



Tasmanian
Audit Office



**Report of the Auditor-General
No. 4 of 2024-25**

Follow up of *Report of the
Auditor-General No. 1 of 2020-21:
Effectiveness of Internal Audit*

21 November 2024

Our role

The Auditor-General and Tasmanian Audit Office are established under the *Audit Act 2008* and *State Service Act 2000*, respectively. Our role is to provide assurance to Parliament and the Tasmanian community about the performance of public sector entities. We achieve this by auditing financial statements of public sector entities and by conducting audits, examinations and investigations on:

- how effective, efficient, and economical public sector entity activities, programs and services are
- how public sector entities manage resources
- how public sector entities can improve their management practices and systems
- whether public sector entities comply with legislation and other requirements.

Through our audit work, we make recommendations that promote accountability and transparency in government and improve public sector entity performance.

We publish our audit findings in reports, which are tabled in Parliament and made publicly available online. To view our past audit reports, visit our [reports](#) page on our website.

Acknowledgement of Country

In recognition of the deep history and culture of Tasmania, we acknowledge and pay respect to Tasmanian Aboriginal people, the past and present custodians of this island. We respect Tasmanian Aboriginal people, their culture and their rights as the first peoples of this land. We recognise and value Aboriginal histories, knowledge and lived experiences and commit to being culturally inclusive and respectful in our working relationships.



2024
PARLIAMENT OF TASMANIA

***Follow up of Report of the Auditor-General No. 1 of 2020-21:
Effectiveness of Internal Audit***

21 November 2024

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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Auditor-General's reports and other reports published by the Office can be accessed via the Office's website. For further information please contact:

Tasmanian Audit Office

GPO Box 851

Hobart

TASMANIA 7001

Phone: (03) 6173 0900

Email: admin@audit.tas.gov.au

Website: www.audit.tas.gov.au

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21 November 2024

President, Legislative Council
Speaker, House of Assembly
Parliament House
HOBART TAS 7000

Dear President, Speaker

Report of the Auditor-General No. 4 of 2024-25: Follow up of *Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit*

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objective of this follow-up audit is to express an opinion on the degree to which state entities implemented recommendations made in the *Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit*.

Follow-up audits are carried out to inform Parliament of the extent to which the recommendations from previous audits have been implemented. While I cannot compel State entities to implement recommendations made, it is my expectation that recommendations will be either adopted or at least seriously considered by State entities in a timely manner.

Yours sincerely

Martin Thompson
Auditor-General

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Table of contents

Independent assurance report	1
1. Did audit committees have a sufficient level of independence to challenge departmental management?	6
Chapter summary	6
Background	6
Follow up audit findings	6
2. Did departments provide appropriate training and induction for audit committees and assess their performance?	10
Chapter summary	10
Follow up audit findings	10
3. Did audit committees ensure that internal audits plans were aligned to departmental risks and strategic objectives?	14
Chapter summary	14
Follow up audit findings	14
Appendix 1 – Submissions and comments received	17
Acronyms and abbreviations	19

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Independent assurance report

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my follow-up of the *Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit*.

Audit objective

The objective of the audit was to express an opinion on the degree to which State entities implemented recommendations made in the *Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit*.

Audit scope and findings

The following State entities were subject to the audit:¹

- Department of Communities Tasmania
- Department for Education, Children and Young People (DECYP)
- Department of Health (DoH)
- Department of Justice (DoJ)
- Department of Natural Resources and Environment Tasmania (NRE Tas)
- Department of Police, Fire and Emergency Management (DPFEM)
- Department of Premier and Cabinet (DPAC)
- Department of State Growth (DSG)
- Department of Treasury and Finance (Treasury).

The audit assessed the implementation of 9 recommendations made in the *Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit* (the 2020 audit) as listed in Table 1.

Table 2 records the assessed implementation status for each of the State entities.

¹ Some of these State entities have been subject to Machinery of Government changes since the 2020 audit. Notably, DECYP and NRE Tas had their names changed from the Department of Education (DoE) and Department of Primary Industries, Parks, Water and Environment, respectively. The Department of Communities Tasmania was part of the 2020 audit but was abolished on 1 December 2022 and its functional areas were moved to other State entities. The former DoE audit committee transitioned into the DECYP audit committee. This follow up audit assessed the implementation of recommendations for the relevant State entities as at August 2024.

Table 1: Recommendations assessed

Recommendation
1. Secretaries to ensure there are regular, formal meetings between the audit committee Chair and Secretary where the effectiveness of the internal audit function is discussed.
2. Audit committees to facilitate working collaboratively across departments to benchmark internal audit activity to better understand if the internal audit function is adding value.
3. Secretaries ensure audit committees have an independent Chair and a majority of independent members to enable effective challenge of departmental management.
4. Audit committees to develop role profiles and a skills matrix for audit committee members and periodically assess the composition of the audit committee.
5. Audit committees to improve induction and training provided to all audit committee members and internal auditors.
6. Audit committees to improve the links between internal audit plans, departmental risks and strategic objectives to ensure coverage of primary risks and drive more significant improvements in departmental outcomes.
7. Audit committees review effectiveness of audit recommendations in driving improvements and improving outcomes.
8. Ensure secretaries conduct annual performance assessments of the audit committee with periodic external assessments.
9. Audit committees to review committee charters to ensure they follow Treasury guidance.

Source: Tasmanian Audit Office

Table 2: Assessed implementation status of recommendations

Rec.	DECYP	DoH	DoJ	DPFEM	DPAC	NRE Tas	DSG	Treasury
1	Yellow	Green	Green	Green	Yellow	Green	Green	Green
2	Red	Red	Red	Red	Red	Red	Red	Red
3	L	L	Green	Red	Green	Green	Yellow	Yellow
4	Green	Green	Green	Green	Green	Green	Yellow	Green
5	L	L	L	Green	L	Green	L	L
6	Green	Green	Green	Green	L	Green	L	Green
7	Green	Green	Green	Green	Green	Green	Green	Green

Rec.	DECYP	DoH	DoJ	DPFEM	DPAC	NRE Tas	DSG	Treasury
8	Partially implemented	Partially implemented	Not implemented	Partially implemented	Partially implemented	Implemented	Not implemented	Not implemented
9	Implemented	Largely implemented	Implemented	Implemented	Implemented	Implemented	Largely implemented	Implemented

Legend:

■ Implemented
 ■ L Largely implemented
 ■ Partially implemented
 ■ Not implemented

Source: Tasmanian Audit Office

Did audit committees have a sufficient level of independence to challenge departmental management?

Most departments have increased the level of independence of its audit committee, with 7 out of 8 departments appointing an independent Chair. This has helped facilitate a greater level of challenge to departmental management, with all Chairs having sufficient access to the Secretary to discuss the effectiveness of the internal audit function. All departments have an internal audit charter or terms of reference which outlines the role of the audit committee and its responsibilities in providing advice to the Secretary.

Did departments provide appropriate training and induction for audit committees and assess their performance?

All departments provided appropriate induction for new audit committee members and internal auditors. However, we found that training needs or requirements for audit committee members were not clearly stated in the evidence provided by most departments. While all departments have developed role profiles for audit committee members and understand the skills required of new members, addressing identified skills gaps was not clearly addressed by a few departments. Five departments conducted a performance assessment of the audit committee on an annual or bi-annual basis. The other departments were in the process of developing a self-assessment or addressed performance issues through other means.

Did audit committees ensure that internal audits plans were aligned to departmental risks and strategic objectives?

All departments have internal audit work plans and processes in place to monitor and report on the implementation of audit recommendations. We found there is strong alignment and linkage between internal audit work plans and departmental objectives from most departments, with all departments giving consideration to internal governance, risk and control processes. However, there is still outstanding work for audit committees to collaborate across departments to benchmark internal audit activity and address shared risks and challenges.

Audit approach

The audit was conducted in accordance with the Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*, issued by the Australian Auditing and Assurance Standards Board, for the purpose of expressing a reasonable assurance opinion.

The audit assessed:

- the extent to which recommendations made in the audit report were implemented
- whether implementation of the recommendations helped improve compliance, efficiency, effectiveness or economy of the relevant State entity's activities
- the appropriateness of the rationale or evidence to support non-implementation.

Responsibility of management

It is the responsibility of the Accountable Authority of each State entity to ensure that recommendations from external independent bodies such as the Auditor-General are implemented in a timely manner. Where a strategic or operational business decision has been made not to implement a recommendation, this should be communicated to the Accountable Authority for the entity and the entity's Audit Committee, or equivalent.

Responsibility of the Auditor-General

My responsibility was to assess whether the relevant entities subjected to the 2020 audit have taken the necessary actions to implement the recommendations made, and whether implementation helped improve performance or compliance.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQM1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* in undertaking this follow-up audit.

Conclusion

Those recommendations listed as implemented or largely implemented will be closed out in our file.

Those recommendations listed as not implemented or partially implemented will be included in our Memorandum of Audit Findings to entities, and implementation will be tracked during future financial audit cycles with 2 exceptions:

- Recommendation 2 will also be closed as that will be resolved through the Office facilitating an annual community of practice meeting for audit committee Chairs linked to our Senior Managers and Audit Committee members seminar held each year.

- Recommendation 3 for DSG and Treasury will also be closed as their audit committees have sufficient independence to challenge departmental management. However, we consider majority independence to be better practice.

Martin Thompson
Auditor-General

21 November 2024

1. Did audit committees have a sufficient level of independence to challenge departmental management?

In this chapter, we assessed the implementation of Recommendations 1, 3 and 9 from the 2020 audit.

Chapter summary

Most departments have increased the level of independence of its audit committee, with 7 out of 8 departments appointing an independent Chair. This has helped facilitate a greater level of challenge to departmental management, with all Chairs having sufficient access to the Secretary to discuss the effectiveness of the internal audit function. All departments have an internal audit charter or terms of reference which outlines the role of the audit committee and its responsibilities in providing advice to the Secretary.

Background

- 1.1 Treasurer's Instruction FC-2 Internal Audit (FC-2) mandates each department have an audit committee supported by an internal audit function that undertakes audit activities outlined in a forward work plan.
- 1.2 The *Financial Management – Better Practice Guidelines* (the Guidelines) prepared by Treasury, provide additional guidance to secretaries and responsible officers, to assist their compliance with FC-2.
- 1.3 In this report, 'internal audit function' is used to define internal audit services provided to a department by either in-house internal auditors, out-sourced internal audit service providers (contractor(s)) or a co-sourced model involving a combination of both. The internal audit function does not include the audit committee or actions it undertakes.

Follow up audit findings

Most audit committee Chairs meet regularly with the secretary

- 1.4 In the 2020 audit, we identified inconsistencies in the effectiveness of communication between the Secretary and the Chair of the audit committee. It is better practice for the Chair to have access to the Secretary to discuss the performance of the internal audit function. It also enables the Secretary to communicate their expectations for internal audit.
- 1.5 We found that 6 departments have implemented Recommendation 1. These departments provided evidence that the Chair of the audit committee met regularly with the Secretary (at least quarterly or twice-yearly). These meetings were relatively

informal as there was no agenda or minutes taken. However, it does demonstrate that the Chair had appropriate access to the Secretary.

- 1.6 DECYP and DPAC have partially implemented Recommendation 1 as they were yet to formalise ongoing meetings. However, the secretaries from these departments still had visibility on the activities of the internal audit function through other means, including performance assessment reports and audit committee meeting minutes.

Most audit committees have an independent Chair, but a few did not have a majority of independent members

- 1.7 In the 2020 audit, we found that audit committee membership was heavily weighted towards internal representation and recommended the composition of the audit committee include a majority of independent members. This was to help ensure that audit committees provide objective challenge and address conflict of interests which invariably arise for audit committees with internal members who hold management positions.
- 1.8 It is not mandatory under FC-2 for audit committees to have independent members. However, Treasury has included information in the Guidelines that departments should consider the independence of audit committee members. In addition, the audit committee may consider:²
- the appointment of an external Chair
 - the majority of members are independent/external
 - regular rotation of Audit Committee membership.
- 1.9 We found that 5 departments have implemented or largely implemented Recommendation 3. The audit committees from these departments comprised a majority of independent members or an equal representation of internal and external members, including an independent Chair.
- 1.10 DPAC, DoJ and NRE Tas had a majority of independent members on their audit committee.
- 1.11 DSG and Treasury have partially implemented Recommendation 3. While these departments had an independent Chair and an additional external member, membership was majority internal representation. These audit committees have sufficient independence to challenge departmental management. However, we consider majority independence to be better practice.
- 1.12 DPFEM has not implemented Recommendation 3. DPFEM's position on having independent members on the audit committee has remained unchanged since the 2020 audit. They advised that its audit committee had broad internal representation which provided an appropriate level of challenge and scrutiny. This was supported by

² Department of Treasury and Finance, *Financial Management – Better Practice Guidelines*, 2024, p.6, accessed 30 September 2024. <https://www.treasury.tas.gov.au/budget-and-financial-management/financial-management-act-2016/fma-treasurers-instructions>

regular rotation of the Chair. DPFEM has considered the merits of appointing an independent Chair in the future.

1.13 Overall, we are satisfied that the audit committees have an adequate level of independence which has improved since the 2020 audit.

Audit committee charters have been reviewed to ensure they follow the Guidelines

1.14 Each department has an internal audit charter (or terms of reference, but hereinafter referred to as the Charter), which specifies the responsibilities for those undertaking the internal audit function.

1.15 The Guidelines contain further information in support of FC-2 about what the Charter should define. The Guidelines state that the Charter should:³

- identify the function, purpose, authority and responsibility of the internal auditor
- establish the internal auditor's independence within the organisational structure
- define reporting relationships of the internal auditor with the secretary and the audit committee
- define the internal auditor's relationship with the Auditor-General
- define the scope of the internal auditor's activities, including any restrictions, together with the reasons for such restrictions.

1.16 The Guidelines also state that the Audit Committee should annually review the Charter.

1.17 We made Recommendation 9 in the 2020 audit to ensure that Charters met the above requirements in the Guidelines. We also expected that the Charters are reviewed, and where necessary, updated annually.

1.18 All departments have implemented or largely implemented Recommendation 9. These audits committees ensured their Charters were aligned with the Guidelines, with 6 departments reviewing their Charter since the 2020 audit. However, DSG and DoH have not updated their Charter since 2020, and both departments have acknowledged it is due for a review.

³ Department of Treasury and Finance, *Financial Management – Better Practice Guidelines*, 2024, p.7, accessed 30 September 2024. <https://www.treasury.tas.gov.au/budget-and-financial-management/financial-management-act-2016/fma-treasurers-instructions>

Impact of implementing recommendations 1, 3 and 9

1.19 DoJ stated in relation to regular meetings between the Secretary and Chair:

'The Chair is able to ensure that the Secretary's requirements are applied to the functioning of RMAC [the Risk Management and Audit Committee]. Therefore, providing assurance that the internal audit function is facilitating organisational improvement whilst having a greater focus on emerging risks that would impact the Department achieving its strategic objectives.'

1.20 The departments that implemented the recommendation regarding external members advised that it has:

- enhanced the audit committee's independence
- provided greater departmental challenge
- supported overall governance and accountability.

1.21 DPAC stated:

'Independent members and the independence from responsibility for areas of the Department's activities provides greater oversight and assurance to the Secretary.'

1.22 It was difficult for departments to assess the impact of the recommendation regarding Charters. However, a few departments noted the importance of updating the Charter in alignment with the Guidelines to support good governance.

2. Did departments provide appropriate training and induction for audit committees and assess their performance?

In this chapter, we assessed the implementation of Recommendations 4, 5 and 8 from the 2020 audit.

Chapter summary

All departments provided appropriate induction for new audit committee members and internal auditors. However, we found that training needs or requirements for audit committee members were not clearly stated in the evidence provided by most departments. While all departments have developed role profiles for audit committee members and understand the skills required of new members, addressing identified skills gaps was not clearly addressed by a few departments. Five departments conducted a performance assessment of the audit committee on an annual or bi-annual basis. The other departments were in the process of developing a self-assessment or addressed performance issues through other means.

Follow up audit findings

Audit committees understand the skills required of its members

- 2.1 In the 2020 audit we found the skills required for an effective audit committee had not been defined or formalised in a skills matrix or role profile. The reason for this recommendation was to help identify gaps in skills in the audit committee and to inform the induction and training of new or existing members.
- 2.2 We found that 7 departments have implemented Recommendation 4. These departments have a role profile and skills matrix which documents the requisite skills and experiences required of audit committee members. For a few audit committees, this included mandatory skills related to accounting and financial management, or knowledge specific to the department's operations.
- 2.3 DECYP conducts a comprehensive performance assessment of its audit committee every 2 years. This included an assessment against a skills matrix which was used to help identify skills gaps in the audit committee and inform the expression of interest process to appoint a new external member.
- 2.4 DSG has partially implemented Recommendation 4. DSG has an understanding of the skills, roles and responsibilities required of its audit committee, but this has not yet been formalised in a skills matrix. The composition of DSG's audit committee has remained unchanged since 2021.
- 2.5 DSG was planning to review its role profile and risk matrix to prepare for its new audit committee Chair and external member late 2024.

Audit committees provided induction to new members, but training requirements were not clearly specified by most departments

- 2.6 In the 2020 audit we found that formal induction for new audit committee members was lacking or not provided at all in most departments. We also noted that the induction process for internal auditors in one department was insufficient, hindering the quality and timeliness of audit work.
- 2.7 We made Recommendation 5 to ensure that audit committees improve induction and training provided to all audit committee members and internal auditors.
- 2.8 All departments have implemented or largely implemented Recommendation 5.
- 2.9 All departments provided an induction for audit committee members. This included the provision of a comprehensive induction pack which contained a number of standard documents to audit committee members, including the internal audit work plan, business and corporate priority documents and the Charter. The induction also included meetings with the department's senior management and internal auditors.
- 2.10 DPFEM, NRE Tas and Treasury have a comprehensive audit committee induction handbook or manual to support the on-boarding process for new members, which is considered better practice.
- 2.11 The Charter, induction handbook and/or skills matrix should identify training requirements to ensure that its audit committees are aware of their responsibilities around independence and managing conflicts of interest.
- 2.12 We found that training needs or requirements for audit committee members were not clearly stated in the evidence provided by most departments. This occurred where a performance assessment of the audit committee (discussed in the next section) identified skill gaps. There were a few departments which identified skill gaps in the audit committee, but it was unclear how training to address this was fulfilled.
- 2.13 NRE Tas has demonstrated better practice in its processes as its skills assessment of the audit committee recommended appropriate training from an expert in-house source be provided to the committee to upskill members.
- 2.14 All departments provided an induction for their internal auditors. However, evidence to demonstrate this claim was not provided by a few departments due to the length of time since the internal auditor was appointed.
- 2.15 DECYP and DoH have an in-house internal audit function. DoH's internal auditors complete an induction checklist as part of the on-boarding process. They also have access to a procedure manual which outlines how the internal audit function operates and how it will work the audit committee.

Most secretaries did not conduct annual performance assessments of the audit committee

- 2.16 In the 2020 audit, we found that most departments did not undertake any formal performance assessment of their audit committees. We said that annual self-

assessments are important in helping the audit committee identify and resolve issues and improve overall performance.

2.17 Our expectation for Recommendation 8 is that the audit committee prepares an annual self-assessment with the findings presented in a report to the Secretary for their information. This may involve seeking the views of stakeholders to get an external view on the audit committee's performance. This report may include a summary of key themes and recommendations to address deficiencies and areas for improvement. For example, the assessment could identify skill gaps in the audit committee or training to support ongoing learning and development for members.

2.18 NRE Tas has implemented Recommendation 8.

2.19 NRE Tas conducts an annual performance assessment of its audit committee in accordance with the Charter. This also included seeking comments from external stakeholders. The results from the self-assessment survey, including recommendations to support improvement, were provided in a Minute to the Secretary. This helped provide the Secretary with an understanding of the audit committee's performance.

2.20 Four departments have partially implemented Recommendation 8:

- DPAC's audit committee prepares a bi-annual self-assessment survey with key themes included in a report for the Executive Committee.
- DoH's audit committee prepares a bi-annual self-assessment which incorporates the views of external stakeholders, with the results reported to the Secretary.
- DECYP's audit committee prepares a bi-annual self-assessment with the results reported to the Secretary.
- DPFEM schedules the performance assessment in the audit committee's annual calendar every 2 years. Due to changes in the audit committee Chair since the 2020 audit, there has not been an assessment since 2019. However, DPFEM's audit committee did complete a bi-annual self-assessment in October 2024 with the results to be reported to the Secretary in December 2024.

2.21 Three departments have not implemented Recommendation 8:

- DoJ has not assessed the performance of its audit committee since the 2020 audit. DoJ advised that a formal assessment report of the audit committee was being prepared for the Secretary for 2023-24 at the time of the follow up audit.
- DSG provided no evidence of assessments, either formally by the Secretary or Chair, or through an audit committee self-assessment.
- Treasury advised that no formal performance assessments of its audit committee are undertaken.

2.22 Addressing this recommendation will help provide assurance to the Secretary that the audit committee has the skills and capability to operate effectively.

Impact of implementing recommendations 4, 5 and 8

2.23 In relation to committees understanding the skills required of its members, DECYP stated:

'The current skills and performance assessment has been used to identify the characteristics required of new members, to broaden the skills base.'

2.24 DPFEM provided feedback on committee induction:

'The outcome of the induction process is that it provides information and expectations of the role for the new member to ensure their role is effective in discharging the Secretary's duties as specified by Treasurer's instructions. In addition, it also demonstrates good governance for the committee and the agency more broadly.'

2.25 DoH added:

'Members/internal auditors have a good understanding of their responsibilities and ensure there is appropriate demarcation between their role as an Agency employee (if applicable) and as a member of the Committee/internal Audit team.'

3. Did audit committees ensure that internal audits plans were aligned to departmental risks and strategic objectives?

In this chapter, we assessed the implementation of Recommendations 2, 6 and 7 from the 2020 audit.

Chapter summary

All departments have internal audit work plans and processes in place to monitor and report on the implementation of audit recommendations. We found there is strong alignment and linkage between internal audit work plans and departmental objectives from most departments, with all departments giving consideration to internal governance, risk and control processes. However, there is still outstanding work for audit committees to collaborate across departments to benchmark internal audit activity and address shared risks and challenges.

Follow up audit findings

Most internal audit work plans included alignment and linkages with departmental objectives, priorities and strategic risks

- 3.1 In the 2020 audit, we found that all internal audit work plans were prepared to provide assurance, with consideration given to internal governance, risk management and control processes, with risk a significant focus. However, there was an acknowledgement from audit committee members of the need to ensure stronger linkage with departmental objectives and priorities.
- 3.2 We made Recommendation 6 to ensure that internal audit work included greater alignment with departmental objectives, priorities and strategic risks.
- 3.3 All departments have implemented or largely implemented Recommendation 6. Six departments provided evidence that its internal audit work plans included linkages with departmental objectives, priorities and strategic risks.

Impact of implementing recommendation 6

- 3.4 According to NRE Tas:

‘Improving the alignment between internal audit plans, departmental risks and strategic objectives has enabled us to more effectively identify and prioritise key risks, ensuring that our internal audit efforts are focused on the areas of highest importance. As a result, we have seen more targeted and impactful audit activities, which are driving improvements in departmental outcomes. The annual refresh of the Strategic Risk Register has also ensured that we stay responsive to new

and emerging risks, maintaining the relevance and effectiveness of our internal audit function.'

- 3.5 DPAC and DSG provided assurance on internal governance, risk management and control processes, but there was no clear alignment with departmental objectives and priorities.

All audit committees monitor and track the implementation of internal and external audit recommendations

- 3.6 In the 2020 audit, we stated that the implementation of recommendations provides an indication of the effectiveness of, and value derived from, the audit committee and internal audit function. All audit committees at the time of the audit had effective processes in place to ensure audit report recommendations were monitored and tracked.
- 3.7 We made Recommendation 7 to ensure that audit committees assessed the effectiveness of audit recommendations in driving improvements and improving outcomes.
- 3.8 One department told us that its audit committee does not assess the impact of recommendations in driving recommendations as this is outside their scope. However, this department had processes to monitor audit report recommendations and work with business unit managers to implement them.
- 3.9 All departments have implemented Recommendation 7. All audit committees monitor and track the implementation of internal and external audit recommendations.
- 3.10 We found departments addressed this recommendation by:
- using an audit recommendation register to monitor implementation progress
 - developing action reports which document management's response to the recommendations and actions taken to address them
 - inviting business unit managers to audit committee meetings to provide an update on implementation of recommendations.
- 3.11 We acknowledge that these processes are important in ensuring that recommendations address the key risks outlined in the internal audit work plan. The audit committee and internal audit function should collaborate to follow up and assess whether audit report recommendations have resulted in improved outcomes.

Audit committees are not working collaboratively across departments to benchmark internal audit activity

- 3.12 We made Recommendation 2 for audit committees to work collaboratively across departments to benchmark internal audit activity to better understand if the internal audit function is adding value. This includes working together to identify and address shared risks and challenges across departments.
- 3.13 All departments have not implemented Recommendation 2.

- 3.14 A few departments told us that that implementation of Recommendation 2 would require a lead agency to coordinate.
- 3.15 One department advised us that their internal auditors provide internal audit services across multiple public and private organisations and therefore, would be able to share insights from their work with the department. However, this is not the intent of Recommendation 2.
- 3.16 Most departments advised us of an informal Risk Network, an informal community of practice which convenes monthly to discuss risks and emerging issues. Representatives include risk managers and audit and risk staff from each audited department. While the Risk Network provides an important avenue for these staff to discuss shared challenges, it also does not meet the intent of Recommendation 2.
- 3.17 The Office has advised departments that it will assist them to implement this recommendation through facilitation of an annual community of practice meeting for audit committee Chairs linked to our Senior Managers and Audit Committee members seminar held each year.

Appendix 1 – Submissions and comments received

In accordance with section 30(2) of the *Audit Act 2008*, this report was provided to the relevant Minister, Entity Heads of the audited entities with a request for submissions or comments.

Submissions and comments we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by the responders were considered in reaching audit conclusions. Section 30(3) of the *Audit Act 2008* requires this report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included below.

Response from the Department of Treasury and Finance

I refer to your letter of 15 November 2024 in which you provided me with the opportunity to provide a formal response to the following reports:

- Report of the Auditor-General No. 4 of 2024-25: Follow up of *Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit*; and
- Report of the Auditor-General No. 5 of 2024-25: Follow up of *Report of the Auditor-General No. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service*.

I am pleased that the report findings reflect the work undertaken by Treasury to implement best practice in relation to internal audit and the management of underperformance.

I note that recommendations listed as not implemented or partially implemented will be included in your Memorandum of Audit Findings. Treasury will ensure these continue to be appropriately considered, with work having commenced to formalise the process of assessing the performance of Treasury's Audit and Risk Management Committee (Recommendation 8, Report No. 4).

Gary Swain
Secretary

Response from the Department of Natural Resources and Environment Tasmania

Thank you for your letter of 15 November 2024 advising me of your intention to table a performance audit on the 'Follow-up of selected Auditor-General reports' and inviting me to make a formal response to the report. Please find the Department of Natural Resources and Environment Tasmania's management response for inclusion as follows:

- The Department of Natural Resources and Environment Tasmania (NRE Tas) has reviewed the preliminary reports, acknowledging that the Department has either fully implemented or largely implemented all relevant recommendations.

- NRE Tas accept and support the findings of the follow-up audit and I am pleased the findings reflect the work undertaken by NRE Tas to implement all relevant recommendations made in the original audit reports.

Jason Jacobi
Secretary

Response from the Department of State Growth

Thank you for providing the Department of State Growth the opportunity to comment on this report.

I support the Tasmanian Audit Office position in relation to the closure of recommendations 2 and 3 for State Growth. I understand the Tasmanian Audit Office will be undertaking internal benchmarking across government.

Further, I am in the process of appointing new members to the Department's Risk and Audit Committee and once complete we will be able to fully evidence recommendation 4.

While I have had a verbal conversation with the previous Chair regarding the performance of the Risk and Audit Committee, I will agree a process with the incoming Chair to formalise an annual performance assessment of the committee. I will ask the committee to complete an annual self-assessment and I will then review this with the Chair. We will also consider periodic external assessments.

On behalf of our department, I thank you for the opportunity to engage with this audit.

Craig Limkin
Secretary

Acronyms and abbreviations

2020 audit	<i>Report of the Auditor-General No. 1 of 2020-21: Effectiveness of Internal Audit</i>
Audit Act	<i>Audit Act 2008</i>
DECYP	Department for Education, Children and Young People
DoH	Department of Health
DoJ	Department of Justice
DPFEM	Department of Police, Fire and Emergency Management
DPAC	Department of Premier and Cabinet
DSG	Department of State Growth
FC-2	Treasurer's Instructions FC-2 Internal Audit
Guidelines	<i>Financial Management – Better Practice Guidelines</i>
NRE Tas	Department of Natural Resources and Environment Tasmania
RMAC	Risk Management and Audit Committee
the Office	Tasmanian Audit Office
Treasury	Department of Treasury and Finance

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Audit Mandate and Standards Applied

Mandate

Section 23 of the *Audit Act 2008* states that:

- (1) The Auditor-General may at any time carry out an examination or investigation for 1 or more of the following purposes:
 - (a) examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;
 - (b) investigating any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;
 - (c) investigating any matter relating to public money or other money, or to public property or other property;
 - (d) examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;
 - (e) examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;
 - (f) examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –
 - (i) on behalf of the State entity; or
 - (ii) in partnership or jointly with the State entity; or
 - (iii) as the delegate or agent of the State entity;
 - (g) examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.
- (2) Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act.

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



Tasmanian
Audit Office

Hobart Office

Phone (03) 6173 0900

Email admin@audit.tas.gov.au

Web www.audit.tas.gov.au

Address Level 2, 144 Macquarie Street
Hobart, 7000

Postal GPO Box 851, Hobart 7001

Launceston Office

Phone (03) 6173 0971

Address 4th Floor, Henty House
1 Civic Square, Launceston