

# ***Portfolio Departments and Associated Entities: 2015–16 Audit Snapshot***

Tabled 23 November 2016

This presentation provides an overview of the Victorian Auditor-General's report *Portfolio Departments and Associated Entities: 2015–16 Audit Snapshot*.

## Overview



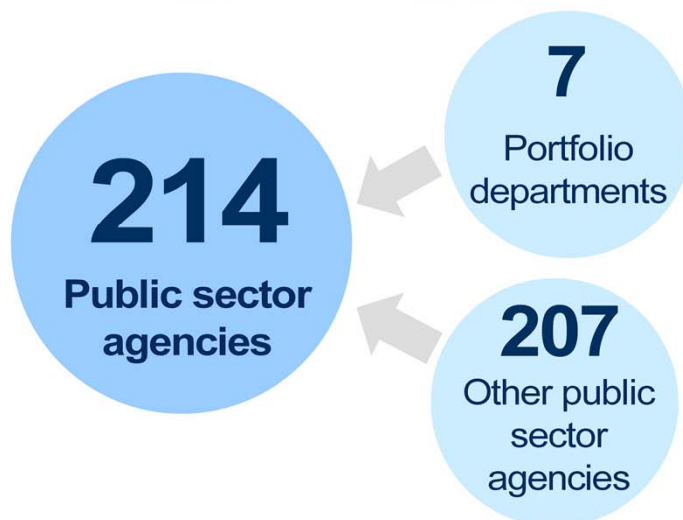
Matters arising from the 2015–16 financial report audits



Update on Department of Education & Training's (DET) progress addressing financial reporting issues



Reviewed implementation and oversight of machinery-of-government changes



The report summarises the results of the 2015–16 financial audits of 214 public sector agencies. The seven state government departments (also called portfolio departments) and their associated entities have improved their financial reporting. They have largely addressed the significant issues that resulted in modifications of audit opinions last year. In particular, the Department of Education and Training (DET) has addressed our concerns and now has better financial management and governance practices.

In this report we also make comment on the implementation of the 2014 Machinery-of-government (MOG) changes at two portfolio departments.

## Results of audits

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Clear financial report  
audit opinions for  
199 entities



Medium and above  
risk-rated issues  
reported



High-risk information  
technology (IT) issues

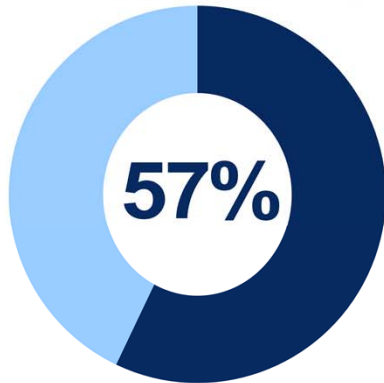


Deficiencies in both  
asset management  
and reconciliations

We issue an unmodified audit opinion when we determine that a financial report fairly presents the transactions and balances for the reporting period. We issued unmodified audit opinions on 199 financial reports for 2015–16, and two modified audit opinions – one on DET and one on DTF. Thirteen audits were not finished when we published this report. We included an ‘emphasis of matter’ paragraph on 33 of the audit opinions issued, drawing attention to matters within the financial report.

We raised 52 issues rated high or medium risk. Most high-risk issues related to information technology control weaknesses and a number of portfolio departments had deficiencies in both asset management and reconciliations prepared to support the numbers in the financial report.

## Results of audits



Prior-year issues  
resolved



Significant improvements at  
Lake Mountain and Mount  
Baw Baw

- Falls Creek currently  
addressing issues

Departments have resolved 57 per cent of all prior year issues raised. This is a small improvement on last year which indicates some attention has been paid to addressing the issues raised by audit.

In our 2014–15 financial audits we reviewed action taken to address concerns at Lake Mountain, Baw Baw and Falls Creek Alpine Resorts and saw significant improvements at Lake Mountain and Mount Baw Baw, where issues we raised have now been addressed. Falls Creek are currently in the process of addressing the issues we reported.

## Department of Education & Training

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The reporting process for 2015–16 was much better



Strengthened approach to assurance over schools transactions and balances



Systematically addressing all 17 management letter points

In 2013–14 and 2014–15, we reported to Parliament that the financial reporting processes at DET were poor. These processes were much better in 2015–16 and we no longer consider DET's financial reporting to be poor. This year, we gave a clear opinion on DET's 2015-16 transactions and balances. However, we modified our opinion because DET had not resolved matters concerning school transactions that formed the comparative numbers in the 2015-16 financial report.

DET took a new approach to assurance about school transactions and balances and we support this. However, it was not practical for DET to retrospectively carry out additional assurance work on the 2014–15 school transactions to use in the current financial report.

We got enough and appropriate audit evidence that the comparative property, plant and equipment transactions and balances were materially correct.



## Machinery-of-government changes

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- We reviewed machinery-of-government changes at Department of Health & Human Services (DHHS) and Department of Economic Development, Jobs, Transport & Resources (DEDJTR)
- No Victorian government framework at the time—but one has since been released
- No post-implementation review conducted at DHHS and DEDJTR

In December 2014, machinery-of-government were announced. Two of the more significant changes created the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport & Resources.

Steering committees at the two new departments guided implementation and governance of the machinery-of-government changes. The Department of Premier and Cabinet set up a task force to oversee the committees' work. Despite this, there were implementation delays at both new departments. both departments missed the opportunity to undertake a post implementation review to identify ways they could do better.

At the time of our review, there was no framework in Victoria but the Department of Treasury and Finance has now released a framework that has been created in collaboration with the portfolio department CFO's.

## Recommendations

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Portfolio departments to address internal control issues in a timely manner



DET to automate transactions to reduce the volume of cash transactions at schools

Our report has two recommendations.

We recommended that portfolio departments address internal control issues in a timely manner, with emphasis on those risks rated medium and above.

We recommended that the Department of Education and Training introduce systems and processes that automate transactions to reduce the volume of cash transactions at schools.

For further information, please view the full report on  
our website: [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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