

## APPENDIX A

# Submissions and comments

We have consulted with the agencies named in this report and considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions or comments. We also provided a copy of this report to the Department of Premier and Cabinet.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

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### Responses were received as follows:

Treasurer of Victoria.....	23
VicTrack.....	24
DJPR .....	25

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## Treasurer of Victoria

Minister for Economic Development  
Minister for Industrial Relations  
Minister for Trade

1 Treasury Place  
GPO Box 4379  
Melbourne Victoria 3001  
Telephone: +61 3 7005 9474

D22/171930

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

Dear Mr Greaves

### **RESPONSE TO THE AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA, 2021-22**

Thank you for your letter of 11 October 2022, seeking my response to your Report on the Annual Financial Report (AFR) of the State of Victoria: 2021-22 (the Report) before its finalisation and transmission to Parliament.

The report confirms the issuance of an unmodified audit opinion on the financial statements for the State of Victoria and the General Government Sector (GGS) for the financial year ended 30 June 2022, assuring the Parliament that the report reliably presents the Government's financial performance and position in the AFR.

The report also provides an independent assessment of the financial outcomes and fiscal aggregates of the State for the year ended 30 June 2022, which complements the Government's own assessment as presented in the AFR.

Importantly, the Report notes the COVID-19 pandemic continued to adversely affect the State during 2021-22, including the financial performance and position of the State as the Government continued to use its balance sheet to support the Victorian community and the public health response.

As set out in the AFR and the previous Budget publications, the Government remains committed to delivering responsible financial management through the robust fiscal framework as first set out in November 2020 – and is demonstrating clear progress in delivering that four step fiscal strategy:

- Step 1: creating jobs, reducing unemployment and restoring economic growth
- Step 2: returning to an operating cash surplus
- Step 3: returning to operating surpluses
- Step 4: stabilising debt levels.

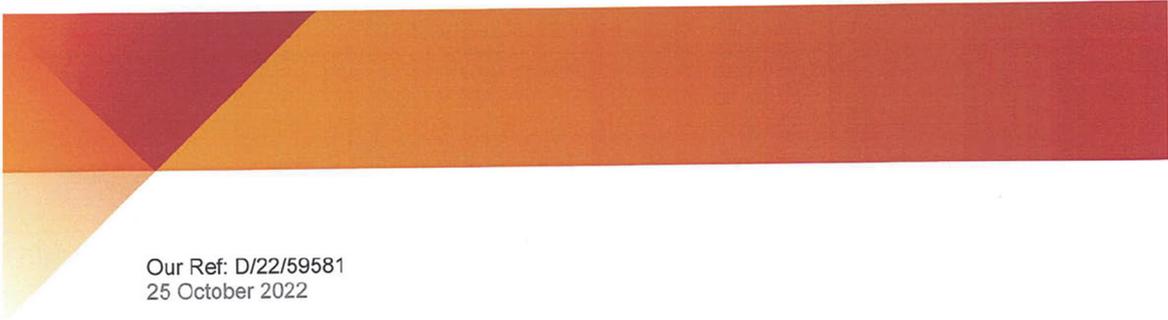
Finally, I wish to thank you again for the opportunity to comment on the Report.

Yours sincerely

TIM PALLAS MP  
Treasurer  
17/10/2022



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Our Ref: D/22/59581  
25 October 2022

Tim Maxfield  
Sector Director, Financial Audit  
Victorian Auditor-General's Office  
Level 31/35 Collins Street  
Melbourne VIC  
3000

Dear Mr Maxfield

**Re: Auditor-General's Report on the *Annual Financial Report of the State of Victoria: 2021-22***

Thank you for the opportunity for Victorian Rail Track (VicTrack) to provide comments to the *Auditor-General's Report on the Annual Financial Report of the State of Victoria 2021-22*.

VicTrack continues to have a difference of opinion with the Victorian Auditor General's Office (VAGO) on the classification of its operating leases, which resulted in the adverse qualification first issued in 2019-20 for VicTrack and its consolidated entities.

VicTrack's position as lessor in relation to these leases as part of the 2021-22 financial statements has been informed by refreshed professional accounting advice and remains unchanged from 2019-20 and 2021-21.

There has been no contractual change in the franchise arrangements that allows VicTrack to change this historical classification under the accounting standards.

We note that VicTrack's treatment as lessor is not connected to the position adopted by the Department of Transport (DoT) as lessee, as the adoption of the new Lease accounting standard treats lessor and lessee's differently.

Yours sincerely



Chris Olds  
Acting Chief Executive

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**VicTrack**  
Level 8, 1010 La Trobe St Docklands VIC 3008  
GPO Box 1681 Melbourne VIC 3001  
T 1300 VICTRACK (1300 842 872)  
victrack.com.au



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## Department of Jobs, Precincts and Regions

GPO Box 4509  
Melbourne,  
Victoria 3001 Australia  
Telephone: +61 3 9651 9999  
DX 210074

Ref: CSEC-2-22-17247

Mr Andrew Greaves  
Auditor-General of Victoria  
Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
MELBOURNE VIC 3000  
By email: [timothy.maxfield@audit.vic.gov.au](mailto:timothy.maxfield@audit.vic.gov.au)

Dear Mr Greaves

### AUDITOR-GENERAL'S REPORT ON THE 2021-22 ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA - REQUEST FOR COMMENT

Thank you for your letter of 11 October 2022 inviting the Department of Jobs, Precincts and Regions (the department) to respond to an extract of the proposed *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2021-22* (the report).

The extraordinary circumstances created by the COVID-19 pandemic and associated lockdowns required the department to provide urgent support to Victorian businesses and individuals. Throughout 2021-22, the department successfully delivered an unprecedented volume of grant payments through programs calibrated to provide support to Victorians in dire need as quickly as possible.

Notwithstanding the circumstances within which these programs were delivered, the department significantly strengthened its program controls during this period, including through implementing actions recommended by the Auditor-General in his 2020-21 report. These actions included:

- Engaging KPMG to conduct assurance for COVID-19 grant programs and application outcomes. Every grant application was subject to independent checking by KPMG, using different algorithms, to ensure accuracy. The rate of discrepancy between the department's checks and KPMG's checks was extremely small – below 0.2% across all assessment points. Whenever discrepancies were identified, these were then subject to further review on a case-by-case basis to ensure an appropriate outcome.
- Implementing a range of technological control and automation enhancements, such as automatic address, ABN and bank validation tools, business name and GST status confirmation tools, and the use of 'captcha' on application forms to improve the integrity of information captured. This reduced the level of manual intervention required and improved program speed and integrity.
- The development and implementation of a *Quality Assurance Model* and a *Strategic Assurance Framework*, which were presented to VAGO in 2022. The *Quality Assurance Model* uses a data repository to automate aspects of eligibility



assessment and minimises the need for manual data extraction during the assessment process. The *Strategic Assurance Framework* underpins grant oversight and helps to check compliance with assurance requirements at each stage of the grant lifecycle.

- Enhanced integrity training for grants administration staff, to increase awareness of grants integrity risks and train staff on improved processes for triage and escalation where integrity risks are identified.

The pandemic posed unprecedented challenges. By necessity, the grant programs that the department managed during this period prioritised the rapid delivery of urgently needed assistance to Victorians – and this involved a higher than usual degree of accepted risk in the control environment. However, I am confident that the department got the balance right, and I am proud of the support that we provided to Victorians and Victorian businesses during a time of critical need.

Thank you for the opportunity to comment on the extract of the proposed report.

Yours sincerely



**Simon Phemister**  
Secretary

Date: 25/10/2022