



2006

PARLIAMENT OF TASMANIA

**AUDITOR-GENERAL
SPECIAL REPORT No. 59**

**DELEGATIONS IN GOVERNMENT
AGENCIES,
LOCAL GOVERNMENT DELEGATIONS
and OVERSEAS TRAVEL**

April 2006

*Presented to both Houses of Parliament in accordance with the provisions of Section
57 of the Financial Management and Audit Act 1990*

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President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Mr Speaker

SPECIAL REPORT NO. 59

Delegations in government agencies, Local government delegations and Overseas travel

This report has been prepared consequent to examinations conducted under section 44 of the *Financial Management and Audit Act 1990*, for submission to Parliament under the provisions of section 57 of the Act.

This report contains three compliance audits that assess how well public sector bodies comply with a selection of legal requirements, government policies, internal controls or central agency directives.

Yours sincerely



H M Blake
AUDITOR-GENERAL

CONTENTS

Foreword.....	i
List of acronyms and abbreviations	ii
Executive summary – Delegations in government agencies	2
Management response	3
List of recommendations	5
Executive summary – Local government delegations	6
Management response	8
List of recommendations	11
Executive summary – Overseas travel	12
Management response	14
List of recommendations	16
1 Delegations in government agencies	18
1.1 Policies and procedures to manage delegations.....	21
1.2 Appropriate instruments of delegation	23
1.3 Key personnel aware of their delegations	26
1.4 Authorisations comply with instruments of delegation	26
1.5 Monitoring and review of delegations.....	28
1.6 Better practice	28
1.7 Conclusion.....	29
2 Local government delegations	32
2.1 Policies and procedures adequate to manage delegations ..	34
2.2 Instruments of delegation adequately supported	34
2.3 Key personnel aware of their delegations	37
2.4 Authorisations comply with instruments of delegation	38
2.5 Councils monitor and review their delegations system.....	39
2.6 Better practice	39
2.7 Conclusion.....	39
3 Overseas travel.....	42
3.1 Adequacy of departments’ policies and procedures	44
3.2 Compliance with DPAC policy	45
3.3 Submission of reports on completed trips.....	45
3.4 Appropriate approval of overseas travel	46
3.5 Conclusion.....	46
4 Recent reports	48
5 Future projects	50
Appendix: Audit mandate and standards applied.....	52

LIST OF TABLES

Table 1: Transactions within delegation limit: error rates 27

LIST OF FIGURES

Figure 1: Departments' delegation hierarchy 18

Foreword

This report contains three compliance audits conducted between February 2005 and March 2006.

Delegation of authority is a vital part of a business's control mechanism by ensuring that appropriately qualified personnel are able to exercise approved powers. Accordingly, delegation is the subject of two of the audits in this Report; the first concerned government agencies, the second local government councils.

In the government agencies that we audited, there were cases of transactions having been approved by officers with inappropriate delegation. However, almost without exception, agencies had current instruments of delegation supporting their policies and procedures. We also noted several examples of better practice in managing delegations.

The audit of local government delegations covered nearly one third of Tasmania's councils (i.e. 9 out of 29). At some councils the documentation of delegation procedures was incomplete or instruments of delegation we reviewed were not current. Several councils linked authorisations to approved budget levels with the result that it was difficult to ascertain whether authorising officers had appropriately approved individual payments.

Many of the anomalies that we noted led to recommendations that councils should strengthen their procedures. Subsequent advice from Councils indicated that many of our recommendations have already been adopted.

The third audit in this Report deals with overseas travel in five government departments. While there were some departments that exceeded the policy requirements established by the Department of Premier and Cabinet (as lead Agency) there were others that had not complied with aspects of those policies.

Specifically, we noted a lack of consistency with respect to timing of travel requests and in reporting of travel episodes. However, all overseas trips that we tested had been properly approved.

HM Blake

Auditor-General

11 April 2006

List of acronyms and abbreviations

Agencies	Collective term used in this Report to cover Government departments and other entities reviewed
Brighton	Brighton Council
Burnie	Burnie City Council
CEO	Chief Executive Officer
Clarence	Clarence City Council
DED	Department of Economic Development
DFAT	Department of Foreign Affairs and Trade [Commonwealth]
DIER	Department of Infrastructure, Energy and Resources
DoE	Department of Education
DPAC	Department of Premier and Cabinet
DPIWE	Department of Primary Industries, Water and Environment
DoJ	Department of Justice
DTPHA	Department of Tourism, Parks, Heritage and the Arts
Dorset	Dorset Council
DVC	Derwent Valley Council
FMAA	<i>Financial Management and Audit Act 1990</i>
GM	General Manager
HoA	Head of Agency
HR	Human resources
Huon	Huon Valley Council
King Island	King Island Council
LGA	<i>Local Government Act 1993</i>
Metro	Metro Tasmania Pty Ltd
TAFE	TAFE Tasmania
Southern Midlands	Southern Midlands Council
TAO	Tasmanian Audit Office
TECA	Treasurer's Expenditure Control Authority
TI	Treasurer's Instruction
TOTE	TOTE Tasmania Pty Ltd
Treasury	Department of Treasury and Finance
Utas	University of Tasmania
West Coast	West Coast Council

Executive summaries

Executive summary – Delegations in government agencies

Introduction

Acts of Parliament delegate the provision of Government services and usually this is to Ministers of the Crown. For practical application, Ministers delegate these functions to an officer of a Government agency, typically the Head of Agency (HoA) or the Chief Executive Officer (CEO). Many of these functions may then be further delegated to other officers within the agency.

Objective

In conducting this compliance audit our objectives were to:

- Assess the adequacy of instruments of delegation associated with the expenditure of public monies and the administration of human resources in accordance with applicable legislation, Government policy and internal controls
- Determine by testing transactions the level of compliance with instruments of delegation
- Identify weaknesses and recommend improvements as necessary to current procedures to ensure best practice¹.

Scope

Specifically, the agencies that we audited were:

- Department of Justice (DoJ)
- Department of Tourism, Parks, Heritage and the Arts (DTPHA)
- Metro Tasmania Pty Ltd (Metro)
- TAFE Tasmania (TAFE)
- University of Tasmania (Utas).

¹ Best practice was defined by the Audit Office of New South Wales in the following way:

'Delegations should be current, documented and readily available to staff. They should agree with applicable legislation, be adequate and be issued to a position, not a person. Most importantly, staff of agencies must observe them' (AONSW 2001).

Audit opinion

Not all agencies examined had adequate written policies and documented procedures for managing the delegation process. There were shortcomings in the day-to-day application of delegations in some agencies, with a number of transactions having been approved by officers with inappropriate delegation. Despite the above findings, we were able to confirm the validity of all transactions tested.

We noted a number of instances of better practices being applied in managing delegations and made recommendations to individual agencies for enhancement of their procedures.

All agencies had current instruments of delegation supporting their policies and procedures with the exception of Metro where human resource (HR) delegations were lacking.

Management response

Department of Justice

The Department notes the recommendations made within the report and plans to implement them where they relate to this agency.

Recommendation 3 proposes that specimen signatures be included in instruments of delegation to facilitate the identification of approving officers. The Department does not propose to implement this recommendation due to the administrative costs of maintaining specimen signatures in the instruments of delegation.

Department of Tourism, Parks, Heritage and the Arts

The Department supports in general the recommendations made by the Auditor-General. The Department currently has policies and procedures in place in line with the recommendations made. As part of its internal audit program the Department will continue to review the controls in place and make improvements to strengthen those controls where necessary. Further, the Department will continue to educate and reinforce to staff their responsibilities under their delegations.

The Department does not support the implementation of Recommendation 3. The risk of a transaction being inappropriately authorised is adequately mitigated by the existing control of requiring an officer's position, name and signature to be included when authorising a payment. In addition, where an officer's signature is not readily recognised, appropriate enquiries are made to substantiate their identity, before a transaction is approved. These controls are supplemented by automatic transaction reports sent to Project Managers on a monthly basis for their review. To review signatures back to a specimen list would also have resource implications.

Metro Tasmania Pty Ltd

Management acknowledge the audit findings and believe that some of the recommendations would be worthwhile inclusions into Metro's delegation processes. Metro has comprehensive schedules for financial delegations and this has been confirmed in the report. Metro staff processing leave forms are aware of accepted principles and policies for delegated authority to approve such forms. However, Metro acknowledges that these must be formalised into a written delegations schedule, similar to the financial delegations.

TAFE Tasmania

Overall, TAFE Tasmania is pleased with the outcomes of the compliance audit. The recommendations, and TAFE Tasmania findings, referred to in the audit will provide further impetus to TAFE Tasmania's current program of implementing delegation policies and procedures.

More specifically, TAFE Tasmania will:

- Continue the work it has commenced on the further development of policies and procedures associated with HR delegations
- Continue to ensure that all staff are given adequate training in the delegations process especially during induction
- Complete the current project of collating specimen signatures for HR delegations
- Continue to ensure names and position titles of approving/authorising officers are clearly shown on transaction documentation.

Additionally, TAFE Tasmania is currently rolling-out an electronic purchasing management system which includes automatic delegation checks. This will further improve compliance with regard to delegations.

University of Tasmania

We have reviewed the content of the draft report and do not consider it necessary to provide comment.

List of recommendations

The following table reproduces the recommendations contained in the body of this report.

Rec No	Report section	Recommendation
1	1.1.1	Agencies should ensure that they have appropriate policies and procedures in place to manage financial delegation processes. These policies and procedures should be made available to all relevant staff.
2	1.1.2	Agencies should adopt policies and procedures to inform staff processing HR transactions of the processes to be followed. Clear policies would also enhance controls by ensuring that approvals are in accordance with delegated responsibilities.
3	1.2.2.2	Agencies should include specimen signatures in instruments of delegation to facilitate the identification of approving/authorising officers.
4	1.2.2.2	Agencies should ensure that instruments of delegation are complete and that all functions subject to normal day-to-day processing are included to facilitate management of payment of accounts and administration of human resources.
5	1.2.2.2	Agencies should consider the inclusion of names in instruments of delegation to facilitate identification of delegates.
6	1.4.1	Agencies should develop policies to address electronic approval of transactions and establish documented procedures to ensure compliance.
7	1.4.2	Agencies should ensure that names and position titles of approving/authorising officers are clearly shown on transaction documentation.
8	1.4.3	Controls to ensure that delegated authorities are in accordance with agencies' delegation schedules should be strengthened to ensure compliance with delegated limits. Finance staff processing payments should ensure that transaction documents contain all of the information required in the agency's policy to ensure that authorising officers have the appropriate delegation.
9	1.5	Agencies should ensure that all staff are given adequate training in the delegation process to enable delegates and staff processing transactions to be fully aware of their responsibilities in managing the delegation process.

Executive summary – Local government delegations

Introduction

The administration of local government by councils is governed by the *Local Government Act 1993* (LGA) that was granted Royal Assent on 23 December 1993 to provide for local government and establish councils to plan for, develop and manage municipal areas in the interests of their communities.

To enable councils to meet their obligations, it is necessary that effective control structures and systems of internal control be implemented governing each of their main business processes. The management of councils' funds is a significant business process, a key component of which is the need to develop a system for delegation of authority.

The LGA requires that annual estimates of revenue and expenditure are approved by councils and gives them power to delegate to the General Manager (GM) the responsibility to manage those funds. In so doing, the powers that may be delegated are prescribed by the LGA. Similarly, there are powers that are prevented from being delegated.

The GM is empowered to further delegate to any employee of the council any functions or powers (other than this power of delegation) and any functions or powers delegated by the council which the council authorised the GM may delegate.

All delegations are required to be in writing.

Objective

In conducting this compliance audit our objectives were to:

- Assess the level of compliance with the relevant sections of the *Local Government Act 1993*
- Identify weaknesses and recommend improvements as necessary to current processes
- Establish whether councils are setting expenditure or investment limits in the delegation process
- Ensure that the appropriate delegated authorities are in place for writing off of bad debts and also for approving community grants
- Determine the level of awareness/compliance by local government and report accordingly.

Scope

Specifically, the local government councils that we audited were:

- Brighton Council (Brighton)
- Burnie City Council (Burnie)
- Clarence City Council (Clarence)
- Derwent Valley Council (Derwent Valley)
- Dorset Council (Dorset)
- Huon Valley Council (Huon Valley)
- King Island Council (King Island)
- Southern Midlands Council (Southern Midlands)
- West Coast Council (West Coast).

Audit opinion

In line with the framework outlined in the introduction to this Report, we expected councils to have written policies and procedures for the management of delegations that did not conflict with the *Local Government Act 1993*² (LGA). Our review considered the adequacy or otherwise of these policies and procedures.

Although most councils examined had written policies and procedures in place, documentation that we sighted at some councils was incomplete at the time of the audit.

We examined councils' instruments of delegation and detected a number of examples of inappropriate delegations to GMs that we reported to the councils concerned.

We tested to determine whether council GMs had delegated any powers to other officers as permitted under the LGA and a number of anomalies were noted that have since been satisfactorily addressed by those councils.

We found that not all instruments of delegation we reviewed were current.

There were no instances of delegations having been made without monetary limits attached to them, however some councils varied in their approach to assigning monetary limits, making it difficult to confirm that approvals were all within designated limits.

Council delegations are made to positions and not to individuals. Some of the councils audited were of the opinion that the names as well as position titles of delegates were not required in instruments of delegation. It is our

² Although the *Local Government Act 1993* was amended with effect from 1 July 2005, our audit commenced prior to that date and was based on the earlier Act.

view that the inclusion of these in instruments of delegation represented best practice and would enhance the transaction approval process. We considered that this would be further enhanced by the inclusion of specimen signatures.

We tested a number of transactions to determine whether authorisations complied with instruments of delegation and to ascertain whether transactions were adequately supported by appropriate documentation. In the majority of transactions tested, neither name nor position title of the approving/authorising officers was shown. Again, we considered that the inclusion of delegates' names and position titles on documents would enhance the authorisation process.

We were unable to confirm that all payments had been approved by authorising officers acting within their delegated limits. The practice in many councils to link authorisations to approved budget levels made it difficult to test whether each individual payment had been appropriately approved by authorising officers within their delegated limit.

During the course of our audit, we noted a number of anomalies relating to delegations and made recommendations to eight councils to strengthen their procedures. As indicated elsewhere in this Report, we understand that many of our recommendations have already been adopted.

Management response

Brighton Council

Recommendation 2.

The Report refers to delegation by council to staff when it should have been to the GM which is stated to be in contravention of Section 22(1) of the LGA. It is council's view that this extra step that it took is more rigorous than what is required by the Act. The delegation was recommended by the GM to full council and was accepted. The recommendation reads negatively towards council when it should have been positive.

In response, the Audit Office stands by its opinion that delegation by council other than to GM is in contravention of Section 22(1) of the LGA.

Recommendation 4 – 1.2.2.3.

The Report refers to delegation limits defined by council in its financial policy 'as per LGA' exposed the council to a risk of inappropriate delegation being exercised. Council's policy regarding monetary limits was developed in conjunction with its internal auditors at that time. 'As per LGA' is exactly the amount that we wanted as explained to all senior staff and full council. Four senior staff were delegated spending amounts in accordance with the LGA, of which all were familiar with. The Act is very descriptive in this area. Only these 4 staff were given this privilege which set the limit at \$50 000 before a tender is required. Council did not wish to set a lower limit than what was allowable under the Act.

The Audit Office reiterates its view that instruments of delegation should clearly define monetary limits so as to avoid the risk of inappropriate delegation being exercised.

Burnie City Council

Burnie City Council acknowledges the importance of continuously reviewing and improving processes and value the role provided by external audit with regard to this.

In regards to the recommendations in the draft report, Burnie City Council supports all recommendations with the exception of recommendations 5 and 6.

The inclusion of names of staff in the delegations instruments would require for the delegation list to be updated for all staff movements. We believe that the cost of resources required to maintain, change and update the registers would outweigh the proposed benefit of their inclusion.

We argue that if transaction documents include the name and position title of the approving/authorising officers (as per recommendation 7) this would achieve the objectives of recommendations 5 and 6. By excluding names, the delegation instrument remains current for longer periods of time and staff have confidence that the delegations list is current and correct at all times.

Clarence City Council

Recommendations 5 and 6

These recommendations are for all delegations to be specifically named, and for each instrument to include the signature of the delegate. It is agreed that this has the potential to add value in certain organisations. However, the scale of operations and staff numbers associated with Tasmanian Local Governments will generally be such that little benefit may be expected from named and signed delegation instruments. Even in the case of Clarence, which is the largest of the councils audited, all authorising officers are well known to purchasing and accounts payable officers. Similarly, relief arrangements are communicated and the staff involved are well known.

While the numbers of staff involved and number of geographical locations remain small there is potential for the additional effort associated with these recommendations outweighing their potential benefits.

Derwent Valley Council

Council has no comment to make in respect of the Report.

Dorset Council

Council practice has been to delegate to a position rather than an individual. We are concerned that delegating to an individual will result in an unnecessarily bureaucratic process that would require a review of a

delegation instrument every time a new officer is appointed or an acting appointment is made. This obviously negates the use of specimen signatures.

Council concurs with the remainder of the Report and believes the audit was a useful review of council processes.

Huon Valley Council

Council has no comment to make in respect of the Report.

King Island Council

Council is happy with the content of the report.

Southern Midlands Council

Council does not have any specific comments to make in regard to the Report.

West Coast Council

Council has noted the contents of the report and has complied with all recommendations.

Department of Premier and Cabinet

The department has examined and noted with interest the content, findings and the recommendations contained in the Report.

With respect to your recommendations generally, we would appreciate advice on whether you intend to do a follow-up audit in the future, and/or whether councils will be requested, after a designated period, to report in regard to how they have responded to the recommendations.

Finally, the department considers the report will be especially useful for the Local Government Board as it continues its round of general reviews of councils. The department has requested the Local Government Division to ensure that all members of the Board receive copies of the Report once it becomes public.

List of recommendations

The following table reproduces the recommendations contained in the body of this report.

Rec No	Report section	Recommendation
1	2.1	Councils should ensure that appropriate documented policies and procedures are in place for the management of all delegations.
2	2.2	Councils should ensure that they adhere strictly to the provisions of the LGA in managing their delegations so as to ensure compliance with this Act.
3	2.2.2.3	Councils should ensure that instruments of delegation are clear and unambiguous so as to prevent exposure to possible risk of inappropriate delegations being exercised.
4	2.2.2.4	Instruments of delegation should include the names of delegates so as to aid identification of approving/authorising officers and enhance the transaction approval process.
5	2.2.2.5	The inclusion of specimen signatures in instruments of delegation would significantly enhance the identification of approving/authorising officers.
6	2.4.2	Transaction documents being approved for payment should bear the name and position title of approving/authorising officers to facilitate processing.
7	2.4.3	Councils should ensure delegates properly approve all transactions within their approved limits.

Executive summary – Overseas travel

Introduction

The Department of Premier and Cabinet (DPAC) is responsible for overseas travel policy. The DPAC policy draws attention to measures aimed at protecting employee safety and ensuring that the State Government receives the best value for money for travel undertaken.

In line with policy objectives, requests for overseas travel must include written evidence that the officer has viewed the website of the Commonwealth Department of Foreign Affairs and Trade (DFAT) to check any travel warnings for the intended destination. Ministers are required to be aware of any perceived risk to either the officer or the State from either a security or health perspective.

Officers planning to travel must prepare a report of their intended travel arrangements and forward it to the Minister for approval through their Head of Agency.

To maintain a comprehensive record of all approved overseas travel departments are required to submit monthly reports to DPAC for inclusion in a consolidated report to the Premier. Departments' reports are due by the end of the first week of each month and must include:

- employee name(s) and position(s)
- department(s)
- country(ies) of destination
- purpose of travel
- dates of travel
- overall costs
- source of funds.

Departments should have their own policies to manage overseas travel requests that accord with the current DPAC policy. In the absence of such in-house policies, departments should at least ensure compliance with DPAC's policy.

Objective

The objectives of the audit were to:

- review individual department's policies for compliance
- assess the adequacy of documents supporting requests for overseas travel

- examine departments' records relating to individual requests for overseas travel
- test whether departments' reports to DPAC were accurate and timely.

Scope

Our review covered overseas travel for the 2004-05 financial year and covered the following departments:

- Economic Development (DED)
- Infrastructure, Energy and Resources (DIER)
- Justice (DoJ)
- Primary Industries, Water and Environment (DPIWE)
- Tourism, Parks, Heritage and the Arts (DTPHA).

We acknowledge the assistance given by DPAC in planning the audit and for their consultation throughout the audit.

Audit opinion

Not all departments' policies on overseas travel complied fully with the requirements of DPAC's policy whilst some policies exceeded those requirements.

We found a varied level of compliance by departments with some travel requests not complying with the requirements of DPAC's policy. Specifically, we were concerned that there was a lack of consistency with respect to timing of travel requests and in reporting of travel episodes. We found evidence of failure to comply with a requirement to view the DFAT website prior to travelling to check any travel warnings for the intended destinations. We found there was inconsistency in the approval process for travel requests by statutory office holders for whom overseas travel requirements are different due to the nature of their appointments.

However, all episodes of overseas travel that we tested had been appropriately approved.

To ensure all departments adopt better practice we recommended a number of changes be made to enhance DPAC's existing policy.

Management response

Department of Economic Development

It is noted that the only issue raised in regards to the department is the lateness of submitting reports to the Minister. All late travel reports were submitted to the Minister by the completion of the audit. A procedure is now in place to remind individual officers of the requirement to forward their report to the Minister within the stated policy timeframes.

The department supports recommendations 1 and 2 of the Report. The department's policies and procedures will be updated to reflect these recommendations.

The department also supports the principle in recommendation 3 to submit an overseas travel report within one month after travel. The department's policies and procedures will be updated to change the current requirement to provide reports within eight weeks to one month in accordance with the recommendation. The department already provides a duplicate copy of the report to the Department of Premier and Cabinet and this aspect of recommendation 3 is therefore also supported.

The department supports recommendation 4 of the report. This is a current requirement of the DPAC policy and therefore the recommendation is not relevant to this department.

Department of Infrastructure, Energy and Resources

The department has reviewed the Draft Report and notes its findings and conclusions. We are pleased with the outcome of the Report in regards to the compliance of the department with the DPAC Overseas Travel Policy.

The recommendations provided within the Report have our full support. As you may be aware, the department currently complies with Recommendations 1, 2 and 4, which is reflected in our current Overseas Travel Policy.

The department supports Recommendation 3, in which it will be a requirement for the trip report to be submitted to Head of Agency and then onto DPAC, within one month of the applicant's return to work.

Department of Justice

The department acknowledges the desirability of the government of the day and one of its agencies to be aware of the travel arrangements of statutory office holders. However, it is not considered that a duty of care can be argued or implied. Generally, the very nature of a statutory office holder's position precludes the department from making compliance with such procedures mandatory.

In consequence of this, we believe that the findings at parts 1.1 and 1.3 should be amended to reflect the fact that statutory office holders (as

opposed to any state servants that might be assigned to their office) cannot be bound by such procedural policies.

[The Audit Office accepts this view and has amended the Report.]

Department of Primary Industries, Water and Environment

The department is satisfied that the comments made concerning matters found in relation to the department are accurate. However, we point out that whilst the department's written policy did not require that reports be submitted, it was accepted practice that reports or presentations be prepared under most circumstances.

For instance, many reports and presentations have been prepared by officers travelling overseas and provided to other staff, other agencies, industry sectors and, in some cases, placed on the internet for general public access.

Whilst the department's previous policy might not have specified that a report must be prepared, action was certainly taken to ensure that the knowledge gained by an officer travelling overseas was shared, particularly when it was considered that significant benefits would result.

However, the department's Executive Committee met in January this year and resolved to make a number of amendments to its policy concerning overseas travel. In particular, it resolved to amend its policy to make it explicit that the officer travelling overseas, on return to Tasmania, must make a written report to the Minister within 4 weeks and also provide a copy to the Secretary of DPAC. This change has been reflected in a revised policy on the department's intranet site and advised to all staff.

In relation to the recommendations made in the draft Report to Parliament, the department provides the following comments:

Rec. 1 The department's policy currently requires this

Rec. 2 Whilst the sentiment is appreciated, it is considered that it would be preferable for the person intending travelling and his or her supervisor to consider the risks to the traveller immediately prior to travel

Rec. 3 The department's policy now requires a report in all circumstances

Rec. 4 It is suggested that the wording be made clearer so that there is no misunderstanding of what is required and when.

The Audit Office accepts this view and has amended the recommendation to clarify to whom it applies and when notification is required to be made to DPAC.

Department of Tourism, Parks, Heritage and the Arts

The Department supports the recommendations in the Report which reflect the department's existing policy. The department has reviewed procedures to ensure that documentation and timeframe requirements are adhered to in all cases.

Department of Premier and Cabinet

The Report provides some useful insights into how the policy is being implemented in various agencies.

The Report contains a number of recommendations concerning the overall policy, the general tenor of which is supported by the department.

Given the necessarily independent nature of some statutory offices, we consider that recommendation 3 should be mandatory for employees and officers of State Service agencies and associated statutory authorities, but optional for statutory office holders.

List of recommendations

The following table reproduces the recommendations contained in the body of this report.

Rec No	Report section	Recommendation
1	3.6	Overseas travel applications requiring the Minister's approval should be presented to the Minister's office at least four weeks prior to departure, except in exceptional circumstances.
2	3.6	The Commonwealth's DFAT website should be re-visited again one week prior to travel where the proposed destination is considered to not be a 'safe' destination. The Head of Agency should re-endorse his/her support for the application.
3	3.6	A trip report should be provided to Ministers via the Head of Agency with a copy to DPAC within one month of the applicant's return to work unless the overseas travel was for attendance at a routine conference.
4	3.6	Details of all approved overseas travel by employees and officers of State Service agencies and associated statutory authorities, and statutory office holders engaged in government business should be notified to DPAC prior to travel so as to ensure a record of all overseas travel is maintained centrally.

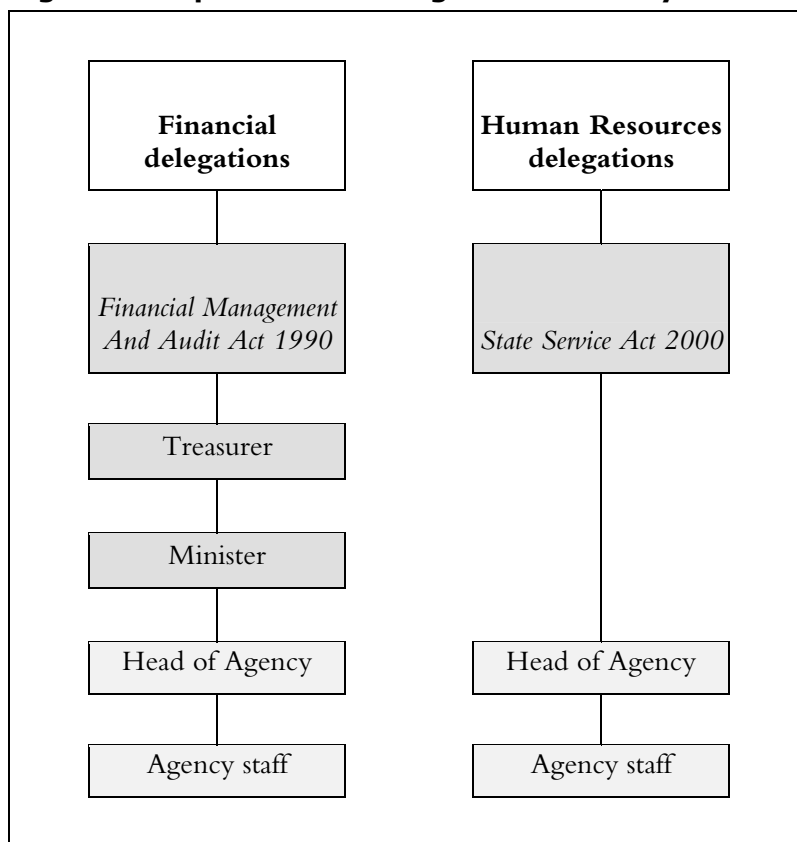
1 Delegations in government agencies

1 Delegations in government agencies

Introduction

Acts of Parliament delegate the provision of Government services and usually this is to Ministers of the Crown. For practical application, Ministers delegate these functions to an officer of a Government agency, usually the Head of Agency (HoA) or the Chief Executive Officer (CEO). Many of these functions may then be further delegated to other officers within the agency. Figure 1 flowcharts the delegations from legislation down to the level of agency staff within government departments.

Figure 1: Departments' delegation hierarchy



NB. Different legislation applies for state-owned corporations and statutory authorities.

Financial Delegations

Heads of Agency are responsible to the appropriate Minister for the financial management of that Agency³:

A Head of Agency shall be responsible for the financial management of that Agency in an efficient, effective and economical manner.

³ Section 22 *Financial Management and Audit Act 1990*

The FMAA also requires the Treasurer to issue a Treasurer's Expenditure Control Authority⁴ (TECA) to the appropriate Minister to enable the issuing and application of money from the Consolidated Fund in accordance with an Appropriation Act.

Treasurer's Instruction 1103 (TI 1103) then expands this process to the delegation by the Minister to the HoA for procurement delegations and authorisations. TI 1103 specifically refers to all purchases, leases or rentals of equipment and disposals of property, which must be made in the name of the Crown or a relevant statutory authority. It is important to note that:

- The power to enter into a contract binding the Crown is inherent in the Office of the Minister.
- Where the Minister delegates the authority to enter into a contract to the HoA and/or other agency officers, authorisations must be in writing and specify monetary limits and other conditions determined by the Minister. Where the intention is for the HoA to further delegate to other officers, the authorisation should provide the HoA with the power to sub-delegate. Authorisations must be updated when there is a change of Minister.
- The authority to appoint consultants cannot be delegated below Deputy Secretary (or equivalent).

Sections 23AA and 23AAB of the *Acts Interpretation Act 1931* specifically address the delegation process.

Treasurer's Instructions are written specifically for government departments and do not apply in state-owned corporations or statutory authorities. However, all entities should develop their own policies and procedures for controlling the delegation process.

Other (HR) Delegations

Functions and powers of HoA are established under the *State Service Act 2000*:

A Head of Agency may delegate any of his or her functions or powers under this Act or any other Act (other than this power of delegation).

Powers to delegate can be found in the primary legislation that many agencies administer, as well as other legislation and policy that most agencies are required to observe. These include inter alia:

- *State Service Act 2000*
- *Administrative Arrangements Act 1990*

⁴ Section 14 *Financial Management and Audit Act 1990*

- *Long Service Leave (State Employees) Act 1994*
- *Public Account Act 1986*
- *Financial Management and Audit Act 1990*
- Treasurer's Instructions
- Relevant enabling legislation in the case of state-owned corporations and statutory authorities.

To enable HoA to meet their obligations, it is necessary that effective control structures and systems of internal control be implemented governing each of the main business processes in use. The payment of accounts for goods and services and the administration of human resources are considered to be significant business processes, a key component of which is the need to develop a system for delegation of authority. To be effective, the instrument of delegation needs to be unambiguous and give clear guidance and instruction to the delegate.

Delegations should be made in writing under the hand of the officer holding the position defined in the legislation and should be available for audit inspection.

Objective

In conducting this compliance audit our objectives were to:

- assess the adequacy of instruments of delegation associated with the expenditure of public monies and the administration of human resources in accordance with applicable legislation, Government policy and internal controls
- determine by testing transactions the level of compliance with instruments of delegation
- identify weaknesses and recommend improvements as necessary to current procedures to ensure best practice⁵.

Scope

The audit examined delegation processes within selected agencies to determine their level of compliance and to identify weaknesses and recommend improvements to a standard of best practice. Our review was supported by transaction testing covering the period from 1 February–30 April 2005.

The agencies we audited were:

⁵ Best practice was defined by the Audit Office of New South Wales in 2001 in the following way:

'Delegations should be current, documented and readily available to staff. They should agree with applicable legislation, be adequate and be issued to a position, not a person. Most importantly, staff of agencies must observe them.'

- Department of Justice (DoJ)
- Department of Tourism, Parks, Heritage and the Arts (DTPHA)
- Metro Tasmania Pty Ltd (Metro)
- TAFE Tasmania (TAFE)
- University of Tasmania (Utas).

Criteria

We applied the following audit criteria:

- adequacy of agencies' policies and procedures for managing delegations
- existence of appropriate instruments of delegation to support the policies and procedures
- awareness by key personnel of their delegations and related responsibilities
- authorisations are in compliance with instruments of delegation and relevant agency policies and procedures
- extent of agencies' monitoring and review of the system of delegation including staff training.

Audit methodology

The audit methodology included review of agencies' instruments of delegation, interviews with relevant staff, sample transaction testing, examination of documentation and other records supporting delegations and observation of procedures.

Timing

Planning of the audit commenced in March 2005. The fieldwork was conducted from early June through to mid-July 2005. This Report was completed in November 2005.

Resources

The total cost of the audit excluding report production costs was approximately \$92 000.

1.1 Policies and procedures to manage delegations

In line with the framework outlined in the introduction to this Report, we expected agencies to have written policies and procedures for the management of delegations. The review considered the adequacy or otherwise of agencies' policies and written procedures for managing delegations for both financial and human resource functions.

1.1.1 Financial delegations

We sought to determine whether there were effective systems of internal control as required by FMAA and Treasurer's Instructions. Agencies' own policies should expand on the basic requirements of the above documents and set the delegation framework in a context that would be relevant to the organisation in question. The value of such policies is that they could be used to identify specific powers and authorisations that may be exercised by particular positions.

Of the agencies reviewed, only DoJ did not have any policies or written procedures for managing financial delegations. Instead, DoJ relied on Treasurer's Instructions TI 504 (*Certifying Officers*) and TI 1103 (*Procurement Delegations and Authorisations*) for policy guidance and as a basis for framing instruments of delegation. TI 504 requires certifying officers to be familiar with an agency's financial delegations and to be satisfied that payments have been properly authorised in accordance with the delegation arrangements in place within the agency. TI 1103 prescribes conditions under which all purchases, leases or rentals of equipment, and disposal of property must be made. Reliance upon these Treasurer's Instructions is reinforced by a requirement in DoJ's Accounting Manual that obligates staff to authorise purchases in accordance with delegations approved by the Secretary.

Whilst reliance upon Treasurer's Instructions does provide an adequate control mechanism, we considered that the adoption of written policies and procedures would enhance the control processes relating to the management of financial delegations.

Recommendation 1

Agencies should ensure that they have appropriate policies and procedures in place to manage financial delegation processes. These policies and procedures should be made available to all relevant staff.

1.1.2 Human resource delegations

Similarly, not all agencies reviewed had written policies or procedures for managing HR delegations. DoJ and TAFE were found not to have any policies at all. TAFE has since indicated that the introduction of policies for managing delegations is under consideration. At the time of undertaking the fieldwork for this audit, Metro had a limited range of detailed HR policies related specifically to hiring and firing of staff. A number of other general HR policies were in the process of being developed at that time and these have since been implemented. Metro was still to address the matter of policies relating to delegations covering other staff-related processes.

We considered that the adoption of written policies and procedures would enhance the control processes relating to the management of HR delegations within these three agencies.

Recommendation 2

Agencies should adopt policies and procedures to inform staff processing HR transactions of the processes to be followed. Clear policies would also enhance controls by ensuring that approvals are in accordance with delegated responsibilities.

1.2 *Appropriate instruments of delegation*

Our review of agencies' instruments of delegation commenced with a review of the TECA, or an equivalent process where the requirement did not apply, so as to ensure that the first step in the financial delegation process had been observed. Next, we assessed the appropriateness of agencies' instruments of delegation to support policies and procedures to manage delegations.

1.2.1 *Treasurer's Expenditure Control Authority (TECA)*

As mentioned previously, FMAA requires the Treasurer to issue a TECA to the appropriate Minister to enable the withdrawal and application of money from the Consolidated Fund in accordance with an Appropriation Act. As government departments, DTPHA and DoJ are the only agencies reviewed which were subject to a TECA.

The other agencies reviewed have different arrangements. TAFE is funded via a joint Commonwealth/State agreement, administered by the Department of Education (DoE), that allocates funds to TAFE's Board in accordance with an established formula. TAFE's enabling legislation provides for the Board to delegate financial authority to the CEO⁶ and for the CEO to further delegate to other officers⁷.

Utas is funded primarily from Commonwealth sources. The University Council, as governing authority of the University, is empowered to delegate its functions and powers to the Vice-Chancellor who may in turn delegate to other officers⁸.

As a state-owned company, Metro receives the bulk of its funding through an agreement with the Department of Infrastructure, Energy and Resources which is subject to appropriation from Treasury but without the requirement for a TECA.

⁶ Section 10(a) *TAFE Tasmania Act 1997*

⁷ Section 17 *TAFE Tasmania Act 1997*

⁸ Section 10 *University of Tasmania Act 1992*

Our audit found that due process had been observed in the application of each of these functions.

1.2.2 Instruments of delegation

1.2.2.1 Currency of instruments

Our review of agencies' instruments of delegation confirmed that these were current. There were no established instruments of delegation for HR functions at Metro other than those relating to hiring and firing and some other employment-related procedures.

TAFE's instrument of HR delegations was issued in 2001 and was under review at time of audit. That review has subsequently been completed and delegations updated.

1.2.2.2 Effectiveness of instruments

As suggested earlier, for an instrument of delegation to be effective it needs to be unambiguous and give clear guidance and instruction to the delegate. For a delegate to exercise authority effectively, there are certain minimum requirements that must be met to enable staff responsible for processing transactions to do so in the knowledge that the approving officer has an appropriate level of delegation.

As a minimum, the instrument of delegation should include:

- specimen signature of the delegate
- position title of the delegate
- financial and/or other limits of the delegation.

Instruments of delegation could be further enhanced by the inclusion of delegate's name, as was the case in some of the agencies reviewed.

Instruments of delegation were tested against each of the above criteria with the following results:

Specimen signature

As instruments required that delegations be made to positions and not to individuals, none had specimen signatures of delegates actually attached to them. Identification of signatures of approving officers was assisted at both TAFE and Utas by the use of ancillary documentation that bore the specimen signature of each delegate.

At TAFE, the financial delegation framework is enhanced by the use of an 'Amendment to Financial Authorisation' form that must be completed and signed each time positions change in the organisational structure or individuals change positions. Senior personnel are responsible for the completion of these forms that must be signed by staff receiving the

delegation. There were no specimen signatures attached to HR delegations at TAFE.

Identification of delegates' signatures at Utas was enhanced by the use of a 'Signing Authorities' document containing signatures of each delegate for both financial and HR delegations.

As earlier reported, there are no instruments of delegation relating to HR functions at Metro.

We considered that the inclusion of specimen signatures in instruments of delegation would greatly enhance the identification of approving/authorising officers.

Recommendation 3

Agencies should include specimen signatures in instruments of delegation to facilitate the identification of approving/authorising officers.

Delegate's position title

Delegates' position titles were included in instruments of delegation in all agencies reviewed except Metro.

Lack of detailed instruments of delegation is detrimental to effective control processes normally associated with the management of the payment of accounts and the administration of human resources.

Recommendation 4

Agencies should ensure that instruments of delegation are complete and that all functions subject to normal day-to-day processing are included to facilitate management of payment of accounts and administration of human resources.

Financial and/or other limits

All instruments of delegation were assigned financial and/or other relevant limits designating the relevant level of delegate's authority.

Delegate's name

Although instruments of delegation in each agency related to positions and not to individuals as stated previously, names of delegates were included at some agencies. For example, DTPHA provided delegates' names in both financial and HR delegations, whereas at DoJ and TAFE only financial delegations contained names. Delegates' names were available at Utas in supplementary documentation already described. Delegates' names were not included in HR instruments of delegation at either DoJ or TAFE.

It is our view that the inclusion of delegate's names in instruments of delegation would assist with the identification of approving/authorising officers and significantly enhances the control process.

Recommendation 5

Agencies should consider the inclusion of names in instruments of delegation to facilitate identification of delegates.

On the whole, we were satisfied that instruments of delegation adequately reflected the contents of the agencies' delegation policies and had been developed so as to identify, assess and manage risks relating to delegations.

1.3 *Key personnel aware of their delegations*

We reviewed the extent to which agencies communicated details of their instruments of delegation to relevant staff so as to ensure that they were aware of their delegations and related responsibilities. Our enquiries indicated that adequate procedures were in place to enable delegates to be aware of their powers and responsibilities in exercising those delegations. In most instances, notification to delegates was by way of written communication and/or via agencies' Intranets. Notification of the assigned delegations to other staff, particularly those processing transactions, was generally achieved via agencies' Intranets.

1.4 *Authorisations comply with instruments of delegation*

We tested a number of financial and HR transactions to determine whether authorisations complied with instruments of delegation and to ascertain whether transactions were adequately supported by appropriate documentation.

Specifically, we tested the selected transactions against the following criteria:

- signature of approving/authorising officer
- name and position title of approving/authorising officer
- transaction was within approved delegation limit.

1.4.1 *Signature of approving/authorising officer*

Overall, four transactions, representing less than 1% of the total tested, appeared to have not been approved as they lacked signatures of approving/authorising officers.

Manual signatures of approving/authorising officers may not always be found as approvals may be given by emails in which case they should be printed and kept on hand as evidence of authorisation. Alternatively, approval may be conducted electronically via the state government's payroll system (Empower) by an officer with appropriate delegation without any signature being required.

Recommendation 6

Agencies should develop policies to address electronic approval of transactions and establish documented procedures to ensure compliance.

1.4.2 Name and position title of approving/authorising officer

To ensure that staff processing transactions can properly fulfil their duties, the name and position title of the approving/authorising officer must be evident particularly as signatures are sometimes hard to decipher. Our testing revealed that 23% of all transactions did not bear the name of the approving/authorising officer and 20% did not show the position title.

Names of delegates approving transactions were subsequently confirmed at Utas and TAFE by reference to ancillary documents described earlier.

Recommendation 7

Agencies should ensure that names and position titles of approving/authorising officers are clearly shown on transaction documentation.

1.4.3 Transaction was within approved delegation limit

Table 1 indicates the error rates that we detected in relation to transactions exceeding the delegated limit for the approving/authorising officer.

Table 1: Transactions within delegation limit: error rates

Agency	Financial transactions	HR transactions	Total
DTPHA	5.4%	3.4%	4.4%
DoJ	23.1%	3.4%	10.5%
Metro	2.9%	N/a	2.9%
Utas	1.7%	0.0%	0.9%
TAFE	10.4%*	0.0%	3.9%
All	9.5%	1.4%	4.5%

*The error rate for TAFE Tasmania reflects five transactions authorised by officers for amounts in excess of their delegated limits due to GST.

Despite the findings, we were able to confirm the validity of all transactions tested. However, our testing indicated that not all staff authorising transactions were fully aware of their authorisation limits or the general responsibilities associated with a delegation. Similarly, there was evidence

from the errors we found that not all staff processing transactions were aware of their responsibilities either.

Recommendation 8

Controls to ensure that delegated authorities are in accordance with agencies' delegation schedules should be strengthened to ensure compliance with delegated limits. Finance staff processing payments should ensure that transaction documents contain all of the information required in the agency's policy to ensure that authorising officers have the appropriate delegation.

1.4.4 Adequate documentation

In all agencies all transactions tested, both financial and HR, were adequately supported by appropriate documentation.

It was not always evident from the documentation as to who the authorising officers were. Assistance from agency staff enabled us to interpret signatures, verify delegation limits and confirm the validity of all transactions.

1.5 Monitoring and review of delegations

Our enquiries revealed that agencies were reviewing their policies and instruments of delegation on a regular basis or as otherwise required and promulgating them to staff in a timely manner.

There was evidence that staff training on delegations was adequate to ensure that controls over delegations were upheld. However, DoJ was the exception, where training provided to staff processing HR transactions was limited to induction processes on initial appointment.

Recommendation 9

Agencies should ensure that all staff are given adequate training in the delegation process to enable delegates and staff processing transactions to be fully aware of their responsibilities in managing the delegation process.

1.6 Better practice

During the course of our audit we noted a number of instances in some agencies of better practice relating to policies for management of delegations that we acknowledged at the time. Some examples included:

- tying delegation limits to the total commitment over the life of a contract; e.g. a 10-year maintenance contract with an annual fee of \$2 000 requiring an authority limit for approving periodic payments of at least \$20 000
- requiring approving officers to include their name and position title on expenditure documentation in addition to their

signature. This was facilitated in one agency by the use of rubber stamps but not all authorising officers had been provided with them at time of audit

- prohibiting the use of signature stamps or signing for or on behalf of another person when approving transactions
- using of ancillary documents containing specimen signatures, names, and position titles of delegates to support the instrument of delegation where this information was not included in the delegation schedule
- maintaining a register of specimen signatures of all officers listed on the instruments of delegation, including any officers frequently required to act in other positions, but not named on the original authority.
- ensuring that all staff acknowledged the delegated authority levels attached to their own positions and those they may act in from time to time
- including reference to the location of original documents to facilitate an audit trail where it was not practical to attach contracts—and any other supporting documents—to payment documentation due to physical size
- ensuring that all new staff received training relating to policies and instruments of delegation as part of induction. Staff were also reminded of their responsibilities
- indicating in policies and instruments of delegation whether designated limits were inclusive or exclusive of GST.

1.7 Conclusion

Not all agencies examined had adequate written policies and documented procedures for managing the delegation process. There were shortcomings in the day-to-day application of delegations in some agencies, with a number of transactions having been approved by officers with inappropriate delegation. Despite the above findings, we were able to confirm the validity of all transactions tested.

We noted a number of instances of better practices being applied in managing delegations and made recommendations to individual agencies for enhancement of their procedures.

All agencies had current instruments of delegation supporting their policies and procedures with the exception of Metro where HR delegations were lacking.

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2 Local government delegations

2 Local government delegations

Introduction

The administration of local government by councils is governed by the *Local Government Act 1993* (LGA) that was granted Royal Assent on 23 December 1993 to provide for local government and establish councils to plan for, develop and manage municipal areas in the interests of their communities.

To enable councils to meet their obligations, it is necessary that effective control structures and systems of internal control be implemented governing each of their main business processes. The management of councils' funds is a significant business process, a key component of which is the need to develop a system for delegation of authority.

The LGA requires that annual estimates of revenue and expenditure are approved by councils and gives them power to delegate to the General Manager (GM) the responsibility to manage those funds. In so doing, the powers that may be delegated are prescribed by the LGA. Similarly, there are powers that are prevented from being delegated.

The GM is empowered to further delegate to any employee of the council any functions or powers (other than this power of delegation) and any functions or powers delegated by the council which the council authorised the GM may delegate.

All delegations are required to be in writing.

Objective

In conducting this compliance audit our objectives were to:

- Assess the level of compliance with the relevant sections of the *Local Government Act 1993*
- Identify weaknesses and recommend improvements as necessary to current processes
- Establish whether councils are setting expenditure or investment limits in the delegation process
- Ensure that the appropriate delegated authorities are in place for writing off of bad debts and also for approving community grants
- Determine the level of awareness/compliance by local government and report accordingly.

Scope

The audit examined financial delegation processes within each selected local council to determine the level of compliance and to identify weaknesses and recommend improvements so as to ensure that best practice is maintained. Our review included transaction testing covering the period from 1 April to mid-July 2005.

Specifically, the local government councils we audited were:

- Brighton Council (Brighton)
- Burnie City Council (Burnie)
- Clarence City Council (Clarence)
- Derwent Valley Council (Derwent Valley)
- Dorset Council (Dorset)
- Huon Valley Council (Huon Valley)
- King Island Council (King Island)
- Southern Midlands Council (Southern Midlands)
- West Coast Council (West Coast).

Criteria

We applied the following audit criteria:

- adequacy of councils' policies and procedures for managing delegations
- appropriate instruments of delegation exist to support the policies and procedures
- awareness by key personnel of their delegations and related responsibilities
- authorisations are in compliance with instruments of delegation and relevant council policies and procedures
- extent of agencies' monitoring and review of the delegations system.

Audit methodology

The audit methodology included review of councils' policies and instruments of delegation, interviews with relevant staff, sample transaction testing including investments, examination of council minutes, documentation and other records supporting delegations and observation of procedures.

Specifically, our testing included sighting the original council minute delegating authorities to the GM and, where applicable, sighting those written delegations from the GM to nominated staff. A sample of expenditure, investments, bad debts written off, grants paid to community organisations and tenders were tested to identify the level of compliance with the delegated authorities.

Timing

Planning of the audit commenced in May 2005. The fieldwork was conducted from early June through to mid-September 2005. This Report was completed in March 2006.

Resources

The total cost of the audit excluding report production costs was approximately \$56 000.

2.1 *Policies and procedures adequate to manage delegations*

In line with the framework outlined in the introduction to this Report, we expected councils to have written policies and procedures for the management of delegations that did not conflict with the *Local Government Act 1993*⁹ (LGA). Our review considered the adequacy or otherwise of these policies and procedures.

Of the nine councils reviewed, two (West Coast and King Island) did not have written policies or procedures in place, relying instead on the relevant provisions of the LGA to manage their delegation processes.

The seven remaining councils had documented policies and procedures relating to delegations, each of which complied with the Act. Nonetheless, for the purposes of our testing, legislative compliance was the minimum standard and documentation that we sighted at some councils was incomplete at the time of the audit. For example, we found instances where delegations existed just for purchasing but not for other procedures.

Recommendation 1

Councils should ensure that appropriate documented policies and procedures are in place for the management of all delegations.

2.2 *Instruments of delegation adequately supported*

Our audit of councils' instruments of delegation commenced with a review of minutes of council meetings to ensure that the first step in the delegation

⁹ Although the *Local Government Act 1993* was amended with effect from 1 July 2005, our audit commenced prior to that date and was based on the earlier Act.

process had been observed. The LGA requires that annual estimates of revenue and expenditure are approved by councils and that the GM of each council has been delegated the power to manage those funds. We found that, without exception, councils had appropriately fulfilled these obligations.

A number of examples of inappropriate delegations to the GM were detected and reported to the councils concerned.

First, West Coast delegated the power to borrow funds up to a limit of \$200 000 in contravention of the LGA¹⁰. This function can only be undertaken by an absolute majority of Council. We were advised that the delegation to borrow funds was a temporary measure to enable additional funds to be obtained at year-end and that the transaction was duly minuted by council. We took the view that this action contravened section 22(3)(a) and could not be supported.

Recommendation 2

Councils should ensure that they adhere strictly to the provisions of the LGA in managing their delegations so as to ensure compliance with this Act.

In another instance, King Island delegated the power to employ staff to the GM but did not actually have this power and therefore could not delegate it. The power to employ staff is already vested in the GM under section 63¹¹.

In a third example, a decision by Derwent Valley to authorise the Mayor to allocate grants to the value of \$100 was found to contravene the Act as council does not have the power to delegate to a council member.

We understand that the latter two delegations have since been rescinded and are therefore not subject to recommendations in this Report.

At Brighton, we found delegations by Council to staff other than the GM in contravention of section 22 (1)¹². However, we understand that this anomaly has since been addressed and therefore is not subject to recommendations in this Report.

2.2.1 Instruments of Delegation

Next, we assessed the appropriateness of councils' instruments of delegation to support their policies and procedures to manage delegations.

¹⁰ Section 22(3) "A council must not delegate any of its powers relating to the following:
(a) the borrowing of money or other financial accommodation;"

¹¹ Section 63(1)(a) "The general manager of a council may appoint persons as employees of the council ..."

¹² Section 22(1) "Subject to subsection (2), a council, in writing, may delegate with or without conditions to the general manager, controlling authority, a council committee, or a special committee, any of its functions or powers other than ..."

2.2.2.1 *Delegations from GM to other staff*

We tested to determine whether council GMs had delegated any powers to other officers as permitted under section 64 of the Act.

With the exception of West Coast and Brighton, GMs had delegated relevant financial and other functions to staff. West Coast did not have any delegations from the GM to other staff whilst Brighton had exercised delegations direct from council to staff. We were advised that these anomalies have been addressed as a result of our audit.

We were unable to sight current delegations from the GM to other staff at Derwent Valley and were advised that the instruments of delegation in use at the time of our audit were those of his predecessor. We understand that new delegations by the GM are now in place.

In contravention of section 64¹³, Clarence's instruments of delegation enabled senior managers to delegate to other officers. Although our testing did not reveal any specific instances, there is no provision within the LGA to permit any council officer, other than the GM, to make such delegations. We were advised that these delegations would be reviewed.

2.2.2.2 *Currency of instruments*

We tested to ascertain whether instruments of delegation were current. Our review of councils' instruments of delegation confirmed that they were current in all but Derwent Valley, with all instruments having either been reviewed recently or as otherwise required.

2.2.2.3 *Monetary limits*

We tested to determine whether instruments of delegation contained monetary limits so as to ensure that delegates exercised their power to expend funds within constraints. Our findings were mixed inasmuch as we found, that for the majority of smaller councils, delegations were tied to budgets. We found that this practice varied, with some councils also aligning delegation limits with their purchasing policies, whilst other limits were imposed by legislation.

There were no instances of delegations having been made without any monetary limits being attached. Nevertheless, delegation limits defined by Brighton in its financial policy 'as per LGA' for the GM and all senior officers was considered too broad and exposed the council to a risk of inappropriate delegation being exercised.

¹³ Section 64 "The general manager, in writing, may delegate to an employee of the council ..."

Recommendation 3

Councils should ensure that instruments of delegation are clear and unambiguous so as to prevent exposure to possible risk of inappropriate delegations being exercised.

2.2.2.4 Name and position title of delegates

Council delegations are made to positions and not to individuals. Most of the councils audited were of the opinion that the names of delegates were not required in instruments of delegation. It is our view that the inclusion of delegates' names in instruments of delegation represented best practice and would enhance the transaction approval process.

Recommendation 4

Instruments of delegation should include the names of delegates so as to aid identification of approving/authorising officers and enhance the transaction approval process.

Instruments of delegation were found to appropriately contain position titles of delegates.

2.2.2.5 Specimen signatures of delegates

As instruments of delegation required that delegations were made to positions and not to individuals, none had specimen signatures attached.

We considered that the inclusion of specimen signatures in instruments of delegation would, again, greatly enhance the identification of approving/authorising officers.

Overall, we were satisfied that instruments of delegation adequately reflected the contents of councils' delegation policies and had been developed so as to identify, assess and manage risks relating to delegations.

Recommendation 5

The inclusion of specimen signatures in instruments of delegation would significantly enhance the identification of approving/authorising officers.

2.3 Key personnel aware of their delegations

We reviewed the extent to which councils communicated details of their instruments of delegation to relevant staff so as to ensure that they were aware of their delegations and related responsibilities.

Our audit indicated that adequate procedures existed to make delegates aware of their delegations and their responsibilities in exercising them. Procedures for notifying other staff, particularly those responsible for processing transactions, were also adequate.

2.4 *Authorisations comply with instruments of delegation*

We tested a number of transactions to determine whether authorisations complied with instruments of delegation and to ascertain whether transactions were adequately supported by appropriate documentation.

Specifically, we tested the selected transactions against the following criteria:

- signature of approving/authorising officer
- name and position title of approving/authorising officer
- transaction was within approved delegation limit.

2.4.1 *Signature of approving/authorising officer*

All transactions tested carried the signature of an approving/authorising officer with delegated authority to do so.

2.4.2 *Name and position title of approving/authorising officer*

To ensure that staff processing transactions can properly fulfil their duties, the name and position title of the approving/authorising officer should be evident, particularly as signatures are often difficult to decipher.

In the majority of transactions tested, neither name nor position title of the approving/authorising officers was shown.

We understand that councils do not require these details to be shown on transaction documents when accounts are being approved for payment. Councils justified this viewpoint on the basis of the scale of their operations.

Recommendation 6

Transaction documents being approved for payment should bear the name and position title of approving/authorising officers to facilitate processing.

2.4.3 *Transactions were within approved delegation limit*

We were unable to confirm that all payments had been approved by authorising officers acting within their delegated limits. The practice in many councils to link authorisations to approved budget levels made it difficult to test whether each individual payment had been appropriately approved by authorising officers within their delegated limit. Nonetheless, from testing we found that at Derwent Valley 42 transactions (representing 82% of total transactions tested there) were not supported by current delegation instruments.

At the three councils where we were able to fully apply this test (King Island, Brighton and Clarence), we found 15 transactions (3.3% of the total

tested for all councils), had been inappropriately approved. Of that total, 11 transactions related to a deficiency in Clarence's instruments of delegation as noted in 1.2.2.1. The remaining 4 breaches were considered to be immaterial.

Other delegated limits are imposed via the LGA and by councils' own policies. These included write-off of bad debts and approval of community grants and tenders. Our testing revealed that these were being complied with.

Recommendation 7

Councils should ensure delegates properly approve all transactions within their approved limits.

2.5 *Councils monitor and review their delegations system*

Our test results confirmed that, with the exception of Derwent Valley, all instruments of delegation had been subject to recent review. As reported in section 1.2.2.1, the GM at Derwent Valley had not delegated any powers to other staff since accepting the position and was relying upon those of his predecessor. Since the time of our audit, new delegations from the GM to other staff have been introduced.

2.6 *Better practice*

During the course of our audit, we noted a number of anomalies relating to delegations and made recommendations to eight councils to strengthen their procedures. As indicated elsewhere in this Report, we understand that many of our recommendations have already been adopted. Clarence's policy prohibits purchase amounts being split below the thresholds set by council's operational policy.

Brighton and Burnie did not have a policy for the management of investments. Brighton had assigned this responsibility to senior council officers through duty statements and Burnie had delegated this to the GM who had in turn on-delegated it to the Executive Officer. In keeping with better practice, we recommended that a policy be introduced and both councils have indicated agreement.

2.7 *Conclusion*

We were concerned that not all councils had written policies and procedures for the management of delegations. However, all councils reviewed were found to comply with the requirements of the LGA with some exceptions being noted as detailed in this Report.

3 Overseas travel

3 Overseas travel

Introduction

The Department of Premier and Cabinet (DPAC) is responsible for overseas travel policy. The DPAC policy draws attention to measures aimed at protecting employee safety and ensuring that the State Government receives the best value for money for travel undertaken.

Until July 2004, all requests for overseas travel by state government agencies had to be approved by the Premier. A change of policy from 1 August 2004 enabled Ministers to authorise overseas travel.

In line with policy objectives, requests for overseas travel must include written evidence that the officer has viewed the website of the Commonwealth Department of Foreign Affairs and Trade (DFAT) to check any travel warnings for the intended destination. Ministers are required to be aware of any perceived risk to either the officer or the State from either a security or health perspective.

Officers planning to travel must prepare a report of their intended travel arrangements and forward it to the Minister for approval through their Head of Agency.

To maintain a comprehensive record of all approved overseas travel departments are required to submit monthly reports to DPAC for inclusion in a consolidated report to the Premier. Departmental reports are due by the end of the first week of each month and must include:

- employee name(s) and position(s)
- department(s)
- country(ies) of destination
- purpose of travel
- dates of travel
- overall costs
- source of funds.

Departments should have their own policies to manage overseas travel requests that accord with the current DPAC policy. In the absence of such in-house policies, departments should at least ensure compliance with DPAC's policy.

Objective

The objectives of the audit were to:

- review individual department's policies for compliance

- assess the adequacy of documents supporting requests for overseas travel
- examine departments' records relating to individual requests for overseas travel
- test whether departments' reports to DPAC are accurate and timely.

Scope

Our review covered overseas travel for the 2004-05 financial year and covered the following departments:

- Economic Development (DED)
- Infrastructure, Energy and Resources (DIER)
- Justice (DoJ)
- Primary Industries, Water and Environment (DPIWE)
- Tourism, Parks, Heritage and the Arts (DTPHA).

We acknowledge the assistance given by DPAC in planning the audit and for their consultation throughout the audit.

Criteria

In respect to managing overseas travel we applied the following audit criteria:

- adequacy of departments' policies and procedures
- compliance with DPAC policy
- inclusion of requirement for submission of traveller's reports on completed trips
- appropriate approval.

Audit methodology

Our methodology included review of monthly reports submitted by departments, interviews with relevant staff, sample transaction testing, examination of documentation and other records supporting travel applications, and observation of departments' records and procedures. Our review also included testing to ensure that reports of overseas travel were provided within a specified time of cessation of travel and that all episodes of travel were appropriately approved in accordance with DPAC's policy.

Timing

Planning of the audit commenced in July 2005. The fieldwork was conducted from early August through to late-November 2005. This Report was finalised in March 2006.

Resources

The total cost of the audit excluding report production costs was approximately \$50 000.

3.1 *Adequacy of departments' policies and procedures*

We tested to determine whether departments had issued policies on, and procedures for, managing overseas travel requests or whether they adopted DPAC's policy as their own. In the event that they had their own policies, we tested to ensure the level of compliance with the DPAC policy.

All five departments reviewed had their own policies and procedures on overseas travel, all of which differed from the DPAC policy.

Three departments included additional requirements that are considered better practice:

- DED's policy requires overseas travellers to submit a report following their overseas travel to be received by their Minister within a specified timeframe which at the time of our audit was eight weeks.
- DTPHA's policy requires overseas travellers to:
 - present applications to the Minister's office at least four weeks prior to the expected departure date
 - review the website of the Commonwealth Department of Foreign Affairs and Trade (DFAT) to assess risks of destinations and resubmit another signed *Acknowledgement of Travel Warning Advice* to their Manager one week prior to departure
 - forward a report about their trip within one month of return to DPAC through their Minister
- DIER's policy also requires overseas travellers to review the DFAT website to assess risks of destinations and resubmit another signed *Acknowledgement of Travel Warning Advice* to the Secretary one week prior to departure.

Two departments did not fully comply:

- DoJ’s policy requires statutory body staff (e.g. the Ombudsman and the Director of Public Prosecutions) to forward travel requests direct to the Minister and not through the Head of Agency. Details of these travel arrangements were not always being advised to DPAC. This is of concern as the State Government has an obvious duty of care, for safety reasons, to know where employees are at any time when they are on government business overseas. This is especially important in the current world climate when the classification of normally “safe” destinations can be changed unexpectedly. However, we are of the view that statutory office holders (as opposed to any state servants that might be assigned to their office) cannot be bound by such procedural policies.
- DPIWE’s policy did not require travellers to forward a report on their overseas travel, however this has been amended since our audit.

3.2 *Compliance with DPAC policy*

To determine whether travel requests had been submitted in accordance with the DPAC policy, we tested to ensure whether:

- Intending travellers had viewed the DFAT website and assessed the possible travel risks.
- A report of the intending travel had been submitted to and approved by Head of Agency.
- Travel requests had been approved by the relevant Minister.

Four of the five departments satisfied the above tests. DTPHA could not supply evidence that intending travellers had viewed the DFAT website in three of nine cases tested.

3.3 *Submission of reports on completed trips*

DPAC policy obliges all overseas travellers to forward a report through their Minister on return but does not stipulate any time frame.

All departments’ policies, except DPIWE’s, require travellers to submit such reports. DIER’s policy allows for overseas attendance at routine meetings to be supported by the submission of an agenda and meeting notes in lieu of a report.

Only two departments stipulated a time frame in their policies for the submission of trip reports. Our testing found one of five reports at DTPHA and five of fourteen reports at DED were late.

3.4 *Appropriate approval of overseas travel*

We tested from the general ledger (or other departmental records where the general ledger was not suitable for our purposes) to ensure that all overseas travel complied with DPAC policy. We noted no irregularities.

3.5 *Conclusion*

Not all departments' policies on overseas travel complied fully with the requirements of DPAC's policy whilst some policies exceeded those requirements. To ensure all departments adopt better practice, we recommend the following changes be made to DPAC's policy.

Recommendation 1

Overseas travel applications requiring the Minister's approval should be presented to the Minister's office at least four weeks prior to departure, except in exceptional circumstances.

Recommendation 2

The Commonwealth's DFAT website should be re-visited again one week prior to travel where the proposed destination is considered to not be a 'safe' destination. The Head of Agency should re-endorse his/her support for the application.

Recommendation 3

A trip report should be provided to Ministers via the Head of Agency with copy to DPAC within one month of the applicant's return to work unless the overseas travel was for attendance at a routine conference.

Recommendation 4

Details of all approved overseas travel by employees and officers of State Service agencies and associated statutory authorities, and statutory office holders engaged in government business should be notified to DPAC prior to travel so as to ensure a record of all overseas travel is maintained centrally.

4 Recent reports

4 Recent reports

Year	Special Report No.	Title
2001	36	Collection of receivables and loans in Tasmanian government departments
2001	37	Archives Office of Tasmania
2001	38	The implementation of Goods and Services Tax in government agencies and local government entities
2001	39	Bank account reconciliations
2002	40	Environmental management and pollution control
2002	41	Keeping schools safe
2002	42	Follow up of performance audits
2002	43	Oral health service: Something to smile about?
2002	44	Managing community service orders
2003	45	Business names and incorporated associations: What's in a name?
2003	46	Leave in government departments
2003	47	Public sector web sites
2003	48	Grants to the community sector
2003	49	Staff selection in government agencies
2003	50	Police response times
2004	-	Ex-gratia payment to the former Governor Mr R W Butler AC
2004	51	Special purpose and trust funds: Department of Health and Human Services
2004	52	Internal audit in the public sector
2005	53	Follow-up audits
2005	54	Compliance audits
2005	55	Gun control in Tasmania
2005	56	TT-Line: Governance review
2005	57	Public housing: Meeting the need?
2005	58	FBT, Payment of Accounts and Bridges

5 Future projects

5 Future projects

Details of performance and compliance audits that the Auditor-General is considering are:

- Performance audit
 - Training and development
 - Business case for Risdon Prison
 - Elective Surgery
- Compliance audits
 - Building security
 - Government contracts with GVM Pty Ltd

Appendix

Appendix: Audit mandate and standards applied

Mandate

Compliance audits are mandated under section 44(a) of the *Financial Management and Audit Act 1990* that states the Auditor-General may:

‘... at any time conduct any investigation that the Auditor-General considers necessary concerning any matter relating to the accounts of the Treasurer, a Government department, or a public body or to public money, other money or money of a statutory authority or to public property or other property.’

Standards applied

These audits were performed in accordance with Australian Auditing Standard AUS 806 (*Performance Auditing*):

‘The objective of a performance audit is to enable the auditor to express an opinion whether, in all material respects, all or part of an entity's activities have been carried out economically, and/or efficiently and/or effectively.’

The audits included such tests and other procedures considered necessary in the circumstances.