

## Relevant strategic objectives

### Organisation

Leverage our systems and processes to improve our organisational performance

*We pride ourselves as being a high-performing organisation. In 2015–16, we worked to streamline our business performance to ensure that we best use our limited resources to make a difference in the community.*

Here is an overview of our achievements, challenges and future steps for our office.

### Challenges in the year ahead

- Our internal audit function identified opportunities for improvement in the areas of practice management, assurance mapping, management reporting, ICT vulnerability assessment, audit service provider management and supervision, and knowledge management (page 54).

### Next steps

- We will develop a new ICT strategy (page 58).
- We will see changes to our organisational structure (page 58).
- We will review our organisational performance measures to ensure that they provide adequate assurance to Parliament on our operational performance (page 58).
- We will act on the findings of the 2016 Public Accounts and Estimates Committee audit of our office (page 58).



## Achievements

- We reviewed and updated our Strategic Risk Register to more appropriately reflect the risks, challenges and opportunities facing our organisation (page 53).
- We introduced a new internal consultation policy and database to improve the efficiency and effectiveness of the provision of technical auditing and accounting advice to our audit engagement teams (page 47).
- We developed a new post-audit quality assurance framework to drive continual improvement in our audit engagements (page 47).
- We reviewed our approval processes and delegations and made recommendations to reduce internal red tape (page 28).
- We reviewed our grievance policy and processes, with revised policies providing greater clarity about methods of informal dispute resolution and interconnections between related policies (page 28).
- We rolled out Accellion—our secure platform for sharing electronic documents—within Financial Audit more broadly, allowing us to send audit documents to audited agencies as part of the conduct of our financial audits (page 51).

## Leadership Group

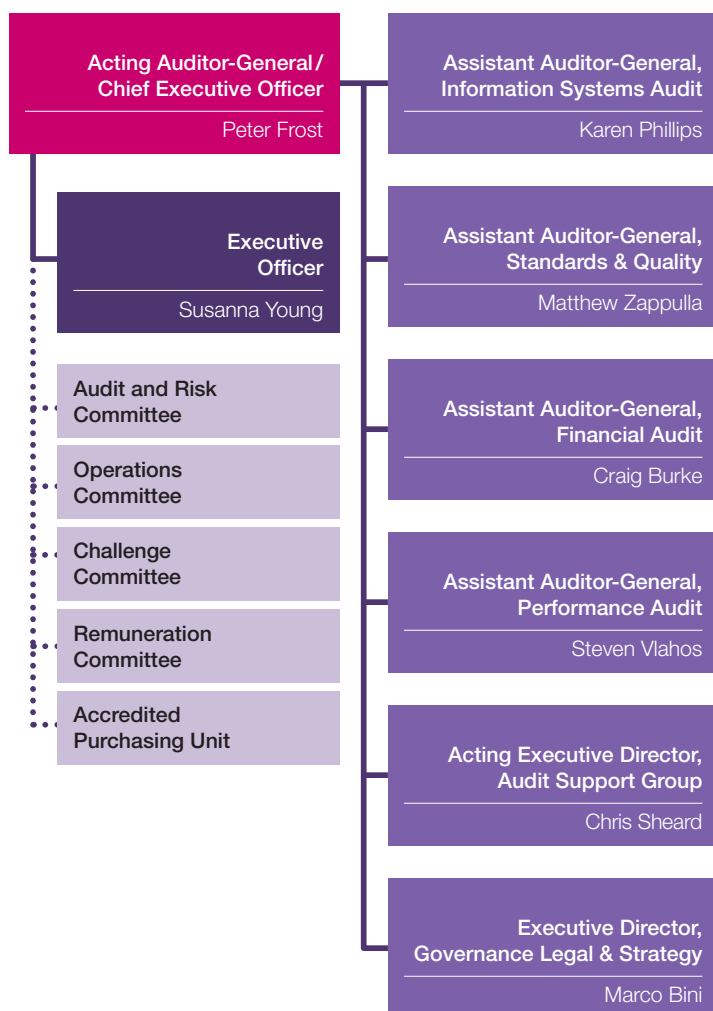
Our Leadership Group provides advice and counsel to the Auditor-General. It also manages our day-to-day operations, through weekly meetings and regular committee meetings.

Figure 15 shows our organisational chart as at 30 June 2016.

In 2015–16, significant changes to the structure of the executive management team included:

- the resignation of the former Auditor-General, John Doyle
- the appointment of two new Performance Audit Assistant Auditors-General
- the transition of one Performance Audit Assistant Auditor-General to lead the Audit Support Group while the incumbent executive was on extended leave.

**[Figure 15] Executive management organisational chart**



## Executive profiles

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**Acting Auditor-General/  
Chief Executive Officer**

Peter Frost (BA, BLitt, MPhil, MEd, PhD)

Peter was appointed Our Chief Operating Officer in January 2007 and became the Deputy Auditor-General/Chief Executive Officer in 2013. He has also been Acting as the Auditor-General since September 2015, and provides leadership to all of the business units within VAGO.

Peter has extensive senior public sector management experience, gained primarily in the Victorian public sector, higher education and international development with the Commonwealth Secretariat, World Bank and Asian Development Bank.




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**Assistant Auditor-General,  
Information Systems Audit**

Karen Phillips (BBus (Acc), BComp, MIMS)

Karen joined VAGO in April 2014 and manages the Information Systems Audit business unit. Before this, Karen was a director at PricewaterhouseCoopers, specialising in systems assurance, internal controls, internal audit and business continuity management.




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**Assistant Auditor-General,  
Standards and Quality**

Matthew Zappulla (BCom, FCA)

Matthew joined VAGO in April 2014 and manages the Standards and Quality business unit. Matthew has oversight of the Technical Issues Committee and Technical Panel, as well being the Leadership Group representative on our Staff Consultation Committee and Challenge Committee. Before this, Matthew was a director at PricewaterhouseCoopers responsible for overseeing the implementation of assurance methodologies and technologies.




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**Assistant Auditor-General,  
Financial Audit**

Craig Burke (BBus (Acc), FCPA)

Craig was appointed as Assistant Auditor-General, Financial Audit in November 2014. He is responsible for VAGO's financial audit business unit, and has substantial financial expertise, with more than 30 years in public sector accounting, risk management and auditing throughout several organisations, including the Parliament of Victoria.



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**Assistant Auditor-General,  
Performance Audit**  
Steven Vlahos (BSc, MSc)

Steven joined VAGO in November 2002, and manages the Performance Audit business unit. Steven has substantial performance auditing experience, with more than 15 years in public sector auditing and expertise in several areas, including transport, planning, and local government.



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**Acting Executive Director,  
Audit Support Group**  
Chris Sheard (BArts (Hons))

Chris joined VAGO in July 2003, and has substantial performance auditing experience, with more than 13 years in public sector auditing, and expertise in several areas, including health and human services, justice, education and the environment. Chris has also been Acting Executive Director for the Audit Support Group business unit since February 2016, while the substantive incumbent has been away on extended leave. The Audit Support Group consists of the Finance, Reports and Communications, Information Technology and Services, and People and Culture groups.



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**Executive Director,  
Governance, Legal and Strategy**  
Marco Bini (BCom, LLB, MCom, LLM,  
MPubPol, PhD)

Marco joined VAGO in September 2007. He is the Executive Director for the Governance, Legal and Strategy business unit, which provides a range of internal policy, governance and strategy services. Marco has significant public sector experience and provides a range of legal, policy and administrative advice to VAGO.

## Executive information

Our executive officers are responsible for our office's ongoing activities and deliverables. In 2015–16, no executive officers were involved in carrying out special projects. Information on our executive officers by classification, and reconciliation of numbers is provided in Figures 16 and 17.

**[Figure 16] Number of executive officers by classification, at 30 June 2016**

Classification	Total (ongoing)		Vacancies	Male		Female	
	No.	Var. <sup>(a)</sup>	No.	No.	Var.	No.	Var.
EO1	1	0	0	1	0	0	0
EO2	7	2	0	5	2	2	0
EO3	17	-2	0	10	-2	7	0
<b>Total</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>9</b>	<b>0</b>

(a) Var. refers to variance to the numbers reported for June 2015.

Note: The Auditor-General is not included in this table.

**[Figure 17] Reconciliation with executive numbers, June 2016 and June 2015**

Remuneration and vacancies	2016	2015
Executives employed with total remuneration over \$100 000	21	25
Vacancies	0	0
Executives employed with total remuneration below \$100 000	7	1
Accountable officer <sup>(a)</sup>	0	1
Secondment	0	0
Separations	-3	-1
<b>Total executive numbers at 30 June</b>	<b>25</b>	<b>26</b>

(a) Including the Auditor-General, VAGO's Accountable Officer.

### Declaration of interests

All our 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. There were no such conflicts.

### Committees reporting to the Acting Auditor-General

#### Executive remuneration—Remuneration Committee

The Remuneration Committee is responsible for ensuring that we follow our remuneration policy, and for monitoring the executive officer annual performance appraisal process and salary review. This committee comprises the Auditor-General, an independent member and the Manager, People and Culture. In 2015–16, the independent member was Ms Liz Roadley, Director for Enterprising Results, an external company.

#### Operations Committee

In 2015–16, the Operations Committee, made up of the Leadership Group excluding the Auditor-General, focused on:

- monitoring our office's performance against our strategic and business plans
- sustaining the capability and performance of our workforce
- guiding information and communications technology (ICT) and information security.

Before April 2016, the Operations Committee met monthly, after which a decision was made to move to quarterly meetings. Two subcommittees report to the Operations Committee:

- OH&S Committee
- Recognition Review Committee.

### **Challenge Committee**

The Challenge Committee oversees the progress of all Parliamentary reports (see pages 63 and 70 for Performance Audit and Financial Audit respectively).

### **Accredited Purchasing Unit**

The Accredited Purchasing Unit oversees procurement for goods and services (greater than \$100 000) throughout all business areas in our office.

### **Other committees**

The Audit and Risk Committee (see pages 52–53) also reports to the Acting Auditor-General.

### **Working with other integrity bodies**

Due to recent changes to our legislation (see page 9), as part of the reform of Victoria's integrity system, our office is interacting more frequently with other Victorian integrity bodies. The *Audit Act 1994* largely prevents us from sharing information collected during the course of an audit, and we work within these limitations.

We have commenced our mandatory reporting process and have the capacity to receive referrals, share information with other integrity bodies and conduct coordinated investigations. We also have a representative on Victoria's Independent Broad-based Anti-corruption Commission's ongoing Prevention and Education Advisory Group.

## **Our commitment to continual improvement**

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Our office has a range of quality systems and processes in place to help us continually raise our standards and better meet the needs of our key stakeholders. These systems and processes are collectively bound together as part of our quality framework.

A key component of our quality framework is an internal assessment of the maturity of these systems and processes against the Australasian Council of Auditors-General (ACAG) Governance and Audit framework. ACAG's framework covers the requirements of:

- professional standard APES 320 Quality Control for Firms
- Auditing Standard and ASQC1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements.

The following key quality controls are already incorporated in our audit methodologies:

- The audit program, working papers and key deliverables are reviewed by the audit engagement leader or team leader, who must confirm that the audit meets professional standards.
- An engagement quality control reviewer—a senior staff member who is independent of the audit engagement team—is assigned to review the quality control of the audit and the judgements made by the audit team. This applies to all high-risk financial audits and, currently, all performance audit engagements.

In addition, the following activities were undertaken in 2015–16 to improve the quality of our financial audits:

- introduction of a new internal consultation policy and database to improve the efficiency and effectiveness of the provision of technical auditing and accounting advice to our audit engagement teams
- rollout of an updated audit sampling methodology to enhance our audit approach to tests of controls
- completion of a revised financial audit technical competency framework and curriculum for our staff
- development of a new post audit quality assurance framework to drive continuous improvement for our audit engagements.

## Complying with standards issued by the Auditing and Assurance Standards Board

Under the *Audit Act 1994*, we must comply with the standards issued by the Auditing and Assurance Standards Board. These cover audit planning, communication, conduct, evidence, quality assurance and reporting.

In addition to the rigorous standards and risk-based audit methodologies applied by our Performance Audit and Financial Audit teams (see pages 62 and 69), other quality assurance activities conducted over our audits include:

- parliamentary accountability measures
- benchmarking our activities.

We comply with all Australian auditing and assurance standards and have developed our audit methodologies based on these standards.

## Parliamentary accountability measures

Under the *Audit Act 1994*, we must consult Parliament's Public Accounts and Estimates Committee when developing our Annual Plan and, in certain circumstances, on specifications for performance audits.

Our office is also subject to both financial statement and performance audits, conducted on behalf of Parliament. Our financial statements are audited every year. The *Audit Act 1994* also requires a performance audit of our office every three years to determine whether the Auditor-General is achieving his objectives effectively, and is doing so economically and efficiently, and in compliance with the *Audit Act 1994*. The Public Accounts and Estimates Committee appoints our performance auditor.

The performance audit of our office currently underway commenced in July 2016. Specific preparations on this front included:

- a refresh of our assessment against the ACAG Governance & Audit framework
- internal audit review of the status of recommendations from the 2013 performance audit of our office
- the provision of an assessment and evidence against each of the terms of reference of the performance audit.

Our internal quality control framework is also being reviewed again in conjunction with the current triennial performance audit, which is due for completion in November 2016.

We maintain a Continuous Improvement Register to monitor progress against agreed actions that arise from reviews such as internal audits, post-audit quality reviews, surveys, audit debriefs and external reviews. In addition, our internal audit function annually reviews progress against the commitments our office has made towards the implementation of any internal audit recommendations.

## Surveys of key stakeholders

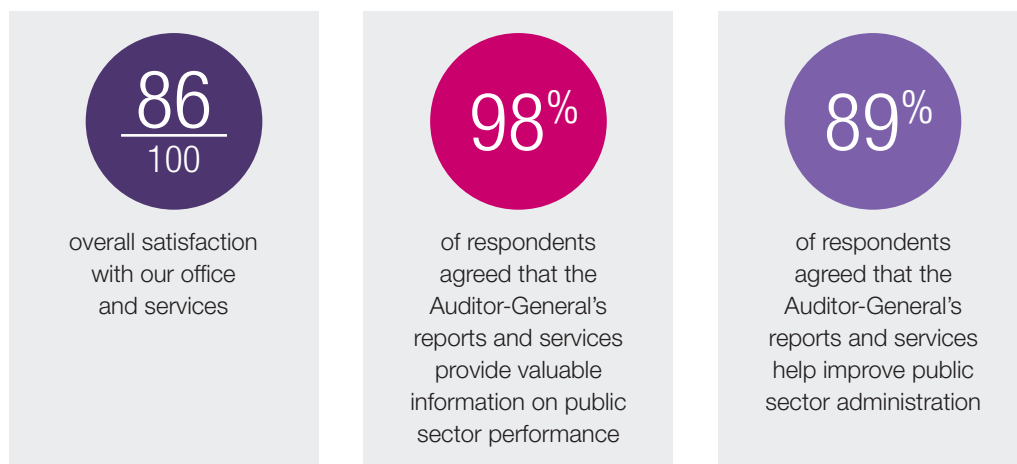
We survey a range of key stakeholders to obtain feedback on our audits and audit reports. The results of these surveys assist us to identify new improvement initiatives and monitor progress on existing initiatives. An independent survey company runs the surveys to better assure the validity of the results. We publish high-level results of the surveys on our website.

### Surveys of parliamentarians

Every year, for more than a decade, our office has surveyed parliamentarians to gauge their feedback. The results of this survey contribute significantly to our efforts to continually improve our performance and services.

The results of our surveys of parliamentarians are used as a performance measure of quality for Output Group 1—Parliamentary reports and services. In 2015–16, parliamentarians' overall satisfaction with our office and services remains positive, with a survey score of 86 out of 100, which exceeded our target of 80. Further details regarding our performance for this measure are on page 14.

The survey results also showed that parliamentarians' perceptions of our office's work were highly positive, with 98 per cent of respondents agreeing that the Auditor-General's reports and services provide valuable information on public sector performance. In addition, 89 per cent agreed that the Auditor-General's reports and services help improve public sector administration.



### Quotes from survey of parliamentarians

“ I think [VAGO staff] do a great job and it's a fantastic resource.

“ When I have had face-to-face briefings on tabled reports the presentation quality has been very good.

### Surveys of audited agencies

In 2015–16, VAGO surveyed:

- contacts nominated by the audited agency for every performance audit
- chief finance officers of agencies subject to a financial audit by our office.

We use survey results to assess the impact of activities aimed at increasing the clarity of audit reports, better understand the audited agency's environment, and improve communication with audited agencies.



For performance and financial audit surveys, an overall index score out of 100 is generated, based on three areas—audit process, audit reporting, and value of the audit to the agency.

The performance audit surveys in 2015–16 had an average index score of 71 index points, which is a decrease on the previous year's score of 75.

The financial audit surveys in 2015–16 had an average index score of 75.3 index points. Although this is slightly lower than the score of 76.8 index points when the survey was last run in 2013–14, it remains in line with our benchmark of 75 index points.

### **Stakeholder survey**

In 2015–16, we carried out a pilot survey of stakeholders who were previously consulted as part of the planning phase of our performance audits, to better understand their perceptions of how our audits have acted as a catalyst for change. Results of this survey are currently being considered.

### **Quality assurance**

To seek assurance that our audits meet professional and internal quality standards, the robustness of the audit process and the quality of the final audit report are reviewed.

### **Review of audit processes**

#### *Performance Audit*

In 2015–16, external reviewers of several performance audits found that all had complied with performance assurance standards, and recommended only minor changes to internal documents. As part of our Performance Audit Methodology Review project (see page 62), we worked to implement these identified improvements.

The reviewers found that our executives have a high level of control over the quality of tabled audit reports, but that our Engagement Quality Control Review (EQCR) arrangements would benefit from further review. In response, the Standards & Quality group led a review of the EQCR policy, which was finalised by the end of 2015–16.

#### *Financial Audit*

We undertake engagement quality reviews of a selection of completed financial audits, including audits undertaken by Audit Service Providers.

Our key performance measure for the quality of our financial audit reports is through the conduct of engagement quality reviews, which aim to uncover any material departures from professional and regulatory standards on our financial audits. Our performance for this measure in 2015–16 is discussed on page 16.

Our engagement quality reviews also identify areas for continual improvement, which guide the development of technical training programs, policies and guidance materials for our financial audit staff.

### **External assessments of audit reports**

Each year a selection of parliamentary audit reports are independently assessed against criteria agreed to by ACAG. The six assessors on the panel bring experience as members of Parliament, senior public servants and journalists. Each audit office selects three assessors to review each report. These assessors receive a copy of the printed report, and are also able to access the report online.

After their review, the panel provides its opinion on how well we communicated our audit findings. The scores are combined with the results from the financial audit reports and are used as a quality measure. Our performance for this measure in 2015–16 is discussed on page 15.

### Quotes from ACAG assessors

#### *Bullying and Harassment in the Health Sector (March 2016)*

“The authors of the report have done very well to summarise and analyse all the evidence, identify priority areas for improvement and produce a set of recommendations that should ensure greater workplace harmony and safety—as well as better performance—for all concerned.

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

“The report has highlighted the clear absence of goals, outcomes and governance processes around state funding.

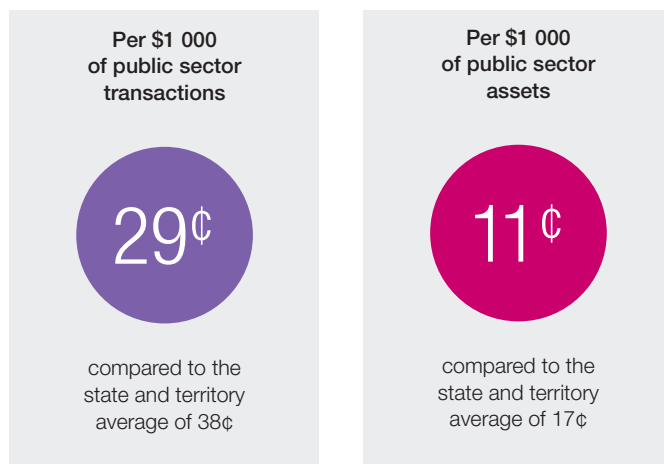
#### *Universities: 2015 Audit Snapshot (May 2016)*

“The report seems to identify and deal well with the key areas where improvement is needed.

### Benchmarking our activities

We benchmark our activities against audit offices throughout Australia, and use the results of this benchmarking to identify priority areas for improvement—see Figure 18.

[Figure 18] Comparison of our costs against other state and territory audit offices



While our office performed better than the state and territory average, this result should be interpreted with caution, given the differences between jurisdictions and audit offices. We are confident that we performed well against these benchmarks, particularly considering that we produce a higher proportion of performance audits than most other Australian audit offices.

## Improving our information and communications technology

### Technological improvements

In 2015–16, we reviewed, implemented and began developing several technologies to improve the effectiveness, efficiency and quality of our operations and services. In addition, we:

- asked our staff what they want in a new intranet—sharing concept designs and testing how staff accessed information—and how they would like to access information in the future
- reviewed and improved our Audit Methodology Performance (AmP) databases
- rolled out Accellion (our secure electronic document sharing platform) within our Financial Audit business unit more broadly, allowing us to send audit documents to audited agencies as part of our financial audits
- trialled an electronic briefing system, but this was put on hold while we improved other systems, such as AmP
- developed an interim ICT strategy
- developed a ‘market place’ system, for resourcing of small projects internally
- introduced a new internal consultation policy and database
- reviewed our mobile phone guidelines
- updated our VAGO Employee Service Portal Application.

### Information and communications technology expenditure

Although there were no major technology improvements for our office in 2015–16, there were a number of upgrades and planning conducted for future work, which we will undertake in 2016–17 and beyond.

In 2015–16, we upgraded the records management system, secure document delivery system, employee service portal, and AmP system. Planning work for future ICT improvements included evaluating:

- and selecting new software for our intranet and website
- and purchasing new laptops to roll out in 2016–17
- network security and procurement of upgrades to be implemented in 2016–17
- our finance and practice management system.

In addition, we established a specialist data analytics team (see page 65).

As shown in Figure 19, during 2015–16, we spent \$1.7 million on ICT. This expenditure was expected, and reflects the small size of our organisation when compared to other public sector agencies.

**[Figure 19] Details of information and communications technology expenditure**

Business as Usual ICT expenditure \$'000	Non-Business as Usual ICT expenditure		Operational expenditure \$'000	Capital expenditure \$'000
	(operational expenditure and capital expenditure)			
1 495		\$'000	73	96

*Note:* Our ICT expenditure reflects our costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities, and consists of both operational ICT expenditure and capital ICT expenditure. BAU ICT expenditure is all remaining ICT expenditure, which primarily relates to ongoing activities to operate and maintain our current ICT capabilities.

## Audit and risk management

### Audit and Risk Committee chair's report (year ended 30 June 2016)

The Audit and Risk Committee is appointed by the Auditor-General to provide independent advice to assist him in the discharge of his responsibilities for the management of the Victorian Auditor-General's Office's risk, control and compliance framework, and the external accountability responsibilities as prescribed in the *Financial Management Act 1994*, the *Audit Act 1994* and other relevant legislation and prescribed requirements.



2015–16 Audit and Risk Committee members: Lyn Baker, Sara Watts (Chair), Derek Parkin, Joydeep Hor.

Sara Watts has been Chair of the Audit and Risk Committee since 1 January 2014. The members of the Audit and Risk Committee for the year ended 30 June 2016, their qualifications and attendance at meetings, are set out in Figure 20.

All committee members are independent, non-executive members who are appointed by the Auditor-General for a term of three years and are eligible for reappointment subject to a formal review of the member's performance by the Auditor-General. The Audit and Risk Committee has appropriate financial and industry expertise. All members are financially literate and have an appropriate understanding of the operation of the office.

**[Figure 20] Members of the Audit and Risk Committee, qualifications and meeting attendance, 2015–16**

Committee member	2015–16	
	Meetings attended	Meetings held
<b>Sara Watts (Chair)</b> , BSc, MBA, GAICD, FCPA Non-executive director	4	4
<b>Kerry Jacobs</b> (term ended 31 December 2015), BComm, MCom(Hons), PhD, FCPA, FCA Professor of Accounting, UNSW at ADFA, Canberra	2	2
<b>Lyn Baker</b> , BA, MBA, GAICD Non-executive director and consultant	4	4
<b>Derek Parkin OAM</b> , BComm, CTA, FCA, CPA, FAICD Professor of Accounting, University of Notre Dame Australia, Fremantle Non-executive director	3	4
<b>Joydeep Hor</b> (commenced 1 January 2016), LLM, LLB(Hons), BA, FCIPD, FAHRI Managing Principal, People + Culture Strategies, Sydney	2	2

The responsibilities of the Audit and Risk Committee are defined in its charter, which is approved by the Auditor-General.

The responsibilities of the committee include:

- to review the external auditors' proposed approach, conduct and the outcomes of the audit process
- to review, assess and recommend to the Auditor-General the adoption of the annual financial report
- to determine the scope of the internal audit function and review its effectiveness
- to review VAGO's approach to risk identification and management
- to consider VAGO's approach to compliance with relevant legislation, regulations and guidelines.

In fulfilling its responsibilities at each meeting, the Audit and Risk Committee has received operational management reports, risk management reports and briefings from the Auditor-General on his activities and issues affecting the office.

During the course of the year, the Audit and Risk Committee has considered:

- the closing report from the external financial auditor for the year ended 30 June 2015, which identified no significant issues
- status updates and review reports from the new internal auditor, which include management's response to matters raised by internal audit, together with subsequent follow-up
- the office's risk management reports and noted that risks were being appropriately identified, monitored and addressed by the office
- systems of control for conflicts of interest and the monitoring of those systems
- policies and procedures in place for the development of VAGO's Annual Plan, performance measurement, and budget and resource planning
- whether the office has appropriate policies and practices in place to review and implement, where appropriate, recommendations from external reviews, including parliamentary committee inquiries
- the effectiveness of the internal audit program.

At the time of signing this report the annual financial report for the year ended 30 June 2016 had been considered and recommended for adoption by the Auditor General.

In July 2015, the Audit and Risk Committee provided feedback on the Standing Directions (Directions) to the Minister for Finance for consideration. The issues raised by the committee related to how risk is to be managed within public sector agencies, expertise required of audit committee members, and, potentially, improving the Directions by referring to elements of the Australian Securities Exchange Guidelines and Principles for audit committees. The committee took further action to proactively reflect these items in its own charter.

The Audit and Risk Committee has met in camera with the external financial auditors, the Auditor-General and the internal auditor. In the last financial year, committee members held a workshop to undertake a comprehensive self-assessment and review the charter and work plan. The current work plan was endorsed and approved at the committee's meeting in February 2016.

In closing, the committee wishes to acknowledge the significant and positive contribution made by the Acting Auditor-General consequent to the resignation of the Auditor General.



Sara Watts (Chair)  
9 August 2016

## Risk management

Management of risk is an integral part of our culture and organisational processes. The aim of risk management at VAGO is to identify, understand, communicate and manage risks that could influence the office's ability to achieve its strategic objectives.

To achieve this, we have a risk management policy in place, which is based on and is consistent with the Australian/New Zealand Risk Management Standard: AS/NZS ISO 31000:2009. Our risk management policy incorporates compliance requirements and articulates operational and strategic risks within the organisation.

Risks are captured in either the strategic risk register or in separate business unit risk registers. Business unit heads are responsible for overseeing their business unit's risk management processes and monitoring any changes at the business unit level that may impact the strategic risk register or the organisation.

In 2015–16, the strategic risk register was reviewed, and significant changes were introduced to more appropriately reflect the risks, challenges and opportunities facing our organisation. Key strategic risks facing our organisation include:

- keeping pace with regulatory changes (*Audit Act 1994* changes)
- doing the right audits at the right time
- maintaining and improving key stakeholder relationships.

## Attestation of compliance with the Australian/New Zealand Risk Management Standard

I, Peter Frost, certify that the Victorian Auditor-General's Office (VAGO) has risk management processes in place consistent with AS/NZS ISO 31000:2009 (or an equivalent designated standard) and an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Audit and Risk Committee verifies this assurance and that the risk profile of VAGO has been critically reviewed within the last 12 months.



**Dr Peter Frost**  
**Acting Auditor-General**  
**Victorian Auditor-General's Office**

9 August 2016

## Attestation of compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance

I, Peter Frost, certify that the Victorian Auditor-General's Office (VAGO) has complied with Ministerial Direction 4.5.5.1 – Insurance.



**Dr Peter Frost**  
**Acting Auditor-General**  
**Victorian Auditor-General's Office**

9 August 2016

## Internal audit

PricewaterhouseCoopers has been appointed as our internal auditor for the period July 2015 to June 2018. The internal auditor reports to our Audit and Risk Committee and the Auditor-General. The following reviews were carried out in 2015–16:

- practice management
- assurance mapping
- management reporting
- ICT vulnerability assessment
- Audit Service Provider management and supervision
- knowledge management
- progress towards implementation of internal audit recommendations.

The internal auditor also attended each meeting of our Audit and Risk Committee where reports were being considered, and provided a report on the status of the internal audit program, as required.

## Compliance with legislation and policy

We must comply with a range of state and Commonwealth legislation and policy, and report on our compliance in this report.

### Audit opinion delegations

Under the *Audit Act 1994*, the Auditor-General can delegate the authority to sign audit opinions (section 7G(1)) and must report the names of people to whom these powers have been delegated.

Under our current 'Audit Opinion Delegations' policy, the Auditor-General signs the audit opinions on the financial reports of:

- Parliament and the associated superannuation fund
- key government accountability documents—Annual Financial Report and Estimated Financial Statements
- central agencies and other departments whose main role is to develop policy or underpin law and order.

The Auditor-General also signs any modified opinions, and the opinions for agencies whose financial operations are significant in economic and infrastructure terms for whole of government.

To be eligible to receive a delegated power to sign audit opinions (see Figure 21 for delegations in 2015–16), a staff member must have all of the following:

- an appropriate tertiary qualification in accounting or similar discipline
- ongoing full membership of CPA Australia or CA, or their international equivalents, including compliance with the continuing professional development requirements of the professional body
- a substantive or acting VPS classification of EO3 or above.

**[Figure 21] Audit opinions delegations by role and individual (including acting roles), 2015–16**

<b>Financial Audit, Assistant Auditor-General</b>	Craig Burke
<b>Financial Audit, Sector Directors</b>	Simone Bohan Travis Derricott Stan Naylor Tim Loughnan Ronald Mak Anna Higgs Roberta Skliros Charlotte Jeffries Jonathan Kyvelidis Tim Maxfield
<b>Financial Audit, Acting Sector Directors</b>	Peter Gallagher
<b>Standards and Quality, Assistant Auditor-General</b>	Matthew Zappulla
<b>Standards and Quality, Director</b>	Paul Martin

## Managing and responding to complaints

Our policies 'Complaints about the conduct of audits' and 'Complaints about matters other than audits' require us to make publicly available an annual summary of complaints received and any trends arising.

In 2015–16, we received one complaint under the 'Complaints about the conduct of audits' policy. We acknowledged this within the required five business days and responded to it within four business days, well within the 28 business days allowed within the complaints policy.

We did not receive any complaints under the 'Complaints about matters other than audits' policy.

Due to the minimal number of complaints made in previous years under both policies (less than five in total), no further trend analysis is available.

## Overseas travel

All overseas travel by our staff must be approved by the Auditor-General. In November 2015, a performance audit senior manager was sent to New Zealand to attend the Pacific Association of Supreme Audit Institutions Co-operative Audit Workshop.

In addition, as outlined on page 38, the Executive Director, Governance, Legal and Strategy, also attended the annual PASAI Congress in Vanuatu in October 2015, and presented a paper titled 'Applying INTOSAI Independence Principles: The Australian Experience', which compared the independence of audit offices in Australia.

## Environmental management

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Our office aims to minimise our:

- consumption of energy, water, paper and other materials
- waste generation
- environmental impact from travel and other business activities.

We are committed to continually improving our environmental performance and do this by encouraging environmental awareness and integrating environmental performance monitoring and reporting into our business. We expect all our staff to support our environmental commitments.

## Governance

In 2015–16, a review of our Environmental Management Committee found that a committee structure was no longer necessary to manage the reporting and awareness campaigns, but that a single role championing these activities would be more appropriate. The role of Environmental Representative was subsequently created as a formal role within our Social Club Committee.



## Environmental performance

VAGO monitors and analyses its environmental performance against seven focus areas to help us to understand our environmental impact, identify areas to improve, and allow us to benchmark our performance against other jurisdictions.

	<p><b>78.9%</b></p>	<p><b>62.5 kg</b> per FTE</p>	<p>★ ★ ★ ☆ ☆</p>
<p><b>Waste production</b></p>	<p>waste recycled in 2015–16 against a target of 80%</p>	<p>waste produced – 8.5 kg below of our target of 71 kg per person</p>	<p>result of a waste production audit by National Australian Built Environment Rating System in 2015–16</p>
	<p><b>13.9 reams</b> per FTE</p>	<p><b>9.4 reams</b> per FTE</p>	<p><b>4.5 reams</b> per FTE</p>
<p><b>Paper use</b></p>	<p>paper use in 2015–16, down from 14.9 reams in the previous year</p>	<p>Australian paper used</p>	<p>imported paper used</p>
	<p><b>234 314 km</b></p>	<p><b>33.5%</b></p>	<p><b>47.5 tonnes</b></p>
<p><b>Transportation</b></p>	<p>travelled in 2015–16, our highest figure in five years</p>	<p>reduction in flight kilometres this year, to 91 837 km</p>	<p>CO<sub>2</sub> emissions in 2015–16, up 21.7% from the year before because of using less efficient vehicles</p>
	<p><b>189.77 tonnes</b></p>	<p><b>1.04 tonnes</b> per FTE</p>	
<p><b>Greenhouse gas emissions</b></p>	<p>greenhouse gas emissions in 2015–16</p>	<p>greenhouse gas emissions in 2015–16, below the 2.0-tonne average for similar offices</p>	
	<p><b>100%</b></p>	<p><b>7 217 MJ</b> per FTE</p>	
<p><b>Energy use</b></p>	<p>green energy use in 2015–16</p>	<p>energy use during 2015–16, consistent with the average for similar offices of 7 000 MJ per FTE</p>	
	<p><b>6.1 kL</b> per FTE</p>		
<p><b>Water consumption</b></p>	<p>water use in 2015–16, up from 5.6 kL in the year before</p>		
	<p>✓</p>		
<p><b>Procurement</b></p>	<p>sustainable procurement to reduce environmental impact</p>		

**Criteria/factors for calculating emissions inventory**

Department of Environment (August 2015), National Greenhouse Accounts Factors

United Kingdom Department of Environment, Food and Rural Affairs, Conversion Factors for greenhouse gas (GHG) reporting 2016

Environment Protection Authority Victoria, EPA Victoria's greenhouse gas inventory management plan: 2012–13 update EPA GIMP 2013

Australian Government, Green Vehicle Guide 2016

## Looking forward

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As part of the coming year, we will see changes to our organisational structure, which will reflect our new priorities and areas of audit interest. In consultation with the new Auditor-General, we will:

- review our organisational performance measures to ensure that they continue to provide adequate assurance to Parliament regarding our operational performance
- develop a new ICT strategy for the office that aligns our technological requirements with our business goals
- continue to monitor and assess our environmental performance.

We will consider the outcomes of the triennial Public Accounts and Estimates Committee performance audit, and implement and monitor progress against any agreed actions.