
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2020–21

Tabled 17 November 2021



Objective

We wrote this report to inform Parliament about our audit of the state's Annual Financial Report (or AFR) for 2020-21.

What we found

The AFR is reliable and accurate, so we issued a clear opinion on it.

To form our opinion, we focussed on the transactions and balances of 26 state-controlled entities that make up most of the state's revenue, expenses, assets and liabilities.

This year, we issued clear audit opinions on the financial statements of 24 of these entities.

Victrack

For the second year, we issued an adverse audit opinion to VicTrack for incorrectly accounting for the lease arrangement it has with the Department of Transport. The Department of Treasury and Finance (DTF) corrected this matter on consolidation in the AFR.

We also continued to identify other significant issues in VicTrack's financial statements, including approximately \$2.2 billion of uncorrected errors, and asset amounts that need to be reviewed and confirmed. These issues did not impact our opinion on the AFR because the risk of error was not financially significant to the state's balance sheet.

VCGLR

At the time we prepared this report, our opinion to the Victorian Commission for Gambling and Liquor Regulation hadn't been issued. This was due to delays from findings associated with the Royal Commission's inquiry into Crown's suitability to hold a casino licence.

Recommendations

We made 4 recommendations relating to internal controls and financial reporting.



This didn't affect our ability to issue the opinion on the AFR because the risk of significant error was low.

Financial performance

Last year, in response to COVID-19, the state's revenue and expenditure policies shifted significantly. This continued in 2020–21 as the government managed its response to the worsening situation of the pandemic.

Revenue remained at levels below, and expenditure well above, pre-pandemic expectations, while debt continued to grow to cover both operational expenditure and infrastructure projects.

Most of this impact was in the general government sector, which this year made a net operating deficit of \$14.6 billion. Through our audit, we identified \$11.7 billion of net costs directly related to the pandemic response. We are aware that there are additional indirect impacts also that affected revenue and expenditure. But DTF couldn't directly confirm if the remaining \$2.9 billion operating deficit was caused by the pandemic response.

Emerging risks

We identified several emerging risks that need to be monitored and managed, including the long term sustainability of the WorkCover scheme and risks of capital project costs.

To reduce its deficit over the next four years, the government will need to manage growth in costs and realise savings measures that it announced before the pandemic.

Recommendations

We made four recommendations relating to internal controls and financial reporting.

To read the full report go to www.audit.vic.gov.au