



Annual Report

2023–24

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Auditor-General's foreword

I was honoured to be reappointed by the Governor for a second term as Auditor-General of Victoria in September 2023. I am proud of the work we delivered over my first term and I start my second term with renewed energy and a strong desire to continue to 'raise the bar' – both for my office and for the public sector.

A primary focus will be to adapt to rapidly changing technology by investing in the capability of our people and the audit tools and methods we use to deliver our work program. This investment requires significant capital and we will now embark on a 3-year period using the financial reserves we have accumulated in my first term to 'future proof' our office.

This year we used these reserves to deliver a number of significant transformation projects:

- the rollout of Empower 2.0, an upgraded version of our in-house financial data analytics platform that serves to makes the audit process more efficient for both our clients and our staff
- a new strategic planning framework for determining our performance audit work program that we will ensure that we continue to deliver credible and authoritative reports that are relevant, timely and informative
- the evolution of our quality control framework into our system of quality management enhancing the robustness of our approach to audit quality.

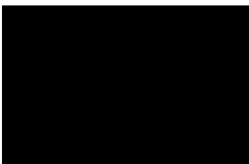
We also worked on:

- replacing our legacy audit toolsets, and are well progressed in this regard for our financial audits
- a comprehensive review and refresh of our performance engagement methodology and supporting guidance, anticipating the proposed changes to the assurance standard to come into effect next year.

Pleasingly we have been able to effectively balance our transformational agenda with our core purpose – our audits, producing more reports to Parliament than in previous years and increasing our financial audit production effort by 13 per cent compared with last year.

Realising our strategic intent relies on an engaged and capable workforce, we have continued to invest in our goal of an enriched experience for our people with the launch of new capability frameworks for our financial and performance auditors. These frameworks position us well to further enhance the professional development and career growth for our people.

In closing, I acknowledge and thank all my staff for their professionalism, dedication and commitment to upholding our core values and delivering on our mission.



Andrew Greaves
Auditor-General

1.

Our role and approach

Our unique position and access to information enables us to identify common issues and provide useful insights for members of Parliament (MPs), the public and the agencies we audit.

About VAGO

VAGO's role

The Auditor-General is an independent officer of the Victorian Parliament. They are appointed on behalf of Victorians to scrutinise how well the government spends public money.

The *Audit Act 1994* establishes the Auditor-General's mandate and the Victorian Auditor-General's Office (VAGO). It provides the legal basis for our powers and identifies our responsibilities.

The *Constitution Act 1975* establishes the Auditor-General's role. It gives the Auditor-General complete discretion in how they perform and exercise their functions and powers.

Our services to Parliament and Victorians

We audit public sector agencies' financial reports and provide opinions on their performance statements.

The agencies we audit include government departments, statutory bodies, educational institutions, public hospitals, water corporations, insurers and local government councils.

We also do performance engagements that assess the effectiveness, efficiency, economy and compliance of government agencies, programs and services.

With our follow-the-dollar powers, we can audit non-government organisations that provide services under government contracts.

Our role in Victoria's integrity system

We are part of Victoria's integrity system alongside the Independent Broad-based Anti-corruption Commission (IBAC), the Victorian Ombudsman and the Victorian Inspectorate (VI).

We protect the public interest by helping to hold the government accountable. We achieve this by doing financial and performance audits of public sector agencies and reporting the results to Parliament.

Our unique position and access to information across the entire Victorian public sector allow us to identify common issues and provide useful insights to the agencies we audit.

We make recommendations for agencies to improve their services and function more efficiently and effectively. We also give agencies collated information through our data analytics dashboards.

Our governance arrangements

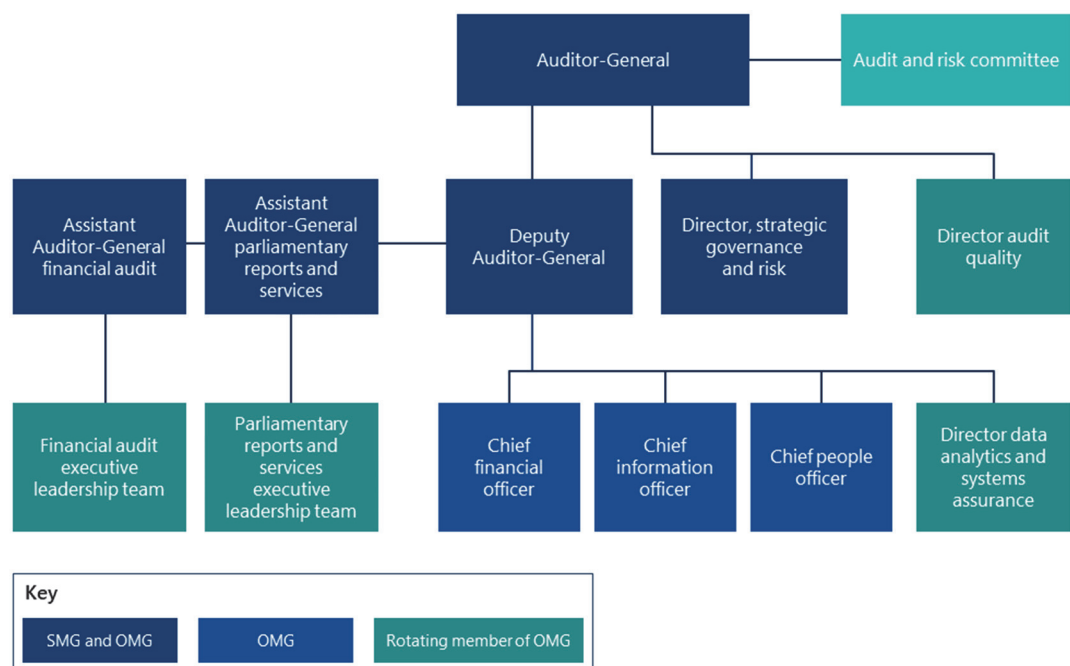
Our governance arrangements promote effective and accountable strategic and operational oversight of our work.

Our structure

Our office is structured across 4 business units:

- The office of the Auditor-General (OAG), which is led by the Auditor-General, is responsible for overseeing and delivering audit quality, strategy, governance and risk.
- Corporate services (CS), which is led by the Deputy Auditor-General, is responsible for delivering data analytics and systems assurance, finance, human resources and information technology services.
- Financial audit (FA), which is led by the Assistant Auditor-General financial audit, delivers our attest services program.
- Parliamentary reports and services (PRS), which is led by the Assistant Auditor-General parliamentary reports and services, delivers our performance audit and assurance review program.

Figure 1: Our leadership structure



Note: SMG stands for strategic management group. OMG stands for operational management group.

Our strategic management group (SMG) is collectively responsible for setting and monitoring VAGO's strategy, overseeing good cultural governance, performance from an outcomes and sustainability perspective and ensuring we have strong executive leadership.

Figure 2: Our SMG



Our operational management group (OMG) oversees and enhances the efficiency, effectiveness, and integrity of our operations.

OMG is responsible for monitoring performance, managing risks, ensuring compliance with policies and regulations and driving continuous improvement in operational practices. The committee supports strategic workforce management, technology and infrastructure development and crisis response, while fostering a culture of accountability, innovation, and collaboration.

Our audit and risk committee (ARC) reports to the Auditor-General and independently reviews and assesses the effectiveness of our systems and controls for financial management, performance and sustainability and risk management.

Vision, goals and values

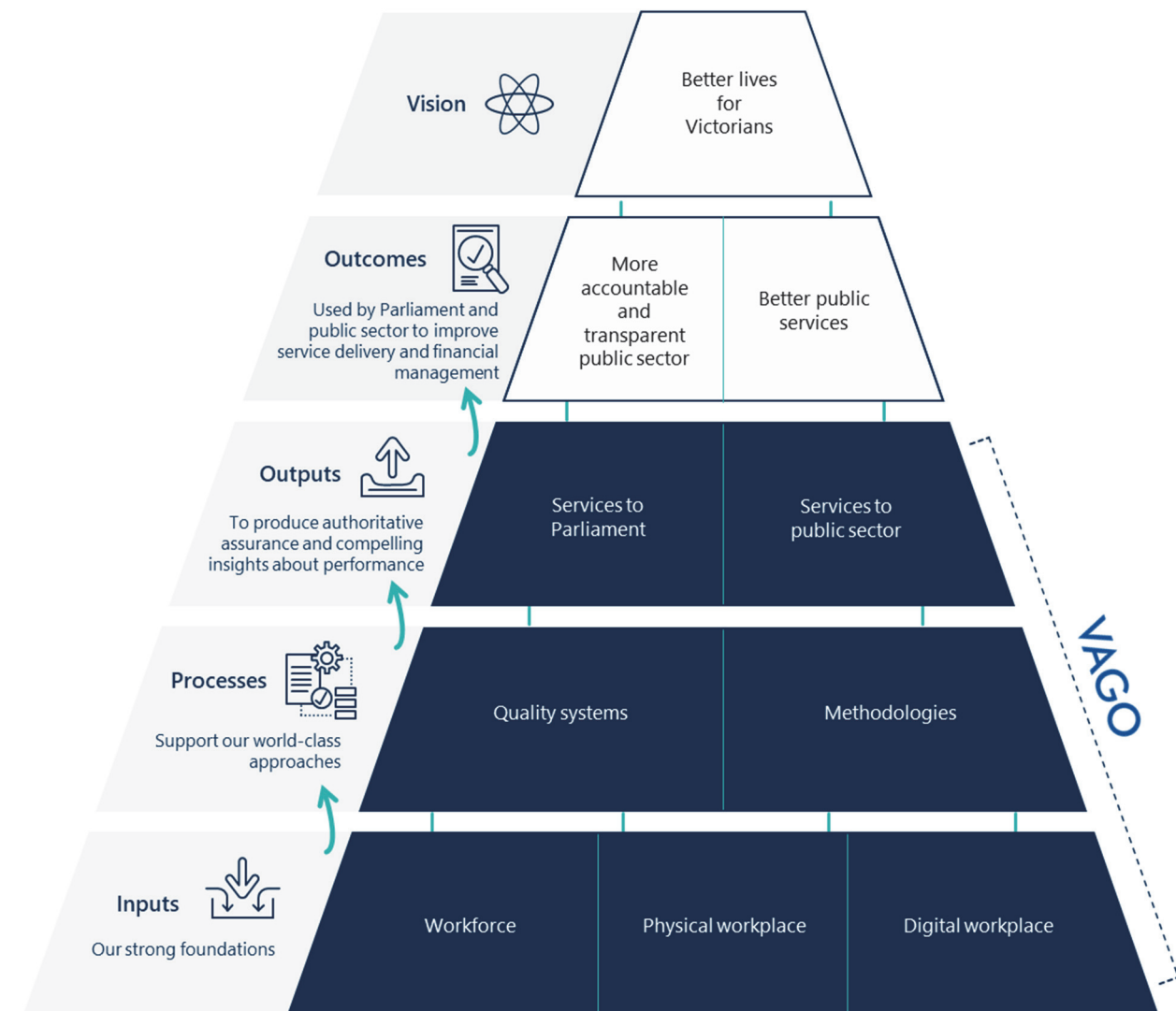
Our vision is better lives for Victorians.

Our goals are a more accountable and transparent public sector and better public services.

We work to achieve our goals and vision by using our legislated powers, systems and resources as well as the skills, knowledge and experience of our people.

This is reflected in our service logic.

Our service logic



Our Strategic Plan 2022–2025

Our Strategic Plan 2022–2025 builds on the work from our Strategic Plan 2017–2021, which we did not fully realise due to the COVID-19 pandemic.

While our strategic direction and initiatives from the 2017–21 plan served us well, we continue to look forward. We know we can achieve more and we will adapt to ensure our work remains relevant and effective.

2022–25 strategic plan

VAGO

Goals, objectives and strategies



1. A transparent and accountable public sector



1.1
Promote greater awareness and use of our work.

1.2
Promote greater transparency.



1.1.1
Produce and share contemporary public products.

1.1.2
Increase our direct community engagement.

1.2.1
Provide stronger advocacy.



2. Better public services



2.1
Make better use of our financial and non-financial data.

2.2
Improve engagement and entity-level reporting.



2.1.1
Leverage our information.

2.2.1
Implement NextGen sector reporting.



3. An enriched experience for our people



3.1
Provide professional development and career growth.

3.2
Enable our people.



3.1.1
Refine organisation and audit delivery models.

3.1.2
Define and deliver a capability framework.

3.2.1
Clarify and embed Better Normal approaches to the workplace.

3.2.2
Revisit and update audit quality management systems and the methodologies they support.

3.2.3
Refine and update our audit solutions and toolsets.



How we are accountable

Accountability to Parliament and Victorians

We are accountable to Parliament and all Victorians for how efficiently and effectively we perform our auditing services and how economically we use public resources.

We maintain our accountability through:

- oversight by the Public Accounts and Estimates Committee (PAEC), including consulting with it on our budget, annual plans and audit specifications
- regular external audits by independent auditors that PAEC selects. This includes annual audits of our financial and performance statements and a performance audit every 4 years, which examines and reports on the quality of our financial and performance reporting and resource management
- responding to and reporting on progress against recommendations made by PAEC-appointed external financial and performance auditors
- publishing our performance measures and targets in Budget Paper 3: Service Delivery
- oversight by the VI, including providing an attestation every 6 months on how we have used our coercive powers
- monitoring and publishing gifts and benefits and the Auditor-General's expenses
- voluntarily publishing a transparency report.

The *Audit Act 1994* requires us to be independently audited at least once every 4 years to determine if the Auditor-General and VAGO are achieving their objectives effectively, economically and efficiently and in compliance with relevant Acts.

2019–20 external audit

In 2019–20 PAEC appointed Allen and Clark Consulting to audit us. Allen and Clark Consulting tabled its report in Parliament on 4 August 2020. The report concluded that:

‘The Auditor-General and VAGO are operating in compliance with all relevant Acts of Parliament. Moreover, the Auditor-General and VAGO are, in all material respects, operating effectively, economically and efficiently and achieving their objectives in compliance under the Act’.

The report made 31 recommendations. We monitor our progress in implementing these recommendations by providing:

- periodic updates to our OMG and ARC
- updates to PAEC twice a year.

Of the 31 recommendations, we ...	At 30 June 2024 we have ...
accepted: <ul style="list-style-type: none">24 in full3 in part3 in principle.	<ul style="list-style-type: none">completed 25 recommendationspartially completed 5 recommendations.
did not accept one recommendation.	

2023–24 external audit

In October 2023 PAEC appointed MartinJenkins to audit us. MartinJenkins tabled its report in Parliament on 30 July 2024. The report identified several strengths, including our:

- policies and processes for defining and ensuring independence
- contribution to an effective and efficient public service
- staff's professionalism
- contemporary methodology, tools and techniques

- focus on quality and continuous improvement
- focus on staff wellbeing and development

The report also made 19 recommendations for us to:

- resolve issues affecting people, culture and organisational development
- improve the efficiency and effectiveness of our performance audits
- improve the value and impact of our audits
- realise opportunities for improving our organisational efficiency and effectiveness.

Figure 3: Our response to the 2024 performance audit recommendations

Accepted in full	Accepted in part	Accepted in principle	Did not accept
10 recommendations	2 recommendations	7 recommendations	0 recommendations

Source: Parliament of Victoria.

See our website for a copy of the performance audit report: <https://www.audit.vic.gov.au/how-we-are-accountable>.

Reporting on our performance

Every year we report on performance measures and targets in Budget Paper 3: Service Delivery. We set these measures and targets with the Assistant Treasurer.

We include our 2023–24 performance results against these measures in the following sections of this report:

- Section 3: A transparent and accountable public sector
- Section 4: Better public services
- Section 6: Performance statement

Note on our performance statement

Consistent with previous years, Section 6 of this report includes our independently audited performance statement.

While we are not required to have this statement audited, we believe it is necessary to promote transparency and better practice in the public sector. It assures readers that our non-financial performance information is reliable in the same way the independent external audit opinion on our financial report provides assurance.

Oversight by the VI

The VI is an oversight body within Victoria's integrity system.

The VI receives and assesses complaints made about us and examines our use of coercive powers. It also monitors our compliance with the *Audit Act 1994*.

We previously worked with the VI to develop a self-reporting tool on using our coercive powers. We did not exercise these powers in 2023–24.

The VI advised us that it received a mandatory notification from the Victorian Ombudsman under section 16F of the *Ombudsman Act 1973*. The VI confirmed that the complaint was closed with no further action because it was outside the VI's jurisdiction.

Monitoring and publishing our expenses

The *Standing Directions 2018 under the Financial Management Act 1994* require us to publish our gifts, benefits and hospitality policy and register on our website.

Our ARC monitors the Auditor-General's expenses. We voluntarily publish this information on our website to further promote transparency and accountability.

Transparency report

In March 2024 we published our *Transparency Report 2023*. This is our fourth annual transparency report.

We are not required by law to produce transparency reports. However, we choose to adopt the requirements of the *Corporations Act 2001* (to the extent they are relevant and appropriate) and further expand on our annual report disclosures.

Our *Transparency Report 2023* details:

- the transition from our quality control framework to our system of quality management
- our investment in audit quality
- our legal structure, governance and finances
- our internal system of quality management and how it aligns with the Australian Auditing and Assurance Standards Board (AUASB), relevant ethical requirements and the applicable legal and regulatory requirements
- external reviews and audits of our office.

Our transparency report is available at <https://www.audit.vic.gov.au/transparency-report>.

2.

What we do and how we work

Parliamentary reports delivered



25

reports

16

reasonable
assurance audits



\$658k
Average cost



10.9 months
Average duration

6

limited assurance
reviews



\$288k
Average cost



6.4 months
Average duration

2

results of financial
audits



\$198K
Average cost



7.1 months
Average duration

1

report on the Annual
Financial Report of the
State of Victoria



\$502k
Average cost



4.8 months
Average duration

Audit opinions on financial and performance statements



527

agencies



544

opinions on
financial statements
Average cost \$59.7k



109

opinions on
performance statements
Average cost \$5.4k



159

acquittals

98% of opinions issued within
statutory deadline (98% target)

85% management letters issued within
agreed timelines (90% target)



CFOs' satisfaction with management letters

94% agree we communicate findings
and issues clearly

90% agree we are
balanced and fair

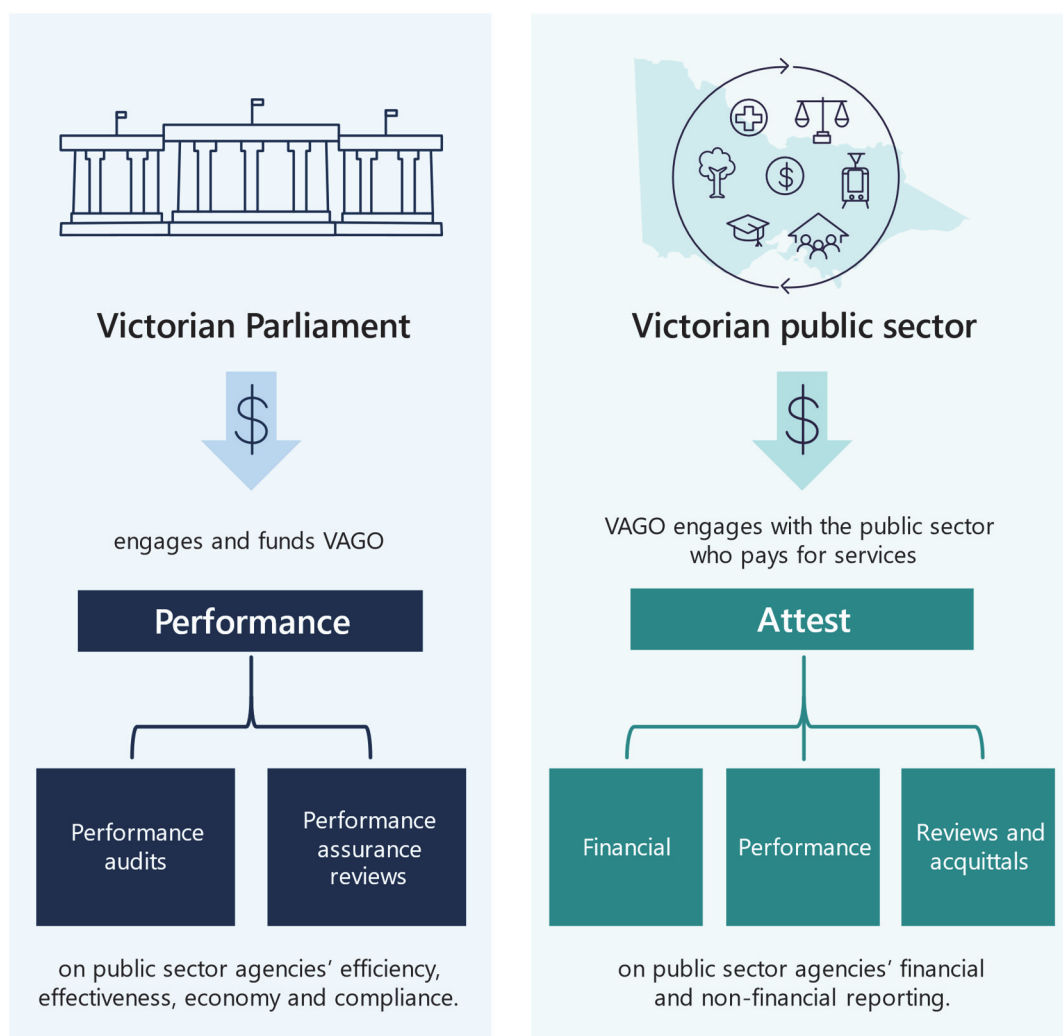
Our purpose is to inform Parliament and Victorians about the public sector's performance and how to improve public services.

Our legislative function

Our legislated function is to undertake and report on reasonable and limited assurance engagements.

Within this defined scope, we do:

- performance engagements (audits and reviews) of public sector entities for and on behalf of Parliament
- attest engagements for public sector agencies on the financial and non-financial reports they prepare.



Performance engagements

What we assess Parliament funds us to determine if public sector bodies are complying with legislation while effectively, economically and efficiently:

- achieving their objectives
- providing their services
- performing their activities.

**Our
follow-the-dollar
powers**

We can use our follow-the-dollar powers during our performance engagements, which allow us to audit:

- community sector and for-profit organisations contracted to provide government services
 - how government grant recipients use their funds.
-

**What we choose
to audit**

VAGO delivers around 20 performance engagements each year. This number depends on a range of factors, including:

- the complexity and/or breadth of each proposed engagement
- if auditees have data and information available to provide in a timely way
- our internal resources.

We can select engagement topics from a breadth of areas. This year we created a new strategic planning framework that we will use to create our forward work program for the foreseeable future.

Our strategic planning framework has 5 levels that we use to gradually narrow down our focus from all public sector activities to a list of standalone engagement topics. Data plays a pivotal role in identifying topics and in planning and undertaking engagements.

Our objective is to design a program that delivers credible and authoritative reports that are relevant, timely and informative for both Parliament and the community.

Our new strategic planning framework is detailed in the infographic below.



Whole of government

All activities and services provided to over 6 million Victorian citizens from state and local governments, and associated agencies.

Define focus

Our 5 pillars span public sector strategies, policies, programs and services of interest to the Auditor-General that impact citizens and communities in different ways.

Citizen experiences and outcomes

Communities and regions

Data and digital technologies

Natural environment, resource management and primary industries

Transparency, accountability, fiscal management and stewardship

Seek and analyse information

We take in, analyse and consolidate information from key sources to identify potential themes and topics.

- Parliamentary referrals
- Engagement with PAEC and MPs
- Community group consultation
- Correspondence from the public
- Engagement with public sector agencies
- External reviews
- Parliamentary inquiries
- Information from think tanks



We analyse government strategic priorities, finances and workforce data



We consolidate information, and analyse trends and emerging issues



We identify potential topics to focus on for future engagements

Refine themes and topics

We scrutinise topics in relation to VAGO's role and potential impacts from work in this area.

Is this within VAGO's remit?

Can this topic be audited?

Is there a gap in the understanding of Parliament / the community?

Are there recent reviews and inquiries related to this topic?

What is the right timing?

Prioritise topics

We assess the relative importance of proposed topics to shape our work program.

How material is this topic?

How are people affected?

What is the relationship to government priorities?

What is the impact of the activity or failure of an activity?

What are the risks of the activity?


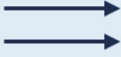






Annual Plan

Tabled in Parliament by 30 June, work program listing engagement topics for the following year

Level of assurance

The level of assurance refers to the measure of the confidence we have in our conclusions. This confidence depends on the source, quality and quantity of evidence we obtain.

Type	Evidence	Assurance level
Performance audits 	We obtain and verify evidence on agency performance from a variety of sources. 	Reasonable High confidence in our conclusion against the audit objective 
Performance assurance review 	We rely mainly on representations/evidence provided by the agency. 	Limited Sufficient confidence in our conclusion for it to be meaningful 

While a performance audit engagement gives the highest level of assurance, a limited assurance review (where we obtain a lower standard of evidence from agencies) can help us examine and report relatively quickly and cost effectively.

Section 20 of the *Audit Act 1994* gives us the power to undertake limited assurance reviews. We generally use these reviews to focus on waste, probity and compliance. We can also use them to assess economy, efficiency and effectiveness.

A limited assurance review often has a narrower scope and looks at:

- a specific activity or set of transactions
- a single issue of significant public interest.

We design our work program with MPs' information needs in mind. We also consider the nature of an issue and required level of assurance.

Parliamentary reports and services

Overview of parliamentary reports and services program delivery

As outlined in our Annual Plan 2023–24, we planned to deliver ...

26 reports to Parliament
17 reasonable assurance audit reports
5 limited assurance review reports
4 results of financial audits reports

And we delivered ...

25 reports.
16 reports, including: <ul style="list-style-type: none"> • 12 reports as planned • one new report • 2 reports carried over from 2022–23 • one report carried over from 2021–22.
6 reports, including: <ul style="list-style-type: none"> • 4 reports as planned • 2 reports carried over from 2022–23.
3 reports as planned.

At 30 June 2024 there were 8 reports to Parliament that were still in progress, including:

- 6 reasonable assurance audit reports
- one limited assurance review report
- one results of financial audits report.

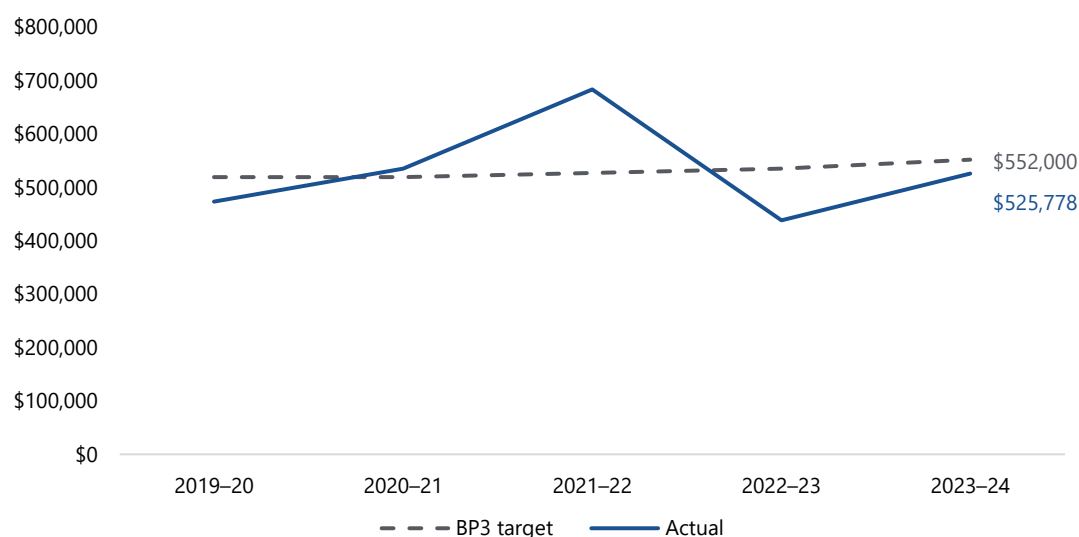
One of these reports was carried over from 2022–23.

Appendix A contains a detailed reconciliation of our 2023–24 parliamentary report program.

Average cost of parliamentary reports

In 2023–24 the average cost of the 25 parliamentary reports we tabled was \$525,778. This is within 5 per cent of our target of \$552,000.

Figure 4: Average cost of parliamentary reports from 2019–20 to 2023–24



Source: VAGO.

When evaluating the average cost of parliamentary reports, it is important to note that 4 different types of parliamentary reports are delivered, with significant variations in the scope, complexity and cost of each type of engagement and consequently each report.

Figure 5: Cost of different types of parliamentary reports in 2023–24

Type of report	Number tabled	Lowest cost	Highest cost	Average cost
Reasonable assurance audit report	16	\$290,000	\$1,170,000	\$657,528
Limited assurance review report	6	\$112,000	\$610,000	\$287,666
Results of audits	2	\$160,000	\$236,000	\$198,000
Annual financial report of the state	1			\$502,000
Overall result	25			\$525,778

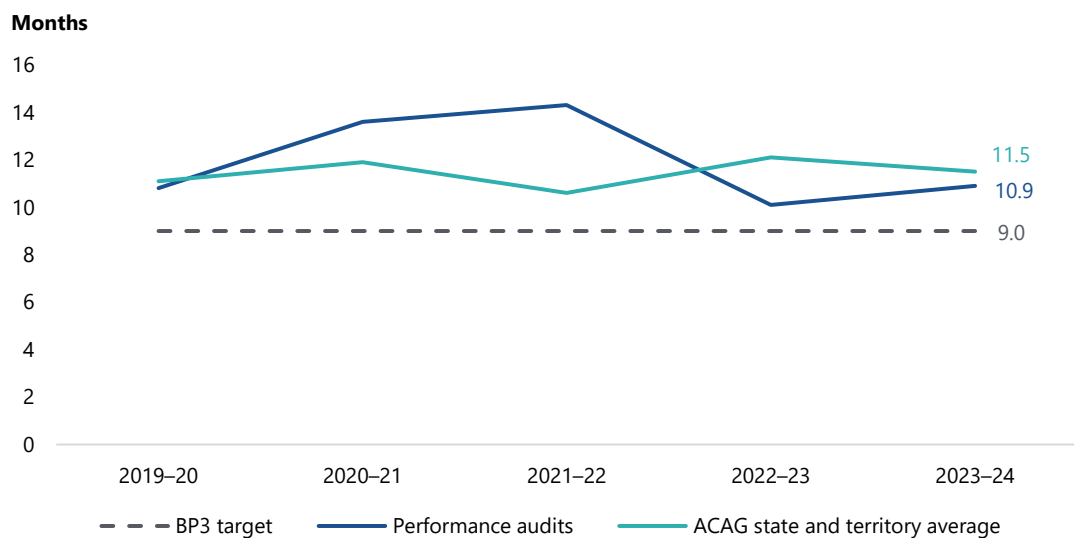
Source: VAGO.

Average time taken to produce performance audit parliamentary reports

In 2023–24 it took us an average of 10.9 months to produce our performance audit reports. This is above our target of 9 months.

Despite this, our average duration compares favourably to our peers in other Australasian Council of Auditors-General (ACAG) jurisdictions over the last 2 years, as Figure 6 shows.

Figure 6: Average duration in months of VAGO performance audits compared to ACAG average from 2019–20 to 2023–24



Source: VAGO.

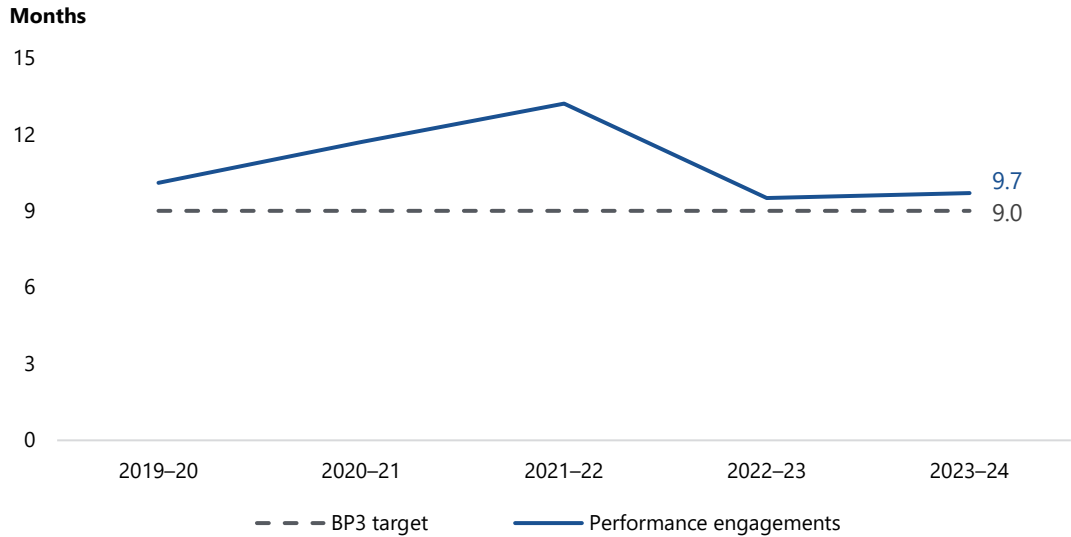
Similar to the average cost, the average duration varies for different types of engagements. When we include both audits (reasonable assurance) and reviews (limited assurance), we are much closer to our target of 9 months, as Figure 7 shows.

Figure 7: Duration of different types of parliamentary reports in 2023–24

Type of audit report	Number tabled	Shortest duration	Longest duration	Average duration
Performance audit report	16	7.4 months	15.7 months	10.9 months
Limited assurance review report	6	4.1 months	12.9 months	6.4 months
Performance engagements overall	22			9.7 months

Source: VAGO.

Figure 8: Average duration in months of all performance engagements from 2019–20 to 2023–24

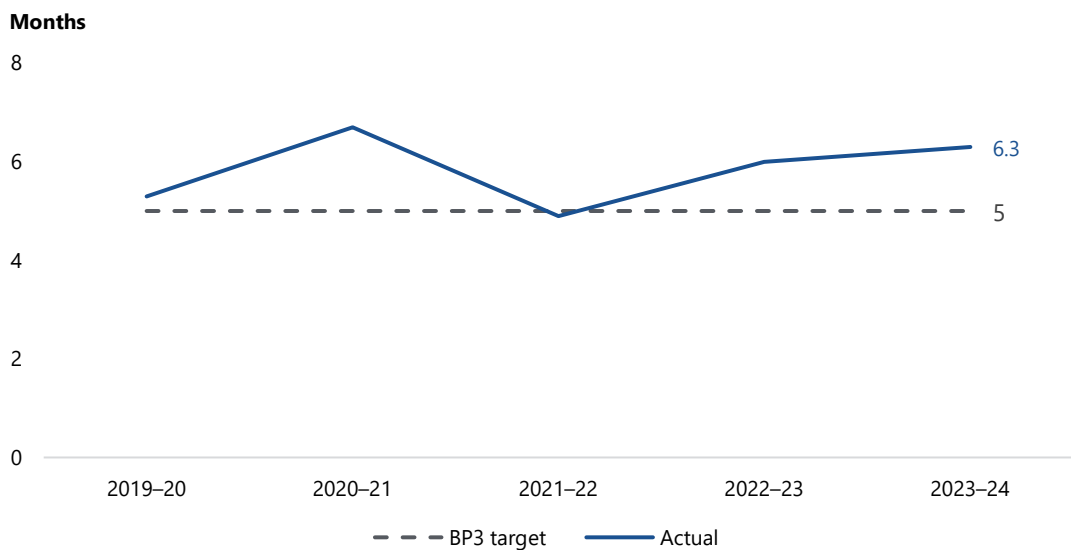


Source: VAGO.

Average time taken to produce financial audit parliamentary reports

In 2023–24 it took us an average of 6.3 months from the relevant balance date to produce our financial audit parliamentary reports. This is above our target of 5 months.

Figure 9: Average duration in months to produce financial audit reports from 2019–20 to 2023–24



Source: VAGO.

What our clients have told us

After we table a performance engagement report in Parliament, we ask our auditees a series of questions about how satisfied they were with the:

- process
- value
- final report.

Our overall target is 75 per cent satisfaction.

Our performance improvement committee uses these results to identify opportunities to refine our audit program and approach.

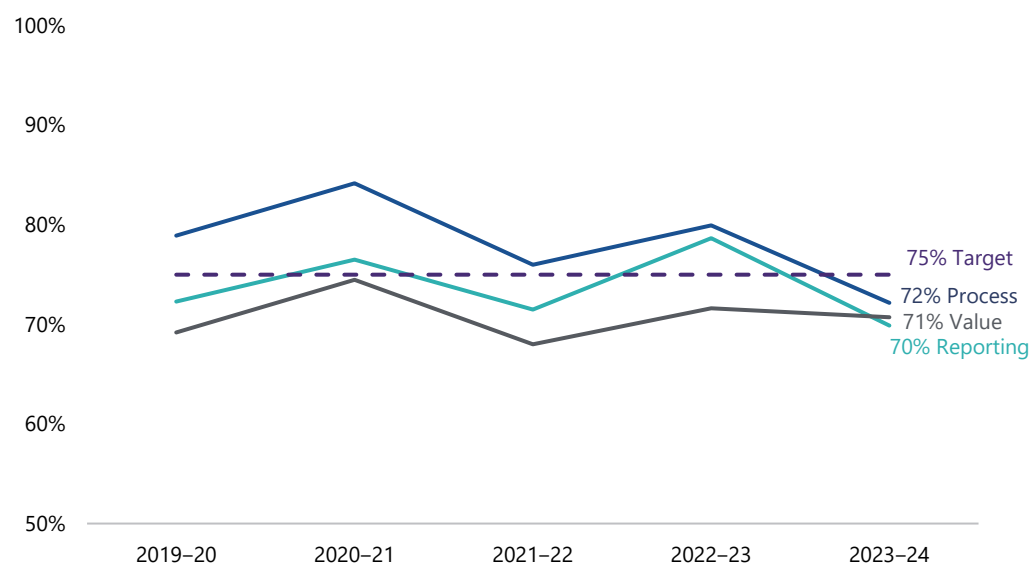
In 2023–24 we surveyed a number of stakeholders involved in 20 different engagements. As Figure 10 shows, the results varied significantly across different dimensions and engagements.

Figure 10: Agency satisfaction results by dimension for 2023–24

Dimension	Least satisfied	Most satisfied	Average satisfaction
Process	52.1%	87.5%	72.2%
Reporting	41.7%	87.5%	69.9%
Value	37.5%	100.0%	70.7%
Overall	43.8%	91.7%	70.9%

Source: VAGO.

Figure 11: Performance engagement client average level of satisfaction with our process, value and reporting from 2019–20 to 2023–24



Source: VAGO.

Attest services

How we are engaged

As detailed in our *Annual Plan 2023–24*, our program of delivering attest services to the public sector agencies is mandated under the *Audit Act 1994*. We:

- express an audit opinion on all state and local government entities' financial and performance reports
- review the general government sector's estimated financial report for the 2024–25 budget
- express an audit opinion on the Annual Financial Report of the State of Victoria (AFR)
- review grant acquittal certifications (and natural disaster control acquittals for 2021–22).

Level of assurance

The cost and practicality of achieving absolute assurance is not feasible.

The level of assurance we are able to provide, which is a measure of the confidence we have in our conclusions, depends on the source, quality and quantity of evidence we obtain.

We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate, based on:

- reliability
 - relevance
 - fair presentation
 - compliance with the Australian Accounting Standards and relevant legislation.
-

Financial reports

When we audit an entity's financial report we assess if it fairly presents the entity's financial results in line with relevant standards and legislation.

We then provide an independent opinion on the financial report that confirms the reliability of the published financial information.

Performance statements

We also audit entities' performance statements and provide an audit opinion on their reliability and completeness.

We audit performance statements for entities in the following sectors:

- local government
- TAFE
- water.

Performance statements contain an entity's target and actual results against mandatory performance indicators. Entities establish these indicators through the relevant minister's direction.

Our assurance confirms the reliability of each entity's published performance information.

Annual Financial Report of the State of Victoria

The Auditor-General's audit opinion on the AFR is a significant piece of assurance we provide Parliament and the Victorian community.

The AFR consolidated over 280 state-controlled entities' financial results. While we audit and provide opinions on these entities' individual financial reports, we also audit and provide an opinion on the consolidated AFR.

Our opinion on the AFR provides assurance that the State of Victoria's published financial outcomes, and the general government sector within it, are reliable. This means users can confidently rely on the information to inform decisions.

Review opinion of the State Budget

Each year, the government prepares estimated financial statements as part of its budget as required by the *Financial Management Act 1994*. This is often referred to as the State Budget.

The purpose of these statements is to set out the projected financial results for the general government sector based on the government's stated and expected financial policies and assumptions.

Under the *Audit Act 1994*, we review the estimated financial statements to confirm they have been prepared consistently with relevant accounting policies, targets and policy strategies and objectives.

Our opinion is included in Chapter 1 of Budget Paper No. 5: Statement of Finances.

Grant acquittals Some public sector entities are given grants to provide specific services to the community. Entities must use these funds appropriately and meet the terms and conditions of the grant agreement. Part of our work is understanding and testing the use of grants to provide confidence that public funds are used as agreed.

Audit opinions delivered in 2023–24 In 2023–24 we issued 544 audit opinions on financial reports prepared by 527 agencies. We carried over 26 of these opinions from previous reporting periods.

We also issued:

- 109 audit opinions on local councils' water agencies' and TAFEs' performance statements
- 159 acquittals for local councils and departments.

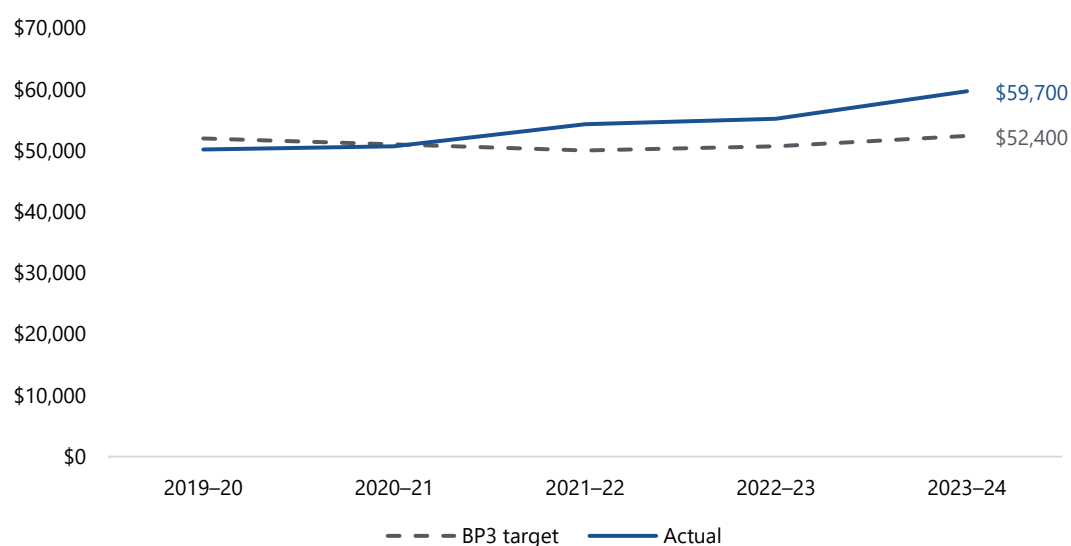
Audit opinions on financial and performance statements

Average cost of audit opinions issued on financial statements The average cost of audit opinions represents the typical audit fee we charge our clients. Under the *Audit Act 1994*, we recover all reasonable expenses associated with conducting audits. In 2023–24 the average cost per financial report audit opinion was \$59,700. This is 13.9 per cent above our target of \$52,400.

The main reasons our average cost increased this year are:

- we rebased our financial audit engagement fees when we needed to put in additional effort or costs to complete the audit (for example, increased complexity due to machinery-of-government changes or accounting challenges, or to pass on increases in our contracted audit services costs)
- we indexed the remaining audit fees by 4 per cent in line with the Australian Bureau of Statistics wage price index.

Figure 12: Average cost of audit opinions issued on financial statements from 2019–20 to 2023–24



Source: VAGO.

The current department funding model caps the increase in our annual targets based on an indexation percentage, the Australian Bureau of Statistics wage price index. As outlined in Figure 12, our actual costs have increased above the set indexation over time.

Since 2022 we have consistently requested an increase to our target for the average cost of audit opinions issued on financial statements, to reflect our expected costs more accurately. Our requests to date have been rejected by the Treasurer and Assistant Treasurer.

We also benchmark our financial audit opinion costs with our ACAG peers for:

- state and Australian government opinions
- local government opinions.

In 2023–24 the cost of our financial audit opinions compared favourably to the ACAG average.

Figure 13: VAGO opinion types compared to ACAG averages

Opinion type	2022–23			2023–24		
	VAGO	ACAG		VAGO	ACAG	
State/territory government opinion	\$77,049	\$117,072	✓	\$77,885	\$129,386	✓
Local government opinions	\$68,874	\$69,619	✓	\$77,642	\$80,735	✓

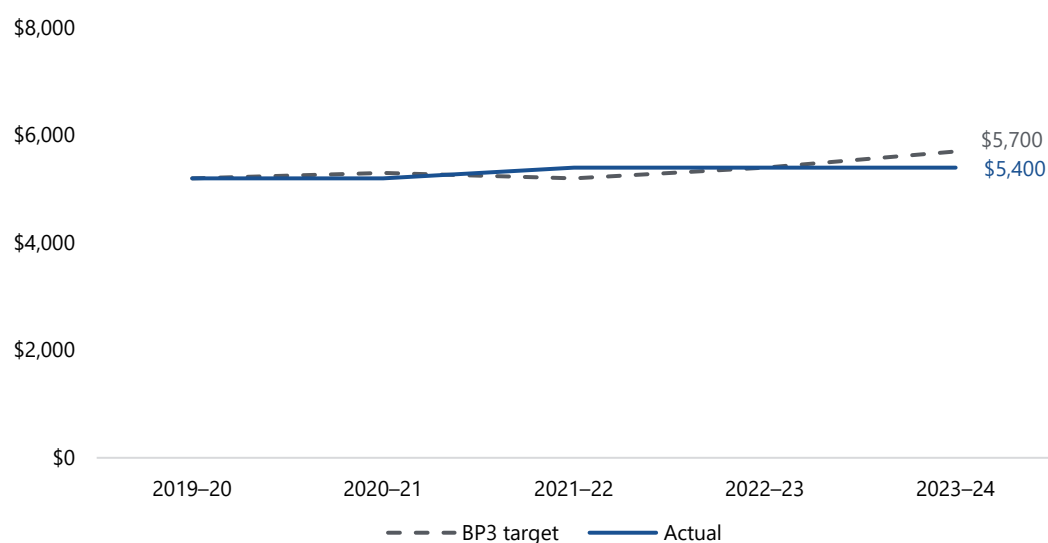
Note: We calculated the ACAG averages by dividing the actual costs for a financial year into the number of opinions issued. Our Budget Paper No. 3: Service Delivery (BP3) target in Figure 12 is the average of the actual lifecycle costs for a project – a financial audit project typically spans across 2 financial years. Both are useful measures.

Source: VAGO.

Average cost of audit opinions issued on performance statements

In 2023–24 the average cost for audit opinions issued on performance statements was \$5,400. This is below our target of \$5,700 and consistent with our results of the last 5 years.

Figure 14: Average cost of audit opinions issued on performance statements from 2019–20 to 2023–24

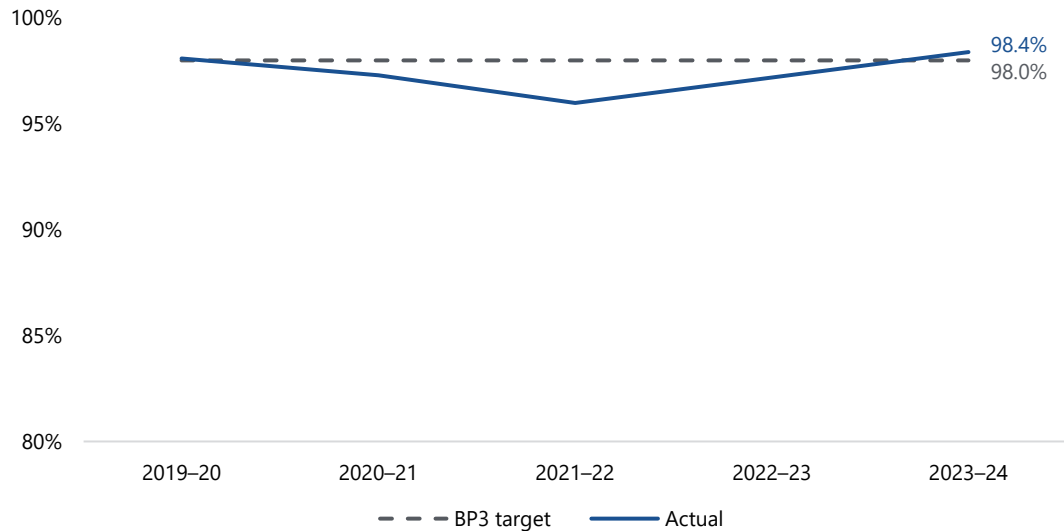


Source: VAGO.

Timeliness of audit opinions delivery

In 2023–24 we issued 98.4 per cent of audit opinions within the statutory deadline (exceeding our target of 98 per cent).

Figure 15: Percentage of audit opinions issued within the statutory deadline from 2019–20 to 2023–24

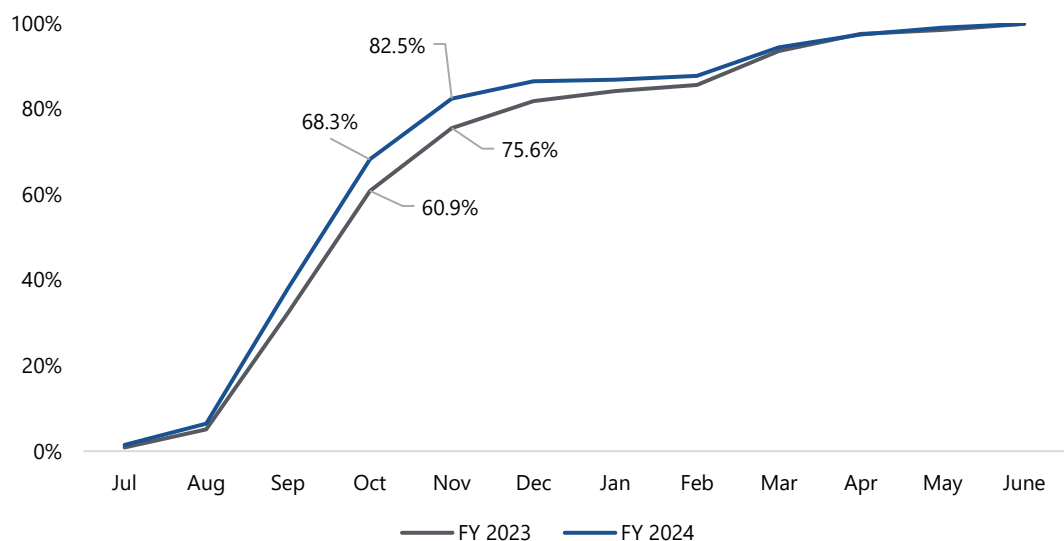


Source: VAGO.

We improved the timeliness of the delivery of audit opinions in 2023–24 compared with 2022–23:

- 68.3 per cent of opinions were issued by October (60.9 per cent in 2022–23)
- 82.5 per cent of opinions were issued by November (75.6 per cent in 2022–23).

Figure 16: Percentage of audit opinions issued per month by balance date



Source: VAGO.

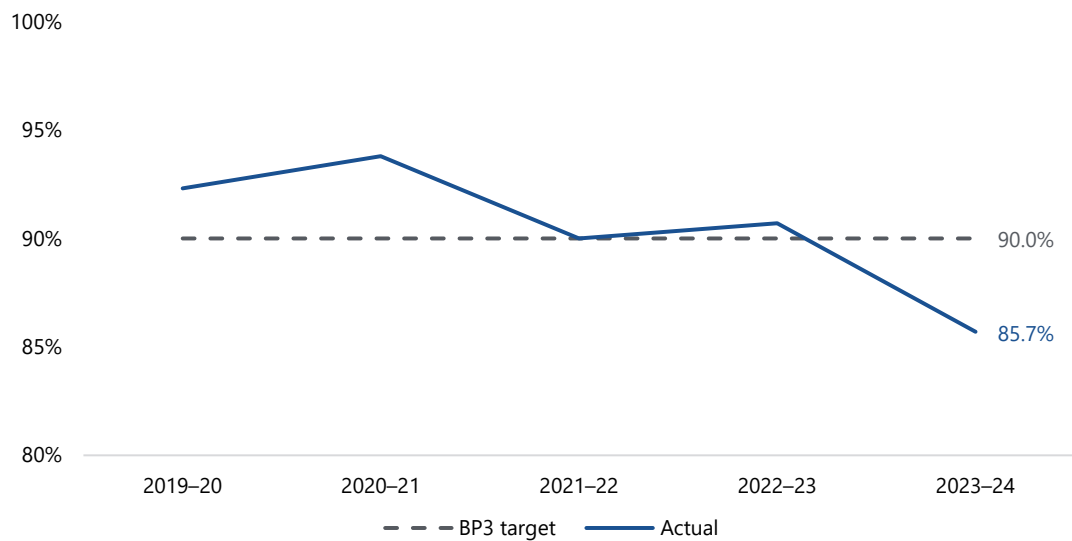
Timeliness of management letters delivery

In 2023–24 we issued 85.7 per cent of management letters within agreed timelines (outside our target of 90 per cent).

The main reasons we did not meet our timeliness target for issuing management letters in 2023–24 were due to:

- identifying complex audit issues that required further consideration and drafting
- delays in receiving clients' responses to our findings
- changes in the external environment outside our control (for example, audits impacted by machinery-of-government changes took longer than anticipated).

Figure 17: Percentage of management letters issued within established timeframes from 2019–20 to 2023–24



Source: VAGO.

While missing our overall target, pleasingly our timeliness improved as the audit cycle progressed as we focused on getting back on track post-pandemic. This is evident by the improvement in delivery of final management letters:

- for our 30 June 2023 audit cycle we issued 15.4% final management letters late
- for our 31 December 2023 audit cycle only 1.6% management letter was issued late.

Satisfaction with management letters

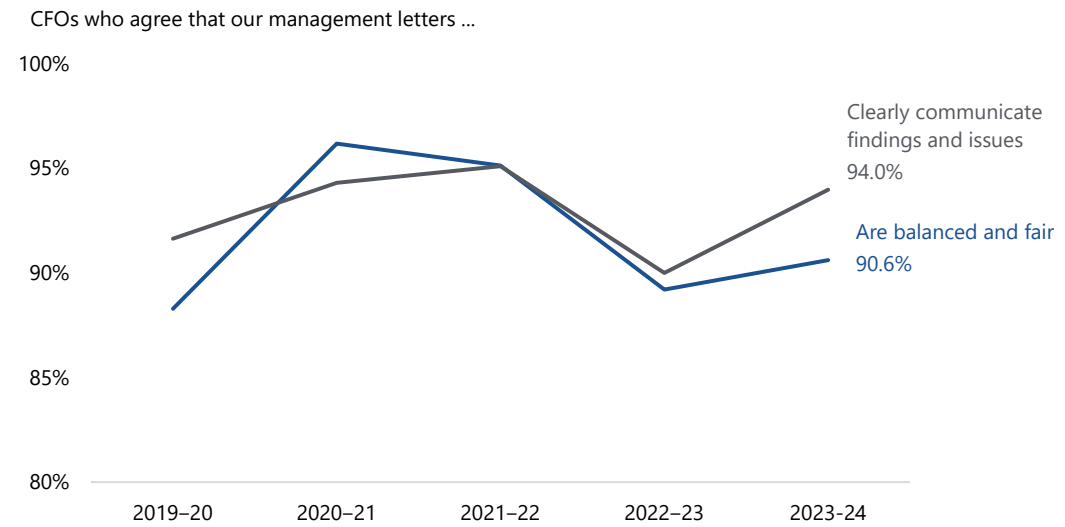
We want to ensure that we not only meet our time and cost targets, but our clients also value our work.

Each year we ask the chief financial officers (CFOs) of our clients how satisfied they are with our management letters.

In 2023–24, of the CFOs who responded to our survey:

- 94 per cent agreed that the letters clearly communicate findings and issues (up from 90 per cent in 2022–23)
- 90.6 per cent agreed that the letters were balanced and fair (up from 89.2 per cent in 2022–23).

Figure 18: CFOs' satisfaction with our management letters from 2019–20 to 2023–24



Source: VAGO.

3.

A transparent and accountable public sector

Our goals



promote greater awareness and use of our work



produce and share contemporary public products

MPs' satisfaction with our work

90%

satisfied or very satisfied with our reports and services

98%

rated our audits moderate, high or very high in addressing their key areas of interest

98%

rated our audits moderate, high or very high in addressing issues of significance

Feedback from MPs about our reports

'Reports and data are clear, relevant and frequent'

'... very professional and objective'

'Easy to find what you're looking for...'

'...the information is nicely presented and laid out.'

'The committee notes with gratitude the speed and comprehensive nature of the Auditor-General's report'
– **Parliamentary committee**

Engagement



265

suggestions and comments from the public and MPs, up 50% from 2022–23



of the reports we tabled in 2023–24 related to topics suggested by the public or MPs



of 2024–25 planned engagements relate to topics suggested by the public or MPs

Digital engagement



Website – total sessions
+12% (292,236)



YouTube – total views
+2% (27,054)



LinkedIn – total followers
+24% (6,558)

Parliamentary accountability is a cornerstone of effective government. Publicly reporting the results of our work to Parliament and all Victorians means they are better informed and able to hold the government accountable.

We want to be a source of credible, authoritative assurance about the public sector's performance and deliver reports that are well regarded, balanced and fair.

In 2023–24 we continued to refine and evolve our parliamentary products and associated web content.

Our vision is to produce an integrated suite of digital content that is more accessible, understandable and usable as well as reliable, meaningful and timely.

Our work and parliamentary committees

Parliamentary committees

The Parliament of Victoria has 2 houses:

- the Legislative Assembly, which has 88 members and 88 districts (one member per district)
- the Legislative Council, which has 40 members and 8 regions (5 members per region).
- There are different parliamentary committees, including:
 - legislative council committees
 - legislative assembly committees
 - joint committees, which are formed by members from both houses.

Many of our performance audits received attention from these committees in 2023–24, which we discuss below.

Gambling and liquor regulation in Victoria: a follow up of three Auditor-General reports

In recent years we have tabled 3 parliamentary reports relating to liquor and gambling regulation and minimising the harm caused by gambling and alcohol.

Following significant interest on the impact of gambling in recent years, PAEC further built on our initial work, expanding their scope by also examining the regulations and harm associated with online gambling.

In November 2023 PAEC tabled its report *Gambling and liquor regulation in Victoria: a follow up of three Auditor-General reports*.

Inquiry into the 2023–24 budget estimates

In October 2023 PAEC tabled its *Report on the 2023–24 Budget Estimates*.

The committee's inquiry into the budget estimates promotes the accountability, transparency and integrity of the executive and the public sector. PAEC's report, findings and recommendations referred to a number of our tabled reports:

- *Measuring and Reporting on Service Delivery* (2021)
 - *Follow-up of Maintaining the Mental Health of Child Protection Practitioners* (2022)
 - *The Effectiveness of Victoria Police's Staff Allocation* (2022)
 - *Effectiveness of Rail Freight Support Programs* (2023)
 - *Supporting Sexual and Reproductive Health* (2023)
 - *Results of 2021–22 Audits: Local Government* (2023).
-

Performance of the Victorian integrity agencies 2021/22

In November 2023 the Integrity and Oversight committee tabled its report *Performance of the Victorian integrity agencies 2021/22*.

In the report the committee references the paper *Budget independence for Victoria's Independent Officers of Parliament*, which we jointly published with IBAC and the Victorian Ombudsman in October 2022.

The report also referenced the Prevention and Education Advisory Committee (PEAC). PEAC meets quarterly to consider, collaborate on and develop corruption prevention and education resources and training for the Victorian public sector.

Alongside VAGO, PEAC's membership comprises representatives from:

- IBAC
- the Local Government Inspectorate
- the Office of the Victorian Information Commissioner
- the Victorian Ombudsman
- the Victorian Public Sector Commission.

We note and welcome the committee's recommendation to extend PEAC membership to the VI.

Inquiry into the impact of road safety behaviours on vulnerable road users

In May 2024 the Legislative Assembly Economy and Infrastructure Committee published its report *Inquiry into the impact of road safety behaviours on vulnerable road users*. This report referenced our 2020 *Accessibility of Tram Services* report.

In our report we concluded that tram services are not meeting the accessibility needs of passengers with mobility restrictions. We found that in 2018–19, only 15 per cent of tram services delivered a low-floor tram at a level-access stop.

The committee reinforced our earlier work and recommended that the Department of Transport and Planning prioritises delivering accessible tram stops.

Inquiry into the 2026 Commonwealth Games Bid

In September 2023 the Legislative Council established the Select Committee on the 2026 Commonwealth Games bid.

At the committee's request, the Auditor-General and a member of the audit team who worked on our *Withdrawal from 2026 Commonwealth Games* report attended a briefing with the committee in October 2023.

The committee's interim report, which it tabled in April 2024, references information published in our March 2024 report.

'The Auditor-General's report also raises a number of issues that the Committee may follow up during the remainder of its Inquiry.'

'The committee notes with gratitude the speed and comprehensive nature of the Auditor-General's report.'

Inquiry into the rental and housing affordability crisis in Victoria

In November 2023 the Legislative Council Legal and Social Issues Committee tabled its report *The rental and housing affordability crisis in Victoria*.

The report references 3 of our audits, dating back to 2012:

- *Managing Victoria's Public Housing* (2017)
- *Accessibility of Mainstream Services for Aboriginal Victorians* (2014)
- *Access to Public Housing* (2012).

What MPs are telling us

MPs' satisfaction with our work

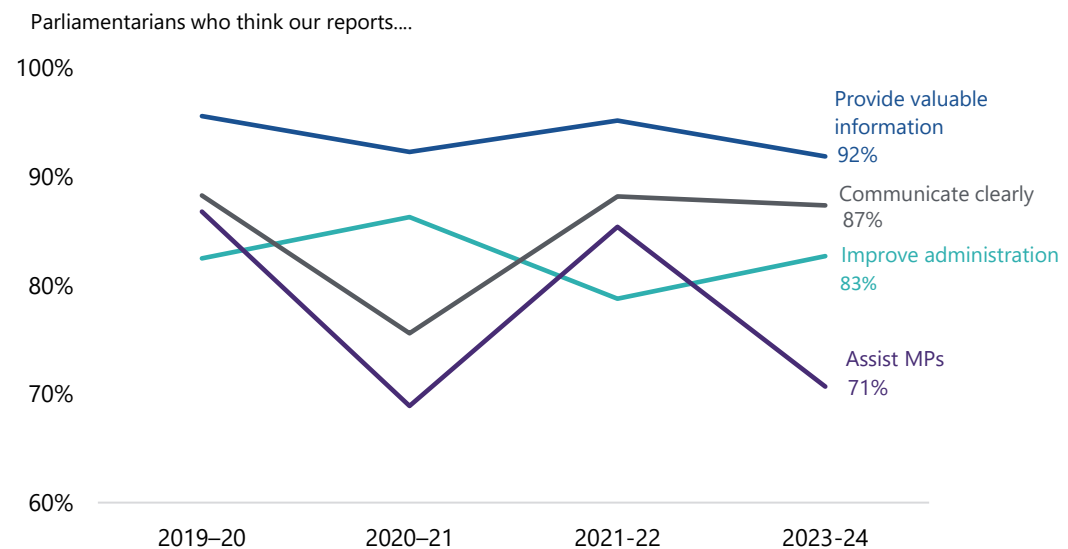
Alongside the public sector, MPs are the key audience of our work. Each year we survey them to find out how satisfied they are with our work.

Overall, in 2023–24, 90 per cent of MPs who responded to our survey said they were either satisfied or very satisfied with our reports and services (compared to 78 per cent in 2021–22).

We also ask them if they think our reports and services:

- provide valuable information on public sector performance
- clearly communicate issues
- help improve public sector administration
- assist them in their parliamentary role.

Figure 19: Percentage of MPs who are satisfied with our work from 2019–20 to 2023–24



Note: There was no survey in 2022–23.

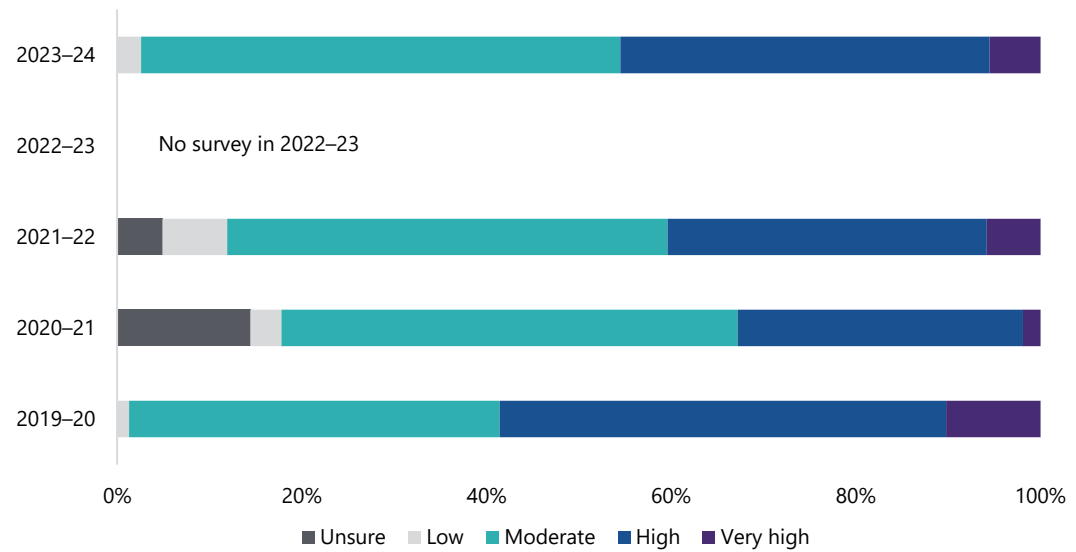
Source: VAGO.

We also ask MPs to what extent our performance audits address:

- their key areas of interest
- issues of significance.

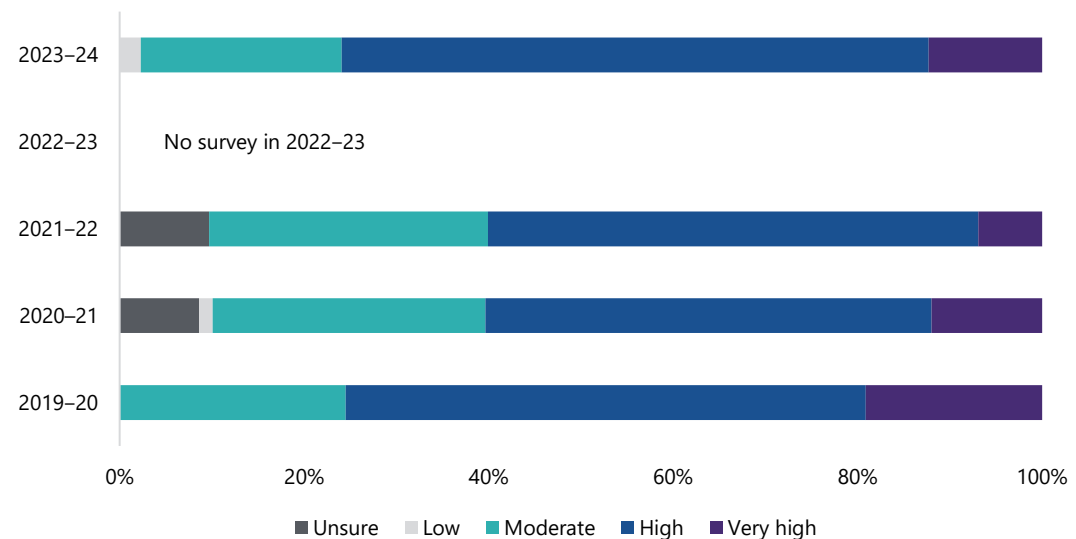
In 2023–24, 98 per cent of MPs who responded to our survey rated our performance audits as moderate, high or very high in addressing their key areas of interest and issues of importance.

Figure 20: Percentage of surveyed MPs who think our performance audits address their key areas of interest from 2019–20 to 2023–24



Source: VAGO.

Figure 21: Percentage of surveyed MPs who think our performance audits address issues of significance from 2019–20 to 2023–24



Source: VAGO.

In our 2023–24 survey MPs also told us:



Making our work accessible and engaging

Increasing the accessibility of our work

Effective communication is crucial to achieving our strategic objectives. We continue to improve the readability of our reports for Parliament and Victorians by:

- writing in plain English
 - applying information mapping to structure our reports
 - using more graphic elements.
-

Easy English

In 2023–24 we published an Easy English version of the snapshot of our *Guardianship and Decision-making for Vulnerable Adults* report.

Easy English is a way of writing that uses short sentences, everyday language and clear images to help readers understand the message. Our goal was to increase the accessibility of our findings and recommendations to the end users of these services.

We used Easy English to increase the accessibility of our report's key messages to people who may have difficulty reading and understanding complex information.

References and use of our work

The Inspector-General for Emergency Management maintains a contemporary online resource of assurance reports that are relevant to statewide risks.

In 2023–24 the Inspector-General updated its resources to include links to 3 of our performance engagement reports:

- *Managing State-significant Risks* (2024)
 - *Reducing the Illegal Disposal of Asbestos* (2023)
 - *Cybersecurity: Cloud Computing Products* (2023).
-

Engaging with the public

When we develop our annual plan engagement topics we consult with the agencies we audit.

We encourage Parliament and the public to suggest audit topics to make sure our work program reflects relevant issues.

Four of the audits we tabled in 2023–24 relate to issues raised in referrals from members of the public and MPs:

- *Domestic Building Oversight Part 1: Regulation*
- *Domestic Building Oversight Part 2: Dispute Resolution*
- *Planning Social Housing*
- *Withdrawal from Commonwealth Games 2026*.

In 2023–24 we received 265 pieces of correspondence from MPs and the public. This is an increase of over 50 per cent compared with 2022–23.

The correspondence included:

- 249 requests and suggestions from the general public (compared with 164 in 2022–23)
- 16 requests from MPs (compared with 11 in 2022–23).

A number of performance engagements in our *Annual Plan 2024–25* relate to topics and issues raised by MPs and the public, including:

- Accessibility of tram services: follow-up
- Domestic building insurance
- Elective survey in Victoria

- Maintaining the condition of state-managed roads
- Managing disruptions affecting Victoria's public transport network
- Managing the transition of energy supply to renewables
- Realising the benefits identified in the Suburban Rail Loop business case
- Recovering and reprocessing resources from waste: effectiveness of system reforms.

Our main communication platforms

We continue to proactively share content across multiple channels, including our website, YouTube and social media channels.

Figure 22 summarises engagement levels across our website, YouTube and LinkedIn, which are our 3 main platforms.

The popularity of some of our older videos indicates that interest in our work extends long after we table a report in Parliament.

Figure 22: Digital engagement statistics for our website, YouTube and LinkedIn

Platform	Main purpose	Engagement and comparison with last year	Top report pages/posts
VAGO website	Present, share and display our past and future work program	292,236 total sessions (+12%) 173,256 unique users (+14%) 2.3 minutes actively spent on the website (–0.3 min)	<i>Withdrawal from 2026 Commonwealth Games</i> (2024) <i>Cybersecurity: Cloud Computing Products</i> (2023) <i>Contractors and Consultants in the Victorian Public Service: Spending</i> (2023)
YouTube	Host and share videos, including summaries of tabled reports and industry forums	27,054 total views (+2%) 168,986 total impressions (+5%) 504 total subscribers (+15%) 1,007 total hours watched (–5%)	<i>Occupational Violence Against Healthcare Workers</i> (2015) <i>Melbourne Metro Tunnel Phase 2: Main Works</i> (2022) <i>Managing Conflicts of Interest in Procurement</i> (2021)
LinkedIn	Promote VAGO to potential employees and graduates Build the public's understanding of our overall purpose and work Share information about tabled reports and supporting products, such as data analytics dashboards and report summary videos	6,558 total followers (+24%)	Our office in 1985: microcomputers Welcome to our new graduates Video: <i>Withdrawal from 2026 Commonwealth Games</i>

Source: VAGO.

Public sector advocacy programs

Advocacy programs

We have a leadership role to influence and shape how well the public sector reports its performance by making information publicly available that is reliable, meaningful and timely.

We are undertaking 4 programs to directly advocate and influence change in the Victorian public sector and accounting profession based on insights from our work.

These programs are:

- simplification of public sector financial reporting
- challenge fair value in the public sector

- prepare for climate accountability
- rationalised public sector financial reporting framework.

These advocacy programs are in addition to the insights we provide to Victorian public sector bodies to improve their services.

Simplification of public sector financial reporting

This project focuses on influencing the Department of Treasury and Finance's (DTF) proposal for a simplified financial reporting framework for qualifying public sector entities.

This initiative aligns with our strategic goal to improve public sector financial reporting. Simplifying financial reporting is important because increasingly complex and lengthy financial reports can be hard for users to understand.

We shared our observations and recommendations from this project with DTF. We emphasised the need to maintain transparency and accountability through financial reporting within the proposed framework. We also continued to highlight the importance of streamlining financial reports to help meet DTF's intended outcomes.

DTF adopted most of our recommendations and the final proposals were approved in June 2024. They will take effect from the 2024–25 financial year onward.

Challenge fair value in the public sector

In 2023–24 our advocacy work focused on educating auditors and other staff who prepare financial reports about the new fair value measurement requirements that the Australian Accounting Standards Board (AASB) introduced for not-for-profit public sector entities. We did this work in collaboration with DTF.

Additionally, we worked with regulators to understand their approach to assessing the impact of these requirements. The program has helped entities get ready to prepare financial reports in line with the new requirements, which apply as of 31 December 2024.

Prepare for climate accountability

We established this program to help the public sector prepare for the new climate-related financial disclosures introduced in 2022.

In 2023–24 we led drafting of the Australasian Council of Auditors-General's (ACAG) response to AASB's exposure draft *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*.

We also contributed to ACAG's response to AASB's consultation paper regarding the proposed adoption of the international auditing standard ISSA 5000 Assurance over Climate and Other Sustainability Information.

Additionally, we engaged with key stakeholders, including AASB, AUASB, DTF, and Local Government Victoria. Our aim was to stay informed about their progress on reporting and assurance impacts in addition to advocating public sector perspectives in standard-setting.

We periodically engaged with ACAG through various forums, such as the Auditors-General's business meetings, the heads of financial audit committee, the financial reporting committee, and the audit standards committee. These interactions allowed us to share our experiences and learn about other jurisdictions' progress and plans.

ACAG and the heads of financial audit committee have started discussing potentially co-designing audit methodologies and underlying procedures.

Through this program we aim to advocate for and influence a clear and straightforward financial reporting framework for the Australian public sector that balances user needs with preparer costs. Since this project is linked to AASB's public sector financial reporting framework, there has been limited progress since 2022–23, with our focus primarily on monitoring AASB's activities.

Other presentations and leadership initiatives

Presentations and engagement

Representatives from our office hosted, presented and engaged with other key stakeholders throughout 2023–24, including:

- hosting 2 forums for the chairs and members of our clients' audit committees, where we explored the latest and emerging public sector trends and insights
 - presenting an overview of our *Employee Health and Wellbeing in Victorian Public Hospitals* audit at the Australian Nursing and Midwifery Conference
 - attending the Pacific Association of Supreme Audit Institutions' Governance and Leadership Women Symposium, which explored themes including:
 - sustainable audit practices
 - quality management
 - gender policy
 - governance, accountability and empowerment
 - leading and managing change
 - participating in sector and industry-based panels, for example:
 - department and portfolio sector agency CFO forums
 - FinPro
 - VicWater
 - Municipal Association of Victoria
 - AASB
 - AUASB panels and working groups
 - providing our sector insight newsletters to our clients
 - providing financial reporting alerts and public sector perspectives articles via our website
 - providing fraud action alerts.
-

4.

Better public services

We strive to



make better use of our financial and non-financial data



improve engagement and entity level reporting

AFR dashboard



27%

Audit committees accessing the dashboard (up from 11% last year)

Agency responses to our recommendations

Parliamentary reports and services

Annual status update (recommendations made between July 2018 – June 2022)



96.8% accepted



79.4% complete



12 months
Median time to complete

Financial audit

Percentage of issues resolved from prior years



52% (+2%)
Local government



79% (+1%)
Universities



39% (+17%)
TAFEs

This year we saw an increase in the percentage of resolved issues identified in previous year's financial audits

Percentage of clients who agree our work will help them improve



74%
Performance
engagement auditees



91%
Audit committee
chairs



94%
CFOs

Accountability and transparency help improve public services.

We have a role to play in helping the public sector understand and mitigate risks to efficient and effective service delivery.

By leveraging our information we have a unique opportunity to maximise the value and impact of work. We continue to seek opportunities to evolve our product offerings and provide insights about the public sector and how it delivers services.

Updating our AFR dashboard

Expanding our AFR dashboard

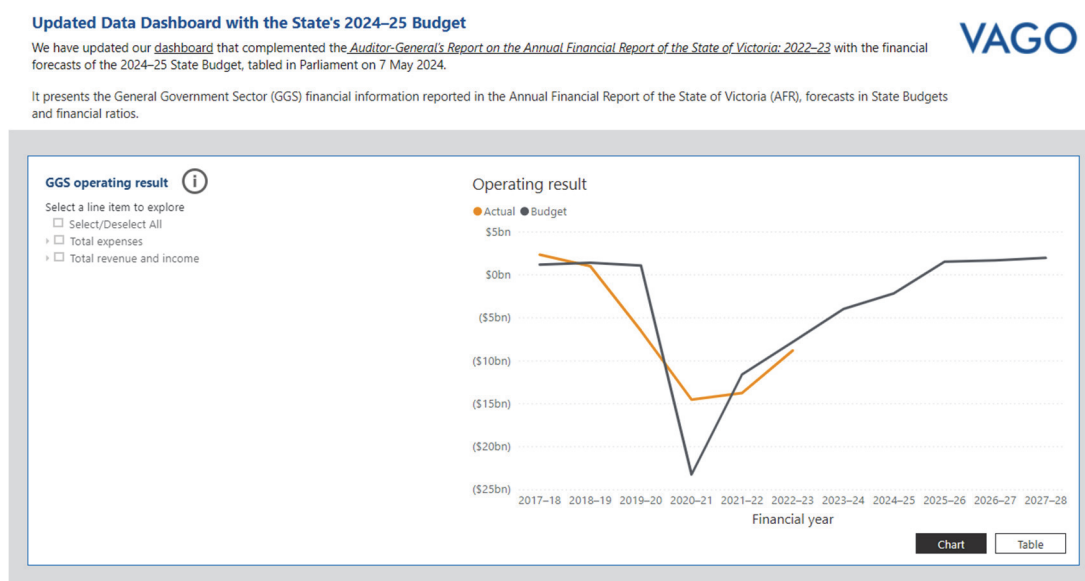
We updated our 2023–24 AFR dashboard to include 2024–25 state Budget information for the first time this year.

We shared the updated dashboard on the same day the Budget was released to make it easier for Victorians to digest the information.

Our dashboard allows stakeholders to compare historical information with actual results and see the projected budget and forecast information in real time alongside the tabled Budget.

View our dashboard on our website: <https://www.audit.vic.gov.au/dashboards/updated-2024-25-state-budget-dashboard>

Figure 23: AFR dashboard updated for the 2024–25 state Budget



Source: VAGO.

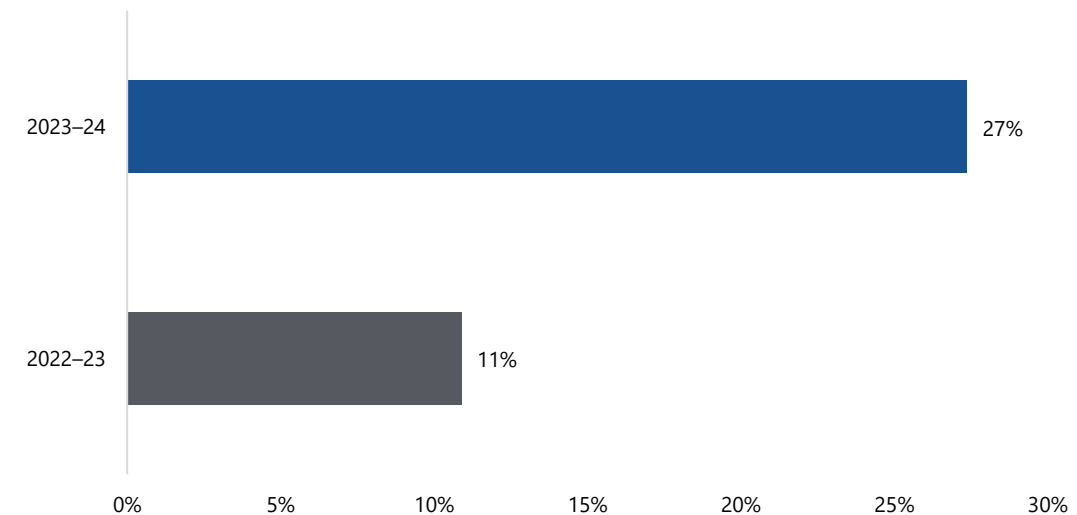
Audit committee chairs using our AFR report

Increasing popularity of our report on the AFR

Through our annual satisfaction survey, we asked the chairs of our clients' audit committees if they had considered our financial audit parliamentary reports.

In 2023–24, 27 per cent of audit committee chairs who responded to our survey said their committee considered our most recent Auditor-General's Report on the Annual Financial Report of the State of Victoria, compared to 11 per cent in our 2022–23 survey.

Figure 24: Percentage of audit committee chairs who considered our most recent report on the AFR



Source: VAGO.

Our annual Fair Presentation of Service Delivery Performance report

Improvements to measuring and reporting service delivery

Each year we assess if Victorian Government departments fairly present their service delivery performance in Budget Paper No. 3: Service Delivery (BP3). We annually report our findings in our Fair Presentation of Service Delivery Performance reports.

In November 2023 we tabled our *Fair Presentation of Service Delivery Performance 2023* report.

In response to our recommendations in these reports, the Department of Energy, Environment and Climate Action (DEECA) made 6 changes to the measures in its performance statement for 2024–25. These changes included:

- renaming one measure for simplicity
- proposing to discontinue 5 other measures because:
 - 2 were related to activities that DEECA has no control over
 - one related to DEECA's core governance and compliance activities
 - one duplicated reporting under DEECA's objective indicators
 - one needed to be converted into a new DEECA objective indicator.

Improving internal controls

Agencies' response to financial audit recommendations

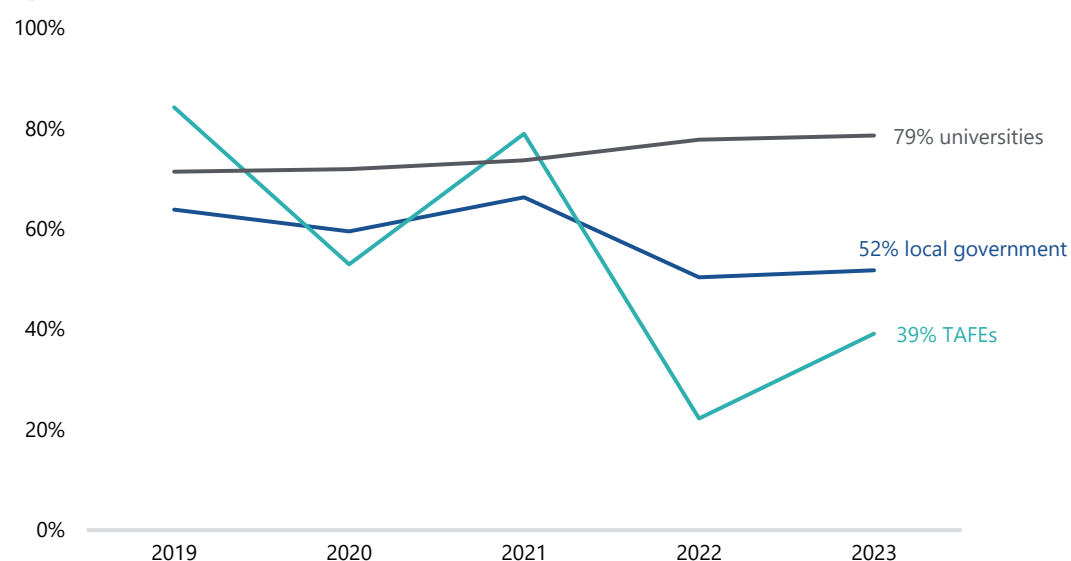
Our financial audits have helped agencies improve their internal controls this year.

Part of our financial audit process is to send management letters to agencies. These letters highlight internal control weakness and other matters we identify during our audits and make recommendations to resolve them. Agencies respond to these letters with their intended actions.

In 2023–24 we saw an improvement in the percentage of internal control issues entities resolved from prior years:

- Local government entities resolved 52 per cent of prior-period issues (compared to 50 per cent in 2022–23).
- TAFEs resolved 39 per cent (compared to 22 per cent in 2022–23).
- Universities resolved 79 per cent (compared to 78 per cent in 2022–23).

Figure 25: Percentage of resolved issues from prior years by sector from 2019 to 2023



Source: VAGO.

Our annual Responses to Performance Engagement Recommendations report

How agencies responded to performance engagement recommendations

Each year we survey agencies about their progress on recommendations from our performance engagements.

Agencies are not required to accept, complete or publicly report on our recommendations. So we use our assurance review powers to provide greater transparency and accountability to the Victorian public and MPs.

We tabled our report *Responses to Performance Engagement Recommendations: Annual Status Update 2023* in August 2023. The report outlines the status of 1,518 recommendations we made across 100 agencies in 77 performance engagement reports tabled between 1 July 2018 and 30 June 2022. We found:

- 96.8 per cent of recommendations were accepted (1,469 recommendations)
- 79.4 per cent of the accepted recommendations were completed (1,166 recommendations)
- the median time to complete a recommendation was 12 months.

Figure 26: Status of accepted recommendations by tabled year

	2018–19	2019–20	2020–21	2021–22	Total
Complete	504 (89%)	239 (92%)	219 (68%)	204 (64%)	1,166 (79%)
In progress	65 (11%)	20 (7.7%)	100 (31%)	115 (36%)	300 (20%)
Not started	-	-	1 (0.3%)	2 (0.6%)	3 (0.2%)

Source: VAGO.

How our work helps our clients improve

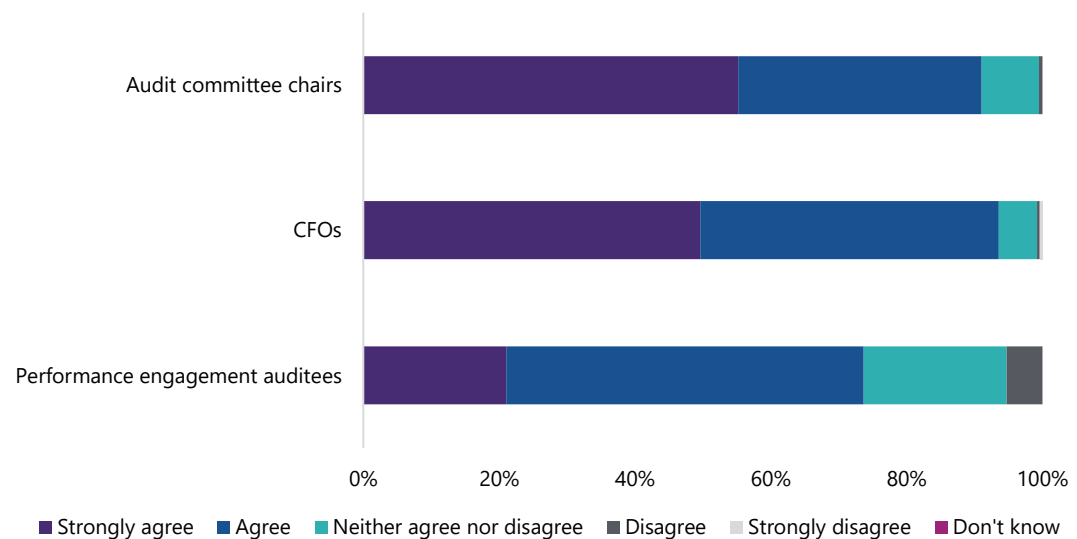
What our clients are telling us We want our clients to value our work so it makes an impact.

As part of our client satisfaction surveys we ask our auditees if our work will help them improve.

In 2023–24, 91 per cent of audit committee chairs and 94 per cent of CFOs either agreed or strongly agreed that our recommendations will improve their organisation's financial management and internal controls.

When we surveyed our performance engagement auditees 74 per cent either agreed or strongly agreed that our performance engagement will help them improve the audited activity.

Figure 27: Percentage of surveyed audit committee chairs, CFOs and performance engagement auditees who said our work help them improve in 2023–24



Source: VAGO.

5.

An enriched experience for our people

On 30 June 2024, VAGO employed 225 people, comprising:



95

in Financial audit



76

in Parliamentary reports and services



15

in the office of the Auditor-General



39

in Corporate services

Of our total workforce:



57%

identified as women

(women made up 81 per cent of our part-time workers and 42 per cent of our executives)



7%

identified as a person with disability

There are currently no staff who identify as Aboriginal or Torres Strait Islander.

Our people are central to us achieving our purpose and delivering quality outcomes. We aim to attract and retain talented and committed people by:

- providing professional development and career growth
- equipping them with technology, methodology and accessible workspaces
- supporting them to be highly productive and positively engaged.

Our people

Our workforce On 30 June 2024 VAGO employed 225 people, including:

- 95 in FA
- 76 in PRS
- 54 in audit support, including:
 - 15 in OAG
 - 39 in CS.

Of our total workforce:

- 57 per cent identified as women (women made up 81 per cent of our part-time workers and 42 per cent of our executives)
- 7 per cent identified as a person with disability.

There are currently no staff who have disclosed they identify as Aboriginal or Torres Strait Islander.

See Appendix B for a detailed profile of the VAGO workforce.

How we invest in our people

Capability frameworks

In 2023–24 we launched our capability frameworks for FA and PRS.

We developed these frameworks to support our people in their daily work and help them:

- understand common capability requirements and ways of working
- take ownership of their career pathways, learning and development.

Each framework clearly:

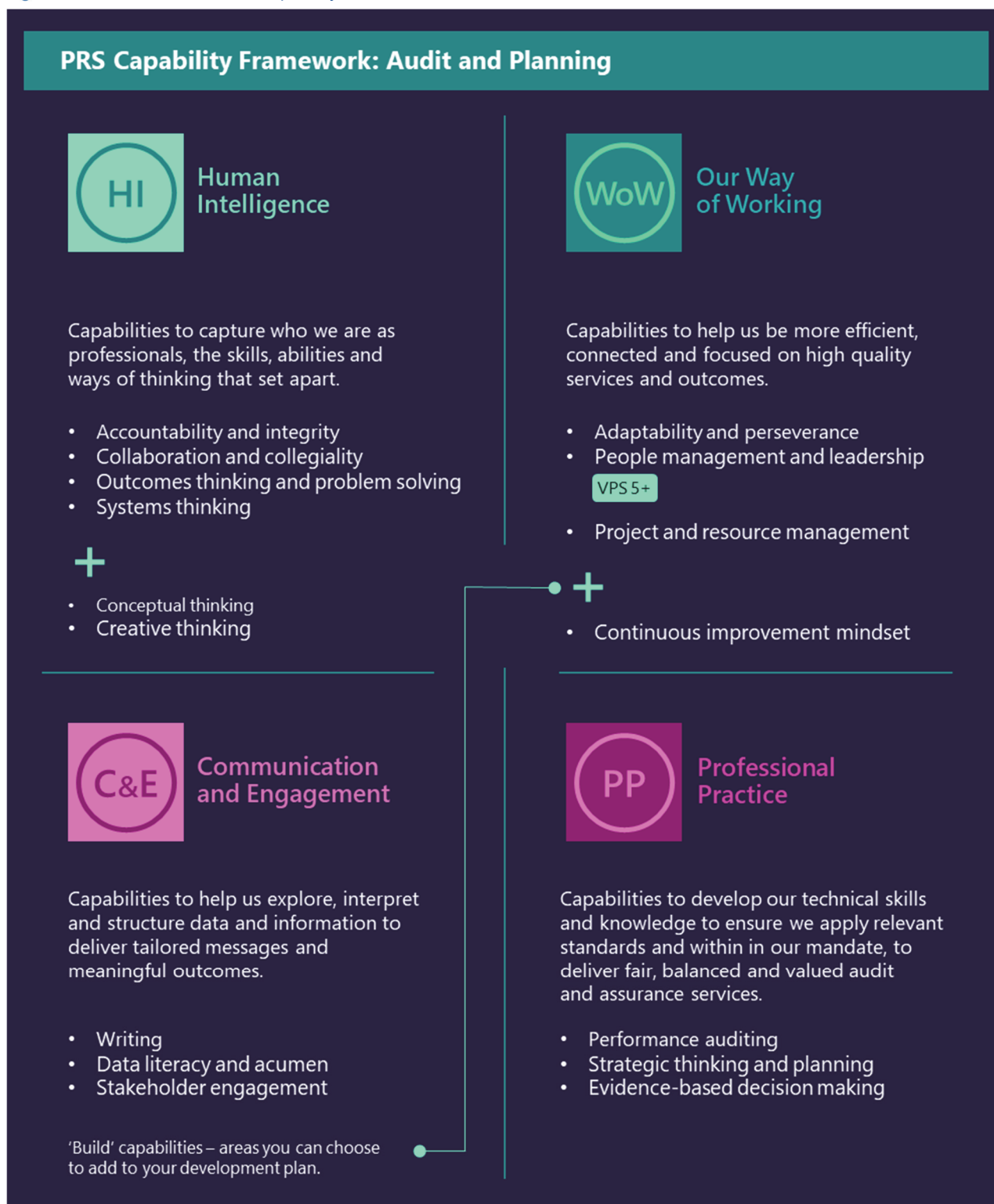
- delineates between Victorian public sector grades and roles
- aligns to relevant job descriptions
- leverages professional audit and accounting requirements and best practice.

Figure 28: Overview of the FA capability framework



Source: VAGO.

Figure 29: Overview of the PRS capability framework



Source: VAGO.

In 2024–25 we plan to further enhance professional development and career growth for our people by prioritising the following initiatives:

- connecting individuals' development plans to our capability frameworks and performance outcomes
- further optimising the tools and systems our people use
- designing and implementing:

- a succession management framework
- an enterprise learning platform.

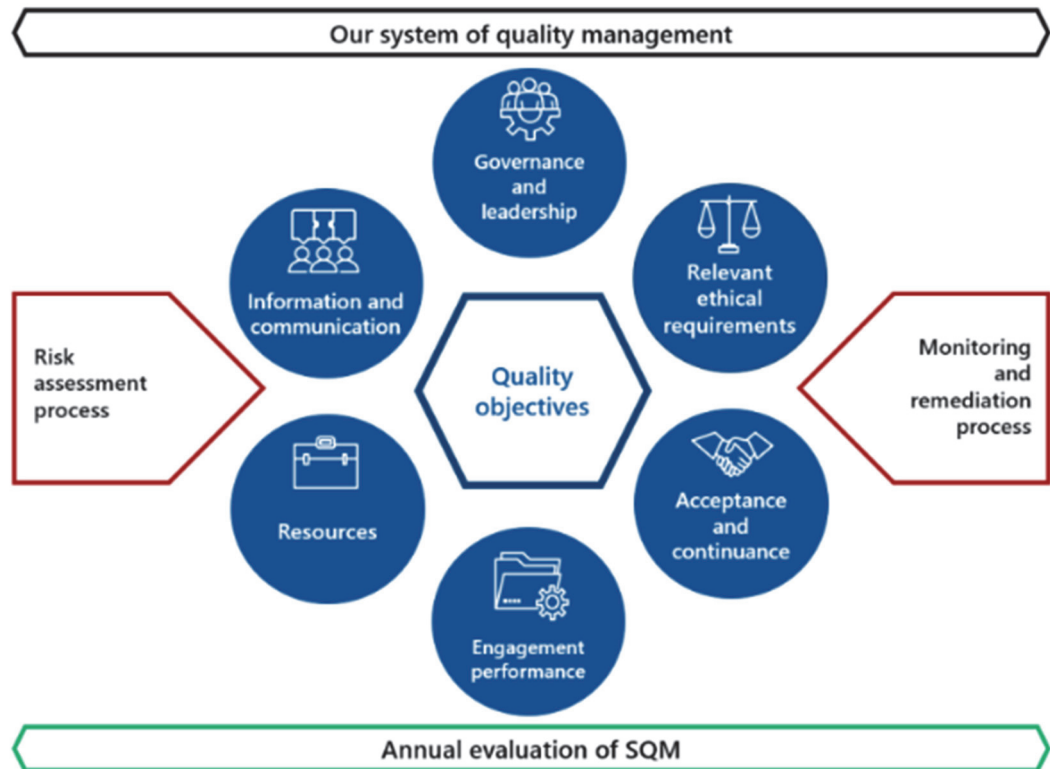
System of quality management

The *Audit Act 1994* requires us to apply AUASB's standards where they are relevant to us.

In line with the new audit quality standards, we replaced our quality control framework with a new system of quality management.

Our new system, which we launched in November 2023, aims to enhance the robustness of our approach to quality.

Figure 30: Overview of our system of quality management



Note: SQM stands for system of quality management.
Source: VAGO.

We annually evaluate our system of quality management. This involves incorporating our audit inspection programs and considering results from independent reviews.

You can learn more about our system of quality management and the results of our evaluations in our annual transparency report: <https://www.audit.vic.gov.au/transparency-report>.

PRS professional practice and development

This year we established and resourced a branch in PRS to identify and develop the tools, guidance and development our people need to deliver high-quality engagements that inform Parliament and the community and are in accordance with relevant standards.

This year we:

- designed and launched a new approach to performance development plans
- developed and launched a monthly community of practice
- established 'tutorial Tuesdays' to support PRS staff to learn more about how the government works.

We are also comprehensively reviewing and updating our engagement methodology and the associated tools, guidance and manuals. We will progressively launch the updated tools and documents over 2024–25.

Financial audit toolset

We are transitioning our in-house audits to a new cloud-based financial audit toolset in stages:

- In 2024 33 per cent of in-house audits will be transitioned to the new system.
- By the end of the 2024–25 audit cycle 84 per cent of in-house audits will use the new system.
- The remaining in-house audits will transition in the 2025–26 audit cycle.

The new toolset is designed to make our audits more efficient and streamlined. Key functionalities include:

- integrated client communication: our auditors and clients can collaborate directly within the tool, with all responses automatically linked to the relevant audit tasks
 - streamlined workflow: uploading trial balances and creating lead sheets is easier, which speeds up key audit tasks
 - Empower 2.0 integration: leveraging the power of our in-house analytics platform directly within the audit toolset enables a more data-driven approach
 - enhanced visibility: granular control over visibility settings enables auditors to tailor audit procedures to specific engagements
 - embedded methodology: tasks are aligned with the latest guidelines, ensuring our audits meet public sector audit best practices.
-

Empower

In 2023–24 we launched Empower 2.0, which is an upgraded version of our in-house analytics platform that supports our audits of financial reports.

We first introduced Empower 1.0 in November 2019 for approximately 50 audits. Since then, our client base has grown to 72 audits. Our platform now manages about 20 billion records.

In 2023 we embarked on a significant project to completely rebuild Empower. We focused on better data protection, faster performance and a smoother user experience.

We fully launched Empower 2.0 in April 2024. It gives auditors the raw data and pre-constructed analysis they need to conduct audits more efficiently and effectively.

This latest version positions us to expand our analytics platform further and accommodate new clients.

We are excited about the opportunities Empower 2.0 offers.

Ways of working

We have continued to refine and embed our ways of working. Our approach combines the best of office based, client site and virtual work – being purposeful when we come together.

Some of the initiatives we refined or introduced to further improve our approach are:

- Together–Together days and strategic collaboration activities
 - virtual and in-person coffee catch-ups
 - learning and development experiences
 - returning to more client site visits
 - peer networks
 - Q and A drop-in sessions.
-

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 2023–24 financial year are presented fairly, and are consistent with the Standing Directions under the *Financial Management Act 1994*.

The statement includes the 2023–24 performance measures agreed with the 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 3 September 2024.



Dave Barry

Deputy of the Auditor-General
Victorian Auditor-General's Office

Melbourne
3 September 2024



Anh Ha

Chief Financial Officer
Victorian Auditor-General's Office

Melbourne
3 September 2024

6.

Performance statement

6.1 Performance statement

Our performance statement makes reference to the 2023–24 performance measures agreed with the 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	2022–23 actual	2023–24 actual	2023–24 target	2023–24 per cent variation	Result	Notes
Quantity							
Average cost of parliamentary reports	(\$ thousand)	438.4	525.8	552.0	(4.8)	✓	
Quality							
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	(per cent)	76.9	77.6	80.0	(3.0)	X	
Overall level of external satisfaction with audit reports and services – parliamentarians	(per cent)	N/A	90.0	85.0	5.9	✓	
Timeliness							
Average duration taken to finalise responses to inquiries from Members of Parliament	(days)	26.4	29.5	≤ 20.0	47.5	X	3.1
Average duration taken to produce performance audit parliamentary reports	(months)	10.1	10.9	≤ 9.0	21.5	X	3.2
Average duration taken to produce financial audit parliamentary reports after the balance date	(months)	6.0	6.3	≤ 5.0	26.6	X	3.3
Cost							
Total output cost	(\$ million)	16.5	18.0	19.3	(6.9)	✓	3.4

Note:

✓ indicates that the target was achieved or bettered.

X indicates that the target was not met.

FIGURE 6B: **Output Group 2 – Audit opinions on financial and performance statements**

Performance measure	Unit of measure	2022–23 actual	2023–24 actual	2023–24 target	2023–24 per cent variation	Result	Notes
Quantity							
Average cost of audit opinions issued on performance statements	(\$ thousand)	5.4	5.4	5.7	(4.4)	✓	
Average cost of audit opinions issued on the financial statements of agencies	(\$ thousand)	55.2	59.7	52.4	13.9	X	3.5
Quality							
External/peer reviews finding no material departures from professional and regulatory standards	(per cent)	88.2	77.8	100.0	(22.2)	X	3.6
Proportion of agencies disclosing prior period material errors in financial statements	(per cent)	1.0	0.4	≤ 5.0	(92.7)	✓	
Timeliness							
Audit opinions issued within statutory deadlines	(per cent)	97.2	98.4	98.0	0.4%	✓	
Management letters to agencies issued within established time frames	(per cent)	90.7	85.8	90.0	(4.7)	X	3.7
Cost							
Total output cost	(\$ million)	35.6	41.1	29.8	37.9	X	3.8

Note:

✓ indicates that the target was achieved or bettered.

X indicates that the target was not met.

6.2 Notes to the performance statement for the year ended 30 June 2024

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) 8 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 27 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 8 and FRD 27.

This performance statement includes the performance measures, targets and results of our 2 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 2 parliamentary output groups in *Budget Paper No. 3*.

- Output Group 1 covers parliamentary reports and services
- 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
Output Group 1 – parliamentary reports and services			
Average cost of parliamentary reports	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of parliamentary reports tabled during 2023–24 / Total number of parliamentary reports tabled during 2023–24 (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 2 and 3 years prior / Total number of accepted performance engagement recommendations issued 2 and 3 years prior

Performance measure	Dimension	Goal	Calculation
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 (reasonable assurance) 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 of 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

Performance measure	Dimension	Goal	Calculation
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 2023–24 / 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 of recoup of salaries and expenses

3. Explanation of significant variances

- 3.1 The ability to respond to inquiries from Members of Parliament in line with the target was impacted by vacant staff positions arising from unanticipated turnover and organisational changes. This has since been resolved. Since filling vacant roles, the average time to respond to Members of Parliament has been well below the target timeframe. We expect this measure to continue to improve towards our target.
- 3.2 Four audits were carried over from 2022–23 which were impacted by unanticipated staff turnover and unplanned leave. Additionally, for these audits we gave auditees additional time to review the report or provide additional data to ensure fairness and accurate reporting. As a result, this negatively impacted our average duration to produce parliamentary reports compared to our target.
- 3.3 The average duration taken to produce financial audit parliamentary reports was greater than our target because the *Results of 2022–23 Audits: Local Government* report took 8.2 months to complete and the *Results of 2023 Audits: Universities* report took 5.9 months. These reports were influenced by the timing of financial reporting processes across the respective sectors, audit processes, and resource availability. For further details on the financial reporting and audit timelines, refer to these sector reports on our website.
- 3.4 Unanticipated staff turnover and the difficult labour market to fill vacant positions has resulted in an underspend in labour costs. Additionally, there was budgeted subject matter experts for performance audits which were not utilised in 2023–24.
- 3.5 The average cost of audit opinions represents the audit fee we charge our clients. Under the *Audit Act 1994*, we recover all reasonable expenses associated with conducting audits. The rise in average audit fees is due to the following factors:

Increased audit effort:

- We expanded our audit activities, with production hours rising from 96,700 in 2022–23 to 109,000 in 2023–24. This increase was driven by changes in audit strategies to address complex issues, such as machinery of government changes and accounting challenges, leading to a total of 109,000 audit hours delivered.
- Audit efforts by our service providers also increased for similar reasons, causing audit-related costs to rise from \$17.5 million last year to \$19.8 million this year. This increase in costs directly influences the revenue we recover.

Audit fee indexation:

- We increased our audit fees by 4%, in line with the ABS wage price index. This indexation is capped in accordance with DTF guidance

3.6 We did not achieve our target because our independent inspectors concluded that 4 of the 18 audit files they reviewed had deficiencies in the audit evidence supporting the audit opinion. To reduce the performance variation, we will assess the root cause of key ongoing and emerging themes to enable us to identify effective solutions.

3.7 Delays to issuing management letters from the 2023 audit cycle were caused by:

- identification of complex audit issues requiring further consideration and drafting
- delays experienced receiving client responses to our findings
- workforce capacity challenges because of competing priorities (e.g. machinery of government impacted audits taking longer than anticipated, parliamentary reporting obligations).

Our timeliness improved as the audit cycle progressed as we focused on getting back on track post-pandemic. This is evident by the improvement in delivery of final management letters – for our 30 June 2023 audit cycle we issued 71 late final management letters, whereas for our 31 December 2023 audit cycle only 1 management letter was issued late.

3.8 The increase in total output costs for delivering audit opinions on financial and performance statements is due to the following factors:

Increased audit effort:

Both internal audit teams and external audit service providers have delivered greater audit effort, as outlined in variance 3.5.

Investment in transformational projects:

We have incurred costs for projects aimed at adapting to the evolving financial auditing profession. This includes enhancing our data analytics capabilities, upskilling staff, and addressing the challenges of a hybrid working environment.

Higher workforce costs:

Increased due to using additional resources to keep audit delivery on track, affected by pandemic-related labour market issues.

As our actual results over time demonstrate, the target which is currently indexed in accordance with DTF guidance, should be rebased to more accurately reflect our expected performance.

Independent Auditor's report



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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 2023-24 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 Chief Financial 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 2023-24.

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, 3 September 2024



Kenneth Weldin

Partner

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7.

Our financial management

Our primary financial objective is to provide cost-effective and value-adding audit and assurance services to Parliament and our public sector fee-paying clients.

The nature and scope of our business has been consistent over time.

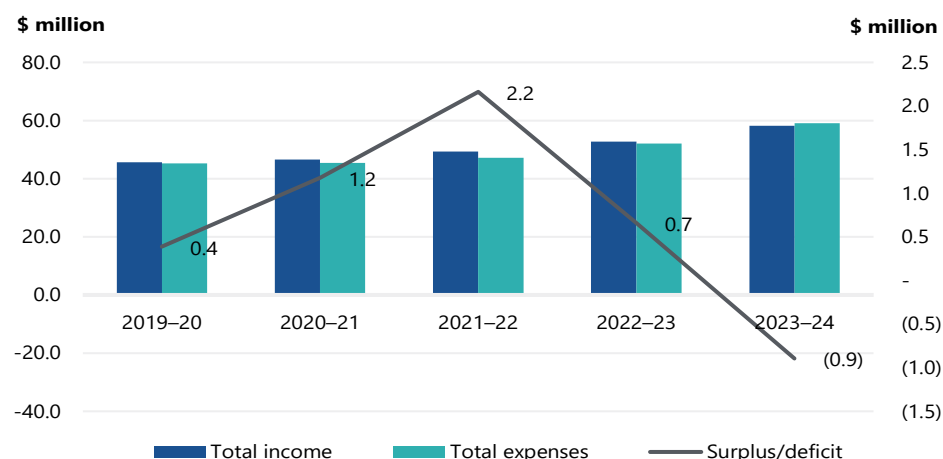
This year's financial results continue to reflect our focus on organisational transformation and improvement activities.

7.1 Financial year in review

This year we incurred a planned operating deficit of \$900,000, which represents an operating ratio of -1.5 per cent of revenue. This was a \$1.6 million turnaround from last year's \$687,000 surplus, and is the first deficit we have incurred since 2016–17.

The deficit arose predominantly because we increased our workforce to deliver our audit programs, and continued to invest in a number of significant transformational projects, such as our new cloud-based financial audit toolset, and our in-house audit analytics tool, Empower.

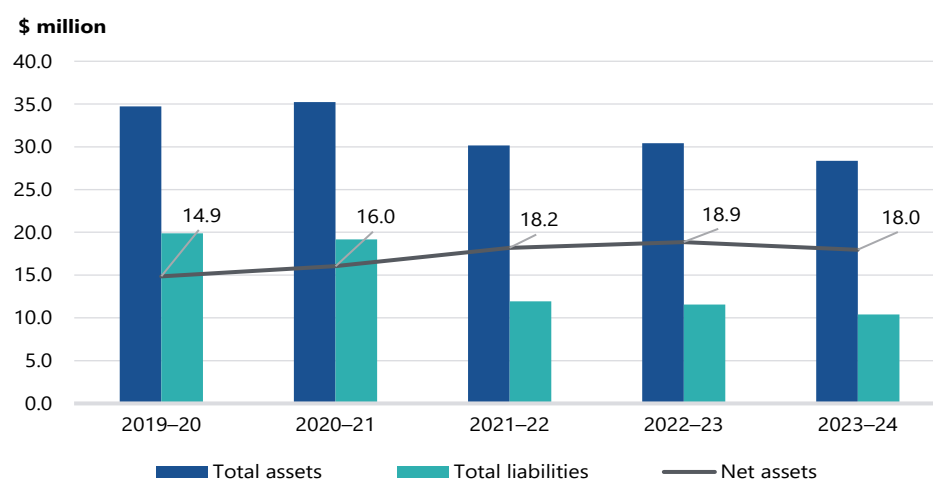
FIGURE 7A: Five-year financial performance to 30 June 2024



Source: VAGO.

At year end we held net assets of \$18.0 million (30 June 2023: \$18.9 million).

FIGURE 7B: Five-year financial position to 30 June 2024



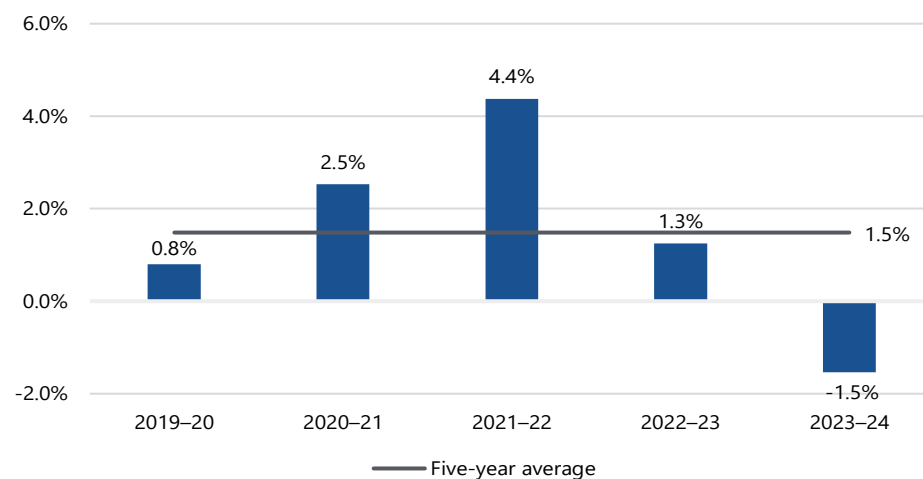
Source: VAGO.

Surplus/deficit

With the exception this year, we have maintained a positive operating margin over the past 5 years at an average of 1.5 per cent of income.

Our medium-term financial aim is to **break even**, noting deficits may arise due to the timing of our organisational transformation activities.

FIGURE 7C: **Operating result as a percentage of total income**



Source: VAGO.

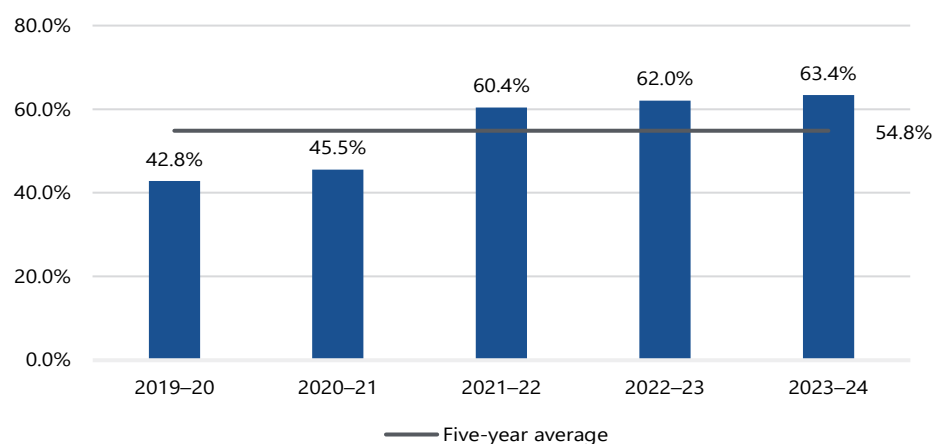
Net assets

Our stable financial position is driven by our strong historical surpluses arising from sound fiscal management. Additionally, as we do not utilise debt as a funding source, we anticipate a sufficient net asset base to fund our operations over the forward estimates period.

Net assets as a percentage of total calculates the percent of total assets that an entity owns outright, clear from debt obligations.

A higher (or lower) ratio indicates that less (or more) of the entity's assets are funded with debt and therefore is a lower (or higher) financial risk.

FIGURE 7D: **Net assets as a percentage of total assets**



Source: VAGO.

7.2 Financial performance

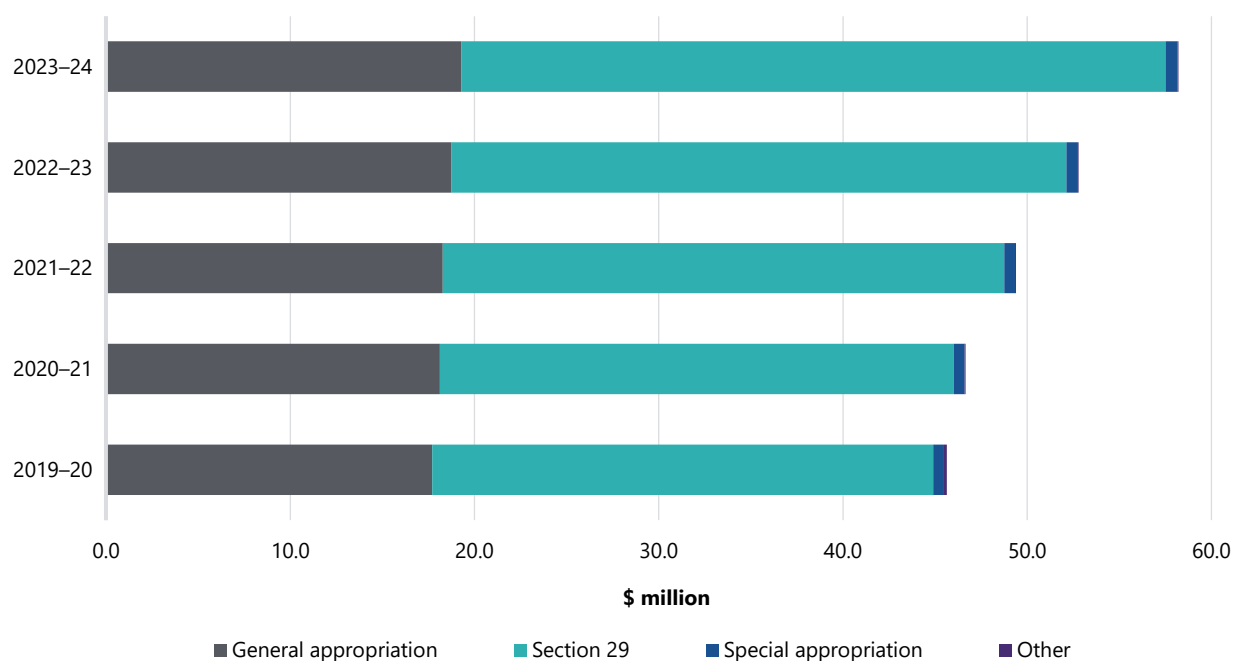
Income

Our total income has steadily increased over the past 5 years to \$58.2 million in 2023–24 (2022–23: \$52.8 million), reflective of indexation of our general appropriation and financial audit engagement fees (which forms our section 29 income), and the timing of delivery of our annual audit program.

We also rebase our financial audit engagement fees where there is additional audit effort or costs required to complete the audit (e.g. Machinery of Government changes, accounting challenges, or passing on increases in our contracted audit services costs).

VAGO is funded through Parliamentary appropriations and *Financial Management Act 1994* section 29 income.

FIGURE 7E: **Income from transactions**



Source: VAGO.

Expenses

The majority of our expenses consist of employees and contractors for our Parliamentary Reports and Services (PRS) and Financial Audit (FA) program, and contracted audit service providers whom we engage to assist in completing our annual financial and performance statement audits and other assurance engagements.

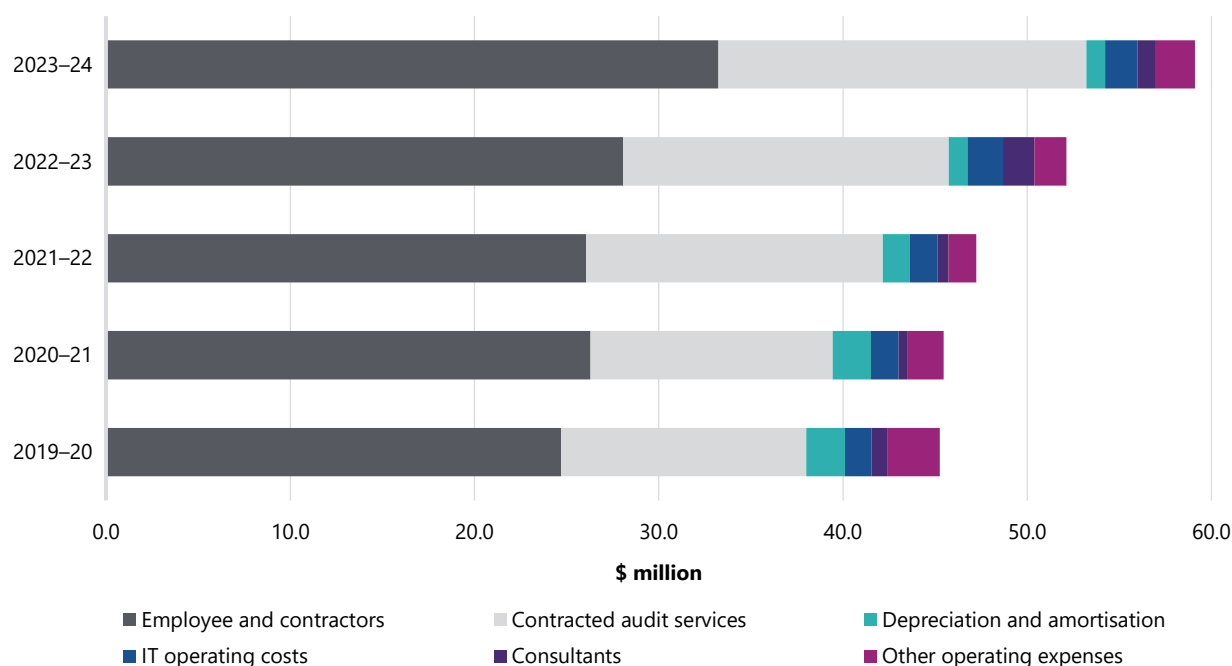
Our employee and contractor cost of \$33.2 million (2022–23: \$28.1 million) has largely been driven by:

- increases in our production workforce for both the PRS and FA business units, resulting in a corresponding increase in output:
 - PRS tabled 16 reasonable assurance audits and 6 limited assurance reviews in 2023–24 (compared to 14 and 5 in 2022–23 respectively)
 - FA increased their audit effort to complete their 2024 audit program in 2023–24, where they delivered 109,000 production hours (compared to 96,700 production hours in 2022–23).
- increases to entitlements per the *Victorian Public Service Enterprise Agreement 2020*, effective 1 December 2023
- ongoing investment in our non-production workforce to deliver our organisational transformation and improvement projects – predominantly relating to our new cloud-based financial audit toolset, and our in-house audit analytics tool, Empower.

Our expenditure for contracted audit services of \$20.0 million (2022–23: \$17.7 million) has been significantly impacted by:

- increase in audit effort by our audit service providers (ASP) to complete the 2024 audit program, and the timing of completion of work carried out up to 30 June 2024
- annual indexation of fees charged by our ASPs.

FIGURE 7F: **Expenses from transactions**



Source: VAGO.

Information and communications technology (ICT) expenditure

In 2023–24, we incurred ICT expenditure (including employee and contractor costs, and depreciation) to provide business-enabling ICT services of \$2.8 million (2022–23: \$3.4 million).

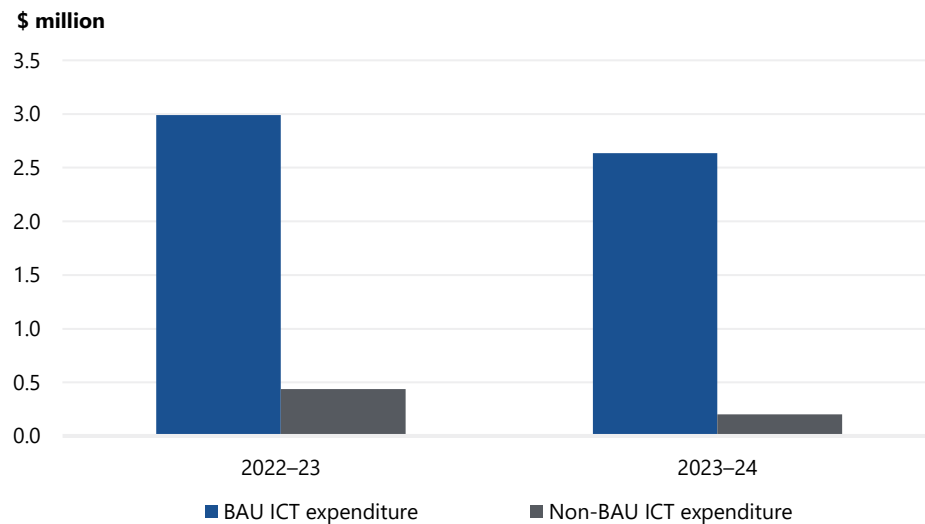
The reduction in ICT expenditure reflects:

- cost optimisation review undertaken over our data consumption costs which resulted in \$0.3 million cost saving per year
- reduction in consultants utilised for our in-house audit analytics tool, Empower
- prior year costs associated with implementing Single Touch Payroll (STP) Phase 2, which was not incurred in 2023–24.

Business as usual (BAU) ICT expenditure relates to ongoing activities to operate and maintain existing ICT.

Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities.

FIGURE 7G: ICT expenditure



Source: VAGO.

7.3 Financial position

Balance sheet

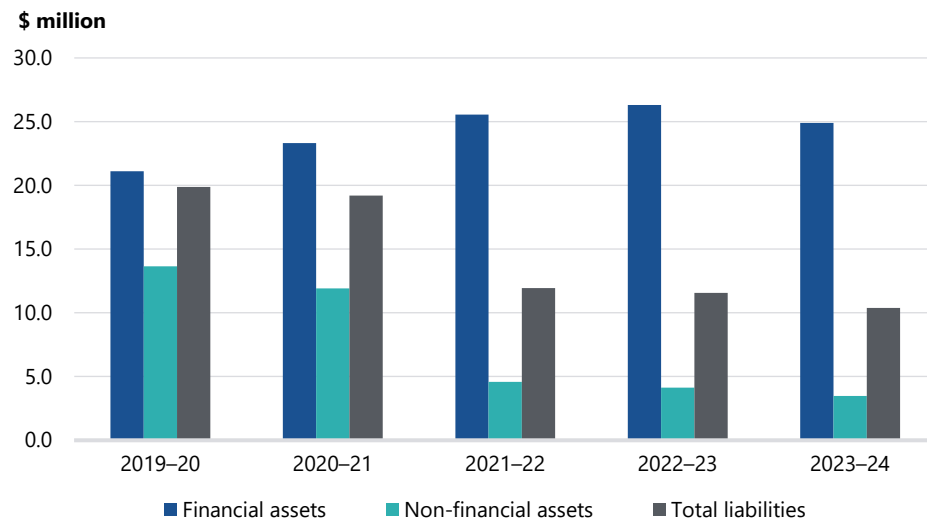
Our total financial assets balance of \$24.9 million (2022–23: \$26.3 million) decreased due to the decrease in the State Administration Unit receivable balance – directly as a result of this year’s deficit.

The total liabilities balance of \$10.4 million (2022–23: \$11.6 million) was also impacted by the payables balance at 30 June 2024, which is dependent on the timing of audit service providers completing their audit deliverables, as well as other accruals.

The State Administration Unit (SAU) serves 2 primary functions: (a) as a mechanism for recording transaction flows and balances within the Public Account; and (b) a means of capturing certain relationships and balances between the Government (with DTF as the ‘corporate head office’) and Departments.

Our SAU balance is made up of our accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

FIGURE 7H: **Assets and liabilities movement**



Source: VAGO.

7.4 Cash flows

Cash flow statement

As part of our government banking arrangement, receipts and payments transacted in our bank accounts are transferred to and from the State government.

FIGURE 7I: **Cash Flow Statement**

	2023-24 (\$ thousand)	2022-23 (\$ thousand)	Movement from 2022-23 to 2023-24 (\$ thousand)	Percentage change from 2022-23 to 2023-24
Net cash flows from/(used in) operating activities	816	1,002	(186)	(18.5)
Net cash flows from/(used in) investing activities	(271)	(526)	255	(48.5)
Net cash flows from/(used in) financing activities	(545)	(476)	(69)	14.5
Net increase/(decrease) in cash held	-	-	-	-
Cash at the beginning of the financial year	-	-	-	-
Cash at the end of the financial year	-	-	-	-

7.5 Other financial matters

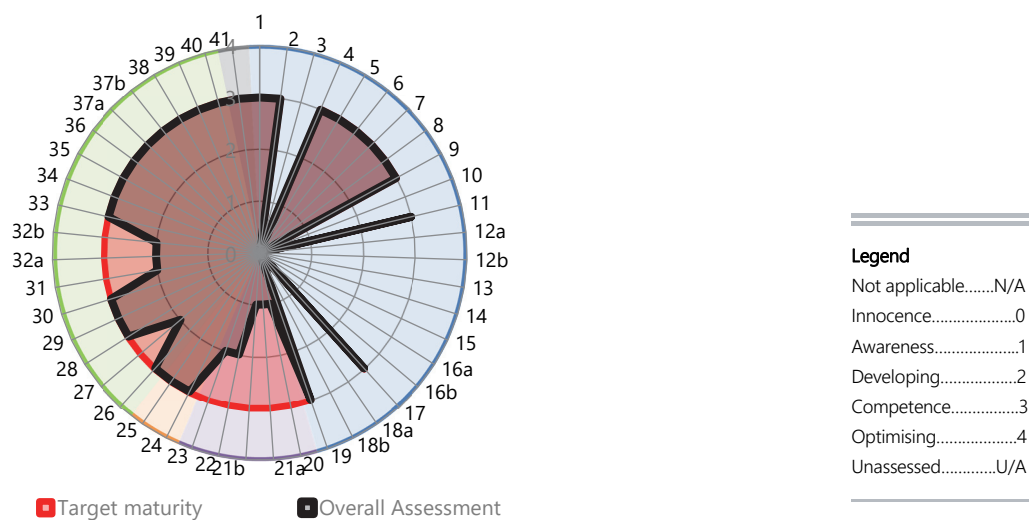
Asset Management Accountability Framework (AMAF) maturity assessment

The following section summarises our assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF).

We have assessed our target maturity rating as 'competence', meaning systems and processes are fully in place, consistently applied and systematically meeting the AMAF requirements, including a continuous improvement process to expand system performance above AMAF minimum requirements.

The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements, published at www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework.

FIGURE 7J: **AMAF maturity assessment**



Source: VAGO.

FIGURE 7K: **AMAF maturity outcome**

AMAF mandatory requirements Outcome assessment

Leadership and Accountability (requirements 1–19)	We have met our target maturity level under the requirements within this category, where applicable.
Planning (requirements 20–23)	There is no material non-compliance reported in this category. We did not need to comply with the requirement for developing an asset management strategy as we did not assess any of our assets as critical (i.e. any failures would not result in the incapability to deliver important services).
Acquisition (requirements 24 and 25)	We have met our target maturity level under the requirements within this category.
Operation (requirements 26–40)	There is no material non-compliance reported in this category. Given we have not assessed any of our assets as critical, we have not established a process to identify potential asset performance failures, or a formal asset maintenance program.
Disposal (requirement 41)	We have met our target maturity level under the requirements within this category.

Local Jobs First

Under section 3 of the *Financial Management Act 1994*, we are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria, and for strategic projects with a budget of \$50 million or more.

Local Jobs First Strategic

We have one Local Jobs First Strategic Project in progress, which commenced in 2020–21, valued in excess of the \$50 million threshold, to refresh our Financial Audit Services Panel. The project is based in metropolitan Melbourne representing 97 per cent of estimated local content, as advised by the Minister for Industry Support and Recovery.

In 2023–24, the outcomes reported from the implementation of the policy where information was provided was an average of at least 97 per cent of local content.

All projects valued at \$50 million or above are automatically classified as **Strategic Projects**, or as declared by the Minister for Industry Support and Recovery.

Performance audit consultants

In 2023–24, we paid \$121,900 to 7 consultants for performance audit related services (2022–23: \$171,600 to 5 consultants).

FIGURE 7L: **Payments to performance audit consultants**

Performance audit consultants	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Alex Dordevic	32	-
Cube Group	11	-
Frontier Economics Pty Ltd	-	79
Jeneva Pty Ltd	-	59
Hof Consulting	34	-
Tundra Interactive Pty Ltd	26	23
Villamanta Disability Rights Legal Service Inc	11	-
Other – 2 (2022–23: 2)	8	11
Total	122	172

Financial audit contracted audit services

In 2023–24, we paid \$19.9 million to 16 audit firms and consultants that provided financial and performance statement audit related services (2022–23: \$16.9 million to 18 audit firms and consultants).

FIGURE 7M: **Payments to financial audit contracted audit service providers**

Audit service provider (ASP) and consultants	2023–24 (\$ thousand)	2022–23 (\$ thousand)
ASP panel members		
BDO Services Pty Ltd	578	410
Crowe Audit Australia	1,840	2,083
Crowe Horwath Albury	1,027	796
Crowe Horwath Vic	677	819
Ernst & Young	2,059	1,594
HLB Mann Judd (VIC Partnership)	3,482	2,818
Johnsons MME	373	344
KPMG	787	476
RSD Audit	3,608	3,277
RSM Australia Pty Ltd	3,917	3,413
Consultants		
AFS & Associates Pty Ltd	-	12
Bateup Actuarial & Consulting Services Pty Ltd	20	-
Cumpston Sarjeant Pty Ltd	13	20
Frontier Economics Pty Ltd	126	95
Pitcher Partners Corporate Pty Ltd	46	45
Protiviti Pty Ltd	1,301	678
The Heron Partnership Pty Ltd	20	24
Other – 0 (2022–23: 2)	-	2
Total	19,874	16,906

Other consultancies

In 2023–24, we engaged 10 consultants with a total fee payable greater than \$10,000 (excluding GST) (2022–23: 19 consultants).

We did not engage any consultants where the total fee payable was less than \$10,000 (excluding GST) (2022–23: 4 consultants totalling \$20,400).

FIGURE 7N: **Consultancies – payments in excess of \$10,000 (excluding GST)**

Consultant	Purpose of consultancy	Start date	End date	Approved project fee (\$ thousand)	Expenditure 2023–24 (\$ thousand)	Future expenditure (\$ thousand)
Office of the Auditor-General						
ContentSmith Group Pty Ltd	Digital marketing services	22-Aug-23	22-Aug-23	61	61	-
Orima Research Pty Ltd	Client survey program	28-Nov-23	23-Jan-24	84	42	42
Orima Research Pty Ltd	Client survey program	19-Sept-22	30 Sep-23	116	47	-
SEC Newgate Australia	Strategic communication support	1-Dec-23	2-Apr-24	47	47	-
Financial Audit						
BDO Services Pty Ltd	Technical advisory services	1-May-23	1-Apr-24	36	35	1
Cube Group	Management consulting	19-Jun-23	31-Jul-23	45	45	-
PricewaterhouseCoopers Consulting (Australia) Pty Ltd	Enhancing FA Capability	14-Nov-22	31-May-23	724	25	-
Shane Garner Consulting	Executive consulting	9-Jun-23	31-Jul-23	16	16	-
Corporate						
ContentSmith Group Pty Ltd	Digital marketing services	15-Dec-23	30-Jun-24	160	128	32
CXC Corporate Services Pty Ltd	Executive consulting	28-Aug-23	26-Nov-23	149	109	-
Future Leadership Pty Ltd	Executive consulting	8-Nov-23	3-Dec-23	50	50	-
Indigenous Cultural Connections	Reconciliation Action Plan	1-Nov-22	31-Oct-24	41	8	25

Review expenditure

In 2023–24, there were 8 reviews undertaken with the total cost of \$243,900 (excluding GST). Details of reviews have been combined and outlined below.

Review	Purpose of review	Scope	Anticipated outcomes	Estimated cost 2023–24 (\$ thousand)	Final cost if completed (\$ thousand)	Publicly available
Quality assurance review	To undertake engagement quality assurance reviews	Evaluate compliance with the <i>Audit Act 1994</i> and other mandatory requirements	External/peer reviews finding no material departures from professional and regulatory standards	133	150	No

Review	Purpose of review	Scope	Anticipated outcomes	Estimated cost 2023–24 (\$ thousand)	Final cost if completed (\$ thousand)	Publicly available
IT security environment review	To harden user access to Azure Resources, Azure Resource Groups, Azure DevOps Projects, Power BI Workspaces, and other environments that host and support our in-house audit analytics tool, Empower	Perform a security review of: <ul style="list-style-type: none"> VAGO's Azure Environment that support Empower VAGO's Azure DevOps environment within VAGO's Azure tenancy Security configuration of 'Specialised Access Workstations' 	Implement recommendations arising from IT security environment review	36	36	No
IT security review	To determine the appropriateness of IT security over 5 VAGO ASPs and VAGO itself	Perform a security audit on 5 VAGO ASPs and VAGO itself, and conclude on a grading for each	A grading (Inconclusive, Not Implemented, Partially Implemented, Implemented) for 5 VAGO ASPs and VAGO itself	15	18	No
Executive remuneration review	To undertake executive remuneration benchmarking	Perform executive remuneration benchmarking to market data	Report of findings and insights on market and current executive remuneration data	60	60	No

Whole-of-government financial statements

Figure 10 is a comprehensive operating statement for the parliament portfolio that provides a comparison between our actual financial statements and the budgeted financial information as published in the *Statement of Finances 2023–24: Budget Paper No.5*. The financial data has been prepared on a consolidated basis and includes all general government sector entities within the portfolio. Financial transactions and balances are classified into either controlled or administered categories, in the context of the published statements in Budget Paper No.5.

Figure 10 is not subject to audit and is prepared on the same basis as Budget Paper No.5. Budget figures are as published in Budget Paper No.5 (shown in \$ millions).

FIGURE 70: Comprehensive operating statement for parliament (including VAGO) for the financial year ended 30 June 2024

	Budget		Actual ⁽ⁱ⁾		Variance ⁽ⁱⁱ⁾
	Parliament (excluding VAGO) (\$ thousand)	VAGO (\$ thousand)	Parliament (including VAGO) (\$ thousand)	VAGO (\$ thousand)	VAGO (\$ thousand)
Income from transactions					
Output appropriations	260,459	50,724	311,183	57,506	6,782
Special appropriations	52,237	647	52,884	647	-

	<i>Budget</i>		<i>Actual⁽ⁱ⁾</i>		<i>Variance⁽ⁱⁱ⁾</i>
	Parliament (excluding VAGO) (\$ thousand)	VAGO (\$ thousand)	Parliament (including VAGO) (\$ thousand)	VAGO (\$ thousand)	VAGO (\$ thousand)
Sale of goods and services (including other income)	-	-	-	5	5
Fair value of services received free of charge or for nominal consideration	-	42	42	46	4
Total income from transactions	312,696	51,413	364,109	58,204	6,791
Expenses from transactions					
Employee benefits	207,033	28,668	235,701	33,236	(4,568)
Depreciation	40,521	991	41,512	1,012	(21)
Interest expense	2,090	50	2,140	47	3
Other operating expenses	64,791	21,704	86,495	24,809	(3,105)
Total expenses from transactions	314,435	51,413	365,848	59,104	(7,691)
Net result from transactions (net operating balance)	(1,739)	-	(1,739)	(900)	(900)
Other economic flows – other comprehensive income					
Other	-	-	-	6	6
Total other economic flows – other comprehensive income	-	-	-	6	6
Comprehensive result	(1,739)	-	(1,739)	(894)	(894)

Note:

(i) This funding has been fully spent/applied in the current financial year.

(ii) The variance from the budgeted output appropriations in 2023–24 was due to the variability in financial audit fees charged based on completion of performance obligations, and retained as per the section 29 agreement.

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1.1 Basis of preparation and compliance	2.1 Summary of compliance with annual parliamentary and special appropriations	3.1 Employees and contractors	4.1 Property plant and equipment
	2.2. Disaggregated financial information	3.2 Contracted audit services	4.2 Other non-financial assets
		3.3 Other operating expenses	4.3 Fair value determination
			4.4 Right-of-use assets and lease liabilities
5. Other assets and liabilities	6. How we financed our operations	7. Risks and valuation judgements	8. Other disclosures
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Declaration in the financial statements

The attached financial statements for the Victorian Auditor-General's Office have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2024 and financial position of the Victorian Auditor-General's Office at 30 June 2024.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 3 September 2024.



Dave Barry

Deputy of the Auditor-General
Victorian Auditor-General's Office

Melbourne
3 September 2024



Anh Ha

Chief Financial Officer
Victorian Auditor-General's Office

Melbourne
3 September 2024

Independent Auditor's Opinion



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Independent Auditor's Report to the Victorian Auditor-General's Office

Opinion

We have audited the accompanying financial statements of the Victorian Auditor-General's Office (the Entity), which comprise the Balance Sheet as at 30 June 2024, the Comprehensive Operating Statement, Cash Flow Statement, and Statement of Changes in Equity for the year then ended, notes to the financial statements, including material accounting policy information, and the declaration in the financial statements.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Victorian Auditor-General's Office as at 30 June 2024 and of its financial performance for the year then ended in accordance with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements, and the financial reporting requirements of the *Financial Management Act 1994*.

Basis for opinion

We conducted our audit in compliance with the *Audit Act 1994*, and accordingly in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included in the Victorian Auditor-General's Office's annual report for the year ended 30 June 2024 but does not include the financial statements and our auditor's report thereon, nor the performance statement and our review report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Auditor-General's Responsibility for the Financial Statements

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Auditor-General determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Entity or to cease operations, or there is no realistic alternative but to do so.

PKF Melbourne Audit & Assurance Pty Ltd is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separately owned legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the *Audit Act 1994* and Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Auditor-General with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF

Melbourne, 3 September 2024



Kenneth Weldin
Partner

Comprehensive Operating Statement for the financial year ended 30 June 2024⁽ⁱ⁾

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Income from transactions			
Output appropriations	2.1	57,506	52,125
Special appropriations	2.1	647	616
Sale of services and other income		51	47
Total income from transactions		58,204	52,788
Expenses from transactions			
Employees and contractors	3.1.1	33,236	28,067
Contracted audit services	3.2	19,985	17,675
Other operating expenses	3.3	5,883	6,359
Total expenses from transactions		59,104	52,101
Net result from transactions (net operating balance)		(900)	687
Other economic flows included in net result			
Net gain/(loss) on non-financial assets ⁽ⁱⁱ⁾	6.1.1	-	(15)
Other gains/(losses) from other economic flows		6	(12)
Total other economic flows included in net result		6	(27)
Net result		(894)	660
Comprehensive result		(894)	660

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(ii) 'Net gain/(loss) on non-financial assets' includes unrealised and realised gains/(losses) from disposals of all non-financial assets.

Balance Sheet as at 30 June 2024⁽ⁱ⁾

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Assets			
Financial assets			
Cash	6.1	-	-
Receivables	5.1	24,894	26,301
Total financial assets		24,894	26,301
Non-financial assets			
Property, plant and equipment	4.1	2,424	3,234
Other non-financial assets	4.2	1,044	902
Total non-financial assets		3,468	4,136
Total assets		28,362	30,437
Liabilities			
Payables	5.2	2,372	3,700
Lease liabilities	4.4.1	1,897	2,442
Employee related provisions	3.1.2	6,119	5,427
Total liabilities		10,388	11,569
Net assets		17,974	18,868
Equity			
Accumulated surplus		13,044	13,938
Contributed capital		4,930	4,930
Net worth		17,974	18,868

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Cash Flow Statement for the financial year ended 30 June 2024⁽ⁱ⁾

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Cash flows from operating activities			
Receipts			
Appropriation receipts from government		62,296	54,002
Receipts from other entities		647	616
Total receipts		62,943	54,618
Payments			
Payments to suppliers and employees		(61,307)	(52,985)
Goods and Services Tax paid to the ATO ⁽ⁱⁱ⁾		(773)	(573)
Interest and other costs of finance paid		(47)	(58)
Total payments		(62,127)	(53,616)
Net cash flows from/(used in) operating activities	6.1.1	816	1,002
Cash flows from investing activities			
Purchases of non-financial assets		(271)	(526)
Net cash flows from/(used in) investing activities		(271)	(526)
Cash flows from financing activities			
Repayment of lease liabilities		(545)	(476)
Net cash flows from/(used in) financing activities		(545)	(476)
Net increase/(decrease) in cash held		-	-
Cash at the beginning of the financial year		-	-
Cash at the end of the financial year	6.1	-	-

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(ii) Goods and Services Tax paid to the Australian Taxation Office (ATO) is presented on a net basis.

Statement of Changes in Equity for the financial year ended 30 June 2024⁽ⁱ⁾

	Accumulated surplus (\$ thousand)	Contributed capital (\$ thousand)	Total
Balance at 1 July 2022	13,278	4,930	18,208
Net result for the year	660	-	660
Balance at 30 June 2023	13,938	4,930	18,868
Net result for the year	(894)	-	(894)
Balance at 30 June 2024	13,044	4,930	17,974

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Notes to financial statements

1. About this report

The Victorian Auditor-General's Office (VAGO) and the Auditor-General's mandate are established pursuant to:

- the *Constitution Act 1975*, which establishes the role of the Auditor-General and authorises the Auditor-General's complete discretion in the performance and exercise of their functions and powers
- the *Audit Act 1994* (the Act), which establishes the Auditor-General's mandate, provides the legal basis for their powers, and identifies his responsibilities.

A description of VAGO's operations, principal activities and objectives is included in the Report of Operations, which does not form part of these financial statements.

VAGO is an administrative agency acting on behalf of the Crown. Our address is: Level 31, 35 Collins Street, Melbourne, VIC, 3000.

1.1 Basis of preparation and compliance

These general-purpose financial statements:

- are prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) including Interpretations issued by the Australian Accounting Standards Board (AASB). They are presented consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*
- apply AAS paragraphs applicable to not-for-profit entities, where appropriate
- cover VAGO as an individual reporting entity and include all of its controlled activities
- are in Australian dollars and use the historical cost convention unless a different measurement basis is specifically disclosed in the associated notes
- apply an accrual basis of accounting whereby assets, liabilities, equity, income and expenses are recognised in the reporting period they relate to, regardless of when cash is received or paid
- have been rounded to the nearest \$1,000, unless otherwise stated.

Judgements, estimates and assumptions are made about financial information presented.

- Significant judgements applied are disclosed in Note 2,
- Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors believed reasonable under the circumstances. Actual results may differ from these estimates.

Material accounting policies applied are disclosed in the respective notes of these financial statements and ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

2. Funding delivery of our services

2.1 Summary of compliance with annual parliamentary and special appropriations

Output appropriations

Income from the outputs VAGO provides to Parliament is recognised when the outputs have been delivered and the Assistant Treasurer and Treasurer have certified delivery of the outputs in accordance with specified performance criteria as outlined in the Department of Treasury and Finance budget papers.

Provision for outputs is disclosed as 'controlled' activities of VAGO.

Annual Parliamentary appropriations are controlled by VAGO when applied by the Treasurer and recognised as income for the purposes defined under the *Appropriation Act 2016*.

	<i>Appropriations Act</i> Annual appropriation (\$ thousand)	<i>Financial Management Act</i> section 29 (\$ thousand)	Total Parliamentary authority (\$ thousand) ⁽ⁱ⁾	Appropriations applied (\$ thousand)	Variance ⁽ⁱ⁾
2023–24 controlled					
Provision for outputs	19,269	32,496	51,765	57,506	(5,741)
Total 2023–24	19,269	32,496	51,765	57,506	(5,741)
2022–23 controlled					
Provision for outputs	18,759	30,766	49,525	52,125	(2,600)
Recovery of cost of parliamentary reports	-	5	5	-	5
Total 2022–23	18,759	30,771	49,530	52,125	(2,595)

Note:

(i) This funding has been fully spent/applied in the current financial year. The variance from estimate of 'Provision for outputs' in 2023–24 was due to the variability in financial audit fees charged based on completion of performance obligations, and retained as per the section 29 agreement.

Special appropriations

Under section 94A(6) of the *Constitution Act 1975*, income related to remuneration and on-costs associated with the Auditor-General's position, are recognised when the amount appropriated for that purpose is due and payable to VAGO.

Authority	Purpose	<i>Appropriations applied</i>	
		2023–24 (\$ thousand)	2022–23 (\$ thousand)
The <i>Constitution Act 1975</i> , section 94A(6)	Costs associated with the Auditor-General	647	616

FMA section 29 annotated income agreements

Administered transactions are those undertaken on behalf of the State of Victoria where VAGO has no control or discretion.

The income which forms part of a section 29 agreement is recognised by VAGO as an administered item and the receipts paid into the consolidated fund. The relevant appropriation item will be increased by the equivalent amount of income recognition.

Financial audit fees are measured based on the consideration and terms specified in the engagement letter with the audit client. VAGO recognises income progressively over time as the performance obligations for the services to the audit client are satisfied.

FMA section 29 annotated income agreements are approved by the Treasurer.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Fee for services		
Audit fees	32,496	30,766
Recovery of cost of parliamentary reports	-	5
Total annotated income agreements	32,496	30,771

2.2. Disaggregated financial information

Judgement is required in allocating income and expenditure to specific outputs. The following judgements were made in making the allocations:

- Output appropriation income is allocated directly to the output funded by the appropriation.
- Expenses are either allocated directly to the output where identifiable, otherwise on the basis that management estimates of the in-house revenue of each output. There were no amounts unallocated.

The distinction between controlled and administered items is based on VAGO's ability to deploy the resources in question for its own benefit (controlled items) or on behalf of the State (administered). VAGO remains accountable for transactions involving administered items but does not recognise them in its financial statements, except by way of note disclosure.

2.2.1 Departmental outputs

For a description of the VAGO's outputs, refer to *Report of Operations*.

Controlled income and expenses for the year ended 30 June 2024

	Parliamentary reports and services (\$ thousand)		Audit opinions on financial and performance statements (\$ thousand)		Total (\$ thousand)	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
Income from transactions						
Output appropriations	19,269	18,759	38,237	33,366	57,506	52,125
Special appropriations	324	328	323	288	647	616
Sale of services and other income	25	25	26	22	51	47
Total income from transactions	19,618	19,112	38,586	33,676	58,204	52,788
Expenses from transactions						
Employee expenses	15,357	12 922	17,879	15,145	33,236	28,067
Contracted audit services	121	154	19,864	17,521	19,985	17,675
Other operating expenses	2,484	3,387	3,399	2,972	5,883	6,359
Total expenses from transactions	17,962	16 463	41,142	35,638	59,104	52,101
Net result from transactions (net operating balance)	1,656	2 649	(2,556)	(1,962)	(900)	687
Other economic flows included in net result						
Net gain/(loss) on non-financial assets	-	(8)	-	(7)	-	(15)
Other gains/(losses) from other economic flows	3	(6)	3	(6)	6	(12)
Total other economic flows included in net result	3	(14)	3	(13)	6	(27)
Net result	1,659	2 635	(2,553)	(1,975)	(894)	660
Comprehensive result	1,659	2 635	(2,553)	(1,975)	(894)	660

Controlled assets and liabilities as at 30 June 2024

	Parliamentary reports (\$ thousand)		Financial statement audit and assurance reports (\$ thousand)		Total (\$ thousand)	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
Assets						
Financial assets	7,565	8,313	17,329	17,988	24,894	26,301
Non-financial assets	1,054	1,307	2,414	2,829	3,468	4,136
Total assets	8,619	9,620	19,743	20,817	28,362	30,437
Liabilities						
Total liabilities	3,157	3,657	7,231	7,912	10,388	11,569
Net assets	5,462	5,963	12,512	12,905	17,974	18,868

2.2.2 Administered items

Administered income includes recovery of audit costs incurred for performing financial and performance statement audits. VAGO does not control the income and assets arising from audit fees and collects these amounts on behalf of the State. The income and related assets are disclosed as Administered Items. As VAGO has an annotated income agreement for financial audit fees, the output appropriation, used to fund the costs of financial audit services (see Note 2.1), is increased by an equivalent amount.

Controlled and administered items of VAGO are consolidated into the financial statements of the State.

Administered expenses include payments made on behalf of the State and payments into the Consolidated Fund. Administered assets include government income earned but not yet collected. Administered liabilities include government expenses incurred but not yet paid.

Administered (non-controlled) items for the financial year ended 30 June 2024

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Administered income from transactions		
Reimbursement of audit costs charged	38,087	33,366
Total administered income from transactions	38,087	33,366
Administered expenses from transactions		
Payments into the Consolidated Fund	38,087	33,366
Total administered expenses from transactions	38,087	33,366
Total administered net result from transactions (net operating balance)	-	-
Administered other economic flows included in administered net result		
Net gain / (loss) on non-financial assets	-	-
Total administered comprehensive result	-	-
Administered assets		
Financial assets ⁰	2,049	1,916

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Non-financial assets (accrued income) ⁽ⁱⁱ⁾	15,832	11,339
Total administered assets	17,881	13,255
Administered liabilities		
Amounts owing to the state	17,881	13,255
Total administered liabilities	17,881	13,255
Total administered net assets	-	-

Note:

(i) Receivables comprise financial statement audit debtors and are deemed wholly collectable.

(ii) A change in the timing and frequency of our billing process for the 2023 and onwards audit cycle has resulted in the increase of our accrued income (work in progress) balance.

3. The cost of delivering our services

3.1 Employees and contractors

Employee expenses (as defined in Note 8.7) include all costs related to employment, including superannuation.

3.1.1 Employee benefits included in the Comprehensive Operating Statement

	Note	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Salaries and wages, annual leave and long service leave		30,493	25,765
Defined contribution superannuation expense	3.1.3	2,693	2,253
Defined benefit superannuation expense	3.1.3	50	49
Total employee expenses		33,236	28,067

Superannuation comprises employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

3.1.2 Employee benefits provisions in the Balance Sheet

A provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

Salaries and wages, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised:

- as current liabilities because VAGO does not have an unconditional right to defer settlement of these liabilities
- at remuneration rates which are current at the reporting date and measured at undiscounted amounts as it is expected the wages and salaries liabilities will be wholly settled within 12 months of reporting date.

Employment on-costs such as payroll tax, the mental health and wellbeing surcharge, workers compensation and superannuation are not employee benefits.

No provision has been made for sick leave as it is non-vesting and not considered probable that the average sick leave taken in the future will be greater than the benefits accrued.

They are disclosed separately as a component of the provision for employee benefits when the employment they relate to has occurred.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	1,505	1,367
Unconditional and expected to settle after 12 months	495	465
Long service leave		
Unconditional and expected to settle within 12 months	396	455
Unconditional and expected to settle after 12 months	2,156	2,044
Total provision for on-costs	896	777
Total current provisions for employee benefits	5,448	5,108
Non-current provisions		
Total non-current provisions for employee benefits	671	319
Total provisions for employee benefits	6,119	5,427
Reconciliation of movement in on-cost provision		
Opening balance	826	
Additional provisions recognised	181	
Closing balance	1,007	
Current	896	
Non-current	111	
Total provisions for on-costs	1,007	

Long-service leave

If	Then classified as	Because	Measured at
Unconditional	Current liability even where VAGO does not expect to settle within 12 months	VAGO does not have an unconditional right to defer settlement of the entitlement should an employee take leave within 12 months	<ul style="list-style-type: none"> Undiscounted value where VAGO expects to wholly settle within 12 months Present value where VAGO does not expect to wholly settle within 12 months
Conditional	Non-current liability	There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service	Present value

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates which are recognised as an 'other economic flow', in the net result.

3.1.3 Superannuation contributions

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement.

	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	2023–24 (\$ thousand)	2022–23 (\$ thousand)	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Defined benefit plans				
State Superannuation Fund	50	49	-	-
Defined contribution plans				
Aware Super	1,275	1,170	-	-
Other employee nominated plans	1,453	1,101	-	-
Total⁽ⁱ⁾	2,778	2,320	-	-

Note:

(i) The total paid excludes accruals brought forward at 1 July 2023, and accruals carried forward at 30 June 2024, and therefore does not equal the totals in Note 3.1.1.

3.2 Contracted audit services

VAGO contracts certain audit services to external professional firms. Costs incurred under such contracts are recognised as an expense in the reporting period in which they are incurred. At the end of the reporting period, an estimate is made on the value of audit services provided to VAGO not yet invoiced. The value of un-invoiced work is recognised as an accrual in the Balance Sheet (Note 5.2), and as an expense in the Comprehensive Operating Statement.

3.3 Other operating expenses

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
IT operating costs	1,748	1,924
Depreciation and amortisation	1,012	1,010
Consultants	1,006	1,716
Recruitment	662	428
Training	509	558
Lease payments (accommodation)	285	244
Motor vehicles and travel costs	139	98
Interest	47	58
Other office expenses	475	323
Total other operating expenses	5,883	6,359

Other operating expenses represent day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

4. Key assets to support our output delivery

Property, plant and equipment

Property, plant and equipment (PPE) are measured initially at cost. They are subsequently measured at fair value less accumulated depreciation and impairment.

Fair value measurement

Assets carried at fair value and how their fair values were determined are disclosed in Note 4.3 and Note 4.4.

Fair value is normally determined by reference to the asset's current replacement cost.

4.1 Property, plant and equipment

	Gross carrying amount (\$ thousand)		Accumulated depreciation (\$ thousand)		Net carrying amount (\$ thousand)	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
Right-of-use asset – property	3,757	3,757	(2,374)	(1,899)	1,383	1,858
Right-of-use asset – vehicles	-	71	-	(28)	-	43
Leasehold improvements	1,722	1,722	(1,219)	(1,047)	503	675
Furniture, fittings and equipment	128	128	(128)	(128)	-	-
Computer software and equipment	1,542	1,431	(1,004)	(773)	538	658
Total property, plant and equipment	7,149	7,109	(4,725)	(3,875)	2,424	3,234

4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment

	Right-of-use asset – property (\$ thousand)	Right-of-use asset – vehicles (\$ thousand)	Leasehold improvements (\$ thousand)	Computer software and equipment (\$ thousand)	Total (\$ thousand)
Balance at 1 July 2022	2,332	53	847	758	3,990
Additions	-	-	-	125	125
Disposals	-	-	-	(15)	(15)
Depreciation	(474)	(10)	(172)	(210)	(866)
Balance at 30 June 2023	1,858	43	675	658	3,234
Additions	-	-	-	111	111
Disposals	-	(39)	-	-	(39)
Depreciation	(475)	(4)	(172)	(231)	(882)
Balance at 30 June 2024	1,383	-	503	538	2,424

4.2 Other non-financial assets

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Intangible assets ⁽ⁱ⁾	518	488
Prepayments	526	414
Total other non-financial assets	1,044	902

Note:

(i) \$161,000 was capitalised in 2023–24 relating to Empower, our in-house audit analytic tool and a total gross carrying amount of \$559,500 depreciated from 17 February 2024.

4.3 Fair value determination

Fair value determination requires judgement and the use of assumptions. Changes to assumptions could have a material impact on the results and financial position of VAGO.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities (initial recognition at fair value and subsequently measured at amortised cost)
- plant and equipment.

Fair value hierarchy

For those assets and liabilities for which fair values are determined, the following disclosures have been included:

- a reconciliation of the movements in fair values from the beginning of the year to the end
- details of significant unobservable inputs used in the fair value determination.

4.3.1 Fair value determination of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recognised at the balance date, consisting of cash, receivables, payables and borrowings, represent approximate fair value, due to:

- their short-term nature
- the expectation that they will be paid in full by the end of the 2024–25 reporting period
- fair value not materially differing from the carrying amount.

4.3.2 Fair value determination: non-financial physical assets

All non-financial physical assets are classified as Level 3 in the fair value hierarchy. There have been no transfers between levels during the period.

Note 4.1.1 provides a reconciliation of movements in the carrying amount of property, plant and equipment, all of which have been classified as Level 3.

Significant unobservable inputs have remained unchanged since 30 June 2023.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.3.3 Description of significant unobservable inputs to Level 3 valuations

2023–24 and 2022–23	Valuation technique	Significant unobservable inputs
Right-of-use asset – property	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit• Useful life of Right-of-use asset – property
Leasehold improvements	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit• Useful life of Leasehold improvements
Furniture, fittings and equipment	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit
Computer software and equipment		<ul style="list-style-type: none">• Useful life of Furniture, fittings and equipment, and Computer software and equipment

4.4 Right-of-use assets and lease liabilities

VAGO as a lessee

VAGO recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost (and subject to revaluation) and comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate as provided by Treasury Corporation of Victoria (TCV). Generally, VAGO uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4.4.1 Lease liabilities

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Maturity analysis – contractual undiscounted cash flows		
Less than one year	576	593
One to 5 years	1,390	1,967
More than 5 years	-	-
Total undiscounted lease liabilities	1,966	2,560
Less: future finance charges	(69)	(118)
Present value of minimum lease payments	1,897	2,442
Lease liabilities included in the Balance Sheet		
Current	540	545
Non-current	1,357	1,897
Total lease liabilities	1,897	2,442

5. Other assets and liabilities

5.1 Receivables

Receivables consist of statutory receivables which are recognised and measured similarly to contractual receivables (except for the need for impairment) but are not classified as financial instruments as they do not arise from contracts. AASB 9 applies to the initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Contractual		
Other receivables	85	24
Statutory		
Amounts owing from Victorian Government ⁽ⁱ⁾	24,809	26,277
Total receivables	24,894	26,301
Represented by		
Current receivables	8,003	8,860
Non-current receivables	16,891	17,441
Total receivables	24,894	26,301

Note:

(i) The total amount recognised as owing from the Victorian Government and likely to be drawn down in the next financial year is \$8,003,000 (2022–23: \$8,860,000), and reported as a current receivable. The amount recognised as owing from the Victorian Government comprises previously applied Parliamentary appropriations not yet drawn down. The balance is represented by accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

5.2 Payables

Payables consist of:

- contractual payables, classified as financial instruments, measured at amortised cost. Accounts payable represent liabilities for goods and services provided prior to the end of the financial year that are unpaid.
- statutory payables are recognised and measured similarly to contractual payables, but not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

For the maturity analysis of contractual payables, see Note 7.1.2.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

Payables for supplies and services have an average credit period of 30 days.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Contractual		
Supplies and services ⁽ⁱ⁾	2,033	3,110
Amounts payable to government agencies	16	13
Lease incentive ⁽ⁱⁱ⁾	493	663
Other payables	17	7
Statutory		
GST (receivable)/payable	(423)	(276)
FBT payable	4	5
Other taxes payable ⁽ⁱⁱⁱ⁾	232	178
Total payables	2,372	3,700

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Represented by		
Current payables	2,048	3,207
Non-current payables	324	493
Total payables	2,372	3,700

Note:

(i) Supplies and services principally comprise payables due for contracted audit services.

(ii) Lease incentive payable relates to funding provided by the lessor of VAGO's premises. This is amortised over the term of the lease and credited to the lease liability.

(iii) Excludes GST and FBT payable to government.

6. How we financed our operations

6.1 Cash flow information

Due to the State's investment policy and funding arrangements, VAGO does not hold a cash reserve in its bank accounts. Cash received from generation of income is paid into the State's bank account ('public account'). Similarly, VAGO's expenditure is paid via the public account. The public account remits to VAGO the cash required when payments to suppliers have cleared in VAGO's bank account.

6.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Net result for the period	(894)	660
Non-cash movements		
Loss/(gain) on disposal of non-current assets	39	15
Depreciation of non-current assets	1,012	1,010
Movements in assets and liabilities		
(Increase) /decrease in receivables	1,407	(735)
(Increase)/decrease in other non-financial assets	(112)	(49)
Increase/(decrease) in payables	(1,328)	98
Increase/(decrease) in provisions	692	3
Net cash flows from/(used in) operating activities	816	1,002

6.2 Commitments for expenditure

Commitments for future expenditure include operating commitments arising from contracts. These commitments are recorded at their nominal value inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

6.2.1 Commitments

Contract audit service commitments relate to fees payable to professional firms for the conduct of financial statement audits on behalf of VAGO, and do not relate to leases accounted under *AASB 16 Leases*.

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Lease commitments payable		
Less than 1 year	269	253
Longer than 1 year but not longer than 5 years	562	1,103
Total lease commitments payable	831	1,356
Contract audit service commitments payable		
Less than 1 year	9,703	12,207
Longer than 1 year but not longer than 5 years	15,197	20,575
Total contract audit service commitments payable	24,900	32,782
Total commitments (inclusive of GST)	25,731	34,138
Less GST recoverable from the Australian Taxation Office	(2,339)	(3,103)
Total commitments (exclusive of GST)	23,392	31,035

7. Risks and valuation judgements

7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Certain financial assets and financial liabilities arise under statute rather than a contract (i.e. taxes). Such assets and liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments: Presentation*.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VAGO to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

VAGO recognises cash and receivables (excluding statutory receivables) in this category.

VAGO applies AASB 9 *Financial Instruments* and classifies its financial assets based on the business model for managing the assets and its contractual terms.

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability using the effective interest rate method. VAGO recognises the following liabilities in this category:

- payables (excluding statutory payables)
- lease liabilities.

Impairment of financial assets

VAGO records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's expected credit loss approach. Subject to AASB 9, impairment assessment include VAGO's contractual receivables and statutory receivables.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7.1.1 Financial instruments: Categorisation

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Contractual financial assets		
Receivables⁽ⁱ⁾		
Other receivables	85	24
Total contractual financial assets	85	24
Contractual financial liabilities at amortised cost		
Payables⁽ⁱ⁾		
Supplies and services	2,033	3,110
Amounts payable to government and agencies	16	13
Lease incentive	493	663
Other payables	17	7
Borrowings		
Lease liabilities	1,897	2,442
Total contractual financial liabilities	4,456	6,235

Note:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable). Statutory financial assets will be used to cover payment of contractual financial liabilities.

7.1.2 Financial risk management objectives and policies

VAGO's financial risk management program seeks to manage exposures to financial risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instruments are disclosed in the notes to the financial statements.

The main purpose in holding financial instruments is to prudently manage VAGO's financial risks within the legislative and government policy parameters.

VAGO's main financial risks include credit risk.

VAGO uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer.

Financial instruments: Credit risk

Credit risk associated with VAGO's contractual financial assets is minimal because the main debtor is the Victorian Government.

The following table discloses the contractual maturity analysis for VAGO's contractual financial liabilities:

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due.

Maturity analysis of contractual financial assets and liabilities

2023–24	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months–1 year (\$ thousand)	1–5 years (\$ thousand)
Receivables						
Other receivables	85	85	85	-	-	-
Total contractual receivables	85	85	85	-	-	-
Payables						
Supplies and services	2,033	2,033	2,033	-	-	-
Amounts payable to government and agencies	16	16	16	-	-	-
Lease incentive	493	493	14	28	127	324
Other payables	17	17	17	-	-	-
Borrowings						
Lease liabilities	1,897	1,897	44	89	407	1,357
Total contractual financial liabilities	4,456	4,456	2,124	117	534	1,681
Receivables						
Other receivables	24	24	24	-	-	-
Total contractual receivables	24	24	24	-	-	-

2023–24	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months– 1 year (\$ thousand)	1–5 years (\$ thousand)
Payables						
Supplies and services	3,110	3,110	3,110	-	-	-
Amounts payable to government and agencies	13	13	13	-	-	-
Lease incentive	663	663	15	28	127	493
Other payables	7	7	7	-	-	-
Borrowings						
Lease liabilities	2,442	2,442	84	83	378	1,897
Total contractual financial liabilities	6,235	6,235	3,229	111	505	2,390

8. Other disclosures

8.1 Responsible persons

The following disclosures are made relating to the Accountable Officer in accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*.

Remuneration

Remuneration received or receivable by the Accountable Officer during the reporting period was in the following range:

	2023–24 No.	2022–23 No.
\$560,000–\$569,999	-	1
\$600,000–\$609,999	1	-

Given the independent relationship of the Auditor-General with the Parliament, no government minister has any direct responsibility for the operations of VAGO.

Andrew Greaves, Auditor-General, held the Accountable Officer Position in relation to VAGO for the full year.

8.2 Remuneration of executives

The number of executive officers, other than the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Remuneration of executive officers⁽ⁱ⁾

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Short-term employee benefits	5,577	4,945
Post-employment benefits	539	495
Other long-term benefits	97	63

Total remuneration	6,213	5,503
Total number of executives⁽ⁱⁱ⁾	32	29
Total annualised employee equivalents⁽ⁱⁱⁱ⁾	22.2	23.8

Note:

(i) Definitions for remuneration categories are disclosed in Note 8.7, and are measured as required by AASB 119 *Employee Benefits*.

(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported in Note 8.3.

(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.3 Related parties

VAGO is a wholly owned and controlled entity of the State of Victoria. Related parties of VAGO include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into at an arm's length basis.

Significant transactions with government-related entities

VAGO received funding and made payments to the Consolidated Fund of \$58.2 million (2022–23: \$52.8 million) and \$38.1 million (2022–23: \$33.4 million).

During the year, VAGO had the following government-related entity transactions:

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Income from financial statement audits		
Department of Treasury and Finance	1,287	1,157
Department of Justice and Community Safety	778	639
Department of Transport and Planning	589	705
Department of Education	561	587
Department of Health	647	325
Department of Jobs, Skills, Industry and Regions	545	457
Department of Families, Fairness and Housing	543	429
Other government related parties ⁽ⁱ⁾	28,947	24,434
Total significant transactions with government-related entities	33,897	28,733

Note:

(i) Transactions with other related parties are collectively, but not individually significant.

Key management personnel (KMP)

KMP of VAGO include the Accountable Officer and members of the Senior Management Group (SMG), comprising:

- David Barry, Deputy Auditor-General
- Roberta Skliros, Assistant Auditor-General, Financial Audit
- Megan Kirchner, Assistant Auditor-General, Performance Audit
- Rachel Challis, Director, Strategic Governance and Risk (commenced 12 February 2024)

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
Compensation of KMP		
Short-term employee benefits	1,709	1,441
Post-employment benefits	118	100
Other long-term benefits	-	37
Total⁽ⁱ⁾	1,827	1,578

Note:

(i) KMP are also reported in the disclosure of responsible persons (Note 8.1) and remuneration of executives (Note 8.2).

Transactions and balances with key management personnel and other related parties

There were no related party transactions that involved key management personnel, their close family members and their personal business interests in the current reporting period.

8.4 Remuneration of auditors

	2023–24 (\$ thousand)	2022–23 (\$ thousand)
PKF Melbourne		
Audit of the financial statements	42	39
Review of the performance statement	4	4
Total	46	43

The auditor of VAGO is appointed by Parliament and paid by the Public Accounts and Estimates Committee in accordance with the *Audit Act 1994*.

As the remuneration of the auditor is paid by the Public Accounts and Estimates Committee, the amount disclosed above is equal to the fair value of services received free of charge or for nominal consideration.

8.5 Subsequent events

VAGO had no events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment to the financial statements.

We note the *Victorian Public Service Enterprise Agreement 2024* was formally approved by the Fair Work Commission on 12 August 2024, however as there is no constructive or legal obligation as at 30 June 2024, no liabilities have been recognised to the financial statements. The estimated value of these liabilities is \$1.7 million, which have been recognised in 2024–25.

8.6 Australian Accounting Standards issued that are not yet effective

A number of new and revised accounting standards will become effective for reporting periods commencing after 1 July 2024, including:

- [AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities](#)
- [AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#)

8.7 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

Administered item refers to VAGO lacking the capacity to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Assets include property, plant and equipment and certain intangible assets. Intangible assets comprise of internally developed software assets.

Commitments include those operating and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item refers to the capacity of VAGO to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Depreciation is an expense that arises from the consumption through wear or time of a physical or intangible asset. This expense is classified as a 'transaction' and reduces the 'net result from transactions'.

Employee benefits expenses include all costs related to employment including salaries and wages, mental health and wellbeing charges, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

- cash
- a contractual right
- to receive cash or another financial asset from another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Financial liability is any liability that is:

- a contractual obligation
- to deliver cash or another financial asset to another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements comprise:

- a Balance Sheet as at the end of the period
- a Comprehensive Operating Statement for the period
- a Statement of Changes in Equity for the period
- a Cash Flow Statement for the period
- notes of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period

Interest expense represents costs incurred in connection with borrowings. It includes interest components of lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net operating balance or net result from transactions is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'. A positive net result represents a **surplus**, whilst a negative result is a **deficit**.

Net worth is calculated as assets less liabilities.

Non-financial assets are all assets that are not financial assets. It includes plant and equipment, intangible assets, prepayments and accrued income.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, impairments of non-current physical and intangible assets; and gains and losses arising from the revaluation of the long service leave liability.

Other long-term benefits include long service leave.

Payables includes short and long-term accounts payable, taxes and interest payable.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Receivables include amounts owing from government through appropriation receivable, short and long-term accounts receivable, and taxes receivable.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Supplies and services represent the day-to-day running costs, including maintenance costs, incurred in the normal operations of VAGO.

8.8 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

-	zero, or rounded to zero
(xx<XX>)	negative numbers
202x–2x	year period

The financial statements and notes are presented based on the illustration for a government department in the *2023–24 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VAGO’s annual reports.

Appendices

[Appendix A: Reconciliation of parliamentary report program](#)

[Appendix B: Workforce profile and gender pay gap](#)

[Appendix C: Workplace health and safety](#)

[Appendix D: General executive information](#)

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[Appendix I: Acronyms](#)

Appendix A:

Reconciliation of parliamentary report program

Figure A1: Reconciliation of our parliamentary report program to our *Annual Plan 2023–24*

Category	Audit/review	Planning period	Tabled	In progress
Central agencies and whole of government	<i>Assuring the Integrity of the Victorian Government's Procurement Activities</i>	2023–24	✓	
	<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2022–23[^]</i>	2023–24	✓	
	<i>Contractors and Consultants in the Victorian Public Service: Spending</i>	2022–23	✓	
	<i>Cybersecurity: Cloud Computing Platforms</i>	2021–22	✓	
	<i>Major Projects Performance Reporting 2023*</i>	2023–24	✓	
	<i>Managing Employee Performance in the Victorian Public Service</i>	2023–24		✓
	<i>Managing State-significant Risks</i>	2023–24	✓	
	<i>Responses to Performance Engagement Recommendations: Annual Status Update 2023*</i>	2022–23	✓	
	<i>Responses to Performance Engagement Recommendations Annual Status Update 2024*</i>	2023–24		✓
Education	<i>Effectiveness of the Tutor Learning Initiative</i>	2023–24	✓	
	<i>Follow-up of Management of the Student Resource Package*</i>	2023–24	✓	
	<i>Literacy and Numeracy Achievement Outcomes for Victorian Students</i>	2023–24	✓	
	<i>Results of 2023 Audits: TAFES[^]</i>	2023–24		✓
	<i>Results of 2023 Audits: Universities[^]</i>	2023–24	✓	
Environment	<i>Fair Presentation of Service Delivery Performance 2023*</i>	2023–24	✓	
	<i>Reducing the Illegal Disposal of Asbestos</i>	2023–24	✓	
	<i>Protecting the Biosecurity of Agricultural Plant Species</i>	2023–24		✓
Health and human services	<i>Access to Emergency Healthcare</i>	2023–24	✓	
	<i>Planning Social Housing</i>	2023–24	✓	
	<i>Employee Health and Wellbeing in Victorian Public Hospitals</i>	2023–24	✓	
Infrastructure, transport and planning	<i>Compliance with Emergency Management Requirements: Transport</i>	2023–24		✓
	<i>Withdrawal from 2026 Commonwealth Games</i>	New	✓	
	<i>Developing Fishermans Bend</i>	2023–24		✓
	<i>Domestic Building Oversight Part 1: Regulation*</i>	2023–24	✓	
	<i>Domestic Building Oversight Part 2: Dispute Resolution</i>	2023–24	✓	

Category	Audit/review	Planning period	Tabled	In progress
	<i>Eloque: the Joint Venture Between DoT and Xerox*</i>	2022–23	✓	
	<i>Effectiveness of Arterial Road Congestion Initiatives</i>	2023–24	✓	
	<i>Metro Tunnel Project: Phase 3 – Systems Integration, Testing and Commissioning</i>	2023–24	✓	
Justice and community safety	Staff Wellbeing in Fire Rescue Victoria	2022–23		✓
	<i>Guardianship and Decision-making for Vulnerable Adults</i>	2023–24	✓	
	<i>Reducing the Harm Caused by Drugs on Victorian Roads</i>	2022–23	✓	
Local government	Financial Management of Local Councils	2023–24		✓
	<i>Results of 2022–23 Audits: Local Government^</i>	2023–24	✓	
Total			25	8

Note: *limited assurance review ^results of financial audits.
Source: VAGO.

Appendix B:

Workforce profile and gender pay gap

Figure B1: Profile of VAGO employees as at 30 June 2024

As at June 2024	All employees		Ongoing			Fixed term and casual	
	Number (headcount)	Full-time equivalent	Full time (headcount)	Part time (headcount)	Full-time equivalent	Number (headcount)	Full-time equivalent
Gender							
Men	92	90.5	64	4	67	24	23.5
Women	123	118.5	89	15	101.2	19	17.3
Self-described	3	3	3	-	3	-	-
Age							
15–24	15	13.4	11	1	11.8	3	1.6
25–34	87	86.1	74	5	78.1	8	8.0
35–44	69	66.4	45	9	52	15	14.4
45–54	33	32.4	17	2	18.6	14	13.8
Over 55	14	13.7	9	2	10.7	3	3.0
Classification							
VPS 1	-	-	-	-	-	-	-
VPS 2	12	10.6	9	-	9.0	3	1.6
VPS 3	48	47.2	41	3	43.2	4	4.0
VPS 4	34	33.3	26	3	28.3	5	5.0
VPS 5	47	45.8	39	6	43.8	2	2.0
VPS 6	51	49.3	39	7	44.9	5	4.4
Senior technical specialists	2	2	2	-	2	-	-
Executives	23	22.8	-	-	-	23	22.8
Auditor-General	1	1	-	-	-	1	1
Total employees	218	212	156	190	171.2	43	40.8

Note: Workforce profile data excludes inactive employees, employees on long term unpaid leave or those on external secondment.

Figure B2: Profile of VAGO employees as at 30 June 2023

As at 30 June 2023	All employees		Ongoing			Fixed-term and casual	
	Number (headcount)	Full-time equivalent	Full time (headcount)	Part time (headcount)	Full-time equivalent	Number (headcount)	Full-time equivalent
Gender	To protect our employees' privacy, we have chosen not to publish a detailed breakdown of some data						
Men	77	187.21	134	23	151.11	39	36.1
Women	115						
Self-described	2						
Prefer not to say	2						
Age							
15–24	15	14.2	11	-	11	43	3.2
25–34	76	74.29	60	7	65.29	9	9
35–44	61	57.62	40	11	48.02	10	9.6
45–54	29	28.4	15	3	17.4	11	11
Over 55	15	12.7	8	2	9.4	5	3.3
Classification							
VPS 1	-	-	-	-	-	-	-
VPS 2	9	8.6	6	-	6	3	2.6
VPS 3	46	44.2	33	3	35.2	10	9
VPS 4	28	26.69	22	3	24.09	3	2.6
VPS 5	50	47.43	39	10	46.43	1	1
VPS 6	36	33.48	28	6	32.58	2	0.9
Senior technical specialists	2	2	2	-	2	-	-
Executives	24	23.8	4	1	4.8	19	19
Auditor-General	1	1	-	-	-	1	1
Total employees	196	187.21	134	23	151.11	39	36.1

How we calculate the gender pay gap

This year we calculated our gender pay gap using both the median (middle) and mean (average) base salaries of men and women. From 2023–24 the Workplace Gender Equality Agency (WGEA) requires all employers to report the median as well as the mean gender pay gap. They must also include CEO remuneration in their reporting to WGEA, which is likely to skew mean gender pay gaps because CEO salaries may be much larger than other employees.

Given the small size of our organisation, we have excluded the Auditor-General's salary from our mean and median pay gap calculations for the purposes of our annual report to provide a more accurate representation of the gap in salaries between our men and women employees.

We calculate the median pay gap by ranking men and women employees from the lowest to highest paid, and taking the salary of the person in the middle. We then find the difference between the middle paid man and the middle paid woman and express this as a percentage of the middle-paid man's salary.

The average (or mean) pay gap is more easily influenced by staff who have higher salaries. We calculate the average pay gap by finding the difference between the average salary paid to men and the average salary paid to women, and expressing this as a percentage of the average salary paid to men.

We also calculated our gender pay gap using the full-time equivalent (FTE) salaries for our part-time staff, consistent with the approach of the WGEA, and excluded casual employees from our calculations.

Figure B3: Comparing median and mean gender pay gaps from last 3 years

Date	Average (mean) gender pay gap	Median gender pay gap
30 June 2024	6.7% in favour of men	1.4% in favour of men
30 June 2023	3.0% in favour of men	No pay gap
30 June 2022	0.3% in favour of men	12.4% in favour of women

Note: We calculated our gender pay gaps based on the mean and median FTE base salaries of men and women. We only included staff who identify as men and women because the number of employees with a self-described or undisclosed gender identity is too small to analyse. We excluded inactive staff, casual staff and the Auditor-General.

The formulas we used were:

- median gender pay gap: $((\text{median FTE base salary for men} - \text{median FTE base salary for women}) / \text{median FTE base salary for men}) * 100$
- mean gender pay gap: $((\text{mean FTE base salary for men} - \text{mean FTE base salary for women}) / \text{mean FTE base salary for men}) * 100$.

Pay gap across VAGO's business units

Figure B4: Gender pay gap on 30 June 2024 in VAGO's business units

Business unit	Average (mean) gender pay gap	Median gender pay gap
Financial audit	2.6% in favour of men	No pay gap
Parliamentary reports and services	9.9% in favour of men	8.2% in favour of men
Office of the Auditor-General	27.5% in favour of men	27.5% in favour of women
Corporate services	15.3% in favour of men	16.2% in favour of men

Note: See the note for Figure B3 explaining how we calculated the mean and median gender pay gaps.

Source: VAGO.

Appendix C:

Workplace health and safety

Health and wellbeing strategies

Our health and wellbeing strategies this year included:

- maintaining access to our independent employee assistance program, which was used by 16.5 per cent of staff, compared to the industry average of 5 to 6 per cent
- requiring all staff to complete online training modules on workplace health and safety, ergonomics and appropriate behaviour
- reimbursing the cost of influenza vaccines to help our team to stay healthy over winter
- encouraging staff to make use of our Better Normal principles to maintain a healthy work–life balance
- overhauling our health and safety and workplace behaviour policies and procedures to clarify expectations, address information gaps and simplify access to essential information.

Figure C1: WorkCover claims

Claims and rate	2020–21	2021–22	2022–23	2023–24
Number of standard claims*	1	1	-	-
Number of lost claims**	1	1	-	-
Rate of standard claims per 100 FTE staff	0.57	0.56	-	-
Average cost of claims	\$7,795	\$33,558	-	-

*Standard claims are claims that have exceeded the employer excess or are registered as a standard claim.

**A lost-time claim is a claim with one or more days compensated by the Victorian WorkCover Authority (after employer excess) at 30 June 2024. They are a subset of standard claims.

Source: Employers Mutual Limited.

Figure C2: Workplace health and safety indicators

Performance indicator	Performance
All new and existing staff are offered ergonomic assessments and required products are sourced and purchased	All employees were provided with access to a 'safe workstation setup' online module and the offer of an in-person assessment with an ergonomic specialist on commencement. All employees were provided with the necessary products and equipment to enable effective remote work.
All claims received are lodged with WorkCover within 10 working days for physical injury claims or 3 days for mental injury claims	100%
All reported incidents and accidents are followed up within 24 hours and closed as soon as is practicable	100%
Return to work plans are in place as soon as is practicable, and regularly monitored until complete	Not applicable because no return to work plans were required this year
A report on the number of claims and costs is provided to OMG as required	Reported as required

Appendix D:

General executive information

Our executive staff completed statements declaring whether their interests, shares in, and other benefits from business enterprises could give rise to a conflict of interest. We have processes to manage any such conflicts.

Figure D1: Annual salary, by \$20 000 bands, for executive and senior non-executive staff at 30 June 2024

Income band (salary) ^(a)	Senior executive service	Senior technical specialists
\$180,000–\$199,999	6	
\$200,000–\$219,999	5	1
\$220,000–\$239,999	6	1
\$240,000–\$259,999	3 ^(b)	-
\$300,000–\$319,999	2	-
\$420,000–\$439,999	1	-
Total	23	2

Note:

^(a)The salaries reported above are for the full financial year, at a one FTE rate, and exclude superannuation. The Auditor-General is not included in this table.

^(b)There is one employee on a part-time basis at a 0.8 FTE.

Source: VAGO.

Figure D2: Number of executive staff by classification at 30 June 2024^(a)

	Total (ongoing)		Men		Women		Self-described	
	No.	Variance	No.	Variance	No.	Variance	No.	Variance
SES 3	1	-	1	-	-	-	-	-
SES 2	2	-	-	-	2	-	-	-
SES 1	20	(1)	12	2	8	(3)	-	-
Total	23	(1)	13	2	10	(3)	-	-

Note:

(a) The Auditor-General is not included in this table.

(b) 'Variance' refers to the variance in the numbers reported at 30 June 2024 compared to 30 June 2023.

Appendix E:

Audit and risk management

ARC chair's report for the year ended 30 June 2024

The Auditor-General appoints the ARC to provide independent advice and assist in the discharge of their responsibilities for:

- the management of VAGO's risk, control and compliance framework
- the external accountability responsibilities as prescribed in the *Financial Management Act 1994*
- other relevant legislation and prescribed requirements.

All committee members are independent, non-executive members appointed for a term of 3 years and are eligible for reappointment subject to a formal review of the member's performance by the Auditor-General. All members have appropriate financial and industry expertise and an appropriate understanding of our operations.

Peter Niblett resigned from the ARC in September 2023. After a competitive recruitment process, existing member Rob Hogarth commenced as chair from December 2023 and John Gavens was appointed as a member.

The members of the ARC for the year ended 30 June 2024 and their attendance at meetings are set out in the table below.

Figure E1: ARC meetings attendance for the year 30 June 2024

Meeting	Rob Hogarth	Julie Fahey	John Gavens	Peter Niblett
July 2023	M	M		C
August 2023	M	M		C
October 2023	AC	M	M	
December 2023	C	M	M	
March 2024	C	M	M	
April 2024	C	M	M	
June 2024	C	N	M	
Total meetings attended	7	7	5	2

Note: AC = acting chair, C = chair, M = member.
Source: VAGO.

The main responsibilities of the ARC members are to:

- independently assess VAGO's financial and performance statements for completeness, consistency and conformity with accounting standards
- review the effectiveness of VAGO's internal control environment, covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable legislation and regulations
- review and approve internal audit's annual audit work program, scope, progress and any significant changes proposed
- meet periodically with the internal and external auditors, as appropriate, and maintain an open and transparent relationship

- consider recommendations made by the internal and external auditors and review the implementation of actions by management to resolve issues raised
- independently review and assess the effectiveness of VAGO's processes and controls across financial management, performance and sustainability, and risk management
- receive operational and risk management reports periodically, and briefings from the Auditor-General on significant issues affecting VAGO.

During the year, the committee considered:

- the independent performance audit of the Auditor-General and VAGO
- status updates and review reports from the internal auditor, which include management's response to matters raised by internal audit, and progress on management remedial action
- VAGO's operational management reports, risk management framework and risk register
- the gifts, benefits and hospitality register and the Auditor-General's expenditure
- policies and procedures in place for the development of VAGO's annual plan and budget and resource planning.

At the time of signing this report, the financial and performance statement for the year ended 30 June 2024 had been considered and recommended for adoption by the Auditor-General.

The ARC has met in camera with the Auditor-General, Deputy Auditor-General, the internal auditors and the external auditors as appropriate. The internal audit function was provided by SW Accountants and Advisors for the year ended 30 June 2024.



Rob Hogarth

Chair, Audit and Risk Committee

26 August 2024

Financial Management Compliance Attestation Statement

I, Dave Barry, certify that the Victorian Auditor-General's Office has complied with the applicable *Standing Directions 2018* under the *Financial Management Act 1994* and Instructions.



Dave Barry

Acting Auditor-General

Victorian Auditor-General's Office

26 August 2024

Internal audit

We appointed SW Accountants and Advisors as our internal auditor in October 2019. Internal audit reports conducted this year and reported to the ARC and Auditor-General include:

- cybersecurity review
- follow-up of implementation of internal audit and PAEC recommendations
- knowledge and records management
- cost allocation review
- fraud controls and conflict of interest.

Environmental management

Figure E2: VAGO's environmental performance for 2023–24 and 2022–23

Indicator	2023–24	2022–23
Total energy usage segmented by primary source (MJ)	500,965	515,808
Electricity (MJ) excluding green power	428,040	434,354
Natural gas (MJ)	72,925	81,454
Green power (MJ)	-	-
Total greenhouse gas emissions from energy consumption (tonnes CO₂e)	101	53
Electricity (tonnes CO ₂ e) – excluding green power	97	48
Natural gas (tonnes CO ₂ e)	4	5
Percentage of electricity purchased as green power	-	-
Units of office energy used per FTE (MJ/FTE)	2,428	2,772
Units of office energy used per office area (MJ/m ²)	532	198
Waste and recycling^(a)		
Paper use		
Total units of A4 equivalent copy paper used (reams)	110	67
Units of A4 equivalent copy paper used per FTE (reams/FTE)	<1	<1
75–100% recycled content	-	-
0–49% recycled content	100%	100%
Water consumption		
Total water consumption (kilolitres)	610	513
Units of office water used per FTE (kilolitres)	3	3
Units of office water used per office area (kilolitres/m ²)	<1	<1
Travel and transport		
Total energy consumption by vehicle fleet (MJ)	59,578	175,881
Total distance travelled by fleet (km)	14,328	45,636
Total greenhouse gas emissions from vehicle fleet (tonnes CO ₂ e)	4	12
Greenhouse gas emissions from vehicle fleet per 1,000 km (tonnes CO ₂ e)	<1	<1

Indicator	2023–24	2022–23
Total distance travelled by air (km)	59,935	40,340
Greenhouse gas emissions		
Total greenhouse gas emissions associated with energy use (tonnes CO ₂ e)	101	53
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO ₂ e)	4	12
Total greenhouse gas emissions associated with air travel (tonnes CO ₂ e)	12	10

Note: ^(a)Waste and recycling data not available.

Source: VAGO.

Appendix F:

Policies and procedures

Delegations

Under the *Audit Act 1994*, we report the names of any persons to whom the Auditor-General delegated the power to express a written audit opinion. In 2023–24, the Auditor-General delegated this power to the following FA directors:

- Simone Bohan
- Sanchu Chummar
- Travis Derricott
- Charlotte Jeffries
- Janaka Kumara
- Paul Martin
- Tim Maxfield
- Dominika Ryan.

Building Act

We do not own or control any government buildings and therefore, have no responsibilities under the *Building Act 1993*.

Local Jobs First – Victorian Industry Participation Policy

We have one Local Jobs First strategic project in progress, which commenced in 2020–21, valued in excess of the \$50 million threshold, to refresh our financial audit services panel. The project is based in metropolitan Melbourne representing 97 per cent of estimated local content, as advised by the Minister for Industry Support and Recovery.

This year, the outcomes we reported from the implementation of the policy were that:

- there was an average of at least 97 per cent of local content
- 8 audit service providers prepared a local industry development plan for contracts and were successfully appointed as a principal contractor.

National Competition Policy

We comply with the National Competition Policy, including complying with the requirements of DTF's Competitive Neutrality Policy.

Oversight by the VI

This year, we had nothing to report to the VI as per requirements under the *Audit Act 1994*, and the VI did not review any of our activities.

We previously worked with the VI to develop a self-reporting tool about the exercise of our coercive powers. We did not exercise these powers during the financial year.

Work arrangements

We offer flexible work arrangements to staff in response to work demands and legislative obligations for employers to provide flexible working conditions. We encourage our staff to take advantage of these arrangements.

We operated under the *Victorian Public Service Enterprise Agreement 2020* in providing leave for carers, as defined in the *Carers Recognition Act 2012*.

Merit and equity

Our policies and actions reflect our commitment to a workplace free from discrimination, harassment and bullying, and that support merit-based recruitment practices.

We also comply with the Victorian Charter of Human Rights and Responsibilities and the *Code of Conduct for Victorian Public Sector Employees of Special Bodies*.

Our selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. We also ensure that employees have been correctly classified in workforce data collections.

Public interest disclosures

Under the *Public Interest Disclosures Act 2012*, we cannot receive public interest disclosures.

Disclosures about VAGO officers may be made to IBAC or the VI.

Further information on VAGO's responsibilities is available at: www.audit.vic.gov.au/complaints-about-vago.

Freedom of information

The *Audit Act 1994* broadly precludes us from disclosing information we gather during an audit, other than by reporting to Parliament.

The Act also precludes third parties from accessing any audit-related information and documents we hold.

Our administrative processes come under the state's freedom of information legislation. This year, we received 2 requests for information:

- copies of VAGO policies and procedures
- details of VAGO's contractor and consultant services, less than \$10,000 over the past 5 years.

We provided access to the information in full for both requests.

Further information on our obligations under the *Audit Act 1994* is available on our website.

Requests for access to non-audit-related information and documents we hold can be made to the freedom of information officer:

- by email (enquiries@audit.vic.gov.au)
- by phone (03 8601 7000)
- in writing (Freedom of Information, Victorian Auditor-General's Office, Level 31, 35 Collins Street, Melbourne VIC 3000).

Appendix G:

Additional information available on request

This report and our website publish all information required by the *Standing Directions 2018 under the Financial Management Act 1994*.

We can provide further details on the information items listed below if requested, subject to the freedom of information requirements, if applicable:

- a statement that declarations of pecuniary interests have been duly completed by all relevant staff of the office
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of changes in prices, fees, charges, rates and levies charged by our office
- audit fees, which are revised every year
- details of overseas visits, including a summary of the objectives and outcomes of each visit
- details of assessments and measures to improve the occupational health and safety of staff
- a general statement on industrial relations in the office and details of time lost through industrial accidents and disputes
- a list of major committees we sponsor, the purposes of each, and the extent to which they have achieved their purposes
- further information on our environmental performance
- details of all consultants and contractors, including:
 - consultants and contractors engaged
 - services provided
 - spending committed to for each engagement.

This information can be requested from our freedom of information officer, as listed in Appendix F.

The following information is available on our website:

- details of documents we published about our activities
- copies of all our reports since 1956.

Appendix H:

Disclosures index

Our annual report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to demonstrate our compliance with statutory disclosure requirements.

Figure H1: Disclosures index

Legislation	Requirement	Section
Ministerial directions		
Report of operations – financial reporting direction (FRD) guidance		
Charter and Purpose		
FRD 22	Manner of establishment and the relevant minister	1
FRD 22	Purpose, functions, powers and duties	1 and 2
FRD 22	Key initiatives and projects	1 and 2
FRD 22	Nature and range of service provided	1 and 2
Management and structure		
FRD 22	Organisational structure	1
Financial and other information		
FRD 8	Consistency of Budget and Departmental Reporting	6.5
FRD 10	Disclosure index	Appendix H
FRD 22	Employment and conduct principles	Appendix F
FRD 22	Workplace health and safety policy	Appendix C
FRD 22	Summary of the financial results for the year	7.1, 7.2
FRD 22	Significant changes in financial position during the year	7.3
FRD 22	Performance against budgetary objectives	6.1, 7.6
FRD 22	Major changes or factors affecting performance	7.2
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	Appendix F
FRD 22	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	Appendix F
FRD 22	Statement on National Competition Policy	Appendix F
FRD 22	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	Appendix F
FRD 22	Application and operation of the <i>Carers Recognition Act 2012</i>	Appendix F
FRD 22	Disclosure of consultancies over \$10,000	7.5
FRD 22	Disclosure of consultancies under \$10,000	7.5

Legislation	Requirement	Section
FRD 22	Disclosure of reviews	7.5
FRD 22	Disclosure of ICT expenditure	7.2
FRD 22	Asset maturity assessment	7.5
FRD 22	Statement of availability of other information	Appendix G
FRD 22	Summary of environmental performance	Appendix E
FRD 24	Reporting of environmental data by government entities	Appendix E
FRD 25	Local Jobs disclosures in the Report of Operations	7.5
FRD 29	Workforce data disclosures in the Report of Operations Public Service Employees	Appendix B
SD 5.2	Annual reporting	Annual report
Compliance attestation and declaration		
SD 5.1.4	Financial management compliance attestation	Appendix E
SD 5.2.3	Declaration in report of operations	Auditor-General's foreword
Financial report		
Declaration		
SD 5.2.2	Declaration in financial statements	7.6
Other requirements under Standing Direction 5.2.1		
SD 5.2.1(a)	Compliance with the <i>Financial Management Act 1994</i> , Standing Directions, the Instructions, applicable Australian Accounting Standards and Financial	7.6
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9	Departmental disclosure of administered assets	7.6
FRD 13	Disclosure of parliamentary appropriations	7.6
FRD 21	Disclosures of responsible persons and executive officers in the financial report	7.6
FRD 103	Non-current physical assets	7.6
FRD 109	Intangible assets	7.6
FRD 110	Cash flow statements	7.6
FRD 112	Defined benefit superannuation obligations	7.6
FRD 114	Financial instruments	7.6
FRD 120	Accounting and Reporting Pronouncements Applicable to 2022–23 Reporting Period	7.6
FRDs applicable to VAGO with no disclosures to make in 2023–24		
FRD 11	Disclosure of ex gratia expenses	-
FRD 12	Disclosure of major contracts	-
FRD 17	Wage inflation and discount rates for employee benefit	-

Legislation	Requirement	Section
FRD 22	Major contracts	-
FRD 22	Disclosure of government campaign advertising	-
FRD 22	Procurement complaints	-
FRD 30	Standard requirements for the publication	-
SD 5.2.1(b)	Compliance with Model Financial Report for Government Departments	-
Audit Act 1994		
S75 (2) (a)	Comply with the <i>Financial Management Act 1994</i>	See above
S75 (2) (b)	An account of the implementation of the Annual Plan	Appendix A
S75 (2) (c)	The names of any person the Auditor-General has delegated power	Appendix F
S75 (2) (d)	Resolutions of Parliamentary Committees	N/A
S75 (2) (e)	Summary of our quality control policies and procedures	6
S75 (2) (f)	Additional auditing and assurance standards applied during the year	N/A

Source: VAGO.

Appendix I:

Acronyms

Acronym	Definition
AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
AFR	Annual Financial Report of the State of Victoria
AUASB	Auditing and Assurance Standards Board
BP3	Budget Paper No. 3: Service Delivery
CFO	chief financial officer
CS	ccorporate services
DEECA	Department of Energy, Environment and Climate Action
DTF	Department of Treasury and Finance
FA	ffinancial audit
FTE	full-time equivalent
FRD	financial reporting direction
IBAC	Independent Broad-based Anti-corruption Commission
MP	member of Parliament
OAG	office of the Auditor-General
OMG	operational management group
PAEC	Public Accounts and Estimates Committee
PRS	pparliamentary reports and services
SMG	strategic management group
TAFE	technical and further education
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate
WGEA	Workplace Gender Equality Agency