



Victorian Auditor-General's Office

PART B – SPECIFICATION

Victorian Auditor-General's Office

Request for Application

FA PANEL

For

Financial Audit Services

1. Background

Purpose of RFT

The purpose of this Part B Specification is to outline the service requirements for the establishment of a Panel of Financial Audit Service Providers (ASP).

Objectives of the Panel

The objectives for establishing a panel arrangement for the supply of financial audit services to the FA group are to:

- gain ready access to a pool of highly skilled contractors with the relevant experience and expertise to support the work of the FA group
- maximise value for money to VAGO in the engagement of contractors
- streamline and improve the turnaround for the seeking of quotes and selecting suitable contractors
- achieve an overall reduction in administrative costs to VAGO and to contractors
- give Panel Members the opportunity to submit quotes for specific engagements throughout the panel contract period.

Nature of the Panel

It is proposed that a head agreement (see Part C of this Application) will be entered into between VAGO and the successful applicant. This agreement will provide the vehicle through which VAGO may subsequently contract with Panel members on individual audits.

Administration Arrangements

VAGO is responsible for the establishment and ongoing management of the Panel. No guarantee of work is provided to any successful applicant, however the Financial Audit Group has indicated a desire to draw upon the Panel in relation to their service requirements.

Review of Panel Status

A twelve monthly (approximately) review will be conducted by VAGO to report on:

- the use of the Panel
- the performance of panel members and
- the nature of services provided.

At the conclusion of any review, VAGO may:

- remove existing members from the Panel and/or
- invite or add new members to the Panel following assessment against the criteria set out in this Application.

Scope of services

Financial Audit activities

If selected to undertake an audit on behalf of VAGO following a Request for Quote under the Panel arrangements the following activities may be expected:

VAGO requires the ASP to submit the key documents as listed here to the Auditor-General in sufficient time to enable legislative and VAGO timelines to be met.

The ASP will be required to complete the key documents in accordance with the timeframes specified within the Audit Service Provider Instructions (ASPI). The material submitted must meet any applicable standards as set out by VAGO or the Australian Auditing and Assurance Standards Board.

Documents to be discussed at an Authority's audit committee meeting and/or board meeting should be submitted to VAGO at least one week prior to the date of a meeting or such other timeframe as specified by VAGO.

The key documents to be submitted, in the format required by VAGO, are set out in the ASPI and include:

- the 'audit strategy' issued to the Authority
- the 'interim management letter' issued to the Authority, detailing matters arising from the planning and interim audit work that requires management's attention (i.e. observation, implication, recommendation and management response)

- the audited draft financial report of the Authority (accompanied by the review notes of the ASP on the financial report including queries and all deficiencies identified in the financial report and their clearance)
- the audited draft financial report for any of the Authority's controlled entities, as applicable
- the audited draft performance report of the Authority (accompanied by the review notes of the ASP on the performance report including queries and all deficiencies identified in the performance report and their clearance), if applicable
- the ASP's recommendation as to the audit opinion(s) to be issued on the financial statement (and performance report, if applicable), by the Auditor-General in accordance with the Act and the Corporations Act 2001 (if applicable), together with adequate supporting documentation for the creation, continuation or removal of any audit qualification or emphasis of matter item and confirmation that the audit files have been reviewed in accordance with the ASP's quality assurance processes
- an explanation of material variances (as a minimum + or - 10 per cent) between the current and the previous year, in the body and notes to the financial report, and on any new and unusual items
- completed pro-forma indicating whether matters raised during the previous audit were resolved during the current audit period
- a 'closing report' issued to the Authority, which provides an acquittal of matters specified in the audit strategy including key observations and matters which impact on the State in general, which have been discussed with management
- a copy of the signed financial report (and performance report, if applicable), together with the signed management representation letter
- a 'final management letter' issued to the Authority detailing matters arising from the year end audit work and audit of the financial report and performance report, as applicable, that requires management's attention (i.e. observation, implication, recommendation and management response)
- details of new risks or changes to existing risks that impact the engagement risk and audit risk ratings of the Authority with respect to the annual financial audit
- identification of significant issues of public interest relating to the Authority which may be further pursued or investigated for possible reporting to the Parliament by the Auditor-General, relating to matters of public accountability, probity, regularity, and efficiency, effectiveness or economy
- an 'annual report check' providing confirmation that the audited financial report (and performance report, if applicable) and the audit opinion(s) are completely and accurately included in the Authority's annual report
- a 'website check' providing confirmation that the audited financial report (and performance report, if applicable) and the audit opinion(s) are completely and accurately included in the Authority's annual report uploaded on their website
- details of key contacts (Chairman, CEO, CFO, Audit Committee Chair) at the Authority, with a new form submitted to VAGO each time the ASP becomes aware of a change to the key contacts
- notifications of new or ceased Authorities
- notifications:
 - under Standing Direction 4.5.4 concerning any matter that appears to involve corrupt conduct identified during an audit;
 - regarding audit client advice concerning criminal investigations or proceedings, or investigations of the Independent Broad-based Anti-corruption Commission or Victorian Inspectorate; and
 - regarding conduct of officers of VAGO, including its ASPs, IBAC or Ombudsman Victoria in relation to relevant conduct relevant to the role of the Victorian Inspectorate.

As part of the audit process, the Auditor-General may request the preparation of issues papers, detailing major matters identified and resolved or still outstanding for his/her consideration.

The Auditor-General may also require the ASP to:

- complete questionnaires relating to specific areas of focus for inclusion in parliamentary reports relating to the results of audits with respect to the Auditor-General's audit of the Annual Financial Report of the State of Victoria
- certify the completeness and accuracy of the Authority's data feed, as applicable [this applies to material entities, refer to ASPI for details]
- complete nominated schedules, as applicable
- provide requested information, where applicable, relating to the Authority, to facilitate the preparation of the Auditor-General's Report on the Annual Financial Report of the State of Victoria or other Parliamentary reports relating to the Results of Audits.

Before forming an opinion on the financial report (and performance report, if applicable) of the Authority the Auditor-General may undertake such reviews as deemed necessary of the above information and the associated audit files.

The Auditor-General may propose such amendments as deemed appropriate:

- to the financial report (and performance report, if applicable) including a request to have them re-certified by management
- to any report containing audit observations and recommendations
- to any management letter prepared by the ASP.

The ASP must support and facilitate the amendments sought by the Auditor-General to the financial report (and performance report, if applicable) with the Authority.

All audit files relating to audit work conducted by an ASP, including all written or electronic audit working papers, remain the property of the Auditor-General.

During the period of appointment, the audit files will be held by the ASP on behalf of the Auditor-General and will be provided to the Auditor-General on request (in a readable format). The audit files relating to the current audit must always be available to the Auditor-General. The audit files may be requested for Quality Assurance review purposes subsequent to the annual audit. The audit files must be retained for seven years after the completion of the audit.

An ASP should provide the Auditor-General with a copy of the most recent report prepared pursuant to clause 117 of Australian Professional Ethics Standard 320 'Quality Control of Firms' and clause 53 of AUASB Quality Control Standard ASQC 1 required of professional accountants and any report resulting from an inspection conducted by the Australian Securities and Investments Commission which is finalised during the term of this Agreement, a copy of that report as soon as practicable after its completion.

Other requirements

The ASPI sets out detailed requirements for ASPs. The ASPI is accessible on a secure site from VAGO's website: A log-in and password can be obtained by emailing tenders@audit.vic.gov.au

Specifically, the ASPI should be consulted for further information regarding:

- Responsibilities and key audit deliverables – Section 2
- Communicating with those charged with governance – Section 3
- Reporting timetables – Section 5.

Quality Requirements

The Auditor-General requires ASPs to implement quality assurance and engagement quality control review procedures, and conduct audits in accordance with Australian Auditing Standards and standards issued by the Accounting Professional and Ethical Standards Board (APESB). Section 4 of the ASPI should be consulted for further information.

Implementation

The proposed commencement dates for the successful applicants will vary depending on the audits awarded. Milestone and deliverable dates will be commensurate with Section 2 of the ASPI.

Applicants with broad experience across a range of government sectors will be highly regarded. However, potential applicants with specialist knowledge of a particular government sector, or a high level of expertise in a specialist field of relevance to the Financial Audit Group will also be well regarded.

Insurance requirements

It is expected that applicants will hold:

- Public Liability Insurance
- Professional Indemnity insurance.