

# 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 2021–22 financial year are presented fairly, and are consistent with the Standing Directions under the *Financial Management Act 1994*.

The statement includes the 2021–22 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 24 August 2022.



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

Melbourne  
24 August 2022



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

Melbourne  
24 August 2022

## 6.1 Performance statement

Our performance statement makes reference to the 2021–22 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	2020-21 actual	2021-22 target	2021-22 actual	2021-22 per cent variation	Result	Notes
<b>Quantity</b>							
Average cost of parliamentary reports	(\$ thousand)	535.3	527	683.6	29.7	×	3.1
<b>Quality</b>							
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	(per cent)	70.8	80	77.9	-2.6	×	
Overall level of external satisfaction with audit reports and services—parliamentarians	(per cent)	87.5	85	77.5	-8.8	×	3.2
<b>Timeliness</b>							
Average duration taken to finalise responses to inquiries from Members of Parliament	(days)	12	≤ 20	18	-	✓	
Average duration taken to produce performance audit parliamentary reports	(months)	12.2	≤ 9	13.0	44.4	×	3.3
Average duration taken to produce financial audit parliamentary reports after the balance date	(months)	6.7	≤ 5	4.9	-	✓	
<b>Cost</b>							
<b>Total output cost</b>	<b>(\$ million)</b>	<b>16.8</b>	<b>18.4</b>	<b>16.5</b>	<b>-10.3</b>	<b>✓</b>	<b>3.4</b>

Note: ✓ indicates that the target was achieved or bettered; × indicates that the target was not met.

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

Performance measure	Unit of measure	2020-21 actual	2021-22 target	2021-22 actual	2021-22 per cent variation	Result	Notes
<b>Quantity</b>							
Average cost of audit opinions issued on performance statements	(\$ thousand)	5.2	5.4	5.2	-4.4	✓	
Average cost of audit opinions issued on the financial statements of agencies	(\$ thousand)	50.7	50	54.3	8.6	×	3.5
<b>Quality</b>							
External/peer reviews finding no material departures from professional and regulatory standards	(per cent)	81.25	100	86.7	13.3	×	3.6
Proportion of agencies disclosing prior period material errors in financial statements	(per cent)	2.0	≤5	2.2	-	✓	
<b>Timeliness</b>							
Audit opinions issued within statutory deadlines	(per cent)	97.3	98	96	-2.0	×	
Management letters to agencies issued within established time frames	(per cent)	93.8	90	90	-	✓	
<b>Cost</b>							
<b>Total output cost</b>	<b>(\$ million)</b>	<b>28.9</b>	<b>28.4</b>	<b>31.3</b>	<b>10.2</b>	<b>×</b>	<b>3.7</b>

Note: ✓ indicates that the target was achieved or bettered; × indicates that the target was not met.

## 6.2 Notes to the performance statement for the year ended 30 June 2022

### 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 those 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
<b>Output Group 1—parliamentary reports and services</b>			
Average cost of parliamentary reports	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of parliamentary reports tabled during 2021–22 / Total number of parliamentary reports tabled during 2021–22 (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 / 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

## 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 2021–22 / 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 The higher costs of our reports have a positive correlation to the time we spend on audits. There were program delays to account for internal staff changes, as well as external requests. Our audits tabled in 2021–22 included some large complex audits with multiple audited agencies. Going forward we expect the costs to be reduced as we plan for and execute our program as intended.

- 3.2 This was a relatively small sample size of 40 Parliamentarians representing a 34 per cent response rate.

22.5 per cent of Members indicated they were neither satisfied nor dissatisfied, indicating some additional respondents' satisfaction levels were neutral. While the target was not met, we will continue to work with Members of Parliament to enhance our products and services, and make them more accessible, readable and relevant.

- 3.3 COVID-19 continued to have an impact on VAGO in terms of timely service delivery. We were hampered on two fronts. Internally there was a staff turnover and unplanned leave, which caused projects to be delayed. Externally we had to accommodate multiple client requests for delays in providing information or responses to our draft reports recognising that the clients were also facing similar pressures as us. Audit reports for community services, health, education and transport were the most impacted because of the frontline nature of these services and the time clients needed to engage with us.
- 3.4 The tight labour market combined with higher-than-expected turnover has resulted in an underspend of \$0.9 million in labour costs, with the average FTE for 2021–22 of 46.6 compared with budgeted FTE of 55.4. This has also impacted timing of projects and associated consultant spend.
- 3.5 The average cost of audit opinions was higher than target primarily because audit fee outcomes from our ASP panel procurement activity increased in line with market. We also increased some of our in-house audit fees to better reflect the full cost of service provision to some entities.
- 3.6 Target not achieved as independent assessors concluded two of the 15 audit files they reviewed had issues with the audit evidence documented in the audit file supporting the audit opinion. Our 2021–22 result is slightly improved from the prior year. We continue to assess the results of these reviews to determine and implement remedial actions to improve audit quality.
- 3.7 Market outcomes resulting from our refreshed ASP panel, combined with delayed prior year ASP invoicing due to delayed deliverables has resulted in increased ASP costs in the current year. Further, the need to outsource IT system assurance audit services also contributed to additional costs. The tight labour market has also impacted labour costs due to increased contractor costs to cover the peak period.

## 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 2021-22 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 2021-22.

#### 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 to 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, 24 August 2022



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Partner

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