2007

PARLIAMENT OF TASMANIA

AUDITOR-GENERAL
SPECIAL REPORT No. 66

Follow-up audits
June 2007

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

By Authority:

Government Printer, Tasmania

14 June 2007

President

Legislative Council

HOBART

Speaker

House of Assembly

HOBART

Dear Mr President

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SPECIAL REPORT NO. 66

Follow-up audits June 2007

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.

Performance audits seek to provide Parliament with assessments of the effectiveness and efficiency of public sector programs and activities, thereby identifying opportunities for improved performance.

This Performance Audit assesses the extent to which agencies have actioned recommendations made in seven previous reports.

Yours sincerely

H M Blake

AUDITOR-GENERAL

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Foreword

Performance audits are conducted with the goal of assessing the effectiveness, efficiency and economy of activities undertaken by the public sector. Identification of areas where improvements can be made is one of our primary objectives together with the client's acceptance and implementation of any resultant recommendations. Using a collaborative approach with our clients, we aim to reach agreement so that audit recommendations are practical and add value to public sector programs or processes. Accordingly, there is an expectation that our recommendations will be implemented.

This follow up audit has been completed to provide Parliament with information about the extent to which clients have acted on recommendations made in selected performance audit reports tabled during the period September 2001 to August 2004, namely:

> No. 37: Archives Office of Tasmania
>
> No. 40: Environmental management and pollution control
>
> No. 43: Oral Health Services: *Something to smile about?*
>
> No. 44: Managing community service orders
>
> No. 45: Business names and incorporated associations: *What's in a name?*
>
> No. 50: Police response times
>
> No. 52: Internal audit in the public sector.

We are satisfied that management had, in the main, taken steps to implement our recommendations and that of the seven audits revisited, the majority had either achieved or exceeded our 70% benchmark rate of recommendation implementation. Where recommendations had not been implemented, we sought explanations as to why this was the case. This Report addresses each of the above reports examining the original context of the recommendations and detailing the subsequent rate of implementation.

H M Blake

Auditor-General

14 June 2007

List of acronyms and abbreviations

ABN	Australian Business Number
ANZSIC	Australian and New Zealand Standard Industrial Classification
AOT	Archives Office of Tasmania
BACARD	Business Affairs Cashiering and Registration Database
BAO	Business Affairs Office
CACS	Command and Control System
CCS	Community Corrections Service
CDHP	Commonwealth Dental Health Program
CSO	Community Service Order
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DJIR	Department of Justice and Industrial Relations (now Department of Justice)
DoE	Department of Education
DPAC	Department of Premier and Cabinet
DPIWE	Department of Primary Industries, Water and Environment (now Department of Primary Industries and Water)
DPPS	Department of Police and Public Safety (now Department of Police and Emergency Management)
DTAE	Department of Tourism, Arts and the Environment
DTPHA	Department of Tourism, Parks, Heritage and Arts (now DTAE)
ELMS	Environmental Management System
EMPCA	*Environmental Management and Pollution Control Act 1994*
EXACT	OHS's computer system
FTE	Full time equivalent
HT	Hydro Tasmania
IA	Internal audit
NELMS	New Environmental Management System (ELMS)
OHS	Oral Health Services
RDS	Radio Dispatch Service
TITANIUM	OHS replacement computer system for EXACT
UTas	University of Tasmania

Executive summary

We conduct performance audits with the goal of assessing the effectiveness, efficiency and economy of public sector activities. Identifying areas for potential improvement is an essential part of such audits and recommendations are made in support of that objective.

As a matter of course, we try to reach agreement with clients when framing our recommendations. Due to this collaboration we have an expectation that our recommendations will be actively implemented.

Follow up audits are undertaken to provide Parliament with information about the extent that public sector entities have acted on recommendations made in previous Special Reports. Our previous follow up audit — Special Report No. 53 was tabled in April 2005 — cut off at June 2001. Between then and August 2004 we tabled 17 Special Reports not all of which required follow up. From that total we selected seven performance audits as being the most suitable for follow up, namely:

- No 37: Archives Office of Tasmania
- No 40: Environmental management and pollution control
- No 43 Oral Health Services: *Something to smile about?*
- No 44 Managing community service orders
- No 45 Business names and incorporated associations: *What's in a name?*
- No 50 Police response times
- No 52 Internal audit in the public sector.

Audit opinion

Overview

In addition to being a yardstick on clients' performance, the follow up process also provides feedback on our own effectiveness. A low rate of implementation would tend to indicate that recommendations were impractical or pitched at an inappropriate level. Consequently, in follow up audits we regard an implementation rate of around 70% as satisfactory.

Archives Office of Tasmania

Out of ten original recommendations, five were completely implemented and three others were rated at 75%. The remaining two recommendations had not been taken up although management

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had initiated alternative actions that it believed had adequately addressed the core concerns we had raised. The overall rate of implementation was assessed at 70%, which we regarded as satisfactory.

Environmental management and pollution control

Many of the recommendations in our report centred on data handling and required further commitment of IT resources. In June 2006, the Environment Division was moved to a new department (Tourism, Arts and the Environment) and progress with the IT infrastructure slowed as a consequence.

Nonetheless, of 17 recommendations eight were completely implemented and all the others were at varying stages of completion. Under these circumstances we regard the overall implementation rating of 66% as satisfactory.

Oral health services: Something to smile about?

Ten of the original 29 recommendations were completely implemented and with one exception all the others were at differing stages of implementation. Although the Oral Health Service (OHS) is continuing to progress our recommendations, the overall rate of 64% is barely satisfactory. Moreover, significant numbers of patients continue to remain on the general care waiting list and OHS is still only providing an emergency-care focused service.

Managing community service orders

Ten of the 18 recommendations have been completely implemented while five had not been implemented at all. With a combined implementation rate of 65%, the overall result is barely satisfactory.

Business names and incorporated associations: What's in a name?

Ten of the 18 recommendations have been completely implemented while just one had not been implemented at all. In total, we assessed the degree of implementation at 71%, which we believe is satisfactory.

Police response times

Seven out of eight recommendations have been completely implemented while work based on the final recommendation was ongoing. The overall rate of 94% was achieved by Tasmania Police's prompt action following the release of the report.

Internal audit in the public sector

The combined rate of implementation across clients was 91% (although we note that the Department of Infrastructure, Energy and Resources has temporarily suspended its internal audit function and so it is not included in the foregoing figure). The result indicated that those entities with an internal audit function were strongly supporting it.

Management responses

Management responses for this Report have been included at the end of each chapter.

Follow up of performance
audits: Sept 2001–Aug 2004

Introduction

Background

We conduct performance audits with the goal of assessing the effectiveness, efficiency and economy of public sector activities. Identifying areas for potential improvement is an essential part of such audits and recommendations are made in support of that objective.

As a matter of course, we try to reach agreement with clients when framing our recommendations. Due to this collaboration we have an expectation that our recommendations will be actively implemented.

Follow up audits are undertaken to provide Parliament with information about the extent to which public sector entities have acted on recommendations made in previous Special Reports.

Objective

The purpose of the audit was to:

- ascertain the extent to which recommendations in the previous audit reports were implemented

- determine the reasons for non–implementation.

Scope

Our previous follow up audit — Special Report No. 53 that was tabled in April 2005 — cut off at June 2001. Between then and August 2004 we tabled 17 Special Reports not all of which required follow up. From that total we selected seven performance audits as being the most suitable for follow up, namely:

- No 37: Archives Office of Tasmania

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- No 44 Managing community service orders

- No 45 Business names and incorporated associations: *What's in a name?*

- No 50 Police response times

- No 52 Internal audit in the public sector.

Audit methodology

Findings in this audit are based on evidence collected from agencies and other public sector entities through survey questionnaires that inquired specifically about the extent that recommendations made had been implemented. As necessary, the surveys were supplemented by discussions and meetings with agency staff.

Timing

Planning for the performance audit began in August 2006. Questionnaires were forwarded to clients in September with the fieldwork completed in December 2006.

Acknowledgement

We acknowledge the assistance given by all government agencies and other public sector entities involved with this follow up.

Resources

The total cost of the audit excluding report production costs was approximately $56 500.

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1   Archives Office of Tasmania

1   Archives Office of Tasmania

The 2001 report

The Archives Office of Tasmania (AOT) administers the *Archives Act 1983*. AOT is the repository for all state and local government records that are no longer of immediate administrative use, but that are considered worthy of permanent or long-term preservation. Administratively AOT is linked to the Department of Education.

No state or local government agency may dispose of any records without the approval of AOT. The statutory definition of 'records' covers, letters, minutes, reports, financial records, maps and plans as well as a variety of formats such as paper, photographs, microfilm, sound recordings, film, video and computer–based records.

The objective of this performance audit was to assess the effectiveness and efficiency of the processes involved in appraisal, transfer, storage and retrieval of records at AOT. It was also to ensure that there were adequate mechanisms in place to identify, store, protect and maintain government records for posterity.

The scope included holdings at AOT and was restricted to registration, storage and retrieval processes and management of those processes. We focussed principally on operations at AOT but also included a limited review of archival practices in a sample of government departments. We also reviewed the relationship between the AOT and government departments and external users.

The following criteria were used for this audit:

- Management techniques used to assess, monitor, and improve performance.

- An effective appraisal program existed to safeguard records of value to future generations.

- An effective transfer process was used to ensure records were correctly recorded and stored.

- Records were correctly stored to ensure their preservation in good condition.

- Records could be readily retrieved and access conditions determined.

- Effective relationships existed between AOT and its clients.

The next sections of this Chapter briefly outline our original report together with audit findings and the recommendations made at that

time. Management responses, which were included as part of the 2001 report, have not been repeated here.

1.1   Management

We looked at AOT's formal goals, benchmarks and strategies aimed at achieving targets together with performance indicators measuring actual performance. This approach was consistent with Department of Treasury and Finance (Treasury) guidelines and recommendations of the 1994 review by external consultants.

We considered that there was a need for formal strategic planning including goals, measurable targets and benchmarks, strategies to achieve the targets and performance indicators measuring performance against set targets.

We found that AOT had a strategic plan but it had a number of deficiencies, namely:

- It was not used for internal management purposes. Rather, it was created as a component of the Department of Education's (DoE) strategic plan.

- Goals were set too high.

Recommendation 1

Strategic planning should be revised to deliver goals, targets, strategies and performance indicators that are defined at a useful, realistic level to improve management decision-making and achievement of the AOT mission.

1.2   Appraisal program

Under the *Archives Act 1983* records cannot be destroyed nor custody transferred without the authorisation of the State Archivist. Preferably, this is by means of a disposal schedule, which allows for consistent treatment of records over time, a more rigorous review process and documentation of the rationale for decisions made.

The production of agency-specific disposal schedules is a cyclic process that has occupied considerable AOT resources. The process operates in the following way:

1. Preliminary discussions take place between agency staff and the AOT officer for this project. A draft disposal schedule is prepared and sent to AOT for review.

2. Feedback is given to the agency that re-drafts the disposal schedule for re-submission at which time it is checked by a number of archivists.

3. After further changes the next draft is sent to the State Archivist for approval or suggested revision.

We considered the process to be highly effective in terms of ensuring sound decisions are made, but we had concerns that the number of review processes may be excessive and might deter some agencies from entering into the process. During the original audit there were AOT staff and departmental record managers that expressed similar opinions.

Recommendation 2

Consideration should be given to streamlining the development of disposal schedules with emphasis on reducing the number of draft submissions that agencies need to make.

While the 2001 report was being written all agencies were engaged with a functional analysis, a technique pivoting on the concept that functions connect records to business activities. Through the development of functionally based business classification schemes and the design of record keeping systems that use such schemes, a clear link is established between an organisation's functions and the associated activities that generate records. The use of functional analysis assists an agency in developing a disposal schedule.

We believed there was a case for the establishment of a centralised records database covering all departmental records. The database would list every function derived from functional analyses from government agencies and would provide information on whether the records related to functions covered by disposal schedules, where they are held, age of records and whether or not they are covered by a current disposal schedule.

Recommendation 3A

Priority should be given to encouraging and assisting departments to perform/complete functional analyses.

Recommendation 3B

Following on from that process, a centralised records database should be established by AOT.

There are a number of reasons why disposal schedules should be reviewed from time to time, e.g. because of changes to the functions or structure of an agency or because of changes to record management technology. We accepted that the onus was on an agency rather than AOT, to monitor the appropriateness of disposal schedules because of the greater likelihood that the agency would be more aware of the relevant changes.

> **Recommendation 4**
>
> **Agencies should implement a regular review of disposal schedules to ensure that the schedules remain current.**

In 1999 the Information Management Forum (whose members were drawn from agencies and government business enterprises) developed a model e-mail guideline. The guideline was to support AOT's policy on archival requirements in relation to e-mail. Originally, it was intended that the guidelines would be issued with whole of government status by the *e*Services Group in the Department of Premier and Cabinet (DPAC). As at September 2001 this had not occurred.

> **Recommendation 5**
>
> **The Archives Office of Tasmania should follow up the Information Management Forum guideline with the Department of Premier and Cabinet to ensure that it is issued as soon as possible.**

At the time of the original report we noted that there were backlog problems, i.e. transfers awaiting processing and data entry into AOT's archival management database, at the Berriedale repository. As at May 2001 that there were 491 transfers awaiting processing, which represented 7 years work for one person working exclusively on clearing the backlog.

> **Recommendation 6**
>
> **The Archives Office of Tasmania should give priority to reducing the backlog of records awaiting registration.**

1.3   Store, conserve, preserve

Once records are transferred to AOT they have to be stored in appropriate conditions to ensure their long-term viability.

We examined AOT's remaining storage capacity at its Berriedale repository for future storage requirements. We found, in 2001, AOT only had 1000 linear metres of shelving available out of a total capacity of 17 000 metres. We could see little evidence of planning for the future, except for a proposal for the National Archives to co-locate with AOT (a scenario that did not eventuate).

> **Recommendation 7**
>
> **AOT should give priority to:**
>
> - **obtaining better information on short-term and long-term storage requirements**
>
> - **planning for future storage of records**
>
> - **optimising current storage space.**

In 1994 consultants recommended AOT perform cyclic stocktaking to ensure that recording and storage procedures were working correctly. In our 2001 report we noted that the last stock-take undertaken by AOT was in 1990. The stock-take revealed losses of stored materials, possibly due to theft.

The State Archivist had some fundamental concerns with the value of stocktaking in an archives environment, arguing that:

- materials held by AOT are unique

- the items do not have an economic value nor are they subject to annual or intermittent re-valuations

- retrieval of records for agency and public use is itself a sample stock mechanism

- a full stock-take would require a substantial commitment of human resources.

Despite these comments we considered that a risk-based stocktaking process need not be particularly disruptive and would provide useful information on security and condition of records.

> **Recommendation 8**
>
> **Targeted records held by the Archives Office of Tasmania should be subjected to an annual stock-take.**

We became aware during the 2001 audit that there existed a substantial problem with regard to the storage and retrieval of electronically stored data. Electronic records are less robust than paper, they are ethereal and can disappear from computer systems without anyone being aware of the loss. Electronic records can be altered leaving no trace of the change. It is fair to say that this problem is global with record managers and archival professionals attempting to solve this problem with little success. However, there was consensus that technology had not advanced far enough to produce the answer.

Presented with these as yet unresolved difficulties, AOT adopted a 'post-custodial approach' with agencies as an interim measure. Since

AOT did not have the resources to acquire or maintain the computer systems used by its clients, it placed the onus to continue to maintain access to electronic records on agencies. AOT would then maintain a watching brief.

Recommendation 9

AOT should continue to monitor external developments and press for the issue of electronic records to receive priority with national archives groups.

1.4   Retrieval

AOT uses dedicated archives software called Archives 1 to enable it to carry out searches of its database. In addition, Archives 1 can handle job tracking, transfers, consignments and series. However, in 2001 we found that AOT was still not yet gaining the full benefits from Archives 1, because:

- the keyboard search facility was not being used to its fullest potential as a number of accession lists still needed to be loaded electronically

- it was not being fully used in the search room

- the search facilities were not available to the public

- there was a need for modification of reports and additional reports.

Recommendation 10

AOT has invested heavily in Archives 1 and it should be given priority to ensure that maximum benefits are derived.

1.5   Status of recommendations

The above recommendations are summarised in Table 1. In the original report there were ten recommendations, but at the request of AOT Recommendation 3 has been split into two parts because of the differing response given to each part.

Table 1: Archives Office of Tasmania – Degree of implementation of major recommendations

	Recommendations (abbreviated)	Degree of implementation
1	Strategic planning should be revised to deliver goals, targets, strategies and performance indicators that are defined at a useful, realistic level.	50%
2	Consideration should be given to streamlining the development of disposal schedules.	100%
3A	Priority given to encouraging and assisting agencies to complete/perform functional analysis.	100%
3B	Establishment of a centralised records database to assist with functional analyses.	0%
4	Implementation by agencies of a regular review of disposal schedules.	75%
5	AOT to follow up Information Management Forum guideline with DPAC to ensure its immediate issuance.	100%
6	AOT should prioritise the clearance of the record registration backlog.	75%
7	Prioritising and obtaining better information on storage requirements.	75%
8	Targeted annual stock-take of records.	0%
9	Continue to monitor external developments and press for electronic record storage to receive priority.	100%
10	Full implementation of Archives 1 should be given priority.	100%
	All recommendations	**70%**

In response to our questionnaire, AOT indicated that five of the 11 recommendations have been fully implemented. Two of the recommendations (Recommendation 3B and 8) were not implemented at all.

Recommendation 3B was not implemented because AOT believed the establishment of a separate centralised database to be an inappropriate use of resources. AOT considered the identification of records as part of the disposal schedule development process to be sufficient. Therefore, the establishment of a centralised records database was considered unnecessary duplication.

Although Recommendation 8 was originally agreed to by AOT it subsequently became apparent that items most at risk were not identified, listed or described sufficiently to enable a stocktake to be done. AOT believe that a better use of resources would be to re-box records and undertake data entry projects identifying current items to enable stock-takes to be more efficient and worthwhile. We are still,

however, of the opinion that there is value to be had in conducting targeted stocktakes.

With an increasing need to store more and more electronic data together with developing appropriate guidelines AOT continues to face a number of data storage challenges.

1.6   Conclusion

Overall, AOT implemented 70% of the recommendations from our 2001 report. Of those recommendations not fully implemented only two were below 50%. Half of the recommendations not fully implemented were rated at 75% indicating satisfactory progress was being made. We regard the overall rate of implementation as satisfactory.

Follow up response from Department of Education

Recommendation 3B: Centralised records database

The Centralised Records Database was recommended by Audit in response to some agency reports that a significant volume of their records were not covered by disposal schedules. The Archives Office of Tasmania (AOT) believes that a robust appraisal program, in which individual agencies are required to develop functionally based disposal schedules, negates the need for a Centralised Records Database. Since 2001 the AOT has been actively assisting agencies to develop disposal schedules that capture all records related to their business activities.

Recommendation 8: Stocktake

A comprehensive security risk assessment of the Archives Office of Tasmania's Murray Street site and the State Library's Heritage Collections is currently being undertaken. A *Security Management Plan*, incorporating the findings of this process, will be developed as a result and a range of security controls will then be implemented. One security control identified for implementation is a targeted stocktake of the Archive's collection. The stocktake will be conducted by sample selection annually.

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2 Environmental management and pollution control

2 Environmental management and pollution control

The 2002 report

An essential part of environmental regulation is the use of permitting systems as they contribute to long-term objectives such as sustainable development and resource conservation. By requiring facilities to operate in an environmentally sound manner, permits help prevent pollution and ensure that operators adopt and pay for their own pollution control measures. Permits also address safety issues, particularly the accidental release of harmful substances or other accidents.

In Tasmania, environmental management is the responsibility of the Environment Division (the division), now part of the Department of Tourism, Arts and the Environment (DTAE). However, at the time the 2002 report was originally published (June 2002) it was part of the then Department of Primary Industries, Water and Environment (DPIWE). The performance audit was concerned with the division's handling of its responsibilities under the *Environmental Management and Pollution Control Act 1994* (the Act).

The objective of the audit was to gauge the effectiveness and efficiency of environmental management and pollution control measures by the division.

The audit was restricted to the permit system operated for medium to large-scale industries that are classified as Level 2 activities by the Act. Activities classified as Level 1 (monitored by councils) or Level 3 (projects of state significance) were beyond the scope of the audit. Nor did the report assess the appropriateness of the permit conditions imposed by the division.

Six audit criteria were applied, viz,

- Permits are used to effectively control the environmental impact of Level 2 activities in Tasmania.

- Compliance activities ensure adherence to permit conditions and assist in achieving improvements to the permitting system.

- There is an appropriate mix of enforcement strategies used to improve compliance with permit conditions, relevant legislation and directions.

- Pollution reduction schemes and/or mechanisms undertaken by Level 2 activities successfully reduce the

levels of discharge into the air, water or land of substances likely to cause environmental harm.

- Pollution incidents are investigated and investigations result in improvements in controls.

- Targets are used to assess performance.

The next sections of this Chapter briefly outline our original report together with audit findings and the recommendations made at that time. Management responses, which were included as part of the 2002 report, are not reported here.

2.1   Permitting

In 2002 the division was considering how to upgrade its data recording system (ELMS) for environmental management. ELMS was originally developed to ensure that staff followed the correct sequence of administrative actions in developing licences (forerunners of permits). At the time of the 2002 audit ELMS had become quite restrictive and was no longer adequately meeting the demands placed on it. As a result a number of stand–alone databases came into existence and were used instead of ELMS. Moves had begun to develop a replacement system, however, it seemed that issues around ELMS would not be progressed until the division produced a plan to detail its strategic management information needs.

Recommendation 1

The division should develop a strategic IT plan to guide the integration of existing management information systems.

Some permits issued by the division are conditional on permittees undertaking certain monitoring and reporting requirements. We found that separate databases were being used to record the receipt of monitoring reports from industrial facilities. However, a different system was used for monitoring reports from wastewater treatment plants, with the division devising yet another computer system that compared reported data against permitted levels.

Recommendation 2

The separate systems currently used to record the receipt of monitoring reports should be combined in an integrated management information system.

We sought to establish what guidelines there were for divisional staff when signing-off on monitoring reports received from industrial facilities but none existed. Some reports were noted as having

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complied with permit conditions, whilst evidence as to whether sign–off had occurred was not apparent.

Recommendation 3

Guidelines should be available on the review of monitoring reports, including provision for staff to sign off on them, and for management to conduct sample checks confirming the procedures have been carried out.

2.2 Compliance activities

We examined compliance activities to ascertain whether sufficient inspections were being carried out to ensure that industries were adhering to their permit conditions. We found the level of staff was insufficient to undertake a systematic inspection schedule. Division officers were also required to carry out other competing duties including the investigation of incidents or complaints.

Monitoring and compliance activities were hampered by ELMS's incapacity to provide management data allowing an overview of inspection activity. A new separate database was being developed to track compliance activities, however an integrated approach would have been preferable.

Recommendation 4

The current inspection program should be improved to ensure that staff resources are directed to areas of greatest risk.

Recommendation 5

An integrated management information system should be implemented that would allow easy access to assessment data.

We found that the division lacked procedures to guide staff in how inspections were to be approached or subsequent reports written up. The permit conditions (that were derived from standards) were relied on to steer the actions of inspectors and minimise the discretionary aspect of their inspections. New environmental officers commenced training initially by working with more experienced officers on–the–job, in a mentoring environment.

Recommendation 6

Standardised procedures should be produced to guide staff and ensure that inspections (and the attendant reporting) are handled consistently and transparently.

Deficiencies were also found with the existing reporting system as the division lacked a formal recording system for following up compliance activity recommendations. We also found the only way to retrieve data on recommendations that had been accepted and implemented was by individually reviewing the premises files.

Recommendation 7

As recommended previously, an integrated management information system should be created that would allow systematic tracking of report recommendations.

We were interested to as to what compliance information was being made publicly available. We found that aside from the total number of inspections, no further details of compliance activities were published in DPIWE's annual report. The view of the division was that the information was available to the public through freedom of information legislation.

Recommendation 8

Consistent with the notion of public involvement, performance information on compliance activities undertaken by the division should be publicly reported.

Although permit conditions were taken from a model listing, they were frequently tailored to become site-specific. Where this occurred, issues that arose from compliance activities may not have wider ramifications and only concerned the subject premises. In such instances, the implications for similar permit conditions for other businesses would be restricted. Nonetheless, while the division lacked an integrated management information system, identification of systemic issues that could emerge from compliance activities was unlikely.

Recommendation 9

As recommended above, an integrated management information system should be created to capture data from compliance activities to allow systemic issues to be easily identified.

2.3   Enforcement strategies

At the time of the original audit the division had the capacity, depending on the circumstances, to respond flexibly through:

- Environmental Protection Notices
- Environmental Infringement Notices

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- civil enforcement

- prosecution.

However, the division did not have a written enforcement policy to guide the selection of a particular course of action, nor did it formally identify triggers leading to enforcement action. Management identified the need for an enforcement policy while noting from interstate experience that such a policy cannot be prescriptive nor limit its powers under the Act.

Our view was that a written policy would assume that triggers result in high–level consideration of the need for enforcement rather than an automatic response.

Recommendation 10

A policy should be produced to provide a basis for appropriate and transparent selection of enforcement actions.

Recommendation 11

Guidelines should also be developed to ensure that particular enforcement actions are correctly and consistently applied.

The division decided its response to a permit conditions breach by referring to the nature of the breach together with the previous history of the permittee. However, when we examined premises files, containing permittee's history, we found that copies of infringement notices were not stored in these files. Instead, verification of an infringement notice required reference to the separate database maintained for these notices by the division's Executive Officer. To ensure that inspecting officers are fully informed all decisions relating to enforcement actions should be available on file.

Recommendation 12

Copies of infringement notices issued should be kept on the relevant premises file to provide a complete picture of enforcement action.

EMPCA has a number of penalty provisions and in our 2002 report we examined the use of prosecutions. We looked at what penalties were available to the division together with what costs were incurred when prosecuting an offender. Sections 50 to 51 carry significant penalties from between $250 000 to $1 000 000, but were harder to prove than prosecutions made under section 53, which had a maximum penalty of $10 000. Delays to prosecutions were found to be at times significant with most costs being borne by the division. Only costs relating to sample taking and analysis could be recovered.

We found that lenient judgments, court delays and conflicting calls on resource use limited the division's choice in using prosecution as an enforcement tool.

Recommendation 13

Guidelines should be produced to ensure that the most effective possible use is made of prosecution.

Data on the success or otherwise of enforcement strategies was available but not from a single centralised source. In addition to the documents kept on premises files, separate databases existed for environmental infringement notices, environmental protection notices and controlled waste transport. Prosecutions were also treated separately. The lack of an integrated data management system (i.e. use of separate premises files) made it difficult to measure the effectiveness of the enforcement strategies used by the division. There was no evidence that the various strategies were compared or systematically reviewed to ascertain their effectiveness.

Recommendation 14

As recommended previously, data on enforcement activities should be available from one central management information system.

We believe that it is useful to publicise enforcement action as a tool to maximise deterrence. Negative publicity is a deterrent to repeat offenders as well as signalling to all permittees the division's preparedness to use its powers. However, we found that the DPIWE 2000-01 annual report only gave relatively brief details of enforcement activities during the preceding year.

Recommendation 15

Information in relation to enforcement actions should be publicly reported in enough detail so that the public involvement in environmental management is made easier.

2.4 Responses to pollution incidents

We were interested to see whether the division altered the permit conditions for any particular industry segment as a result of an incident. However, we found that Environment Division's ability to review permits systemically was made difficult by the previously cited lack of an integrated data management system. Information was confined to individual premises files rather than being available from an integrated database. Ready access to the permits for an industry sector would improve the likelihood of implementing systemic change where it appears necessary.

> **Recommendation 16**
>
> **As recommended [previously], an integrated management information system should be created to capture data about incident responses to allow systemic issues to be more easily identified.**

At the time of the 2002 audit we found that the annual plan produced by the division was impressive with some 77 items across eight action lists. Its entire range of operations covered not only those covered by the corporate plan.

However, we found that the required performance measures discussed in the business plan were hard to measure as collating the necessary data proved to be difficult. As previously mentioned ELMS was not adequate for the task and although the raw data was available from a variety of sources in the division, it was not an easy matter to bring it all together. Management acknowledged that the small stand–alone systems improvised by staff did have a down side even though they met an otherwise unfulfilled need.

> **Recommendation 17**
>
> **An integrated management information system should be established to allow performance information to be easily compiled to aid management of the division's activities.**

2.5   Status of recommendations

The above 17 recommendations are summarised below in Table 2, which also rates as a percentage the extent to which they have been implemented.

**Table 2: Environmental management and pollution control
– Degree of implementation of recommendations**

	Recommendations (abbreviated)	Degree of implementation
1	Develop a strategic IT plan to guide the integration of existing management information systems (MIS).	100%
2	Combine the separate systems currently used to record the receipt of monitoring reports in an integrated MIS.	25%
3	Produce guidelines on the review of monitoring reports.	25%
4	The current inspection program should be improved to ensure that staff resources are directed to areas of greatest risk.	50%
5	Implement a system to allow easy access to assessment data.	25%
6	Produce standardised procedures to ensure consistency and transparency for inspections and attendant reporting.	100%
7	Create a system allowing systematic tracking of report recommendations.	25%
8	Report publicly on performance information on compliance activities undertaken.	100%
9	Create a system to allow systematic tracking of report recommendations.	25%
10	Produce a policy to provide a basis for appropriate and transparent selection of enforcement actions.	100%
11	Develop guidelines to ensure that particular enforcement actions are correctly and consistently applied.	100%
12	Keep copies of infringement notices on the relevant premises file.	100%
13	Produce guidelines to ensure that the most effective possible use is made of prosecution.	100%
14	Have data on enforcement activities available from one central MIS.	50%
15	Publicly report information on enforcement actions in enough detail for easier public involvement.	100%
16	Create a system allowing systemic issues arising from incident response to be more easily identified.	75%
17	Establish a system to allow performance information to be easily compiled and reviewed.	25%
	All recommendations	**66%**

Since the tabling of our original report in June 2002 the division has changed its parent agency from DPIWE to DTAE. This has resulted in many of the databases originally used by the division no longer

being supported. We accept comments made by the division that this change has left considerable gaps in knowledge and resources, as access to DPIWE support staff is no longer available. To regain ground DTAE information technology staff now have to acquire new skills.

The original ELMS database referred to in the 2002 report is being replaced by NELMS (new ELMS), which has now been under development for several years. The first stage of its implementation has been completed, so that the updated system includes an Oracle database, and new accounting and permit modules together with a tracking assessment package have been established. However, the second and third phases of the upgraded database are yet to be completed. To date NELMS has not assimilated a number of existing stand–alone databases nor have the regulatory tools earmarked for development been completed.

Despite the slow progress of a number of recommendations, primarily related to the department's information technology capabilities, progress has been made in other areas. For instance the division has:

- developed a strategic information technology plan

- revamped its site inspection procedures

- developed an enforcement policy and related guidelines

- now an enforcement policy for *EMPCA 1994*

- revamped the level of information published in its annual report together with increased use of media releases to inform the public of successful prosecutions.

2.6   Conclusion

Despite slow progress being made with regard to the replacement of ELMS with NELMS and the setbacks experienced as a result of the change of agency, the division has made satisfactory progress towards implementing many of the recommendations resulting from our 2002 report.

Follow up response from Department of Tourism, Arts and the Environment

The Report records and acknowledges the considerable progress that has been made to implement the recommendations of the 2002 Audit Report. In particular, the division has placed considerable focus on improving its compliance and enforcement capacity. This has resulted in development of a public policy framework for enforcement, the formation and staffing of a Compliance Investigation Section, and the development of procedures for

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carrying out investigations. These initiatives have had a tangible result as evidenced by the number of cases successfully prosecuted through the courts in recent years.

The division has developed procedures to address several of the recommendations of the Audit Report and views this as part of a broader process to develop better management systems. Work in this area will continue to be progressed.

The development of an integrated data management system to support the core business of the division has remained a high priority since the audit was undertaken. While elements of the New Environmental Licence Management System (NELMS) have been developed and implemented, there are a number of key elements still to be processed. The moving of the division to the Department of Tourism, Arts and the Environment has also meant that system and database structures are required to be reassessed in accordance with the department's strategic direction for information management. Improving the integration of the data bases and management systems was core to addressing a number of the recommendations of the audit, and nearly all of those that have not been satisfactorily implemented have a key dependency on the NELMS project. Progressing these recommendations remains a high priority.

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3   Oral health services

3 Oral health services

The 2002 report

Oral health services are provided to ensure people can eat, speak and socialise without discomfort or embarrassment. Oral health relates to common and highly preventable diseases and disorders of the teeth and gums, but also to a range of less common and sometimes life-threatening disorders.

The Department of Health and Human Services (the department) through the Oral Health Service (OHS) provides dental care and information to a target population of more than 100 000 Tasmanians.

Prior to 1994, OHS consisted of a children's service and an emergency health scheme for adults. The establishment of the Commonwealth Dental Health Program (CDHP) in 1994 enabled the introduction of general care for adults holding a health care card or pensioner concession card.

The CDHP was discontinued from the end of 1996 leaving OHS with a large funding shortage.

The audit had the objectives of determining whether:

- the provision of the oral health function was efficient, effective and equitable

- clear goals, standards and performance indicators had been set and put into effect for the management of the oral health function.

The audit provided limited coverage of the four service areas:

- children's service

- adult general care

- adult emergency treatment

- prosthetic services.

The focus was on the provision of general care, as failure to provide general care was considered to be a pervasive problem that could undo the generally good oral health of children.

The following audit criteria were applied:

- Objectives, strategies and performance indicators
- Prioritisation of waiting lists
- Participation rates
- Funding
- Outsourcing
- Cost per population
- Staff mix
- Fee collection
- Equity

- Waiting times
- Audit of waiting lists
- Sufficiency of dental resources
- Implementation of Dever Review
- Efficiency of OHS
- Management of facilities
- Administrative salary expense
- No-shows

The next section of this Chapter examines the recommendations made in the 2002 report, together with the degree to which they have been implemented. Management responses, which were included as part of the 2002 report, are not repeated here.

3.1   Objectives strategies and performance indicators

For the five-year period prior to 2002 we were only able to obtain limited strategic management planning for OHS at either the service or division levels. Similarly, we were unable to locate any documentation of decision processes, budget submissions or internal budget processes related to the loss of CDHP.

Recommendation 1

A review of information recording should be performed to ensure that current practices and standards are adequate to make sure that significant planning and review documentation is retained centrally.

The 2001-02 draft business plan lacked quantifiable objectives matched to timeframes. We also found that the list of performance indicators included in the business plan had not been implemented.

Recommendation 2

A strategic plan should be finalised and approved for OHS. The plan should incorporate quantified objectives with specified time frames. It should also include a small number of performance indicators that will accurately reflect performance of the service, achievement of objectives, and greatest risks. Possibilities include waiting times, participation rates, activity levels, dental resources available (and predictions for the next 6 months), and an overall efficiency measure.

Strategic planning should be carried out annually with regular reporting of performance information to senior management each month. Instead, the focus was more on implementation of strategies rather than goal setting or performance evaluation. Some monitoring reports were available, but our overall impression was that either planning was spasmodic or that the planning process was given low priority.

Recommendation 3

Mechanisms should be established to ensure that strategic planning is performed annually and that comprehensive performance information is provided monthly to executive management of the department.

The DHHS annual report for 2000-01 lacked comprehensive performance information. Only a blunt measure of activity, 'occasions of service', was included in the annual report.

Recommendation 4

Comprehensive performance information should be included in annual reports.

3.2   Effectiveness criteria

OHS's computer system (EXACT) calculated waiting times in months based on the number on the list divided by the average monthly number of 'removals' over the past 12 months. Projected waiting times calculated by EXACT did not correspond with our personal observations and inquiries indicating that almost no general care was being provided. Our recalculated times were compared to the original times in Table 3.

Table 3: EXACT and adjusted waiting lists for general dental care as at 31 May 2002

Region	EXACT list	Adjusted list	EXACT calculated waiting times (years)	Adjusted calculated waiting times (years)
South	4858	5211	3.6	16.7
North	5387	6610	3.2	20.1
NW	1526	1526	14.4	19.5

We calculated in our 2002 report that one extra dentist in each region, seeing a relatively modest 100 patients per month, would significantly reduce waiting times.

Recommendation 5

Given the importance of waiting times as a performance measure within DHHS, there is a need for contextual analysis, to ensure that abnormal factors do not mislead, and that the waiting times reflect recent performance.

Recommendation 6

Resource allocation decisions should be revised as necessary, to take into account the fact that there is virtually no general care currently being provided, and that waiting times for general care are grossly excessive.

A breakdown in clerical processes resulted in some prosthetic services not being included in the EXACT system.

Recommendation 7

OHS should:

• Determine why some prosthetic services provided in the past six months have not been included as 'removals' in the EXACT system.

• Take remedial action to ensure accurate records and meaningful reports.

In the South of the state patients seeking emergency appointments had to ring after 8.30 am to arrange an appointment that day. If they missed out on an appointment for that day (usually all allocated by 9.30 am) they had to ring back the next day. Although we observed that the system appeared to work reasonably well, we were concerned that some patients with serious oral problems may not be treated for several weeks.

> **Recommendation 8**
>
> **The current practice in the South for allocating appointments for emergency care based on phone calls at 8.30 am needs to be carefully reviewed, since it may not be fair to all patients, and is unsuitable where demand significantly exceeds supply of dental services.**

In the North, dental staff were able to keep up with emergency demand. They did this through a standard set of questions asked by switchboard staff that was used to categorise clients with only the top category receiving emergency care.

> **Recommendation 9**
>
> **Consideration should be given to statewide adoption of the more rigorous categorisation of the urgency of client needs based on a series of questions, as used in the North.**
>
> **Recommendation 10**
>
> **A statewide policy should be developed, and effectively promulgated, outlining issues related to prioritisation of dental care and prosthetic services.**
>
> **Recommendation 11**
>
> **There is a need for criteria to be established for setting priorities for general care, which take into account the needs of clients in terms of pain relief and clinical outcomes; and minimisation of future costs to OHS.**
>
> **Recommendation 12**
>
> **OHS should attempt to strike a balance between giving preference to clients with a higher assessed priority, and fairness to clients who have had the longest wait for care.**

Dental therapists provide children's services and by all indications children were being provided with an excellent service. Annual reports for the three years between 1999 and 2001 quoted figures for annual 'occasions of service' at approximately 80 000. Based on national guidelines for a proposed a minimum standard for general care for children OHS need only see 55 000 patients per year[1].

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[1] Australian Health Ministers' Advisory Council Steering Committee for National Planning for Oral Health. 2001. *Oral health of Australians: National planning for oral health improvement - Final Report pp 100-101.*

Therefore, we concluded that participation rates for children were in excess of the minimum standard set.

Recommendation 13

Based on high participation rates for the Children's Service and low participation rates for the adult service, consideration should be given to redirecting resources from the children's service to the adult service. Accordingly OHS strategy of providing additional training to dental therapists to enable them to work on adults is endorsed.

We outlined a number of possible models that could be used to estimate the required level of dental resources required by OHS including information from:

- the waiting list
- the Australian Dental Association
- minimum standard
- average visits
- models used by other states.

Our preferred option was the 'Minimum standard model', which was based on the premise that all eligible adults should receive at least one course of general dental care every three years. We preferred this choice because it was based on an objective standard, but also used current efficiency rates to calculate the required staffing levels for dentists.

Recommendation 14

A model should be developed to enable objective determination of the required numbers of dental workers.

Identifying a need for additional dentists is one thing, but being able to recruit them to OHS is another. We concluded that OHS was not attractive to prospective dentists. Although its salary rates for new graduates were comparable with the mainland public health services, disincentives were:

- a high percentage of 'less professionally satisfying' emergency care
- inability of dentists to provide a course of care instead of one-off treatment
- higher salaries in the private sector
- lack of a dental training centre in Tasmania (graduates are more likely to work close to their place of training)

■ lack of a teaching hospital (to allow continual improvement in skills).

Recommendation 15

In the short term, consideration should be given to reinstating the after-hours scheme for private dentists previously used in the Northern region during the period of the Commonwealth dental health program.

Recommendation 16

Consideration should be given to establishment of dental units at public hospitals.

Recommendation 17

In the longer term the following additional strategies for increasing dental resources are proposed for evaluation and consideration:

1.   Assistance to dentists setting up their own practice in Tasmania on the basis that the dentist agrees to treat set percentages of public patients for an agreed number of years (e.g. 80% in year 1, 60% in year 2, 40% in year 3, 20% in year 4). This method provides short-term dental resources to OHS, but also offers the benefit of increasing the number of dentists in Tasmania. The exact nature of the assistance needs to be discussed with dentists, but the provision of guaranteed patients should be, in itself, a significant advantage for a new practice.

2.   A 'bonding' scheme for dentistry students, similar to the scheme offered by the Queensland Dental Service. In this scheme dentistry students are recruited in September of the second year of their course. In exchange for financial assistance during tertiary study they are required to complete a contractual service period after graduation. The Queensland scheme is supported by specific legislation.

3.   Ensuring OHS has the administrative resources, and recruitment skills to actively recruit recently graduated dentists and experienced dentists.

4.   Setting up a training scheme (with for example 2 weeks of paid training leave per year) linked to a teaching hospital in mainland Australia to ensure OHS dentists are not professionally disadvantaged by working in Tasmania.

In 1996 the Commonwealth stopped its annual funding of the $3.4 million CDHP, which took OHS by surprise even though CDHP was only ever intended as a short-term measure. The loss of these funds resulted in general care reducing to almost non–existent levels with an increasing focus on only providing emergency care.

We noted that attempts to secure some relatively small amounts for specific purposes were vetoed by internal process. Apart from that we found no evidence of attempts to get increased funding until 2000-01. There were clearly insufficient funds to maintain an adequate level of general care for adults.

Recommendation 18

The department should recognise that providing sufficient levels of general care to achieve acceptable standards of oral health in the target population will require a substantial injection of funding.

The 2002 report outlined the use of vouchers for emergency care. A voucher entitled a patient who needed emergency care to seek an appointment with a participating private dentist. A voucher cost the patient $20.00 with the remainder of the cost charged back to OHS by the private dentist. The scheme at the time was only available in Southern Tasmania and on the North West Coast. Problems with the scheme included:

- few participating private dentists

- rebate being based on the Department of Veterans Affairs scheduled fee (that was less than a private dentist could earn by treating other private patients)

- difficult nature of patients referred

- nature of the emergency work referred to private dentists

- difficulty in tracking vouchers issued.

Recommendation 19

OHS should give priority to retaining private dentists in the emergency care scheme. This might involve excluding patients known to be abusive, and increasing the rates paid to private dentists.

Recommendation 20

The emergency care voucher scheme should be extended to the North of the state.

Recommendation 21

Control over issue of vouchers should be improved to ensure that most vouchers are only issued in accordance with available funds and the likelihood of clients being able to get an appointment with a private dentist.

3.3 Efficiency criteria

We developed a three-step model to determine the commercial valuation of the adult dental services. We determined that the value of dental services performed as measured at commercial rates exceeded the cost of the adult component of OHS. This methodology was developed because there was no existing OHS model that we could use.

Recommendation 22

A model for assessing the efficiency of service delivery for the various services offered by OHS should be developed, and efficiency indicators regularly reported with other performance indicators.

The EXACT system provided recommended times for all dental services provided. Based on this information the recommended time for all dental services provided in the 2000-01 financial year was 12 000 hours. In contrast actual dental hours available were calculated as approximately 19 000 hours. The apparent inefficiency was supported by the relatively low numbers of patients per OHS dentist compared with the national average.

Recommendation 23

A review should be performed to determine the reasons for the disparity between actual and standard times for provision of dental services.

We found that there was an excess of dental chairs in relation to the number of dentists. We supported the suggestion made to us that OHS consider the introduction of a two-chair policy where one chair could deal with minor dental work whilst the other tackled more difficult cases. The two-chair policy boosts efficiency in the private sector. However, we received little support for its introduction from senior staff.

Recommendation 24

Consideration should be given to the introduction of a two-chair policy as a method of increasing the efficiency of dental service delivery.

In 2002 there were four prosthetic laboratories operating in Tasmania. Clinical services operate from Hobart, Launceston, Devonport, Burnie, and to a limited degree at Wynyard. This provided a sharp contrast with the Victorian public dental service, which only had one laboratory. The Dever Review also raised this point.

> **Recommendation 25**
>
> **A policy on the provision and use of oral health facilities should be developed and used to determine the number and location of prosthetic laboratories in Tasmania.**

At the time that the 2002 report was written there were 7.6 Full Time Equivalent (FTE) prosthetists and 6.4 FTE technicians (preferred OHS ratio was 1:1).

An examination by region showed that while in the North and North West regions there was a reasonable match between prosthetists and technicians, there was an imbalance in the South with four prosthetists but only one part-time technician. We considered this to be inefficient with prosthetists presumably performing tasks that could be performed by relatively less expensive dental technicians.

> **Recommendation 26**
>
> **OHS should endeavour to correct the imbalance in the Southern region between prosthetists and dental technicians.**

From our analysis of OHS's administrative support we ascertained that only 8% of salaries related to administration (compared to 19% in private practice). Notwithstanding that OHS can achieve economies of scale we still considered OHS's administrative resourcing as comparatively low. In addition the acting OHS head was also the senior clinician meaning he had additional administrative duties to his clinical responsibilities.

> **Recommendation 27**
>
> **The department should ensure that the service has sufficient administrative resources to enable strategy formulation and implementation, strategic planning and preparation of funding submissions.**

Between March 2001 and February 2002 in the Southern Region alone there were 58 no-shows. We estimated the value of each no-show at $217.00. Even though stand-by patients can plug some 'no-shows', we felt it preferable that all available time-slots be used. In the private sector most dentists make reminder calls prior to seeing a patient.

> **Recommendation 28**
>
> **Given the current difficulties in meeting demand for emergency care, the practice of making phone calls to patients on the day prior to appointment should be considered.**

3.4   Equity criteria

We found that the voucher system did have a number of private dentists in the South and on the North West Coast who would see referred public sector patients. However, elsewhere around the state the situation was very different.

> **Recommendation 29**
>
> **The service needs to actively recruit private dentists to be available to provide emergency care under the voucher scheme, wherever there is a private dental presence.**

3.5   Status of recommendations

This audit made 29 recommendations and these are listed in an abbreviated format in Table 4. For this Report, Recommendation 17 has been split into four elements to allow them to be individually rated.

Table 4: Oral health services: *Something to smile about? –* Degree of implementation of recommendations

	Recommendations (abbreviated)	Degree of implementation
1	A review of information recording should be performed.	75%
2	A strategic plan for OHS.	75%
3	Monthly performance information.	100%
4	Comprehensive performance information in annual reports.	100%
5	Need for a contextual analysis of the waiting lists.	50%
6	Resource allocation decisions should be revised.	100%
7	OHS should revise prosthetic EXACT data and ensure data is accurate and reports meaningful.	50%
8	Review Southern emergency practices.	100%
9	Consideration of more rigorous categorisation of urgency.	100%
10	Prioritisation policy developed for oral health services.	50%
11	Need for setting priorities for general care.	25%
12	OHS should attempt to better balance competing priorities.	25%
13	Redirection of resources from children's to the adult services.	25%
14	Model developed to determine numbers of dental workers.	50%

	Recommendations (abbreviated)	Degree of implementation
15	Short-term consideration of reinstating after–hours scheme.	50%
16	Establishment of dental units at public hospitals.	50%
17a	Assistance to dentists setting up their own practice in Tasmania.	0%
17b	A 'bonding' scheme for dentistry students.	75%
17c	Ensuring OHS resources to actively recruit graduated dentists.	100%
17d	Set-up training linked to a teaching hospital on the mainland.	100%
18	DHHS recognise that oral health requires additional funding.	75%
19	Prioritise retaining of private dentists in emergency scheme.	50%
20	The emergency care voucher scheme be extended.	100%
21	Control over issue of vouchers should be improved.	100%
22	An OHS model for assessing the efficiency of service delivery for its various services should be developed.	50%
23	A review to determine the disparity between actual and standard times for provision of dental services.	0%
24	Consideration of introducing a two-chair policy.	0%
25	Develop a policy on provision and use of oral health facilities.	100%
26	OHS to correct imbalance in the South between prosthetists and dental technicians.	100%
27	DHHS should ensure it has sufficient administrative resources.	100%
28	OHS should phone patients the day prior to appointment.	50%
29	OHS actively recruit private dentists for emergency care under the voucher scheme.	25%
	All recommendations	**64%**

Since the release of our original report OHS has undergone significant change. A summary of some of the changes made subsequently include:

- An administrative restructure of OHS has resulted in the appointment of a director responsible for OHS. The director now directly reports to the Deputy Secretary for Community Health.

- Additional business support has resulted in a reduced reliance on resources being provided from outside of OHS.

- The establishment of an educational facility at the New Town site now allows final year dental students to receive training in Tasmania.

- Greater support is now being received from the private dental sector for public sector initiatives.

Of our 32 (recommendation 17 has four parts) specific recommendations 10 have been fully implemented resulting in a better strategic environment with OHS now linked into the 2004-13 national *'healthy mouths and healthy lives'* health plan. A business plan also now exists for OHS.

OHS rejected our recommendation that the waiting-list data required additional contextual analysis because waiting-list information provided by EXACT did not reflect reality. OHS responded that there was no reliance on EXACT for waiting times but instead OHS used a snapshot based on average waiting times of people as they were treated. OHS is currently introducing a new triage system for emergency dental care together with a client information system (TITANIUM). TITANIUM will allow improved future reporting against waiting times according to categories of clinical need.

However, a number of recommendations have either not been implemented or their implementation has been limited. For instance, our recommendation that OHS consider introducing a two-chair policy has not been taken up. The reason given was that the introduction of a two-chair policy could place an added impediment for recruiting additional dentists in an increasingly tight market.

Assistance for dentists to set up a new practice in Tasmania if they agree to treat a set percentage of public patients has also not been implemented. The reason given for its rejection was that there was limited capacity and interest within the private sector for the recommendation to be accepted and implemented.

Little had been done since 2002 to implement our recommendation that criteria be established for setting priorities for general care. We were told that no jurisdiction has successfully implemented a relative need index for general care, though South Australia was attempting to develop such a system. OHS also pointed out that from 1 January 2007 a new triage system was established for patients seeking emergency dental treatment. This is expected to more effectively assist the prioritisation of emergency care but not general care.

In March 2007 the Government announced that it had purchased from the private sector a package of general care for clients from the North West Coast. The Government hopes this arrangement could eventually be extended statewide. We remain concerned that general waiting lists and waiting times have not been substantially reduced. So with respect to predominantly only treating emergency care patients the situation remains unchanged from our original report.

3.6   Conclusion

Overall, OHS has implemented 64% of our recommendations, which is quite reasonable, in that 25 recommendations have had a rate of implementation of at least 50%. However, significant numbers of patients continue to remain on the general care waiting list and OHS is still only providing an emergency-care focused service. In our view some of the not yet implemented recommendations have the capacity to contribute to reducing waiting times for general care. This is reflected by those recommendations that have not been implemented and those where little progress has been made.

Follow up response from Department of Health and Human Services

Since the follow up audit was conducted, Oral Health Services Tasmania (OHST) has continued to make significant progress with the implementation of the Better Dental Care Package.

The Better Dental Care Package has provided additional State Government funding of over $20 million. It has allowed a variety of very significant recruitment, educational and service development initiatives.

In particular, under the Better Dental Care Package, OHST has successfully recruited six additional dentists with funding becoming available for a seventh in 2007-08. This additional recruitment has seen OHST facilities staffed at near full capacity for the first time since the withdrawal of the Commonwealth Dental Scheme. Four additional surgeries (two in Hobart and two in Launceston) funded through the Package have also been staffed.

The additional employment, and the implementation of a triage system to manage demand for emergency treatment, has enabled OHST to deliver more general care to waiting list clients. OHST will exceed targets set for the delivery of general care in 2006–07 but the high demand for emergency/urgent care remains a barrier to a continuing increase in levels of general care. Clients triaged as requiring emergency or urgent care, who are at risk of life threatening complications, or who are in severe pain, will always need to be prioritised over clients with less pressing needs.

The awarding of a tender for the purchase of general care from the private sector has seen over 1400 clients offered care and removed from the waiting lists in the North West of the State. Whilst negotiations are continuing regarding the extension of services to clients in the South and North, OHST has introduced out of hours clinics specifically targeting general care waiting list clients.

Clients currently being removed from the waiting list have mostly waited between three and four years for general care (although they may have received emergency treatment during that time). The exceptions are clients who had been 'lost' to OHST for reasons such as changing address and who had recently contacted the Service again. These clients are reactivated with their original listing date, which means that they appear as having 'waited' for many years.

Planning is will underway for dental units in acute hospitals in each of the three regions of the State. The units in the North West and South are expected to be operational in early to mid 2008, with the Northern unit to follow.

The education and service facility will also become operational in 2008 and a dental academic has recently been recruited to a University of Tasmania/DHHS conjoint position. The academic will develop curricula necessary to provide undergraduate oral health education within the State and develop continuing education opportunities for existing Tasmanian practitioners. The new dental chairs within the facility will enable additional treatment to be provided.

4 Managing community service orders

4 Managing community services orders

The 2002 report

In Tasmania, there are a number of non-custodial sentencing options available to courts. Amongst these are Community Service Orders (CSOs) that require offenders to perform unpaid work or other activity in the community under the direction of a probation officer or supervisor. The Community Corrections Service within the Department of Justice and Industrial Relations (the department [now Department of Justice]) is responsible for ensuring that offenders fulfil the conditions of these orders. This Report addresses the Service's management of CSOs.

At the time of their introduction in 1972, CSOs offered an alternative to imprisonment but have since become a sentencing option in their own right. The offender may be required to work on any day of the week and, in conformity with other jurisdictions, community service can include attendance at educational or personal development programs aimed at improving social attitudes and personal circumstances.

CSOs reflect principles of 'restorative justice', a philosophy that considers the victims of crime and emphasises the consequences of crime. By returning a benefit to the community in the form of work on community projects, CSOs are compatible with restorative justice while the partial deprivation of liberty ensures an element of punishment.

The objective of the 2002 audit was to assess the effectiveness and efficiency of the management of CSOs by the Community Corrections Service (CCS).

The original scope of the audit was to examine CSOs administered by the department in respect of adult offenders (non-adult CSOs were excluded as they were administered by DHHS).

The following audit criteria were applied, viz:

- defined objectives of CCS
- management of individual CSOs
- management of CSO projects
- implementing CSOs
- breaching of CSOs.

The next section of this Chapter examines the recommendations made in the 2002 report, together with the degree to which they have been implemented.

Management responses, which were included as part of the 2002 report, are not reported here.

4.1 *Guiding principles of CCS (Community Corrections Service)*

At CCS the mission statement makes mention of 'restorative justice' as a guiding principle of its work with offenders. Programs of restorative justice emphasise the consequences of crime and focus on the personal involvement of the offender in the justice process together with the victim, their families and the community. We reported that in 2002 CCS did not have measures in place to determine the extent to which restorative justice was being achieved.

Recommendation 1

Adequate performance measures should be developed to allow evaluation of the effectiveness of CSOs against the principles of restorative justice.

The Productivity Commission requires the different Australian jurisdictions to separately report re-offending rates for different types of orders (i.e. CSOs, probation and parole). In 2002 CCS was only able to provide combined information.

Recommendation 2

Statistics on recidivism should be recorded by order type (i.e. CSO, probation, parole) and supplied to the Productivity Commission in line with national guidelines.

In the North and Northwest regions there were instances where personal development hours had not been credited to the CSO on an hour-for-hour basis. Instead, just 25% of attendance time was accepted. The legislation[2] seems to imply that these hours should be credited at their full value.

Recommendation 3

Credit for personal development hours should be equitable throughout all CCS offices and not discounted.

We looked at quality measures such as performance indicators CCS could use to assess its performance. We found that there were no formal measures to ascertain the satisfaction of offenders. Whilst an offender's attitude towards a particular project could be gauged as

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[2] Section 32 of the *Sentencing Act 1997*

part of the ongoing case management process feedback was not deliberately sought or measured.

Recommendation 4

CCS should consider expanding the performance measures that it applies to CSOs to include measures that incorporate feedback from offenders and supervisors.

As a service organisation employing professionals we were interested to see whether CCS measured and costed time allocated to the management of individual files. We found that there was no activity–based costing or case management system, instead the cost measurement used was as follows:

> No. of orders (CSO, probation and parole)/ total expenditure.

However, this measured a combination of all kinds of orders but did not reflect the amount of effort of the different types.

Recommendation 5

CCS should consider the use of an activity-based management information system or alternatively more detailed chart of account reporting within the existing finance system to allow more accurate management information to be derived.

4.2   Management of individual CSOs

We noted that 502 CSO assessments were made during 2001-02. When an assessment was made officers from CCS looked to see whether an offender was suitable and willing to perform a CSO. Officers also reviewed an offender's previous offences, if applicable. From a sample that we selected for closer examination it was unclear in 8% of cases as to what kind of assessment action had been taken to determine an offender's suitability to receive a CSO.

Recommendation 6

CSO files should contain enough information to indicate the type and level of assessment that has been made of the offender by CCS.

How many CSO hours per week should an offender complete? CCS had an informal benchmark of six hours per week. Using this benchmark we examined a sample of CSO offender files to determine whether offenders were completing their CSOs at a reasonable rate. Figure 1 shows the results.

Figure 1: Percentage of CSOs below expected benchmark
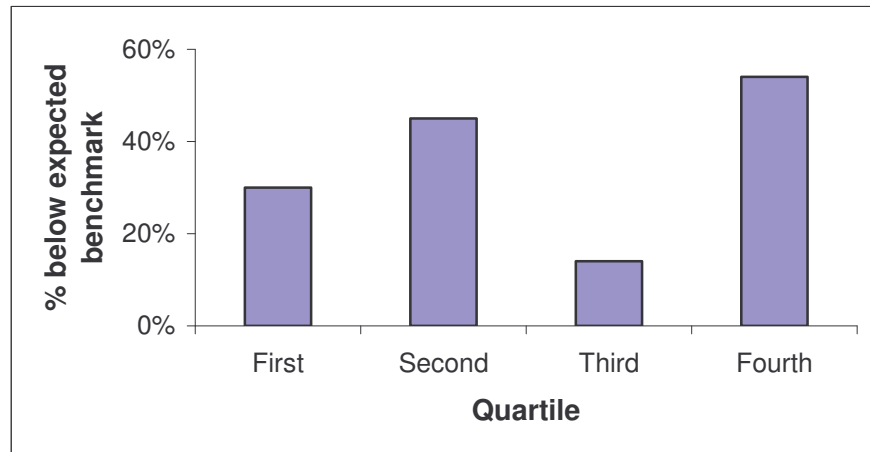
We found that more than half of the CSO offenders in our sample exceeded the benchmark in time taken to complete their orders.

Recommendation 7

CCS should monitor the time taken by offenders to complete their CSOs to ensure that progress made is consistent with the service's benchmark.

As previously noted there was no activity-based cost accounting system or equivalent professional office management system in use at CCS to allow probation officers to account for their time spent on individual CSOs. Similarly, the chart of accounts set up in the department's accounting system did not allow activities to be recorded at that level. If the various activities undertaken by CCS were viewed as commercial services there would be insufficient data to manage them reliably.

Recommendation 8

To strengthen our earlier recommendation (No 5), CCS should consider the use of a cost-tracking system so that actual costs associated with the different order types could be captured for more thorough analysis by management.

We noted that in relation to pensioner projects there was a case for decreasing the use of pensioner projects, especially with regard to the cost. However, we believed that pensioner projects yielded benefits consistent with restorative justice.

Recommendation 9

CCS should consider retaining pensioner projects in some form to help maintain a broad range of employment options for CSO offenders.

51

We found that 'self-supervising community projects' were an essential element of CCS's strategies in placing CSO offenders. They represented the potential for a 'win-win' that benefited the Service, the project provider and the offender while also being aligned with restorative justice principles. However, we expressed the opinion that it was essential the relationship with community projects be sensitively managed in order to retain the project for future placements.

Recommendation 10

CCS should continue to strive for self-supervised community projects to maintain a diversity of work types and environments that will aid future placements of CSO offenders. Training should be made available to project supervisors to help them understand their rights and responsibilities in relation to the CSO scheme.

4.3   Management of CSO projects

When we examined the spread of CSO projects in Tasmania we found that on the whole there were enough projects available to satisfy demand. However, in certain areas, such as remote rural locations, difficulties were experienced in locating suitable CSO projects. In Scottsdale for example an offender had to be returned to court because a suitable CSO project could not be located. The court reimposed the CSO.

Recommendation 11

Where CCS has difficulty finding project work for CSO offenders, innovative solutions should continue to be encouraged so that the court's orders are fulfilled promptly.

Any new projects must be assessed to ensure compliance with CCS guidelines. New projects must not take work away from paid employees or contractors. Each regional manager should be aware of the projects operating in their region.

Recommendation 12

To ensure that new projects do conform to CCS's criteria management sign-off should be part of the approval process.

CSO supervisors are part-time employees who are hired to work directly with CSO offenders. To determine the recruitment consistency of supervisors we reviewed CCS criteria for their employment. We found that the recruitment procedures around the state slightly differed, as did supervisor position descriptions.

> **Recommendation 13**
>
> **To ensure consistency in relation to the recruitment of CSO Supervisors the following should be implemented:**
>
> **A common, updated position description should be drawn up for use by all offices of CCS; and**
>
> **Any future recruitment of CSO Supervisors should include an interview for those candidates short-listed for consideration of any vacancies.**

4.4   Implementing CSOs

When an offender is sentenced, it is a legal requirement that he or she must report to CCS within one day where the conditions of the CSO are explained. As an acknowledgement at this meeting the offender receives a form, which should be counter-signed by the probation officer. This as an important step in the process because the offender acknowledges his or her understanding of the conditions applied to the CSO.

Out of 257 CSO files sampled 197 contained signed forms.

> **Recommendation 14**
>
> **CSO offenders should receive an information briefing and acknowledge it by means of the 'Memorandum of Notification' unless they have already done so within the last year.**

We reported some anomalies where monetary fines were converted to CSO hours, but were subsequently re-converted back to fines at a later date. Variations were noted between conversions and reconversions carried out by the different CCS regional offices. We also noted that by rounding conversions up to the nearest $100 (which equals a seven-hour CSO day) offenders appeared to be unfairly treated, especially if they wanted the penalty reconverted back to a fine.

> **Recommendation 15**
>
> **CCS should seek clarification of the intent of section 48(2) of the *Sentencing Act 1997* to determine whether the apparent anomalies associated with fine re-conversions were considered when the legislation was drafted.**
>
> **Recommendation 16**
>
> **Fine re-conversions should be handled consistently in CCS offices.**

4.5   Breaching of CSOs

When an offender with a CSO subsequently fails to satisfactorily perform the work assigned or does not turn up, he or she has to be reported by the supervisor to the responsible probation officer for follow up. A number of warnings were issued (usually three) before an offender would be 'breached' by a probation officer resulting in the person having to reappear in court for re-sentencing. Where a probation officer became aware of an offender having absconded the offender would be immediately breached.

We examined the handling of warnings and prosecutions for breaching CSOs and found that procedures, especially the number of warnings issued, were not always consistent across the various CCS offices.

> **Recommendation 17**
>
> **Uniform procedures should apply to breach action in all CCS offices so that offenders are handled equitably.**

Even if an offender gives information in good faith for a probation officer to make a CSO assessment, there is no guarantee that an offender will not subsequently breach the order. The small scale of breached CSOs in CCS offices limits the extent that circumstances in one office were applicable to CSO files generally. Nonetheless, systemic issues may emerge if the data from breached CSOs were to be examined systematically.

> **Recommendation 18**
>
> **Information about breached CSOs should be reviewed centrally to determine whether systemic issues, particularly regarding the effectiveness of assessment of offenders, could be identified.**

4.6   Status of recommendations

Eighteen recommendations were incorporated in the report tabled in December 2002. Table 5 lists the recommendations made in an abbreviated format, together with the degree of implementation.

Table 5: Managing community service orders – Degree of implementation of recommendations

	Recommendations (abbreviated)	Degree of implementation
1	Adequate performance measures should be developed.	0%
2	Statistics on recidivism should be recorded by order type and supplied to the Productivity Commission.	100%
3	Credit for personal development hours should be equitable.	100%
4	CCS should expand its performance measures.	0%
5	CCS should consider the use of an activity-based MIS.	0%
6	CSO files should contain enough information about the offender to indicate the type and level of assessment.	100%
7	CCS should monitor the time taken by offenders to complete their CSOs.	50%
8	CCS should consider the use of a cost-tracking system.	0%
9	CCS should consider retaining pensioner projects.	100%
10	CCS should continue to strive for self–supervised community projects.	50%
11	Innovative project solutions should continue to be encouraged.	100%
12	Management sign–off should be part of the approval process for new projects.	100%
13	To ensure consistency in relation to the recruitment of CSO Supervisors the following should be implemented: ▪ A common, updated position description should be drawn up. ▪ Any future recruitment of CSO Supervisors should include an interview for short-listed candidates.	100%
14	CSO offenders should receive a briefing and acknowledge it by means of the 'Memo of Notification'.	100%
15	CCS should seek clarification of the intent of section 48(2) of the *Sentencing Act 1997*.	N/A
16	Fine re-conversions should be handled consistently.	100%
17	Uniform procedures should apply to breach action in all CCS offices so that offenders are handled equitably.	100%
18	Information about breached CSOs should be reviewed centrally.	0%
	All recommendations	**65%**

In the original report we mentioned that CCS was implementing a new management information system, Offender Information System (OIS). The roll-out for this system has progressed further since that time so that all case notes are now held electronically. The next phase will look at gap analysis and business mapping.

A total of ten recommendations have been totally implemented. We were pleased to note that the pensioner projects have been retained, as we believe they have a role in maintaining a diversity of offender projects and also because they are consistent with the principles of restorative justice.

Three recommendations dealt with consistency across the state, specifically:

- No. 13: recruitment of CSO supervisors

- No. 16: fine re-conversions

- No. 17: uniform-action for breach action.

CCS has acted to ensure uniformity across the regions.

However, five recommendations have not been implemented at all. CCS believes that to implement Recommendations 5 and 8 would present a significant challenge to its current financial system and doubts that any real benefits would be gained. However, we do not resile from recommending the introduction of such a system as it can assist management with cost tracking and improve the management of probation officers' time.

Recommendation 18 has also not been addressed. The assessment and breach procedure needs to be reviewed to determine if up front assessment is necessary before an order is imposed.

Recommendation 15 was not considered during this process because it related to the intent of section 48(2) of the *Sentencing Act 1997*, which is currently in the process of being amended. Accordingly, the issue of rounding up should no longer be an issue.

4.7   Conclusion

In conclusion the rate of recommendation implementation was found to be patchy with 10 recommendations being fully implemented, whilst another five were not implemented.

Follow up response from Department of Justice

As the Report indicates Community Corrections has fully implemented 10 of the 18 recommendations from the 2002 Report and recommendation 15 is no longer applicable.

Recommendation 1

Restorative justice principles are the basis for the entire CSO concept. It is difficult to conceive of a suitable measure for the experience of individuals in the scheme, which would be cost effective.

Recommendation 4

The information has been sought in the past via questionnaire with little success. As offenders are placed on orders by a court the completion of the order is the primary consideration with offender satisfaction a secondary issue.

Recommendations 5 and 8

Implementing these recommendations would be impractical in the context of the centralised finance system operating within the Department of Justice. The additional effort and resources required to run a parallel system cannot be justified. It should also be recognised that Community Corrections staff are employed as Probation Officers with the management of CSO files integrated with their overall workload.

Recommendation 7

Monitoring the time taken to complete a CSO would be of limited utility, particularly in regional areas.

The benchmark of six hours per week is an internal one only. Its achievement can be affected by many factors including seasonality of work, health issues, family commitments, availability of projects and supervisors and weather conditions. In addition, employment of supervisors in some regional areas is delayed for costs reasons until at least three offenders can be scheduled for work.

Recommendation 10

Where possible, self-supervised project sites are sought in order for Community Corrections to utilise its scarce resources most effectively. However many sites require supervision from CSO Supervisors, particularly in rural areas, as many offenders do not hold drivers licences and have difficulty with transport to their site.

Difficulty securing project sites occurs for the following reasons:

- Services may not be interested in having offenders at their service, particularly in rural areas where the offender may be well known.

- Services do not want offenders with particular types of offending at their service eg burglary.

- An increase in volunteer work by members of the community has resulted in some services not requiring additional assistance.

- Services may be involved with supervising *Work for the Dole* and not require additional assistance.

- There is increasing concern regarding liability.

- Many services cannot provide sites on the weekend. The casual nature of employment for many offenders means they may not know of their availability for CSO work in advance, this in turn causes some problems with sites who cannot rely on having the assistance of a CSO worker.

Recommendation 18

Community Corrections is preparing to undertake a review of the assessment and breach procedure to determine if assessment is warranted before an order is imposed, as it may be more effective to simply return to court for breach action where necessary.

5 Business names and incorporated associations

5 Business names and incorporated associations

The 2003 report

The purpose of the business names register is to provide a means whereby members of the public are able to enquire behind a trading name to establish the identity of the owners.

The Department of Justice and Industrial Relations' (now Department of Justice) administers the *Business Names Act 1962* and the *Associations Incorporation Act 1964.* The Department of Justice and Industrial Relations (the department) is responsible for encouraging a fair, safe and equitable market. The department is required under legislation to maintain registers of business names and incorporated associations.

Under not-for-profit legislation,[3] associations such as those with a religious, educational, benevolent, charitable, recreational or community purpose can incorporate. Incorporation limits a members' liability to the assets of the association. Incorporation also affords name protection in that no other incorporated association is able to use an already registered name. Thus, incorporated associations are more likely to attract people willing to participate in organisations directly providing the community at large with charitable, educational, religious, sporting and recreational bodies. The department is required under legislation to maintain a register of incorporated associations.

The objective of this performance audit was to assess the effectiveness and efficiency of the management of the Business Affairs Office (BAO) in relation to its administration of the *Business Names Act 1962* and *Associations Incorporation Act 1964.*

The audit examined the administration of the principal Acts along with the maintenance of the respective registers for business names and incorporated associations. An assessment was also made as to whether there was a reasonable level of service— together with access—for the public.

We applied the following audit criteria, viz:

- The *Business Names Act 1962* was being administered to ensure that those required to register a trading name complied.

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[3] Section 8 of the *Associations Incorporation Act 1964.*

- The *Associations Incorporation Act 1964* was being administered to ensure that incorporated associations complied.

- Fees were reasonable compared to other jurisdictions.

- Fee income collected was sufficient to cover administrative costs.

- The level of service and public access was reasonable and applications were processed in a timely manner.

- Information concerning the functions of BAO was readily available to the public. Objectives, guidelines and procedures were sufficiently documented.

- The business names register was an accurate record.

The next sections of this Chapter briefly outline our 2003 report together with audit findings and the recommendations made at that time. Management responses, which were included as part of the 2002 report, are not reported here.

5.1 Objectives, guidelines and legislation

We looked at the guiding principles of BAO. We were interested to see whether they accorded with the work undertaken. We found the guiding principles, as contained in the Tasmanian Government budget documents, broadly defined BAO's role as a registration and advice point but omitted mention of its role as a legal enforcer and administrator of incorporated associations.

Recommendation 1

BAO needs to more clearly define its guiding principles, which should be in alignment with the objectives of the legislation it administers.

As BAO enforced the above Acts and regulations we wanted to know whether there were guidelines or manuals to assist. We found BAO lacked a current procedure manual and in the absence of this documentation there was a risk that knowledge may be lost in the event of staff turnover.

Recommendation 2

The production of a procedures manual for the whole of BAO would assist the efficiency and effectiveness of the office. It would also address the potential problem of replacing senior experienced staff.

5.2   Business name registration compliance

We examined the integrity of the business names register by comparing a random sample of names from BAO's Business Affairs Cashiering and Registration Database (BACARD) against Tasmanian telephone directories. We also tested BACARD against the Australian Tax Office's Australian Business Name (ABN) register. We found that up to 21% of businesses were not complying with the Act's requirements to register trading names.

We also completed a reverse test by comparing BACARD back to telephone directories. This test indicated that 57% of business names were not matched to telephone directories.

Recommendation 3

BAO should develop strategies to maintain the integrity of the information contained in BACARD. Options include:

a) **data matching using ABN data**

b) **data matching using telephone directory data**

c) **random compliance testing.**

The department conducted limited compliance checking during September and October 2000 and found that 12% of businesses within the Moonah 7009 postcode were not registered in accordance with the Act. Despite the high rate of non–compliance the department had not carried out any further testing. In addition, BAO had no mechanism for following-up on business names already removed from the register.

However, we did find that the Measurement and Standards Branch of the department undertook some compliance activity during its inspection program that takes in between 5000-6000 businesses annually.

We concluded that to increase the accuracy of the register an increased compliance program should be undertaken by BAO as we found the current compliance activities to be inadequate. We believed that an enhanced compliance program was the only way to reduce the number of non–compliant businesses.

Recommendation 4

BAO should consider checking deregistered names 90 days after deregistration. Appropriate action should be taken if businesses are found to be in breach of the Act.

> **Recommendation 5**
>
> **A compliance program should be implemented to enforce greater adherence to the Act. This could be partially achieved by formalising the existing practice whereby inspectors from the Measurement and Standards Branch check a business names registration as part of their business visitation program.**
>
> **Recommendation 6**
>
> **The Act should be amended to enable BAO to require businesses found not to have a name registered under the Act to pay for any missed registration periods.**

5.3 Incorporated associations: Legislative compliance

Incorporated associations are required to submit:

- a statement detailing the association's income and expenses

- a certified list of names and addresses of the association's committee members

- certification that a company auditor or an approved person has audited the annual return.

We sought to establish whether incorporated associations were submitting annual returns within the 6-month period allowed under the legislation. From our testing we found that late lodgements made up 23% of the sample and a further 3% were still outstanding at the time of our testing.

> **Recommendation 7**
>
> **Incorporated associations should have their incorporation cancelled if, without due cause, their annual returns are not received within 6 months of due date.**

5.4 Revenue and expenditure

BAO is responsible for administering the fee structure for both registered business names and incorporated associations. Fees are reviewed yearly with any increase to be in accordance with the *Fee Units Act 1997*, which allows for automatic indexation of most government fees and charges.

When we examined BAO's website we found that the fee increases for 2002 (applicable from 1 July 2002) were not updated on its website until November 2002.

> **Recommendation 8**
>
> **BAO should ensure that all published fee schedules are promptly updated.**

Other states and territories within Australia have similar business registration fees to Tasmania. Tasmania only offers a three-year business name registration fee, unlike Queensland, which allows for a one-year registration period at a reduced fee.

> **Recommendation 9**
>
> **BAO should consider allowing businesses the option to register/renew their business name registrations for shorter periods at a reduced fee.**

We estimated the level of additional revenue that could be expected to result from an increased compliance program as shown in Table 6 from the original report. The calculations were based on our earlier findings that up to 21% of businesses were trading with names that should be registered under the *Business Names Act 1962*.

Table 6: Additional revenue potential

	Numbers	Revenue	Percentage
Current register	27 500	$2 970 000	79%
Additional business names to be added to register	7310	$789 480	21%
Total **(3 years at 2002 fee level)**	**34 810**	**$3 759 480**	**100%**

> **Recommendation 10**
>
> **BAO should submit a case requesting funding for increased compliance activity. Additional funding should be linked to the expectation that increased costs can be recovered from growth in revenue collections.**

The following is based on a response received from the department relating to our recommendation for an increased compliance program.

Following comments from the Auditor-General and submissions to the Department of Treasury and Finance, funding was granted to create a Compliance Manager position. The objective of this position was to increase the level of compliance with the *Business Names Act 1962*. The manager's activities focused on proprietors not renewing

their business name and who continued to advertise in some form in the *Hobart and Southern Tasmania Yellow pages directory 2004.*

Statistics showed that the Compliance Manager's activities were directly responsible for the renewal of 598 business names and the registration of 515 new business names. This equates to an additional $128 427 in 21 months.

There is also evidence of increased compliance as a result of the Compliance Manager's activities. From July 2004 to April 2006 the size of the business name register increased by over 2000 business names. To put this in perspective, the register had remained at around 29 000 from July 2001 to June 2004 but then increased to 31 000 between 2004 and 2006. On current renewal fees this equates to $234 000 in additional revenue.

5.5   Accessibility and education

BAO funded a part-time position (0.5 FTE) to handle counter and telephone enquiries together with cashiering duties. The position was originally to have been withdrawn shortly after the Hobart office of Service Tasmania was opened.

Recommendation 11

Consistent with the Government's service delivery commitment to provide over-the-counter services through Service Tasmania, BAO should redeploy resources currently used on the front counter.

One of our criteria was to audit service delivery by BAO. Accordingly, we examined availability of forms and their quality. At one Service Tasmania outlet we found many of the forms were of poor quality and had been amended by hand. We also found inconsistencies with the published fees for some services.

Recommendation 12

All forms should be printed only from BAO or Service Tasmania website, ensuring only the latest forms are handed to members of the public.

We examined the various methods of payment accepted by BAO and compared them to payment options offered by other jurisdictions. We found that other jurisdictions did have payment options not available in Tasmania.

> **Recommendation 13**
>
> **Management is encouraged to proceed with consideration of allowing business name renewals to be done via the Service Tasmania website. Other payment options such as Bpay and credit card details by fax should also be considered.**

From time-to-time BAO staff have provided briefing sessions to Service Tasmania staff and these sessions were invaluable allowing interaction of staff from both entities.

> **Recommendation 14**
>
> **Annual briefings and updates of current BAO services should be undertaken with Service Tasmania front line staff.**

In the past, BAO staff visited law and accountancy students at the University of Tasmania giving brief lectures on the legislative aspects of business names. That practice was no longer occurring and no other education strategies were in place. We believe briefing sessions are an economical and effective way of targeting students entering professions that interact with people starting or running their own businesses.

> **Recommendation 15**
>
> **Consideration should be given to introducing innovative ways of distributing educational material to the public about the business names register and the availability of incorporation for not-for-profit associations.**

5.6   Service delivery

Government and business sectors use Australian and New Zealand Standard Industrial Classification (ANZSIC) codes as an effective categorisation tool. BACARD is an extensive information resource that could be better used, especially if appropriate safeguards were put in place to prevent the release of sensitive information. One of the best ways to organise the information is through the use of ANZSIC codes. BACARD allowed the use of ANZSIC codes but this functionality was not operating at the time.

> **Recommendation 16**
>
> **BAO should adopt the use of ANZSIC codes. Greater utilisation of the information contained by BACARD should be encouraged and facilitated.**

In Victoria and South Australia incorporated associations are divided into prescribed and non-prescribed. Prescribed associations are subjected to a higher degree of scrutiny than non-prescribed associations. Categorisation in Victoria is determined by the amount of gross assets controlled by an incorporated association. However, in Tasmania incorporated associations consist of only one class.

We found that incorporated associations with assets in excess of $10 million were being treated the same as those with assets of $10.

Recommendation 17

A review of the Associations Incorporation Act 1964 should be established with the purpose of classifying incorporated associations as prescribed or non-prescribed and setting separate reporting requirements for the two categories.

In Tasmania there are no 'scale and nature' provisions in the *Associations Incorporation Act 1964.* Accordingly, BAO did not have the power to require an association to move its incorporation from the above Act across to the more commercially focused Commonwealth *Corporations Act 2001.*

We found that Tasmanian legislation only allowed the cancellation of an association's incorporation if the body ceased to be an association within the meaning of the Act.

Recommendation 18

A review of the Associations Incorporation Act 1964 should be established to consider insertion of a 'scale and nature' provision allowing the Commissioner to direct an incorporated association to transfer its incorporation to a more appropriate Act.

5.7 Status of recommendations

The above 18 recommendations are summarised in Table 7.

**Table 7: Business names and incorporated associations –
Degree of implementation of recommendations**

	Recommendations (abbreviated)	Degree of implementation
1	BAO needs to more clearly define its guiding principles.	100%
2	To assist with efficiency and effectiveness BAO needs to produce a procedures manual.	50%
3	BAO should develop strategies to maintain the integrity of the information contained in BACARD.	75%
4	Deregistered names to be checked after 90 days, with appropriate action to be taken if necessary.	100%
5	A compliance program should be implemented to enforce compliance with the *Business Names Act 1962*.	100%
6	*Business Names Act 1962* should be amended to allow backdating of fee collections.	25%
7	Cancellation of incorporated status if annual returns more than six months late.	100%
8	Prompt updating of all fees schedules.	100%
9	Consideration of shorter registration periods.	25%
10	BAO should submit a case requesting funding for increased compliance activity.	100%
11	BAO should consider redeploying over-the-counter services through Service Tasmania.	100%
12	All forms should be printed only from BAO or Service Tasmania website site.	100%
13	Consideration should be given for business names renewals to be done via the Service Tasmania website.	25%
14	Annual briefings of current BAO services should be undertaken with Service Tasmania front line staff.	100%
15	Innovative distribution of educational material encouraging business registrations to the public should be considered.	100%
16	BAO should adopt ANZSIC codes.	25%
17	A legislative review of the *Associations Incorporation Act 1964* where the adoption of prescribed associations be considered.	0%
18	'Scale and nature' provisions be introduced into the *Associations Incorporation Act 1964*.	50%
	All recommendations	**71%**

From the questionnaire response a total of 10 recommendations have been fully implemented. Of the 18 recommendations only one recommendation (Recommendation 17) received a zero rating. BAO did not believe that an assessment, beyond what was being done, could be achieved within the current resource allocation. Further, BAO believed that scrutiny of prescribed associations' annual returns would require a higher skill level than that currently required. However, BAO indicated to us that prescribed associations will be included in the legislative review of the *Associations Incorporation Act 1964*, due to take place during 2007.

A further four recommendations only had a 25% rating for implementation. Recommendations 6 and 9 received a low rating because no action has been taken to implement them yet, however, they have been included in a legislative review due to be completed during 2007. Implementation of Recommendation 13 was awaiting completion of a software review (scheduled for January 2008). Recommendation 16 may be implemented as part of an agreement with the Australian Taxation Office whereby BAO may be able to gain access to an abbreviated ANZSIC system, negating the need for BAO to implement an ANZSIC system from scratch.

5.8   Conclusion

With an overall rating of 71% we were satisfied BAO and the department in general have seriously considered our recommendations and attempted to implement them.

Follow up response from Department of Justice

Participation in the performance audit was a worthwhile process which stimulated a number of positive changes. In particular, additional compliance activity has resulted in an increase of business names registrations from 29 000 to 31 000. The development of procedures manuals was clearly a gap that needed to be filled and those recommendations that have yet to be adopted have provided a stimulus for a review of the business affairs regulatory regime.

Recommendation 2

This has been further progressed since November [2006] and is now close to completion. The business names procedures manual has been completed but further work is required to complete the manual for incorporated associations.

Recommendation 3

There has been a significant amount of compliance monitoring by Business Affairs since the initial audit resulting in an increase in the number of business names registrations and consequently, the

accuracy of the business names database. After some recent slippage
the compliance branch has re-commenced a dedicated program to
monitor business names compliance.

This recommendation also assumes a level of accuracy in telephone
directory data which is not necessarily well founded.

Recommendations 6, 9, 13 and 16

These are matters that need to be addressed as part of a review of the
Business Names Act 1962 and the Business Names software
(BACARD). Consumer Affairs and Fair Trading recently advertised
a part-time project officer to commence a review of the *Business
Names Act 1962* and this review is expected to commence shortly.

Tasmania, in common with other jurisdictions, is reluctant to make
changes to BACARD until the outcome of the Commonwealth
ABN Business Names Project and the future directions of business
names registration is known.

Recommendations 17 and 18

These will be addressed when a review is undertaken of the
Association Incorporation Act 1964. At this point it is unlikely that there
will be resources to commence a review of this Act during 2007.

6　Police response times

6 Police response times

The 2003 report

Annually, police respond to more than 160 000 calls for assistance across the state. Although incidents requiring an urgent response only occur in about 12% of cases, Tasmania Police must organise its resources to be ready when an urgent call is received—irrespective of time of day or location.

As a consequence, ensuring efficiency and effectiveness in responding to calls for police assistance can be expected to have a major impact on the police service as a whole.

The Command and Control System (CACS) is a database used to log incidents reported, allocate resources and ensure that incidents are expeditiously managed to finality. Operators at the police Radio Dispatch Service (RDS) have a critical role in processing incoming calls in CACS and ensuring that an appropriate response is assigned to incidents.

Because of the extensive level of data that it contains, we used CACS as a tool from which to derive performance data on response times.

The objective of the performance audit was to assess the effectiveness and efficiency of the management of police response times.

The scope of the audit was to examine the handling of urgent incidents advised to Tasmania Police. The audit did not consider the appropriateness of the response, the ongoing management of the incident or its ultimate resolution.

Audit criteria were:

- adequate guidelines developed and effectively implemented
- CACS was effective as a system of dispatch
- methods used to measure performance
- performance rating.

The next sections of this Chapter briefly outline our 2003 report together with audit findings and recommendations made at that time. Management responses, which were included as part of the 2003 report, are not reported here.

6.1   Communication of urgency

We examined incident comments recorded by RDS operators to see whether sufficient details were being recorded to enable an

appropriate exercise of judgement when communicating incident urgency to operational police.

The *Tasmania Police Manual* did not specify explicit instructions for communicating urgency to police units. Instead, communication of general information regarding urgency occurred via contextual details recorded and conveyed by RDS together with an assignment of a priority and a loose timeframe for a response.

The *Radio Dispatch Services User Manual* required that sufficient comments be entered so that any other operator who had no knowledge of the incident could accurately transmit response details. Despite this, we found that of all incidents included in the database no comments had been documented for 38% of records. As such, communication of urgency may have been hampered in some of these cases if an RDS operator who was handling dispatch was not fully informed due to a lack of comments.

Recommendation 1

The Tasmania Police requirement for sufficient comments regarding an incident to be recorded in CACS should be reinforced to RDS operators to ensure accurate communication of urgency.

6.2   Effectiveness of CACS (Command and control system)

We looked at the recording of urgency gradings by Tasmania Police in CACS.

We found that CACS did not make use of urgency gradings and, as a result, the urgency of incidents was not recorded. While other jurisdictions used response or urgency gradings, Tasmania Police instead tended to communicate urgency contextually both for management and operational purposes.

Recommendation 2

Tasmania Police should define and record urgency gradings. In doing so, consideration should be given to redefining incident types to reflect levels of urgency.

We examined CACS reports to see whether retrospective analysis of response to incidents was possible. We identified that such reports were helpful for the analysis of incidents with a slow response or where there was no response at all.

While we considered that available 'priority' information associated with a response was absent, we believed that the data collected in relation to response times did enable some exception reporting of

slow responses. Moreover, with further development of reporting features in CACS, production of a range of reports for more informative monitoring of response times would be possible.

> **Recommendation 3**
>
> **Tasmania Police should develop and refine a reporting capability within CACS to facilitate analysis of response times.**

We considered that the 'updated times' field in CACS provided a time stamp for when information exchanges occurred. This time-stamped information, combined with the entered comments allowed for full incident replays to be produced if required. Analysis of other stages of the response (e.g. the time the incident was assigned to the unit or the time the unit proceeded to the incident) was therefore possible.

While information was readily available from CACS on the unit assigned, information on the time of arrival or the 'at-scene-time' represented only approximately half of all incidents recorded in CACS. This was due to either communications problems or the tendency of units not to notify once they had arrived at the scene.

> **Recommendation 4**
>
> **Tasmania Police should encourage notification and recording of attendance at the scene of an incident to improve the integrity of response data.**

6.3   Performance measurement

We looked at how Tasmania Police measured timeliness in responding to calls for assistance.

We found that there were 100 performance indicators and 41 benchmarks had been developed to analyse performance in areas such as crime, traffic and marine enforcement. However, timeliness in responding to calls for assistance was not included in Tasmania Police's *Corporate Performance Report*.

> **Recommendation 5**
>
> **Tasmania Police should consider developing a performance framework around response times that would include goal setting, monitoring and analysis.**

In order for commanders and local level managers to account for the efficiency and effectiveness of their response times they should be provided with regular performance information. Provision of that

data would enable timely and informed decisions to be made and assist in efficient and effective deployment of resources.

Recommendation 6

Tasmania Police should consider appropriate dissemination of reports regarding timeliness of response to the Command level so that deployment of resources can be optimised.

Other Australian police services either published, or intended to publish, a 'Guarantee of Service' that involved advising callers of time estimates for arrival.

We could not identify where RDS operators were routinely providing information to callers on the timeframe for response.

Recommendation 7

Tasmania Police should publish a 'Guarantee of Service' or similar clearly indicating commitments that will be met in terms of responding to incidents.

6.4   Actual performance

We sought to ascertain that responses to calls for assistance were not unduly affected by:

- geographic location
- day of the week, or
- time of the day.

In examining the above we looked at both the hourly distribution of urgent incidents together with the time taken to respond to calls. We found that response to calls for assistance was not unduly affected by the location or the day of the week. However, there was evidence that responses were slower between 03:30 and 07:30.

Recommendation 8

Tasmania Police should continue to monitor peaks in response times.

6.5   Status of recommendations

The current status of the recommendations, with regard to the degree that they have been implemented, is summarised in Table 8.

Table 8: Police response times – Degree of implementation of recommendations

	Recommendations (abbreviated)	Degree of implementation
1	Requirement for sufficient comments regarding an incident to be recorded in CACS should be reinforced to RDS operators to ensure accurate communication of urgency.	100%
2	Develop and refine a reporting capability within CACS to facilitate analysis of response times.	100%
3	Define and record urgency gradings.	100%
4	Encourage notification and recording of attendance at the scene of an incident to improve the integrity of response data.	100%
5	Consider developing a performance framework around response times that would include goal setting, monitoring and analysis.	100%
6	Consider appropriate dissemination of reports regarding timeliness of response to the Command level.	100%
7	Publish a 'Guarantee of Service' or similar, clearly indicating commitments that will be met in terms of responding to incidents.	50%
8	Continue to monitor peaks in response times.	100%
	All recommendations	**94%**

Tasmania Police indicated that all recommendations, apart from Recommendation 7, have been fully implemented. In respect to Recommendation 7, Tasmania Police considered that there was no requirement to provide a separate guarantee of service because the *Customer Service Charter* and *Business Plan 2006-07* provided an adequate regime for providing feedback to the public.

We were impressed that within a month of the release of the original report, Tasmania Police had assigned someone to be responsible for advancing our recommendations.

6.6   Conclusion

With an overall implementation rate of 94% we were satisfied that Tasmania Police has made a serious effort to implement the audit recommendations.

Follow up response from Department of Police and Emergency Management

Tasmania Police welcomed the examination of its processes and procedures by an external organisation and has responded in a positive manner in relation to all recommendations made following the audit.

In October 2006 I was able to advise your office that the majority of the recommendations contained in the Special Report on *Police Response Times* dated December 2003 had been fully implemented. I can now advise that all recommendations have been implemented, with a review being completed of our Customer Service Charter that incorporates a commitment to timely responses and advice concerning response times.

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7 Internal audit in the public sector

7 Internal audit in the public sector

The 2004 report

Internal audit (IA) operates to provide assurance to executive management or a 'governing body' that an organisation's control systems are effective.

In the Tasmanian public sector, legislation[4] provides a framework for IA whereby a Head of Agency is responsible for ensuring the existence of an effective system of internal control including, where appropriate, an IA function.

The audit's objective was to determine the efficiency and effectiveness of IA services in meeting corporate governance[5] objectives in the Tasmanian public sector.

We reviewed two entities that had an in-house IA function and two where the service was contracted from an external provider:

- Department of Education – DoE (Internal)

- Department of Infrastructure, Energy and Resources – DIER (External)

- Hydro Tasmania – HT (Internal)

- University of Tasmania – UTas (External).

We also visited those departments that did not have an IA function to determine the reasons for their decision:

- Premier and Cabinet

- Tourism, Parks, Heritage and the Arts (now Tourism, Arts and the Environment)

- Police and Public Safety (now Police and Emergency Management)

- Justice and Industrial Relations (now Justice).

The audit criteria were based on the Australian National Audit Office's 1998 best practice guide *'New Direction' for Internal Audit'*.

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[4] Section 22(c) of the *Financial Management and Audit Act 1990*

[5] Defined by Pat Barrett, AM Auditor-General for Australia in address for CPA *Australia's Government Business Symposium* in Melbourne on 20 September 2002 as: 'How an organisation is managed, its corporate and other structures, its culture, its policies and strategies, and the ways in which it deals with its various stakeholders … a combination of legal and 'better practice' organisational structure and management requirements, aimed at facilitating accountability and improving performance.'

They included:

- Do they have the right structure?

- Are they doing the right audits?

- Are IAs well conducted?

- Is the reporting process effective?

- Can IAs effectiveness be measured?

- What about no IA function?

The next sections of this Chapter briefly outline our 2004 report together with audit findings and recommendations made at that time. Management responses, which were included as part of the 2004 report, are not reported here.

7.1 Do they have the right structure?

We looked at the governance structures of the four entities. Whilst all were public organisations, two were inner-budget agencies (DIER and DoE), another was a government business enterprise (HT), whilst the fourth (UTas) was a public body that has to increasingly operate on a commercial footing.

As part of our examination of the entities' governance we looked at the structure of their audit committees' (or equivalent). HT is governed by a Board and UTas by a Council. Both had audit committees and each had an external representative on those committees. Both DIER and DoE had committees that fulfilled the role of an audit committee although not badged as such. We found that DoE had an external representative on the committee. However, at DIER membership of the committee was restricted to senior officers of the department with no outsiders.

> **Recommendation 1 – DIER**
>
> **The department should consider engaging at least one member of the audit committee from outside.**

We emphasised the importance of having an IA charter in place that would give a clear signal that executive management supports and is committed to an IA function.[6] We also considered it important that a member of IA (whether internally or externally provided) be able to attend all relevant committee meetings and that the manager of IA have unfettered access to the audit committee. We were therefore

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[6] '*New Directions for Internal Audit*' Australian National Audit Office 1998.

interested as to whether each entity had a charter in place and what kind of access IA had to the audit committee.

All but UTas had an IA charter and audit heads had direct access to the audit committee. However, we did note that DIER's external provider of IA had yet to personally attend its committee equivalent.

Recommendation 2 - DIER

We suggest that a senior representative of internal audit attend Management Assurance Committee meetings when internal audit reports are presented.

Recommendation 3 - UTas

UTas should adopt an internal audit Charter and make it widely available to staff.

Over recent years the role of IA has expanded beyond that of an enforcer of organisational compliance. IA operates across all of an organisation's functions and is often asked to comment on issues of efficiency and effectiveness. Accordingly, we looked at the staffing of IA sections to see if they employed appropriately trained and qualified people. In the case where the function was outsourced, we checked to see if the contractor provided appropriately qualified staff to perform those services.

Whilst recognising that the nature of its operations was different to the other organisations reviewed in this audit, we noted that internal auditor positions within DoE were not classified at a level comparable with other entities and that, as a consequence, staff retention might have been a problem.

Recommendation 4 - DoE

The department should review the classification level for internal auditors to provide relative parity with similar positions in other public sector organisations.

7.2   Are they doing the right audits?

In the 2004 report we reviewed the extent to which risk assessments were reflected in IA strategic planning. Table 9 summarises our findings:

Table 9: Risk assessments reflected in strategic planning

Risk assessment	DIER	DoE	HT	UTas
Audit committee and strategic plan	✓	✓	✓	✓
Assessment completed	✓	✓	✓	✓
Assessment current	✓	✓	✓	✗
Formal link to audit planning	✗	P★	✓	P★
Risk mitigation strategies present	✗	✓	✓	✓
All business risks embraced by plan[7]	✗	✓	✓	✓

P★ = partial achievement.

Whilst we found that the four entities had completed a risk assessment, the one completed by UTas was older than three years (1998). In relation to linking the risk assessment process into audit planning, only HT could demonstrate that it directly fed identified risks from the risk assessment process into its audit planning. UTas was given a 'partial' rating as it had undertaken a risk assessment process, but it was now dated. We found that DIER had not linked its risk assessment process to the IA function. Also, its IA function was more concerned with financial and compliance issues than managing risk.

> **Recommendation 5 - DoE and UTas**
>
> **Organisational risk assessments need to be reassessed on a regular basis.**
>
> **Recommendation 6 – DIER, DoE and UTas**
>
> **Organisational risk assessment and internal audit are separate functions but there needs to be a clearly defined mechanism to allow their interaction.**

We assessed whether IA conducted reviews into business systems such as:

- finance
- human resources

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[7] Both UTas and DoE utilise non–internal audit processes to mitigate educational risk. See page 27, *Educational outcomes and internal audit*.

- payroll

- assets

- management information

- information technology.

All IA sections had completed reviews into at least some aspect of the above areas: some were addressed individually whilst others were incorporated into broader projects.

Although audit attention to the above systems is essential, IA can do much more. Scheduling audit coverage of areas critical to the success of a business involves a focus extending beyond the traditional financial systems.

At DIER, while there was some indication of IAs on operational aspects, these audits were quite limited. Instead, the focus was more related to assurance on key financial systems such as Finance One and the Motor Registry System. There was little use of IA to mitigate key risks in operational areas.

Recommendation 7 - DIER

Greater use of internal audit should be made in operational areas.

We believed that IA should be actively involved in an organisation's risk management process, either by taking a major role in the assessment of risk or by reviewing the risk assessment process (if undertaken by another part of the organisation). To this end we examined the risk assessment process within each of the four organisations and found, not surprisingly, that each had a differing approach. We also tested the timeliness and currency of each entity's assessment.

We found that the IA function for DIER and DoE had no formal involvement in the risk management processes undertaken by these organisations. Internal audit at UTas was involved in a previous risk identification process. However, there was no involvement in the reassessment exercise that was being completed at the time of the original audit.

Recommendation 8 - DIER, DoE and UTas

Internal audit should have some involvement in the risk management process either through assistance to the risk management team, or review of the process.

7.3   Is the reporting process effective?

IA recommendations are made with a view to adding value by rationalising inputs or increasing effectiveness or efficiency. It follows that management should assess and actively implement IA recommendations and the audit committee, or equivalent, should strongly support appropriate recommendations and require follow up. Therefore, it is necessary that IA confirms implementation or ascertains reasons for non–compliance and reports resistance to the audit committee.

We questioned each of the four IA entities on the implementation of recommendations made. All, except UTas, were able to tell us the number of reports and recommendations made during a particular period. However, no entity actively collected statistics on the number of recommendations made or the percentage of recommendations accepted and implemented.

> **Recommendation 9 – DIER, DoE, UTas and HT**
>
> **Statistics on recommendations and subsequent follow-up should be collected.**

7.4   Measuring the effectiveness of internal audit

We expected organisations to measure whether or not their IA functions had:

- covered major risks

- completed quality audit work

- provided useful recommendations in a timely manner

- measured their own efficiency.

We reviewed how each of the organisations set goals and performance indicators to measure the performance of their IA sections.

This data should be used to annually assess the performance of IA in each organisation. This assessment can also be useful in relation to contract management where contractors provide IA services.

Apart from HT we were not satisfied with the collection of goal and performance indicator information sought by the organisations. DoE for instance did not have any performance measures in place.

> **Recommendation: 10 – DIER, DoE and UTas**
>
> **Internal audit should:**
>
> **– have measurable performance indicators or goals by which performance can be benchmarked**
>
> **– be reviewed annually by an organisation's audit committee (or its equivalent) to appraise its performance.**

We examined peer review processes being undertaken by IA and found that all of the entities, except for DoE, had a peer review process in place. HT for example had been peer reviewed by an independent Melbourne-based firm of consultants, with a subsequent follow-up review completed a little over 12 months later.

> **Recommendation 11 – DoE**
>
> **In keeping with current better practice guidelines all internal audit functions should be peer reviewed regularly. Peer reviews should be completed at least once every five years.**

7.5   No internal audit function

Legislation[8] requires agencies to maintain effective internal control including, where appropriate, an internal audit function.

The following departments did not have an IA function at the time of the audit:

- Justice and Industrial Relations (DJIR)
- Premier and Cabinet (DPAC)
- Police and Public Safety (DPPS)
- Tourism, Parks, Heritage and the Arts (DTPHA).

We looked to see whether these departments had undertaken IA–type functions outside of a specific IA unit. Alternatively, as to whether a department in deciding against the use of IA had satisfied the requirements of *FMAA* by documenting the reasons why. Additionally, that decision should be subject to regular review.

DJIR and DPAC were unable to produce documentation that related to considerations made concerning the pros and cons of establishing or retaining IA.

Performance of the above departments against our original criteria is shown below in Table 10.

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[8] Section 22(c) of the *Financial Management and Audit Act 1990*

Table 10: Departments without internal audit

Criterion	DJIR	DPAC	DPPS	DTPHA
No IA function decision documented?	✘	✘	✔	✔
Decision subject to review?	✘	✘	✔	N/a
Similar units?	✘	✘	✔	N/a

The choice as to whether an entity should use IA is for management to decide but DJIR and DPAC could not produce documentation demonstrating that they had satisfied their obligations under *FMAA*.

Recommendation 12 – DJIR and DPAC

Both departments should document their position on internal audit. Also, the matter should be subject to regular review - particularly as circumstances change.

7.6 Status of the recommendations

Not all of the above recommendations apply to every entity involved in this audit and Table 11 summarises the status of implementation of each of the recommendations applicable to individual entities.

DIER has not been included in Table 11 because it took the decision to suspend its IA function. However, during 2007-08 DIER is likely to re-introduce an IA function. Accordingly, we asked management at DIER to comment on whether they would implement all of the recommendations when the IA function is re-introduced. DIER responded it would most likely adopt or seriously consider adopting all the recommendations.

Table 11: Internal audit in the public sector – Degree of implementation of major recommendations

	Recommendations (abbreviated)	DIER %	DoE %	HT %	UTas %	All %
1	At least one member on audit committee should come from outside the organisation.					
2	Senior representative from IA to attend audit committee meetings.					
3	Audit charter be adopted.				100	100
4	Review internal auditor classifications to achieve parity.		100			100
5	Organisational risk assessments to be reassessed on a regular basis.		75		75	75
6	Greater interaction between organisational risk assessment and IA.		100		100	100
7	Greater use of IA in operational areas.					
8	IA should have some involvement in the risk management process.		100		100	100
9	Statistics on recommendations and their follow-up to be collected.		100	100	50	67
10	IA should have measurable performance indicators that are reviewed regularly.		100		50	75
11	Peer reviews to be regularly conducted.		100			100
	Recommendations 1 – 11		96	100	79	89%[9]

Light grey shading in the above table indicates that a particular recommendation does not apply to an entity.

Dark grey shading in above table represents recommendations applicable to DIER in original report.

We found the entities had implemented the majority of the recommendations made.

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[9] Weighted average based on number of recommendations for each of the three entities i.e. 14 recommendations.

Recommendation 12 (DJIR and DPAC)

Recommendation 12, which related to those departments without an IA function, had been fully adopted by both the DJIR (now Justice) and the DPAC. DJIR now engages an external contractor to provide limited IA coverage for the department. Whilst DPAC has established an IA committee, prepared a draft business case outlining options for an IA function and has also drafted an IA charter.

The DPPS (now Police and Emergency Management) and DPTHA (now Tourism, Arts and the Environment), either had a management review team (DPPS) or were in the process of establishing an externally provided IA function (DPTHA). Since our 2004 report DPPS has maintained its review function and engaged external contractors to complete specific IA tasks. DTPHA has completed the process of engaging an external contractor to provide IA services. DTPHA has developed and adopted an internal audit charter, together with a three-year strategic IA plan. DPTHA has also appointed an IA committee and has provided us with a copy of its 2006-07 audit plan.

7.7   *Conclusion*

The overall degree of implementation for this Report was a most satisfactory 91% (excluding DIER's results). We were satisfied that public sector entities currently with an IA function had made serious attempts to implement our recommendations.

Follow up management responses from entities that had an IA function in 2004

Department of Education

The department has made significant progress with six of the seven recommendations now fully implemented. The recommendations have assisted in improving the efficiency and effectiveness of the department's Internal Audit function.

Internal Audit's involvement in the risk management process and its interaction with organisational risk assessment processes has improved through the creation of a Risk Reference Group. As a member of this group, Internal Audit has direct access to the body formulating and implementing the department's risk management strategies. Internal Audit will continue to make use of the Risk Reference Group's regular review of organisational risk assessments to inform its annual and strategic planning process.

Regarding internal audit effectiveness, internal audit reports a set of measurable performance indicators to the Risk Management and

Audit Committee on an annual basis to allow for its performance to be reviewed.

Department of Infrastructure, Energy and Resources

It should be noted that DIER continues to engage providers to conduct audits of specific functions as part of the decision to suspend the formal internal audit program.

It is correct to say that DIER's Audit Committee will seriously consider all of the recommendations of the original report as part of the reintroduction of a formal Internal Audit program. However, this does not mean that all of the recommendations will be adopted. In responding to the original report, DIER had considered and decided against implementing a number of the recommendations particularly in relation to:

- having an independent member appointed to the Audit Committee

- having the Internal Audit provider attend Audit Committee meetings

- having the Internal Audit provider involved in the risk management process.

These decisions will be revisited when the Audit Committee reconsiders the reintroduction of an Internal Audit program but the Audit Committee may come to the same decisions as they have done previously, given the assessment of processes, controls and systems DIER has in place.

Hydro Tasmania

We are pleased to note that throughout Chapter Seven, Hydro Tasmania is used as an example of where better practice internal audit processes are in place, in particular in the areas of regular peer review, risk based auditing and the adoption of performance measures.

In regard to Recommendation Nine: 'Statistics on recommendations and subsequent follow-up should be collected', we have previously provided a response…that indicates that Hydro Tasmania achieves this objective by a different, but equally valid, process. The process used by Hydro Tasmania Internal Audit is firstly to negotiate agreed actions between Internal Audit and management. This means that there are no recommendations made by Internal Audit that are not agreed by management and therefore no statistics to be kept.

Actions agreed between management and Internal Audit are required to be followed up on a six monthly basis and the results of this

process is reported to the Audit Committee on a quarterly basis. In addition, we are currently implementing TeamMate internal audit management software which will further enhance our reporting capability.

Follow up management responses from entities that did not have an IA function in 2004

Department of Premier and Cabinet

I agree with your further comments regarding Recommendation 12 of the original report. An internal audit of the department's procurement processes has recently been finalised and a review is currently being undertaken of its business risks.

Department of Tourism, Arts and the Environment

The Report records and acknowledges the internal audit framework that the department has developed and implemented. This has been done in conjunction and alignment with the development and implementation of the department's Strategic Business Risk profile. Both frameworks are subject to regular review to ensure they remain effective in supporting the delivery of departmental objectives.

Department of Police and Emergency Management

No recommendations are noted in relation to the department's internal audit function following our advice to your office of the functions and processes carried out by the internal management review team.

Department of Justice

The Department of Justice is satisfied that its current arrangements for internal control are cost effective. These arrangements will be reviewed as circumstances change.

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8 Recent reports

8 Recent reports

Year	Special Report No.	Title
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
2006	59	Delegations in government agencies, Local government delegations, Overseas travel
2006	60	Building security and Contracts appointing Global Value Management
2006	61	Elective surgery in public hospitals
2006	62	Training and development
2006	63	Environmental management and pollution control by local government
2006	64	Implementation of aspects of the *Building Act 2000*
2007	65	Management of an award breach and Selected allowances and nurses' overtime

9   Future projects

9 Future projects

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

Building security: Part 2	Continuing on from Special Report No. 60, the audit will examine physical security at public access sites such as schools, hospitals and libraries.
Portable and attractive items	Examines asset control activities at government departments with respect to items that are portable and attractive.
Property in police possession	Reviews management of confiscated and forfeited property by Tasmania Police.
Creditor processing	As a follow on from Special Report No. 58, which in part examined payment of accounts in agencies, this audit seeks to establish that the accounts payable processes within agencies are in accordance with Treasurer's Instructions.
Procurement	This audit examines whether procurement by government departments is in accordance with applicable Treasurer's Instructions. This audit follows on from Special Report No. 34.