

APPENDIX B

About this report, the AFR and our financial audits

About this report

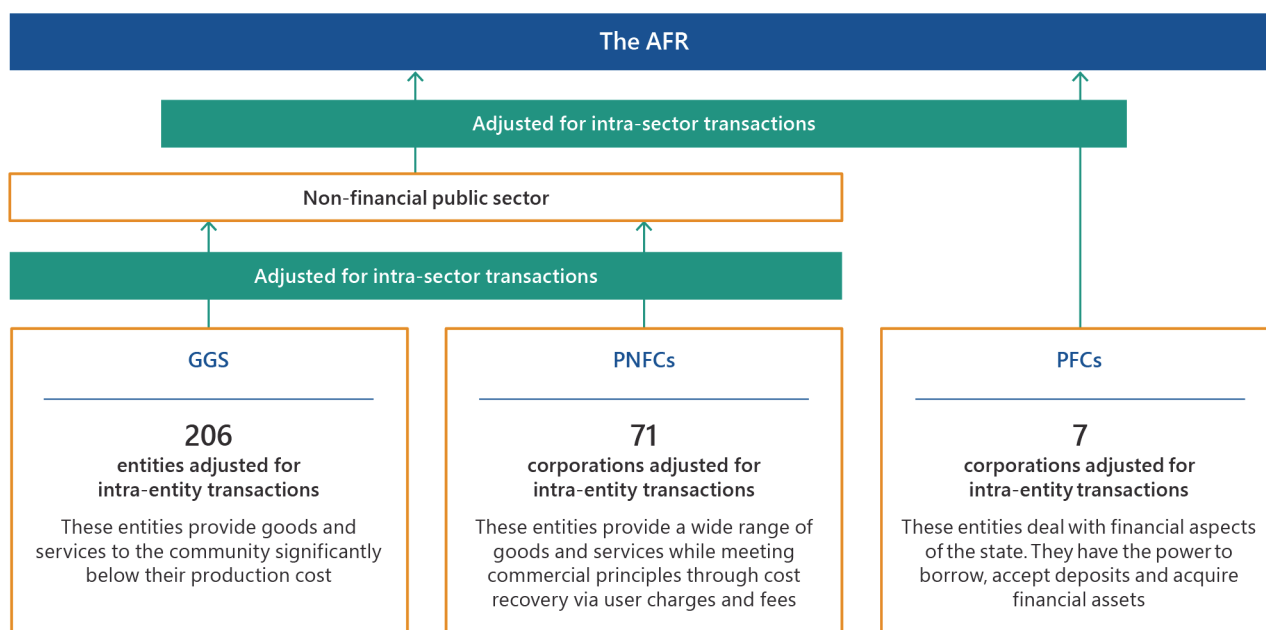
The Auditor-General provides this report to the Parliament of Victoria as required under section 57 of the *Audit Act 1994*. It contains matters we judge as significant and which arise from the audit and pertain to either the effective and efficient management of public resources or the keeping of proper accounts and records.

About the AFR

The AFR presents the financial report of the State of Victoria and the GGS. It is a consolidation of the financial results of 284 state-controlled entities. Each year we audit and provide opinions on the financial reports of each of the state-controlled entities. We also audit and provide an opinion on the AFR.

The government classifies these entities into 3 sectors, as shown in Figure B1.

FIGURE B1: **Categories of state-controlled entities**



Source: VAGO.

Entities not included in the AFR

The AFR only includes state-controlled entities. Other public sector entities that we audit are excluded from the AFR because the state does not control them for financial reporting purposes. These entities prepare separate financial reports.

FIGURE B2: **Sectors and entities not included in the AFR**

Sectors and entities	Exclusion rationale
Local government	Local government is a separate tier of government, with councils elected by and accountable to their communities.
Universities	The Australian Government is the main sector funder. The state only directly appoints a minority of university council members.
Denominational hospitals	Denominational hospitals are private providers of public health services. Each one has its own governance arrangements.
State superannuation funds	State superannuation funds' net assets are members' property. However, any net asset shortfalls related to certain defined benefit scheme entitlements are a state obligation and are reported in the AFR as a liability.
Registered community health centres and aged care providers	These providers have various funding streams. Each one has its own governance arrangements.

Source: VAGO.

About our financial audits

We conduct our financial audits in accordance with the *Audit Act 1994* and the Australian Auditing Standards.

For each financial report we:

Evaluate the ...	And design and perform audit procedures that are ...	And form an opinion ...
risks of material misstatement—whether due to fraud or error	responsive to those material risks	based on audit evidence that is sufficient and appropriate.
internal controls relevant to the audit	appropriate in the circumstances	on the appropriateness of using the going-concern basis of accounting.
appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures		on whether the report fairly represents the underlying transactions and events.
overall presentation, structure and content of the financial report		

As part of our audit of the AFR we also:

- obtain evidence regarding the completeness and accuracy of the financial information of the 28 material entities within the AFR
- obtain an understanding of the consolidation process and evaluate the appropriateness, completeness and accuracy of consolidation adjustments, such as intra-agency and intra-sector eliminations.

Cost of our audits and this report

The cost of our audit of the AFR was \$395,000. The combined cost of our audits of the 28 material entities was approximately \$8.1 million. These costs are met by the audited agencies. We receive no other revenue from, and did not carry out non-assurance services for, these entities.

The cost of preparing this report was \$108,000, which is funded by parliamentary appropriation.

Our independence

The Auditor-General is:

- an independent officer of the Parliament of Victoria
- appointed under legislation to examine, on behalf of Parliament and taxpayers, the management of resources within the public sector
- not subject to the control or direction of either Parliament or the government.

The Auditor-General and staff of VAGO are required to meet the ethical requirements of:

- the Australian Auditing Standards and the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*
- the *Code of Conduct for Victorian Public Sector Employees of Special Bodies* and the *Public Administration Act 2004*
- the *Standing Directions 2018 Under the Financial Management Act 1994*, which provide policies on the acceptance and provision of gifts, benefits and hospitality.