
Appendix one Key Audit Themes	130
<hr/>	
Appendix two External engagements in 2015–16	142
<hr/>	
Appendix three Employee profile by gender, age and classification	144
<hr/>	
Appendix four Disclosure index	145
<hr/>	
Appendix five Extract of whole-of-government financial statements—non-audited	147
<hr/>	
Appendix six Policies and compliance	148
<hr/>	
Appendix seven Additional information available on request	150
<hr/>	
Appendix eight Five-year statistics	151

Appendix one

Key Audit Themes



Introduction

Audits are designed to help agencies understand risks and challenges and help them to improve performance, governance and accountability.

All of our audit reports are publicly available. Despite this, agencies do not always take the opportunity to learn from the experience of others.

To help agencies benefit from insights from our wider audit program, each year we look through our reports to see whether similar findings appear across different reports. If a matter comes up in several audits, it is likely to be a widespread theme of interest to a range of agencies.

Key audit themes for 2015–16

Seven themes arise from our 2015–16 audit reports, each drawing on a number of common findings:

- governance and oversight
- effective leadership
- managing information
- implementation and delivery
- measuring and reporting performance
- monitoring and managing risks to financial sustainability
- stakeholder engagement.

This year, about 20 per cent of findings in our audit reports were positive—higher than usual. Where appropriate, we have reflected this in the themes. However, as our audit program is designed to address areas of risk for the public sector, audit findings more often cover areas to improve than affirm positive practice.

How to use the themes

Each theme includes a high-level summary and detail on what we have seen and why it is problematic. We include excerpts from audit reports published between July 2015 and June 2016 to illustrate our findings and help you to identify reports that you may want to read in more detail. We present specific instances of good management, where available. It is important to remember that practices may have improved since our reports were tabled.

The self-assessment questions for each theme give a practical starting point for assessing how your agency fares in relation to that theme. People use the themes in different ways:

- Boards and audit committees can ask managers to tell them how their organisations are addressing the risks identified in the themes.
- Risk managers can use the themes to help identify potential risks to address in their organisation's risk management plans.
- Managers can consider the themes when designing new programs.
- Internal auditors can use the themes to help them to choose what operational areas to audit each year.
- Human resources teams can use the themes to identify areas where further training for staff may be useful.

Governance and oversight



Governance arrangements include the structures, processes and practices that an agency uses to achieve its objectives. Poor governance arrangements make it more difficult for an agency to operate effectively and blur accountability for actions and outcomes. A long-running challenge in the public sector, the past year's audits found some areas of positive performance, as well as persistent shortcomings.

Governance frameworks

There were encouraging improvements in relation to governance frameworks. We found that several agencies have worked to more clearly and formally define their governance arrangements.

'Over the past six months the Department of Economic Development Jobs Transport & Resources (DEDJTR) has put a governance framework in place to ensure that there are consistent assumptions underpinning the transport modelling and economic appraisal of projects, and that these have been properly applied.'

— *Applying the High Value High Risk Process to Unsolicited Proposals* (August 2015).

However, many aspects remain to be improved. We found that several governance frameworks were unclear or inadequate. The task of appropriately governing collaborative operations continues to be challenging, particularly for information-sharing.

'[The Department of Education and Training's (DET)] governance framework is deficient and consequently undermines the application of its planning framework ... DET's reliance on committees makes it difficult to identify responsible executive officers and diminishes their accountability. It is impossible to know whether these committees are operating effectively as it is often unclear who oversees their performance, how decisions are made, who is attending and how often they meet.'

— *Department of Education and Training: Strategic Planning* (October 2015).

Oversight of delegated or contracted activity

In 2015–16, we continued to find significant shortcomings in how senior managers and agencies oversee and monitor, especially in outsourced or 'arm's length' arrangements.

'In some cases, DET relies on system authorities to administer and oversee grants made to schools. In effect, this means that the system authorities oversee themselves ... DET does not oversee or monitor system authorities to assure itself that grants are used for their intended purpose or achieving the intended outcomes.'

— *Grants to Non-Government Schools* (March 2016)

'While there have been overall improvements during the year in how outsourced IT environments are managed, additional improvements are still required. There is a need to increase awareness of ownership and obligations relating to these outsourced environments, including assessing the reliability and quality of audits conducted over an entity's outsourced environment and assessing the impact of any control weaknesses on the entities' control environment.'

— *Financial Systems Controls Report: Information Technology 2014–15* (October 2015)

Responding to recommendations and reviews

A key aspect of governance is having systems in place to ensure that actions take place in response to audits and other reviews. We found positive signs of responsiveness to our recommendations.

'The majority of agencies, 82 per cent, reported assigning recommendations to responsible individuals. Nearly half of the individuals assigned to monitor and report on specific recommendations held executive management positions. This greater accountability for the timely completion of recommendations is reflected in the completion rates for agencies that took this approach.'

—*Responses to Performance Audit Recommendations 2012–13 and 2013–14* (December 2015)

'The department has initiated adequate action to address all of the recommendations in our 2014 report. In most instances, this has meant addressing systemic issues that require a long time to overcome.'

—*Follow up of Residential Care Services for Children* (June 2016)

However, we found several examples where the effort was not enough to address identified problems. Some agencies were particularly slow to address recommendations or did not address all recommendations. In other instances, the action taken did not lead to effective change. Audit committees did not always fulfil their role in seeking assurance that recommendations were being addressed.

'The department's audit committee has processes in place to assess progress in implementing recommendations from other external reports. However, it is not assessing the impact these actions are having. As a consequence, neither the department nor the audit committee can be assured that the effort being put into addressing the issues underlying the recommendations is effective.'

—*Follow up of Managing Major Projects* (August 2015)

Complying with regulatory frameworks

Some agencies did not comply with mandatory requirements, mainly in relation to financial management and accountability. We found several instances where agencies did not comply with the *Financial Management Act 1994*—the public sector's framework for financial administration, accountability and

reporting—and the Standing Directions and standards that sit under this Act. More broadly, some agencies did not comply with mandated processes and policies, or fulfil reporting obligations.

'2014–15 was the first financial year public hospitals were required by Standing Direction 4.5.6 Treasury Risk Management of the Financial Management Act 1994, to invest non-operational funds of greater than \$2 million with the state's treasury bodies, rather than investing in deposit institutions with a lower than AAA credit rating. Seventeen public hospitals did not comply with this requirement.'

—*Public Hospitals: 2014–15 Audit Snapshot* (November 2015)

'Agencies also fall well short of fully complying with their obligations under Part II of the Freedom of Information Act 1982, to publish registers of the information they hold.'

—*Access to Public Sector Information* (December 2015)

Self-assessment questions

- 1 What assurance does my agency have that its governance arrangements are appropriate, clear and well understood?
- 2 How does my agency monitor activity that it is responsible for or that it has delegated or contracted to others?
- 3 How does my agency know whether it is identifying, managing and monitoring all relevant risks?
- 4 Does my agency have a system in place to monitor action on recommendations and reviews in a way that ensures that action is timely and meaningful and addresses the core problem?
- 5 Have we done enough to address the problems we already know about?
- 6 Does my agency have assurance over how it complies with relevant legislation and regulations?

Effective leadership



Leadership is a critical element of an organisation. The approach of public sector leaders to decision-making and culture has a major influence on their organisations. Although audits rarely set out to consider the effectiveness of leadership, several reports highlighted the significant role of leadership within the programs and activity they assessed.

Guidance and direction

There were instances of leadership showing the way and being the source of improvement, as well as instances where agencies failed to effectively set direction and drive change.

‘Systemic failures by [the Department of Health & Human Services] DHHS—some of which were identified over a decade ago in our 2005 audit—collectively indicate that DHHS is not effectively providing leadership or oversight of patient safety.’

—Patient Safety in Victorian Public Hospitals (March 2016)

Operational guidance from the centre on key activities or processes was often unclear, inadequate or absent, although we found some examples of good guidance material.

Creating a positive and ethical culture

Leaders are role models for an organisation’s behaviour and actions. Leaders who model appropriate conduct and behaviour will contribute to a positive culture. We found problems with culture—how members of an organisation approach their work and interact with each other—that were concerning. Leaders have opportunities to make a difference to these matters, by driving cultural change.

‘There is widespread fear among staff and a reluctance to raise issues or make formal complaints because of the perceived repercussions of doing so.’

—Bullying and Harassment in the Health Sector (March 2016)

‘There needs to be cultural change across Victoria Police, supported by strong leadership for this initiative to succeed.’

—Follow up of Asset Confiscation Scheme (June 2016)

Frank and fearless advice

For leaders to fulfil their roles and make informed decisions, they need frank, impartial and timely advice from the public sector. This is enshrined in the values and principles that guide the public sector, with 'providing frank, impartial and timely advice to government' listed as a key value in the *Public Administration Act 2004*. We found some positive examples where decision-makers were supported well with advice.

'Advice provided to government to support decisions on the establishment and rollout of the [Protective Services Officer (PSO)] ... program was comprehensive. The report back to government following the first 18 months of the program was focused on the government's priorities at the time, but it also advocated for changes to the PSO program in order to improve efficiency and effectiveness and to reduce costs. While government chose not to follow this advice, the options presented were comprehensive and soundly based.'

—*Public Safety on Victoria's Train System* (February 2016)

However, we found several instances where this principle was not fulfilled across aspects of public sector administration including for major policies and infrastructure decisions. Similarly, we found shortcomings in advice or information provided to oversight bodies such as audit committees.

'Over the life of this costly and complex project, advice to government did not always meet the expected standard of being frank and fearless. This highlights a risk to the integrity of public administration that needs to be addressed.'

—*East West Link Project* (December 2015)

'The application of the [High Value High Risk] ... process to CityLink Tulla had significant gaps which [the Department of Treasury and Finance] ... needs to address for similar proposals in the future. The lack of sufficient information on the project's benefits, the absence of a full funding analysis and weaknesses in the approach to stakeholder engagement are fundamental gaps which compromise the quality of advice government is entitled to receive.'

—*Applying the High Value High Risk Process to Unsolicited Proposals* (August 2015)

'Public sector leadership needs to be focussed on creating a sense of public trust for government's stewardship role. This public trust needs to be a network of trust: Citizens must be able to trust public institutions to defend their interests. Politicians and ministers must be able to trust that the public service will give them objective, high quality and fearless advice.'

—Chris Eccles, Secretary, Department of Premier & Cabinet, in his 'Leadership from the centre' address, Melbourne 23 June 2016

Self-assessment questions

- 1 How does my agency get assurance and feedback about whether the guidance and support we give other agencies or staff meets their needs?
- 2 Does my agency's leadership group use indicators to benchmark positive culture to strengthen integrity and monitor the risk of inappropriate behaviour?
- 3 Do I have assurance that my agency provides frank and fearless advice to government? Do I offer advice both for and against options in briefings to support decision-making?

Managing information



The right information can completely change the way you look at a problem. Having relevant, complete and accurate information helps to improve decision-making. Sharing information can have a huge impact. Taking time to focus on the technical side of managing information can provide your agency with more reliable reporting.

Quality of data and information

We continued to find widespread shortcomings in data and information throughout the public sector. Some agencies failed to record important decisions or activity. Others did not effectively analyse, use or disseminate the information they held. Some agencies did not model or forecast options and plans effectively. Nonetheless there were positive examples where agencies had good quality data and information.

'[The Department of Environment, Land, Water and Planning's] spatial data has long been recognised for its high quality, and efforts to ensure that it is supported by mature and robust governance and management processes have made it one of Victoria's most valuable and highly used data sources.'
 —Access to Public Sector Information (December 2015)

Systems and controls

Today, the public sector does much of its work using information systems. We found examples of out-of-date systems, including those used for financial management and reporting, that undermined efficiency and effectiveness. We found that, although financial reporting systems and controls throughout the public sector are generally sound, many weaknesses remained, including in security controls.

'IT security controls need improvement—IT security control weaknesses account for 68 per cent of all IT audit findings. There is poor management of IT security, particularly relating to user access and alignment with Victorian Government IT security standards.'
 —Financial Systems Controls Report: Information Technology 2014–15 (October 2015)

Record-keeping

Often, agencies could not show why or how they had spent funds, made decisions or managed risks. However, record-keeping is not just about creating an audit trail. It is a fundamental governance matter because it is about retaining corporate knowledge and improving how the public sector works. Addressing this shortcoming is a straightforward way of improving the public sector's efficiency, economy and effectiveness. We found pervasive inadequacies in record-keeping.

'The absence of documentation for three of the 15 selected projects is a significant issue, as it is impeding effective project governance by agencies and means we have been unable to assess if these projects addressed key elements in the investment lifecycle guidance.'
 —Managing and Reporting on the Performance and Cost of Capital Projects (May 2016)

Self-assessment questions

- 1 What information does my agency collect and how does it use it? Is this enough? Could this be improved?
- 2 Are my agency's information and monitoring systems in place, up to date, secure, and meeting users' needs?
- 3 Is my agency committed to record-keeping, including training our staff and allocating enough time and resources to record-keeping? Is it easy to trace decisions and demonstrate activities? Are key processes documented properly?

Implementation and delivery

The public sector is responsible for delivering big-budget projects and programs to bring about the outcomes and objectives that government sets. The community expects government to deliver the services and outcomes it says it will. In keeping with legislation, performance audits examine whether it has done so effectively, efficiently and economically.

04

Achieving results

Public sector goals are hard to achieve. Agencies do not face an easy task to achieve their targets in a complex environment with limited resources and constant change. We found that the public sector's performance was mixed. We found examples of the public sector achieving good results:

'[State schools are] now performing better than non-government schools and the Victorian workers' compensation scheme in returning injured employees back to work earlier.'

—*Follow up of Management of Staff Occupational Health and Safety in Schools* (August 2015)

'[The Parole System Reform Program] has improved the operations of the APB [Adult Parole Board]. Board members now have sufficient time to consider each case, and improved ICT systems allow easier access to information and the improved recording of decisions made.'

—*Administration of Parole* (February 2016)

We found several instances where the public sector did not achieve intended results, or fully implement projects and programs.

'I also found a real risk that the expected benefits will not be achieved. Current forecasts predict consumers will only receive approximately 80 per cent of the benefits identified in the most recent 2011 cost-benefit analysis—provided that all issues and risks are effectively mitigated—and as costs increase over the life of the program, the final net cost to consumers is likely to rise above \$319 million.'

—*Realising the Benefits of Smart Meters* (September 2015)

Project management

Several audits found that projects and programs were delivered late and over budget. Infrastructure and services were not available as soon as intended, and the state paid millions of dollars more than planned, particularly in relation to ICT and capital projects.

'None of the ICT Projects considered in this audit were completed or will be completed as initially budgeted. One of the six projects examined finished on schedule. One project was terminated prior to system delivery, six years after the planned completion date and having cost twice the intended budget. Most of the six projects examined in this audit faced significant challenges at various points during implementation.'

—*Digital Dashboard: Status Review of ICT Projects and Initiatives – Phase 2* (March 2016)

Self-assessment questions

- 1 Is my agency achieving its objectives?
- 2 How informative are the explanations given for any target shortfalls?
- 3 How is my agency monitoring project timeliness and spending?
- 4 How does my agency respond when projects are in danger of going over budget or schedule?

Measuring and reporting performance



Reporting financial and non-financial performance demonstrates whether government has delivered on its commitments and used funds provided by Parliament efficiently, effectively and for the purposes that were intended. Public sector agencies are required to publish financial reports that comply with legislation and standards and that fairly present their financial position. If performance measurement and reporting systems are designed poorly or reports are difficult to understand or unreliable, then the public sector cannot be held to account for its performance.

Financial reporting

We continued to find that public sector financial reporting can be largely relied on, with most financial statements of Victorian public sector agencies receiving a clear audit opinion.

'Clear financial audit opinions were issued for the 79 local councils for the year ended 30 June 2015. This means that Parliament and the public can have confidence in the financial statements of these local councils.'

—*Local Government: 2014–15 Audit Snapshot* (November 2015)

However, we found that more financial reports could not be completely relied on. Twenty-six audit opinions were either a qualified or disclaimer opinion or the opinion identified an emphasis of matter. Of particular concern, the Annual Financial Report of the State of Victoria (AFR) and the financial reports of two of the seven government departments had problems that led to the Auditor-General issuing qualified opinions.

'The AFR received a modified audit opinion, consisting of two audit qualifications: the AFR did not record an expense, and associated liability, recognising the state's obligation to return to the Commonwealth Government \$1.5 billion of funding relating to the [East West Link] ... project; the property, plant and equipment balances of DET, which are included in the AFR, were not supported by proper accounts and records.'

—*Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2014–15* (November 2015)

We observed that the overall timeliness of financial reporting is slipping. This reduces the accountability and transparency of the public sector's finances. The AFR was late, because most of the agencies that contribute to this report were late in providing their draft financial statements to the Department of Treasury & Finance.

Designing performance measurement frameworks

If the framework for measuring performance is not designed well in the first place, it undermines the entire performance measurement regime. This has been a longstanding theme in our audits. We found that some programs or agencies did not have performance measurement frameworks at all. For those that did, key performance indicators were not always relevant, or agencies did not set targets for performance. In several instances, evaluations should have been carried out but were not, meaning that agencies had no strong evidence to demonstrate performance or inform future activities.

'The long-term water quality monitoring programs in the Port Phillip and Western Port region are not clearly linked to these objectives and they have not been evaluated against them.'

—*Monitoring Victoria's Water Resources* (May 2016)

We found some positive examples, especially in our financial audits.

'The 2014–15 reporting period was the first year local councils were required to prepare information on a prescribed set of performance indicators in accordance with the Local Government Performance Reporting Framework. The new regime requires extensive financial and non-financial information to be disclosed.'

—*Local Government: 2014–15 Audit Snapshot* (November 2015)

Demonstrating and reporting performance

This year, we found that some agencies had improved their performance reports.

'We have observed better-quality performance statements in 2015, as TAFEs included more information describing indicators and the method of calculation, and more detailed explanations of variances.'

—*Technical and Further Education Institutes: 2015 Audit Snapshot* (May 2016)

However, more commonly, agencies' performance reports could not demonstrate what they had done or show the benefits and results of their programs. We sometimes found a lack of transparency, where agencies held information but did not report it, either internally to management or externally to the public.

Public reporting lacks transparency and has been inadequate over the past decade ...

The absence of sufficient information on the changing scope and components of these initiatives make the content and impacts of these programs impenetrable to citizens.'

—*Reducing the Burden of Red Tape* (May 2016)

Self-assessment questions

- 1 Does our performance measurement framework cover our key activities? Does it have relevant and appropriate key performance indicators and targets set in advance to help us measure our progress?
- 2 Do we evaluate key projects and programs to determine whether they are meeting their objectives?
- 3 Are we reporting all the information we are required to, internally and externally?
- 4 How do we monitor the timeliness of our financial reporting? How do we ensure that it receives a clear audit opinion?

Monitoring and managing risks to financial sustainability



Agencies must be able to generate enough funds from operations to meet financial obligations, fund asset replacement and renewal, and absorb foreseeable changes. Management must monitor and manage its agency's ability to do this. Our audits found improvements in most indicators of risks to financial sustainability, although a range of challenges remain.

Impact of funding models on financial sustainability

The funding or pricing models that some agencies are required to operate within can challenge the capacity of management to make long-term financial plans, or to grow income beyond a fixed ceiling. Agencies that rely on earned income from operations, including arts, sports and tourism organisations, can be particularly vulnerable to financial sustainability risks.

'These [self-funded] entities face significant financial challenges, that if not addressed, may lead to a reduction in the services they provide to the community. If they are to be financially sustainable over the long term, the underlying pricing model used to generate revenue may need amendment, another funding source may need to be identified, cost structure may need review, or additional government support may be required.'

—*Portfolio Departments and Associated Entities: 2014–15 Audit Snapshot*
(December 2015)

Maintaining and renewing assets

A key aspect of financial sustainability is being able to replace and repair assets. Assets include buildings such as schools, hospitals, and universities and other infrastructure such as community swimming pools. Assets have to be maintained and eventually replaced. Managing this process is a significant part of the work of many agencies. We found that some agencies were not funding new assets or maintaining assets at the same rate as assets were depreciating. If assets are not maintained or replaced, the quality of services the community receives can decrease and, as time goes by, it can become more expensive to address problems.

'The continuing deficits are not allowing public hospitals to build up reserves from operations to replace or renew their fixed assets. Funds for replacement and new assets are provided mostly through specific purpose government grants, which are awarded based on the assessment of business cases. In addition, public hospitals also undertake specific fund raising. Current revenue levels create longer-term financial sustainability risks, and could, ultimately, impact the quality and variety of services offered to the public.'

—*Public Hospitals: 2014–15 Audit Snapshot*
(November 2015)

Self-assessment questions

- 1 Has my agency assessed the impact of our funding or pricing models on our financial sustainability?
- 2 Does my agency monitor key indicators of risk to financial sustainability, including debt and cash flow?
- 3 Does my organisation have an appropriate risk management regime in place to assess financial sustainability risks?
- 4 What actions does my agency take in response to significant and emerging risks to its financial sustainability?
- 5 Is my organisation maintaining, replacing and renewing assets as required?

Stakeholder engagement

This year, several of our audits assessed how well agencies engage with stakeholders, including the public. This engagement has become more frequent, reflecting the impact it has on effective public sector administration. One of the Victorian Special Minister of State's six directions for reforming the public sector includes considering how citizens and communities co-create public value.



Getting input from stakeholders

We found good examples of stakeholders being consulted to collect information, opinions and advice.

'The department is working to improve its complaints processes and assess the feasibility of an independent advocacy role for children and young people in residential care, which will contribute further to meeting their needs. This has involved engaging with children and young people in residential care to include their voice in identifying the issues and the possible actions to address these.'

—*Follow Up of Residential Care Services for Children* (June 2016)

However, we did see shortcomings. Sometimes, agencies did not consult key stakeholders, or did not consult in a well-planned way.

'DEDJTR engages extensively with non-government stakeholders on livestock biosecurity matters. However, this engagement has not occurred in line with an overarching strategic approach. The needs of, and risks to, non-government stakeholder groups—including livestock industries and private veterinary practitioners—have not been systematically assessed.'

—*Biosecurity: Livestock* (August 2015)

Communicating to stakeholders

Communications activities can often be overlooked. Failing to communicate can significantly affect outcomes, effective implementation, the uptake of a service and stakeholders' perceptions. Although some agencies' communications and awareness activities were effective, others' were not.

'The lack of a PSO public awareness strategy means that agencies are not capitalising on the presence of PSOs to improve perceptions of safety and increase patronage on trains after 6 pm.'

—*Public Safety on Victoria's Train System* (February 2016)

Self-assessment questions

- 1 Do we have a stakeholder engagement plan for the whole organisation?
- 2 Is stakeholder engagement given adequate consideration in planning key projects, programs and activities?
- 3 Do we carry out adequate communications and awareness activities for stakeholders?
- 4 Do we review how effectively we engage stakeholders?

Appendix two

External engagements in 2015–16

Presentations by the Auditor-General and senior staff in 2015–16

Date	Presentation to	Topic
3 August 2015	Centre for Excellence in Child and Family Welfare (a peak body for family service providers)	Key findings of the audit <i>Early intervention services to vulnerable children and families</i> .
4 August 2015	Inquiry into Rate Capping Policy	Presentation of findings from recent audits of local government.
7 August 2015	Association of TAFE Business Managers	Financial Outcomes for the Sector for 2014 and perspectives looking forward to 2015.
7 August 2015	Local Government Pro Chief Executive Officers Forum	Financial Sustainability Risk and the Asset Renewal Gap.
15 August 2015	ANZSOG Ministerial Staff Workshop	Overview of Auditor-General's role and responsibilities and interactions with ministers' offices.
14 September 2015	Masters students in the Health Services Management & Public Health Program	Quality and Safety Assurance—the role of the Victorian Auditor-General's Office.
21 September 2015	Monash University Governance	Auditors-General in the integrity system.
25 September 2015	University of Melbourne	Oversight of the public sector: explosion or erosion? A perspective from the Victorian Auditor-General's Office.
8 October 2015	Governance Institute Public Sector Update Luncheon	Key Audit Themes 2014–15.
15 October 2015	Annual PASAI Congress in Vanuatu	'Applying INTOSAI Independence Principles: The Australian Experience', comparing independence of Audit Offices across Australian jurisdictions.
26 October 2015	Safe and Secure Hospitals Conference	Addressing Violence in Victorian Health Care Settings—an Audit Perspective.
28 October 2015	PwC Audit Committee Chairs luncheon	Key Audit Themes 2014–15.
30 October 2015	Local Government Finance Professionals	Results of the 2014–15 Local Government Audits.
13 November 2015	Victorian OHS Network	<i>Occupational Violence against Healthcare Workers</i> audit.
18 November 2015	AUSFOG Conference	Audit observations.
4 December 2015	VicRoads Audit Committee	Key Audit Themes 2014–15.
12 February 2016	Australian College of Health Service Management	Health Service Financial management—An Audit Perspective.
25 February 2016	DOJR Statutory Entities	VAGO Update.
18 February 2016	Local Government Finance Professionals	Local Government Audit Snapshot 2014–15.
2 March 2016	Australian Institute of Project Management Panel Roundtable (AIPM Melbourne Chapter)	Project Management in Local Government—the state of play.
17 March 2016	Australian Institute of Building Surveyors (South Australian Chapter Conference, Adelaide)	Presentation on Victoria's consumer protection framework for building construction report.
18 March 2016	Local Government Pro CEO Forum	<i>Integrity and Accountability Legislation Amendment (A Stronger System) Bill 2015</i> —A VAGO perspective.

Date	Presentation to	Topic
13 April 2016	KPMG Accounting and Reporting Issues Seminar	Key Audit Themes 2014–15.
20 April 2016	7th Annual Victorian Major Projects conference	East West Link Project.
12 May 2016	PASAI/ACAG Regional Working Group on Environmental Auditing	Impacts of Performance Audits—Regulatory Approaches.
12 May 2016	Victorian Country Pools Conference (Aquatics & Recreation Victoria)	VAGO report—Asset management shortfalls: what does this mean to country pools?
26 May 2016	Local Government Finance Professionals	Preparedness for 30 June 2016 audits.
26 May 2016	Australian Health Services Financial Management Association 'Meeting of the Minds'	Key Audit Themes 2014–15.
2 June 2016	Regulators' Community of Practice (hosted by the Commissioner for Better Regulation)	Reducing the Burden of Red Tape performance audit—key insights and recommendations.
8 June 2016	Ernst & Young Government Accounting update	Key Audit Themes 2014–15.
24 June 2016	Corrections Victoria Occupational Violence Summit	Occupational Violence Audit.
14 July 2016	Sustainability Victoria Stakeholder Engagement Network	Better Practice Guide: Public Participation in Government Decision-making.

International delegations to VAGO in 2015–16

Date	Organisation	Purpose, interest or theme of visit
17 September 2015	Ugandan Ministry of Finance, Planning and Economic Development	Public Private Partnerships.
24 November 2015	Foreign Policy Research Team of Cheongju City Hall, South Korea	Information Systems Auditing and ICT systems interfaces. Obtaining data easily for auditing or anti-corruption purposes. Information System Audit reports by VAGO.
10 December 2015	National Audit Office of the People's Republic of China	Financial audit methods used by VAGO as well as general information about performance audit. The delegation outlined specific topics for discussion during their visit. Financial audit under the context of a mixed economy. How to improve the accounting information transparency and the audit independence.
26 February 2016	Board of Audit of Japan	VAGO's overall role and mandate, our audit of private public partnerships, and specifically our Operating Water Infrastructure Using Public Private Partnerships audit.
4 May 2016	Northern Pacific Auditors-General	The role and mandate of VAGO and an outline of current and planned financial and performance audits.

Appendix three

Employee profile by gender, age
and classification^{(a)(b)}

	Ongoing employees			Fixed term and casual	
	Number (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2016	178	149	29	168.45	20.80
June 2015	163	138	25	156.00	20.60

	June 2016			June 2015		
	Ongoing		Fixed term and casual	Ongoing		Fixed term and casual
	Number (headcount)	FTE	FTE	Number (headcount)	FTE	FTE
Gender						
Male	73	72.00	14.00	72	71.00	10.00
Female	105	96.45	6.80	91	85.00	10.60
Total	178	168.45	20.80	163	156.00	20.60
Age						
Under 25	2	2.00	3.00	6	6.00	2.00
25-34	59	56.63	9.00	59	58.00	8.00
35-44	67	62.32	5.80	51	46.50	6.60
45-54	37	34.90	3.00	32	30.90	2.00
55-64	11	10.60	0.00	14	13.60	2.00
Over 64	2	2.00	0.00	1	1.00	0.00
Total	178	168.45	20.80	163	156.00	20.60
Classification						
Auditor-General	0	0.00	0.00	1	1.00	0.00
Executive	24	23.70	0.00	24	23.80	1.00
STS ^(c)	3	2.70	0.00	3	2.60	0.00
Grade 6	43	39.03	3.00	33	30.40	4.00
Grade 5	40	37.39	7.80	24	22.00	8.00
Grade 4	28	26.23	3.00	34	32.80	1.00
Grade 3	35	34.40	1.00	33	32.40	3.60
Grade 2	5	5.00	6.00	11	11.00	3.00
Grade 1	0	0.00	0.00	0	0.00	0.00
Total	178	168.45	20.80	163	156.00	20.60

(a) All figures reflect active employees during the last full pay period in June each year.

(b) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies.

(c) The Senior Technical Specialist roles at VAGO comprise one specialist senior auditing role, one specialist senior accounting role, and one senior business management role.

Appendix four

Disclosure index

Our annual report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of our compliance with statutory disclosure requirements.

Legislation	Requirement	Page
Ministerial directions		
Report of operations—FRD guidance		
Charter and purpose		
FRD 22G	Manner of establishment and the relevant Minister	9
FRD 22G	Purpose, functions, powers and duties	9
FRD 22G	Key initiatives and projects	12–13
FRD 22G	Nature and range of services provided	9
Management and structure		
FRD 22G	Organisational structure	42
Financial and other information		
FRD 8D, SD 4.2(k)	Performance against output performance measures	14
FRD 8D	Budget portfolio outcomes	147
FRD 10A	Disclosure index	145
FRD 15C	Executive officer disclosures	45
FRD 22G	Employment and conduct principles	32
FRD 22G	Occupational health and safety policy	33
FRD 22G	Summary of the financial results for the year	17
FRD 22G	Significant changes in financial position during the year	17
FRD 22G	Major changes or factors affecting performance	10
FRD 22G	Subsequent events	123
FRD 22G	Application and operation of <i>Freedom of Information Act 1982</i>	149
FRD 22G	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	148
FRD 22G	Statement on National Competition Policy	148
FRD 22G	Application and operation of the <i>Protected Disclosure Act 2012</i>	148
FRD 22G	Details of consultancies over \$10 000	76
FRD 22G	Details of consultancies under \$10 000	76
FRD 22G	Statement of availability of other information	150
FRD 22G	Disclosure of ICT expenditure	51
FRD 24C	Reporting of office-based environmental impacts	57
FRD 25B	Victorian Industry Participation Policy disclosures	148
FRD 29A	Workforce data disclosures – Public Sector Employees	29, 144
SD 4.5.5	Risk management compliance attestation	54
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	54
SD 4.2(g)	Specific information requirements	1–72
SD 4.2(j)	Signoff requirements	4
Financial report		
Financial statements required under Part 7 of the Financial Management Act 1994		
SD4.2(a)	Statement of changes in equity	84
SD4.2(b)	Operating statement	82
SD4.2(b)	Balance sheet	83
SD4.2(b)	Cash flow statement	85

Legislation	Requirement	Page
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	86
SD4.2(c)	Compliance with Ministerial Directions	80
SD4.2(c)	Accountable officer's and chief financial and accounting officer's declaration	80
SD4.2(d)	Rounding of amounts	88
SD4.2(f)	Compliance with Model Financial Report	76
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Disclosure of administered assets and liabilities	103
FRD 13	Disclosure of Parliamentary appropriations	120
FRD 21B	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	121
FRD 103F	Non-current physical assets	107–109
FRD 110	Cash flow statements	85
FRD 112D	Defined benefit superannuation obligations	89
FRDs applicable to VAGO with no disclosures to make in 2015–16		
FRD 11	Disclosure of ex-gratia payments	
FRD 12A	Disclosure of major contracts	
FRD 22G	Application and operation of the <i>Carers Recognition Act 2012</i>	
FRD 22G	Disclosure of government advertising expenditure	
FRD 102	Inventories	

Legislation	Page
<i>Financial Management Act 1994</i>	86
<i>Audit Act 1994</i>	9
<i>Freedom of Information Act 1982</i>	149
<i>Building Act 1993</i>	148
<i>Protected Disclosure Act 2012</i>	148
<i>Victorian Industry Participation Policy Act 2003</i>	148

The only departure from FRDs is in relation to FRD 30B Standard Requirements for the Publication of Annual Reports, April 2015. The departure is specifically in relation to 5.3 Design. Section 5.3 Design of FRD30B suggests that internal colour should be kept to one colour, or as few colours as possible where it is essential to enable the readability and legibility of complex charts, graphs, maps or diagrams. Our *Annual Report 2015–16* uses several colours in complex charts, graphs, maps and diagrams to enable our readers to easily understand content and flow.

Appendix five

Extract of whole-of-government financial statements—non-audited

The following table provides a comparison between the actual financial statements of VAGO and the forecast financial information published in the *Budget Paper No. 5 Statement of Finances 2015–16* (BP5), for the portfolio of Parliament. The table comprises the comprehensive operating statement. The table has been prepared on a consolidated basis and includes all general government sector agencies within the portfolio. Financial transactions and balances are classified into either controlled or administered categories as agreed with the Treasurer in the context of the published statements in BP5. The following statements are not subject to audit and are not prepared on the same basis as VAGO's financial statements as they include the consolidated financial information of the Parliament agency.

	2015–16				
	Budget			Actual	Variance (ii)
	Parliament	VAGO	Controlled Parliament (i)	VAGO	VAGO
	\$'000	\$'000	\$'000	\$'000	\$'000
Income from transactions					
Output appropriations	107,131.6	39,611.0	146,742.6	40,520.8	909.8
Special appropriations	38,738.0	611.0	39,349.0	576.3	(34.7)
Sale of goods and services	0.0	0.0	0.0	253.4	253.4
Grants	0.0	0.0	0.0	0.0	0.0
Fair value of services received free of charge or for nominal consideration	0.0	35.0	35.0	33.0	(2.0)
Total income from transactions	145,869.6	40,257.0	186,126.6	41,383.5	1,126.5
Expenses from transactions					
Employee benefits	85,393.6	24,247.0	109,640.6	23,715.4	531.6
Depreciation and amortisation	13,981.0	802.0	14,783.0	656.9	145.1
Interest expense	129.3	29.0	158.3	15.3	13.7
Capital asset charge	2,898.1	120.0	3,018.1	119.9	0.1
Other operating expenses	43,495.8	15,619.0	59,114.8	16,720.6	(1,101.6)
Total expenses from transactions	145,897.8	40,817.0	186,714.8	41,228.1	(411.1)
Net result from transactions (net operating balance)	(28.2)	(560.0)	(588.2)	155.4	715.4

(i) Budget figures are as published in 2015–16 Statement of Finances: Budget Paper No. 5, page 139 (shown in \$millions).

(ii) For income items, the variance is positive if actual exceeds budget. For expense items, the variance is positive if budget exceeds actual.

Appendix six

Policies and compliance

Building Act

VAGO does not own or control any government buildings and, therefore, has no responsibilities under the *Building Act 1993*.

DataVic Access Policy

In August 2012, the Victorian Government endorsed the DataVic Access Policy to enable public access to government data, and to improve how the public sector shares information.

VAGO complies with this policy, and agreed data sets are available on our website.

Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the application of the Victorian Industry Participation Policy. During 2015–16, VAGO did not undertake any procurement activity that was subject to the Victorian Industry Participation Policy.

National Competition Policy

VAGO complies with the *National Competition Policy*, including complying with the requirements of the Department of Treasury and Finance's *Competitive Neutrality Policy*.

Oversight by the Victorian Inspectorate

The Victorian Inspectorate was established in 2012 as part of the reform of Victoria's integrity systems. The Inspectorate has monitoring and oversight functions in respect of certain integrity bodies including VAGO.

In 2015–16, VAGO had nothing to report to the Inspectorate and the Inspectorate did not review any of VAGO's activities.

Work arrangements

VAGO offers flexible work arrangements for staff, in response to staff demand and legislative obligations for employers to provide flexible working conditions. We encourage our staff to take advantage of the arrangements available to them.

Declaration of interests

All executive officers and business unit managers have completed statements declaring whether their interests, shares in, and other benefits from business enterprises could give rise to a conflict of interest, and there were no such conflicts.

Protected disclosures

To enable and encourage people to make disclosures about improper conduct within the public sector, Victorian legislation protects the confidentiality and welfare of these individuals and sets up a system to investigate disclosed matters.

Under the *Protected Disclosure Act 2012*, VAGO cannot receive protected disclosures.

Disclosures about VAGO officers may be made to the Independent Broad-based Anti-corruption Commission or the Victorian Inspectorate.

Further information on VAGO's responsibilities is available at:
http://www.audit.vic.gov.au/about_us/corporate_information/protected_disclosures.aspx.

Freedom of information

The *Freedom of Information Act 1982* provides the community the right to access, as far as possible, information held by the Victorian Government.

Section 20A of the *Audit Act 1994* broadly precludes us from disclosing information we gather during an audit, other than reporting to Parliament. Section 20B of the *Audit Act 1994* also precludes third parties from accessing any audit-related information and documents we hold.

Our administrative processes come under the state's Freedom of Information legislation. We did not receive any applications under this legislation in 2015–16.

Further information on what we do in relation to the *Freedom of Information Act 1982* is available on our website.

Freedom of Information Requests

Requests for access to non-audit-related information and documents we hold can be made to:

Chris Sheard
 Acting Executive Director, Audit Support Group
 Victorian Auditor-General's Office

By email

chris.sheard@audit.vic.gov.au

In writing

Freedom of Information
 Victorian Auditor-General's Office
 Level 24, 35 Collins Street
 Melbourne 3000

Appendix seven

Additional information available on request

This report and our website publish all information required by the Directions of the Minister for Finance.

Further details in respect of the information items below have been retained by us and are available if requested—subject to the Freedom of Information requirements, if applicable:

- a statement that declarations of pecuniary interests have been duly completed by all relevant staff of the office (see also page 45)
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of changes in prices, fees, charges, rates and levies charged by our office
- audit fees, which are revised every year
- details of overseas visits, including a summary of the objectives and outcomes of each visit (see also page 38)
- details of assessments and measures to improve the occupational health and safety of staff (see also page 34)
- a general statement on industrial relations within the office and details of time lost through industrial accidents and disputes
- a list of major committees we sponsor, the purposes of each, and the extent to which the purposes have been achieved (see also pages 45–46, 52)
- further information on our environmental performance (see also page 57)
- details of all consultants and contractors, (see also pages 76–78) including:
 - consultants and contractors engaged
 - services provided
 - spending committed to for each engagement.

This information can be requested from our Freedom of Information Officer, as listed in Appendix six.

There were no relevant activities undertaken by our office with respect to the following areas:

- major external reviews carried out on the agency
- other research and development activities
- major promotional, public relations and marketing activities to develop community awareness of the services provided.

The following information is available from our website:

- details of documents we published about our activities
- copies of all our reports since 1956
- a list of all agencies we currently audit.

Appendix eight

Five-year statistics

		2015–16	2014–15	2013–14	2012–13	2011–12
Reports tabled in Parliament						
Auditor-General's report on the finances of the state	(number)	1	1	1	1	1
Sector-based reports on results of financial audits	(number)	7	8	5	5	5
Performance audit reports	(number)	29	25	29	29	29
Non-audit reports (annual report and annual plan)	(number)	2	2	2	2	2
External assessment of Parliamentary reports	(per cent)	86	86	84	84	83
Parliamentarian satisfaction with reports and services	(per cent)	86	81	90	92	93
Audit reports on financial statements						
Audit responsibilities (agencies at 30 June 2016)	(number)	552	547	553	550	561
Unqualified opinions issued during reporting year	(number)	530	541	550	547	545
Disclaimer of opinions issued during reporting year	(number)	1	–	–	–	14
Qualified opinions issued during reporting year	(number)	8	6	4	3	4
Total opinions issued during reporting year	(number)	539	547	554	550	563
Audit opinions issued within time frame	(per cent)	98	99	100	100	99
External/peer reviews finding no material departures from professional and regulatory standards	(per cent)	80	86	100	100	100
Audit reports on performance statements						
Total opinions on performance statements	(number)	108	108	114	115	115
Audit reports on local government performance statements						
Unqualified opinions issued during reporting year	(number)	79	79	78	79	77
Qualified opinions issued during reporting year	(number)	–	–	1	–	2
Total opinions issued during reporting year	(number)	79	79	79	79	79
Audit reports on regional water authority performance statements						
Unqualified opinions issued during reporting year	(number)	15	19	16	16	16
Qualified opinions issued during reporting year	(number)	4	–	–	–	–
Total opinions issued during reporting year	(number)	19	19	16	16	16

		2015–16	2014–15	2013–14	2012–13	2011–12
Audit reports on technical and further education institute performance statements						
Unqualified opinions issued during reporting year	(number)	10	10	19	20	20
Qualified opinions issued during reporting year	(number)	–	–	–	–	–
Total opinions issued during reporting year	(number)	10	10	19	20	20
Resources						
In-house staff	(number)	199	184	185	179	176
Financial audit service providers	(number)	27	24	23	36	41
Average days sick leave per employee	(number)	8.9	8.7	8.8	7.3	6.4
Workers compensation claims (standardised claims) ^(a)	(number)	2	3	0	2 ^(b)	5 ^(c)
Injuries reported	(number)	7	8	6	2	4
Grievances lodged	(number)	1	4	2	2	5
Training and professional development per employee	(days)	6	8.1	8.9	8.5	6.1
Financial management						
Expenditure on audit service providers	(\$ million)	11.4	10.0	10.8	10.7	10.8
Revenue from audit fees	(\$ million)	24.7	23.5	23.2	23.1	22.5
Operating surplus/(deficit)	(\$ million)	0.1	0.5	0.0	1.5	0.6
Assets	(\$ million)	18.3	16.8	16.3	15.4	13.4
Liabilities	(\$ million)	9.7	8.2	8.2	7.3	6.8

(a) Standardised claims are those that have exceeded the employer excess or are registered as a standard claim and are open with no payments at the time of extraction. This data is supplied by the Victorian WorkCover Authority (VWA)

(b) This data has been revised to report accurate figures in line with data supplied by VWA. Previously, two claims were reported for 2012–13. This was inaccurate because these claims were not standardised claims.

(c) This data has been revised to report accurate figures in line with data supplied by VWA. Previously, five claims were reported for 2011–12. This was inaccurate because these claims were not standardised claims.