Report of the Auditor-General
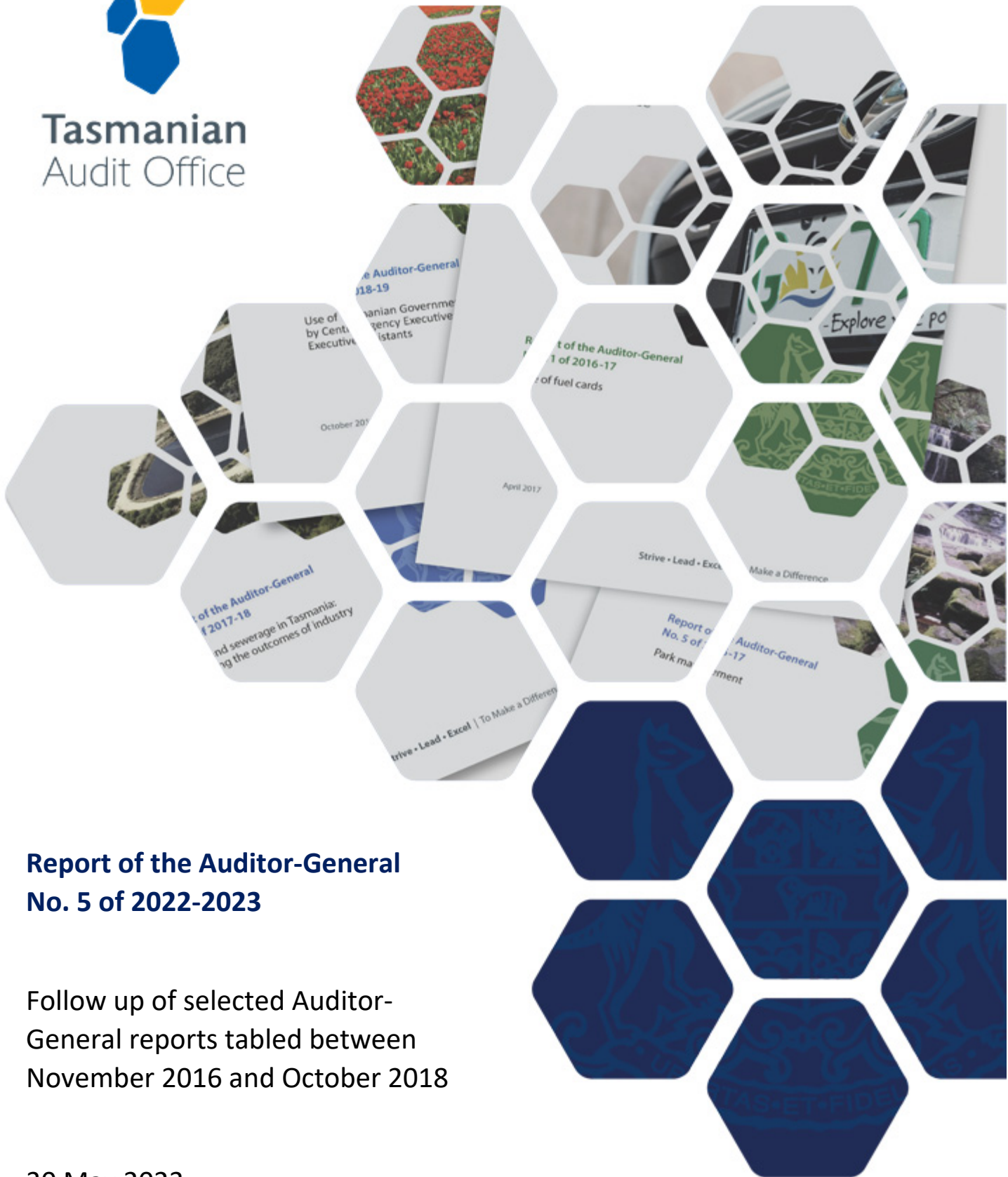**No. 5 of 2022-2023**

Follow up of selected Auditor-General reports tabled between November 2016 and October 2018

30 May 2023

Strive • Lead • Excel | *To Make a Difference*

Our role

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

- how effective, efficient, and economical public sector entity activities, programs and services are

- how public sector entities manage resources

- how public sector entities can improve their management practices and systems

- whether public sector entities comply with legislation and other requirements.

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

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

Acknowledgement of Country

We acknowledge Tasmanian Aboriginal people as the traditional owners of this Land and pay respects to Elders past and present. We respect Tasmanian Aboriginal people, their culture and their rights as the first peoples of this Land. We recognise and value Aboriginal histories, knowledge and lived experiences and commit to being culturally inclusive and respectful in our working relationships with Aboriginal people.

2023
PARLIAMENT OF TASMANIA

Follow up of selected Auditor-General reports

30 May 2023

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

30 May 2023

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

Dear President, Mr Speaker

Report of the Auditor-General No. 5 of 2022-23: Follow up of selected Auditor-General reports

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objective of this follow-up audit is to express a reasonable assurance opinion on the degree to which State entities implemented recommendations made in 4 reports tabled between November 2016 and October 2018:

- Report of the Auditor-General No. 5 of 2016-17: Park management

- Report of the Auditor-General No. 11 of 2016-17: Use of fuel cards

- Report of the Auditor-General No. 2 of 2017-18: Water and sewerage in Tasmania: Assessing the outcomes of industry reform

- Report of the Auditor-General No. 1 of 2018-19: Use of Tasmanian Government Cards by Central Agency Executives and Executive Assistants.

Yours sincerely

Rod Whitehead
Auditor-General

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Foreword

The Office's purpose is to provide independent assurance to the Parliament, our primary client, and the community on the performance and accountability of the Tasmanian public sector. One way in which this is done is to conduct performance and compliance audits, an objective of which is the identification of areas for potential improvement. Performance audits often result in reports containing recommendations, which are, at the time of reporting, generally supported by the State entities who were the subjects of our work.

Follow-up audits are carried out to inform Parliament on the extent to which the recommendations from previous audits have been implemented and the appropriateness of the rationale or evidence to support non-implementation. While I cannot compel State entities to implement recommendations made, it is my expectation that recommendations will be either adopted or at least seriously considered by State entities.

This follow-up audit provides Parliament with information about the extent to which State entities have acted on recommendations made in 4 reports tabled between November 2016 and October 2018.

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Independent assurance report

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my follow-up of the implementation of recommendations made in 4 reports tabled between November 2016 and October 2018:

1. Report of the Auditor-General No. 5 of 2016-17: Park management (the Park management report)

2. Report of the Auditor-General No. 11 of 2016-17: Use of fuel cards (the Fuel cards report)

3. Report of the Auditor-General No. 2 of 2017-18: Water and sewerage in Tasmania: Assessing the outcomes of industry reform (the TasWater report)

4. Report of the Auditor-General No. 1 of 2018-19: Use of Tasmanian Government Cards (TGC) by Central Agency Executives and Executive Assistants (the TGC report).

Audit objective

The objective of the audit was to express a reasonable assurance opinion on the degree to which State entities implemented recommendations made in 4 reports tabled between November 2016 and October 2018.

Audit scope

The State entities subject to audit in the 4 reports tabled between November 2016 and October 2018 are listed in Table 1 below.

Table 1: Entities subject to the selected audits

Entities	Park management report	Fuel cards report	TasWater report	TGC report
Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater)			✓	
Tasmanian Parks and Wildlife Service (PWS), a division of the Department of Natural Resources and Environment Tasmania (NRE Tas), formerly the Department of Primary Industries, Parks, Water and Environment (DPIPWE)	✓	✓		✓
Department for Education, Children and Young People (DECYP), formerly the Department of Education (DoE)		✓		✓

Entities	Park management report	Fuel cards report	TasWater report	TGC report
Department of Health (DoH), formerly the Department of Health and Human Services (DHHS)		✓		✓
Department of Justice (DoJ)		✓		✓
Department of Police, Fire and Emergency Management (DPFEM)		✓		✓
Department of Premier and Cabinet (DPAC)		✓		✓
Department of State Growth (DSG)		✓		✓
Department of Treasury and Finance (Treasury)		✓		✓
Forest Practices Authority (FPA)		✓		
House of Assembly (HoA)		✓		
Integrity Commission (IC)		✓		
Tasmanian Legal Aid (TLA), formerly Legal Aid Commission of Tasmania		✓		
Legislative Council (LegCo)		✓		
Marine and Safety Tasmania (MAST)		✓		
Office of the Governor (OoG)		✓		
Office of the Ombudsman and Health Complaints Commissioner (Ombudsman)		✓		
Private Forests Tasmania (PFT)		✓		
Royal Tasmanian Botanical Gardens (RTBG)		✓		

Entities	Park management report	Fuel cards report	TasWater report	TGC report
State Fire Commission (SFC)/Tasmanian Fire Service (TFS)[1]		✓		
TasTAFE		✓		

Source: Tasmanian Audit Office

This audit assessed the implementation of the 31 recommendations from the 4 reports as summarised in Table 2.

Table 2: Recommendations assessed

Report and recommendation	Addressed to
Park management report	
1. PWS review whether regional business plans are giving sufficient priority to weeds, pests and diseases (WPD)[2] control.	PWS
2. DPIPWE review whether it requires additional funding to meet government objectives in national parks, and, if so, to submit a case to the government.	NRE Tas
3. PWS update its Park Management Plans (PMPs) and revise every five years, and use the PMPs as a basis for regular monitoring of high-value assets and threats.	PWS
4. PWS considers the measurability of goals when updating PMPs.	PWS
5. PWS place greater emphasis on monitoring WPD threats and planning strategies and actions to control them.	PWS
6. PWS further develop and implement environmental management system to ensure greater monitoring of threats.	PWS
7. PWS transfer risks identified in Reserve Activity Assessments (RAAs) to a risks register and regularly monitor them.	PWS
8. PWS develop a more structured approach that ensures all infrastructure is adequately maintained and kept safe at a level commensurate with use and PWS capability.	PWS

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[1] The TFS has since become part of DPFEM but is treated as a separate entity for the purposes of this audit as it was a separate entity at the time of the Use of Fuel cards audit.
[2] At the time of the Parks management report, PWS used the acronym PWD for pests, weeds and diseases, which NRE Tas has now changed to WPD's for weeds, pests and diseases.

Report and recommendation	Addressed to
9. PWS investigate whether the upward trend in incidents per 100,000 visitors from 2010 to 2014 is an indicator of falling safety standards.	PWS
10. PWS liaise with emergency services to ensure it is provided with information of rescues performed by them.	PWS
Fuel cards report	
1. Entities comply with the 'Drivers' Responsibilities' and restrict fuel cards allocated to a specific vehicle to the fuel type recommended by the manufacturer. The fuel type required should be made clearly visible in each vehicle to avoid confusion	All entities excluding Treasury, IC, Ombudsman, PFT and RTBG
2. Fuel cards allocated to a specific vehicle should not be used to fill other vehicles, vessels or equipment and a separate fuel card is used for ancillary fuel purchases. This would enable fuel used for other plant and equipment to be monitored	DECYP, DPFEM, NRE Tas, DoJ, TasTAFE and SFC
3. Fleet managers investigate controls to limit non-fuel purchases. Any other purchases should be made using normal procurement processes and delegations.	DECYP, DSG and SFC
4. Entities monitor and investigate fills in excess of tank capacity	DECYP, DoH, DPFEM, TasTAFE and SFC
5. Entities monitor and investigate fuel purchased on non-working days or unusual times for government plated motor vehicles.	DECYP, NRE Tas and TasTAFE
6. Entities ensure logbooks are maintained to support the use of a government plated motor vehicles.	DECYP, NRE Tas, TasTAFE and SFC
7. Entities comply with 'Drivers' Responsibilities' and record the correct odometer reading when refuelling.	All entities subject to the audit
8. All fuel cards are issued with a PIN to improve the level of security over fuel purchases. To overcome problems where there are a number of users of an unallocated fuel card, a 'generic' PIN could be requested that is unique to the entity	All entities subject to the audit
9. Entities access the new LeasePlan Analytics reports and implement procedures to ensure a timely review of fuel usage and scrutiny of unusual transactions.	All entities subject to the audit
10. Entities should implement procedures to monitor the utilisation of individual fuel cards and assess whether they are holding surplus cards	All entities subject to the audit

Report and recommendation	Addressed to
TasWater report	
1. TasWater investigates and remedies the decline in microbiological sampling compliance and microbiological compliance.	TasWater
2. TasWater improves its efforts in wastewater management compliance to meet community and regulatory expectations.	TasWater
3. TasWater completes its work assessing the condition of infrastructure assets in the short term.	TasWater
4. TasWater undertakes greater investment and prioritisation of capital expenditure to address old and failing infrastructure.	TasWater
5. TasWater finalises its rationalisation strategy to support rationalisation projects.	TasWater
6. TasWater investigates the acceleration of infrastructure investment by utilising additional debt funding.	TasWater
7. TasWater works more diligently to achieve the minimum customer service standards as required by the Tasmanian Water and Sewerage Industry Customer Service Code (Code).	TasWater
8. TasWater continues to develop measures to better monitor levels of customer satisfaction.	TasWater
9. TasWater consistently and publicly reports service levels and customer satisfaction.	TasWater
TGC report	
1. Agencies consider measures, for example, expense tracking applications for smartphones, to improve the collection and retention of documentation to support TGC purchases.	All entities subject to the audit
2. Agencies ensure there is a prohibition of card use by persons other than the cardholder, as intended by Treasurer's Instruction TI 705 Tasmanian Government Card.	All entities subject to the audit

Source: Tasmanian Audit Office

Audit approach

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

The audit evaluated the following criteria:

- the extent to which recommendations made in the 4 reports were implemented

- whether implementation of the recommendations helped improve compliance, efficiency, effectiveness or economy of the relevant State entity's activities

- the appropriateness of the rationale or evidence to support non-implementation.

Responsibility of management

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

Responsibility of the Auditor-General

My responsibility was to assess whether the relevant entities subjected to the audits have taken the necessary actions to implement the recommendations made in my reports and whether implementation helped improve compliance, efficiency, effectiveness or economy of the relevant State entity's activities.

Independence and quality control

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

Conclusion

It is my conclusion the recommendations in the Park management report, the Fuel cards report, the TasWater report and the TGC report, as measured against the audit criteria were, in all material respects, implemented effectively and helped improve compliance, efficiency, effectiveness or economy of the relevant State entity's activities.

Rod Whitehead
Auditor-General

30 May 2023

Executive summary

Park management report

The Park management report made 10 recommendations, all of which were implemented. Implementation of the recommendations led to improvements in PWS's environmental management system, including better risk management.

Fuel cards report

The Fuel cards report made 10 recommendations, 5 of which were fully implemented. For the remaining 5 recommendations the rate of implementation varied from 60% to 78%. Table 3 records the rate of implementation for these recommendations:

Table 3: Implementation rate for recommendations in the Fuel cards report

Recommendation	Extent of implementation
1. Entities comply with the 'Drivers' Responsibilities' and restrict fuel cards allocated to a specific vehicle to the fuel type recommended by the manufacturer. The fuel type required should be made clearly visible in each vehicle to avoid confusion	64%
4. Entities monitor and investigate fills in excess of tank capacity	60%
6. Entities ensure logbooks are maintained to support the use of a government plated motor vehicles.	75%
9. Entities access the Analytics reports from the Government Fleet Manager and implement procedures to ensure a timely review of fuel usage and scrutiny of unusual transactions.	70%
10. Entities should implement procedures to monitor the utilisation of individual fuel cards and assess whether they are holding surplus cards	78%

Source: Tasmanian Audit Office

TasWater report

TasWater implemented all 9 recommendations and improved the efficiency, effectiveness and economy of its activities since the report. Improvements include better drinking water systems, wastewater management compliance, asset management plans and customer satisfaction. For example, TasWater has achieved 100% microbiological compliance in drinking water systems for 4 years in a row. TasWater's Asset Class Management Plans support risk-based planning for its operations, maintenance, renewals and investment planning. TasWater has increased its capital expenditure, forecast a continued increase in renewals, increased its debt funding and accelerated its infrastructure investment. TasWater has also developed better ways to measure customer satisfaction and worked with the Regulator to improve the customer service standards and its performance against them.

TGC report

The TGC report made 2 recommendations to 8 agencies, both of which have been implemented.

All 8 agencies had implemented Recommendation 1 by considering measures to improve the collection and retention of documentation to support TGC transactions, with 2 agencies also making changes to their systems. Table 4 summarises the outcome from the consideration of Recommendation 1 by the 8 agencies.

Table 4: Outcome from the consideration of Recommendation 1

New system in place (2 agencies)	Technological change underway (2 agencies)	Technological change options under consideration (one agency)	No change to system due to risk assessment of costs/benefits (3 agencies)
DECYP Treasury	DSG DPFEM	NRE Tas	DoH DoJ DPAC

Source: Tasmanian Audit Office

Implementation of the recommendations increased internal control over the use of TGCs and increased the level of compliance with TI 705 and applicable agency policies.

Submissions and comments received

In accordance with section 30(2) of the Audit Act, a summary of findings or report extract was provided to the Treasurer, relevant Ministers and Entity Heads of audited entities, with a request for submissions or comments.

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

Response from the Treasurer

I acknowledge the work that has been undertaken to determine the degree to which respective State entities have implemented the recommendations made in the four reports tabled during the period and am pleased to note your conclusion that the recommendations in the original audits were, in all material respects, implemented effectively.

The Honourable Michael Ferguson, Treasurer

Response from TasWater

We wish to thank the Auditor-General for the opportunity to provide feedback throughout the process.

We accept the report to be a true and accurate reflection of TasWater's efforts to address the 2016 and 2018 findings, and appreciative that it reflects TasWater's strong performance, particularly in:

- accelerating our infrastructure investment

- addressing microbiological compliance

- improving wastewater management compliance; and

- implementation and delivery of improved minimum customer service standards.

We also welcome future opportunities to provide details of our performance.

George Theo, Chief Executive Officer

Response from the Department of Natural Resources and Environment Tasmania

Thank you for the opportunity to provide a final response to your Report on the follow up of selected Audits between November 2016 and October 2018.

The Department of Natural Resources and Environment Tasmania (NRE Tas) fully supports your Report and provides comments only in respect to Chapter 2 - Fuel Cards Report by way of providing an update on the agency's action plan to implement recommendations in respect to this.

Jason Jacobi, A/Secretary

Rejoinder from Auditor-General

I acknowledge the detailed update provided by NRE Tas referred to above, which addresses the partially implemented recommendations identified in Chapter 2 - the Fuel Cards Report. As this was not subject to audit, the report has not been amended.

Rod Whitehead, Auditor-General

Response from the Department of Police, Fire and Emergency Management

Firstly, in respect to TGC report I note this is only applicable to the Department of Police, Fire and Emergency Management (DPFEM), and further am pleased to note that DPFEM has fully complied with the recommendations made. This report noted that DPFEM was in the process of implementing technological changes and I am further pleased to advise that, subject to successful acceptance testing, these changes are scheduled to go live in July 2023.

With respect to the Use of Fuel Cards I provide a response on behalf of both DPFEM and the State Fire Commission (SFC).

I acknowledge that you have identified two recommendations are yet to be implemented within both DPFEM and SFC although acknowledging that policies and procedures have been developed.

As you would appreciate Tasmania Police, Fire and State Emergency Services operate the largest vehicle fleets in the state, with the operational vehicles operating every day of the year, and including a mix of leased and owned vehicles. The operational requirements of an emergency service will differ greatly from many government agencies. Coupled with this it is recognised that a significant number of vehicle users maybe volunteers.

As part of a program of continuous improvement I have recently created a position of Business Compliance Officer and commissioned our internal auditors to undertake a comprehensive review of fleet management services.

Whilst fleet reporting is currently available from our fleet manager, and monitored on an as needs basis, the newly created position, together with the appointment of our new Manager Engineering and Fleet Services will enable greater scrutiny on an ongoing basis.

I am confident that these two measures, together with the appointment of our new Manager Engineering and Fleet Services will see the full implementation of all recommendations by the conclusion of the 2023 calendar year.

Donna Adams, Secretary

Response from the Department of Treasury and Finance

I have reviewed the Report, particularly the sections relating to audits involving the Department of Treasury and Finance being the Use of Fuel Cards audit and Use of Tasmanian Government Cards by Central Agency Executives and Executive Assistants audit.

I am pleased the follow-up audit findings reflect the work undertaken by Treasury to implement all relevant recommendations made in the original audit reports.

I accept the findings of the follow-up audit and I note your conclusion that the recommendations in the original audits, as measured against the audit criteria were, in all material respects, implemented effectively.

Tony Ferrall, Secretary

Response from the Office of the Governor

The Office of the Governor welcomed the opportunity to participate in the audit of the use of fuel cards and its subsequent follow up and acknowledges the overall findings.

David Owen, Official Secretary

Response from the Office of the Ombudsman and Health Complaints Commissioner

Thank you for your letter of 9 May 2023 in relation to follow up of recommendations made in reports from 2016 and 2018.

I note the only parts relevant to my office are in relation to the use of fuel cards and it appears that we are compliant with all relevant recommendations made in the report. I therefore have no further comment to make.

Richard Connock, Ombudsman and Health Complaints Commissioner

Response from Tasmania Legal Aid

Thank you for the opportunity to comment on the draft Report of the Auditor-General No. 5 of 2022-2023, follow up of selected Auditor- General reports tabled between November 2016 and October 2018.

The part of the report relevant to Tasmania Legal Aid (TLA) is in relation to fuel cards. It is noted that three recommendations applied to TLA and that TLA was found to have implemented all three recommendations.

Kristen Wylie, Director

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1. Park management report

Chapter summary

The Park management report made 10 recommendations, all of which were implemented.

Implementation of the recommendations led to improvements in PWS's environmental management system, including better risk management.

Background

1.1   PWS, a division of NRE Tas, manages 19 national parks and reserves covering more than 2.9 million hectares. Tasmanian parks and reserves are renowned worldwide for their spectacular landscapes and diversity of unspoiled habitats and ecosystems. Although their primary purpose is the protection of biodiversity, national parks also deliver other invaluable economic, social, cultural and health benefits to the Tasmanian community and to visitors from interstate and overseas.

1.2   The Director, National Parks and Wildlife, supported by PWS, is the managing authority for state-owned reserved lands in Tasmania. To prepare for the challenges affecting the environment, and manage changing community expectations and environmental pressures on the protected area estate, PWS requires comprehensive, robust and integrated systems to ensure the state's national parks are managed in an informed, effective and transparent manner.

1.3   The objective of the Park management report was to form an opinion on how effectively PWS managed the state's national parks by reference to the adequacy of its planning processes and plan implementation.

Findings from the 2017 audit

1.4   The Park management report found PWS had developed and implemented a logical process to guide its allocation of recurrent funding, most of which was allocated to infrastructure work and visitor services. Appropriation per hectare was low compared to other jurisdictions or PWS funding in previous years. Only a small percentage of priorities in the regional business plans related to WPD control.

1.5   PWS had identified high-value assets and had processes to ensure these were taken into account when considering new processes and proposals. However, PMPs were outdated. PWS was taking actions to protect high-value assets, including reducing the impact of visitors. However, there was no systematic process which identified high-value assets or that threats to them were routinely monitored or managed.

1.6   PWS was effectively managing bushfires as fire management plans existed across all national parks. Objectives and strategies to address bushfire risks were identified and a bushfire risk assessment model had been implemented.

1.7   PWS had identified and documented WPD threats, but there was little evidence of strategies or actions to control WPD threats and no routine monitoring process.

1.8   The Park management report found threats from human impact were generally well managed using the Reserves Standards Framework and RAAs. However, we were not persuaded that there was an effective system for monitoring risks.

1.9   PWS had generally effective processes to manage infrastructure and visitor safety, in that it:

- had adequately defined high-level objectives and safety requirements
- had outlined infrastructure objectives and priorities
- was effectively maintaining highly-used infrastructure
- had an extensive inspection regime.

1.10   However, the Park management report identified reports that showed incidents per 100,000 had trended sharply upward from 2010 to 2014.

Follow up audit findings

The following sections, listed under statements summarising the findings of the follow up audit, discuss implementation of the recommendations made in the Park management report.

PWS business plans identified risks and controls

1.11   PWS implemented Recommendation 1, which was to review whether regional business plans gave sufficient priority to WPD control.

1.12   PWS had reviewed whether its regional business plans gave sufficient priority to WPD control and had since developed several tools to improve its environmental management system. These included mapping reserves within environmental zones rather than regional boundaries. PWS had developed landscape-scale strategies to identify and mitigate threats from WPD.

1.13   PWS had reviewed the priority given to biosecurity risks associated with management of reserved land and documented this in a WPD Aspect Risk Assessment, which it used to develop the Biosecurity Strategy for the Tasmanian Wilderness World Heritage Area (TWWHA) 2021-31. Implementing many of the actions identified in the TWWHA Biosecurity Strategy will also improve PWS capability to manage WPD across the protected area estate in Tasmania.

1.14   PWS provided several examples of business plans, strategies and initiatives that identified management priorities for biosecurity risks associated with the introduction and spread of high-risk pests and diseases. Another example was the TWWHA Business Strategy (2018-2022), which highlighted development and implementation of risk based-biosecurity measures to complement existing pest controls with a focus on surveillance and prevention measures. This led to investment in monitoring feral wildlife to inform its business planning and requests for funding. As a result, PWS had secured State and Federal funding for 5 years to work towards addressing problems with wild pigs and fallow deer.

NRE Tas identified requirements for national parks

1.15 NRE Tas implemented Recommendation 2, which was to review whether PWS required additional funding to meet government objectives in national parks, and, if so, to submit a case to the Government.

1.16 NRE Tas advised their processes included identifying the funding required to meet objectives in national parks and preparing submissions as part of the standard State budget development process. Where appropriate, PWS also prepared requests for funding from the Federal Government.

1.17 NRE Tas provided a cost summary which covered the period July 2010 to June 2022 showing the budget allocation and actual costs per hectare reported in Tasmanian budget papers. The graph below illustrates the increases. Peaks in the actual costs occurred in the years Tasmania has had significant bushfires.

Figure 1: PWS funding per hectare
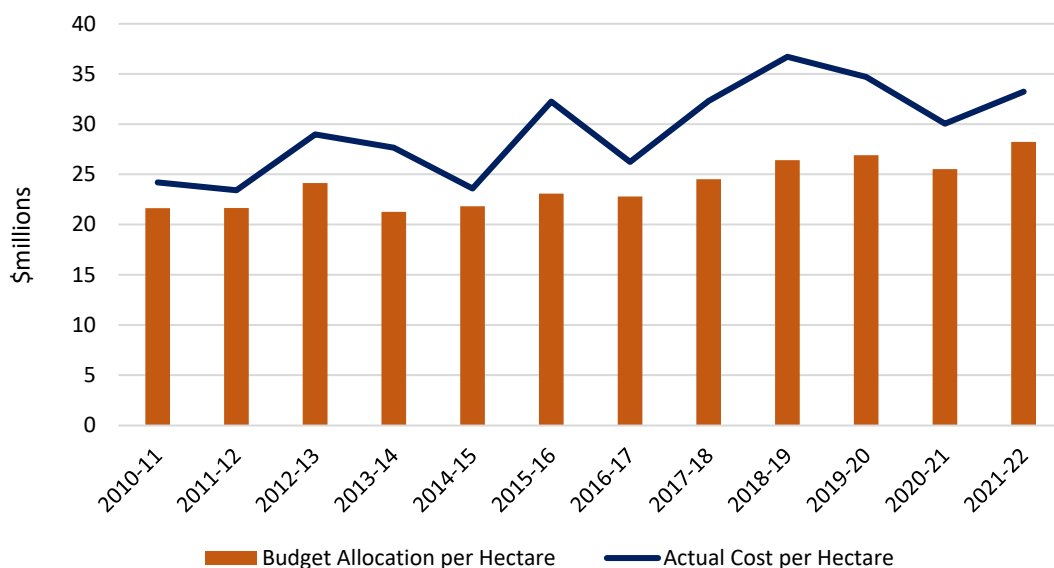
Source Tasmanian Audit Office using data from NRE Tas

1.18 In 2018, the State Government recognised requests to support additional park management activities and provided funding for the 'Investing in our National Parks and Reserves' initiative which received $6.6 million over 4 years.

1.19 NRE Tas also outlined successful requests for additional funding submitted for the 2022-23 budget for projects including implementation of the TWWHA Biosecurity Strategy and continuation of the 'Maintaining Frontline Rangers' initiative.

Park Management Plans supported monitoring of high-value assets

1.20 PWS implemented Recommendation 3, which was to update its PMPs and revise them every 5 years and use the PMPs as a basis for regular monitoring of high-value assets and threats.

1.21 PMPs were developed to describe a reserve and its assets. While some PMPs were relatively static, others saw frequent changes. Some PMPs were also developed to

inform NRE Tas's response to political or social actions. PWS had developed a priority system to indicate the need to develop or revise a PMP. PMPs identified assets and threats including WPDs along with plans to address them, but PMPs were not the primary mechanism for monitoring those threats.

1.22 PWS used its centralised Asset Management System (AMS) to record the status of assets and any defects as well as threats and actions required to address them. Many threats were short term or change relatively quickly in extent and intensity. The AMS was used to monitor both short term and longer-term threats and provided a more agile approach for monitoring than the PMPs.

1.23 PWS had also developed Recreation Zone Plans (RZP) to identify threats to assets arising from high levels of visitors, which also supported improved monitoring of threats to high-value assets.

Park Management Plans included measurable goals

1.24 PWS implemented Recommendation 4 which required PWS to consider the measurability of goals when updating PMPs. The Park management report noted PMPs (primarily for parks with high numbers of visitors) lacked systematic processes to manage high-value assets. PMPs were used to identify assets and how they would be managed, but they did not articulate ways to measure performance against the plans. Information in PMPs was more descriptive than procedural.

1.25 In response to the recommendation, PWS developed a priority system to indicate when they needed to revise a PMP or develop a new one. All new and revised PMPs now incorporate a monitoring and evaluation system.

1.26 PWS used Key Desired Outcomes and Indicators to identify measurable goals in their reserve management plans which allowed them to review the effectiveness of actions, and where necessary, alter the management plans. Requirements outlined in reserve management plans such as the RZPs included actions to monitor and evaluate effectiveness to identify whether the objectives were being achieved.

Park Management Plans identified threats and strategies to control them

1.27 PWS implemented Recommendation 5 which was to place greater emphasis on monitoring WPD threats and planning strategies and actions to control them.

1.28 PWS developed an Environmental Aspects and Impacts Register to identify activities, products, services, threats and land management situations which were likely to cause adverse environmental impacts that PWS had the power to control. PWS used the Register to inform its management plans and develop strategies and actions to identify and control environmental impacts.

1.29 PWS also developed its AMS to provide a more agile approach to monitoring threats and actions to control them. PWS also increased its emphasis on identifying and monitoring WPD threats as well as planning strategies and actions to control them.

PWS's enhanced its environmental management system to better monitor threats

1.30   PWS implemented Recommendation 6, which was to further develop and implement the environmental management system to ensure greater monitoring of threats.

1.31   PWS developed several tools to improve its environmental management system. These included additional strategies and guides to manage risks and threats as well as a general plan to map reserves within environmental zones rather than regional boundaries. PWS had developed landscape-scale strategies to identify and mitigate threats from WPDs and RZPs to better manage assets with high visitor numbers.

1.32   Other improvements included development of the AMS, allowing all PWS staff to record and track the status of WPDs, asset inspections, defects and follow up actions.

PWS monitored risks effectively

1.33   PWS implemented Recommendation 7, which was to transfer risks identified in RAAs to a risk register and regularly monitor them.

1.34   PWS used information captured in RAAs to develop its Environmental Aspects and Impacts Register. Information about threats was maintained in the AMS, providing a more agile means of monitoring risks than RAAs.

Infrastructure was adequately maintained

1.35   PWS implemented Recommendation 8, which was to develop a more structured approach that ensures all infrastructure is adequately maintained and kept safe at a level commensurate with use and PWS capability.

1.36   We found evidence of a structured maintenance program that included regular infrastructure inspections, the results of which were recorded in the AMS. Results of inspections, including defects and actions to address them, were identified and recorded in the AMS. PWS employees could access a spatial representation of asset defects via the Land Information System of Tasmania. PWS prioritised inspections depending on the level of risk. PWS also provided copies of assessment tools, training materials and procedures that have been developed to prioritise and support a structured approach to infrastructure inspections.

Accidents and incidents had declined

1.37   PWS implemented Recommendation 9, which was to investigate whether the upward trend in incidents per 100 000 visitors from 2010 to 2014 was an indicator of falling safety standards. PWS found no evidence of a drop in safety standards, although it did identify issues in its record keeping, such as disparities between the reports received from each of the regions, South, North and North-West.

1.38   PWS has since improved its incident reporting system using the AMS. The AMS provides a centralised record of the status of all assets along with any defects and the actions required to address them. PWS staff receive training on how to manage risks and ensure the maintenance of safety standards. As well as incidents, the new system ensures all PWS staff can provide timely records of the results of infrastructure

inspections. Records show the average rate of severity and consequence of incidents has not changed over time. Use of the AMS had improved incident reporting since 2019.

PWS worked well with emergency services

1.39   PWS implemented Recommendation 10, which was to liaise with emergency services to ensure it is provided with information of rescues performed by them. We reviewed PWS records about search and rescue missions in 2021-2022 and found PWS routinely received information about rescues from national parks and reserves and participated in meetings with emergency services.

Outcomes arising from the recommendations

1.40   PWS had developed several tools to improve its environmental management system, including additional strategies and guides to manage risks and threats to all of the States parks and reserves including the TWWHA, as well as a general plan to map reserves within environmental zones rather than regional boundaries. PWS had developed landscape-scale strategies to identify and mitigate threats from WPDs and RZPs to better manage assets with high visitor numbers.

1.41   PWS had developed a priority system to indicate the need for a new or revision of existing reserve management plans and all new and revised plans incorporated a monitoring and evaluation system.

1.42   Other improvements included the development of a central database system, the AMS, which allowed all PWS staff to record and track the status of WPDs, asset inspections defects and follow up actions.

1.43   Since 2018, PWS had used its environmental management system to inform successful requests for funding including $6.6 million over 4 years to support park management activities and $43 million for park asset maintenance, development and repairs.

1.44   PWS had improved the way risks are identified and monitored, incidents are reported, and threats are recorded along with actions required to address them. PWS processes included regular communications with police search and rescue services.

2. Fuel cards report

The Fuel cards report made 10 recommendations, 5 of which were fully implemented. For the remaining 5 recommendations the rate of implementation varied from 60% to 100%. Table 5 records the rate of implementation for those recommendation that were not fully implemented.

Table 5: Implementation rate for recommendations in the Fuel cards report not fully implemented

Recommendation		Extent implemented
1.	Entities comply with the 'Drivers' Responsibilities' and restrict fuel cards allocated to a specific vehicle to the fuel type recommended by the manufacturer. The fuel type required should be made clearly visible in each vehicle to avoid confusion	64%
4.	Entities monitor and investigate fills in excess of tank capacity	60%
6.	Entities ensure logbooks are maintained to support the use of a government plated motor vehicles.	75%
9.	Entities access the new LeasePlan Analytics reports and implement procedures to ensure a timely review of fuel usage and scrutiny of unusual transactions.	70%
10.	Entities should implement procedures to monitor the utilisation of individual fuel cards and assess whether they are holding surplus cards	78%

Source: Tasmanian Audit Office

Factors affecting the rate of implementation included differences in operational requirements and the number of vehicles an entity had to manage.

Background

2.1   Tasmanian General Government Sector entities[3] use fuel cards to purchase fuel for their light passenger and commercial vehicle fleets. The use of government vehicles, including the consumption of fuel, is subject to considerations such as appropriate standards of probity, propriety and accountability.

2.2   The Fuel cards report referenced the DPAC Policy and Guidelines for the Allocation and Use of Motor Vehicles within the State Service[4].

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[3] The phrase 'General Government Sector entities' describes a group of government-controlled entities that provide public services. The 20 entities involved in this audit are listed in Table 1.

[4] Department of Premier and Cabinet 2009, Policy and guidelines for the allocation and use of vehicles within the state service effective July 2009 (amended August 2013), Department of Premier and Cabinet, Hobart,

2.3   Treasury reissued the information in the Tasmanian Government Motor Vehicle Allocation and Use Policy[5] in May 2022. The policy is relevant to all State Service agencies in respect of all government owned and operated vehicles. The policy and guidelines are supported by the Tasmanian Government Fleet Management Handbook and the 'Drivers' Responsibilities' brochure.

2.4   The Handbook explains that Treasury, through its Procurement Risk and Contract Management Branch, is responsible for the management of the Government's Light Vehicle Fleet.

2.5   The Policy explains that the Tasmanian Government owns and operates the passenger and light commercial motor vehicle fleet. Treasury purchases vehicles on behalf of individual government agencies and contracts a private sector provider to be the Government Fleet Manager who manages the day to day operations of the fleet (the Fleet Manager). This includes issuing agencies monthly invoices for fleet management fees, fuel costs, maintenance charges and other costs associated with operating the vehicles.

2.6   The 'Drivers' Responsibilities' brochure summarises requirements and the responsibilities of the driver of a government vehicle, including the use of fuel cards. Agencies are required to ensure a copy of the 'Drivers' Responsibilities' brochure is placed in each government vehicle.

2.7   The objective of the Fuel cards audit was to assess the probity and propriety of the use of fuel cards. The examination covered transactions for the 2015 calendar year (1 January 2015 to 31 December 2015) and the report was tabled in April 2017. The examination covered all 20 of the General Government Sector entities that used fuel cards at that time.

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viewed 9 March 2017,
<http://www.dpac.tas.gov.au/divisions/corporate_and_governance_division/gov_vehicles_policy>

[5] Department of Treasury and Finance 2022, Tasmanian Government Motor Vehicle Allocation and Use Policy, Version 7 May 2022, Department of Treasury and Finance, Hobart, viewed 2 Sept 2022, <https://www.purchasing.tas.gov.au/Documents/Tasmanian-Government-Motor-Vehicle-Allocation-and-Use-Policy.pdf>

Findings from the 2017 audit

2.8   The anomalies and exceptions arising from the Fuel cards audit were not substantial in monetary terms but represented weaknesses in the controls related to the use of fuel cards that exposed entities to a higher risk of misuse.

These weaknesses included:

- 3.1% of purchases of fuel different to the vehicle requirements

- purchases on fuel cards for additional vehicles, equipment or containers

- transactions that did not have evidence to support the nature of the purchase

- fuel purchased on non-working days or unusual times that could not be corroborated to logbooks

- lack of supporting information to relate specific transactions to logbooks

- transactions that breached departmental vehicle policies

- instances where the correct odometer reading was not provided

- security PINs not activated

- lack of evidence that entities used the Fleet Manager's reporting effectively

- 31% of fuel cards unused or under-utilised.

Follow up audit findings

The following sections, listed under statements summarising the findings of the follow up audit, discuss implementation of the recommendations made in the Fuel cards report.

Drivers may not have known all of their responsibilities

2.9   Recommendation 1 was that entities comply with the 'Drivers' Responsibilities' brochure and restrict fuel cards allocated to a specific vehicle to the fuel type recommended by the manufacturer. The fuel type required should be made clearly visible in each vehicle to avoid confusion. This recommendation was addressed to 15 entities, 9 of which had fully implemented it.

2.10   We found that the Fleet Manager restricts the fuel type on fuel cards that are issued to each government vehicle. The fuel type is not restricted on fuel cards issued for entities to use with hire cars.

2.11   Recommendation 1 was no longer applicable to TLA as they no longer had government vehicles and only used fuel cards for hire cars. TFS implemented the recommendation but have since found that it does not suit its operations to restrict the fuel type that can be purchased on each fuel card. TFS found it more efficient to enable drivers to purchase fuel for all of the equipment carried on a vehicle as well as the vehicle, on the one fuel card. TFS operations include ensuring the correct fuel type is clearly labelled on all vehicles and equipment.

2.12 Five other of the 14 entities to which Recommendation 1 was applicable had not fully implemented it. We used partially implemented as the requirement to use standard unleaded petrol (91 Octane) unless the manufacturer had specified otherwise, was not made clearly visible. As a result the implementation rate for this recommendation was 64%.

Separate fuel cards were used for plant and equipment

2.13 Recommendation 2 was that entities ensure the fuel cards allocated to a specific vehicle not be used to fill other vehicles, vessels or equipment and a separate fuel card is used for ancillary fuel purchases. The rationale for this recommendation was to monitor fuel used for other plant and equipment. Recommendation 2 was addressed to 6 entities, all of which had implemented the recommendation. As mentioned in the previous section, TFS implemented the recommendation but has since found that requesting separate fuel cards did not suit its operations. TFS used the odometer readings to monitor fuel purchased for other plant and equipment. As a result the implementation rate was 100%.

Fuel cards were only used for fuel

2.14 Recommendation 3 was that entities investigate controls to limit non-fuel purchases. Any other purchases should be made using normal procurement processes and delegations. Recommendation 3 was addressed to 3 entities. The fuel cards provided by the Fleet Manager are programmed not to accept non-fuel purchases. As a result the implementation rate was 100%.

Entities had processes to monitor fuel usage

2.15 Recommendation 4 was that entities monitor and investigate fills in excess of tank capacity. Recommendation 4 was addressed to 5 entities, 3 of which had implemented it. DPFEM had developed policies and procedures for the use of fuel cards but Tasmania Police and TFS (treated as 2 separate entities for the purposes of this follow up) had not yet implemented these. As a result the implementation rate was 60%.

Entities monitored fuel transactions

2.16 Recommendation 5 was that entities monitor and investigate fuel purchased on non-working days or unusual times for government plated motor vehicles. This recommendation was addressed to 3 entities, DECYP, formerly DoE, had procedures in place to ensure they monitored whether fuel was purchased on non-working days or at unusual times. The other 2 entities, NRE Tas and TasTAFE, had processes in place to monitor transactions but the recommendation was not applicable because their staff could be required to drive at any time. As a result, the implementation rate was 100%.

Logbooks supported the use of fuel cards

2.17 Recommendation 6 was that entities ensure logbooks are maintained to support the use of government plated motor vehicles. Recommendation 6 was addressed to 4 entities, 3 of which had implemented the recommendation. The remaining entity, TFS,

used logbooks for vehicles subject to Fringe Benefits Tax but otherwise logbooks were not in use agency-wide. As a result the implementation rate was 75%.

Most drivers recorded correct odometer readings

2.18 Recommendation 7 was that entities comply with the 'Drivers' Responsibilities' brochure and record the correct odometer reading when refuelling, and was addressed to all 20 entities. It was not applicable to TLA as they no longer had government vehicles and only used fuel cards to refuel hire cars. All of the other entities had implemented the recommendation by developing policies and procedures to ensure drivers provided accurate odometer readings. However, several entities reported that despite the procedures and processes to reduce the incidence of incorrect readings, drivers still made errors quite frequently. The implementation rate for Recommendation 7 was treated as 100%.

Fuel cards were issued with a PIN

2.19 Recommendation 8 was that entities ensure fuel cards are issued with a PIN to improve the level of security over fuel purchases. To overcome problems where there are a number of users of an unallocated fuel card, a 'generic' PIN could be requested that is unique to the entity. This recommendation was addressed to all 20 entities. The Fleet Manager now issues all fuel cards with a PIN which is set the first time fuel is purchased. As a result the implementation rate was 100%.

Procedures ensured scrutiny of unusual transactions

2.20 Recommendation 9 was that entities access the analytics reports from the Fleet Manager and implement procedures to ensure a timely review of fuel usage and scrutiny of unusual transactions. Recommendation 9 was addressed to all 20 entities. DPFEM and TFS had developed procedures but not implemented them.

2.21 We used 'partially implemented' to describe the status at 4 agencies because they had procedures in place to review fuel usage and scrutinise unusual transactions but they did not make use of the Fleet Manager's analytics. Regularly reviewing data provided by the Fleet Manager may provide more information about fuel usage than relying on financial management processes. As a result the implementation rate was 70%.

Entities did not hold surplus fuel cards

2.22 Recommendation 10 was that entities should implement procedures to monitor the utilisation of individual fuel cards and assess whether they are holding surplus cards. Recommendation 10 was addressed to all 20 entities. We found 14 entities had implemented the recommendation. Two entities did not implement the recommendation in terms of formal procedures due to the very small number of fuel cards they held. We rated the other 4 entities as having partially implemented the recommendation because they had processes in place to monitor utilisation but relied on ad hoc processes to prompt consideration of whether any cards were surplus to requirements such as each card having an expiry date or a change in the fuel supplier. The implementation rate for Recommendation 10 was therefore 78%.

Extent of implementation by entities

2.23 Table 6 provides information on the implementation of recommendations by each entity subject to audit.

Table 6: Implementation of recommendations in the Fuel cards report

Rec. No.	1	2	3	4	5	6	7	8	9	10
DECYP	Partially	✓	✓	✓	✓	✓	✓	✓	✓	✓
DoH	✓			✓			✓	✓	✓	✓
DoJ	Partially	✓					✓	✓	Partially	Partially
DPAC	✓						✓	✓	✓	✓
NRE Tas	Partially	✓			N/A	✓	Partially	✓	Partially	Partially
DSG	✓		✓				✓	✓	✓	✓
Treasury							✓	✓	✓	✓
DPFEM	✓	✓		✗			✓	✓	✗	Partially
TFS	N/A	Partially	✓	✗		Partially	✓	✓	✗	Partially
TasTAFE	✓	✓		✓	N/A	✓	✓	✓	✓	✓
FPA	Partially						✓	✓	✓	✓
HoA	✓						✓	✓	✓	✓
TLA	N/A						N/A	✓	✓	✓
LegCo	✓						✓	✓	✓	✓
MAST	Partially						✓	✓	✓	✓
OoG	✓						✓	✓	✓	✓
IC							✓	✓	Partially	N/A
OoHCC							✓	✓	✓	✓
PFT							✓	✓	✓	✓
RTBG							✓	✓	Partially	N/A

Source: Tasmanian Audit Office

Legend: Grey indicates recommendations not addressed to the entity; N/A means recommendation was addressed to the entity but later found to be not applicable for reasons such as specific operational requirements or the entity having none or a very small number of government vehicles.

2.24 The audit addressed between 4 and 10 recommendations to 20 entities, resulting in a total of 116 queries. In 6 instances of the 116 queries the report made a recommendation that was no longer applicable. Four of those instances occurred because the entity no longer had any or a small number of vehicles. The remaining 2, NRE Tas and TasTAFE, had different operating requirements.

2.25 We found 4 instances of the 116 queries where recommendations were not implemented and these related to Tasmania Police and TFS not having implemented Recommendations 4 and 9. We found DPFEM had developed the relevant policies and procedures but at the time of this follow up audit, Tasmania Police and TFS had not implemented them.

2.26 Recommendations 1, 4, 6, 9 and 10 were not fully implemented.

2.27 The implementation rate for Recommendation 1 was 64%. Five entities had not ensured the Treasury requirement to use standard (91 Octane) fuel unless specified otherwise, was made clearly visible in government vehicles.

2.28 Two of the recommendations require drivers to comply with the 'Drivers' Responsibilities brochure. However, there were no procedures in place to ensure drivers had read the requirements, such as asking drivers to sign an acknowledgement form.

2.29 The implementation rate for Recommendation 4 was 60%. Two entities had not implemented procedures to monitor and investigate fills in excess of tank capacity.

2.30 The implementation rate for Recommendation 6 was 75%. One entity had not maintained logbooks for all its government vehicles.

2.31 The implementation rate for Recommendation 9 was 70%. Financial procedures included scrutinising any unusual transactions, but 5 entities did not use analytic reports available from the Fleet Manager which have the potential to provide additional information such as issues with a vehicle or driver behaviour.

2.32 The implementation rate for Recommendation 10 was 78%. Four entities had not implemented regular reviews to assess whether they held surplus fuel cards.

2.33 Recommendations 2, 3, 5, 7 and 8 were 100% implemented.

3. TasWater report

Chapter summary

TasWater implemented all 9 recommendations and improved the efficiency, effectiveness and economy of its activities since the TasWater report. Improvements include better drinking water systems, wastewater management compliance, asset management plans and customer satisfaction. For example, TasWater has achieved 100% microbiological compliance in drinking water systems for 4 years in a row. TasWater's Asset Class Management Plans support risk-based planning for its operations, maintenance, renewals and investment planning. TasWater has increased its capital expenditure, forecast a continued increase in renewals, increased its debt funding and accelerated its infrastructure investment. TasWater has also developed better ways to measure customer satisfaction and worked with the Regulator to improve the customer service standards and its performance against them.

Background

3.1   Tasmania has a reputation for being 'clean and green' and therefore, the provision of high-quality drinking water and an effective sewerage system that does not harm the environment, is important not only to Tasmanian residents but also to visitors who choose Tasmania as a destination.

3.2   Achieving these 2 objectives across Tasmania had been challenging for those responsible for managing water and sewerage assets and led to responsibility passing from local government councils to 3 regional corporations (Southern Water, Cradle Mountain Water, Ben Lomond Water) in 2009 and then to TasWater in 2013.

3.3   Each transfer of responsibility involved legislative reform and the establishment of a new economic regulatory framework for the water and sewerage industry. Second reading speeches[6] to Parliament articulated the intended outcomes of the structural changes in 2009 and 2013.

3.4   The objective of the *Water and sewerage in Tasmania: Assessing the outcomes of industry reform* audit was to assess whether the Tasmanian Government's reforms had delivered those intended outcomes.

Findings from the 2018 audit

3.5   The TasWater report said that most of the intended outcomes of the industry reforms had been either fully or partially achieved.

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[6] Second Reading Speech *Water and Sewerage Corporations Act 2008*, accessed 30/01/2023 at: https://www.parliament.tas.gov.au/Bills/Bills2008/pdf/notes/23_of_2008-SRS.pdf
Second Reading Speech *Water and Sewerage Corporations Act 2012*, accessed 30/01/2023 at: https://www.parliament.tas.gov.au/Bills/Bills2012/pdf/notes/50_of_2012-SRS.pdf

3.6   The industry reforms had delivered improved public health benefits, but not the expected improved environmental benefits. The TasWater report noted that this was a reflection of the regulated entities' focus on improving water quality over wastewater compliance and performance at that time.

3.7   Strategic asset management had improved under the reforms with increased maturity in strategic asset planning, state-wide infrastructure planning and an increased level of understanding of the criticality and condition of the infrastructure assets.

3.8   Although there had been growth in, and renewal of, the water and sewerage network since the commencement of the reforms, the TasWater report said the extent of renewal had not been at a rate commensurate with the age and condition of the infrastructure assets.

3.9   The reforms had also largely delivered the expected financial benefits. The introduction of two-part pricing provided customers with an equitable pricing approach and an appropriate charge for the water and sewerage services they receive. The reforms provided the regulated entities with increased revenues and cash flows, greater flexibility to deal with the capital expenditure program and access to higher levels of debt funding. However, the TasWater report noted that TasWater had not taken advantage of the improved capacity to service debt by drawing on additional borrowings to accelerate infrastructure investment.

3.10   The TasWater report said customer service had broadly improved following the reforms, assisted in part by the introduction of a more robust regulatory framework. This had facilitated the introduction of minimum customer service standards, which had trended towards increased compliance. Service delivery and customer relations had similarly improved since the introduction of the reforms.

Follow up audit findings

The following sections, listed under statements summarising the findings of the follow up audit, discuss implementation of the recommendations made in the TasWater report.

TasWater had remedied the decline in microbiological sampling compliance and microbiological compliance

3.11   TasWater implemented Recommendation 1 which was to investigate and remedy the decline in microbiological sampling compliance and microbiological compliance.

3.12   The TasWater report identified that microbiological sampling compliance and microbiological compliance declined when TasWater was first established. However, that decline has since been remedied. TasWater had achieved 100% drinking water compliance for 4 consecutive years to June 2022 and 100% microbiological sampling compliance since 2016-17. This improvement was also substantiated by the 2021 State of the Industry Report (SOIR) issued by the Tasmanian Economic Regulator (the Regulator).

3.13   Figure 2 illustrates the improvements in microbiological compliance of drinking water systems in Tasmania, from 82% in 2016-17 to 100% every year since 2018-19.

Figure 2: Microbiological compliance, non-compliance and sampling compliance
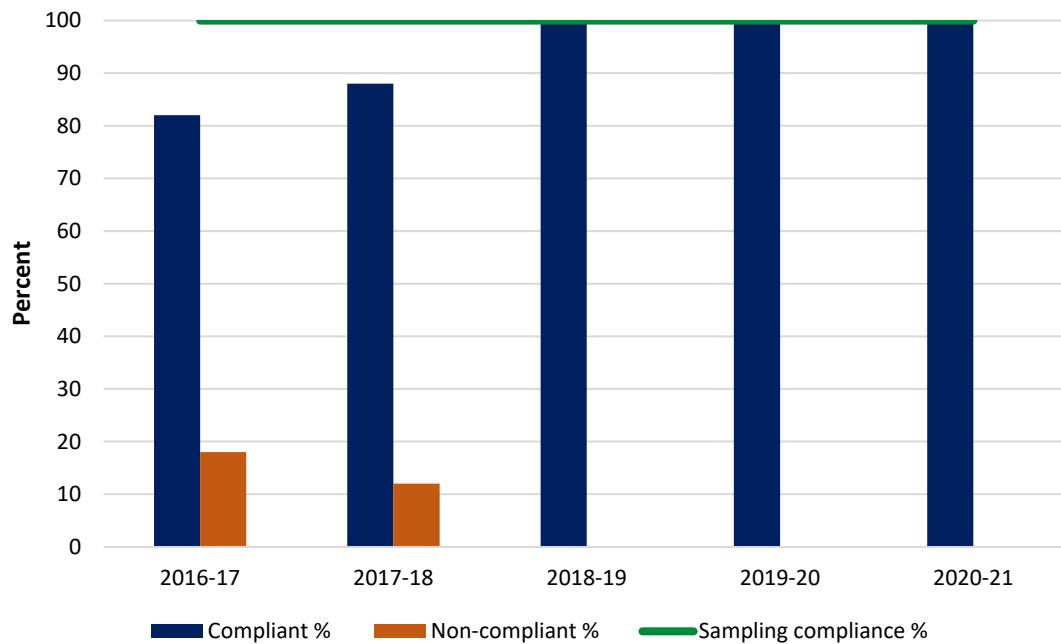
Source Tasmanian Audit Office using data from SOIR 2020-21

3.14 As well as the microbiological compliance of drinking water, DoH reported that TasWater had achieved 100% microbiological sampling compliance. Sampling compliance is illustrated by the green line across the graph.

3.15 TasWater also addressed the number of drinking water systems with Boil Water Alerts (BWAs). Figure 3 illustrates the improvements since 2016-17.

Figure 3: Improvements in Boil Water Alerts (BWAs)
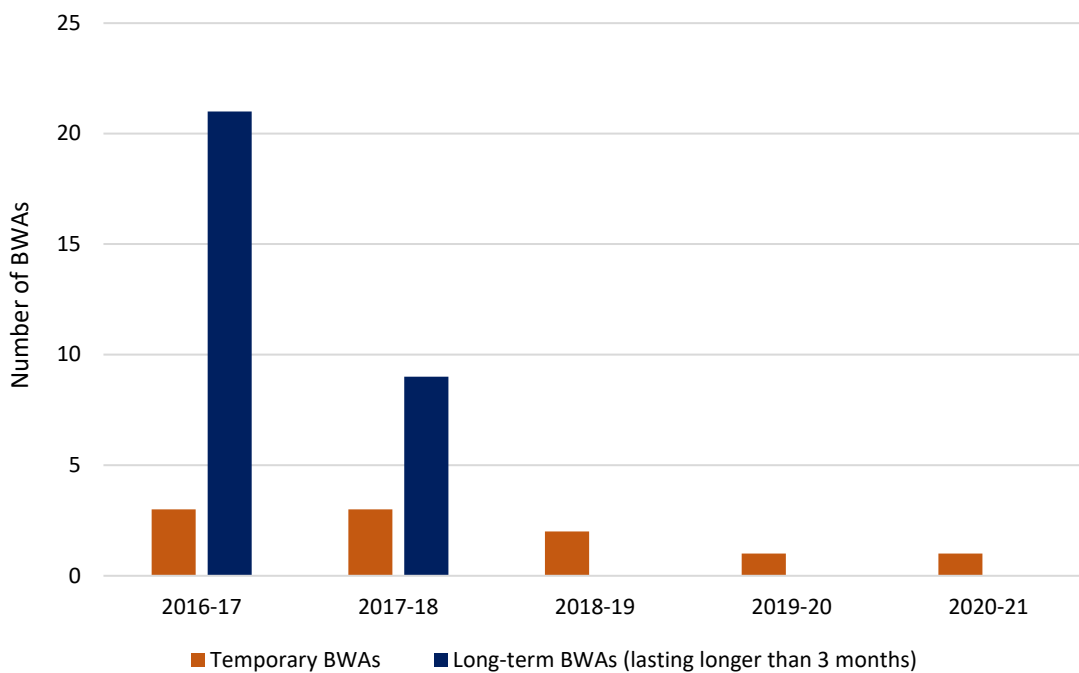
Source: SOIR 2020-21

3.16 There have been no long-term BWAs since 2017-18.

3.17 Since 2019-20, 3 locations, Lauderdale, Adventure Bay and Penguin have been placed under short-term temporary BWA's.

TasWater had improved wastewater management compliance

3.18 TasWater implemented Recommendation 2 which was to improve its efforts in wastewater management compliance to meet community and regulatory expectations.

3.19 The TasWater report looked at 4 measures relating to wastewater management:

- compliance of sewage treatment plants (STPs) – improved

- percentage of compliant treated sewage volume – improved

- number of sewer overflows and overflows per 100 km – improved

- number of sewer mains breaks and chokes and breaks and chokes per 100 km – not improved.

3.20 The number of breaks and chokes reduced in 2018-19 and 2019-20 but rose again in 2020-21. Breaks and chokes are affected by significant weather events as well as the condition of assets.

3.21 Reports from the Regulator show treatment process optimisation efforts have improved wastewater compliance levels, particularly at the larger STPs. This is illustrated by the difference in average compliance (86%), and flow weighted compliance (90.1%) of all 70 STPs that discharged to water in 2020-21. The flow weighted compliance figure for discharges to land limits was 95.7%, also above the desirable range (>90%).

3.22 The TasWater report also looked at the percentage of treated sewage volume compliant with regulatory limits. Following confirmation from the Environment Protection Authority that we were using comparable figures we compiled Figure 4 using data from the 2020-21 SOIR.

Figure 4: Percentage of treated sewage volume compliant with regulatory limits
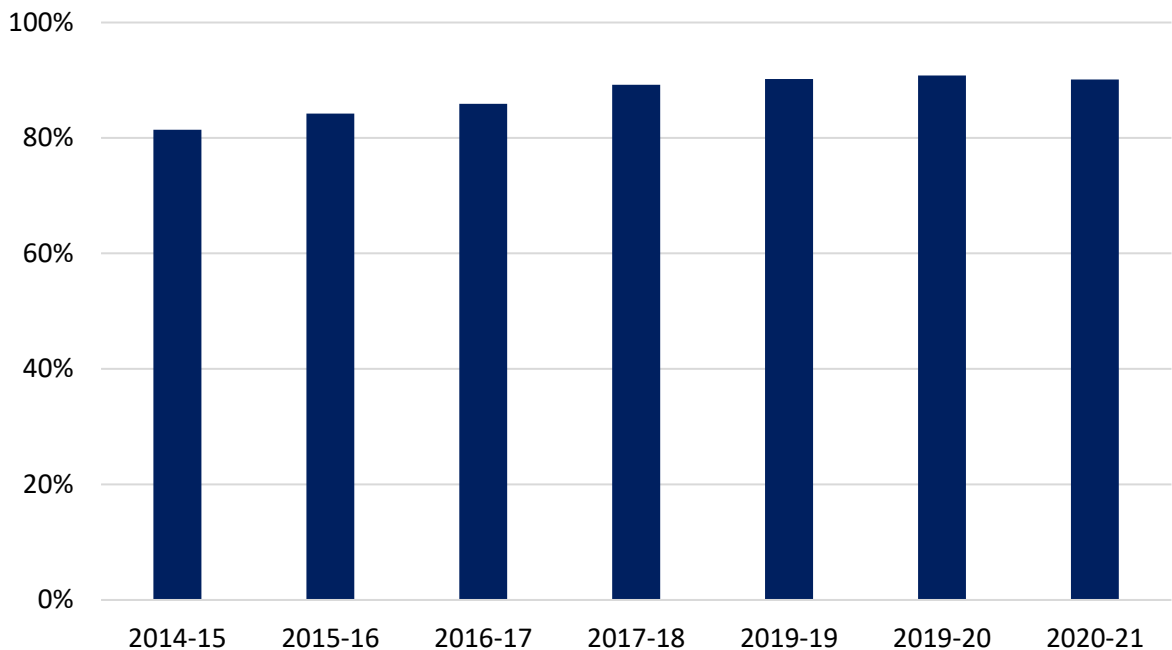
Source: SOIR 2020-21

3.23 Figure 4 shows the percentage of treated sewage volume compliant with regulatory limits has increased from 81.4% in 2014-15 to 90.1% in 2020-21. The Regulator reports this measure as Compliance against discharge to waters regulatory limits (per cent, flow-weighted).

3.24 As well as regulatory expectations, TasWater has undertaken several major ambient monitoring programs to ensure they can meet community expectations.

TasWater assessed the condition of its infrastructure assets

3.25 TasWater implemented Recommendation 3 which was to complete its work assessing the condition of infrastructure assets in the short term.

3.26 Notably, TasWater used its Asset Criticality Framework and information about the condition of its infrastructure assets to develop Asset Class Management Plans (ACMPs) which are revised regularly. The ACMPs support risk-based planning for TasWater's operations, maintenance, renewals and investment planning. For example, TasWater's Water Treatment Plant ACMP reports information about the state of assets in terms of quantities, criticality and risk. TasWater also uses a Power BI interactive version of its ACMPs which supports an added level of business intelligence to inform its plans.

TasWater had increased investment and capital expenditure to address old and failing infrastructure

3.27 TasWater implemented Recommendation 4 which was to undertake greater investment and prioritisation of capital expenditure to address old and failing infrastructure.

3.28 Since the TasWater report was tabled, TasWater has demonstrated an increase in its capital expenditure. Of this expenditure, the percentage spent on renewals (reconditioning an older or failing asset or replacing an older or failing asset) increased from 2016-17 to 2020-21, with a small decline in 2021-22, as shown in Table 7.

Table 7: TasWater's capital expenditure and renewals

Annual reports	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total capital expenditure ($millions)	129.0	104.0	164.0	129.0	128.8	177.6	253.0
Renewals ($millions)	40.0	18.8	34.9	58.4	59.3	76.4	60.7
Renewals as % of total capital expenditure	31	18	21	45	46	43	24

Source: Tasmanian Audit Office from TasWater data

3.29 In addition, TasWater has forecast a continued increase in infrastructure investment in infrastructure with renewals forecast to continue to form a key component of that expenditure, as shown in Figure 5.

Figure 5: Value of renewals listed among TasWater's Top 10 capital programs
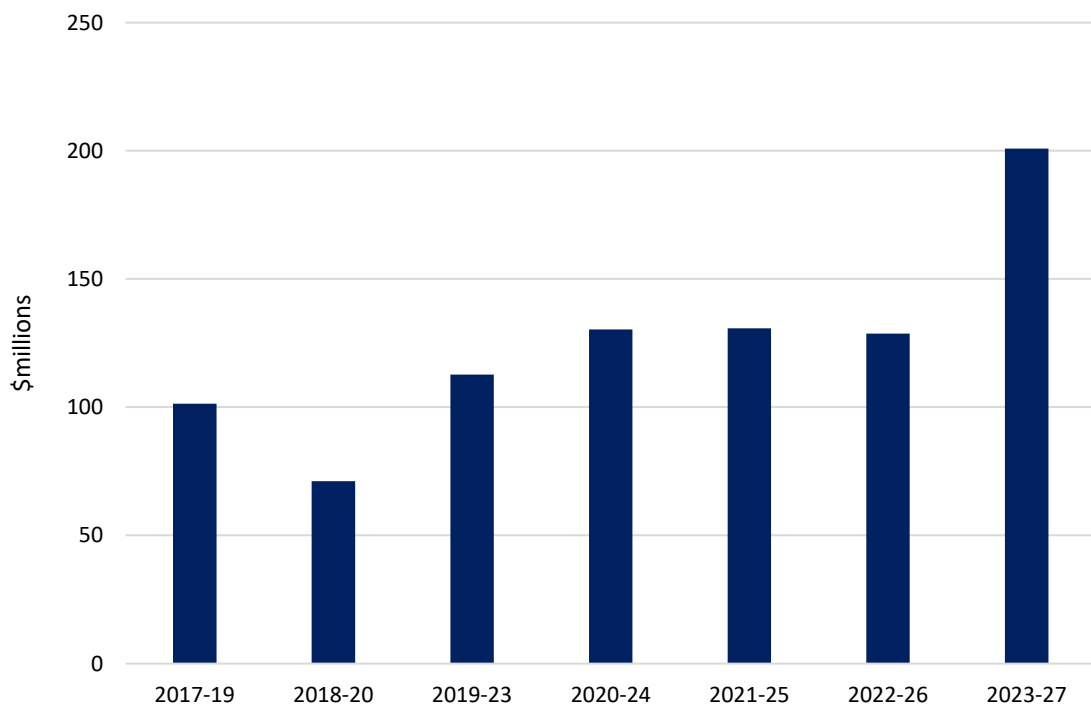
Source: Tasmanian Audit Office from SOIR data

3.30 TasWater identified compliance as the biggest cost-driver of its plans. Many of its projects address the need to renew or replace aging infrastructure at the same time as improving compliance. TasWater used a risk-based approach that places more significance on the performance of assets than their age or condition.

TasWater had finalised its rationalisation strategy

3.31 TasWater implemented Recommendation 5 which was to finalise its rationalisation strategy to support rationalisation projects.
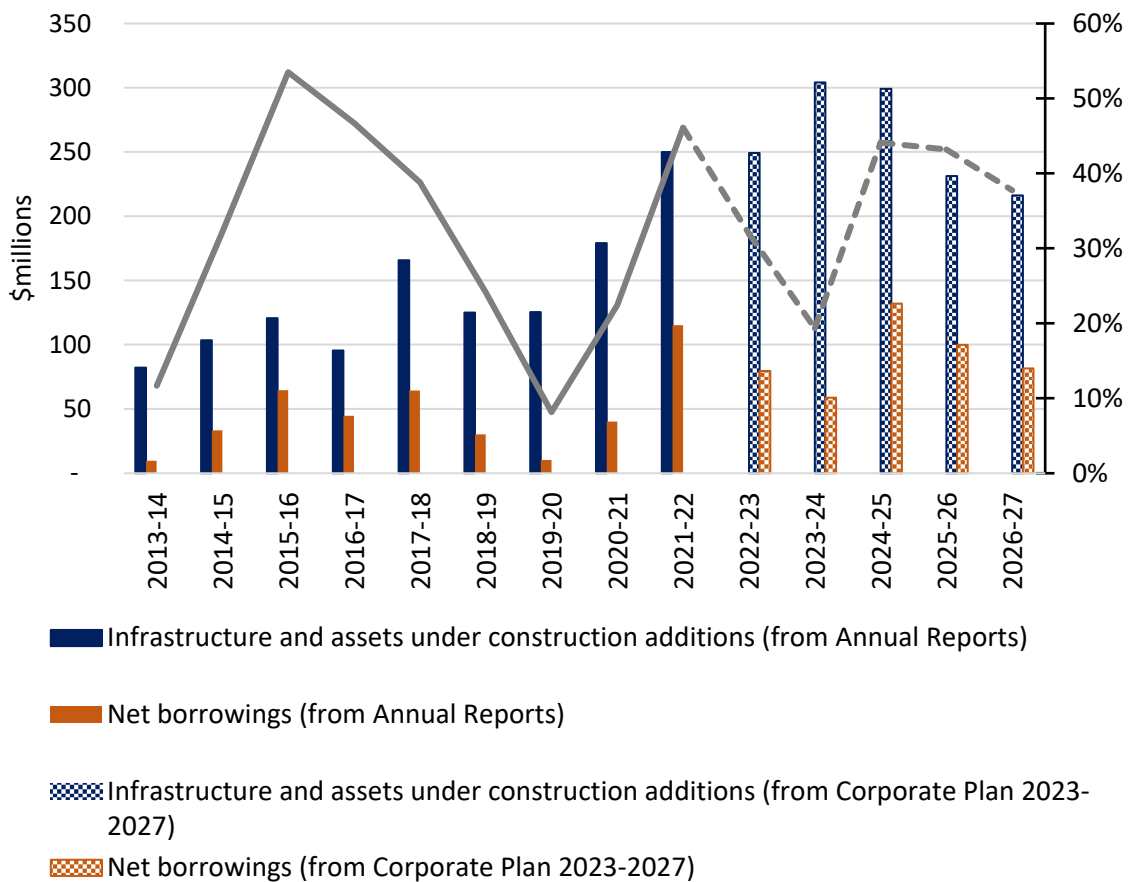
3.32 TasWater articulated its rationalisation strategy in its Asset and System Rationalisation Policy which says 'rationalisation will only be pursued where it can be demonstrated that it is cost effective (on a net-present-value basis), provides similar or greater non-cost benefits, and has an acceptable risk profile when compared with non-rationalised alternatives'.

3.33 Asset management documents show TasWater has considered rationalisation in its Asset Management System Framework and its Strategic Asset Management Plans. Assessment details for rationalisations are included in TasWater's System Strategic Masterplans, which use long-term rationalisations as an output measure.

TasWater had increased its debt funding and accelerated its infrastructure investment

3.34 TasWater implemented Recommendation 6 which was to investigate the acceleration of infrastructure investment by utilising additional debt funding. Figure 6 shows that TasWater steadily increased infrastructure additions between 2017-18 and 2021-22, with further investment forecast. In regard to debt funding, it is clear TasWater had utilised borrowing to fund capital expenditure, although a significant portion of capital expenditure continues to be funded from free cash-flow.

Figure 6: Investment in infrastructure and level of borrowings

Infrastructure and assets under construction additions (from Annual Reports)

Net borrowings (from Annual Reports)

Infrastructure and assets under construction additions (from Corporate Plan 2023-2027)

Net borrowings (from Corporate Plan 2023-2027)

Source Tasmanian Audit Office

## TasWater had worked more diligently to achieve the minimum customer service standards

3.35 TasWater implemented Recommendation 7 which was to work more diligently to achieve the minimum customer service standards as required by the Tasmanian Water and Sewerage Industry Customer Service Code (Code).

3.36 The Regulator is responsible for establishing the Customer Service Standards as part of its price determination investigations, which are informed by stakeholders' submissions including TasWater. For the most recent investigation, the fourth regulatory period, resulting in the fourth Price and Service Plan (PSP4), TasWater proposed 20 customer service standards. TasWater's proposal included 13 existing standards (some with modification or a new minimum service level) and 7 new measures. Five measures were removed or replaced with a similar metric.

3.37 The Regulator reviewed TasWater's proposed customer service standards taking into consideration feedback from customers with regard to their preferences and service level expectations and whether or not TasWater had been meeting the minimum standards. Following its determination, the Regulator established the most recent

Customer Service Code which came into effect on 1 July 2022. It contains 17 Customer Service Standards whereas previous PSPs had listed 22.

3.38 We looked at the Regulator's reports for the 5 standards removed from the Code and found TasWater had been in compliance more years than not with 3 of the 5 standards and that the other 2 had never been measurable, they were not suitable for performance reporting. TasWater had worked diligently with the Regulator to refine the standards.

3.39 Figure 7 shows the number of Customer service standards for which TasWater achieved the minimum level each year since 2015-16.

Figure 7: TasWater's performance against the Customer Service Standards
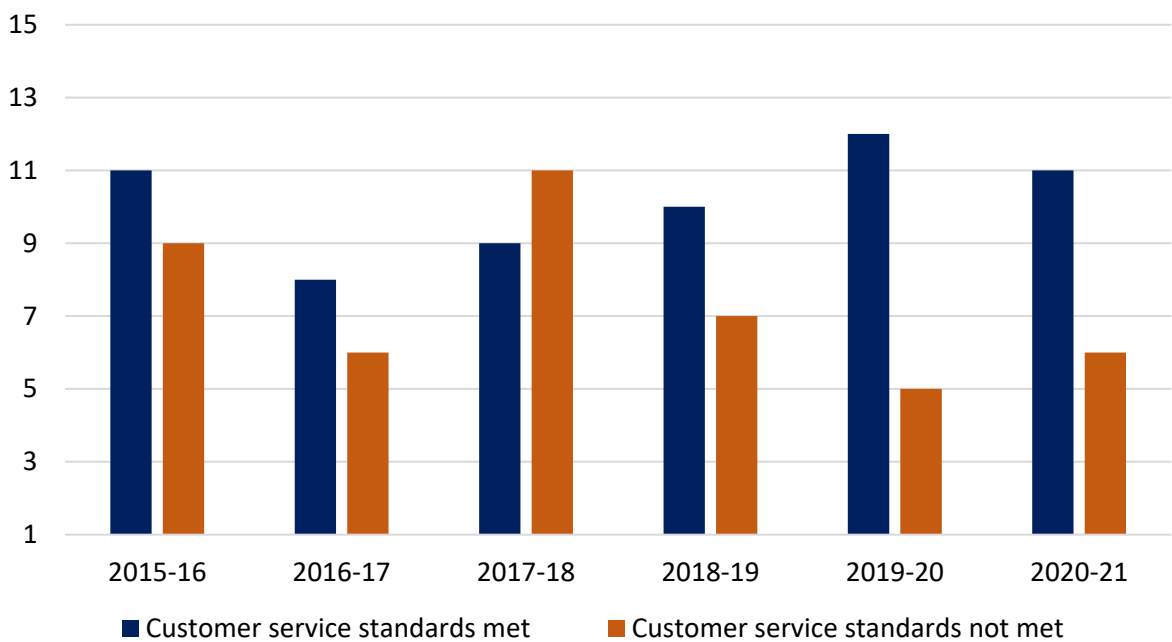
Source: TAO

3.40 The Regulator's SOIRs show TasWater achieved the minimum for:

- 11 of the 20 standards reported for 2015-16 (55%)
- 12 of the 17 standards reported for 2019-20 (71%)
- 11 of the 17 standards reported for 2020-21 (65%).

3.41 The percentage of Customer service standards for which the minimum level was achieved has increased since our audit in 2017.

TasWater has refined the measures to monitor levels of customer satisfaction

3.42 TasWater implemented Recommendation 8 which was to continue to develop measures to better monitor levels of customer satisfaction.

3.43 To improve interactions with its customers and support customer-centred decision making, TasWater developed a Customer Experience Strategy. TasWater used an

extensive program of community consultation to inform its proposals to amend the Customer service standards for the development of PSP4. Amendments included:

- separating general complaints per 1,000 properties into complaints by service (sewerage and water)

- removing the 'complaints to the Ombudsman' standard

- replacing 'calls answered in 30 seconds' with 'calls resolved on first contact'

- replacing total complaints with a customer satisfaction score based on a broadened customer satisfaction survey.

3.44 TasWater has also improved the quality of data it collects from its customers by developing a better system for capturing and managing customers' feedback including complaints.

TasWater reports service levels and customer satisfaction

3.45 TasWater implemented Recommendation 9 which was to consistently and publicly report service levels and customer satisfaction.

3.46 TasWater's performance against the service standards is consistently and regularly reported in the annual SOIR published by the Regulator. TasWater also reports performance against the service levels including customer satisfaction in their annual reports.

3.47 TasWater has improved its systems for capturing customer feedback and has used that feedback to work with the Regulator to develop better measures for customer satisfaction using an improved customer satisfaction survey.

3.48 TasWater has improved the way customer satisfaction is reported in both the SOIR and TasWater's annual reports. The changes reflect customer feedback such as measuring the number of calls resolved in the first contact rather than just being answered within 30 seconds.

Outcomes arising from the recommendations

3.49 No Tasmanian water supplies have had a public health warning (including long-term boil water alerts) since 2018.

3.50 The SOIR shows wastewater management compliance has continued to improve since 2018.

3.51 TasWater identified benefits of having completed work to assess the condition of infrastructure assets. Information about the condition of assets has informed the development of Asset Class Management Plans which TasWater has used to prioritise asset investment and plan maintenance by criticality. The Asset Class Management Plans support proactive risk-based condition assessments for regular maintenance and are expected to drive operational expenditure cost savings.

3.52 TasWater noted that their evidence and risk-based approach places more significance on the performance of assets than their age or condition. TasWater indicated that

compliance is the biggest cost-driver of their plans but many of their projects address the need to renew or replace aging infrastructure at the same time as improving compliance.

3.53 TasWater outlined several examples of rationalisations they had undertaken since the audit including:

- replacing the Cam River water treatment plant with a pipeline to service Somerset and Wynyard

- replacing 4 wastewater treatment plants with a single modern facility for the greater Kingborough region

- decommissioning the Waratah Dam.

3.54 TasWater has also investigated various options for rationalisation for the Launceston Sewerage Improvement Project which has resulted in a decision to reduce the number of sewerage treatment plants over the next decade from 7 to one

3.55 In considering the impact of implementing Recommendation 6, TasWater forecast capital expenditure of $253 million in 2021-22, 10% higher than budgeted and a 42.5% increase on the previous year's result and noted that their key financial metrics (gearing and interest cover ratio) would remain within loan covenants established by the Tasmanian Public Finance Corporation.

3.56 As a result of developing better measures to monitor customer satisfaction TasWater has improved its Customer satisfaction score.

3.57 TasWater exceeded its targets for all 7 customer and community key performance indicators (KPIs) for 2020-21. The results were higher in 6 of the 7 KPIs when compared to the 2019-20 results.

3.58 Overall satisfaction for interactions with the Customer Service team was 98% for 2020-21, which exceeded both the target and 2019-20 result.

3.59 The Regulator also noted that TasWater's call centre performance (calls answered within 30 seconds) is above the median results for similarly sized mainland water utilities.

3.60 TasWater identified that customers' expectations evolve, and that they need to respond to their expectations in order to retain their trust. Consequently, TasWater has developed a Customer Experience Strategy with the aim of understanding current customer expectations and anticipating future expectations.

4. TGC report

Chapter summary

The TGC report made 2 recommendations to 8 agencies, both of which have been implemented.

All 8 agencies had implemented Recommendation 1 by considering measures to improve the collection and retention of documentation to support TGC transactions, with 2 agencies also making changes to their systems. Table 8 summarises the outcome from the consideration of Recommendation 1 by the 8 agencies.

Table 8: Outcomes from consideration of Recommendation 1

New system in place (2 agencies)	Technological change underway (2 agencies)	Technological change options under consideration (one agency)	No technological changes following assessment of costs/benefits (3 agencies)
DECYP	DSG	NRE Tas	DoH
Treasury	DPFEM		DoJ
			DPAC

Source: Tasmanian Audit Office

Implementation of the recommendations increased internal control over the use of TGCs and increased the level of compliance with TI 705 and applicable agency policies.

Background

4.1 Terms and conditions for the use of TGCs at the time of the audit were outlined in Treasurer's Instruction No 705 Tasmanian Government Card (TI 705), which was reissued as FC-9 in 2019. Individual agencies have also prescribed additional terms and conditions on the use of TGCs, such as a restriction on the purchase of alcohol.

4.2 The objective of the TGC audit was to determine whether:

- Departmental Secretaries and the Chief Executive Officer of the Tasmanian Health Service maintained effective internal control over the use of TGCs

- TGC purchase transactions for the selected persons were appropriate and complied with TI 705 and applicable agency policy.

Findings from the 2018 audit

4.3 The TGC report said that overall, the level of compliance with TI 705 was strong, although a small number of monthly reconciliations were not conducted in timely manner.

4.4   Within the tested transactions, agency controls detected most breaches (non-compliances with TI 705 or agency policies or procedures). The level of undetected breaches in the tested transactions was 19 of 522 transactions (3.6%) or $11 601 of the $251 252 (4.6%) value of transactions tested.

4.5   We expected breaches, not previously detected by agency internal controls, to be less than 1% of the transactions examined. Our testing identified 10 (1.9%) of the 522 transactions examined that lacked appropriate documentation to support the purchase. The value of these transactions totalled $9 377 (3.7%).

4.6   We also found an additional 32 transactions where a staff member other than the cardholder had made the purchase. The value of these transactions totalled $44 309 (17.6%).

4.7   Agencies were generally compliant with TI 705. Although the examination found instances of policy and TI 705 breaches, these were relatively minor in number and value. We did not find evidence of serious or systemic misuse of public funds or any potentially fraudulent transactions that warranted further investigation.

Follow up audit findings

The following sections, listed under statements summarising the findings of the follow up audit, discuss implementation of the recommendations made in the TGC report.

Agencies considered ways to collect transaction information

4.8   All 8 agencies had implemented Recommendation 1 by considering measures to improve the collection and retention of documentation to support TGC purchases. Staff were aware of the need to retain receipts and tax invoices and were encouraged to use their smartphones to photograph receipts. A summary of the status of implementation of Recommendation 1 is shown in Table 9 below:

Table 9: Status of implementation – Recommendation 1

Status of implementation	Number of agencies
Considered and implemented technological changes	2
Considered and have changes planned or underway	2
Options still under consideration	1
Considered then decided against technological changes	3

Source: Tasmanian Audit Office

4.9   Two of the 8 agencies had implemented additional technological solutions such as installing applications for cardholders to upload receipts directly from their smartphones to the department's finance systems.

4.10   Another 2 of the 8 agencies had technological change options in the process of being implemented.

4.11 One of the 8 agencies was still considering options for technological changes.

4.12 Three of the agencies had assessed the costs and benefits of implementing additional solutions and made an operational decision against making technological changes.

Cards are only used by the cardholder

4.13 All 8 agencies had implemented Recommendation 2.

4.14 Treasury replaced TI 705 with FC-9 in 2019. FC-9 requires each cardholder to sign an acknowledgement form prior to a TGC being issued, a sample template is provided in the *Financial Management - Better Practice Guidelines* issued by Treasury. The Guidelines recommend agencies put procedures in place to review the following on an annual basis:

- TGCs issued and usage levels

- TCG limits and practices for changing limits

- practices for the issue of new TGCs, the suspension or cancellation of TGCs and for managing TGCs following staff movements.

FC-9 also says an Accountable Authority must ensure that an Agency's TGC policy is reviewed on an annual basis.

4.15 All 8 agencies communicated the changes to FC-9 to their executives including the requirement to sign an annual acknowledgement form. This provided a vehicle to instigate behavioural changes across the Tasmanian State Service, specifically stopping the practice of cardholders instructing or allowing their assistants or other persons to use the card. General understanding in the workplace has now changed to recognise that only the cardholder should use a corporate card and that a separate card should be issued wherever another staff member needs to use a card.

Acronyms and abbreviations

ACMP	Asset Class Management Plan
AMS	Asset Management System
Audit Act	*Audit Act 2008*
BWA	Boil Water Alerts
Code	Tasmanian Water and Sewerage Industry Customer Service Code
DECYP	Department for Education, Children and Young People
DHHS	Department of Health and Human Services
DoE	Department of Education
DoH	Department of Health
DoJ	Department of Justice
DPAC	Department of Premier and Cabinet
DPFEM	Department of Police, Fire, Emergency Management
DPIPWE	Department of Primary Industries, Parks, Water and Environment
DSG	Department of State Growth
Fleet Manager	LeasePlan, the Tasmanian Government Fleet Manager
FPA	Forest Practices Authority
Fuel cards report	Report of the Auditor-General No. 11 of 2016-17: Use of fuel cards
HoA	House of Assembly
IC	Integrity Commission
km	Kilometres
KPI	Key Performance Indicator
LegCo	Legislative Council
MAST	Marine and Safety Tasmania

NRE Tas	Department of Natural Resources and Environment Tasmania
Ombudsman	Office of the Ombudsman and Health Complaints Commissioner
OoG	Office of the Governor
Park management report	Report of the Auditor-General No. 5 of 2016-17: Park management
PFT	Private Forests Tasmania
PIN	Personal Identification Number
PMP	Park Management Plans
PSP	Price and Service Plan
PWS	Tasmania Parks and Wildlife Service
RAA	Reserve Activity Assessments, now also called environmental impact assessments
Regulator	Tasmanian Economic Regulator
RTBG	Royal Tasmanian Botanical Gardens
RZP	Recreational Zone Plans
SFC	State Fire Commission
SOIR	State of the Industry Report issued by the Office of the Tasmanian Economic Regulator
STP	Sewage Treatment Plant
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TasWater report	Report of the Auditor-General No. 2 of 2017-18: Water and sewerage in Tasmania: Assessing the outcomes of industry reform
TFS	Tasmanian Fire Service
TGC	Tasmanian Government Card
TGC report	Report of the Auditor-General No. 1 of 2018-19: Use of Tasmanian Government Cards by Central Agency Executives and Executive Assistants

TI 705   Treasurer's Instruction 705, now FC-9

TLA   Tasmanian Legal Aid

Treasury   Department of Treasury and Finance

TWWHA   Tasmanian Wilderness World Heritage Area

WPD   Weeds, Pests and Diseases

Audit Mandate and Standards Applied

Mandate

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

(1)   The Auditor-General may at any time carry out an examination or investigation for one or more of the following purposes:

    (a)   examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;

    (b)   investigating any mater relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;

    (c)   investigating any mater relating to public money or other money, or to public property or other property;

    (d)   examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;

    (e)   examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;

    (f)   examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –

        (i)   on behalf of the State entity; or

        (ii)   in partnership or jointly with the State entity; or

        (iii)   as the delegate or agent of the State entity;

    (g)   examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.

(2)   Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act

Standards Applied

Section 31 specifies that:

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

    (a)   the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

    (b)   the Australian Auditing and Assurance Standards.'

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

Hobart Office

Phone	(03) 6173 0900	**Address**	Level 2, 144 Macquarie Street
Email	admin@audit.tas.gov.au		Hobart, 7000
Web	www.audit.tas.gov.au	**Postal**	GPO Box 851, Hobart 7001

Launceston Office   **Address**   4th Floor, Henty House

Phone   (03) 6173 0971   1 Civic Square, Launceston