



A challenging but productive year

It has been a very difficult but remarkably productive year for our office. Looking back on 2015–16, our people are entitled to be gratified with the quality of the work they continued to deliver, for the significant value they added and, despite considerable internal upheaval, for maintaining their pride in, and commitment to, the office they serve.

In 2015–16, we tabled 39 reports in Parliament, some of them unprecedented in nature, covering topics as various as major projects, bullying and harassment, strategic planning in our education system, hospital performance and the Annual Financial Report on the state. The office also delivered 647 audit opinions on agencies' financial statements and their non-financial performance indicators.

Sustained performance and commitment to continual improvement

We delivered most of our parliamentary performance targets within budget, and we have looked for more efficient and effective ways to produce our work. In particular, we completely reviewed and re-engineered our performance audit methodology and adapted our practice to better target our audit effort and maximise our impact throughout the public sector. With improvements to our practice always in mind, we are also looking forward to benefiting from the lessons and recommendations of the triennial audit of our office, which is nearing its conclusion.

Our impact

Our vision for the office has been to act as a catalyst for change, and, as the chapter on our impact sets out, whenever the agencies we audit have acted on our findings and implemented our recommendations, clearly attributable improvements and efficiencies have ensued. These take a variety of forms: agencies are prompted to amend policies and processes, to review their legislation and regulations, and to reconsider resourcing decisions, often while our audits are still on foot. This is a tribute not simply to our office, but to the vast majority of Victorian Public Service agencies with which we engage. While there is always room to improve, as the Key Audit Themes section of our report continues to demonstrate, it is heartening that many agencies have seen past the adversarial spin that is often put on their relationship with Parliament's Auditor. They recognise audit engagements as opportunities for a transparent, objective and independent examination of their program delivery, which benefits them, assures the Parliament and serves our citizens.

Nothing better exemplifies that spirit of positive engagement than VAGO's recent experience with the Department of Education & Training (DET). Following a disclaimer of audit opinion on DET's financial statements, the office worked very closely with a clearly committed minister, secretary and senior staff as the department embarked on a major remedial program which already has yielded significant improvements.

Legislative reform fit for a modern public sector

To have maximum, effective impact, our office needs legislation that is fit for purpose. The *Integrity and Accountability Legislation Amendment (A Stronger System) Act 2016* recently passed by Parliament gives the office 'follow-the-dollar' powers—the ability to examine and report on the performance of bodies delivering government services under contract. This is a good start, but comprehensive reform of the *Audit Act 1994* still beckons. Our legislation needs to be fit for the contemporary public sector we now audit, and it also needs to protect and preserve the independence and discretion of Parliament's Auditor. Nonetheless, we do acknowledge the government's ongoing review of the accountability and integrity system, and its commitment to improve the Auditor-General's legislation.

Valuing and listening to our people: Creating a positive workplace culture

In any organisation, people are paramount, and building and maintaining a positive and resilient work culture capable of dealing with and learning from inappropriate behaviours—such as bullying and harassment—is of first-order importance. Unfortunately, this was an issue with which our office had a very public experience in 2015. That experience served as our own internal catalyst for change and, with input from all our staff, we developed our Culture Program, a series of policy and process reviews and training and development initiatives. These were designed to address five key themes that an all-staff survey identified, namely:

- leadership
- behaviours and values
- practice management
- people
- organisational cohesion.

Many of the Culture Program's elements have already been completed, some are in progress and others will commence shortly. The Culture Program has given all our people opportunities to reflect, in particular, on the values and behaviours which should define the integrity business we are in, for ourselves, for our stakeholders and clients, and for the community. In the few months the program has been in progress, it has been especially gratifying to observe the discernibly more positive mood across the office, and a general willingness to 'turn the page' and look to the future.

We are rightly proud of our staff. They are among the most highly credentialed, trained and experienced across the Victorian public sector. Here again, the Culture Program has been the vehicle for us to take a fresh look at how we train, develop and treat our people.

Thank you to our principal stakeholder

Sincere thanks must go to Mr Danny Pearson (Chair) and Mr David Morris (Deputy Chair) and the other members of the Public Accounts and Estimates Committee for the support they provided, in helping the office come through the difficult period occasioned by the resignation of the former Auditor-General. One happy consequence is that the professional relationship between the Committee and this office is now stronger and more mutually respectful than ever. We look forward to building on that foundation.

The future

Finally, as we look ahead, we welcome the appointment of Victoria's 27th Auditor-General, Mr Andrew Greaves. Andrew brings to his new role formidable skills and a wealth of audit experience gained both here and in other jurisdictions, most recently, as Auditor-General for Queensland. Parliament, the public sector and our citizens can have confidence that in its 166th year, Victoria's oldest integrity office is in safe hands.



Dr Peter Frost
Acting Auditor-General