

[Return to Graphics Mode](#)

VAGO

You are in

[VAGO](#) > [About Us](#) > Role of the Auditor-General

Main Sections

[Home](#) | [About Us](#) | [Reports & Publications](#) | [Audits in progress](#) | [Career Centre](#) | [Tenders](#) | [Links](#)

Current links

[Role of the Auditor-General](#)

[Audit Legislation](#)

[Corporate Information](#)

[History of VAGO](#)

[Corporate Publications](#)

[Contact Us](#)

[Audit Responsibilities by Year](#)

Role of the Auditor-General

[Who is the Auditor-General?](#)

[Why have an Auditor-General?](#)

[What does the Auditor-General do?](#)

[How does the Office support the Auditor-General?](#)

[What outputs does the Auditor-General produce?](#)

[What types of audits are carried out?](#)

[How is an audit conducted?](#)

[What happens to Auditor-General's reports?](#)

Who is the Auditor-General?

The current Auditor-General is [Mr Des Pearson](#). He is an independent Officer of the Victorian Parliament, appointed under legislation to examine, on behalf of Parliament and Victorian taxpayers, the management of resources within the public sector. The Auditor-General is not subject to control or direction by either Parliament or the Government.

The independence of the Auditor-General is enshrined in Victoria's Constitution Act. This independence ensures that findings which arise from a range of financial statement and performance audits are communicated to Parliament without interference, fear or favour.

The *Audit Act 1994* is the main legislation governing the powers and functions of the Auditor-General. The Act provides the legal basis for the Auditor-General's access to all government information and the freedom to report findings arising from audits to Parliament.

Why have an Auditor-General?

The Government is obliged to account to taxpayers for its management of public funds and services. It must ensure that funds are properly raised, protected from loss, and spent with maximum efficiency and effectiveness for the purposes approved by Parliament. In other words, government programs should be managed in a way which represents value for money for the taxpaying community.

Members of Parliament are responsible for overseeing the performance of the Executive Government. To fulfil this role effectively, they need reliable and accurate information. The information needs to be examined by a suitably qualified, independent person to ensure that it is sound, accurate and complete. Under our Westminster system of government, the person with this important responsibility is the Auditor-General.

The public sector outlays around \$37 billion each year in delivering an extensive range of services for all Victorians. The Auditor-General, through reports to Parliament, provides an independent assessment on whether these services have been managed economically, efficiently and effectively. The reports also contain value-adding suggestions to Parliament on ways the Government, through public sector agencies, can improve resource management, such as reducing waste and eliminating inefficient practices.

What does the Auditor-General do?

The Auditor-General's principal aim is to provide assurance to Parliament on the accountability and performance of the Victorian public sector.

The Auditor-General is responsible for the audit of around 650 public sector organisations, including Parliament, government departments, public bodies, business enterprises, superannuation funds, health services, universities and other educational institutions, municipal councils, and water authorities. Audit findings and recommendations address:

- the degree to which value-for-money has been achieved for taxpayers' dollars
- the effectiveness of organisations in meeting government objectives
- the quality of management and use of resources
- improvements in management practices and systems of government organisations
- the fair presentation of annual financial statements prepared by agencies
- compliance with legislative and other requirements.

How does the Office support the Auditor-General?

The Victorian Auditor-General's Office plays a key role in preserving the financial integrity of the State's system of government.

The Auditor-General is supported by around 150 staff who plan and conduct audits, oversee the work undertaken by some contract audit service providers and prepare major reports for tabling by the Auditor-General in Parliament. While most staff are auditors with accounting or economics qualifications, many come from other professional disciplines, such as program evaluation, social sciences and finance, which are necessary to carry out a broad range of duties associated with planning, conducting and managing performance and other audits.

The Office is structured under 3 main business areas: Policy, Planning and Technical; Audit Operations; and Corporate Services. The activities of each of these areas are guided by a strategic business plan which identifies the broad sense of direction for focusing our energies on those areas of public activity which require our attention. The plan provides a framework against which the Office can progressively monitor and measure the achievement of its strategic objectives.

What outputs does the Auditor-General produce?

The work of the Office results in providing a range of reports arising out of financial statement and performance audits. Financial statement audits give rise to:

- the expression of an audit opinion as to whether the financial statements prepared by the public sector entity present fairly its financial position, cash flows and results of operations for the year under audit
- the issue of a letter (report) to the governing body of the auditee on matters arising from the audit. Typically, the letter will contain observations about the quality of internal controls in place, accounting issues and matters relating to compliance with applicable laws

- reports to Parliament on significant issues arising out of audits, either for the individual entity or for the sector as a whole.
- Performance audits result in a separate report to Parliament following the completion of each audit.

What types of audits are carried out?

As mentioned earlier, we undertake two types of audits: financial statement audits and performance audits.

Financial statement audits provide independent assurances to Parliament and the community that the information contained in the financial statements of public sector entities is presented fairly in accordance with Australian accounting standards and applicable legislation.

A **performance audit** is an audit which evaluates whether an organisation or government program is achieving its objectives effectively, and doing so economically and efficiently, and in compliance with all relevant legislation.

The *Audit Act 1994* also assigns to the Auditor-General responsibility for carrying out audits to establish whether government grants provided to non-government organisations or persons have been applied for the purposes for which the grant was made, and whether the money has been applied economically, efficiently and effectively.

How is an audit conducted?

Financial statement audits are undertaken on around 650 public sector entities each year. Some of these audits are undertaken by our own staff, and currently some 70 per cent are undertaken by audit service providers following a process of contestability overseen by the Auditor-General.

As the Auditor-General is the principal auditor of all public sector entities, quality assurance reviews are undertaken by Office staff on all audit work before issuing an audit opinion on the financial statements of public agencies.

Performance audits extend beyond the examination of the financial affairs and transactions of a government agency to encompass wider management issues of significance to the community. The performance audit process begins with the planning phase which identifies the issues to be examined, timing, objectives, approach to be used and the resources required.

The next stage involves the evidence gathering phase encompassing examination and evaluation of information, the development of suggestions and formulation of conclusions. The results of each audit are discussed with, and formally communicated to, senior management of audited organisations. The audit process culminates in the Auditor-General presenting a report on the audit to Parliament.

[More information on how audits are conducted is available via our Audit Practice Statement.](#)

What happens to Auditor-General's Reports?

The tabling of Auditor-General's Reports in Parliament generates considerable parliamentary and community debate.

The reports highlight issues of importance to Parliament and the Government, and contain suggestions to improve the management of organisations and increase their operational effectiveness.

The Auditor-General does not have the authority to implement recommendations – that is the role of the Government.

Recommendations of the Auditor-General, when adopted, can lead to substantial savings in public funds, and efficiencies and improvements within the public sector. Our overall aim is to ensure that significant and relevant issues are addressed in reports. It is primarily through constructive, value-adding observations and recommendations that the work of the Auditor-General and his staff can lead to improved management of public sector resources in Victoria.

Quicklinks