

# APPENDIX A

## Submissions and comments

We have consulted with agencies named in this report, and we 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 and comments.

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:

|   |    |
|---|----|
| Acting Treasurer of Victoria .....      | 56 |
| DJCS .....                              | 58 |
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| Department of Premier and Cabinet ..... | 62 |
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Treasurer of Victoria

Minister for Industrial Relations  
Minister for Economic Growth

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

D23/178732

Mr Andrew Greaves  
Auditor-General  
Victorian Auditor-General's Office (VAGO)



Dear Mr Greaves,

**RESPONSE TO THE AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA, 2022-23**

Thank you for your letter on 2 November 2023, seeking my response to your report on the Annual Financial Report (AFR) of the State of Victoria: 2022-23 (the report) before its finalisation and transmission to Parliament.

The report confirms the issuance of a clear audit opinion on the financial statements of the State of Victoria and the General Government Sector (GGS) for the financial year ended 30 June 2023. It also provides assurance to Parliament that the financial statements within the AFR reliably present the Government's financial performance and position for the financial year ended 30 June 2023.

The report further provides an independent assessment of the financial outcomes and fiscal aggregates of the GGS for the year ended 30 June 2023, which complements the Government's own assessment as presented in the AFR.

The report particularly references the difficult circumstances the State has faced over the last few years emanating from the worldwide COVID-19 pandemic. These events have significantly affected families, local communities and businesses. They have also adversely impacted the State's finances, including its reported fiscal results and financial position.

The Government actively intervened to provide community and business support over this challenging period to ensure the State was best placed to emerge strongly from the pandemic. Testament to these endeavours are the strong economic settings and outcomes we currently enjoy in Victoria, including strong employment levels, high productivity and strong population growth.

As the report notes, the State's fiscal strategy continues to be underpinned by four steps:

- 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.



Response provided by the Acting Treasurer of Victoria – *continued*

This is a balanced approach ensuring the Government carefully navigates through the economic challenges facing the State. The recent 2023-24 Budget demonstrated that the State remains on track to meet this fiscal strategy.

The report makes several recommendations to the Department of Treasury and Finance (DTF), and responses are outlined in the table below.

| Recommendation  | Response  |
|---|---|
| <p>1. Consider why quality issues with information provided by material entities arise and determine whether further training and guidance are required.</p>                              | <p><b>Agreed</b></p> <p>Over the past few years, DTF has placed considerable effort into providing training and guidance to the material entities, including creation of various system tools and guidance material prior to the provision of information for the Annual Financial Report (AFR) as well as providing debriefs on outcomes with departments post the AFR process. DTF will continue to look for further opportunities to provide training and guidance materials for material entities as part of a process of continuous improvement.</p> |
| <p>2. Work with the government to set specific targets and precise timing of achieving its key financial measures and targets of net debt to GSP and interest expense to revenue.</p>     | <p><b>Noted</b></p> <p>It is the responsibility of government to set fiscal policy, strategy, financial measures and key financial targets. The Government annually reviews these settings as part of each budget process to determine if they remain appropriate.</p> <p>As part of the usual budget process, DTF will continue to provide input for government deliberations and decision-making when setting fiscal strategy, budgets and financial targets.</p>   |
| <p>3. Work with government to outline their debt management strategy including when and how the state will be able to start to pay down the debt that it has and plans to accumulate.</p> |   |

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

Yours sincerely



**The Hon. Danny Pearson MP**  
**Acting Treasurer**  
 Date: 17/11/2023





## Department of Justice and Community Safety

Secretary

Level 29  
121 Exhibition Street  
Melbourne Victoria 3000  
Telephone  
justice.vic.gov.au

Our ref: 23110718

Mr Andrew Greaves  
Auditor-General  
Victorian Auditor-General's Office (VAGO)  
Level 31  
35 Collins Street  
MELBOURNE VIC 3000

Via email: [REDACTED]

Dear Mr Greaves

Thank you for your letter dated 2 November 2023 regarding your proposed *Report on the Annual Financial Report of the State of Victoria: 2022-23* (Report), and the invitation to provide a formal response.

I note that your proposed Report references the Department of Justice and Community Safety's (the department) reporting relating to the administered fines and fees receivables and its provision for expected credit losses.

The Report acknowledges that management has refined the model and the method of calculating the loss allowance for unpaid fines and fees to address the previously identified issues and that no adjustments were required to the reported administered fines and fees receivables balance in 2022-23.

Since identification of the issues in the previous years, significant work has been undertaken to ensure that the model is compliant with the relevant accounting standards. The department is committed to reviewing and implementing a sustainable best practice model for the calculation of the expected credit loss relating to the administered fines and fees receivables. The refined model will be reviewed regularly to ensure it remains accurate, relevant, and fit for purpose.

During 2022-23, the department worked closely with VAGO to address the issues and is committed to continuing to strengthen our reporting and the model relating to the administered fines and fees receivables and its provision for expected credit losses. The department will continue to work closely with your office to implement future improvements.



Response provided by the Secretary, DJCS – *continued*

Thank you again for the opportunity to comment on your report.

Yours sincerely



**Kate Houghton**  
Secretary

17/11/2023

CC: Janaka Kumara, Director, Financial Audit, VAGO



OFFICIAL



## Department of Jobs, Skills, Industry and Regions

GPO Box 4509  
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Telephone: +61 3 9651 9999

Ref: CSEC-2-23-22177  
File: 33703-24

Mr Andrew Greaves  
Auditor General  
Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
MELBOURNE VICTORIA 3000

Dear Auditor General

### **PROPOSED REPORT *AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA: 2022-23***

Thank you for your letter of 2 November 2023 inviting the Department of Jobs, Skills, Industry and Regions (the department) to provide a response to a draft extract of the *Auditor-General's Report on the 2022-23 Annual Financial Report of the State of Victoria* (the report).

The administration of Victorian Government programs to support Victorian businesses, organisations and workers during the COVID-19 pandemic was unprecedented in scale and the desire for speed. Between 2020 and 2022 the former Department of Jobs, Precincts and Regions processed more than 700,000 applications from businesses and organisations, delivering almost 1.8 million payments.

Including initiatives targeting workers and individuals, such as Test Isolation Payments and Travel Vouchers, the department received more than 2.3 million applications and made more than 3.17 million payments. This far exceeds by several orders of magnitude what the department usually administers in any given equivalent period.

In delivering COVID-19 programs, the former department was encouraged to act quickly and considered factors including supporting organisations and individuals that do not regularly engage with government programs; administering programs to enable rapid assessment of a high volume of applications; and delivering timely payments.

The former department also implemented measures to minimise the risk of fraud and error. Program implementation processes during the period 2020-2022 resulted in an estimated \$140 million of potentially fraudulent grant applications not being paid and more than 250 matters were referred to Victoria Police.

The department does however acknowledge that, in this context, there were some process short-comings and the department should have been more timely in commencing its after program audit activities.

The department has though already taken some actions to address the issues raised in the report and will continue to improve its delivery of grant programs.



## Response provided by the Secretary, DJSIR – *continued*

The department has commenced a post implementation audit of COVID-19 Business Support Grants, noting the program guidelines allow up to 4 years for this activity. The audit will assess a sample of higher risk cohorts, including those identified in your report, to better understand on what basis grant applications were made and how grant funding was used. The findings from this audit will inform further actions, including potential recovery.

Acknowledging factors including the passage of time, the department is taking a proportionate approach, consistent with the Standing Directions under the *Financial Management Act 1994* related to recovery.

Lessons from COVID-19 business program administration have been incorporated into subsequent programs, including the government's flood recovery grants announced in October 2022. For example, guidelines for both the \$5,000 Small Business Immediate Flood Relief program and the \$50,000 Business and Community Sport Flood Recovery program clearly stated that businesses that backdate their Goods and Services Tax registration are not eligible. Active fraud prevention steps, including additional mitigations for known risk cohorts observed in COVID-19 grant programs, were put in place during program implementation. A post implementation audit and acquittal of flood grants is already in the planning stage to be undertaken in the months following program closure on 1 December 2023.

Earlier this year the department also conducted an independent review of its internal control processes and systems and is actively implementing process improvements.

Evaluation of a number of COVID-19 related grant programs has been undertaken to date or are underway. These include the Small Business Digital Adaptation Program and the Wellbeing and Mental Health Support for Victorian Businesses initiative.

The department accepts the report's recommendation that it undertake an independent evaluation of the Business Cost Assistance Program and the Licenced Hospitality Venue Fund, which will be undertaken over the next six months.

Finally, as Secretary of the Department of Jobs, Skills, Industry and Regions, I am committed to the department providing frank and fulsome advice to our ministers.

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

Yours sincerely



**Tim Ada**  
Secretary

Date: 16/11/2023



Department of  
Premier and Cabinet

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Melbourne, Victoria 3002 Australia  
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Mr Andrew Greaves  
Auditor-General  
Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
MELBOURNE VIC 3000

BSEC-231100558

Dear Auditor-General

Thank you for inviting my comment regarding the recommendation to my department for the *Proposed report Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2022–23*.

The Department of Premier and Cabinet (DPC) does not accept the recommendation to “work with government, departments and state-controlled entities to reconsider the tabling schedule of annual reports”. The tabling of the annual reports of departments and agencies is a matter for the responsible minister under the *Financial Management Act 1994*. DPC does not play a role in coordinating the tabling date of other departments or public body annual reports.

Annual reports are important for providing accountable and transparent reporting to Parliament and the Victorian community on agency efficiency, effectiveness, and performance.

I thank the Victorian Auditor-General's Office for their professionalism and collaborative approach to auditing my department's financial performance in accordance with the Financial Management Act. This assists the community and Parliament to have confidence in agencies' financial management, and that the information provided to Parliament and the public about the management of finances and resources is clear, accurate and readily understandable.

Yours sincerely



**Jeremi Moule**  
Secretary

..17./11./2023

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.







Our Ref: D/23/70772  
6 November 2023

Janaka Kumara  
Director - Financial Audit  
VAGO  
Level 31/35 Collins Street  
Melbourne VIC  
3000

Dear Mr Kumara,

**Re: Auditor-General's Report on the 2022-23 Annual Financial Report of the State of Victoria.**

Thank you for the opportunity for Victorian Rail Track (VicTrack) to provide comments to the *Auditor-General's Report on the 2022-23 Annual Financial Report of the State of Victoria*.

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 2022-23 financial statements has been informed by refreshed professional accounting advice and remains unchanged since the initial qualification.

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 and Planning (DTP) as lessee, as the adoption of the new Lease accounting standard treats lessor and lessee's differently.

Yours sincerely



Chris Olds  
Chief Executive

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**VicTrack**



**Reducing  
workplace  
harm.**

**Improving  
outcomes for  
injured workers.**

WorkSafe Ref: CEO23-1697

16 October 2023

Janaka Kumara  
Director - Financial Audit  
Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
MELBOURNE VIC 3000

By email: [REDACTED]

Dear Janaka

Thank you for your email of 2 November 2023 regarding the Auditor-General's Report on the 2022-23 Annual Financial Report of the State of Victoria (the Report).

WorkSafe Victoria reviewed the Report and sought to independently re-calculate the financial conclusions. We found the results to be materially and directionally correct. We do not dispute the findings presented or have any further feedback.

WorkSafe's financial performance has improved recently due to the increase in average premium rates to 1.8 percent that came into effect from 1 July 2023. The gap between premium revenue and claims cost has reduced but remains in deficit. Scheme reform or an additional increase to average premium rates are necessary to return WorkSafe to long-term financial sustainability.

Thank you again for taking the time to write to me about this matter.

Yours sincerely



Joe Calafiore  
**Chief Executive Officer**  
**WorkSafe Victoria**