



Tasmanian
Audit Office



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*

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.

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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. 2 of 2020-21:
Management of Underperformance in the Tasmanian State Service***

21 November 2024

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

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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. 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*

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. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service*.

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. Introduction	5
Background	5
2. Have agencies managed underperformance effectively in their workforce?	8
Chapter summary	8
Did SSMO and agencies work together to improve process guidance and manager capability?	8
Did agencies improve monitoring of the occurrence and impact of informal and formal underperformance within their workforce?	12
Did agencies pursue initiatives internally to enhance managers' capacity and preparedness to deal with employee underperformance?	13
Appendix 1 – 2020 audit report recommendations	16
Appendix 2 – Submissions and comments received	18
Acronyms and abbreviations	20

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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. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service*.

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. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service*.

Audit scope and findings

The following State entities were subject to the audit:

- Department of Natural Resources and Environment Tasmania (NRE Tas)¹
- Department of Police, Fire and Emergency Management (DPFEM)
- Department of State Growth (DSG)
- Department of Treasury and Finance (Treasury).

The audit assessed the implementation of 4 recommendations made in the *Report of the Auditor-General No. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service* (the 2020 audit). Table 1 records the extent to which these recommendations have been implemented.

While not subject to the 2020 audit, the State Service Management Office (SSMO) located in the Department of Premier and Cabinet was asked to provide comment on progress against Recommendations 1 and 2.

Table 1: Recommendations assessed and their assessed implementation status (refer to Appendix 1 for the full 2020 audit report recommendations)

Recommendation	NRE Tas	DPFEM	DSG	SSMO	Treasury
1. The SSMO and agencies work together to improve process guidance.	L	L	L		L
2. The SSMO and agencies work together to improve manager capability.	L	L	L	L	L

¹ Formerly named the Department of Primary Industries, Parks, Water and Environment

Recommendation	NRE Tas	DPFEM	DSG	SSMO	Treasury
3. Agencies improve monitoring of the occurrence and impact of informal and formal underperformance to understand the extent of, and key drivers for, underperformance within their workforce.	L	L	L		L
4. Agencies pursue initiatives to enhance managers' capacity and preparedness, to deal with employee underperformance.					

Legend:

- Implemented ■ L Largely implemented ■ Not implemented
- Recommendation not addressed to the entity

Source: Tasmanian Audit Office

NRE Tas, DPFEM, DSG and Treasury have largely implemented Recommendations 1 and 2. SSMO is responsible for leading the review of Employment Direction No. 26 *Managing Performance in the State Service* (ED 26) and working with agencies to provide centralised support, guidance and training on managing underperformance. SSMO has committed to reviewing ED 26, but advised the delay has in part been the result of the Tasmanian State Service Review (the Review) and the Commission of Inquiry with recommendations from these reviews resulting in the prioritisation of other Employment Directions. We note that the Review has reiterated a need for a review of ED 26. However, all agencies have established their own guidance documentation to manage underperformance in their workforce within the existing ED 26. These agencies have also introduced internal training programs to improve manager capability. DSG and NRE Tas would like to see a full review of ED 26, including delegation to terminate employment by the Head of Agency rather than the Minister administering the *State Service Act 2000*.

All agencies have largely implemented Recommendation 3 and have information systems in place to monitor underperformance in their workforce. This information was captured using existing software. We acknowledge there is a Human Resources Information System for the Tasmanian State Service under development that may support implementation of this recommendation.

All agencies have implemented Recommendation 4 and have the resources internally to enhance manager capability. This included the provision of additional resources in HR and development of performance management systems to support managers.

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 limited 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

It is my conclusion that agencies have implemented or largely implemented recommendations aimed at improving the management of underperformance in their workforce. This included provision of process guidance, training and monitoring to help enhance manager capability. However, SSMO's delay in reviewing and updating ED 26 has impacted the full implementation of Recommendations 1 and 2 for all audited agencies.

Those recommendations listed as not implemented will be included in our Memorandum of Audit Findings to entities, and implementation will be tracked during future financial audit cycles.

Martin Thompson
Auditor-General

21 November 2024

1. Introduction

Background

- 1.1 The *Report of the Auditor-General No. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service* (the 2020 audit) examined the management of underperformance in 4 agencies.
- 1.2 The legal and regulatory framework for the management of underperformance in the Tasmanian State Service (TSS) is set out in the *State Service Act 2000* (the Act) and Employment Direction No. 26 *Managing Performance in the State Service* (ED 26).
- 1.3 Under ED 26, Heads of Agency are responsible and accountable for developing and implementing effective performance management arrangements in their agency.
- 1.4 Neither 'performance' or 'underperformance' are defined within the Act or in ED 26. For context, the Australian Fair Work Ombudsman provides the following definition of underperformance:²
 - not performing duties, or not performing them to the required standard
 - displaying negative or disruptive behaviour in the workplace
 - failing to comply with workplace policies, rules or procedures.
- 1.5 Underperformance is not the same as misconduct. Misconduct is very serious behaviour such as theft, sexual harassment or assault which may warrant imposition of a sanction from section 10(1) of the Act, which includes termination.
- 1.6 Under ED 26, if the Head of Agency is of the opinion that the employee has not performed to the required standard, a recommendation can be made to the Minister administering the Act to terminate employment. This recommendation is submitted, with supporting documentation, through the Director, State Service Management Office (SSMO). The Minister (or delegate) will then make a decision before the Head of Agency is notified.³
- 1.7 From the tabling of the 2020 audit to 17 October 2024, one employee has been terminated following an ED 26 process.⁴ Table 2 shows the number of employee terminations on the grounds identified under section 44(3) of the Act from 2020-21 to 2023-24.

² Fair Work Ombudsman, *Managing Underperformance Best Practice Guide*, 2021, p.2, accessed 11 October 2024. <https://www.fairwork.gov.au/sites/default/files/migration/711/managing-underperformance-best-practice-guide.pdf>

³ *Employment Direction No. 26 Managing Performance in the State Service*, 2013, p.8, accessed 17 October 2024. https://www.dpac.tas.gov.au/divisions/ssmo/employment_directions

⁴ State Service Management Office, Department of Premier and Cabinet, *Tasmanian State Service Annual Report 2021-22, 2022*, p.24, accessed 17 October 2024. https://www.dpac.tas.gov.au/divisions/ssmo/about_ssмо/annual_reports

Table 2: Employee terminations 2020-21 to 2023-24

Reason for termination	Permanent	Fixed term	Total
Termination of a probationary employee	14	0	14
Abandonment of employment	7	0	7
Breach of the Code of Conduct (excluding vaccination status) ⁵	23	0	23
Breach of the Code of Conduct (vaccination status) ⁶	63	112	175
Breach of the Code of Conduct (excluding child sexual abuse) ⁷	9	1	10
Breach of the Code of Conduct – child sexual abuse ⁸	3	0	3
Inability	18	1	19
Termination following ED 26 process	1	0	1
Total	138	114	252

Source: State Service Management Office using data from the Tasmanian State Service Annual Reports

Findings from the 2020 audit

- 1.8 In the 2020 audit, we found that ED 26 had not been reviewed since 2013 and the *Managing Performance Guidelines for the Tasmanian State Service* (the Guidelines) have not been updated since 2012. Some agencies delayed updating their own performance management system pending a broader review of the Employment Directions.
- 1.9 The 2020 audit also found the level of clear guidance and mandatory training to address manager capability varied across agencies. It recommended a more consistent approach.
- 1.10 Finally, the 2020 audit found that agencies maintained centralised record-keeping systems that included documents relating to formal underperformance processes. However, monitoring and visibility on the extent of underperformance in agencies was constrained by system and resourcing limitations. In addition, there was a perception from managers that addressing underperformance was time consuming which meant

⁵ Included in the Tasmanian State Service Annual Reports for 2021-22 and 2022-23.

⁶ Included in the Tasmanian State Service Annual Reports for 2021-22 and 2022-23.

⁷ Included in the Tasmanian State Service Annual Report for 2023-24.

⁸ Included in the Tasmanian State Service Annual Report for 2023-24.

that employee performance was not addressed early. This indicated a need for agencies to provide more support for managers which recognised the additional effort and pressures they have when managing underperformance.

Impact of the COVID-19 pandemic

1.11 The COVID-19 pandemic occurred subsequent to fieldwork and analysis phase of the 2020 audit. The pandemic resulted in a transition to working from home arrangements for many TSS employees, which presented challenges for managers in supervising decentralised teams and assessing employee performance.

Naming conventions

1.12 For this follow up audit, the agencies used different terms for comparable practices, teams or documents. For clarity, throughout this Report we will use the following generic terms:

- 'Performance Management System' instead of 'Performance Framework' or similar terms
- 'Human Resources' (HR) to mean similar terms such as 'People and Culture'
- 'Performance development guidelines' instead of 'managing unsatisfactory performance guidelines' or similar terms
- 'Information system' to mean any IT system used for the management of HR information.

2. Have agencies managed underperformance effectively in their workforce?

In this chapter, we assessed the implementation of recommendations from the 2020 audit.

Chapter summary

NRE Tas, DPFEM, DSG and Treasury have largely implemented Recommendations 1 and 2. SSMO is responsible for leading the review of ED 26 and working with agencies to provide centralised support, guidance and training on managing underperformance. SSMO has committed to reviewing ED 26, but advised the delay has in part been the result of the Tasmanian State Service Review and the Commission of Inquiry with recommendations from these reviews resulting in the prioritisation of other Employment Directions. We note that the Tasmanian State Service Review has reiterated a need for a review of ED 26. All agencies have established their own guidance documentation to manage underperformance in their workforce. These agencies have also introduced internal training programs to improve manager capability.

All agencies have largely implemented Recommendation 3 and have information systems in place to monitor underperformance in their workforce. This information was captured using existing software. We acknowledge there is a Human Resources Information System (HRIS) for the Tasmanian State Service under development that may support implementation of this recommendation.

All agencies have implemented Recommendation 4 and have the resources internally to enhance manager capability. This included the provision of additional resources in HR and development of performance managements systems to support managers.

Did SSMO and agencies work together to improve process guidance and manager capability?

- 2.1 SSMO advised that the review of ED 26 has been delayed due to reviews that have occurred alongside, and subsequent to, the 2020 audit.

The Tasmanian State Service Review

- 2.2 An Independent Review of the Tasmanian State Service (the Review) was undertaken between 2019 and 2021. The Review identified structural, legislative and administrative improvements to transform current structures, services and practices to deliver a more efficient and effective public service.

- 2.3 The Review considered the focus and application of the Employment Directions more broadly, including ED 26. The Final Report of the Review supported the findings and recommendation of the 2020 audit report. Recommendation 54 stated:

‘That all agencies, in collaboration as appropriate, implement the Auditor General’s recommendations on the management of underperformance concurrent with a centrally led review of Employment Direction 26 and related processes.’⁹

Commission of Inquiry

- 2.4 The Commission of Inquiry into the Tasmanian Government's responses to Child Sexual Abuse in Institutional Settings (the Commission of Inquiry) was established on 15 March 2021. The Commission inquired into the Tasmanian Government’s response to allegations and incidents of child sexual abuse in government institutions.
- 2.5 Hearings for the Commission of Inquiry were held from May 2022 to September 2022, and on 31 August 2023, the Commissioners submitted the Commission Inquiry’s report to the Governor of Tasmania.
- 2.6 According to SSMO, findings from the Commission of Inquiry resulted in other EDs being prioritised, such as Employment Direction No. 5 *Procedures for the Investigation and Determination of whether an employee has breached the Code of Conduct* (ED 5). The Minister administering the Act (the Premier) issued a revised ED 5 under section 17 effective 29 August 2024.
- 2.7 SSMO advised that any further changes to the Employment Framework, including the Employment Directions, will be considered as part of the Woolcott Review. This review was established to examine the actions of government agencies in response to concerns raised by the Commission of Inquiry.¹⁰

Agencies have established their own guidance documentation to manage underperformance in their workforces

- 2.8 While SSMO has not yet reviewed ED 26 and provided standardised policies, procedures and tailored resources, agencies have their own guidance documentation to support the management of underperformance in their workforce.
- 2.9 Agencies performance management systems include performance development guidelines, policies, procedures and practical tools to manage underperformance. We found that this guidance has helped:
- provide clear instruction to managers on how to address performance

⁹ Department of Premier and Cabinet, *Independent Review of the Tasmanian State Service Final Report*, 2021 p.24, accessed 15 October 2024.

https://www.dpac.tas.gov.au/divisions/policy/review_of_the_tasmanian_state_service

¹⁰Tasmanian Government, *Keeping Children Safe – The Woolcott Review*, 2024, accessed 21 October 2024.

<https://keepingchildrensafe.tas.gov.au/reviews/#The-Woolcott-Review>

- provide clarity in what underperformance is (and is not)
 - support managers and employees to participate in performance conversations.
- 2.10 NRE Tas, DPFEM, DSG and Treasury have largely implemented Recommendation 1. NRE Tas and DPFEM have recruited additional resources in HR to provide support and assistance to managers, demonstrating a commitment to manage underperformance. NRE Tas would like to see a full review of ED 26 including the delegation to terminate employment by the Head of Agency.
- 2.11 Treasury has developed and implemented a performance management system (Check-in@Treasury) to enhance competence of managers to hold regular performance conversations, coaching and real time feedback.
- 2.12 DSG provided evidence of guidelines, fact sheets and templates used to support the performance management process. DSG reviewed its performance management system in 2023, which included the development of a manager and employee guide, fact sheet and improvements to the performance agreement template. While its performance development guidelines have not had a formal review since August 2015, DSG advised that they remain relevant and accurate and continue to be used by managers.
- 2.13 DSG's HR Business Partners work with managers to provide support and coaching to enhance their management and leadership skills. This was supported by its performance management system which encouraged managers to have regular conversations with staff and support early intervention where underperformance is identified. DSG would like to see a full review of ED 26 including delegation to terminate employment by the Head of Agency.

Agencies have established their own training to improve manager capability

- 2.14 We made Recommendation 2 in the 2020 audit to help address manager capability gaps because mandatory training and resources provide managers with the skills necessary to manage underperformance.
- 2.15 SSMO has largely implemented Recommendation 2. While SSMO does not intend to introduce mandatory training, it has made training courses available through the Tasmanian Training Consortium (TTC) to help build manager capability. These courses include Managing People and Performance, which targets new managers or existing managers seeking to improve their capabilities.
- 2.16 SSMO also delivers the Managers Essential Program (MEP) which contains content on the TSS Employment Framework and managing performance and underperformance. Most agencies referenced the importance of the MEP in helping support the core capability of managers.
- 2.17 SSMO also implemented the State Service Strategic Management Program (S3MP) in collaboration with Tasmania Police and the University of Tasmania which is focused on

improving the management and leadership capabilities of people preparing for senior management positions.

- 2.18 All agencies have largely implemented Recommendation 2.
- 2.19 We found these agencies have developed manager capability internally with their own training programs, which has been supported by uptake of courses provided by the TTC.
- 2.20 DPFEM offered specific online training for managers which covers the performance development guidelines. DPFEM also encourages its managers to register for the MEP and other relevant courses offered by the TTC to help develop their capability.
- 2.21 NRE Tas has developed the capability of its managers through offering a range of targeted training which covers the performance development process and provides managers with the skills to manager their teams. NRE Tas was also developing a new leader induction program, which was part of a broader leadership strategy in the department, to be implemented in 2024-25.
- 2.22 Treasury's performance management system is supplemented by participation in the MEP and its Foundations for People Managers Program, which is tailored towards managers who are new to Treasury as well as existing employees who are new managers.
- 2.23 DSG has a manager portal on its intranet with resources to help managers understand their expectations as a leader and support their management of people. The manager portal also includes links to courses offered by the TTC including the MEP and Managing People and Performance. DSG also provides supported placements for 2 of its employees each year for the S3MP.

Impact of implementing recommendations 1 and 2

- 2.24 NRE stated in relation to its guidance documentation:

'Clarity is provided around underperformance, what it is and what it entails. Documentation is available to support conversations around underperformance which can be used to support a formal process if required. These provide information and timeframes for support conversations. These processes are further supported through the introduction of People and Performance partners across the Divisions which provide managers and employees with a touch point for any underperformance related issues.'

- 2.25 With regards to training, Treasury stated that:

'The [2020] audit provided input to our Check-in @Treasury implementation and development of our Foundations for People Managers program.'

- 2.26 DPFEM added:

'...practical training/facilitation sessions could potentially assist with furthering knowledge and capability of managers.'

Did agencies improve monitoring of the occurrence and impact of informal and formal underperformance within their workforce?

Agencies have tools and processes in place to monitor underperformance but would like to strengthen their software approach

2.27 We made Recommendation 3 in the 2020 audit to:

- promote greater visibility and monitoring of underperformance
- enable HR teams to generate data-driven insights regarding the extent of underperformance in their agency
- help agencies understand the key drivers for underperformance within their workforce and capacity to target these in an effective manner.

2.28 All agencies have largely implemented Recommendation 3.

2.29 Agencies have tools, templates and support from HR to monitor the types, and drivers of, underperformance. However, this information was captured using existing software that is monitored centrally by HR. Agencies indicated that this has helped provide visibility on the drivers of underperformance and track performance management issues, but some advised these processes could be further strengthened with new software. The new HRIS, once implemented, may support the full implementation of this recommendation.

2.30 DPFEM uses a case management running sheet where underperformance occurs. The intent is to identify patterns of underperformance that need to be monitored. DPFEM advised it would like to strengthen its software approach to this issue.

2.31 NRE Tas uses its People and Performance Partners along with tools and templates to provide visibility on the drivers of underperformance that need to be monitored and captured. NRE Tas has implemented systems to capture this information but notes that additional support from an HRIS with case management capabilities would be helpful.

2.32 DSG has HR Business Partners available to provide support to managers. The performance development guidelines provide clear direction to managers on when to seek support from HR during the performance cycle.

2.33 DSG uses its information management system to capture performance information, including a Performance Improvement Plan (PIP) if undertaken. DSG has also implemented a learning management system which has been adapted to track performance management processes.

2.34 Treasury uses its information management system and protocols to monitor performance-related issues. This was supported by its performance development guidelines which included protocols for capturing performance information by managers. If matters required escalation to a PIP, then documentation related to this employee is filed centrally by HR.

Impact of implementing recommendation 3

2.35 With regards to the monitoring of underperformance, NRE Tas advised:

‘The implementation of the People & Performance Partner model has resulted in an increased awareness of underperformance, its extent and drivers, as Partners are embedded in their assigned portfolios providing greater visibility.’

2.36 DSG added:

‘Reporting from the learning management system allows for vision of performance management activities. It also allows for an ability to identify where processes have transitioned away from the standard process.’

Did agencies pursue initiatives internally to enhance managers’ capacity and preparedness to deal with employee underperformance?

Agencies have resources internally to enhance manager capability

2.37 We made Recommendation 4 in the 2020 audit because:

- managers that intervene early and regularly in underperformance cases (supported by HR) can address issues more quickly and effectively
- managers should be provided with guidance and support to enhance their confidence confident in managing performance. The report found some managers were not aware of the guidance and documentation available to support them.

2.38 All agencies have implemented Recommendation 4.

2.39 DPFEM has demonstrated its investment from the Executive and HR to equipping managers with the knowledge, training and support to both identify and manage underperformance. This included managers being briefed on cases of underperformance in the workforce to provide them with the knowledge and skills to identify underperformance.

2.40 As noted in the response to Recommendation 2, DPFEM also offered online training which instructed managers to seek support from HR when underperformance is identified at the earliest possible stage. This training was supplemented by guidance documentation. For example, DPFEM’s Annual Performance Development Plan

Process flow chart showed escalation points to a more senior manager to help resolve underperformance issues and provide another layer of accountability.

- 2.41 NRE Tas provided support for managers to address underperformance early and document outcomes. This was demonstrated through its guiding documents underpinned by principles in the department's How We Work framework. The intent is to encourage open conversation between managers and employees in addressing underperformance in a respectful way. HR also worked with managers who did not have the confidence to respond effectively to performance management issues and helped them identify appropriate learning and development opportunities.
- 2.42 Treasury has implemented initiatives to help enhance managers' capacity and preparedness to manage underperformance. Treasury's Managing Employee Performance Policy clarifies the expectations of managers when managing underperformance. This included providing an induction, clearly outlining performance expectations and scheduling regular check-in discussions with employees.
- 2.43 In addition, Treasury's performance management system (Check-in@Treasury) is centred on encouraging regular check-in conversations between managers and employees. HR also provided support and coaching to managers to enhance their skills. Treasury advised that its review of Check-in@Treasury found that most staff engaged in regular check-in conversations with their managers.
- 2.44 DSG advised that HR Business Partners are the first point of contact for managers seeking advice and coaching for managing underperformance. Managers are also encouraged to seek support from peers or their manager if support is needed to manage underperformance. This was supported by a performance management system comprised of a manager and employee guide, fact sheet, performance development guidelines and a PIP template.
- 2.45 DSG was in the process of developing a manager induction and capability framework in 2024-25, which in part, will help address management capability and also those that aspire to take on manager roles. However, its development at the time of this follow up was on hold.

Impact of implementing recommendation 4

- 2.46 DPFEM advised that focusing on manager capability has supported:

'Increased visibility across all matters, and trends of matters. Increased buy-in from managers and high level managers, holding managers accountable for addressing underperformance.'

- 2.47 NRE Tas added:

'Performance development is a shared process within the Department. The Department provides managers with the tools to support them by having conversations about performance with their staff. Managers who

do not address underperformance in their team are supported by their own Manager to understand why this might be the case.'

2.48 Treasury said:

'The Check-in @Treasury approach was implemented to provide regular discussion between employees and managers. This is used to assess and improve management skill, at an individual manager level.'

Appendix 1 – 2020 audit report recommendations

Recommendation	Addressed to
<p>1. The SSMO and agencies work together to improve process guidance, including:</p> <ul style="list-style-type: none"> a. a review of ED 26 and the supporting guidelines to ensure that the regulatory framework aligns with contemporary practices. A particular focus should be on improving rigour in the process and monitoring occurrences of underperformance being informally managed. Some considerations should be: <ul style="list-style-type: none"> i. providing guidance and clarity on what underperformance is (and is not) ii. establishing key documentation to be used in an informal process that could, if needed, support the transition to a formal process iii. providing indicative timeframes for informal management. b. development of a suite of standardised policies, procedures and template documents to improve consistency of practice across the TSS. In developing new documentation, a focus should be on providing: <ul style="list-style-type: none"> i. clear expectations of the duration of key processes ii. practical examples to help managers identify underperformance iii. a range of interventions for managers to apply to different instances of underperformance. c. development of tailored resources by each agency, including: <ul style="list-style-type: none"> i. clear guidance on the support and assistance available to managers from HR ii. practical tools like checklists, flowcharts and tips and tricks for managers to respond to underperformance. 	<p>NRE Tas, DPFEM, DSG, SSMO, Treasury</p>
<p>2. The SSMO and agencies work together to improve manager capability,</p> <ul style="list-style-type: none"> a. including mandatory training for all new managers on the fundamentals of managing people b. implementation of consistent training for all managers, regardless of their agency. Training should focus on explaining the employment framework and the responsibilities of managers, and giving managers the opportunity to develop skills to manage underperformance c. development of supplementary training resources (e.g. online learning) for managers to ‘self-select’ for additional support 	<p>NRE Tas, DPFEM, DSG, SSMO, Treasury</p>

Recommendation	Addressed to
<ul style="list-style-type: none"> d. development of initiatives to give managers an opportunity to discuss with their peers how they manage underperformance within their teams to encourage collaborative learning among managers. 	
<ul style="list-style-type: none"> 3. Agencies improve monitoring of the occurrence and impact of informal and formal underperformance to understand the extent of, and key drivers for, underperformance within their workforce, including: <ul style="list-style-type: none"> a. determining the types of underperformance that need to be monitored b. modifying existing tools and systems to better capture this information. 	NRE Tas, DPFEM, DSG, Treasury
<ul style="list-style-type: none"> 4. Agencies pursue initiatives to enhance managers' capacity and preparedness to deal with employee underperformance. Initiatives may include: <ul style="list-style-type: none"> a. an increased focus by executive leadership on reinforcing the importance of managing underperformance b. reiterating that managing performance is the primary responsibility of managers and emphasising the importance of addressing underperformance at an early stage and documenting outcomes c. providing support to managers in recognition of the additional effort required and pressures when managing underperformance d. encouraging managers to seek out the guidance and support they need to become confident in managing underperformance e. assessing managers' people management skills and responding with appropriate development actions f. recognising and rewarding managers who manage underperformance, and holding accountable those who do not interventions by higher level managers to support or reinforce the need to deal with underperformance when required. 	NRE Tas, DPFEM, DSG, Treasury

Appendix 2 – 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 (DSG) the opportunity to comment on this report.

I note all the recommendations will be closed for DSG.

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. 2 of 2020-21: Management of Underperformance in the Tasmanian State Service</i>
The Act	<i>State Service Act 2000</i>
Audit Act	<i>Audit Act 2008</i>
DPFEM	Department of Police, Fire and Emergency Management
DSG	Department of State Growth
ED	Employment Directions
Guidelines	<i>Managing Performance Guidelines for the Tasmanian State Service</i>
HR	Human Resources, includes other similar terms such as 'People and Culture'
HRIS	Human Resources Information System
Information system	IT system used for the management of HR information
MEP	Manager Essentials Program
NRE Tas	Department of Natural Resources and Environment Tasmania
Performance Development Guidelines	Managing unsatisfactory performance guidelines, or similar terms
Performance Management System	Performance Framework, or similar terms
PIP	Performance Improvement Plan
SSMO	State Service Management Office
S3MP	State Service Strategic Management Program
Treasury	Department of Treasury and Finance
TSS	Tasmanian State Service

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.



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