Courts Management System)*
- Supporting good governance *(Governance and Fraud Control within Selected Adult Education Agencies)*

Audits found good public sector governance was sometimes undermined by ongoing **skills shortages** and staff turnover

As such, audits proposed attention to **training** and **knowledge management**

# 5. Records management

Records and recordkeeping are fundamental to **transparent, accountable government**.

Cross-agency audit and good practice guide (July 2008) identified:

- Lack of senior management support and promotion for records management.
- Most agencies did not adopt a strategic approach to records management.
- Electronic records were not well managed.

Other audits have found deficits in record-keeping **supporting decision-making** in agencies e.g.

- Key financial and human resources decisions (*Governance and Fraud Control within Selected Adult Education Agencies*)
- Decisions about the direction of major projects (*Buy-back of the Regional Intrastate Rail Network*)

# 6. Governing Boards

Need to balance independence of boards with accountability, transparency and stewardship of public resources

A recent significant audit (*Governance and Fraud Control within Selected Adult Education Agencies*) found governing boards and Chief Executives of statutory authorities at times

- failed to comply with their own policies
- did not show appropriate accountability for use of resources and authority
- made decisions detrimental to their agencies.

Audit recommended

- building **governance skills and awareness** in leadership
- strengthening **external governance, monitoring and oversight** arrangements.

However → developing governance policies and procedures is **only part of the solution** - they need also to be **applied consistently** and appropriately.

So...we share these lessons today in this public sector context to help drive improvement across governance, compliance and performance

Agencies should continue to learn from audits →  
Audits are not a closed book but they should inform the future.

You can learn from

- Agency internal and external audit
- Other people's audits! (***Advantage of the public sector - these are in the public domain***)
- Good practice guides

Audits and reviews are not about **avoiding risk**, but **allowing intelligent risk taking**

Audits inform risk assessment

Risk informs your governance practice

Governance drives compliance

Compliance underpins performance.



# Discussion?

More information

[www.audit.vic.gov.au](http://www.audit.vic.gov.au)