

Annual Report

2020–21



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Annual Report 2020–21

VAGO

Victorian Auditor-General's Office

The Hon Nazih Elasmr MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

I am pleased to provide you with my *Annual Report 2020–21* for presentation to Parliament.

Yours faithfully



Andrew Greaves
Auditor-General

5 October 2021

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

Foreword

Despite assumptions that the worst of the COVID-19 emergency had passed, we found ourselves continuing to operate in a highly challenging environment in 2020–21.

COVID-19 has had a profound impact on our core business. The agencies we audit have grappled with challenges similar to our own: remote work, staff shortages and adjusted responsibilities. We have adapted, finding new ways to complete our audit functions under these extraordinary circumstances, but this has meant we have delivered some aspects of our work program later than in years past.

I am proud of the way we responded to these challenges. Our people continue to support and encourage one another. The way they have remained committed to delivering our work is a daily reminder of how our values of respect and collaboration run deep within the VAGO culture.

We have ended the year with all employees working remotely, an arrangement that prevailed for much of 2020–21. Our people have overwhelmingly expressed their desire to continue to work more flexibly and we have committed to providing staff with the best future work practices possible. Our 'better normal' principles set out this commitment. These flexible work practices also support our goals for greater diversity and inclusion in our workplace.

In June we launched our *Reflect Reconciliation Action Plan*, the first of four plans we intend to implement. It focuses on building our cultural awareness and respect for Aboriginal and Torres Strait Islander cultures. Reconciliation Australia has approved our plan and it is now available on their website.

This year we also refreshed our panel of financial audit service providers, who help us complete our financial audits. We reduced the number of panel members from 25 to nine. This was a significant undertaking, but necessary to remain in step with industry standards and make sure our providers remain a strong cultural fit with VAGO. Our new panel members are focused on innovative auditing methods, data protection and security, and continuous improvement.

Andrew Greaves
Auditor-General

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About this report

This report covers the activities of VAGO for the period 1 July 2020 to 30 June 2021.

It is prepared in accordance with the *Audit Act 1994* and the *Financial Management Act 1994*, and complies with the requirements of relevant Australian Accounting Standards and Interpretations, Standing Directions and Financial Reporting Directions.

This report cost \$35 000 to produce.

1.

About VAGO

VAGO provides assurance to Victoria's Parliament and community about the performance and accountability of the state's public sector. We achieve this by auditing and reviewing the finances and performance of state and local government entities.

This chapter covers:

- Our role
 - Our operating model
 - Our governance arrangements
 - Our values
 - Our strategic plan
 - Our performance reporting
 - Our accountability mechanisms
-

1.1 Our role

VAGO helps to hold the Victorian Government accountable by conducting financial and performance audits and assurance reviews of public sector agencies, and reporting the results to Parliament.

We are part of Victoria's integrity system. The office of 'Auditor-General' is independent; it is not controlled or directed by Parliament or the government.

VAGO is governed by the *Constitution Act 1975* and the *Audit Act 1994* (the Act).

Financial auditing

In our financial audits we provide assurance that the information contained in public sector agencies' financial and performance reports is reliable, relevant, presented fairly and according to Australian Accounting Standards and other relevant legislation.

Each year, we audit more than 580 agencies' financial reports and provide opinions on 110 performance statements. We audit agencies including government departments, statutory bodies, educational institutions, public health services, water corporations, insurers and local government councils.

Performance auditing

In our performance audits we assess the effectiveness, efficiency, economy and compliance of government agencies, programs and services. We have 'follow-the-dollar' powers, which allow us to audit community-sector and for-profit organisations contracted to provide government services. We can also audit how government grant recipients use their funds.

Limited assurance reviews

In our limited assurance reviews we focus on financial or operational performance. We rely primarily on an agency's representations and the evidence it provides. However, we aim to have enough confidence in our conclusion for it to be meaningful. In assurance reviews we typically express our opinions in negative terms. We might say, for example, that nothing has come to our attention to indicate there is a problem.

Continuous improvement

Our unique position and access to information across the Victorian public sector enables us to identify common issues and provide useful insights for parliamentarians, the public and the agencies we audit.

We make recommendations to audited agencies on how to improve services and function more efficiently and effectively.

Our legislation

The *Constitution Act 1975* establishes the office of 'Auditor-General' and gives us complete discretion in how we perform the functions and powers of our role.

The *Audit Act 1994* sets out the legal basis of our powers and the responsibilities of our role.

1.2 Our operating model



Source: VAGO.

1.3 Our governance arrangements

Our strategic management group (SMG) governs VAGO's strategic direction and alignment to its vision, values and purpose. SMG is collectively responsible for:

- setting and monitoring VAGO's strategy
- overseeing good governance and a positive organisational culture
- VAGO's performance from an outcomes and sustainability perspective
- ensuring that VAGO has strong executive leadership.

SMG comprises the Auditor-General, Deputy Auditor-General and the Assistant Auditors-General for performance and financial audit. Figure 1A shows SMG.

1.4 Our values

Our values shape our work and culture and how we grow as an organisation. They are:

- respect
- innovation
- collaboration
- accountability.

In 2020–21, we continued to promote and embed these values through team building, volunteering opportunities and celebrating the outstanding efforts of our employees at recognition events.

We are now in the second phase of our *Diversity and Inclusion Plan 2019–22*, in which we focus on providing internal education and introducing staff to new practices.

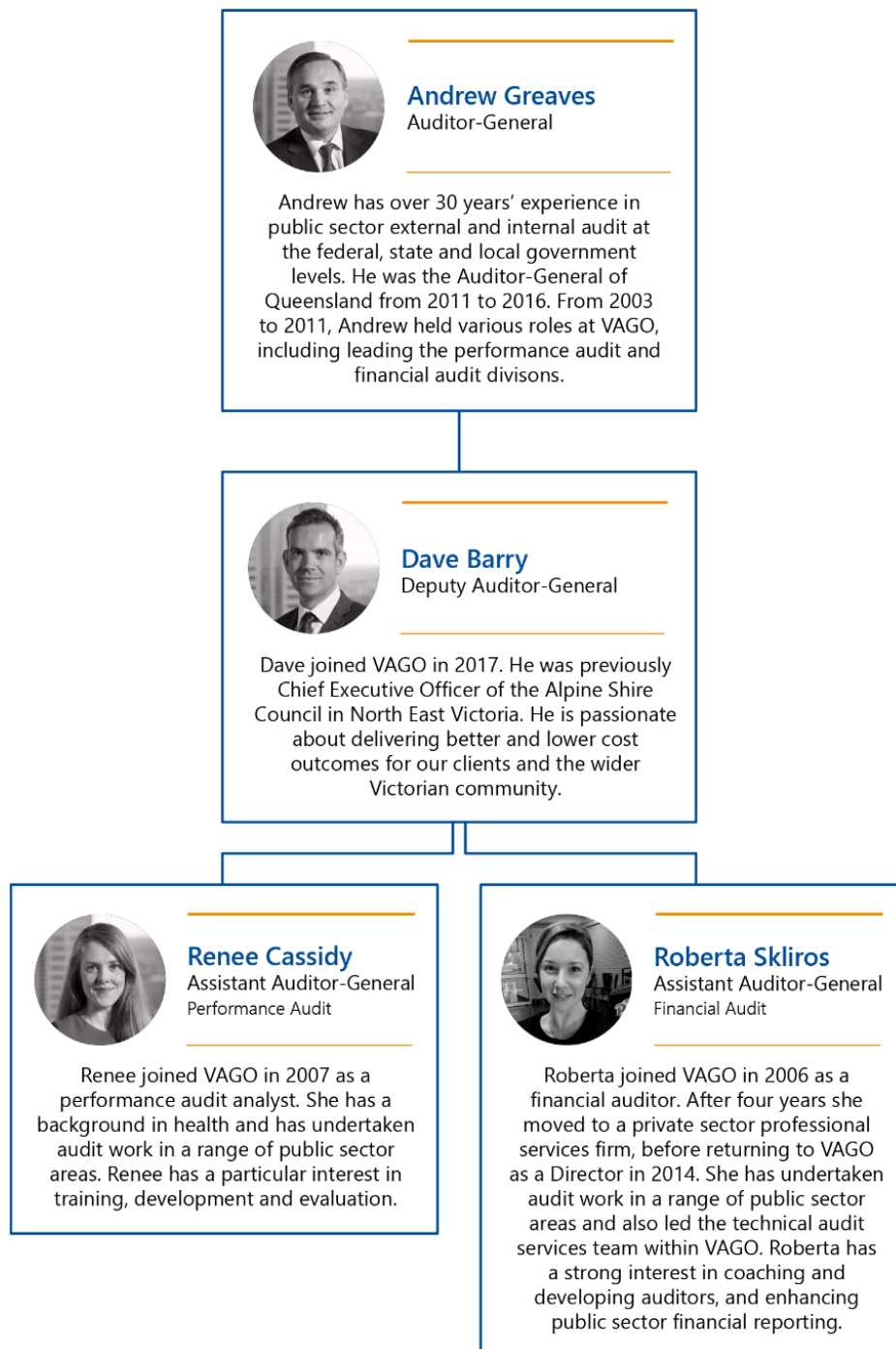
1.5 Our strategic plan

The *VAGO Strategic Plan 2017–2021* sets out our objectives, the directions we will take to achieve them and what success looks like. This is our final year of operating under this plan. Our four strategic objectives are to:





- increase our relevance
- grow our influence
- invest in our people
- lead by example.

We detail our progress against the plan throughout this report.

FIGURE 1A: VAGO's SMG members in 2020–21



Source: VAGO.

	Our objectives	Our directions
 <p data-bbox="212 477 387 544">Increase our relevance</p>	<p data-bbox="469 241 711 528">Be more relevant by delivering credible and authoritative reports and advice about things that matter and will make a difference</p>	<p data-bbox="783 241 1075 264">Modernise our auditing methods Update how we audit to reflect new and emerging technology-enabled practices.</p> <p data-bbox="783 322 1002 344">Explore our full mandate Rebalance our audit programs to evenly cover efficiency and effectiveness, governance and compliance.</p> <p data-bbox="783 400 1054 423">Take a longer term perspective Analyse audit results through time to identify what works on complex and interconnecting issues.</p>
 <p data-bbox="233 909 365 976">Grow our influence</p>	<p data-bbox="469 674 727 898">Be valued for our independence and more influential because of the unique perspectives we provide</p>	<p data-bbox="783 674 1034 696">Strengthen our engagement Build more productive relationships based on mutual respect and understanding of our respective roles and organisational contexts.</p> <p data-bbox="783 754 1015 777">Better leverage our access Use our access to cross-government datasets to provide our clients with new insights they can use.</p> <p data-bbox="783 835 1075 857">Increase accessibility to our work Develop new interactive channels with our stakeholders and open up access.</p>
 <p data-bbox="212 1344 387 1411">Invest in our people</p>	<p data-bbox="469 1106 711 1393">Enable high performance by our people through a supportive culture, professional development and collaboration</p>	<p data-bbox="783 1106 1082 1128">Be clear about what we stand for Demonstrate leadership and accountability in how we work and live our values and culture.</p> <p data-bbox="783 1187 962 1209">Invest in excellence Support our people to harness new and emerging technologies by developing their technical, analytical and people management capabilities.</p> <p data-bbox="783 1290 943 1312">Get the mix right Ensure our workforce composition builds our adaptability to position us to meet future business needs.</p>
 <p data-bbox="240 1776 360 1843">Lead by example</p>	<p data-bbox="469 1538 695 1650">Model exemplary performance in everything we do</p>	<p data-bbox="783 1538 979 1561">Simplify our business Eliminate unnecessary internal red tape, and streamline and increase automation of core business processes.</p> <p data-bbox="783 1619 1015 1641">Embrace new technology Invest in cloud technology, implement the best software solutions to integrate our business systems, and share information to improve our practice.</p> <p data-bbox="783 1722 1114 1744">Better intelligence to drive decisions Develop a comprehensive portfolio of service, product and project performance measures.</p>

Source: VAGO.

What success looks like	Our progress and highlights	
<p>Our audit program effort is targeted across efficiency, effectiveness, economy and compliance.</p> <p>The benefits realised by the public sector show an increased return on investment from our audit work.</p>	<p>Increase our relevance</p> <p>Delivered a broad audit program</p> <p>Continued to embed data science techniques to enhance the insights we provide to our stakeholders</p> <p>Developed new ways to undertake year-end processes and audit functions entirely remotely to counter the impact of coronavirus (COVID-19)</p> <p>Conducted three assurance reviews, including our second review on agency responses to performance audit recommendations</p>	<p>Key achievements</p> <p>Agencies completed our recommendations 59 days faster than in 2019–20</p> <p>Delivered our financial audit program within expectations, entirely remotely and in challenging circumstances</p>
<p>More of our performance audits originate from requests from Parliament, the public sector and the public.</p> <p>Use of our reports and associated datasets in government service delivery and for parliamentary purposes has increased.</p>	<p>Grow our influence</p> <p>Continued to review suggestions from parliamentarians and the public as part of our annual planning process</p> <p>Embraced new ways to engage stakeholders, including briefing MPs remotely</p>	<p>Key achievements</p> <p>99% of PA recommendations between 2015–16 and 2019–20 were accepted</p> <p>95.3% of chief financial officers (CFOs) indicated they value the assurance our financial audits provide</p> <p>Increased participation in our virtual Audit Committee Chairs Forum and received positive feedback about its structure and flexible delivery</p>
<p>Employee engagement has increased. We develop, attract, and retain the talent we need.</p>	<p>Invest in our people</p> <p>Continued to develop our Better Normal principles, with the aim of being an employer of choice that embraces flexible work practices</p> <p>Adapted our professional learning and development program for the online environment</p> <p>Introduced a suite of online health and wellness activities to help staff maintain mental and physical health while working at home</p> <p>Refreshed our Audit Service Provider (ASP) panel to do financial audit work on our behalf and improve service quality and delivery</p>	<p>Key achievements</p> <p>Improved employee engagement 11%</p> <p>95% of staff felt they had received adequate support during the workplace changes due to COVID-19</p> <p>Launched our <i>Reflect Reconciliation Action Plan</i> in June 2021</p> <p>Launched our first quotation round with our new ASP panel</p>
<p>Workforce productivity has increased. Our internal practices set the benchmark for public sector entities and other audit offices.</p>	<p>Lead by example</p> <p>Continued to improve our IT network, further securing our cybersecurity and maturing our use of Microsoft Teams</p> <p>Developed and implemented a Protective Data Security Plan</p> <p>Published our first parliamentary reports structured with new templates designed to improve readability and engagement</p> <p>Rolled out eLearning modules on writing and reviewing to lift staff capability and confidence</p> <p>Updated our website to increase access to our dashboards so they can be easily searched in one place</p>	<p>Key achievements</p> <p>68% increase in website views</p> <p>100% end-user computing environments upgraded to Windows 10</p>

Source: VAGO.

1.6 Our performance reporting

Every year, we report against a set of performance measures and targets that we agree on with the Assistant Treasurer.

We discuss our 2020–21 performance against these measures in the relevant sections in this report. We also include an independently audited performance statement in Chapter 6. We are not required to prepare this statement or have it audited, but we believe it is necessary to promote transparency and better public sector practice. It assures readers that our non-financial performance information is reliable—the same way the audit opinion on our financial statements provides assurance.

VAGO's performance measures and targets are set out in *Budget Paper No. 3: Service Delivery* (BP3). You can find this paper on the [Victorian state Budget website](#)

1.7 Our accountability mechanisms

We are accountable to the Victorian Parliament and all Victorians for how efficiently and effectively we perform our auditing services and how economically we use public resources.

The Act requires that an independent performance audit of our office be undertaken at least once every four years. The purpose of the audit is to determine whether the Auditor-General and VAGO are achieving their objectives effectively, economically and efficiently and in compliance with all relevant Acts.

External audits

In 2019–20, the Public Accounts and Estimates Committee (PAEC) appointed Allen and Clark Consulting to conduct this audit. Overall, the audit report, which was tabled in Parliament on 4 August 2020, was positive. It concluded that:

The Auditor-General and VAGO are operating in compliance with all relevant Acts of Parliament. Moreover, the Auditor-General and VAGO are, in all material respects, operating effectively, economically and efficiently and achieving their objectives in compliance under the Act.

The audit made 31 recommendations. We accepted 24 recommendations in full, three in part, three in principle and did not accept one recommendation.

We monitor our progress in implementing these recommendations through periodic updates to our operational management group (OMG) and audit and risk committee (ARC). We update PAEC biannually

We have completed 11 recommendations, with 13 in progress or partially complete. We will begin implementation of the remaining six recommendations in 2021–22.

Our **2019–20 external audit report**, which was tabled in August 2020, is available on our website at www.audit.vic.gov.au/how-we-are-accountable

Victorian Inspectorate oversight

The Victorian Inspectorate (VI) is a key oversight body in Victoria's integrity system, with the power to scrutinise our activities. It can receive and assess complaints made about us and it can examine our use of our coercive powers. VI can also monitor our compliance with certain sections of the Act.

We have worked with VI to develop a self-reporting tool about the exercise of our coercive powers. We did not exercise these powers during the past financial year.

We understand that VI received three complaints about VAGO in 2020–21:

- Two complaints were duplicate notifications/referrals that the VI combined as one complaint. This complaint remains open.
- One complaint was dismissed as it was outside the VI's complaint jurisdiction under the *Victorian Inspectorate Act 2011* and below the threshold of an assessable disclosure under the *Public Interest Disclosures Act 2012*.

VI made no recommendations to VAGO during the year.

Monitoring expenses

The *Standing Directions 2018 Under the Financial Management Act 1994* require us to publish our Gifts, Benefits and Hospitality Policy and register on our website.

Our audit and risk committee monitors the Auditor-General's expenses. To further enhance transparency and strengthen accountability, we also voluntarily publish this information on our website.

Find more information about our accountability mechanisms at www.audit.vic.gov.au/how-we-are-accountable

2.

Increasing our relevance

In 2020–21 we continued to increase our relevance by widening our audit program to explore our full mandate, modernising the way we work and analysing our performance to ensure our work continues to realise a return on investment for the Parliament and people of Victoria.



38%

of planned performance audit program tabled in Parliament



\$535 300

was the average cost of our parliamentary reports in 2020–21



2%

of agencies disclosed prior-period material errors in financial statements

Source: VAGO.

This chapter covers:

- Our performance audit program
 - Our financial audit program
 - Our assurance review program
 - Delivering services efficiently
 - Modernising our audit methods
-

2.1 Our performance audit program

To realise our goal of strengthening accountability and enhancing transparency across the public sector, we need to ensure our reports and advice are not just relevant, but also timely. The impacts of the COVID-19 pandemic limited our ability to control the timeliness of our reports in 2020–21, but we continued to increase our relevance by widening our audit program to cover our full mandate.

Planning our work

Our *Annual Plan 2021–22*, tabled in June, sets out our three-year performance audit program. It informs Parliament, the public sector and the Victorian community about our short and medium-term goals and priorities. It also helps us find opportunities to undertake early consultation with our stakeholders and allows agencies to prepare for audits well in advance.

We decide which areas to audit by anticipating and responding to current and emerging risks and challenges in the Victorian public sector. We use a multifaceted approach to identify, assess and prioritise potential topic areas. Our planning process informs the development of a work program that balances predictability and responsiveness.

When we developed the plan this year, we considered the challenges faced by the public sector to return to ‘business as usual’ while still responding to the impacts of COVID-19. In the year ahead, we will audit several areas that are important to Parliament and Victorians, including business continuity during COVID-19, ICT provisioning in schools, major infrastructure program delivery capability, and fraud control over local government grants.

Parliamentary reporting on performance audits

This year we tabled 16 performance audit reports in Parliament, eight of which we carried over from our *Annual Plan 2019–20*. We tabled only eight of the 21 performance audits listed in our *Annual Plan 2020–21*. Of the 13 remaining audits, eight will table in 2021–22.

Figure 2A provides an audit status overview of our 2020–21 performance audit program and Figure 2B lists the 2020–21 performance audits tabled by sector.

FIGURE 2A: **Status of 2020–21 performance audit program**

2020–21 performance audits	Number
Planned for delivery	21
Tabled in 2020–21	8
Tabled since 1 July 2021	2
In progress, to be tabled in 2021–22	6
Deferred	5

Source: VAGO.

Our *Annual Plan 2021–22* is available to read or download at www.audit.vic.gov.au/report/annual-plan-2021-22

FIGURE 2B: 2020–21 performance audits tabled by sector

	Central Agencies and Whole of Government	<i>Service Victoria—Digital Delivery of Government Services</i> (March 2021, report 16) <i>Measuring and Reporting on Service Delivery</i> (May 2021, report 19)
	Education	<i>Management of the Student Resource Package</i> (August 2020, report 2)* <i>Early Years Management in Victorian Sessional Kindergartens</i> (October 2020, report 6)* <i>Systems and Support for Principal Performance</i> (December 2020, report 11)*
	Environment and Planning	<i>Rehabilitating Mines</i> (August 2020, report 1)* <i>Reducing Bushfire Risks</i> (October 2020, report 4)* <i>Delivering the Solar Homes Program</i> (June 2021, report 20)
	Health and Human Services	<i>Victoria's Homelessness Response</i> (September 2020, report 3)* <i>Clinical Governance: Health Services</i> (June 2021, report 22)
	Infrastructure and Transport	<i>Follow up of Managing the Level Crossing Removal Program</i> (October 2020, report 5) <i>Accessibility of Tram Services</i> (October 2020, report 7)*
	Justice and Community Safety	<i>Reducing the Harm Caused by Gambling</i> (March 2021, report 17) <i>Implementing a New Infringements Management System</i> (May 2021, report 18)*
	Local Government and Economic Development	<i>Sexual Harassment In Local Government</i> (December 2020, report 10) <i>Maintaining Local Roads</i> (March 2021, report 15)

Note: *Audit from our Annual Plan 2019–20.

Source: VAGO.

Adjusting due to COVID-19

We delayed or deferred eight of our planned 2020–21 audits because of the disruption to public sector agencies caused by COVID-19. We delayed some performance audits so agencies could engage and respond when the pressures of the pandemic had eased. We carefully considered all requests to delay or defer audits in the short to medium-term and have worked with agencies to reschedule our work program to support their COVID-19 response.

We deferred planned audits on clinical trials in public hospitals and supporting sexual and reproductive health due to the significant impact on the health sector in responding to COVID-19.

COVID-19 also saw us add, at PAEC's suggestion, two performance audits relating to COVID-19. Our audit on business continuity during the COVID-19 pandemic will determine whether the business continuity arrangements made by agencies enabled

essential public services to continue during the pandemic. Our audit on the management of spending measures in response to COVID-19 will assess whether agencies' spending, including spending through the Treasurer's Advance, has been used for its stated purpose and complies with relevant laws and regulations.

Other reasons for changes

Due to staff resourcing challenges, we deferred the business continuity during COVID-19 audit to 2021–22, along with our audit on fraud control over local government grants.

We also deferred our planned audit on supporting workers in transitioning industries to 2021–22 due to recent reforms announced by the Victorian Government, including the new Victorian Skills Authority and the Office of TAFE Coordination and Delivery within the Department of Education and Training. This will allow some time to implement the recent reforms before we undertake our audit.

For more information about how we our adjusted our audit program due to COVID-19, refer to our *Annual Plan 2021–22* at www.audit.vic.gov.au/report/annual-plan-2021-22

2.2 Our financial audit program

The independent audit opinions we provide to agencies on their financial statements, and where applicable their performance statements, enhance the credibility and reliability of that information. They also allow agencies to publish an annual report, which they are required to do due to their accountability obligations.

Issuing audit opinions

In 2020–21 we issued 557 audit opinions on the financial reports of public sector agencies. This was below our target of more than 580. We dispensed seven opinions and seven were carried over while the remainder were ceased entities. We also issued 110 audit opinions on the performance statements of local councils, water agencies and TAFEs, meeting our target.

100%

of audit opinion target met for performance statements of local councils, water agencies and TAFEs

Parliamentary reporting on financial audits

Under the Act, we must report to Parliament the results of our audit of the state's financial report, which is prepared by the Treasurer.

We also report separately on the results of our audits of local governments, universities and TAFEs, even though this is not mandatory. This year we also tabled a report on the results of state-controlled entity financial audits. Figure 2C lists the financial audit reports we tabled in 2020–21.

96%

of audit opinion target met for public sector agency financial reports

FIGURE 2C: Reports tabled on the results of financial audits in 2020–21

Report	Tabled
<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20</i>	Nov 20
<i>Results of 2019–20 Audits: State-controlled Entities</i>	Mar 21
<i>Results of 2019–20 Audits: Local Government</i>	Mar 21
<i>Results of 2020 Audits: Technical and Further Education Institutes</i>	Jun 21
<i>Results of 2020 Audits: Universities</i>	Jun 21

Source: VAGO.

Source: VAGO.

Audits of health service public bodies

Due to changes to the Act, in July 2019 VAGO became the auditor of all public bodies under the *Health Services Act 1988*. This included 37 registered community health and aged care services.

The transition of these audits to our office involved dispensing with seven audits for the 2019–20 period. We did this to allow for the orderly transition of the auditor under the *Corporations Act 2001*. No audits have been dispensed for the period beginning 1 July 2021.

The following financial audits were dispensed for the period 2019–20:

- Access Health and Community
- Bentleigh Bayside Community Health Limited
- Sandringham Ambulatory Care Centre Pty Ltd
- DPV Health Ltd
- Link Health and Community Limited
- Link Private Practice Pty Ltd
- Merri Community Health Services Limited.

Audit procedure quality indicator

As auditors, it is critical that our work is reliable. We design our audit procedures to detect material errors and measure how we perform on this by assessing the number of financial statements we require corrections to take account of undetected errors from prior periods.

This year two per cent of agencies disclosed prior-period material errors in their financial statements. This within our target of less than five per cent.

A financial audit opinion can only provide reasonable, not absolute, assurance that there are no material errors in the information.

Less than 2% of agencies disclosed prior-period material errors in their financial statements. Our target was less than 5%

Countering COVID-19 to deliver our financial audit program

COVID-19 made it difficult for some state government entities to meet their annual reporting requirements. It also put us at risk of not meeting audit timelines for the 30 June 2020 financial reporting period.

We addressed this by working with entities to develop an entirely remote approach to completing year-end processes and audit functions. Working towards a common goal helped us to finalise the 2020 reporting and auditing program. Even in the face of economic uncertainty, we still ensured the accountability and transparency of Victorian Government finances.

The government gave agencies more time to table their annual reports in Parliament. It also allowed us to deliver our audit program incrementally. We prioritised our audit of the *Annual Financial Report of the State of Victoria for 2019–20* and material entities, slating non-material entities to occur after. As a result, we provided many of our non-material audit opinions later in 2020–21 than in other years.

We also conducted two reviews and issued two review reports within the one audit cycle when the government tabled its *2020–21 State Budget* in November 2020 and the *2021–22 State Budget* in May 2021.

Delaying the 2020 program saw us tabling our reports on results of our financial audits later than previous years.

These necessary delays caused us to begin our 2021 program audits later than usual. We aimed to be back on course by May 2021 (the interim phase of our audits) and to achieve this invested a lot of time in workforce planning.

We will again prioritise material entity audits for the 2021 year-end to help ensure that the state can deliver its annual financial report for 2020–21. And once again, we will deliver our audit opinions subject to the limitations of government-imposed restrictions.

2.3 Our assurance review program

In 2020–21 we delivered three limited assurance reviews, including our first reviews, which focused on a discrete activity or single issue of significant public interest.

We examined whether Department of Premier and Cabinet grants to the Migrant Workers Centre were misused for political campaigning activities and whether the processes to request and access Treasurer’s Advance payments to departments were in place and operating effectively. We also delivered our second annual assurance review on agency responses to performance audit recommendations.

This year we established the strategic audit planning (SAP) team, creating a dedicated resource for conducting limited assurance reviews. SAP has investigated potential review topics and review conduct throughout the year. Figure 2D lists our 2020–21 assurance reviews.

FIGURE 2D: **Assurance reviews tabled in 2020–21**

Review	Tabled
<i>Accessing Emergency Funding to Meet Urgent Claims</i>	Nov 20
<i>Grants to the Migrant Workers Centre</i>	Feb 21
<i>Responses to Performance Audit Recommendations: Annual Status Update</i>	Jun 21

Source: VAGO.

2.4 Delivering services efficiently

The average cost of our parliamentary reports in 2020–21 was \$535 300. This is 13 per cent higher than the 2019–20 average (\$473 400), but just 3.1 per cent over our 2020–21 target (\$519 000). Figure 2E summarises the average cost of our reports by type.

FIGURE 2E: **Average cost of parliamentary reports by type 2020–21**

Report type	Average cost
Performance audits	\$718 200
Reports on the results of financial audit	\$187 200
Limited assurance review	\$159 000

Source: VAGO.

This year our average time to complete performance audits (from initiation to tabling) was 12 months. This is two months more than last year and greater than our target of nine months. These delays were caused by:

- allowing agencies more time to respond to us due to COVID-19
- fewer available staff hours due to unforeseen additional leave because of COVID-19 as well as staff departures
- receiving critical evidence late in the audit process.

The average time to produce our parliamentary reports on results of our financial audits after the balance date in 2020–21 was 6.7 months. We did not meet our target of five months.

We tabled five financial audit parliamentary reports during 2020–21. Of these, we tabled the *Auditor-General's Report on the Annual Financial Report of the State 2019–20* within our target of five months as required by the Act. The remaining four reports were all delayed due to COVID-19.

The public sector agencies we audit pay us for the financial audit work we do for them. The Act allows us to recover reasonable costs only, so it is important that we continuously monitor and benchmark our service costs.

The average cost of the audit opinions we issued on financial statements during 2020–21 was \$50 700, which was slightly higher than our 2019–20 result of \$50 200 but under our target of \$51 000.

We also benchmark our average costs against other state and territory audit offices with similar mandates. The average cost of the audit opinions we issued for:

- state government entities was \$58 640, which is less than the state and territory average of \$84 236
- local government entities was \$58 709, which is less than the state and territory average of \$63 015.

Agencies have statutory timeframes in which to complete their annual financial statements and to table their annual reports. This means our work must be timely.

We issued audit opinions for 97.3 per cent of agencies within four weeks of receiving their finalised statements, down from 98.1 per cent in 2019–20.

We also issued 93.8 per cent of final management letters to agencies within four weeks of issuing the audit opinion. This exceeded our target of 90 per cent.

2.5 Modernising our audit methods

VAGO has long been committed to exploring and embracing new technologies to enhance our audit techniques. In 2020–21, we leveraged several types of technology to bolster our processes and productivity against the ongoing disruption and uncertainty caused by the COVID-19 pandemic.

Enhancing insights through data science

VAGO's dedicated data scientists analyse data and statistics to support our performance audit and assurance review programs. Examples of the invaluable contributions they made in 2020–21 are summarised below.

To enhance our audit ...	our Data Science team ...
<i>Reducing the Harm Caused by Gambling</i>	measured the effectiveness of counselling services to demonstrate to the agency how to better leverage data they were already collecting.
<i>Systems and Support for Principal Performance</i>	performed natural language analysis on principal performance agreements.
<i>Sexual Harassment in Local Government</i>	conducted a survey into sexual harassment in local government—the first of its kind in Victorian local government—and produced interactive visualisations of the results.
<i>Accessibility of Tram Services</i>	used geospatial techniques to merge datasets from multiple agencies and provided results and insights not previously available. This helped paint a picture of the lived experience of mobility-impaired tram users.
<i>Reducing Bushfire Risks</i>	provided technical evaluation of the modelling used by the Department of Environment, Land, Water and Planning.
<i>Victoria's Homelessness Response</i>	natural language thematic analysis of service provider case notes.
<i>Management of the Student Resource Package</i>	in-depth analysis and critique of the data quality and methods used by the Department of Education and Training to calculate the Student Resource Package.

Empowering financial auditors with data analytics

In financial audit, we used our in-house data analytics platform, Empower, to generate 55 regularly updated internal dashboards that cover 30 of our largest audit clients.

These dashboards:

- provide our auditors with source data
- assist with planning analytics
- assist with sampling
- enable auditors to run computer-assisted audit techniques over data
- assist with more traditional substantive testing, such as fully recalculating material classes of revenue.

Embedding our new financial audit methodology

We continued to refine our Engage, Plan, Implement and Conclude (EPIC) methodology, as well as developing training and guidance to support our auditors. In 2021–22 we will update EPIC to reflect recent revisions to Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement* and will integrate our methodology into replacement engagement file software in 2021–22.

3.

Growing our influence

In 2020–21 we continued to find better ways to engage our stakeholders. From remote parliamentary briefings and live-streamed forums to fact sheets and thought leadership, our commitment to overcoming the challenges of COVID-19 helped us maintain our high levels of stakeholder satisfaction.



87.5%

of parliamentarians are satisfied with our services
Down from 90.0% in 2019–20



99%

of performance audit recommendations between 2015–16 and 2019–20 were accepted



95.3%

of CFOs value the assurance obtained from our audits of their statutory financial statements
Up from 95% in 2019–20

Source: VAGO.

This chapter covers:

- Improving stakeholder engagement
 - Listening to our stakeholders
 - Sourcing audit topics from stakeholders
 - Improving data access for better user insights
 - Our impact in 2020–21
-

3.1 Improving stakeholder engagement

Our primary stakeholders are parliamentarians, the public sector agencies we audit and the Victorian community. We also actively engage with our peers and the accounting and auditing professions.

We constantly seek better ways to engage our stakeholders. This year we published fact sheets to raise awareness about our work and services, for example:

- *About VAGO* provides information about the Auditor-General and VAGO's work
- *Our Assurance Services* provides information about the nature and levels of assurance that we provide to Parliament and public sector agencies.

Parliamentarians

In 2020–21 we began developing our Parliamentary Engagement Plan. The purpose of the plan is to ensure we clearly understand our relationship with members of Parliament and their needs and have a strategy to provide them with opportunities to increase input into, and receive insights from, our work.

Engaging with PAEC

Throughout the year we engaged with the PAEC on annual planning topic selection. It provided valuable feedback on our forward audit program and contributed ideas about potential areas of audit interest.

Adapting processes due to COVID-19

Many of the parliamentary processes we introduced in response to COVID-19 restrictions continue, including electronic tabling letters and supplying digital copies of our reports. Parliament still requires us to produce 25 hard copies of our reports.

We have continued to conduct remote briefing sessions on tabled reports during 2020–21. We run the briefings on day the report is tabled, providing parliamentarians and their staff with an overview of our audit findings and responding to their questions.

Responding to enquiries

We also responded to enquiries from parliamentarians throughout the year. On average, we took 12 days to finalise a response, successfully meeting our target of 20 days or fewer.

Improving information delivery

Our dashboard and data visualisation products, which allow easier analysis and deeper exploration than static tables of information, have received positive feedback.

Public sector forums and conferences

Our financial and performance audit staff regularly attend and present at forums and conferences for professionals across sectors. We attended the following in 2020–21:

- Victorian Local Governance Association Connect webinars
- Early Learning Association Australia's CEO Group events

Access fact sheets about our work and services on the corporate publications page of our website: www.audit.vic.gov.au/corporate-publications

- Australia and New Zealand School of Government's 2021 First Peoples Conference: Proud Partnerships in Place
- FinPro conference presentation: VAGO—Emerging risks and audit challenges
- FinPro question and answer panel sessions for members
- FinPro regional meetings
- Committee for Economic Development of Australia: State of the Nation event
- Chartered Accountants Australia and New Zealand (CA ANZ): Finance Business Tech Conference
- Chartered Practising Accountants Australia (CPA Australia): Public Sector and Not-for-profit Committee events
- CPA Australia: Virtual Congress 2021.

Presented audit findings to local government

We presented the findings of our audit *Sexual Harassment in Local Government* to:

- councillors at Moreland City Council (audited council)
- the Moreland City Council Audit and risk committee
- Councillors at Mornington Peninsula Shire Council (non-audited council)
- the Australian Local Government Women's Association

Live-streamed Audit Committee Forum

We ran our third annual Audit Committee Forum as a live-streamed event, extending our invitation to all audit committee members. More than 230 attendees learnt about current sector-wide topics and areas of interest, including:

- risk and innovation
- delivering performance engagements
- audit committee effectiveness (insights from our interactions across the Victorian public sector and financial audit services)
- the current and emerging cyber threat landscape.

We received positive feedback from attendees. Many commented that the presentations were focused, succinct, engaging and highly relevant to the circumstances agencies faced because of the pandemic. They approved of the flexibility afforded by a virtual forum, particularly the attendees' ability to revisit the information after the event. Of the attendees who completed our post-event survey:

- 96 per cent were satisfied with the date and time
- 93 per cent were satisfied with the content presented
- 76 per cent were satisfied with the opportunities to ask questions and provide feedback
- 44 per cent attended the forum for the first time.

Professional and peer organisations

Throughout the year we engaged with our peers from other audit offices through the Australasian Council of Auditors-General (ACAG). We were involved in

role-based subgroups focused on promoting and strengthening public sector auditing. Subgroups included:

- Heads of Performance Audit
- Heads of Financial Audit
- Financial Reporting and Accounting Committee
- Auditing Standards Committee.

Publishing thought leadership

In 2020–21, our financial reporting advisory (FRA) team launched a new external thought leadership publication series 'Public Sector Perspectives'. We started the project to help the Victorian public sector stay on top of topical financial reporting issues and emerging technical developments.

The first article, *Improving Public Sector Financial Statements—Power of streamlining*, published in April 2021, gave readers insights on how to enhance the effectiveness of their organisation's financial report through streamlining. We shared the article with CFOs, financial controllers, finance managers and chairs of audit committees, and promoted the publication through our website and LinkedIn page.

Engaging the Australian Accounting Standards Board

The FRA team also regularly engaged with the Australian Accounting Standards Board (AASB) to discuss how accounting standards are applied in the public sector. We attended staff liaison meetings, provided feedback on AASB consultation documents and participated in AASB project advisory panels (including the Fair Value project advisory panel and Conceptual Framework project advisory panel).

FRA also worked closely with the accounting policy team at the Department of Treasury and Finance on changes to financial reporting directions, model financial statements and other technical accounting matters. We liaised with professional accounting bodies (such as CPA Australia and CA ANZ) and various industry technical discussion groups.

Engaging the Australian Auditing and Assurance Standards Board

Our audit quality team engaged with the Australian Auditing and Assurance Standards Board (AuASB) to discuss auditing standards and potential implementation issues in the public sector. We gave feedback on various projects and exposure drafts released by AuASB via the ACAG and project advisory group network.

Consulting on systems assurance and IT

In 2021, our data analytics and systems assurance (DASA) team hosted two virtual meetings involving the heads of systems assurance/IT audit across ACAG offices. The purpose of these meeting was to discuss how our different offices approached the revisions to ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

A member of our DASA team participated in an AuASB-led project advisory group, a group that assists the AuASB's Technical Group by drawing on our professional expertise and experience in developing guidance to support the use of technology by auditors in executing audits and to support auditors in auditing.

Public Sector Perspectives, our FRA team's thought leadership series, was started to help the Victorian public sector stay on top of topical financial reporting issues and emerging technical developments. Access the series on our website at www.audit.vic.gov.au/public-sector-perspectives

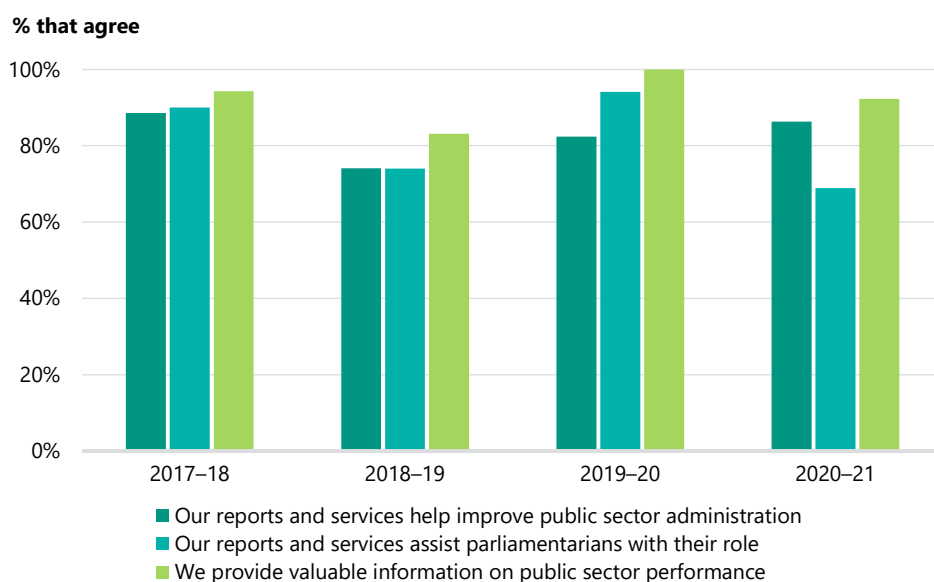
3.2 Listening to our stakeholders

We survey parliamentarians every year to understand how well we are serving them. Our 2020–21 survey told us that parliamentarians find our reports and services useful sources of information on public sector performance that help improve public sector administration and assist them in their roles.

Our overall satisfaction rating among parliamentarians was 87.5 per cent in 2020–21, compared to 90 per cent in 2019–20.

Parliamentarians reported being generally satisfied with the accessibility of our products and services, including our online offerings and briefings. Feedback on our performance more generally was also positive, highlighting the important role VAGO plays for parliament and the public. Figure 3A illustrates this feedback.

FIGURE 3A: **Parliamentarian satisfaction survey data**



Source: VAGO.

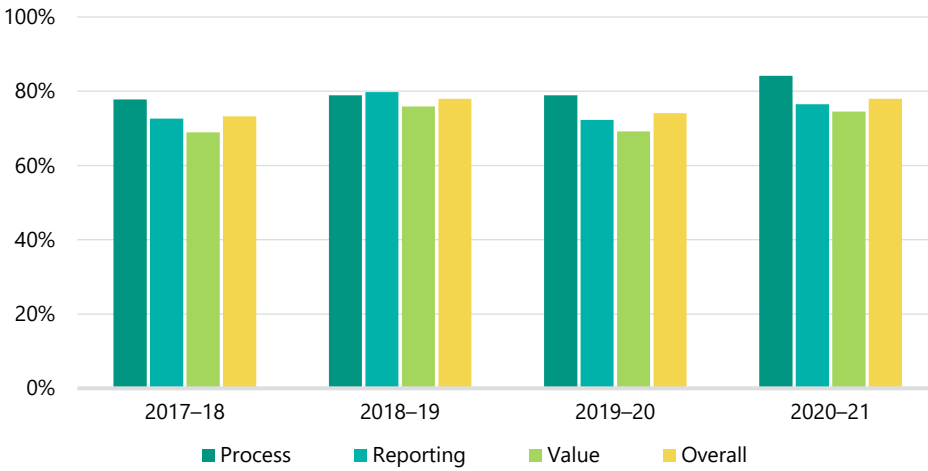
Public sector agencies

We ask the agencies involved in our performance audits how they rate our processes, reporting and value. We aim for our average score across the year to be at least 75 per cent on each of these measures.

Figure 3B shows our results for 2020–21 tabled audits. Scores across all dimensions have improved from 2019–20, with 78 per cent of performance audit clients satisfied with the overall performance audit process and reporting.

FIGURE 3B: Performance audit survey results

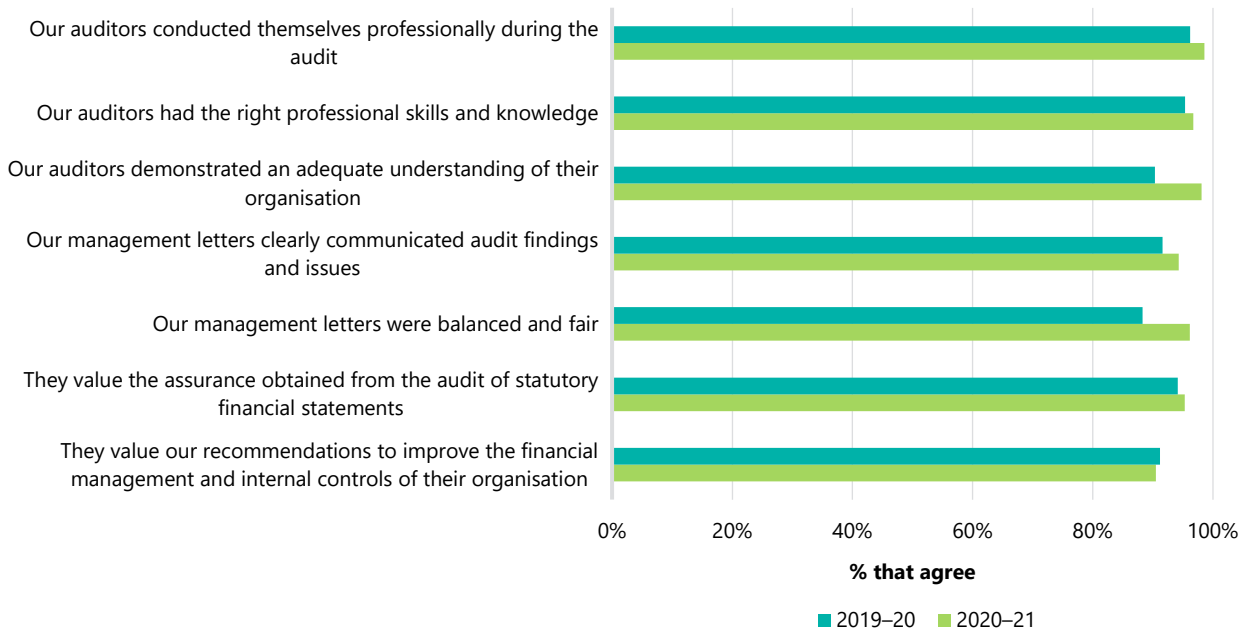
Satisfaction



Source: VAGO.

The results of our financial audit survey this year reflected a strong increase in overall satisfaction. This was a great result given 2020–21 was the first year we had delivered our entire program remotely. As with our performance audit surveys, we asked CFOs about our process, reporting and value. Figure 3C shows the highlights of our 2020–21 results.

FIGURE 3C: Financial audit survey results



Source: VAGO.

3.3 Sourcing audit topics from stakeholders

We consult the agencies we audit and a wide range of Victorian stakeholders to develop our annual plan of audit topics. We want to ensure that our audit topics reflect issues of concern to parliamentarians and the public, so we aim to increase the number of our audits that originate from these sources.

In 2020–21, we received 268 requests and comments from the public and elected officials. This was a 94 per cent increase on the 138 requests and comments received the previous year.

The correspondence comprised:

- 232 requests and comments from the general public
- 15 requests from parliamentarians
- 21 requests from the public sector.

Some of our planned audits relate to issues raised in these referrals, including:

- government advertising
- supporting students with disabilities
- fraud control over local government grants.

3.4 Improving data access for better user insights

We increased our use of datasets and interactive dashboards in our 2020–21 audits and made them available to the general public on our website. Our dashboards allow users to download the underlying data. This increases the accessibility of our work and allows people to use our data in a way that is valuable to them.

For example, our *Sexual Harassment in Local Government* performance audit included an online dashboard that allow users to compare the prevalence of sexual harassment by council type, the professional relationship between harasser and victim, the harassment type and the impacts of the harassment according to the survey respondents' workplace role.

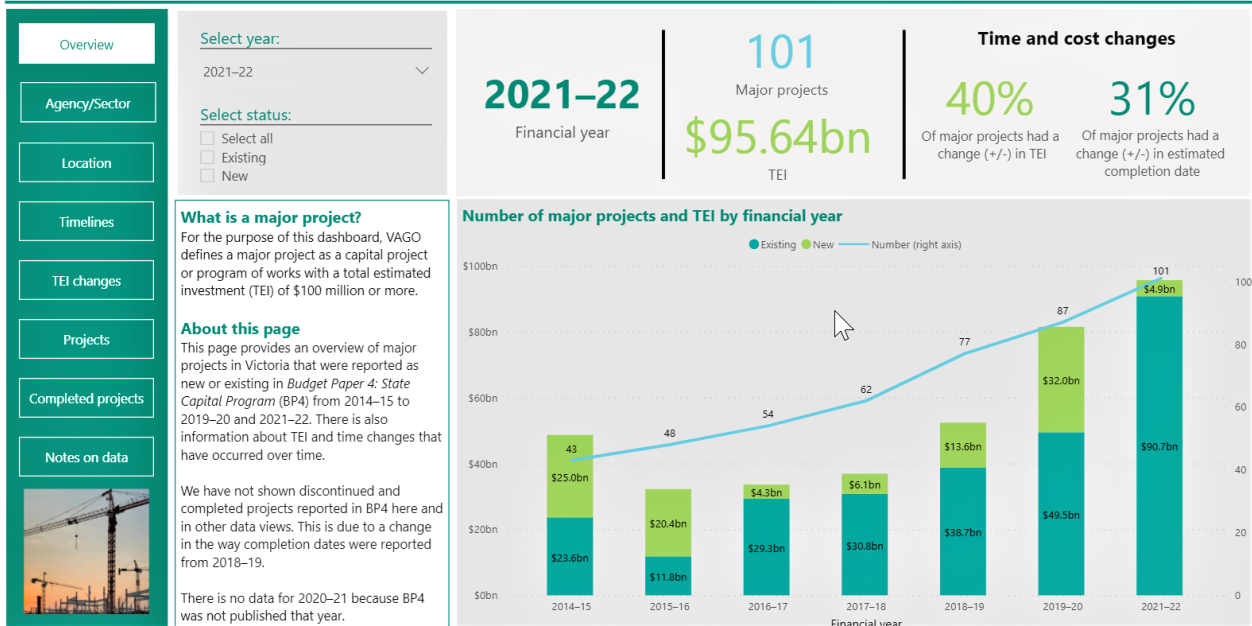
For our assurance review *Responses to Performance Audit Recommendations: Annual Status Update*, we published an online tracker that allows users to find out how 117 agencies had responded to our performance audit recommendations across five years (2015–16 to 2020–21). It gives parliamentarians and the public insight into performance and enables agencies to compare themselves against others.

Our most viewed dashboard in 2020–21 provided an overview of publicly available data on new and existing major projects disclosed in the *Budget Paper No. 4: State Capital Program* from 2014–15 to 2019–20. We published this dashboard as a precursor to our *Major Projects Performance* audit. Figure 3D shows a screenshot of the dashboard.

We also published dashboards on financial data for TAFE institutes, universities, and the local government sector, which showed their performance across the past five years.

FIGURE 3D: Dashboard for major projects performance

Financial years 2014–15 to 2021–22 (not including 2020–21)
Major projects (> \$100 million): Overview



Source: www.audit.vic.gov.au/dashboards/major-projects-performance.

3.5 Our impact in 2020–21

We continued to make an impact this year, despite the many challenges we faced because of the pandemic.

Parliamentarians

Many of our performance audits have received attention in Victoria's Parliament:

- In April 2021 we presented the findings of our 2019 *Managing Registered Sex Offenders* report to the Legal and Social Issues Committee's Inquiry into Management of Child Sex Offender Information.
- The Royal Commission into the Casino Operator and Licence referenced our *Reducing the Harm Caused by Gambling* audit to assist in understanding the social costs of gambling.
- The *Inquiry into the Increase in Victoria's Road Toll* referenced our 2020 *Safety on Victoria's Roads—Regional Road Barriers* report in its discussion and recommendation that the Department of Transport improves its record keeping.
- The Legal and Social Issues Committee's parliamentary *Inquiry into Homelessness in Victoria* referenced our 2018 *Managing Surplus Government Land* report, which concluded while the ongoing use of land sale targets for government agencies have produced some positive outcomes, they have also driven agencies to 'prioritise the sale of surplus land rather than considering whether another option

would achieve best value, such as a commercial lease or retaining a site for community use’.

- The parliamentary *Inquiry into Early Childhood Engagement of Culturally and Linguistically Diverse Communities* made multiple references to the findings of our reports *Effectively Planning for Population Growth* (2017) and *Access to Services for Refugees, Migrants and Asylum Seekers* (2014) in its inquiry report.
- The Royal Commission into Victoria's Mental Health System tabled its final report in Parliament in March 2021. It makes multiple references to our 2019 audits *Access to Mental Health Services* and *Child and Youth Mental Health*.

Agency responses to our performance audits

In our 2020–21 *Responses to Performance Audit Recommendations: Annual Status Update* report, we reviewed agencies’ progress on recommendations from performance audits published in 2018–19 and 2019–20, as well as any unresolved recommendations from earlier years.

In the review we assessed whether agencies have effectively addressed our performance audit recommendations. It involved 102 agencies with 1 059 outstanding recommendations from 76 performance audits from 2015–16 to 2019–20, including two performance audits tabled in early 2020–21.

As agencies are not legally required to accept, complete or publicly report on our recommendations, we use our assurance review powers to provide greater transparency and accountability to the Victorian public and parliamentarians.

Figure 3E shows a high-level status update of all recommendations included in our 2020–21 review. The number of accepted and implemented recommendations has increased from our last review.

Agencies are getting faster at completing actions in response to our recommendations. The time taken to complete a recommendation after the audit tabled **decreased by 59 days**. We saw similar improvement across departments.

FIGURE 3E: **Status of all recommendations in 2020–21 review**

Metric	Result
Assurance review survey response rate	100%
Audit recommendations accepted by agencies	99%
Audit recommendations reported as completed	63%
Days on average to complete a recommendation after the audit tabled	398 days

Source: VAGO.

Our work this year showed us that, overall, agencies are getting faster at completing actions in response to our recommendations. Compared with last year, the average time agencies took to complete a recommendation after the audit tabled decreased by 59 days. We saw similar improvement across departments.

In our 2020–21 review, departments reported an improvement from 52 months to complete a 2015–16 recommendation to eight months to complete a 2020–21 recommendation. Our analysis of between-year trends showed a dramatic improvement in 2018–19 from previous years, as the percentage of complete

recommendations remained high (71 per cent), yet the time taken decreased by a median of 22 months.

However, we found 72 unresolved recommendations more than three years old. These recommendations belong to 27 agencies across 28 audits. It is unclear to us whether these agencies have mitigated the risks relating to these recommendations by other means or if the risks remain unmanaged.

We also used the results of the survey, combined with information from our 2019–20 review, to report to Parliament the percentage of accepted performance audit recommendations that audited agencies report as completed across a two-year period. For recommendations made in 2017–18 and 2018–19, we achieved 70.1 per cent, which is lower than our target of 80 per cent. Reasons for this include COVID-19 delays, changes in legislation, state Budget-dependent actions and royal commission reports. However, 85 per cent of unresolved recommendations are due to be completed in the next financial year.

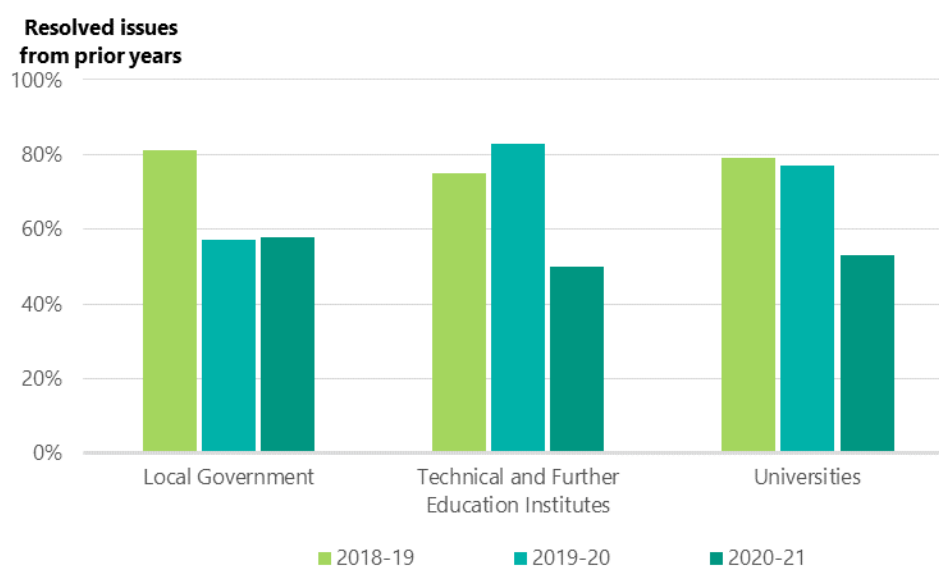
Agency responses to financial audit recommendations

Our financial audits have made a measurable impact on internal controls this year. Part of our financial audit process is to issue management letters to agencies highlighting issues of internal control weakness and other matters we find and make recommendations to resolve them. Agencies respond to these letters with their intended actions.

This year, we again found control issues relating to IT weaknesses. We uncovered several unresolved prior-year IT issues that need to be addressed as a priority.

Figure 3F shows the progress we have made on strengthening agencies' internal controls over the last three years.

FIGURE 3F: **Percentage of resolved issues from prior years***



Source: VAGO.

4.

Investing in our people

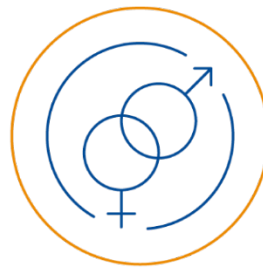
Despite the disruption and uncertainty that COVID-19 has brought to workplaces, we are pleased that in 2020–21 our employee engagement increased. We prioritised health and wellbeing, provided more training opportunities and redoubled our commitment to being an employer of choice.



77%
employee
engagement score
66% last year



49
hours of training on
average for each staff
member during
2020–21



54%
female workforce
44% female executives

Source: VAGO.

This chapter covers:

- Who works at VAGO?
 - How we put our people first
 - Improving our culture
-

4.1 Who works at VAGO?

As of 30 June 2021, 54 per cent of our workforce were women. Women made up 90 per cent of our part-time workers (down from 100 per cent in 2019–20) and 44 per cent of our executives (up from 42 per cent in 2019–20).

Our gender pay gap is 4.5 per cent in favour of men.

Appendix A includes a profile of the VAGO workforce. It shows our employees by age, seniority and gender and whether they are part time or full time, on fixed term or ongoing contracts.

4.2 How we put our people first

This year we continued to prioritise the health and wellbeing of our staff.

Kept staff COVIDSafe

Throughout the year we updated the measures in our COVIDSafe Plan as government advice became available. The COVIDSafe Plan is designed to protect staff from COVID-19 when they are working away from home.

Started building a better normal

We have also focused on planning for the post-pandemic landscape by developing our 'better normal' principles to guide our future work practices. To be an employer of choice we need to provide our staff with the most contemporary work practices possible. Work flexibility is central to achieving this objective. We have designed the better normal principles to guide this flexibility.

We developed the principles through consultation with staff, giving them opportunities to provide anonymous feedback before they were finalised.

Our better normal principles are:

- You can avail of world leading flexibility.
- We will continue our new ways of working to support this flexibility.
- We will focus on the quality, not quantity, of in-person interactions.
- We will achieve an un-compromised work location to protect you.
- We will protect our information.
- We will remain compliant.
- We will listen and adapt.

These principles complement our focus on diversity and inclusion, in particular to support primary carers and people with disabilities, who benefit the most from flexible work practices.

As part of our commitment to not compromise our workspaces, we have offered every staff member a best-practice workstation for their home office, including a sit-stand desk, ergonomically certified chair, up to three screen monitors and other accessories and equipment. We anticipate the rollout of workstations to be completed in 2021.

Better normal

To be an employer of choice we need to provide our staff with the most contemporary work practices possible. Work flexibility is central to achieving this objective. We have designed our better normal principles to guide this flexibility

Provided flexible training

We adapted our professional learning and development program content for virtual learning where possible, and staff have continued to use our online booking system. The introduction of facilitated virtual training to meet the restriction requirements of COVID-19 has ensured that training continued during this time. We also introduced a comprehensive suite of online health and wellness activities, such as virtual yoga and fitness classes and mindfulness and nutrition advice, to help maintain staff mental and physical health while working from home.

CoronaCare for staff in isolation

To support our existing employee assistance program, VAGO launched CoronaCare in September 2020. The isolation support service for employees includes check-ins to assess employee needs and provides support, coping strategies and social connection as well as follow-up employee assistance program support with a mental health or relevant expert.

Stayed social

Our social club remained extremely active, focusing on smaller group activities where people could interact outside their immediate work teams. Activities included online quizzes, hobby group discussions and gift sharing at Christmas. We held in-person events where possible, such as a dinner for the end of Ramadan and a working-from-home anniversary picnic.

Live-streamed interactions

Our fortnightly staff briefings and quarterly business unit forums are live streamed to ensure that our communication lines with staff remain open. We also meet virtually with our audit service providers (ASPs) on a quarterly basis across the financial year.

Offered special leave

We also provided special leave entitlement to staff who were directly or indirectly affected by COVID-19 due to school or childcare centre closures, restrictions on care arrangements, or the requirement to quarantine or self-isolate.

Celebrated values and recognition

We continued to embed our values within our organisation. In June 2021 we held our second annual Values and Recognition Celebration Week, with a theme of 'Contribution'. The theme encompassed our contribution to others and to ourselves, focusing on our impacts and achievements. During the week, staff participated in various team building and social activities, culminating in our awards event with keynote speaker Stephanie Woollard OAM. Ms Woollard spoke about how her social enterprise in Nepal, Seven Women, had transformed the lives of local women through 'trade, not aid'.

Refreshed our ASP panel

To help us deliver more than 560 annual financial audits for public sector organisations, we employ a panel of ASPs to perform audit work on our behalf.

In 2020–21 we refreshed this panel. This involved a thorough procurement process, guided by a specialist procurement consultant, probity advisor and an independent probity auditor. We evaluated all firms that applied in a fair and ethical manner in accordance with our evaluation and probity plans.

We refreshed our panel due to the rapid evolution of the audit industry and our clients' focus on ensuring public sector auditing is not left behind. Our clients have told us they:

- are unwilling to compromise on data protection and want to be certain that their data is stored in suitably mature environments
- want us to increase our use of data analysis and machine learning to improve the efficiency of our financial audits, in addition to providing insights about their organisation to improve performance
- expect us to keep pace with large global auditing firms, who are well advanced in delivering critical audit elements through multidisciplinary teams and centres of excellence.

Our earlier panel requirements and processes were no longer fit for purpose.

The objectives of our new panel are to:

- access a consistent level of audit quality and value-for-money audit services
- elevate our focus on data protection and governance and higher assurance about firm audit quality control through critical new qualification requirements
- achieve continuous improvement towards best practice in financial audit services through innovative methods such as embedding and leveraging the use of data analytics and data automation
- engage providers who demonstrate a strong cultural fit with VAGO
- achieve process efficiency and effectiveness.

In conducting the refresh, we reduced the number of ASPs on our panel from 25 to nine. We began our first procurement round with the panel in 2021.

4.3 Improving our culture

To protect our workplace culture, we responded quickly to the COVID-19 pandemic. We implemented new practices, technology, equipment and other measures to support office-based staff working from home. Our senior leadership team also continued to prioritise employee experience throughout the year by making meaningful connections.

Recognised employees

We also formally recognised the efforts of employees who embody our values through our twice-yearly Values and Recognition Week. During these weeks we run team building exercises and social activities that culminate in values and recognition awards. These awards honour employees for their positive contributions.

Supported diversity and inclusion

We are now in phase two of our *Diversity and Inclusion Plan 2019–22*, which focuses on internal education and the introduction of new practices. To further progress this phase, we welcomed new members to our working group to champion the plan. This group met regularly to work through and implement the actions, including:

- establishing training about unconscious bias and Aboriginal cultural awareness
- reviewing our recruitment documents and existing e-learning compliance training modules to ensure our practices are free from unintended bias and are inclusive for a diverse range of people
- developing a calendar of events for days of significance and various awareness days.

We also developed our *Reflect Reconciliation Action Plan (RAP)*, discussed in Figure 4A.

FIGURE 4A: VAGO's Reflect RAP

In June 2021 we proudly launched our inaugural Reflect RAP.

Developing our RAP was an important step for VAGO. It demonstrates our knowledge and respect for Aboriginal and Torres Strait Islander cultures and helps us ensure that cultural diversity, recognition and reconciliation are reflected in the way we perform our work each day. By developing and publishing our RAP, we demonstrated that we prioritise improving cultural competence and capacity at VAGO.

This is the first of four plans that we will implement over the next four years. Our Auditor-General Andrew Greaves is the executive sponsor of the RAP working group and we were privileged to receive the advice and support of three Aboriginal community members as we developed the work.

Our RAP is included on the Reconciliation Australia website. Access it by typing the following URL into your browser: www.reconciliation.org.au/reconciliation-action-plans/who-has-a-rap/



Source: VAGO.

2020 People Matter Survey

We received our 2020 People Matter Survey results in December 2020. The impacts of COVID-19 delayed the rollout of the standard survey. There was a shorter version focused on wellbeing released in October 2020.

Our survey results were positive. Our employee engagement score was 77 per cent, up from 66 per cent in 2019. Employee satisfaction also increased up to 67 per cent from 60 per cent the previous year.

In 2020, fewer VAGO staff felt high to severe work-related stress (21 per cent, down from 25 per cent last year). The most improved indicators concerned psychosocial safety, which is how well workplace practices and processes support a climate for good psychological health. Ninety-five per cent of staff agreed they had received adequate support during the workplace changes due to COVID-19.

We published our People Matter Survey results on our website in December 2020.

Find our **People Matter Survey results** at www.audit.vic.gov.au/how-we-are-accountable

People Matter Action Plan

Our People Matter Action Plan (PMAP) is a living document that articulates the actions we will take to enhance how we work. We envision that our plan will help us create a culture that brings everyone together around shared values and purpose and create a strong sense of connection for everyone.

The PMAP outlines key objectives and strategic initiatives and identifies five core pillars for change:

- values-led leadership
- effective change practices
- creating a culture of safety
- balancing work with life
- celebrating success.

In 2020–21, we made significant progress in implementing our employee-led PMAP initiatives.

Values-led leadership

Our SMG, directors and managers continue to communicate regularly through various mechanisms to discuss wellbeing, workloads and seek feedback. This has been a priority of SMG during the COVID-19 pandemic, and we continue to discuss ways to enable managers to have regular and open conversations with staff.

Effective change practices

During our fortnightly staff briefings, senior managers provide updates on key projects impacting staff, including promoting our internal projects portfolio for employees to better understand current projects and change initiatives.

Our weekly OMG brief now includes a reminder for project owners to ensure the core business is a consideration in project design and timelines from the outset.

Creating a culture of safety

Following our performance audit *Sexual Harassment in the Victorian Public Service*, we launched our standalone sexual harassment policy and rolled out sexual harassment tools to help have preventative conversations in a safe and supported way. We discuss this in more detail in the next section.

We refreshed our appropriate behaviour training program, which all staff must now complete each year. To develop the content, we consulted with our diversity and inclusion working group and our Aboriginal cultural awareness training partners. This year we updated the content to include information about active bystander intervention and how to call out sexual harassment in the workplace.

Our weekly OMG briefing now includes a list of employees who have not completed mandatory training, such as the appropriate behaviour training program.

Balancing work with life

We continued to discuss ways to empower staff to have open conversations about workloads and other items relating to balancing work and life in the current climate. We encouraged staff to take special leave to assist with caring responsibilities due to COVID-19 lockdowns.

Celebrating success

We celebrated people, their hard work, commitment and successes through our internal communications channels, at business unit forums and regular all-staff meetings.

We clarified our approach to rewards, recognition and remuneration, including end of cycle ratings and their interaction with the enterprise bargaining agreement and our approach to recognising higher duties. We now provide details of employees undertaking higher duties in the weekly leadership briefs and fortnightly stand-ups as another method of recognition.

We improved our annual professional development plan training sessions to clarify how plans relate to progression and how we assess performance at the end of each year.

We also consistently used Microsoft Teams to collect anonymous questions from our employees prior to and during fortnightly stand-ups.

To provide further recruitment support to internal candidates, human resources launched a recruitment video to provide training and recruitment support options to employees.

Prevention of Sexual Harassment in the Workplace Policy

Sexual harassment, whether at work or in the community, is unacceptable. VAGO is committed to building and maintaining a culture that is free from discrimination, harassment and vilification.

Addressing sexual harassment is a key focus area of our PMAP and follows our November 2019 performance audit *Sexual Harassment in the Victorian Public Service*, which recommended that Victorian departments introduce a standalone sexual harassment policy incorporating better-practice elements captured in the audit.

We often reflect on the findings of our audits to consider whether we would meet the same standards we hold the public service to. We have developed our Prevention of Sexual Harassment in the Workplace Policy to incorporate better-practice elements from the Victorian Public Sector Commission's model policy and the Victorian Equal Opportunity and Human Rights Commission's guidelines to prevent and respond to workplace sexual harassment. The policy includes six minimum standards to promote compliance with the positive duty in the *Equal Opportunity Act 2010* to take reasonable and proportionate measures to eliminate sexual harassment.

In addition to ensuring we meet the recommendations in our own performance audit, we have also worked with subject matter experts, such as the Victorian Equal Opportunity and Human Rights Commission, 1800RESPECT and the Victorian Centre Against Sexual Assault to further review focus group recommendations and explore best-practice initiatives.

To support this, we also promoted a new interactive sexual harassment response tool which uses chat-bot technology to provide private online conversations to help users recognise sexual harassment at work, take action and access support and referral services. The tool is just one of several initiatives to emerge from the Victorian Equal Opportunity and Human Rights Commission's innovative 'Raise It!' program.

5.

Leading by example

We continued our network uplift, secured our cybersecurity network and introduced a protective data security plan. We published our first audit reports using more accessible and navigable layouts. We finalised our Quality Control Framework and provided training to all staff to ensure they understood its purpose.



59%
workforce
productivity
61% last year



388k
website views of
our reports
Up from 230k in 2019–20



100%
end-user computing
environments
upgraded to Windows 10
version 1909

Source: VAGO.

This chapter covers:

- Improving our IT security and systems
 - Improving our communications
 - Our workforce productivity
 - Refining our governance
 - Strengthening quality assurance
-

5.1 Improving our IT security and systems

In 2020–21, our IT projects focused on improving cybersecurity and user experience.

Strengthening cybersecurity

In the first stage of our Microsoft Endpoint Manager deployment, we uplifted endpoint security, asset management and system and application updates for all Windows and mobile devices. Endpoint Manager is a unified mobile device management platform that enables staff to work productively and securely from anywhere, at any time, across devices.

We continued to ensure protection of public sector information as required by the *Victorian Protective Data Security Standards*. We complied with the Victorian Protective Data Security Framework by maintaining and actively managing security risks to our information assets, assessing:

- information security
- physical security
- personnel security
- IT risks.

We developed and implemented a Protective Data Security Plan, which we provided to the Office of the Victorian Information Commissioner.

We also strengthened our network access controls across both our wired and wireless networks.

Our enterprise server rationalisation to Microsoft Azure virtual machines further improved the security, performance and availability of our IT systems and data and reduced our licensing, data centres maintenance and support costs.

Enhancing user experience

Our Empower server hardening provides assurance against the loss of availability, confidentiality and integrity of our Empower environment and data. Unlike the current Empower environment, which has not been configured to the Center for Internet Security's standards, Empower server hardening provides hardened server images, multi-factor authentication for administration and Azure role-based access control to grant the appropriate access based on need and to remove it when it is no longer needed.

We also deployed Windows 10 version 1909, which upgraded our end-user computing environment and helped us maintain compliance and security.

We further leveraged our Microsoft investments by:

- using Microsoft Teams to provide a persistent location that promotes unification and transparency and enhances user awareness and collaboration
- using Azure Information Protection to extend security labelling, classification, and protection capabilities to protect documents and emails to additional file types and platforms
- reconciling information across systems in our Microsoft 365 environment to be consistent and simplify access determined by business needs.

5.2 Improving our communications

Given that VAGO works in the public interest, we are passionate about continuously improving our products to ensure all users can access and understand our work.

User-friendly reports

In 2020–21, we published our first financial and performance audit reports using upgraded templates. The templates include chapter conclusions and summaries to make our reports easier for readers to skim and navigate.

We also updated our website report template to ensure it has the same structure and branding as our print products. Aside from updating the visual style and layout of our print and web products, the new templates include report 'snapshots' to give the reader a general overview about:

- the audit objective
- why the audit is important
- who we examined
- what we examined
- what we concluded.

Audit video summaries

Our publishing team also reviewed and updated our video summaries. These short videos are primarily for the public. They give a snapshot of who and what we examined, what we concluded, essential background information, and our key findings and recommendations.

The publishing team regularly engages with audit teams to ensure these videos accurately represent audits and maintain a high standard of visual representation, while condensing a major report to a video that goes for less than four minutes.

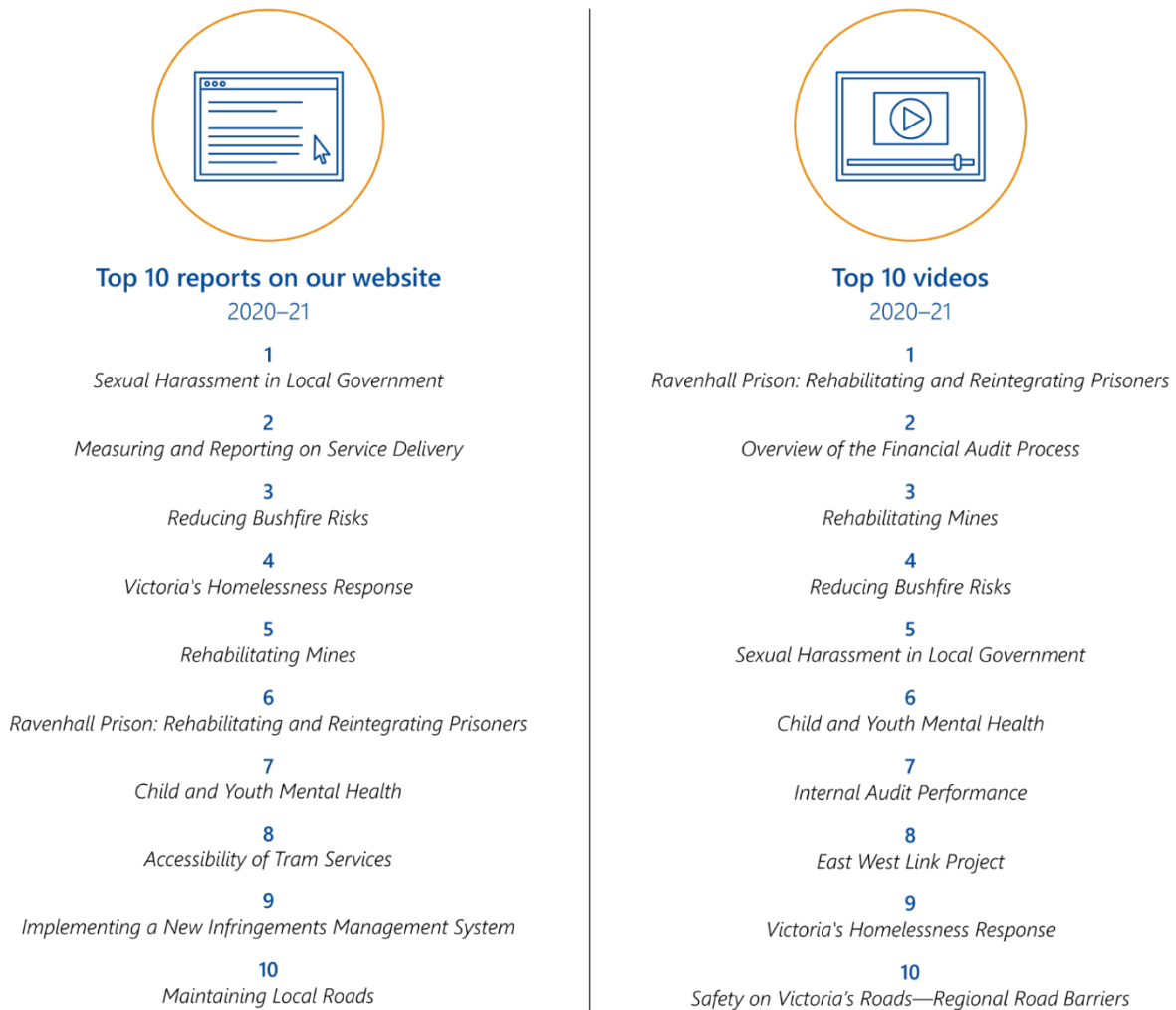
More tools for better writing

Behind the scenes, we launched a new online guide for writers, which covers VAGO's communication style and editorial conventions. We also started rolling out a suite of e-learning modules on writing and reviewing, which are designed to lift the capability and confidence of all VAGO employees.

Greater engagement with our content

Our YouTube channel had 20 002 viewers in 2020–21 who collectively watched 943 hours of content, while our website had 388 061 page views. Figure 5A lists the audits that had the largest audience engagement over the year.

FIGURE 5A: **Most viewed reports and videos of 2020–21**



Source: VAGO.

Publishing dashboards to our website

We updated our website to enable users to view and search our data dashboards in the one place. It is now possible to view our five most recent dashboards in a separate section. We also made it easier to locate particular dashboards using a variety of filters.

5.3 Our workforce productivity

We measure our workforce productivity as the total percentage of available paid staff hours that are charged to our output groups—audit opinions on financial and performance statements, parliamentary reports and parliamentary services.

Our productivity this year was 59.3 per cent, slightly lower than our 2019–20 result of 61 per cent, but in line with our target of 60 per cent. Staff can track their

productivity and that of their team members via live business intelligence dashboards.

5.4 Refining our governance

We continued to enhance and mature our governance and compliance systems. We met our obligations under the Financial Compliance Management Framework, the Victorian Government Risk Management Framework and the Victorian Protective Data Security Framework.

We also delivered several initiatives to support good governance and improve compliance across the organisation, as outlined below.

We delivered ...	to ensure we ...
a streamlined and revised risk management framework	comply with new requirements of the Victorian Government Risk Management Framework, effective 1 July 2021.
an updated business continuity plan	incorporate lessons learnt during our COVID-19 response into changing the way we work.
a maturity assessment of our compliance management systems	create a comprehensive compliance management framework and centralised compliance monitoring function.

Managing complaints

To promote transparency and a safe and inclusive work environment, we have processes designed to support staff and stakeholders who wish to raise concerns or complaints. We make sure that we manage and respond to those issues quickly and appropriately.

In 2020–21 we consolidated the following policies into a single overarching complaints management policy:

- complaints about the conduct of audits
- complaints about VAGO activities other than audits
- allegations of fraud, corruption or misconduct
- complaints about VAGO to integrity bodies.

A new consolidated complaints procedure supports policy implementation by setting out the requirements, responsibilities and steps we take to deal with complaints and allegations.

Our complaints management policy and procedure are publicly available on our website and make it easier for our staff and stakeholders to understand their protections and obligations when making complaints. Complaints can be submitted anonymously through our website or through direct communication with our audit

teams. When we receive a complaint, we assess, investigate, respond to and remedy it to the best of our ability. We aim to resolve all complaints within 28 days.

In 2020–21, we received two complaints. One was related to the conduct of an audit. We required additional time to complete our inquiries and closed the complaint in 43 days. The other complaint was an anonymous submission and concerned matters other than audits. We closed it within 28 days.

Refreshing our Fraud and Corruption Control Plan

We also reviewed and refreshed our Fraud and Corruption Control Plan 2019–20. This involved updating our underpinning risk assessment, particularly as it is related to the new COVID-19 environment. As part of the plan, we delivered annual training for staff, strengthened controls for ASPs and vetting of staff, and improved our data protection controls.

5.5 Strengthening quality assurance

In 2020–21 we finalised our Quality Control Framework. The framework provides an overview of our quality control system, collating and linking our corresponding policies and procedures to the relevant requirements of Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Accounting Professional and Ethical Standards Board's APES 320 *Quality Control for Firms* and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

This gives us reasonable assurance that we are complying with AuASB standards, relevant ethical requirements and applicable legal and regulatory requirements, and that our reports are appropriate in the circumstances.

The framework also documents the agreed metrics (called audit quality indicators) and the procedures used to monitor our quality control system on an ongoing basis. We discuss the results of our monitoring procedure and conclusion on the effectiveness in our current transparency report.

Everyone at VAGO is required to read and understand the framework. We have provided a training program to all staff and incorporated it into our induction program to ensure all new staff have also been adequately trained in our framework.

Our leadership team has agreed to early adopt AUASB's recently released ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, ASQM 2 *Engagement Quality Reviews* and the revised ASA 220. We are in the preliminary planning stage of developing a project team to review our quality control system and update our framework in line with the new requirements of these standards.

We discuss the results of our monitoring procedure and conclusion on the effectiveness in our current transparency report, which you can access at [Transparency Report 2019–20 \(audit.vic.gov.au\)](https://audit.vic.gov.au)

Transparency report

In 2020–21 we produced our first annual transparency report. The report expands on, and is an adjunct to, our annual report. We produce it to help stakeholders understand how we support our auditors to perform high-quality audits.

Our transparency report outlines:

- our approach to transparency reporting
- our legal structure, governance and finances
- our quality control system and how it aligns with Australian auditing and assurance standards
- external reviews and audits of our organisation.

The transparency report exemplifies our desire to be fully transparent about our operations and is a key deliverable under our 'Lead by Example' pillar in our strategic plan.

Strengthening accountability through transparent service performance

As part of our wider strategy to reform and enhance the reporting of service performance by the public sector, we published to our website a service performance dashboard as part of our 2021 *Measuring and Reporting on Service Delivery* audit.

The dashboard allows users to compare departments' performance against each other and drill down to examine performance trends for individual measures over time. Users can also download raw data on output performance measures and conduct their own analysis.

We anticipate that this product will be invaluable to parliamentarians and PAEC during the Budget estimates process. We will also integrate it into our annual planning processes.

We also publish our own VAGO dashboard on our annual report web page. This complements the audited performance statement in our annual report.

6.

Performance statement

Declaration in the Performance Statement

In our opinion, the measures used and results reported in the accompanying performance statement of the Victorian Auditor-General's Office in respect of the 2020–21 financial year are presented fairly, and are consistent with the Standing Directions under the *Financial Management Act 1994*.

The statement includes the 2020–21 performance measures agreed with the Assistant Treasurer as set out in Budget Paper No. 3, actual and comparative results achieved for the financial year against targets where applicable, and explanations of any significant and/or material variance between the actual results and performance targets.

As at the date of signing, we are not aware of any circumstance which would render any particulars in the performance statement to be misleading or inaccurate.

We authorise the attached performance statement for issue on 25 August 2021.



Andrew Greaves
Auditor-General
Victorian Auditor-
General's Office

Melbourne
25 August 2021



Lucy Smith
Acting Executive Officer
Victorian Auditor-
General's Office

Melbourne
25 August 2021

6.1 Performance statement

Our performance statement makes reference to the 2020–21 performance measures agreed with the Assistant Treasurer as set out in Budget Paper No. 3. In the following tables, we report our actual and comparative results achieved for the financial year against targets for each of our output groups.

FIGURE 6A: **Output Group 1—parliamentary reports and services**

Performance measure	Unit of measure	2019–20 actual	2020–21 target	2020–21 actual	2020–21 per cent variation	Result	Notes
Quantity							
Average cost of parliamentary reports	(\$ thousand)	473.4	519	535.3	3.1	✓	
Quality							
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	(per cent)	80.8	80	70.8	11.5		3.1
Overall level of external satisfaction with audit reports and services—parliamentarians	(per cent)	90.0	85	87.5	2.9	✓	
Timeliness							
Average duration taken to finalise responses to inquiries from Members of Parliament	(days)	15	≤ 20	12	–	✓	
Average duration taken to produce performance audit parliamentary reports	(months)	10.1	≤ 9	12.2	35.5		3.2
Average duration taken to produce financial audit parliamentary reports after the balance date	(months)	5.3	≤ 5	6.7	34.0		3.3
Cost							
Total output cost	(\$ million)	17.2	17.4	16.8	3.4	✓	

Note: ✓ indicates that the target was achieved or exceeded

FIGURE 6B: **Output Group 2— audit opinions on financial and performance statements**

Performance measure	Unit of measure	2019–20 actual	2020–21 target	2020–21 actual	2020–21 per cent variation	Result	Notes
Quantity							
Average cost of audit opinions issued on performance statements	(\$ thousand)	5.2	5.3	5.2	1.9	✓	
Average cost of audit opinions issued on the financial statements of agencies	(\$ thousand)	50.2	51.0	50.7	0.6	✓	
Quality							
External/peer reviews finding no material departures from professional and regulatory standards	(per cent)	83.3	100	81.25	18.8		3.4
Proportion of agencies disclosing prior period material errors in financial statements	(per cent)	1.7	≤5	2.0	–	✓	
Timeliness							
Audit opinions issued within statutory deadlines	(per cent)	98.1	98	97.3	0.7		
Management letters to agencies issued within established time frames	(per cent)	92.3	90	93.8	4.2	✓	
Cost							
Total output cost	(\$ million)	28.0	28.0	28.9	3.2		

Note: ✓ indicates that the target was achieved or exceeded.

6.2 Notes to the performance statement for the year ended 30 June 2021

1. Basis of preparation

The Victorian Auditor-General's Office (VAGO) must report annually on expected and actual performance as part of Parliament's departmental performance statement in Budget Paper No. 3. This information is not audited.

While we are not required to include an audited departmental performance statement in our annual report, Financial Reporting Direction (FRD) 8D requires departments to provide a comparison of output targets and actual performance in their annual report of operations, and reasons for any significant or material variances. While not applicable to us, FRD 27C also requires that the statement of performance must include the actual results achieved for the reporting period against the corresponding period's pre-determined performance targets and indicators.

In the absence of any broad mandatory performance reporting standards, we have prepared this performance statement in a format consistent with that used in Budget Paper No. 3, and in line with the Standing Directions under the *Financial Management Act 1994*, Performance Management Framework, FRD 8D and FRD 27C.

This performance statement includes the performance measures, targets and results of our two performance output groups, with explanations of significant variations between targets and actual results. We deem significant as greater than a 5 per cent variance. We have not provided notes for variations within the materiality thresholds.

Where applicable the results in the performance statement have been prepared on bases consistent with those reported in the audited financial statements.

2. Output measures

The products and services we deliver are organised into two parliamentary output groups in Budget Paper No. 3. Output Group 1 covers parliamentary reports and services, and Output Group 2 covers audit opinions on financial and performance statements. We have performance measures and targets for quantity, quality, timeliness and cost, across both our output groups.

FIGURE 6C: **Output measure definitions**

Performance measure	Dimension	Goal	Calculation
Output Group 1—parliamentary reports and services			
Average cost of parliamentary reports	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of parliamentary reports tabled during 2019–20 / Total number of parliamentary reports tabled during 2019–20 (excluding Annual Plan and Annual Report)
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	Quality	Tracks our effectiveness and relevance across the public sector	Total number of accepted in principle, partially, and fully accepted performance audit recommendations issued two and three years prior that have been implemented / Total number of accepted performance audit recommendations issued two and three years prior
Overall level of external satisfaction with audit reports and services – parliamentarians	Quality	Tracks overall level of external satisfaction with our reports and services	Total number of parliamentarians who stated they were satisfied or very satisfied / Total number of parliamentarians who responded to the question in the survey
Average duration taken to finalise responses to inquiries from Members of Parliament	Timeliness	Tracks the efficiency with which VAGO responds to inquiries from respective parliamentarians	Number of days between the date the inquiry is received and the date the response is sent out
Average duration taken to produce performance audit parliamentary reports	Timeliness	Tracks how efficient we are at utilising resources to produce our reports	Total number of months between the initiation date and tabling date of all performance audit parliamentary reports tabled during the financial year / Total number of performance audit parliamentary reports tabled during the financial year
Average duration taken to produce financial audit parliamentary reports after the balance date	Timeliness	Tracks how efficient we are at utilising resources to produce our reports	Total number of months between the balance sheet date of the sector and the tabling date of all financial audit parliamentary reports tabled during the financial year / Total number of financial audit parliamentary reports tabled during the financial year
Total output cost	Cost	Tracks the cost-efficiency of the whole of VAGO	Total expenditure allocated to the output group, net recoup of salaries and expenses

Performance measure	Dimension	Goal	Calculation
Output Group 2—audit opinions on financial and performance statements			
Average cost of audit opinions issued on performance statements	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of audit opinions issued on performance statements during the financial year (actual or estimated) / Total number of audit opinions issued on performance statements during the financial year
Average cost of audit opinion issued on the financial statements of agencies	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of audit opinions issued on financial statements during the financial year / Total number of audit opinions issued on financial statements during the financial year
External/peer reviews finding no material departures from professional and regulatory standards	Quality	Tracks the quality of our audit processes	Total number of financial audit engagement files subject to post audit quality reviews during the financial year that contain material departures from professional and regulatory standards / Total number of financial audit engagement files subject to post audit quality reviews during the financial year
Proportion of agencies disclosing prior period material errors in financial statements	Quality	Tracks the quality of our work outcomes	Total number of agencies disclosing a prior period material error during the financial year / Total number of agencies issued with an audit opinion during the financial year
Audit opinions issued within statutory deadlines	Timeliness	Tracks the timeliness of our work	Total number of audit opinions issued within 28 days of the receipt of finalised financial statements during the financial year / Total number of audit opinions issued during the financial year
Management letters to agencies issued within established timeframes	Timeliness	Tracks the timeliness of our work	Total number of finalised management letters issued to agencies within 28 days of the audit opinion being issued during 2019–20 / Total number of finalised management letters issued to agencies during the financial year
Total output cost	Cost	Tracks the cost efficiency of the whole of VAGO	Total expenditure allocated to this output group net recoup of salaries and expenses

3. Explanation of significant variances

- 3.1 Overall, agencies are progressing the implementation of our recommendations. It should be noted that there can be several actions to complete against one recommendation, therefore a recommendation would be considered as 'in progress', even if all but one action were complete. Unresolved recommendations include recommendations that are 'in progress' (230 recommendations) and 'not started'

(13 recommendations). Of the recommendations in progress, 85 per cent are due to be completed during the 2021–22. Reasons for delayed completion dates include:

- COVID-19 related delays
- changes in legislation
- state Budget–dependent actions
- Royal Commission reports.

3.2 We measure the duration of our performance audit parliamentary reports from the formal initiation of the audit to the tabling date. The average duration exceeded our target in 2020–21. The causes of these delays included that:

- we paused some audits or granted agencies more time to respond to us due to the impact that COVID-19 had on them. This had a significant impact on audit duration
- our own productivity was impacted due to COVID-19—for example, due to reduced staff hours during home-schooling periods
- in some cases we needed to undertake additional work either due to new evidence or to obtain sufficient and appropriate audit evidence to support our conclusions and findings.

3.3 We measure the duration of our financial audit parliamentary reports from the balance date of the entities to the tabling date. This is because time elapsed after balance date is a good indicator of the timeliness of our reports. We tabled 5 financial audit parliamentary reports during 2020–21. Of these, *the Auditor-General's Report on the Annual Financial Report of the State 2019–20* was tabled within our target of 5 months as required by the *Audit Act 1994*. The remaining 4 reports related to our the results of our audits for the 2020 audit cycle for the local government, state-controlled entities, university, and technical and further education sectors. These reports were all delayed due to the disruption the pandemic had on the delivery of our audit program and statutory reporting timelines of agencies.

3.4 We did not meet our target because three of the 16 audit files that were reviewed were found to have some material departures from professional standards. Our external assessors took the view that in these three cases, we did not clearly and sufficiently demonstrate a sufficient basis in our audit documentation on which to form and issue these opinions. While our 2020–21 result is lower than our 2019–20 result, it remains better than industry published rates.

Despite this, we observed a low disclosure rate of prior period errors by agencies during 2020–21, which indicates that any identified material departures from standards are not leading to systemic or significant material misstatements.

Independent Auditor's Review Report to the Victorian Auditor-General's Office

Report on the Performance Statement

Conclusion

We have reviewed the accompanying performance statement of the Victorian Auditor-General's Office which includes in respect of the financial year 2020-21 the performance indicators agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*, actual and comparative results achieved for the financial year against targets where applicable, and explanations of any significant and/or material variance between the actual results and performance targets, together with the Declaration by the Auditor-General and Acting Executive Officer.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported for the financial year 2020-21.

Auditor-General's Responsibility for the Performance Statement

The Auditor-General is responsible for the preparation of the performance statement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the performance statement to ensure that it fairly represents the measures used and results reported, consistent with the Standing Directions 2018 under the *Financial Management Act 1994*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the performance statement based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported.

ASRE2405 requires that we comply with the ethical requirements relevant the conduct of our review.

A review of the performance statement consists of making enquiries, primarily of persons responsible for the performance measures, and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

We have complied with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) that are relevant to our review of the performance statement.



PKF
Melbourne, 25 August 2021



Steven Bradby
Partner

7.

Our financial management

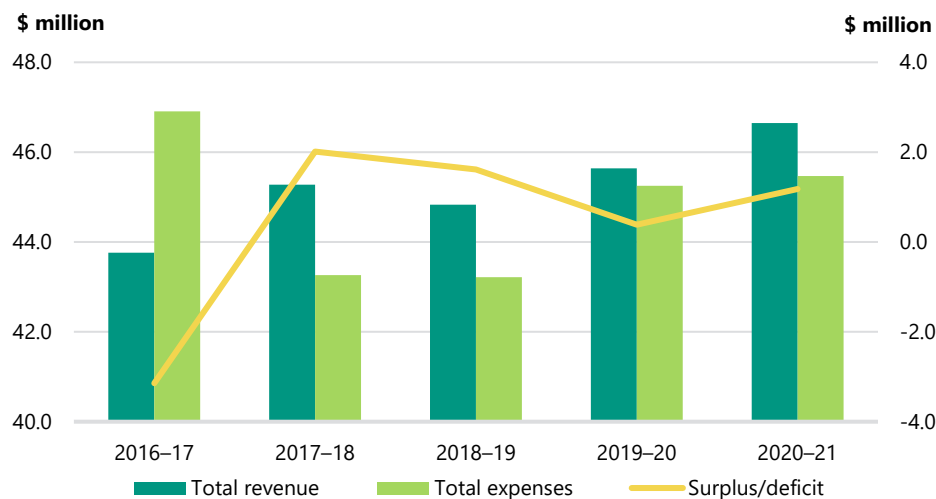
Our primary financial objective is to provide cost-effective and value-adding services to Parliament and our public sector fee-paying clients. The nature, scope and scale of our business does not change substantially outside of legislative reform. As such, our financial performance and position are historically stable.

This year's financial results reflect our ongoing focus on organisational transformation activities, the impacts of the COVID-19 pandemic and ongoing working from home arrangements.

7.1 Financial year in review

Our net financial result for the year was a surplus of \$1.2 million, compared with a surplus of \$387 000 in 2019–20.

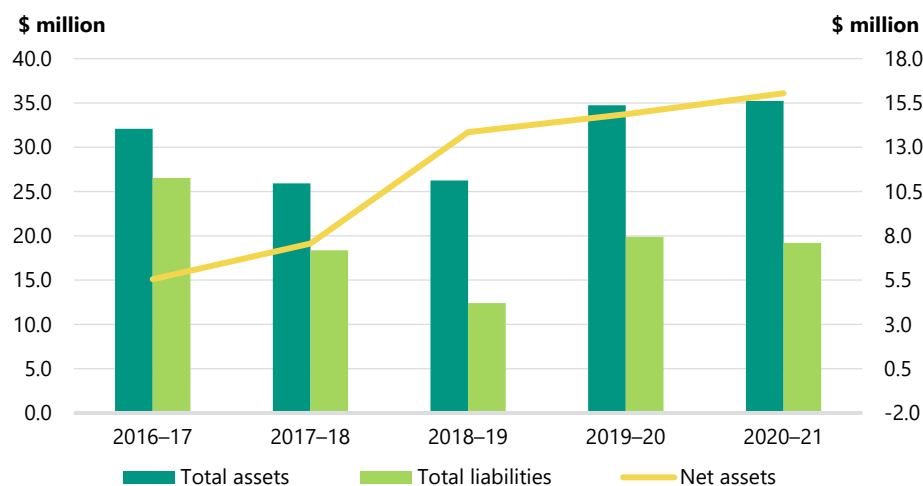
FIGURE 7A: Five-year financial performance to 30 June 2021



Source: VAGO.

Our financial position at 30 June 2021 continues to be strong, with total assets of \$35.2 million and total liabilities of \$19.2 million, resulting in net assets of \$16.0 million (30 June 2020: \$14.9 million).

FIGURE 7B: Five-year financial position to 30 June 2021



Source: VAGO.

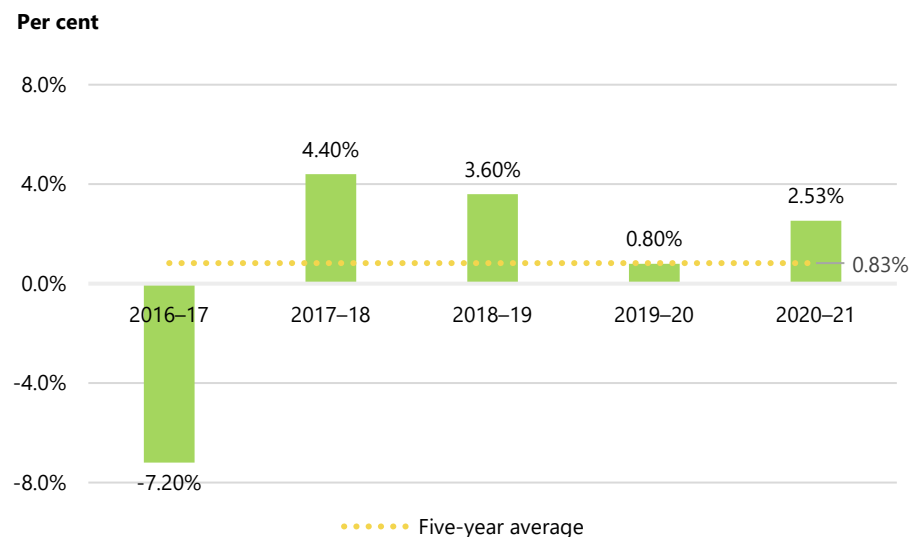
Surplus/deficit

Consistent with our five-year average result, we continued to make a surplus.

This year's surplus was predominately attributed to reduced use of consultants and subject matter experts, and cost savings in general office and travel expenditure, offset by our continued investment in IT solutions to support our staff as the organisation transitioned to ongoing working from home arrangements.

Our medium-term financial aim is to **break even**, noting deficits may arise due to the timing of our organisational transformation activities.

FIGURE 7C: **Surplus/deficit as percentage of total revenue**



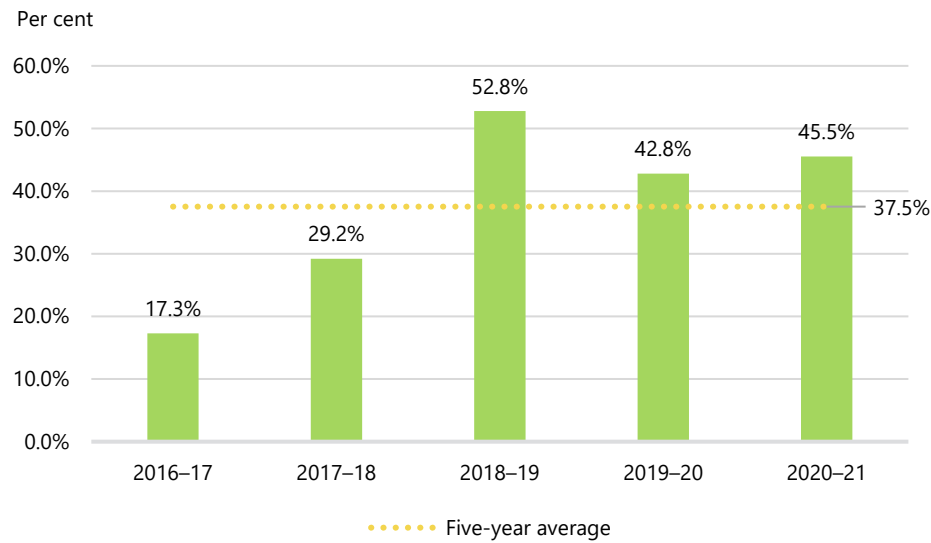
Source: VAGO.

Deficits are funded through our working capital reserves and are replenished in years with surpluses.

Net assets

Our continued strong financial position is driven by our historical operating surpluses and strong fiscal management. We anticipate sufficient working capital to fund our operations over the forward estimates period.

FIGURE 7D: Net assets as a percentage of total assets



Source: VAGO.

The future

In light of our medium-term aim to break even, we have budgeted for a small deficit in 2021-22, as we continue to realise our staffing requirements given the scarcity of future resourcing, and continue to implement our organisational transformation activities.

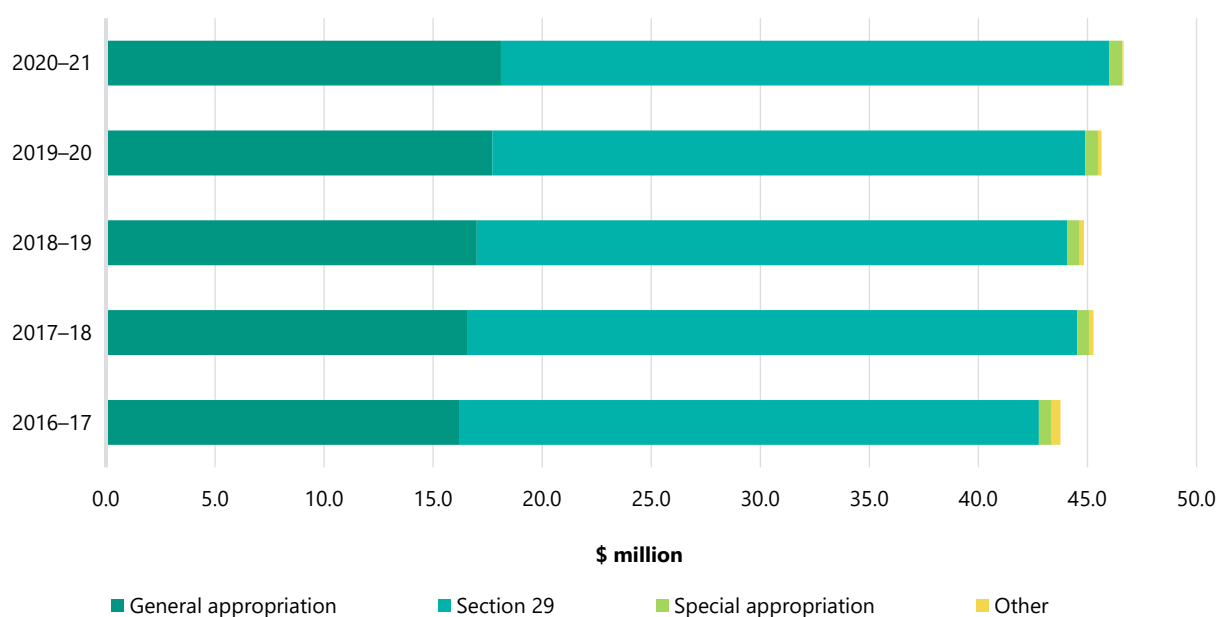
7.2 Financial performance

Revenue

Our total revenue has steadily increased over the past five years to \$46.7 million in 2020–21, compared with total revenue of \$45.6 million in 2019–20, reflective of indexation of our general appropriation and revision to our section 29 revenue from audit engagement fees.

VAGO is funded through Parliamentary appropriations and *Financial Management Act 1994* section 29 revenue.

FIGURE 7E: Revenues from transactions



Source: VAGO.

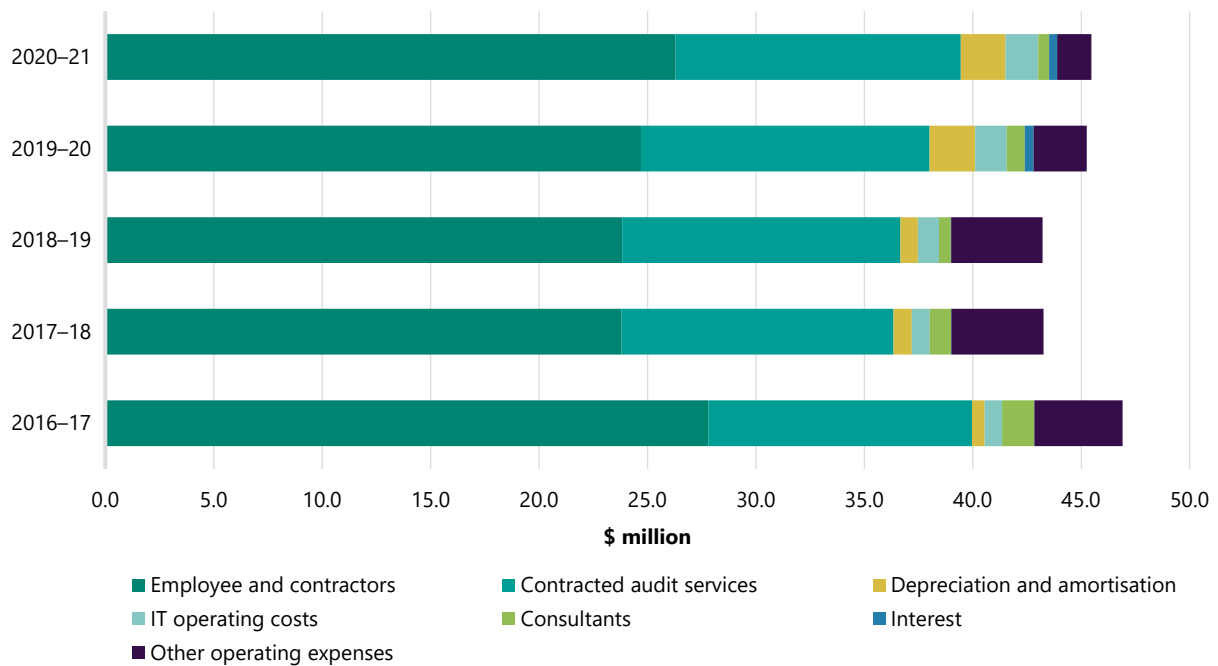
Expenses

The majority of our costs consists of employee and contractors and contracted audit service providers whom we engage to assist in completing our annual financial and performance statement audits and other assurance engagements.

Our employee and contractor costs of \$26.3 million (2019–20: \$24.7 million) were impacted by the new *Victorian Public Service Enterprise Agreement 2020* in operation from October 2020, and additional contractors required to complete our annual financial and performance statement audits, given the disruption COVID-19 had to our capacity and ability to deliver our 2020 financial audit program.

Expenditure for contracted audit services of \$13.1 million (2019–20: \$13.3 million) is largely dependent on the timing of invoicing for work carried out up to 30 June 2021 by our audit service providers.

FIGURE 7F: Expenses from transactions



Source: VAGO.

IT operating costs of \$1.5 million (2019–20: \$1.5 million) reflect our ongoing investment in IT solutions to support the office, Financial Audit and Performance Audit business units, and enabling our staff with working from home arrangements. Conversely, this led to a reduction in other expenses to \$1.6 million (2019–20: \$2.4 million) due to cost savings in general office and travel expenditure.

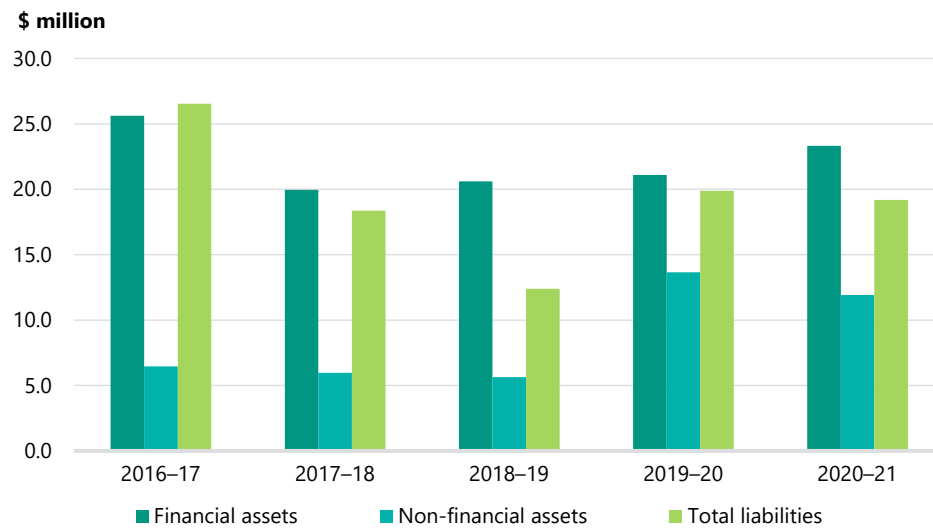
7.3 Financial position

Balance sheet

Our total financial assets balance of \$23.3 million (2019–20: \$21.1 million) increased due to the State Administration Unit receivable balance—that is, our operating surpluses, offset by accumulated depreciation of plant and equipment, and the unwinding of our right-of-use asset relating to our leased office premises.

Our liabilities balance of \$19.2 million (2019–20: \$19.9 million) decreased slightly due to a lower payables balance at 30 June 2021—dependent on the timing of audit service providers invoicing compared to the timing of our payment runs, and the unwinding of our lease liabilities, offset by an increase in our employee provisions consistent with the increase in our employee and contractor costs.

FIGURE 7G: **Assets and liabilities movement**



Source: VAGO.

7.4 Cash flows

Cash Flow Statement

Our daily bank balance is transferred to the State government as part of our government banking arrangement.

FIGURE 7H: **Cash Flow Statement**

	2020-21 (\$ thousand)	2019-20 (\$ thousand)	Movement from 2019-20 to 2020-21 (\$ thousand)	Percentage change from 2019-20 to 2020-21
Net cash flows from/(used in) operating activities	1 095	1 057	38	3.6
Net cash flows from/(used in) investing activities	(148)	(10 528)	(10 380)	95.6
Net cash flows from/(used in) financing activities	(947)	9 470	10 417	(110.0)
Net increase/(decrease) in cash held	–	(1)	1	100.0
Cash at the beginning of the financial year	–	1	(1)	(100.0)
Cash at the end of the financial year	–	–	–	–

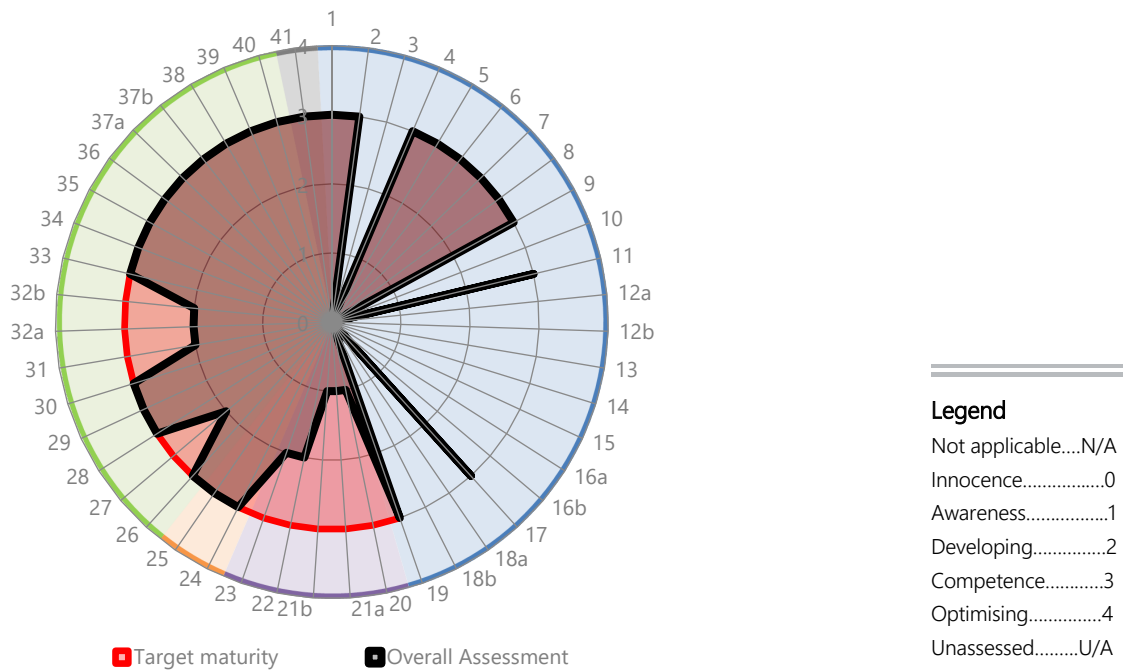
7.5 Other financial matters

Asset Management Accountability Framework (AMAF) maturity assessment

The following section summarises VAGO’s assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements, which can be found at www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework.

VAGO’s target maturity rating is 'competence', meaning systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirements, including a continuous improvement process to expand system performance above AMAF minimum requirements.

FIGURE 7I: AMAF maturity assessment



Source: VAGO.

AMAF mandatory requirements

Outcome assessment

Leadership and Accountability (requirements 1–19)	Where applicable, VAGO has met its target maturity level under the requirements within this category.
Planning (requirements 20–23)	There is no material non-compliance reported in this category. VAGO did not comply with the requirement for developing an asset management strategy as VAGO did not assess any of their assets as critical (i.e. any failures would not result in the incapability to deliver important services). VAGO will review and document the need for an asset management strategy in 2021–22.
Acquisition (requirements 24 and 25)	VAGO has met its target maturity level under the requirements within this category.
Operation (requirements 26–40)	There is no material non-compliance reported in this category. Given VAGO has not assessed any of their assets as critical, VAGO has yet to establish a process to identify potential asset performance failures, or a formal asset maintenance program. VAGO will review and document the need for an asset maintenance program in 2021–22.
Disposal (requirement 41)	VAGO has met its target maturity level under the requirements within this category.

Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Under section 3 of the *Financial Management Act 1994*, VAGO is required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria, and for strategic projects with a budget of \$50 million or more.

Projects commenced—Local Jobs First Strategic

During 2020–21, VAGO commenced one Local Jobs First Strategic Project, valued in excess of the \$50 million threshold, to refresh our Financial Audit Services Panel. The project is based in metropolitan Melbourne representing 97 per cent of estimated local content, as advised by the Minister for Industry Support and Recovery.

The local content and jobs outcomes of this strategic project have not been finalised as this project is currently still in progress.

Office of the Auditor-General consultancies

In 2020–21, we engaged three consultants with a total fee payable greater than \$10 000 (excluding GST) (2019–20: five consultants).

We engaged one consultant where the total fee payable was less than \$10,000, at a cost of \$8 800 (excluding GST) (2019–20: one consultant at a cost of \$1 500).

All projects valued at \$50 million or above are automatically classified as **Strategic Projects**, or as declared by the Minister for Industry Support and Recovery.

FIGURE 7J: **Consultancies—payments in excess of \$10 000 (excluding GST)**

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (\$ thousand)	Expenditure 2020–21 (\$ thousand)	Future expenditure (\$ thousand)
Risk Insights Pty Ltd	Limited assurance review	6-Jan-21	30-May-21	108	94	14
Orima Research Pty Ltd	Client survey program	16-Nov-20	16-Nov-21	91	91	–
Protiviti Pty Ltd	IT audit services	9-Jun-20	1-Oct-21	483	181	302

Performance audit consultants

In 2020–21, we paid \$291 000 to nine consultants for performance audit related services (2019–20: \$934 000 to 15 consultants).

FIGURE 7K: **Payments to performance audit consultants**

Performance audit consultants	2020–21 (\$ thousand)	2019–20 (\$ thousand)
ARRB Group Ltd	10	–
Aspex Consulting	163	134
Guidera Consulting Group Pty Ltd	23	–
Synergies Economic Consulting Pty Ltd	64	–
Other—5 consultants	31	26
Total	291	160

Financial audit contracted audit services

In 2020–21, we paid \$12.8 million to 37 audit firms and consultants that provided financial and performance statement audit related services (2019–20: \$12.4 million to 29 audit firms and consultants).

FIGURE 7L: **Payments to financial audit contracted audit services**

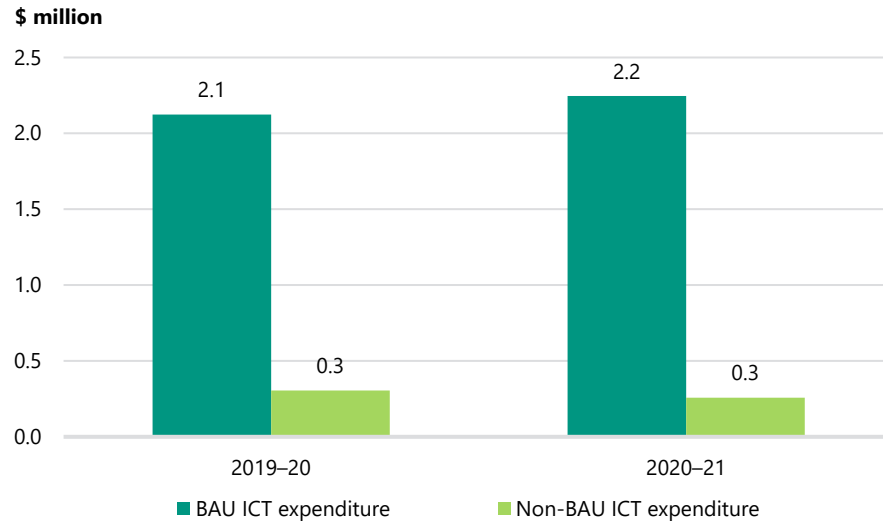
Audit service provider and consultants	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Accounting and Auditing Solutions	53	71
AFS & Associates Pty Ltd	12	–
BDO East Coast Partnership	71	74

Audit service provider and consultants	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Count Pro Pty Ltd	44	–
Crowe Horwath	813	879
Crowe Horwath Albury	440	431
Crowe Horwath Vic	481	493
Crowe Horwath West Vic	17	122
Davidsons Assurance Services Pty Ltd	44	43
Deloitte Access Economics Pty Ltd	–	112
Deloitte Financial Advisory Pty Ltd	20	–
DFK Kidsons	222	271
DMG Audit and Advisory	283	347
Ernst & Young	1 673	1 254
Frontier Economics Pty Ltd	66	65
Grosvenor Procurement Advisory	27	–
HLB Mann Judd (VIC Partnership)	2 470	2 615
Johnsons MME	584	519
KPMG	132	130
LD Assurance	80	94
McLaren Hunt	516	511
McLean Delmo Bentleys Pty Ltd	440	589
MGR Accountants Pty Ltd	–	15
Moore Stephens Audit (Vic)	30	51
Pitcher Partners	22	–
Pitcher Partners Corporate Pty Ltd	18	48
PPT Professional Pty Ltd	–	54
RSD Audit	1 099	1 087
RSM Australia Pty Ltd	2 868	2 473
Shine Wing Australia	38	–
The University of Melbourne	145	–
Other—9 service providers (5 in 2019–20)	51	27
Total	12 804	12 375

Information and communications technology (ICT) expenditure

In 2020–21, we incurred ICT expenditure (including employee and contractor costs, and depreciation) to provide business-enabling ICT services of \$2.5 million (2019–20: \$2.4 million).

FIGURE 7M: ICT expenditure



Source: VAGO.

Business as usual (BAU) ICT expenditure primarily relates to ongoing activities to operate and maintain existing ICT.

Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities.

Whole-of-government financial statements

Figure 7N is a comprehensive operating statement for the parliament portfolio that provides a comparison between our actual financial statements and the budgeted financial information as published in the *Statement of Finances 2020–21: Budget Paper No.4*. The financial data has been prepared on a consolidated basis and includes all general government sector entities within the portfolio. Financial transactions and balances are classified into either controlled or administered categories, in the context of the published statements in Budget Paper No.4.

Figure 7N is not subject to audit and is prepared on the same basis as Budget Paper No.4.

Budget figures are as published in Budget Paper No.4 (shown in \$ millions).

FIGURE 7N: **Comprehensive operating statement for parliament (including VAGO)**
for the financial year ended 30 June 2021 ⁽ⁱ⁾

	Budget		Parliament (including VAGO) (\$ thousand)	Actual VAGO (\$ thousand)	Variance VAGO (\$ thousand)
	Parliament (excluding VAGO) (\$ thousand)	VAGO (\$ thousand)			
Income from transactions					
Output appropriations	230 786	45 156	275 942	46 008	852
Special appropriations	55 357	601	55 958	596	(5)
Sale of goods and services (including other income)	–	40	40	45	5
Grants	14	–	14	–	–
Total income from transactions	286 157	45 797	331 954	46 649	852
Expenses from transactions					
Employee benefits	178 858	25 530	204 388	26 296	(766)
Depreciation	33 421	2 169	35 590	2 071	98
Capital asset charge	7 709	278	7 987	278	–
Other operating expenses	66 169	17 820	83 989	17 064	756
Total expenses from transactions	286 157	45 797	331 954	45 709	88
Net result from transactions (net operating balance)	–	–	–	940	940
Other economic flows – other comprehensive income					
Other	–	–	–	239	239
Total other economic flows – other comprehensive income	–	–	–	239	239
Comprehensive result	–	–	–	1 179	1 245

7.6 Financial statements

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7.6.1 Notes to the financial statements

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1.1 Basis of preparation and compliance	2.1 Summary of compliance with annual parliamentary and special appropriations	3.1 Employee benefits	4.1 Plant and equipment
	2.2. Disaggregated financial information	3.2 Contracted audit services	4.2 Depreciation and amortisation
		3.3 Other operating expenses	4.3 Fair value determination
			4.4 Right-of-use assets and lease liabilities
5. Other assets and liabilities	6. How we financed our operations	7. Risks and valuation judgements	8. Other disclosures
5.1 Receivables	6.1 Cash flow information	7.1 Financial instruments specific disclosures	8.1 Responsible persons
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			8.6 Australian Accounting Standards issued that are not yet effective
			8.7 Glossary of technical terms
			8.8 Style conventions

Declaration in the financial statements

The attached financial statements for the Victorian Auditor-General's Office have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and financial position of the Victorian Auditor-General's Office at 30 June 2021.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 25 August 2021.



Andrew Greaves
Auditor-General
Victorian Auditor-General's Office

Melbourne
25 August 2021



Anh Ha
Chief Financial Officer
Victorian Auditor-General's Office

Melbourne
25 August 2021

Independent Auditor's Report to the Victorian Auditor-General's Office

Opinion

We have audited the accompanying financial report of the Victorian Auditor-General's Office, which comprises the balance sheet as at 30 June 2021, the comprehensive operating statement, statement of changes in equity, and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration in the financial statements.

In our opinion the financial report presents fairly, in all material respects, the financial position of the Victorian Auditor-General's Office as at 30 June 2021 and of its financial performance for the year then ended in accordance with Australian Accounting Standards and the financial reporting requirements of the *Financial Management Act 1994*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included in the Victorian Auditor-General's Office's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Auditor-General's Responsibility for the Financial Report

The Auditor-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Auditor-General determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Auditor-General is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184

Level 12, 440 Collins Street, Melbourne, Victoria 3000

T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

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PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Auditor-General with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF
Melbourne, 25 August 2021



Steven Bradby
Partner

Comprehensive Operating Statement for the financial year ended 30 June 2021⁽ⁱ⁾

	Note	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Income from transactions			
Output appropriations	2.1	46 008	44 895
Special appropriations	2.1	596	587
Sale of services and other income		45	157
Total income from transactions		46 649	45 639
Expenses from transactions			
Employee and contractors	3.1.1	26 296	24 699
Contracted audit services	3.2	13 147	13 309
Depreciation and amortisation	4.2	2 071	2 101
IT operating costs		1 501	1 451
Consultants		500	838
Interest		371	405
Other operating expenses	3.3	1 823	2 396
Total expenses from transactions		45 709	45 199
Net result from transactions (net operating balance)		940	440
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	6.1.1	27	(5)
Other gains/(losses) from other economic flows	3.1.2	212	(48)
Total other economic flows included in net result		239	(53)
Net result		1 179	387
Comprehensive result		1 179	387

The accompanying notes form part of these financial statements.

Note: (i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Balance Sheet as at 30 June 2021⁽ⁱ⁾

	Note	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Assets			
Financial assets			
Cash	6.1	-	-
Receivables	5.1	23 322	21 099
Total financial assets		23 322	21 099
Non-financial assets			
Plant and equipment	4.1	3 092	3 616
Intangible assets		239	299
Right-of-use assets	4.4.1	7 935	9 181
Other non-financial assets	5.2	648	553
Total non-financial assets		11 914	13 649
Total assets		35 236	34 748
Liabilities			
Payables	5.3	4 838	5 141
Lease liabilities	4.4.3	8 766	9 646
Employee related provisions	3.1.2	5 586	5 094
Total liabilities		19 190	19 881
Net assets		16 046	14 867
Equity			
Accumulated surplus		11 116	9 937
Contributed capital		4 930	4 930
Net worth		16 046	14 867

The accompanying notes form part of these financial statements.

Note: (i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Cash Flow Statement for the financial year ended 30 June 2021⁽ⁱ⁾

	Note	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Cash flows from operating activities			
Receipts			
Appropriation receipts from government		46 950	47 723
Receipts from other entities		597	117
Total receipts		47 547	47 840
Payments			
Payments to suppliers and employees		(45 220)	(45 364)
Goods and Services Tax paid to the ATO ⁽ⁱⁱ⁾		(583)	(684)
Capital asset charge payments		(278)	(330)
Interest and other costs of finance paid		(371)	(405)
Total payments		(46 452)	(46 783)
Net cash flows from/(used in) operating activities	6.1.1	1 095	1 057
Cash flows from investing activities			
Purchases of non-financial assets		(148)	(10 633)
Sales of non-financial assets		-	105
Net cash flows from/(used in) investing activities		(148)	(10 528)
Cash flows from financing activities			
Proceeds from lease liabilities		247	10 454
Repayment of principal portion of lease liabilities		(1 194)	(984)
Net cash flows from/(used in) financing activities		(947)	9 470
Net increase/(decrease) in cash held		-	(1)
Cash at the beginning of the financial year		-	1
Cash at the end of the financial year	6.1	-	-

The accompanying notes form part of these financial statements.

Note: (i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting. (ii) Goods and Services Tax paid to the Australian Taxation Office (ATO) is presented on a net basis.

Statement of Changes in Equity for the financial year ended 30 June 2021⁽ⁱ⁾

	Accumulated surplus (\$ thousand)	Contributed capital (\$ thousand)	Total
Balance at 1 July 2019⁽ⁱⁱ⁾	9 550	4 965	14 515
Net result for the year	387	-	387
Capital appropriations	-	(35)	(35)
Balance at 30 June 2020	9 937	4 930	14 867
Net result for the year	1 179	-	1 179
Balance at 30 June 2021	11 116	4 930	16 046

The accompanying notes form part of these financial statements.

Note: (i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. (ii) The 1 July 2019 balance incorporates the initial application of AASB 16 *Leases*.

Notes to financial statements

1. About this report

The Victorian Auditor-General's Office (VAGO) and the Auditor-General's mandate are established pursuant to:

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

A description of the nature of VAGO's operations and its principal activities and objectives is included in the Report of Operations, which does not form part of these financial statements.

VAGO is an administrative agency acting on behalf of the Crown. Our address is: Level 31, 35 Collins Street, Melbourne, VIC, 3000.

1.1 Basis of preparation and compliance

These general-purpose financial statements:

- are prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). They are presented consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.
- cover VAGO as an individual reporting entity and include all of its controlled activities
- are in Australian dollars and use the historical cost convention unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis
- apply an accrual basis of accounting whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid
- have been rounded to the nearest \$1 000, unless otherwise stated.

Judgements, estimates and assumptions are made about financial information being presented.

- Significant judgements are disclosed in Note 2 and Note 7, where the amounts affected by those judgements are also disclosed.
- Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors believed reasonable under the circumstances. Actual results may differ from these estimates.

Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. Funding delivery of our services

2.1 Summary of compliance with annual parliamentary and special appropriations

Provision for outputs are disclosed as 'controlled' activities of VAGO.

Once annual Parliamentary appropriations are applied by the Treasurer, they become controlled by VAGO and are recognised as income when applied to the purposes defined under the *Appropriation Act 2016*.

Output appropriations

Income from the outputs VAGO provides to Parliament is recognised when the outputs have been delivered and the Assistant Treasurer and the Treasurer have certified delivery of the outputs in accordance with specified performance criteria as outlined in the Department of Treasury and Finance budget papers.

	Appropriations Act Annual appropriation (\$ thousand)	Financial Management Act 1994 section 29 (\$ thousand)	Total Parliamentary authority (\$ thousand)	Appropriations applied (\$ thousand)	Variance ⁽ⁱ⁾
2020–21 controlled					
Provision for outputs	18 112	27 044	45 156	46 008	(852)
Recovery of cost of parliamentary reports	–	2	2	–	2
Total 2020–21	18 112	27 046	45 158	46 173	(850)
2019–20 controlled					
Provision for outputs	17 712	27 124	44 836	44 895	(59)
Conference fees	–	180	180	–	180
Total 2019–20	17 712	27 304	45 016	44 895	121

Note: (i) The variance from estimate of 'Provision for outputs' in 2019–20 and 2020–21 was due to the variability in financial audit fees charged and retained as per the section 29 agreement.

Special appropriations

Under section 94A(6) of the *Constitution Act 1975*, revenue related to costs associated with the Auditor-General's position, such as remuneration and on-costs, is recognised when the amount appropriated for that purpose is due and payable to VAGO.

Authority	Purpose	Appropriations applied	
		2020–21 (\$ thousand)	2019–20 (\$ thousand)
The <i>Constitution Act 1975</i> , section 94A(6)	Costs associated with the Auditor-General	596	587

FMA section 29 annotated income agreements

Administered transactions are those that are undertaken on behalf of the State of Victoria over which VAGO has no control or discretion.

The income which forms part of a section 29 agreement is recognised by VAGO as an administered item and the receipts paid into the consolidated fund. Where a section 29 agreement is in place, the relevant appropriation item will be increased by the equivalent amount at the point of income recognition.

Financial audit fees are measured based on the consideration specified in the service agreement with the audit client. VAGO recognises revenue progressively over time as the performance obligations for the services to the audit client are satisfied, in accordance with the terms of the service agreement.

FMA section 29 annotated income agreements are approved by the Treasurer.

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Fee for services		
Audit fees	27 044	27 124
Conference fees	-	180
Recovery of cost of parliamentary reports	2	-
Total annotated income agreements	27 046	27 304

2.2. Disaggregated financial information

Judgement is required in allocating income and expenditure to specific outputs. The following judgements were made in making the allocations:

- Output appropriation revenue is allocated directly to the output funded by the appropriation.
- Other revenue is allocated on the basis of management estimates of the relative benefits accruing to each output.

Expenses are allocated on the basis of management estimates of the planned direct hours worked by employees against each output. There were no amounts unallocated.

The distinction between controlled and administered items is based on VAGO's ability to deploy the resources in question for its own benefit (controlled items) or on behalf of the State (administered). VAGO remains accountable for transactions involving administered items but does not recognise them in its financial statements, except by way of note disclosure.

2.2.1 Departmental outputs

For a description of the VAGO's outputs, refer to pages 45 to 52 in *the Report of Operations*.

Controlled income and expenses for the year ended 30 June 2021

	Parliamentary reports (\$ thousand)		Financial statement audit and assurance reports (\$ thousand)		Total (\$ thousand)	
	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
Income from transactions						
Output appropriations	18 112	17 712	27 896	27 183	46 008	44 895
Special appropriations	298	294	298	293	596	587
Sale of services and other income	23	75	22	82	45	157
Total income from transactions	18 433	18 081	28 216	27 558	46 649	45 639
Expenses from transactions						
Employee expenses	13 468	12 661	12 828	12 038	26 296	24 699
Contracted audit services	286	934	12 861	12 375	13 147	13 309
Depreciation	976	1 066	1 095	1 035	2 071	2 101
IT operating costs	708	735	793	716	1 501	1 451
Consultants	256	407	244	431	500	838
Interest	190	208	181	197	371	405
Other operating expenses	934	1 199	889	1 197	1 823	2 396
Total expenses from transactions	16 818	17 210	28 891	27 989	45 709	45 199
Net result from transactions (net operating balance)	1 615	871	(675)	(431)	940	440
Other economic flows included in net result						
Net gain/(loss) on non-financial assets	14	(3)	13	(2)	27	(5)
Other gains/(losses) from other economic flows	109	(25)	103	(23)	212	(48)
Total other economic flows included in net result	123	(28)	116	(25)	239	(53)
Net result	1 738	843	(559)	(456)	1 179	387
Comprehensive result gain/(loss)	1 738	843	(559)	(456)	1 179	387

Controlled assets and liabilities as at 30 June 2021

	Parliamentary reports (\$ thousand)		Financial statement audit and assurance reports (\$ thousand)		Total (\$ thousand)	
	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
Assets						
Financial assets	8 563	8 040	14 759	13 059	23 322	21 099
Non-financial assets	4 375	5 163	7 539	8 486	11 914	13 649
Total assets	12 938	13 203	22 298	21 545	35 236	34 748
Liabilities						
Total liabilities	7 046	7 577	12 144	12 304	19 190	19 881
Net assets	5 892	5 626	10 154	9 241	16 046	14 867

2.2.2 Administered items

Administered income includes recovery of audit costs incurred for performing financial and performance statement audits. VAGO does not control the income and assets arising from audit fees and collects these amounts on behalf of the State. Accordingly, the income and related assets are disclosed as Administered Items. As VAGO has an annotated income agreement for financial audit fees, the output appropriation, used to fund the costs of financial audit services (see Note 2.1), is increased by an equivalent amount.

Administered expenses include payments made on behalf of the State and payments into the Consolidated Fund. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid.

Except as otherwise disclosed, administered resources are accounted for on an accrual basis using the same accounting policies adopted for recognition of the controlled items in the financial statements. Both controlled and administered items of VAGO are consolidated into the financial statements of the state.

Administered (non-controlled) items for the financial year
ended 30 June 2021

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Administered income from transactions		
Reimbursement of audit costs charged	27 896	27 184
Miscellaneous income	2	-
Total administered income from transactions	27 898	27 184
Administered expenses from transactions		
Payments into the Consolidated Fund	27 898	27 149
Total administered expenses from transactions	27 898	27 149
Total administered net result from transactions (net operating balance)	-	35
Administered other economic flows included in administered net result		
Net gain / (loss) on non-financial assets	-	(35)
Total administered comprehensive result	-	-
Administered assets		
Financial assets ⁽ⁱ⁾	5 146	4 744
Non-financial assets (work in progress)	2 396	2 727
Total administered assets	7 542	7 471
Administered liabilities		
Amounts owing to the state	7 542	7 471
Total administered liabilities	7 542	7 471
Total administered net assets	-	-

Note:

(i) Receivables comprise financial statement audit debtors and are deemed wholly collectable.

3. The cost of delivering our services

3.1 Employee benefits

Employee expenses include all costs related to employment including wages and salaries, payroll tax, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums, defined benefits superannuation plans and defined contribution superannuation plans.

The amounts recognised in relation to superannuation are the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when VAGO is either demonstrably committed to terminating the employees' employment according to a formal plan which has no possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

VAGO does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees.

3.1.1 Employee benefits included in the Comprehensive Operating Statement

	Note	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Salaries and wages, annual leave and long service leave ⁽ⁱ⁾		24 417	22 725
Defined contribution superannuation expense	3.1.3	1 830	1 725
Defined benefit superannuation expense	3.1.3	49	45
Termination benefits		-	204
Total employee expenses		26 296	24 699

3.1.2 Employee benefits provisions in the Balance Sheet

A provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	2 115	1 791
Long service leave		
Unconditional and expected to settle within 12 months	431	386
Unconditional and expected to settle after 12 months	2 001	1 887
Total provision for on-costs	698	606
Total current provisions for employee benefits	5 245	4 670
Non-current provisions		
Total non-current provisions for employee benefits	341	424
Total provisions for employee benefits	5 586	5 094
Reconciliation of movement in on-cost provision		
Opening balance	662	
Additional provisions recognised	81	
Closing balance	743	
Current	698	
Non-current	45	
Total provisions for on-costs	743	

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised:

- as current liabilities because VAGO does not have an unconditional right to defer settlement of these liabilities
- at remuneration rates which are current at the reporting date and measured at undiscounted amounts as it is expected the wages and salaries liabilities will be wholly settled within 12 months of reporting date.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

No provision has been made for sick leave as it is non-vesting and not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive Operating Statement as it is taken.

Long-service leave

If	Then classified as	Because	Measured at
Unconditional	Current liability even where VAGO does not expect to settle the liability within 12 months	VAGO does not have an unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months	<ul style="list-style-type: none"> Undiscounted value where VAGO expects to wholly settle within 12 months Present value where VAGO does not expect to wholly settle within 12 months
Conditional	Non-current liability	There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service	Present value

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates which is then recognised as an 'other economic flow', in the net result.

3.1.3 Superannuation contributions

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of VAGO.

	Paid contribution for the year		Contribution outstanding at year end	
	2020–21 (\$ thousand)	2019–20 (\$ thousand)	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Defined benefit plans				
State Superannuation Fund	51	44	–	1
Defined contribution plans				
VicSuper	1 102	1 009	–	28
Other employee nominated plans	797	702	–	19
Total⁽ⁱ⁾	1 950	1 755	–	48

Note:

(i) The total paid excludes accruals brought forward at 1 July 2020, and accruals carried forward at 30 June 2021, and therefore does not equal the totals in Note 3.1.1.

3.2 Contracted audit services

VAGO contracts certain audit services to external professional firms. Costs incurred under such contracts are recognised as an expense in the reporting period in which they are incurred. At the end of the reporting period, an estimate is made of the value of audit services provided to VAGO which have not yet been invoiced. The value of this uninvoiced work is recognised as an accrual in the Balance Sheet, and as an expense in the Comprehensive Operating Statement.

3.3 Other operating expenses

Other operating expenses represent the day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Training	475	574
Lease payments (accommodation)	492	519
Recruitment	201	304
Internal audit	138	137
Motor vehicles and travel costs	51	272
Other office expenses	466	590
Total other operating expenses	1 823	2 396

4. Key assets to support our output delivery

Plant and equipment

Items of plant and equipment (PE) are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

Subsequently they are measured at fair value less accumulated depreciation and impairment. Fair value is normally determined by reference to the asset's current replacement cost and is summarised below by asset category.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 4.4 in connection with how those fair values were determined.

Purpose groups

Under FRD 1031 *Non-financial physical assets*, PE are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub-categorised according to the asset's 'nature', with each sub-category being classified as a separate class of asset for financial reporting purposes.

In accordance with Government purpose classifications, VAGO PE is used for the purpose of public administration.

4.1 Plant and equipment

	Gross carrying amount (\$ thousand)		Accumulated depreciation (\$ thousand)		Net carrying amount (\$ thousand)	
	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
Leasehold improvements	4 750	4 750	(1 937)	(1 462)	2 813	3 288
Furniture, fittings and equipment	140	140	(114)	(86)	26	54
Computer software and equipment	1 015	907	(762)	(633)	253	274
Total plant and equipment	5 905	5 797	(2 813)	(2 181)	3 092	3 616

4.1.1 Reconciliation of movements in carrying amount of plant and equipment

	Leasehold improvements (\$ thousand)	Furniture, fittings and equipment (\$ thousand)	Computer software and equipment (\$ thousand)	Motor vehicles—leased (\$ thousand)	Total (\$ thousand)
Balance at 1 July 2019	4 117	88	276	175	4 656
Additions	–	–	167	–	167
Disposals	–	(5)	(29)	–	(34)
Transfer to right-of-use assets	–	–	–	(175)	(175)
Transfer to opening accumulated surplus due to AASB 16	(356)	–	–	–	(356)
Depreciation	(473)	(29)	(140)	–	(642)
Balance at 30 June 2020	3 288	54	274	–	3 616
Additions	–	–	108	–	108
Depreciation	(475)	(28)	(129)	–	(632)
Balance at 30 June 2021	2 813	26	253	–	3 092

4.2 Depreciation and amortisation

Useful lives

All plant and equipment are depreciated as an 'expense from transactions' on a straight-line basis, less any estimated residual value, over their estimated useful lives. Leasehold improvements and right-of-use assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Estimated useful lives for the different asset classes for current and prior years are included in the table below.

Asset	Useful life (years)
Leasehold improvements	2–10
Furniture, fittings and equipment	2–10
Computer software and equipment	3–4

Impairment

The recoverable amount of primarily non-cash-generating assets, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 *Impairment of Assets* does not apply to such assets that are regularly revalued.

4.3 Fair value determination

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of VAGO.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value
- plant and equipment.

Fair value hierarchy

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- a reconciliation of the movements in fair values from the beginning of the year to the end; and
- details of significant unobservable inputs used in the fair value determination.

4.3.1 Fair value determination of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recognised at the balance date, consisting of cash, receivables, payables and borrowings, represent fair value.

4.3.2 Fair value determination: non-financial physical assets

All non-financial physical assets are classified as Level 3 significant unobservable inputs in the fair value hierarchy. There have been no transfers between levels during the period. Note 4.1.1 provides a reconciliation of movements in the carrying amount of plant and equipment, including those classified as Level 3.

Significant unobservable inputs have remained unchanged since June 2020.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.3.3 Description of significant unobservable inputs to Level 3 valuations

2020–21 and 2019–20	Valuation technique	Significant unobservable inputs
Leasehold improvements	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit• Useful life of leasehold improvements
Other plant and equipment	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit• Useful life of other property, plant and equipment

4.4 Right-of-use assets and lease liabilities

VAGO as a lessee

VAGO recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and periodically reduced by impairment losses where applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate as provided by Treasury Corporation of Victoria (TCV). Generally, VAGO uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low value leases

VAGO does not have any short-term leases with a term of 12 months or less or low-value asset leases (individual assets worth less than \$10 000).

4.4.1 Right-of-use assets

	Gross carrying amount (\$ thousand)		Accumulated depreciation (\$ thousand)		Net carrying amount (\$ thousand)	
	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
Property	10 380	10 380	(2 622)	(1 311)	7 758	9 069
Vehicles	204	160	(27)	(48)	177	112
Total right-of-use assets	10 584	10 540	(2 649)	(1 359)	7 935	9 181

4.4.2 Reconciliation of movements in carrying amount of right-of-use assets

	Property (\$ thousand)	Vehicles (\$ thousand)	Total (\$ thousand)
Balance at 1 July 2019	10 380	175	10 555
Additions	–	73	73
Disposals	–	(109)	(109)
Depreciation	(1 311)	(27)	(1 338)
Balance at 1 July 2020	9 069	112	9 181
Additions	–	157	157
Disposals	–	(63)	(63)
Depreciation	(1 311)	(29)	(1 340)
Balance at 30 June 2021	7 758	177	7 935

4.4.3 Lease liabilities

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Maturity analysis—contractual undiscounted cash flows		
Less than one year	1 427	1 370
One to five years	6 358	5 985
More than five years	2 173	3 842
Total undiscounted lease liabilities	9 958	11 197
Less: future finance charges	(1 192)	(1 551)
Present value of minimum lease payments	8 766	9 646
Lease liabilities included in the Balance Sheet		
Current	1 009	1 005
Non-current	7 667	8 641
Total lease liabilities	8 766	9 646

4.4.4 Amounts recognised in the Comprehensive Operating Statement

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Interest expense on lease liabilities	371	405

4.4.5 Amounts recognised in the Statement of Cashflows

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Total cash outflow for leases	(947)	9 470

5. Other assets and liabilities

5.1 Receivables

Receivables consist of statutory receivables which are recognised at fair value plus any directly attributable transaction costs, but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Contractual		
Other receivables	6	–
Statutory		
Amounts owing from Victorian Government ⁽ⁱ⁾	23 316	21 099
Total receivables	23 322	21 099
Represented by		
Current receivables	8 417	8 041
Non-current receivables	14 905	13 058
Total receivables	23 322	21 099

Note:(i) The total amount recognised as owing from the Victorian Government was \$23 322 000 (2019–20: \$21 099 000) of which \$8 417 000 (2019–20: \$8 041 000) is likely to be drawn down in the next financial year and is reported accordingly as a current receivable. The amount recognised as owing from the Victorian Government comprises previously applied Parliamentary appropriations not yet drawn down. The balance is represented by accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

5.2 Other non-financial assets

Other non-financial assets include prepayments. Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Other non-financial assets		
Current prepayments	628	493
Non-current prepayments	20	60
Total other non-financial assets	648	553

5.3 Payables

Payables consist of:

- contractual payables, classified as financial instruments, measured at amortised cost. Accounts payable represent liabilities for goods and services provided prior to the end of the financial year that are unpaid.
- statutory payables are recognised and measured similarly to contractual payables, but not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

For the maturity analysis of contractual payables, see Note 7.1.2.

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Contractual		
Supplies and services ⁽ⁱ⁾	1 395	1 039
Amounts payable to government and agencies	6	–
Lease incentive ⁽ⁱⁱ⁾	2 765	3 233
Other payables	–	605
Statutory		
GST payable	585	93
FBT payable	11	15
Other taxes payable	76	156
Total payables	4 838	5 141
Represented by		
Current payables	2 540	2 376
Non-current payables	2 298	2 765
Total payables	4 838	5 141

Note: (i) Supplies and services is principally comprised of payables due for contracted audit services.

(ii) Lease incentive payable relates to funding provided by the lessor of VAGO's premises. This is amortised over the term of the lease and credited to the lease liability.

6. How we financed our operations

6.1 Cash flow information

Due to the State's investment policy and funding arrangements, VAGO does not hold a cash reserve in its bank accounts. Cash received from generation of income is paid into the State's bank account ('public account'). Similarly, VAGO's expenditure is made via the public account. The public account remits to VAGO the cash required upon presentation of cheques by VAGO's suppliers or creditors.

6.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Net result for the period	1 179	387
Non-cash movements		
(Gain)/loss on disposal of non-current assets	(27)	5
Depreciation of non-current assets	2 071	2 101
Movements in assets and liabilities		
(Increase) /decrease in receivables	315	(492)
(Increase)/decrease in prepayments	(95)	22
Increase/(decrease) in payables	(2 840)	(1 190)
Increase/(decrease) in provisions	492	224
Net cash flows from/(used in) operating activities	1 095	1 057

6.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

6.2.1 Lease commitments

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Lease commitments payable		
Less than 1 year	633	628
Longer than 1 year but not longer than 5 years	2 986	3 084
5 years or more	801	1 871
Total lease commitments payable	4 420	5 583
Contract audit service commitments payable⁽ⁱ⁾		
Less than 1 year	635	5 936
Longer than 1 year but not longer than 5 years	9	555
5 years or more	–	–
Total contract audit service commitments payable	644	6 491
Total commitments (inclusive of GST)	5 064	12 074
Less GST recoverable from the Australian Taxation Office	(460)	(1 098)
Total commitments (exclusive of GST)	4 604	10 976

Note:

(i) Contract audit service commitments relate to fees payable to professional firms for the conduct of financial statement audits on behalf of VAGO. At 30 June 2021, tenders for the 30 June 2022 and beyond audit cycles have not been finalised.

6.3 Contingent assets and contingent liabilities

At the reporting date, VAGO was not aware of any contingent assets or contingent liabilities.

7. Risks and valuation judgements

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Certain financial assets and financial liabilities arise under statute rather than a contract (i.e. taxes). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

VAGO applies AASB 9 *Financial Instruments* and classifies all of its financial assets based on the business model for managing the assets and its contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VAGO to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

VAGO recognises the following assets in this category:

- cash
- receivables (excluding statutory receivables).

Categories of financial liabilities under AASB 9

Financial liabilities at amortised cost are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability using the effective interest rate method. VAGO recognises the following liabilities in this category:

- payables (excluding statutory payables)
- lease liabilities.

Impairment of financial assets

VAGO records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include VAGO's contractual receivables and statutory receivables.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7.1.1 Financial instruments: Categorisation

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Contractual financial assets		
Receivables⁽ⁱ⁾		
Other receivables	6	–
Total contractual financial assets	6	–
Contractual financial liabilities at amortised cost		
Payables⁽ⁱ⁾		
Supplies and services	1 395	1 039
Amounts payable to government and agencies	6	–
Lease incentive	2 765	3 233
Other payables	–	605
Borrowings		
Finance lease liabilities	8 766	9 646
Total contractual financial liabilities	12 932	14 523

Note:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable). Statutory financial assets will be used to cover payment of contractual financial liabilities.

7.1.2 Financial risk management objectives and policies

VAGO's financial risk management program seeks to manage exposures to financial risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instruments are disclosed in the notes to the financial statements.

The main purpose in holding financial instruments is to prudently manage VAGO's financial risks within the legislative and government policy parameters.

VAGO's main financial risks include credit risk, liquidity risk and interest rate risk. These financial risks are managed in accordance with the financial risk management policy. VAGO uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer.

Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due.

Credit risk associated with VAGO's contractual financial assets is minimal because the main debtor is the Victorian Government.

Financial instruments: Liquidity risk

The following table discloses the contractual maturity analysis for VAGO's contractual financial liabilities:

Maturity analysis of contractual financial liabilities⁽ⁱ⁾

2020–21	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Maturity dates				
			Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months– 1 year (\$ thousand)	1–5 years (\$ thousand)	5+ years (\$ thousand)
Receivables							
Other receivables	6	6	6	-	-	-	-
Total contractual receivables	6	6	6	-	-	-	-
Payables⁽ⁱⁱ⁾							
Supplies and services	1 395	1 369	1 343	26	-	-	-
Amounts payable to government and agencies	6	6	6	-	-	-	-
Lease incentive	2 765	2 765	39	78	350	1 869	429
Borrowings							
Finance lease liabilities	8 766	8 774	88	178	837	5 550	2 121
Total contractual financial liabilities	12 932	12 914	1 476	282	1 187	7 419	2 550

2019–20	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Maturity dates				
			Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months– 1 year (\$ thousand)	1–5 years (\$ thousand)	5+ years (\$ thousand)
Payables⁽ⁱⁱ⁾							
Supplies and services	1 039	1 039	1 038	-	1	-	-
Lease incentive	3 233	3 233	39	78	351	1 869	896
Other payables	605	605	605	-	-	-	-
Borrowings							
Finance lease liabilities	9 646	9 649	124	157	725	4 972	3 671
Total contractual financial liabilities	14 523	14 526	1 806	235	1 077	6 841	4 567

Note: Interest rate exposure of financial instruments

With the exception of lease liabilities, all of VAGO's financial instruments are non-interest bearing. The carrying value and weighted average fixed interest rate exposure of finance lease liabilities in 2020–21 was \$178 000 at 4.31% (2019–20: \$112 000 at 3.19%).

8. Other disclosures

8.1 Responsible persons

Given the independent relationship of the Auditor-General with the Parliament, no government minister has any direct responsibility for the operations of VAGO. The following disclosures are made relating to the Accountable Officer in accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*:

Andrew Greaves, Auditor-General, held the Accountable Officer Position in relation to VAGO for the full year.

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the position responsibility during the reporting period was in the following ranges:

	2020–21 No.	2019–20 No.
\$540 000–\$549 999 (substantive)	1	1

8.2 Remuneration of executives

The number of executive officers, other than the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

The remuneration amounts disclosed below are measured on the same basis as required by AASB 119 *Employee Benefits*.

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.3)⁽ⁱ⁾

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Short-term employee benefits	4 398	4 175
Post-employment benefits	405	380
Other long-term benefits	24	121
Termination benefits	-	55
Total remuneration	4 827	4 731
Total number of executives⁽ⁱⁱ⁾	26	26
Total annualised employee equivalents⁽ⁱⁱⁱ⁾	22.7	22.0

Note:

(i) Definitions for remuneration categories are disclosed in Note 8.7.

(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported in Note 8.3.

(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.3 Related parties

VAGO is a wholly owned and controlled entity of the State of Victoria. Related parties of VAGO include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

VAGO received funding and made payments to the Consolidated Fund of \$46.6 million (2019–20: \$45.5 million) and \$27.9 million (2019–20: \$27.1 million).

During the year, VAGO had the following government-related entity transactions:

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Revenue from financial statement audits		
Department of Treasury and Finance	1 662	948
Department of Transport	1 145	815
Other government related parties ⁽ⁱ⁾	25 421	25 420
Total significant transactions with government-related entities	28 228	27 183

Note:

(i) Transactions with other related parties are collectively, but not individually significant.

Key management personnel (KMP)

KMPs of VAGO include the Accountable Officer and members of the Senior Management Group (SMG), which includes:

- David Barry, Deputy Auditor-General
- Renee Cassidy, Assistant Auditor-General, Performance Audit
- Roberta Skliros, Assistant Auditor-General, Financial Audit

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
Compensation of KMPs		
Short-term employee benefits	1 340	1 331
Post-employment benefits	85	80
Total⁽ⁱ⁾	1 425	1 411

Note:

(i) KMPs are also reported in the disclosure of responsible persons (Note 8.1) and remuneration of executives (Note 8.2).

Transactions and balances with key management personnel and other related parties

There were no related party transactions that involved key management personnel, their close family members and their personal business interests in the current reporting period.

8.4 Remuneration of auditors

	2020–21 (\$ thousand)	2019–20 (\$ thousand)
PKF Melbourne		
Audit of the financial statements	37	37
Review of the performance statement	3	3
Total	40	40

Steven Bradby from PKF Melbourne was appointed to this position in 2020.

The auditor of VAGO is appointed by Parliament and paid by the Public Accounts and Estimates Committee in accordance with the *Audit Act 1994*.

As the remuneration of the auditor is paid by the Public Accounts and Estimates Committee, the amount disclosed above is equal to the fair value of services received free of charge or for nominal consideration.

8.5 Subsequent events

VAGO had no events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment to, or disclosure in our financial statements.

8.6 Australian Accounting Standards issued that are not yet effective

A number of new and revised accounting standards have been issued but become effective for reporting periods commencing after 1 July 2021. VAGO is not expected to be materially impacted by any of these new or revised accounting standards.

8.7 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

Administered item generally refers to VAGO lacking the capacity to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item refers to the capacity of VAGO to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

- cash
- a contractual right
- to receive cash or another financial asset from another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Financial liability is any liability that is:

- a contractual obligation
- to deliver cash or another financial asset to another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements comprise:

- a Balance Sheet as at the end of the period
- a Comprehensive Operating Statement for the period
- a Statement of Changes in Equity for the period
- a Cash Flow Statement for the period
- notes comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*

Interest expense represents costs incurred in connection with borrowings. It includes interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net operating balance or net result from transactions is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes plant and equipment, intangible assets, and prepayments and accrued income.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, impairments of non-current physical and intangible assets; and gains and losses arising from the revaluation of the long service leave liability.

Other long-term benefits include long service leave.

Payables includes short and long-term trade debt and accounts payable, taxes and interest payable.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Produced assets include plant and equipment and certain intangible assets. Intangible produced assets include computer software.

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, and taxes receivable.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Supplies and services represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of VAGO.

Termination benefits include termination of employment payments, such as severance packages.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

8.8 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

-	zero, or rounded to zero
(xxx.x)	negative numbers
201x–xx	year period

The financial statements and notes are presented based on the illustration for a government department in the *2020–21 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VAGO’s annual reports.

APPENDIX A

Workforce profile

FIGURE A1: Profile of VAGO employees as at 30 June 2021

	All employees		Ongoing			Fixed-term and casual	
	Number (headcount)	Full-time equivalent	Full-time (headcount)	Part-time (headcount)	Full-time equivalent	Number (headcount)	Full-time equivalent
As at 30 June 2021							
Gender							
Women	98	92.66	64	17	76.16	17	16.50
Men	83	82.23	57	2	58.33	24	23.90
Age							
15-24	10	9.60	9	1	9.60	-	0
25-34	66	64.22	53	5	56.22	8	8.00
35-44	61	58.97	37	7	42.27	17	16.70
45-54	30	29.00	14	4	17.00	12	12.00
55-64	12	11.10	6	2	7.40	4	3.70
Over 64	2	2.00	2	-	2.00	-	-
Classification							
VPS 2	10	9.53	10	-	9.53	-	-
VPS 3	41	40.40	34	2	35.40	5	5.00
VPS 4	26	24.49	18	5	21.49	3	3.00
VPS 5	46	44.47	35	5	38.47	6	6.00
VPS 6	30	28.50	21	5	24.80	4	3.70
Senior Technical Specialists	2	2.00	2	-	2.00	-	-
Executives	25	24.50	2	1	2.80	22	21.70
Auditor-General	1	1.00	-	-	0.00	1	1.00
Total Employees	181	174.89	122	18	134.49	41	40.40

FIGURE A2: Profile of VAGO employees as at 30 June 2020

	All employees		Ongoing			Fixed-term and casual	
	Number (headcount)	Full-time equivalent	Full-time (headcount)	Part-time (headcount)	Full-time equivalent	Number (headcount)	Full-time equivalent
As at 30 June 2020							
Gender							
Women	99	92.87	66	19	79.77	14	13.10
Men	81	81.00	62	0	62.00	19	19.00
Age							
15-24	14	13.60	11	1	11.60	2	2.00
25-34	63	62.00	57	3	59.20	3	2.80
35-44	64	61.07	38	9	44.47	17	16.60
45-54	28	26.80	15	5	18.80	8	8.00
55-64	9	8.40	5	1	5.70	3	2.70
Over 64	2	2.00	2	-	2.00	-	-
Classification							
VPS 2	10	10.00	9	-	9.00	1	1.00
VPS 3	39	38.60	36	1	36.60	2	2.00
VPS 4	25	23.80	22	3	23.80	-	0.00
VPS 5	46	44.07	35	7	40.27	4	3.80
VPS 6	33	30.80	22	8	28.10	3	2.70
Senior Technical Specialists	2	2.00	2	-	2.00	-	-
Executives	24	23.60	2	-	2.00	22	21.60
Auditor-General	1	1.00	-	-	0.00	1	1.00
Total Employees	180	173.87	128	19	141.77	33	32.10

FIGURE A3: **Audit Service Provider panel members**

BDO Audit

Crowe Audit Australia

Deloitte Touche Tohmatsu

Ernst & Young

HLB Mann Judd

Johnsons MME Audit & Assurance Services

KPMG

RSD

RSM Audit

APPENDIX B

Workplace health and safety

Our vision is to build an environment where the physical and mental wellbeing of all staff is our priority. We aspire to be an exemplar in safety and wellbeing across the public sector and provide a mentally safe, supportive and respectful workplace.

Over the last 12 months, we have delivered:

- mandatory appropriate behaviour training for all staff, which we transitioned to online during 2020–21. Currently 98.4 per cent of all staff have either completed this training or are signed up for a future session.
- mandatory online training modules for all staff on appropriate behaviour and workplace health and safety, including ergonomic assessments
- an annual series of wellbeing webinars, supporting employees to prioritise their mental health during the COVID-19 pandemic
- a range of valuable health and wellbeing services including free influenza vaccinations for staff, fitness and nutritional information through our monthly wellbeing newsletter, access to our free virtual gym and live yoga and meditation sessions in September
- a comprehensive COVIDSafe plan to prioritise a safe return to the office for those who choose to return to working in the office
- an Employee Assistance Program with a customer satisfaction of 88 per cent and a utilisation rate of 12 per cent of the workforce, four per cent higher than our comparison group
- continual reviews of our occupational health and safety policies and procedures.

Staff have continued to choose to work where they are most productive, with the majority continuing to work from home. We supplied all staff with adequate equipment during 2020–21 and are in the process of rolling out standard desks, monitors, chairs and additional equipment to all staff for their ongoing needs.

To ensure all staff are effectively supported in the workplace, early intervention and injury management continues to be a key focus with targeted wellbeing support for staff. In 2020–21, there was one workplace health and safety incident reported, eight fewer than in 2019–20, as shown in Figure B1. The incident rate per 100 full-time equivalent staff in 2020–21 was 0.57 per cent, compared to 5.18 per cent in 2019–20.

FIGURE B1: **WorkCover claims**

Claims and rate	2017–18	2018–19	2019–20	2020–21
Number of standard claims*	2	1	1	1
Rate per 100 full-time equivalent staff	1.12	0.64	0.57	0.57

Note: (a) Standard claims are those that have exceeded the employer excess or are registered as a standard claim and are open with no payments as at 30 June 2021.

Source: Data supplied by the Victorian WorkCover Authority.

In 2020-21 there was one lost-time claims, as shown in Figure B2.

FIGURE B2: **Lost time and average cost of claims**

Lost time and cost	2017–18	2018–19	2019–20	2020–21
Number of lost-time claims claims(a)	1	-	-	1
Average cost of claims (b)	\$20 421	\$10 337	\$7 795	\$33 558

Note: (a) A lost-time claim is one with one or more days compensated by the Victorian WorkCover Authority (after employer excess) as at 30 June 2021. They are a subset of standardised claims.

(b) Based on claims reported between 1 July 2020 and 30 June 2021. Claims include employer and Victorian WorkCover Authority payments to date, plus an estimate of outstanding claims costs (further costs as calculated by the Victorian WorkCover Authority's statistical case estimate model).

Source: Data supplied by the Victorian WorkCover Authority.

Our performance against our workplace health and safety performance indicators is shown in Figure B3.

FIGURE B3: **Workplace health and safety performance against indicators**

Performance indicator	Performance
All new and existing staff are offered ergonomic assessments and required products are sourced and purchased	All employees were provided with access to a 'Safe Workstation Set-up' online module on commencement as well as on commencing working from home during the COVID-19 pandemic. Ergonomic assessments and HR support were arranged with employees if there were still concerns after the module was completed. During the COVID-19 pandemic, all employees were provided with the necessary products and equipment to enable effective work from home
All claims received are lodged with WorkCover within 10 working days	100 per cent
All reported incidents and accidents are followed up within 24 hours and closed as soon as is practicable	100 per cent
Return-to-work plans are in place as soon as is practicable, and regularly monitored until complete	100 per cent
A report on the number of claims and costs is provided to the Operational Management Group as require	Reported as required

APPENDIX C

General executive information

In 2020–21, none of our executive staff was involved in carrying out any special projects. All of our executive staff have completed statements declaring whether their interests, shares in, and other benefits from business enterprises could give rise to a conflict of interest. We have processes to manage any such conflicts. Further information on the number of our executive staff, by classification, is provided in Figures C1 and C2.

FIGURE C1: Annualised salary, by \$20 000 bands, for executive and senior non-executive staff

Income band (salary) ^(a)	Senior Executive Service	Senior Technical Specialists
\$0–\$19 999 ^(b)	1	–
\$140 000–\$159 999	2	–
\$160 000–\$179 999	7	–
\$180 000–\$199 999	12	1
\$200 000–\$219 999	1	1
\$220 000–\$239 999	2	–
\$340 000–\$359 999	1	–
Total	26	2

Note: (a) The salaries reported above are for the full financial year, at a one full-time equivalent rate, and exclude superannuation. The Auditor-General is not included in this table.

(b) One executive staff was on secondment leave during 2020–21 and therefore not remunerated by VAGO.

Source: VAGO.

FIGURE C2: **Number of executive staff by classification, at 30 June 2021^(a)**

	Total (ongoing)		Male		Female	
	No.	Variance ^(b)	No.	Variance	No.	Variance
SES-3	1	–	1	–	–	–
SES-2	2	–	–	–	2	–
SES-1	23	2	12	(1)	11	3
Total	26	2	13	(1)	13	3

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

(b) 'Variance' refers to variance in the numbers reported at 30 June 2021 compared to 30 June 2020.

Source: VAGO.

APPENDIX D

Audit and risk management

Audit and Risk Committee Chair's report for the year ended 30 June 2021

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

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. All members have appropriate financial and industry expertise and an appropriate understanding of the operations of VAGO.

Lynne O'Brien has been Chair of the Audit and Risk Committee since 1 January 2019. The members of the Audit and Risk Committee for the year ended 30 June 2021 and their attendance at meetings are set out in Figure D1. All four meetings were held virtually, rather than in person, in 2020-21 due to the impacts of COVID-19.

FIGURE D1: **Audit and Risk Committee members for the year ended 30 June 2021**

Committee member	Meetings held	Meetings attended
Lynne O'Brien	4	4
Julie Fahey	4	4
Peter Niblett	4	4

The responsibilities of the committee are defined in its charter, which is approved by the Auditor-General and delivers on the responsibilities set out in the Standing Directions under the *Financial Management Act 1994*.

The main responsibilities of the committee are to:

- independently review and report on the annual report and all other financial information published by VAGO
- assist in reviewing the effectiveness of VAGO's internal control environment, covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable legislation and regulations
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- maintain effective communication with external auditors
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- oversee the effective operation of the risk management framework.

In fulfilling its responsibilities, the Audit and Risk Committee has received operational management reports, risk management reports and briefings from the Auditor-General on issues affecting VAGO. During the year, the Audit and Risk Committee has considered:

- the closing report from the external financial auditor for the year ended 30 June 2021, which identified no significant issues
- status updates and review reports from the internal auditor, which include management's response to matters raised by internal audit, together with subsequent follow up
- VAGO's risk management reports and risk register
- systems of controls for gifts, benefits and hospitality and the Auditor-General's expenditure
- policies and procedures in place for the development of VAGO's annual plan and budget and resource planning
- impacts of COVID-19 on VAGO, including management actions in response to the pandemic and other COVID-19 related disclosures
- the Committee also met with VAGO Executive to provide advice on the development of the strategic plan.

At the time of signing this report, the annual financial report for the year ended 30 June 2021 had been considered and recommended for adoption by the Auditor-General.

The Audit and Risk Committee has met in camera with the external financial auditors, the Auditor-General and the internal auditor. The internal audit function was provided by ShineWing Australia in 2020-21.

[signed]

Lynne O'Brien
Chair, Audit and Risk Committee
25 August 2021

Risk management

Our risk management framework is developed in line with the Victorian Government Risk Management Framework, the Standing Directions 2018 under the *Financial Management Act 1994*, and the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2018).

We maintain effective risk governance through appropriate internal management structure and oversight arrangements. Each enterprise risk is assigned to a member of the Operational Management Group, who is responsible for ensuring the risk is effectively managed. The enterprise risk register is considered by our Audit and Risk Committee at each of its meetings.

During 2020–21, we:

- refreshed and updated our enterprise risks in line with our Strategic Plan 2017–2021
- continued to undertake an in-depth monthly focus on current and emerging risks
- reviewed and reassessed our risk management framework, including the risk appetite statement and business unit operational risk registers.
- refreshed our enterprise risk register in November 2020. We have identified 11 enterprise risks:

	Risk
1	External events or changes undermine our role and powers in Victoria’s integrity system and diminish our impact
2	Failure of practice and project management delaying and/or denying the fulfilment of our plans
3	Serious breaches of the Act, Financial Management Act 1994 and Public Administration Act 2004
4	Failure to capitalise on modern technologies and work practices to ensure our continued relevance and reach
5	Failure to influence public service accountability and performance
6	Unauthorised disclosure and/or breaches of information
7	Final audit product is of poor quality
8	Failure to meet auditing and assurance standards in the conduct of audits
9	Control environment does not support management of conflicts of interest, fraud and corruption, compliance and sound financials
10	Misalignment of staff and leadership with VAGO values
11	Ineffective sourcing and development of high-quality human capital (staff and third-party providers)

Victorian Auditor-General's Office Financial Management Compliance Attestation Statement

I, Andrew Greaves, certify that the Victorian Auditor-General's Office has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to read 'Andrew Greaves', with a large, sweeping flourish underneath.

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
25 August 2021

Internal audit

ShineWing Australia was appointed as our internal auditor in October 2019. The internal auditor reports to our Audit and Risk Committee and the Auditor-General.

The following reviews were carried out in 2020–21:

- audit service provider management and supervision
- general financial controls
- project management of performance audit delivery
- project management and change management

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.

Environmental management

FIGURE D2: **VAGO's environmental performance for 2020–21 and 2019–20**

Indicator	2020–21	2019–20
Energy Use		
Total energy usage segmented by primary source (MJ)	1 290 032	1 596 702
Electricity (MJ)—excluding Green Power	1 058 695	1 365 546
Natural Gas (MJ)	231 337	231 156
Green Power (MJ)	–	–
Total greenhouse gas emissions from energy consumption (tonnes CO₂e)	333	438
Electricity (tonnes CO ₂ e)—excluding Green Power	320	425
Natural gas (tonnes CO ₂ e)	13	13
Percentage of electricity purchased as Green Power	–	–
Units of office energy used per FTE (MJ/FTE)	7 376	9 182
Units of office energy used per office area (MJ/m ²)	496	614
Waste and recycling		
Total units of waste disposed of by destination (kg/year)	343	3 578
Landfill (kg)	181	1 891
Commingled recycling (kg)	57	594
Secure documents (kg)	65	682
Organics (kg)	40	413
Total units of waste disposed of per FTE by destination (kg/FTE)	1	21

Indicator	2020–21	2019–20
Landfill (kg/FTE)	-	11
Commingled recycling (kg/FTE)	-	3
Secure documents (kg/FTE)	-	4
Organics (kg/FTE)	-	2
Recycling rate (%)	35%	47%
Greenhouse gas emissions associated with waste (tonnes CO ₂ e)	1	2

Paper use

Total units of A4 equivalent copy paper used (reams)	85	479
Units of A4 equivalent copy paper used per FTE (reams/FTE)	1	3
75–100% recycled content	0%	75%
0–49% recycled content	100%	25%

Water consumption

Total water consumption (kilolitres)	1 024	1 302
Units of office water used per FTE (kilolitres/FTE)	6	7
Units of office water used per office area (kilolitres/m ²)	0.4	0.5

Travel and transport

Total energy consumption by vehicle fleet (MJ)	335 169	666 485
Total distance travelled by vehicle fleet (km)	79 839	183 268
Total greenhouse gas emissions from vehicle fleet (tonnes CO ₂ e)	23	45
Greenhouse gas emissions from vehicle fleet per 1 000 km (tonnes CO ₂ e)	0.5	0.5
Total distance travelled by air (km)	1 468	45 089

Greenhouse gas emissions

Total greenhouse gas emissions associated with energy use (tonnes CO ₂ e)	333	438
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO ₂ e)	23	45
Total greenhouse gas emissions associated with air travel (tonnes CO ₂ e)	0	5
Total greenhouse gas emissions associated with waste disposal (tonnes CO ₂ e)	1	2

APPENDIX E

Policies and compliance

Delegations

Under the Act, we have to report the names of any persons to whom the Auditor-General delegated the power to express a written audit opinion. In 2020–21, the Auditor-General delegated this power to the following financial audit directors:

- Simone Bohan
- Sanchu Chummar
- Travis Derricott
- Charlotte Jeffries
- Janaka Kumara
- Paul Martin
- Tim Maxfield
- Dominika Ryan.

Building Act

We do not own or control any government buildings and therefore, have no responsibilities under the *Building Act 1993*.

Government advertising expenditure

We have no advertising expenditure to report.

Major contracts

We have no major contracts to report.

Local jobs first—Victorian Industry Participation Policy

During 2020–21, VAGO commenced one Local Jobs First Strategic Project, valued in excess of the \$50 million threshold, to refresh our Financial Audit Services Panel. The project is based in metropolitan Melbourne representing 97 per cent of estimated local content, as advised by the Minister for Industry Support and Recovery.

The local content and jobs outcomes of this strategic project have not been finalised as this project is still in progress.

National Competition Policy

We comply with the National Competition Policy, including complying with the requirements of the Department of Treasury and Finance's Competitive Neutrality Policy.

Oversight by the Victorian Inspectorate

In 2020–21, we had nothing to report to the Victorian Inspectorate as per requirements under the Act, and the Inspectorate did not review any of our activities.

We have previously worked with VI to develop a self-reporting tool about the exercise of our coercive powers. We did not exercise these powers during the financial year.

VI made no recommendations to VAGO during the year.

Work arrangements

We offer flexible work arrangements for staff in response to staff demand and legislative obligations for employers to provide flexible working conditions. We encourage our staff to take advantage of these arrangements.

We operate under the Victorian Public Service Enterprise Agreement 2020 in providing leave for carers, as defined in the Carers Recognition Act 2012.

Merit and equity

We have a range of policies that reflect our commitment to a workplace free from discrimination, harassment and bullying, and that support merit-based recruitment practices.

We also comply with the Victorian Charter of Human Rights and the Code of Conduct for Victorian Public Sector Employees of Special Bodies.

Our selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. We also ensure that employees have been correctly classified in workforce data collections.

Public interest disclosures

Under the *Public Interest Disclosures Act 2012*, we cannot receive public interest disclosures.

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

Further information on VAGO's responsibilities is available at:
www.audit.vic.gov.au/complaints-about-vago

Freedom of information

The Act broadly precludes us from disclosing information we gather during an audit, other than reporting to Parliament.

The Act also precludes third parties from accessing any audit-related information and documents we hold.

Our administrative processes come under the state's freedom of information legislation. For the 12 months ending 30 June 2021, we received three requests for information, two of which were for audit evidence that we cannot provide, and one that did not proceed as it was an invalid request.

Further information on our obligations under the Freedom of Information Act 1982 is available on our website.

Requests for access to non-audit-related information and documents we hold can be made to the Freedom of Information Officer:

- by email (enquiries@audit.vic.gov.au)
- by phone (03 8601 7000)
- in writing (Freedom of Information, Victorian Auditor-General's Office, Level 31, 35 Collins Street, Melbourne 3000).

APPENDIX F

Additional information available on request

This report and our website publish all information required by the Standing Directions 2018 under the *Financial Management Act 1994*.

We can provide further details on the information items listed below if requested, subject to the freedom of information requirements, if applicable:

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

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

The following information is available from our website:

- details of documents we published about our activities
- copies of all our reports since 1956.

APPENDIX G

Disclosure index

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

Legislation	Requirement	Page
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Report of operations—Financial reporting direction (FRD) guidance		
Charter and purpose		
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FRD 22H	Purpose, functions, powers and duties	2
FRD 22H	Key initiatives and projects	33, 36, 39, 42, 43
FRD 22H	Nature and range of service provided	2
Management and structure		
FRD 22H	Organisational structure	4, 5
Financial and other information		
FRD 8D	Performance against output performance measures	46
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FRD 15E	Executive officer disclosures	108
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FRD 22H	Workplace health and safety policy	106
FRD 22H	Summary of the financial results for the year	54

Legislation	Requirement	Page
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FRD 22H	Major changes or factors affecting performance	12, 13, 14
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	118
FRD 22H	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	116
FRD 22H	Statement on National Competition Policy	117
FRD 22H	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	117
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SD 5.2.1(a)	Compliance with Standing Directions	74
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FRD 13	Disclosure of parliamentary appropriations	75
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FRD 112D	Defined benefit superannuation obligations	80
FRD 114C	Financial instruments—general government entities and public non-financial corporations	91
FRDs applicable to VAGO with no disclosures to make in 2020-21		
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FRD 12B	Disclosure of major contracts	-
FRD 22H	Subsequent events	-
SD 5.2.1(b)	Compliance with Model Financial Report	-
FRD 22H	Disclosure of government advertising expenditure	-

APPENDIX H

Acronyms and abbreviations

Acronyms

AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
ASP	audit service provider
AuASB	Australian Auditing and Assurance Standards Board
CA ANZ	Chartered Accountants Australia and New Zealand
CFO	chief financial officer
DASA	data analytics and systems assurance
FRA	financial reporting advisory
IT	information technology
OMG	operational management group
PAEC	Public Accounts and Estimates Committee
PMAP	People Matter Action Plan
RAP	Reconciliation Action Plan
SAP	strategic audit planning
SMG	strategic management group
TAFE	technical and further education
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate

Abbreviations

Audit Act	<i>Audit Act 1994</i>
BP3	<i>Budget Paper No. 3: Service Delivery</i>
COVID-19	coronavirus
CPA Australia	Chartered Practising Accountants Australia