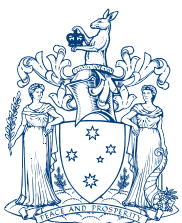# Annual Plan 2014–15

Volume one: Overview

VAGO

Victorian Auditor-General's Office

Auditing in the Public Interest

Auditor-General's comments

The annual plan is a key accountability mechanism for my office, required by the *Audit Act 1994*. It is also a key external communication document, outlining my program for the coming year. Over the 12 months since commencing my term, I have reviewed the plan's content, detail and time horizon, and developed a new approach.

I have brought the planning horizon in from four to two years, in line with recommendations from the recent performance audit of my office. This greater flexibility will make it easier to ensure the right topics are conducted at the right time.

I have increased the transparency around these topics. This year's annual plan includes detail on two years of proposed topics rather than one, giving a better indication of the rationale and scope for audits.

It discloses the results of the extensive stakeholder consultation conducted in developing the plan, so that readers can see the program's driving issues. It also now includes all significant deliverables, with more information on my financial audits and opinions, corporate publications, and education activities.

On page 3, you will find a single view of all my planned reports for the next two years. This shows connections between the performance and financial audit programs. It reflects a more integrated approach across the office this year, where the teams worked more closely to determine the most appropriate audit to examine a given risk.

The work program reflects my priority of greater focus on information systems. Less obvious is another key priority—an increased focus on audit standards and quality. Each of these priority areas is led by a recently appointed Assistant Auditor-General from private practice, and their teams will work closely with the performance audit and financial audit teams.

A new follow-up process will close the accountability loop on past recommendations regarding performance audits, and recommendations arising from financial audit work will be summarised in publications. The new process is described on pages 1–2 of Volume four and reflects my concerns around agency implementation and the impact of these recommendations.

In my annual report last year, I flagged the urgent need for reforms to the *Audit Act 1994* in order to audit non-government providers of government services. Nine months later I am still unable to provide assurance over all public sector spending. The development of this plan has been limited by this outdated mandate. With four months before Parliament expires, I am eager to see the required changes introduced.

To make it easier to access the information that interests you, I have divided my plan into four volumes. This volume provides an overview of the key products and services of my office, summarises our program for 2014–15 and 2015–16 and explains how we plan our audit activity. Volumes two, three and four then provide detail on our proposed program of work in three key areas for 2014–15 and 2015–16.

The annual plan gives the Victorian community the opportunity to scrutinise my work program. I invite your comments on this year's plan and your ideas for future work.

John Doyle
Auditor-General

26 June 2014

Proposed VAGO reports to Parliament and other key publications 2014–15 and 2015–16

2014–15	2015–16
Sector-wide	
Delivering services to citizens and consumers via devices of personal choice	Access to public sector information
Digital dashboard: status review of major ICT projects and initiatives	**Digital dashboard: status review of major ICT projects and initiatives**
High Value High Risk	**High Value High Risk**
Public participation in government decision-making [guideline]	**Public participation in government decision making**
Responses to 2012–13 performance audit recommendations	**Responses to 2012–13 and 2013–14 performance audit recommendations**
Information and Communication Technology Controls: Results of the 2013–14 Audits	**Risk management**
Portfolio Departments and Associated Entities: Results of the 2013–14 audits	Using technology to improve safety outcomes in public domain spaces
	Information and Communication Technology Controls: Results of the 2014–15 Audits
	Portfolio Departments and Associated Entities: Results of the 2014–15 audits
Central agencies	
Managing regulator performance	Auditor-General's Report on the Annual Financial Report of the State of Victoria
Public sector performance measurement and reporting *	
Auditor-General's Report on the Annual Financial Report of the State of Victoria	
Education and early childhood development	
Additional school costs for families *	DEECD Strategic Planning
Education transitions *	**Developing school leaders**
Regulation of Vocational Education and Training	Pre-service education for teachers
School funding [information piece]	Technical and Further Education Institutes: Results of the 2015 audits
Technical and Further Education Institutes: Results of the 2014 audits	Universities: Results of the 2015 audits
Universities: Results of the 2014 audits	
Environment and primary industries	
Biosecurity	Effectiveness of the Environmental Effects Statement process
Effectiveness of catchment management authorities *	**Enhancing food and fibre productivity**
Management and oversight of Caulfield Racecourse Reserve *	Implementation of water reforms
Managing landfills *	**Monitoring Victoria's water resources**
Water Entities: Results of the 2013–14 audits	Water Entities: Results of the 2014–15 audits
Health	
Dental health services	Chronic disease prevention and management: chronic kidney disease
Efficiency and effectiveness of hospital services: high-value equipment *	Hospital performance
Heatwave management: reducing the risk to public health *	**Patient safety in public hospitals**
Managing the nursing workforce	Public Hospitals: Results of the 2014–15 audits
Palliative care *	
Public Hospitals: Results of the 2013–14 audits	
Human services	
Early intervention for children at risk	Preventing and responding to family violence
Justice	
Access to legal aid *	Administration of Victoria's Superior Courts
Emergency response ICT systems *	**Responding to property crime**
Emergency service response times	**Victorian Electoral Commission**
Mental health strategies for the justice system *	
State development, business and innovation	
Managing mining approvals: environmental conditions	Managing the Regional Growth Fund
Realising the benefits of smart meters	Supporting workers in transitioning industries
Transport, planning and local infrastructure	
Coordinating public transport *	**East West Link**
Managing the environmental impacts of transport *	Managing and reporting on the performance and cost of transport capital projects
Operational effectiveness of the myki ticketing system	Managing Victoria's planning system for land use and development
Tendering metropolitan bus contracts	Public safety on Victoria's train system
Victoria's consumer protection framework for building construction	
Local government	
Effectiveness of support for local government *	Local Government: Results of the 2014–15 audits
Local Government: Results of the 2013–14 audits	
VAGO accountability products	
Annual Plan 2015–16	Annual Plan 2016–17
Annual Report 2013–14	Annual Report 2014–15
Note: Bold text indicates a new report not in the previous annual plan Grey shading indicates Financial Audit reports	Note: * indicates work has commenced on this performance audit due for completion in 2014–15

Our products and services

1.1 Role of the Auditor-General

Public sector entities are accountable to Parliament for their use of public resources and the powers conferred on them by Parliament. To assist it to oversee the public sector, Parliament seeks independent assurance that agencies are operating economically, efficiently and effectively, and in compliance with legislation. It is the Auditor-General's role to provide this assurance.

1.2 Guiding legislation

The principal pieces of legislation governing and guiding the Auditor-General and the Victorian Auditor-General's Office (VAGO) are the:

- *Constitution Act 1975*, which establishes the role of the Auditor-General and gives the Auditor-General complete discretion in the performance and exercise of his functions and powers
- *Audit Act 1994*, which establishes the Auditor-General's mandate, provides the legal basis for his powers, and identifies the Auditor-General's responsibilities.

Under the *Audit Act 1994*, the Auditor-General has the power to audit departments, public bodies, councils and other entities controlled by the state or a public body.

The key responsibilities of the Auditor-General as established by legislation are:

- financial audits
- performance audits
- publications for accountability and reporting purposes.

In addition, to increase the impact of our audits, the Auditor-General conducts other audit and accountability activities that relate to his primary responsibilities.

1.3 Financial audits

As custodians of public funds, public sector entities must be able to demonstrate that they have appropriate financial management practices. As such, entities are required to produce annual financial statements that are independently audited.

The Auditor-General is the external auditor of Victorian public sector entities, maintaining discretion about which public sector entities to audit. In recent years, VAGO has been the external auditor for around 550 entities, including government departments and agencies, public hospitals and ambulance services, universities and other educational institutions, water authorities and public sector superannuation funds, as well as companies, trusts and joint ventures controlled by public sector agencies.

The following is a summary of the key products produced through our financial audit function.

1.3.1 Opinions on statements of public sector entities

The Auditor-General produces an opinion on whether the financial statements of a public sector entity present fairly the financial position, cash flows and results of operations for the year, and whether they have been prepared in accordance with applicable standards and relevant reporting legislation.

Some entities are also required to prepare performance statements for auditing. These represent an entity's performance in achieving its objectives, through the measurement of achievement against key indicators. The Auditor-General produces an opinion on whether the performance statements are presented fairly and comply with relevant requirements.

Financial audits are conducted in accordance with standards issued by the Auditing and Assurance Standards Board using a risk-based audit methodology. These standards include examination of an entity's controls around its financial reporting as well as its compliance with standards.

In planning a financial audit, VAGO understands and evaluates an entity's information technology environment and related risks to the reliability of financial reporting. For entities with more complex information technology environments, a specialist information and communications technology (ICT) team is engaged.

1.3.2 Opinion on the Annual Financial Report of the State of Victoria

The Annual Financial Report of the State of Victoria (AFR) gives the combined financial results of state-controlled entities and is therefore a key accountability document for informing Parliament and the public about the financial transactions and financial position of the state. The *Audit Act 1994* requires the Auditor-General to audit the AFR and express an opinion as to whether the information in the financial report is reliable and accurate, and prepared in accordance with legislation and standards.

1.3.3 Review of the estimated financial statements of the State of Victoria

The *Audit Act 1994* requires the Auditor-General to review the estimated financial statements of the State of Victoria. The review is not an audit as it examines prospective information, and is based on decisions of the government and economic assumptions of future events, rather than evidence of transactions. The Auditor-General is required to provide an opinion on whether the:

- statements have been prepared on a basis consistent with the accounting policies on which they are stated to have been prepared
- statements are consistent with the target established for the state's key fiscal measure
- statements have been properly prepared on the basis of the assumptions stated
- methodologies used to determine those assumptions are reasonable.

The Auditor-General's review opinion is included in the State's Budget Papers.

1.3.4 Acquittals of funds

State agencies can receive funds from the Commonwealth Government for specific programs. In some cases the agreement between the state and Commonwealth governments requires the Auditor-General to acquit the expenditure of these funds. The Auditor-General provides an acquittal that monies have been received and spent in accordance with the established criteria for the program. This forms part of the state agency's reporting to the Commonwealth.

1.3.5 Parliamentary reports on the results of financial audits

At the conclusion of an audit cycle, VAGO tables reports in Parliament about the results of these audits. The Auditor-General may include any information that he thinks is desirable in relation to matters subject to audit.

VAGO produces two types of Parliamentary reports on the results of audits, which are:

- sector-based reports on the consolidated results of audits in a specific sector
- the *Auditor-General's Report on the Annual Financial Report of the State of Victoria*.

Refer to Volume two for detail on our proposed financial audit program for 2014–15 and 2015–16.

1.4 Performance audits

Performance audits provide an in-depth examination of a particular aspect of public sector activity, and primarily look at non-financial elements.

Audits evaluate whether an organisation or government program is achieving its objectives economically, efficiently, effectively and in compliance with relevant legislation. All or part of an agency's activities, or the activities of a number of agencies can be subject to audit. Better practice may also be identified.

Performance audits are conducted in accordance with relevant standards issued by the Auditing and Assurance Standards Board. These standards include planning, conduct, evidence, communication, reporting and other elements of performance audits.

The annual plan identifies proposed performance audits by the year in which the report is planned to table in Parliament and according to the areas of the public sector that they will cover.

A typical audit will take six to 10 months to complete, and often starts the year before tabling is scheduled. For this reason a two-year program is included in the plan.

Refer to Volume three for detail on our proposed performance audit program for 2014–15 and 2015–16.

1.5 Accountability and reporting publications

The *Audit Act 1994* includes accountability and reporting requirements for VAGO, specifically, that VAGO table an annual plan and an annual report in Parliament.

1.5.1 Annual plan

The Auditor-General is required to prepare an annual plan describing the proposed work program for the coming financial year, and table it in Parliament. This provides Parliament, the public sector and the community with an opportunity to assess our goals, understand our priorities, and scrutinise our program. The annual plan is tabled in Parliament as soon as practicable after the passage of the annual appropriation Acts for each financial year, and prior to the commencement of the financial year to which it relates. The draft annual plan must be provided to the Public Accounts and Estimates Committee (PAEC) and their comments considered.

1.5.2 Annual report

The Auditor-General is required to publish an annual report that contains VAGO's financial statements and a report of operations. The financial statements are required to be audited by an auditor who is appointed by PAEC. The report of operations needs to comply with reporting requirements of the *Audit Act 1994*, the *Financial Management Act 1994*, and the Financial Reporting Directions and Standing Directions of the Minister for Finance. It includes an acquittal of our output performance measures established in the State Budget Papers.

1.6 Increasing the impact of audits

Last year the state invested around $39 million in the work of the independent public sector auditor, from a total state expenditure of more than $56 billion. To maximise the benefits from this investment by the state, we conduct a range of activities that add value to these audit activities.

1.6.1 Driving action on audit findings

The Auditor-General cannot force government to act on audit recommendations. To encourage action in response to our audits, we look for opportunities to share audit findings with the people and organisations that can make a difference. This includes members of Parliament, integrity bodies, audited agencies and the media. We communicate our findings through diverse channels, including presentations, meetings, one-on-one briefings, submissions to inquiries and reviews, lectures, articles, occasional papers and our website.

1.6.2 Following up performance audit recommendations

In 2014, the Auditor-General announced the introduction of a new follow-up process for performance audit recommendations to increase the accountability of agencies and encourage greater implementation of performance audit recommendations.

1.6.3 Educational publications

To build on our audit work and share it with the public sector, from time to time we produce additional publications. These include better practice guidance, information pieces and occasional papers and contributory articles in books and journals.

1.6.4 Strengthening Victoria's accountability framework

VAGO has a unique perspective on the regulatory and policy framework governing the accountability of the Victorian public sector. We draw on our experience, expertise and research to contribute to the development of audit and accountability policy in the Victorian public sector, including reforms to legislation, regulation and standards. This takes the form of submissions to relevant Parliamentary or government inquiries, meetings with entities, and comments on exposure drafts. These activities help increase the impact of our audits, as they ensure that the audit function remains robust and relevant to the Victorian community.

Refer to Volume four for detail on our 2014–15 and 2015–16 program of activities to increase the impact of audits.

1.7 Our outputs and targets

The resources allocated to VAGO each year to deliver our products and services are determined through Victoria's annual Budget process. Under the State Budget framework, our resourcing is based on two output groups:

- **Output 1**—Parliamentary reports and services: this includes our reports to Parliament on both financial and performance audits, as well as our response to inquiries from Parliament and the public.
- **Output 2**—Audit reports on financial statements: this covers activities related to our financial audit function (see Section 1.3).

Performance measures for these VAGO outputs are published each year in the State Budget Papers and are reproduced in Figures 1A and 1B.

More information on the planned outputs of our financial and performance audit functions is included in Volume two and Volume three of this annual plan.

Figure 1A
Output 1: Parliamentary reports and services

Performance measure	Unit of measure	2014–15 target	2013–14 expected outcome	2013–14 target	2012–13 actual
Quantity					
Auditor-General's reports	number	36	36	36	37
Quality					
Average score of audit reports by external/peer assessors	per cent	80	80	80	84
Overall level of external satisfaction with audit reports and services—Parliamentarians	per cent	85	85	85	92
Timeliness					
Inquiries from Members of Parliament and the public responded to within 28 days	per cent	95	95	95	99
Reports completed on time	per cent	90	90	90	97
Cost					
Total output cost	$ million	15.7	15.3	15.3	14.5

The higher 2014–15 target reflects indexation.
Source: 2014–15 Budget Papers.

Figure 1B
Output 2: Audit reports on financial statements

Performance measure	Unit of measure	2014–15 target	2013–14 expected outcome	2013–14 target	2012–13 actual
Quantity					
Audit opinions issued on non-financial performance indicators	number	115	115	115	115
Audit opinions issued on the financial statements of agencies	number	559	559	559	550
Quality					
External/peer reviews finding no material departures from professional and regulatory standards	per cent	100	100	100	100
Timeliness					
Audit opinions issued within statutory deadlines	per cent	98	98	98	100
Management letters issued to agencies within established time frames	per cent	90	90	90	92
Cost					
Total output cost	$ million	24.0	23.4	23.4	22.7

The higher 2014–15 target reflects indexation.
The higher 2013–14 target, when compared to 2013–14 target published in the 2013–14 Budget, corrects an understatement of the 2013–14 output cost compared to the departmental financial statements.
Source: 2014–15 Budget Papers.

Factors shaping our audit program

1.8   A relevant, responsive and risk-based program

VAGO aims to develop a work program that is relevant, responsive and risk-focused, and has the potential to make a difference in the public sector.

To ensure the quality of our program we gather a wide range of information, undertake extensive stakeholder consultation, and apply rigorous analysis to identify our audit topics and areas of focus.

This external input ensures that the discretionary parts of our audit program keep up with the changing priorities and challenges for the Victorian public sector.

We use this input to guide the development of performance audit topics and, to a lesser extent, financial audit topics. These dynamic and responsive parts of our audit program complement the cyclical coverage of fundamental elements of financial management, governance and accountability provided through our annual financial audits.

This chapter outlines our process for gathering external input and selecting audit topics, and summarises the key issues influencing our 2014–15 and 2015–16 work program.

1.9   Where do we get our ideas?

To identify potential performance and financial audit topics we:

- conduct environmental scanning
- listen to our external stakeholders
- analyse external inputs to identify key risks and challenges for public sector performance and accountability
- consider these risks against our responsibilities under legislation
- assess potential topics against criteria of risk and materiality
- consider the balance and coverage of the program as a whole.

1.9.1 Environmental scanning

Environmental scanning is a year-round process, and includes ongoing research as well as work done as part of audits. Its purpose is to give audit teams an understanding of the particular context of that sector, as well as relevant policy goals and service objectives set by the government of the day.

Our scanning includes consideration of research, statistical data and reports from external sources such as the Australian Bureau of Statistics, universities, Parliamentary Committees, other Auditor-General offices and Victorian integrity bodies.

We also gather a wide range of information from the agencies we audit—on their objectives, strategies, programs, services, governance structures, accountability relationships and management processes. Documentation we examine typically includes government policies, strategies and initiatives, Budget papers, Cabinet-in-Confidence documents, corporate plans, strategic plans, business plans, internal audit programs, annual reports, and print and online media.

Evidence collected from agencies through our financial audits provides useful information to help us understand the broader challenges and risks faced by the public sector—including insights into probity, waste, compliance, control weaknesses, fraud risk, financial management, governance and sustainability.

Our environmental scanning includes examining our own audit reports to identify recurring findings. These findings represent risk areas to the public sector and can inform audit topics or the scoping of audits.

1.9.2 Stakeholder consultation

We consult widely to gather information and ideas for audit topics, and discuss the merits and approach of potential audit topics. This helps us target our audits, both at a whole-of-government level and within sectors.

We analyse these inputs to identify recurring themes and specific instances of input of high relevance to our mandate. These are then fed into the planning process.

There were many issues raised by stakeholders that we did not address because the issue:
- applied to an activity that is in another jurisdiction
- related to a matter or required a function not covered by our audit legislation
- was not systemic but rather a complaint of an individual nature
- was more appropriately dealt with by another agency
- was already addressed by an audit that had been recently completed.

There were, however, a number of priorities and concerns shared by external stakeholders that have influenced our 2014–15 Annual Plan.

Citizens and community concerns

We value the ideas and information shared with us by the community. As well as initiating consultation with some community groups as part of our sector stakeholder consultations, we also receive many letters, emails and telephone calls from members of the community sharing their concerns about public sector performance and accountability. These can be crucial early warnings of issues related to performance, probity and compliance, and are a key input in helping us understand which audit topics may be of greater public interest.

Issues raised by the community in the past year that have influenced our proposed audit program include:
- transport planning and traffic congestion management
- planning processes
- consumer protection in the building industry
- outsourcing of public sector jobs
- emergency services
- state government grants within municipalities.

Public sector and other key sector stakeholders

As well as gathering our own information from the public sector, we consult heads of agencies, leadership teams, boards, agency staff, audit committees, and chief financial officers to help us understand the context of the information we have gathered, and assess the value of potential audit topics. We also consult other Victorian integrity bodies including the Independent Broad-based Anti-corruption Commission and the Victorian Ombudsman.

Sector-based audit teams also meet with representatives from industry, peak bodies, advocacy groups, community groups, unions and academics. Depending on the sector, this engagement can be through one-on-one meetings, facilitated focus groups, round table discussions and surveys.

Issues raised by public sector and other key stakeholders in the past year that have influenced our proposed audit program include:

* public participation in government
* coordination across the whole of government
* transport infrastructure and safety
* consumer protection in the building industry
* scrutiny of ICT project performance.

Parliamentarians

The interests of Parliamentarians are particularly relevant to our work, as they represent their communities and the interests of these communities. Throughout the year, we collect ideas and feedback from Parliamentarians on our work program through Parliamentary report tabling briefings, one-on-one meetings, surveys and correspondence.

Issues raised by Parliamentarians in the past year that have influenced our proposed audit program include:

* public consultation by government
* performance of regulators
* use of contractors by government
* funding models for public sector entities
* construction of State Budgets
* leadership and autonomy in schools
* chronic health conditions
* East West Link and other major transport infrastructure projects.

Public Accounts and Estimates Committee

Our key mechanism for consulting Parliament on our proposed audit program is through PAEC. The *Audit Act 1994* requires us to seek their comment on our draft annual plan.

This year, PAEC provided a range of useful inputs to our annual plan, including proposed topics for our audit program and suggestions to improve the transparency and accountability of the plan.

We added an audit titled *Improving safety on Victoria's roads* to our published areas of audit interest for future years following a suggestion from PAEC.

Our legislation requires us to publish in the annual plan any changes suggested by PAEC to the draft plan that the Auditor-General does not adopt. While the following remain areas of audit interest, Figure 1C identifies the suggestions and responses provided to PAEC for areas that we have not included in this annual plan.

Figure 1C
VAGO response to PAEC's suggested changes that
are not included in the *Annual Plan 2014–15*

PAEC consideration	VAGO response
Sustainable Government Initiative (SGI)—the effectiveness of the SGI and its implementation by public sector departments.	This topic will be considered for inclusion in the future work program as part of planning for the 2015–16 Annual Plan.
Allocation of police resources—the effectiveness of the current allocation and management of police resources to consider any actions which could optimise the use of police resources in the future.	An audit of police allocation of its human resources was initially planned, but not able to be included due to other audits assessed as being of greater priority. Any future audits on police resourcing will also be informed by any actions taken, and the timing of those actions, in relation to Victoria Police's recent Blue Paper.
Effectiveness of the research undertaken by the Victorian Responsible Gambling Foundation to address problem gambling and whether the research has led to enhanced gambling policy and practices.	The suggestion will be considered as part of routine sector scanning and assessments made as to the existence and/or significance of any issues relating to responsible gambling research.
Review of Victoria's gaming industry —a comprehensive performance audit of the role and functions of the Victorian Commission for Gambling and Liquor Regulation, to reinforce confidence in the integrity and fairness of the gaming industry and the software embedded in gaming machines.	An audit of the regulation of gambling and liquor was included in the *Annual Plan 2013–14*, for tabling in 2016–17. While it does not appear in this plan, this is still an area of audit interest. Any audit would directly involve the Victorian Commission for Gambling and Liquor Regulation. There is scope also to consider a follow up of the June 2012 audit on *Effectiveness of Justice Strategies for Preventing and Reducing Alcohol Related Harm.*

Source: Victorian Auditor-General's Office.

Input for future audit topics

We will continue to consult with key stakeholders, including audited agencies and their audit committees, as we develop audit topics in future annual plans. VAGO also welcomes ideas and input from the community on areas for future years. You can send through your thoughts to the Auditor-General via our webpage http://www.audit.vic.gov.au/contact_us/concerns_and_suggestions.aspx.

1.10 Results of scanning and consultation: whole-of-government risks and challenges

Our environmental scanning and stakeholder consultation provides us with an understanding of the risks and challenges facing individual sectors and provides strong 'grass-roots' intelligence on the priorities and challenges facing the agencies we audit. This sector-based scanning is a rich source of potential topics for both financial and performance audit. Following our scanning and consultation VAGO then seeks to gain a 'big picture' perspective of the Victorian public sector, to help us focus on issues affecting all sectors, and provide analysis and recommendations that have wide-reaching relevance and impact.

This year, we have developed a list of risks and challenges that we think are significant for the whole Victorian public sector and have therefore been key to shaping our overall proposed audit program—see Figure 1D. This list is drawn from the common themes emerging from our scanning and consultation as well as consideration of economic analysis, demographic forecasts and risk reporting and scanning undertaken by the Victorian Managed Insurance Authority—the public sector's insurer.

Figure 1D
Whole-of-government risks and challenges

Risks and challenges
• Rising population and demand on services
• Maintaining productivity in both the public and private sectors
• Gaining and maintaining value from major infrastructure
• Rise of chronic and lifestyle diseases and health issues
• Responses to risks from natural hazards
• Workforce planning, management and capability
• Effective regulation, compliance and oversight
• Security and stability of information technology systems
• Family and domestic violence
• Protecting vulnerable people and environments
• Threats to safety of Victorians from accident, injury and crime
• Maintaining strong and accountable financial governance and management

Source: Victorian Auditor-General's Office.

1.11   Deciding on the program

Our scanning and analysis led to the identification of a range of possible audit topics for 2014–15 and 2015–16. As always, there were many more potential topics than we can deliver through our work program. We assessed each potential financial and performance audit topic to select which ones to include. We then stood back and considered the balance and coverage of the program as a whole.

1.11.1 Assessing topics

Potential financial audit topics triggered through external input are selected by considering how effectively they cover our legislative obligation to assess waste, probity and financial resource management, and address the risks within the operating environment of the audited agency.

Potential performance audit topics were assessed using the following criteria.

Risk

We use a definition of risk consistent with *AS/NZS ISO 31000:2009 Risk Management*. For each topic, we assessed the possible impact and consequences if the public sector services were not delivered or the government's objectives were not achieved.

Materiality

Materiality describes the size or scale of the relevant operational area or public sector program. It is a concept that helps us consider how significant the audit will be to the Victorian community. We considered three kinds of materiality:

- **economic materiality**—for example, cost of program, economic impact of activity
- **social materiality**—for example, how many people are affected, impact on vulnerable communities, evidence of community interest
- **environmental materiality**—for example, impact on the environment.

1.11.2 Balance and coverage of the program

In making our final choices, we considered whether we had effectively covered our legislative obligations to review economy, efficiency and effectiveness and to consider waste, probity and resource management. We ensured that we did not have too little or too much audit activity in each sector. We looked at our financial audit and performance audit programs to ensure they worked together and did not overlap. We consulted with integrity bodies and agencies to minimise duplication across the broader integrity system.

We believe that this process has created a balanced, efficient and effective audit program for 2014–15 and 2015–16 that addresses our legislative obligations while remaining responsive to the community.

Photographs

The photographs used throughout the four volumes of this annual plan are from a variety of sources. See below for details.

VAGO welcomes ideas and input from the community on audit topics for future years. You can send through your thoughts to the Auditor-General via our webpage http://www.audit.vic.gov.au/contact_us/concerns_and_suggestions.aspx.