

# Contractors and Consultants: Management

June 2025

Independent assurance report to Parliament  
2024–25:18



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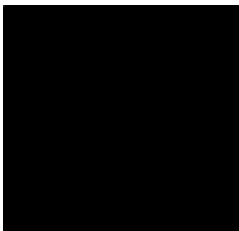
The Hon Shaun Leane MLC  
President  
Legislative Council  
Parliament House  
Melbourne

The Hon Maree Edwards MP  
Speaker  
Legislative Assembly  
Parliament House  
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Contractors and Consultants: Management*.

Yours faithfully



Andrew Greaves  
Auditor-General  
18 June 2025

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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# Audit snapshot

## Does the Victorian Public Service get value for money when it uses contractors and consultants?

### Why we did this audit

Government departments use contractors and consultants to help them achieve their priorities. But consistently outsourcing work that public servants have traditionally done can deskill the Victorian Public Service.

Engaging these external suppliers can also cost more than delivering this work in-house, and Victorians expect public spending to get value for money.

We conducted this audit to see if departments can show that they got value for money when they use contractors and consultants.

### Key background information

Departments reported they spent **\$130.2 million** on consultants in 2023–24



This is a **13.3% decrease** from their spend of \$150.1 million in 2022–23



In 2023–24, departments reported they used **325 distinct** consultant vendors



Departments must be able to demonstrate that all spending on goods and services **achieves value for money**



We examined all **10** Victorian departments



Source: VAGO.

### What we concluded

All departments' processes to procure and report on contractors and consultants comply with requirements.

However, departments are not required to and do not consistently report to the public on how much they spend on contractors. This results in a lack of transparency about how they use public funds.

The 3 departments we looked at in detail could not always demonstrate value for money from their professional services and labour hire engagements. This was due to weaknesses in their processes to:

- manage contracts
- make sure work was delivered and used as intended.

We made 2 recommendations to the Department of Treasury and Finance to increase transparency, and one recommendation to the 3 departments we looked at in detail to improve their processes and documentation to make sure they get value for money.



# 1.

## Our key findings

### What we examined

Our audit followed 2 lines of inquiry:

1. Do departments' processes to procure, manage and report on contractor and consultant engagements comply with relevant guidelines?
2. Can departments demonstrate that their use of contractors and consultants achieves value for money?

To answer these questions, we examined:

- procurement, contract management and reporting practices from 1 July 2019 to 30 June 2024 at all 10 Victorian departments:
  - Department of Education (DE)
  - Department of Energy, Environment and Climate Action (DEECA)
  - Department of Families, Fairness and Housing (DFFH)
  - Department of Government Services (DGS)
  - Department of Health (DH)
  - Department of Jobs, Skills, Industry and Regions (DJSIR)
  - Department of Justice and Community Safety (DJCS)
  - Department of Premier and Cabinet (DPC)
  - Department of Transport and Planning (DTP)
  - Department of Treasury and Finance (DTF)
- a selection of professional services and labour hire engagements from 1 July 2019 to 30 June 2024 from DEECA, DFFH and DJCS.

#### Deep-dive departments

We selected DEECA, DFFH and DJCS to look at in more detail. We refer to these 3 departments as deep-dive departments in this report.

#### Identifying what is working well

In our engagements we look for what is working well – not only areas for improvement.

Sharing positive outcomes allows other public agencies to learn from and adopt good practices. This is an important part of our commitment to better public services for Victorians.

# Background information

## Contractors and consultants

Government uses external suppliers to fill temporary skill gaps and help meet its priorities. These suppliers are called contractors and consultants.

Contractors and consultants are defined in the guidance note to *Financial Reporting Direction 22 Standard disclosures in the Report of Operations (April 2024)* (FRD 22). This document outlines what information departments must publish in their annual reports about their spending on contractors and consultants.

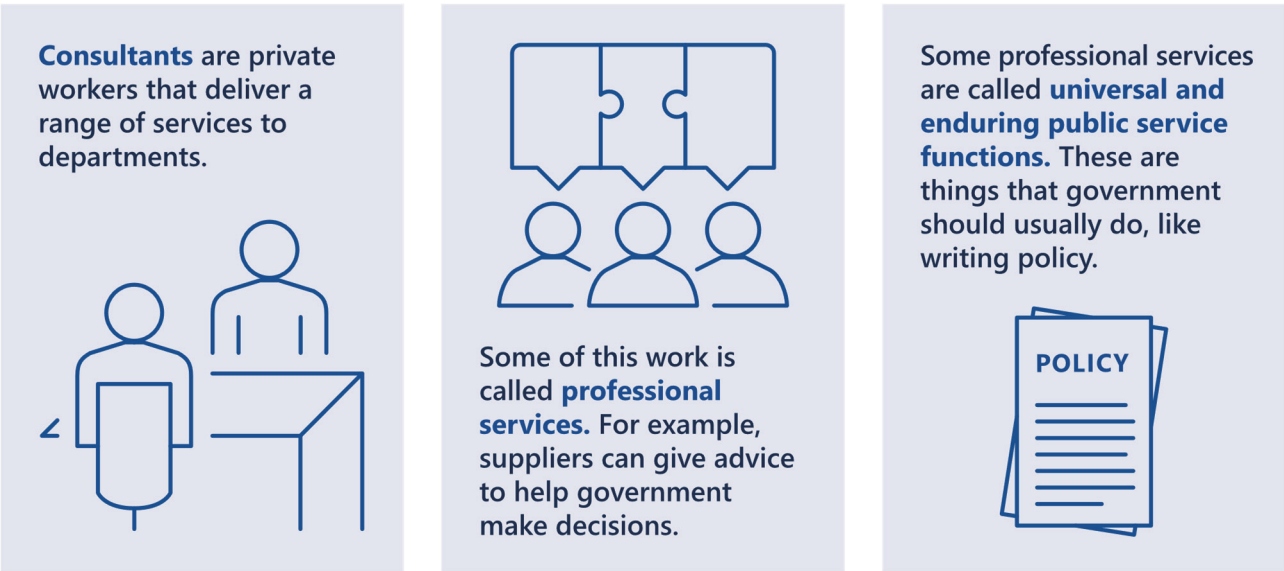
The guidance note to FRD 22 defines ...	as ...
contractors	'an individual or organisation that is formally engaged to provide works or services for or on behalf of an entity. This definition does not apply to casual, fixed term or temporary employees directly employed by the entity.'
consultants	'a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision-making through: <ul style="list-style-type: none"><li>• provision of expert analysis and advice; and/or</li><li>• development of a written report or other intellectual output.'</li></ul>

## Professional services

Departments engage professional services for skills, advice, knowledge or expertise to help the government deliver its objectives.

Under FRD 22, professional services can be classified as either consultant or contractor spending depending on the engagement.

Figure 1: About professional services



Source: VAGO.

## Labour hire

Departments also pay staffing services suppliers for temporary workforce support through labour hire. Labour hire workers are employees of the external supplier, not the department.

Under FRD 22, labour hire is classified as contractor spending.



Figure 2: About labour hire



Source: VAGO.

### Financial management legislation

The *Financial Management Act 1994* is the main legislation for the financial administration of the Victorian public sector. The *Financial Management Act 1994* and its directions set out departments' responsibilities for financial reporting.

FRD 22 outlines the mandatory information departments must publish in their annual reports about their spending on contractors and consultants.

The *Standing Directions 2018* support the *Financial Management Act 1994*. They do this by outlining government agencies' responsibilities so they can achieve a high standard of public financial management and accountability.

### Value for money

The Victorian Government Purchasing Board (VGPB) sets policies that departments must comply with when they procure non-construction goods and services. It does this through its procurement framework.

In its *Value for money: Goods and services guide* to departments, the VGPB defines value for money in government procurement as the 'optimal combination of financial and non-financial factors through the lifecycle of the goods and services procured'. This means that departments should aim to get the right balance of these factors considering their circumstances. These factors include:

- fitness for purpose
- supplier capability
- broader government objectives
- total cost of ownership
- timeliness
- risk.

The VGPB also notes that changes in the context during the procurement lifecycle may affect the optimal mix of value-for-money factors. These changes could involve:

- the agency's need
- risk
- the market
- the supply chain.

For example, urgently procuring a good or service may increase risk and cost and impact broader government objectives.

The VGPB also instructs departments to:

- plan and follow a process to approach the market
- evaluate and select offers
- measure achievement through the contract management phase
- keep records throughout the process.

**Roles and responsibilities**

All departments must comply with relevant legislation and guidelines when they use contractors and consultants.

Departments must comply with the ...	by ...
<i>Standing Directions 2018</i>	making sure they can demonstrate that their spending on goods and services gets value for money for the department and/or the state.
VGPB's procurement framework	making sure their policies, contract planning and management meet the VGPB's requirements.

All departments must also use State Purchase Contracts when they procure professional services and labour hire. This arrangement aims to improve value for money outcomes by ensuring:

- suppliers are pre-qualified
- departments pay standard rates for their services.

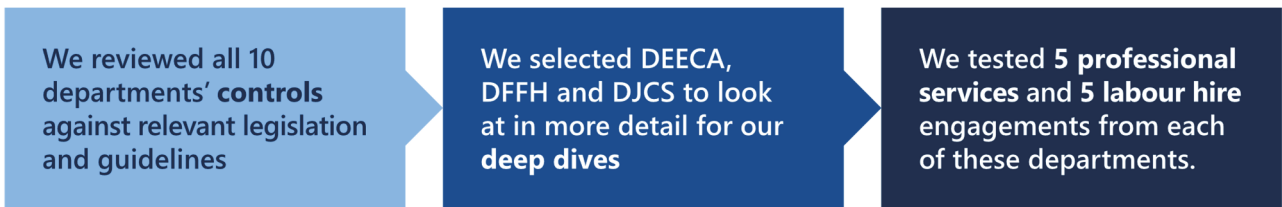
As central agencies, DTF and DPC have additional responsibilities to guide and oversee departments' use of contractors and consultants.

Additional responsibilities for ...	include ...
DTF	providing guidance about how departments should apply financial reporting directions, including the definitions of contractors and consultants in DTF's guidance note to FRD 22.
DPC	providing administrative guidelines to departments on using contractors and consultants. DPC issued its original <i>Administrative Guidelines on Engaging Professional Services in the Victorian Public Service</i> (professional services guidelines) and <i>Administrative Guidelines on Engaging Labour Hire in the Victorian Public Service</i> (labour hire guidelines) in October 2019, and published them in July 2024.
	overseeing reporting about departments' use of professional services.

**Our methods**

Our methods for completing this audit are outlined below in Figure 3. For more information, please see Appendix C.

**Figure 3:** Snapshot of our methods



Source: VAGO.

We selected the deep-dive departments based on our assessment of:

- materiality
  - risk
  - control environments
  - spending categories and profile
  - previous audit coverage.
- 

## What we found

This section focuses on our key findings, which fall into 2 areas:

1. Departments' procurement and reporting processes comply with requirements. But public transparency about spending could be improved.
2. The deep-dive departments could not always show they got value for money in the engagements we reviewed.

The full list of our recommendations, including agency responses, is at the end of this section.

### Consultation with agencies

When reaching our conclusions, we consulted with the audited agencies and considered their views.

You can read their full responses in Appendix A.

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## Key finding 1: Departments' procurement and reporting processes comply with requirements. But public transparency about spending could be improved

### All departments complied with DPC's 2019 guidelines

All departments' policies and procedures reflected requirements in DPC's 2019 professional services guidelines, which were in effect from October 2019 to June 2024.

We found minor gaps between some departments' policies and the 2019 labour hire guidelines.

Departments provided clear guidance to staff who procured goods and services about the 2019 professional services and labour hire guidelines. This contributed to building a strong control environment for compliance.

DPC published its updated professional services guidelines and labour hire guidelines in July 2024 to strengthen approval and record-keeping requirements. We also checked whether departments had implemented the updated guidelines. We found that departments are at different stages of implementing them.

### All departments are accredited with the VGPB

All departments are accredited with the VGPB and:

- comply with the VGPB's procurement framework
- have processes to address recommendations from the VGPB's audits.

DGS was newly established by machinery of government (MoG) changes on 1 January 2023 and received accreditation in October 2024.

**Machinery of government changes**

A MoG change happens when the government decides to reallocate functions and responsibilities between departments and ministers. For example, the government may create a new department or transfer some of the responsibilities from one department to another.

**Working well: Accreditation with the VGPB**

Compliance with the VGPB's procurement framework means departments have processes in place to get value for money when procuring contractors and consultants.

**Public transparency could be improved by requiring departments to report their contractor spending**

Under FRD 22, departments are required to keep and report information about their spending on contractors and consultants, as Figure 4 shows.

**Figure 4:** Reporting requirements for departments under FRD 22

Information required	How/where information must be reported
Details of contractor engagements, including: <ul style="list-style-type: none"><li>• vendor name</li><li>• project summary</li><li>• approved project amount</li><li>• allocated future spending</li></ul>	Kept by the department and available to the public if a freedom of information request is made
Number of consultancy engagements valued at less than \$10,000 and total amount of this spending	Published each year in the department's annual report
Number of consultancy engagements valued at over \$10,000 and details for each, including: <ul style="list-style-type: none"><li>• vendor name</li><li>• project summary</li><li>• approved project amount</li><li>• allocated future spending</li></ul>	Published each year in the department's annual report

Source: VAGO, based on FRD 22.

All departments have processes in place to support them to report complete information about their consultant spend.

But departments also spend a large amount of money on services from contractors, which they do not have to publicly disclose in their annual reports. If they included this information in their annual reports, this would improve public transparency.

**Key issue: Public transparency of total spending on contractors and consultants**

Departments are not required to include details about their spending on contractors in their annual reports.

In our 2023 audit *Contractors and Consultants in the Victorian Public Service: Spending*, DTF accepted our recommendation to assess whether changing these requirements to include contractor spending would increase transparency.

While DTF originally advised that it would address this recommendation by June 2024, as of April 2025 it has not completed its assessment.

## Addressing this finding

To address this finding, we made 2 recommendations to DTF about:

- improving public transparency about departments' spending on contractors
  - amending the definitions of contractors and consultants to enable consistent and comparable reporting across the public sector.
- 

## Key finding 2: The deep-dive departments could not always show they got value for money in the engagements we reviewed

We looked at whether DEECA, DFFH and DJCS could show us they got value for money from their professional services and labour hire engagements, including if they:

- had a valid engagement circumstance (VEC) to engage a contractor or consultant before going to market
- got value for money in line with the VGPB's definition
- had an intended use for the deliverable or contracted worker before going to market
- used the deliverable or contracted worker as intended.

### There are gaps in how the deep-dive departments document value for money in professional services engagements

Under the 2019 professional services guidelines, departments were required to have a VEC to use professional services.

In an example of best practice, DEECA documented its VEC for all the engagements we looked at. But DFFH and DJCS did not consistently document a VEC.

The deep-dive departments showed good practice in how they consider value for money when procuring professional services. But there are gaps in how these departments documented:

- how they managed these contracts
- if or how they used the deliverables.

### Working well: Considering value for money in procurement

In the engagements we looked at, DEECA, DFFH and DJCS consistently evaluated if a supplier's cost, experience and capability represented value for money before they picked one.

These departments also have established processes to consider risk and how broader government objectives impact value for money.

#### Key issue: Gaps in tracking project milestones and using deliverables as intended

DEECA, DFFH and DJCS could not always show us they actively managed the contracts we looked at.

They could not always show us they regularly tracked the supplier's progress against their budget and timeframes, such as through weekly status updates or project meetings.

These departments also could not always show us that they:

- received the product they paid for
- used this product as intended.

This means these departments could not always demonstrate they took the necessary steps to get value for money in their engagements.

#### There are gaps in how the deep-dive departments show value for money in labour hire engagements

The deep-dive departments could not always show us they had a valid reason to use or extend labour hire in line with the 2019 labour hire guidelines.

Generally, these departments did show us that they consider a potential supplier's cost, experience and capability against other candidates.

But there were gaps in how the departments document:

- how they manage labour hire
- what they receive from these contracts.

#### Key issue: Showing how labour hire workers delivered on key accountabilities

DEECA, DFFH and DJCS showed us they had clear intentions when they engaged labour hire for the engagements we reviewed. For example, they outlined the key role accountabilities in position description documents.

But these departments could not always show us how they made sure labour hire workers were doing a good job, such as monitoring the quality of their work and assessing if this met the department's needs.

Further, these departments could not always show us examples of work completed by their labour hire workers. This means we cannot be sure these workers delivered what they were supposed to.

Managing labour hire is different to managing professional services engagements. This is because labour hire workers work within VPS teams and are subject to the daily directions of VPS managers and staff.

This is different to professional services suppliers, who deliver discrete projects such as advice about a particular policy area.

The deep-dive departments told us that the nature of the labour hire work impacted their ability to show us how they actively manage their contracts and the results from their labour hire engagements.

#### Addressing this finding

To address this finding, we made one recommendation to the deep-dive departments about:

- strengthening their review and documentation processes for professional services and labour hire to make sure they can demonstrate how their spending gets value for money, in line with the *Standing Directions 2018*.



# 2.

## Our recommendations

We made 3 recommendations to address our findings. The relevant agencies have accepted them in principle or in full.

### Agency response

**Finding: Departments' procurement and reporting processes comply with requirements. But public transparency about spending could be improved**

Department of Treasury and Finance	1	Assess whether requiring entities subject to <i>Financial Reporting Direction 22 Standard disclosures in the Report of Operations (April 2024)</i> to report their spending on contractors in their annual reports would improve public transparency, and advise government accordingly.	Accepted in principle	
	2	Amend the guidance note to <i>Financial Reporting Direction 22 Standard disclosures in the Report of Operations (April 2024)</i> to ensure that the definitions of contractors and consultants are mutually exclusive and clear to enable consistent and comparable reporting across the public sector.	Accepted in principle	

**Finding: The deep-dive departments could not always show they got value for money in the engagements we reviewed**

Department of Energy Environment and Climate Action Department of Families, Fairness and Housing Department of Justice and Community Safety	3	Strengthen their review and documentation processes to make sure they can demonstrate their engagements with contractors and consultants get value for money in line with the <i>Standing Directions 2018</i> . To do this, make sure they have fit-for-purpose: <ul style="list-style-type: none"> <li>contract management templates, guidance and procedures</li> <li>monitoring and oversight mechanisms to make sure contractors and consultants deliver work that can be used as intended</li> <li>contract review processes that enable the department to assess value for money at the end of their engagements.</li> </ul>	Accepted	
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# 3.

## Setting departments up to get value for money

Departments' procurement and reporting processes for using contractors and consultants are in line with the guidelines for professional services and labour hire, the VGPB's procurement framework and FRD 22.

This means they are set up well to comply with these requirements. However, public transparency about departments' total spending on contractors and consultants could be improved if departments included contractor spending in their annual reports.

Covered in this section:

- Departments' processes generally comply with DPC's guidelines
- Departments are accredited with the VGPB
- Departments have processes to report on consultant spending in their annual reports. But public transparency about contractor spending could be improved

### Departments' processes generally comply with DPC's guidelines

**DPC's guidelines** DPC's 2019 professional services and labour hire guidelines were in effect from October 2019 to 30 June 2024. DPC introduced them to provide the VPS with decision-making principles and guidance about when using professional services and labour hire is appropriate.

DPC updated the guidelines on 1 July 2024.

DPC updated the ...	to ...
professional services guidelines	<ul style="list-style-type: none"><li>• strengthen the VECs to be applied</li><li>• clarify the definition of 'core public service functions'</li><li>• clarify the procurement approval process for departments, including strengthening approval requirements for core public service functions</li><li>• set out record-keeping requirements</li><li>• introduced quarterly reporting to DPC on professional services engagements.</li></ul>
labour hire guidelines	<ul style="list-style-type: none"><li>• strengthen secretary (or equivalent) oversight of labour hire engagements in which labour hire workers direct or manage VPS employees.</li></ul>

The 2019 professional services guidelines stated that departments should not engage professional services to do work identified as a universal and enduring public service function.

#### Universal and enduring public service functions

Universal and enduring public service functions are things that government should normally do. In the 2019 guidelines, these were defined as:

- policy and program development, implementation and evaluation
- business case development
- business strategy and organisational development
- external stakeholder/community engagement and facilitation
- internal meeting and event facilitation.

This term was updated to 'core public service functions' in the 2024 professional services guidelines.

All departments were required to follow the guidelines for any engagements where a universal and enduring public service function was expected to form a material part of the engagement, regardless of value.

The department secretary needed to approve these engagements unless a VEC could be demonstrated. In this case, the secretary could delegate their approval to the responsible deputy secretary. In the 2019 professional services guidelines, the VECs were:

- the work requires skills or expertise not efficient to recruit or maintain within an organisation
- the need for genuine independence
- the engagement connects the VPS with the latest technical advances, emerging key skills or expertise and builds VPS capability
- the work requires more capacity due to unpredictable demands that require immediate or time-critical action.

For those engagements where a VEC applied, there were also relevant conditions that needed to be met. More information about VECs and conditions is provided in Appendix D.

We compared all 10 Victorian departments' processes against the 2019 professional services guidelines.

We found that all departments' processes comply with the 2019 professional services guidelines.

This compliance is a positive step. It should help departments limit their reliance on contractors and consultants to perform universal and enduring public service functions, in line with:

- the guidelines
- broader government objectives.

#### Working well: Processes comply with 2019 guidelines

All departments' processes comply with the 2019 professional services guidelines, including:

- requiring staff to nominate a VEC for engagements that form a universal and enduring public service function before going to market
- meeting specified approval conditions.

**VECs for labour hire** The 2019 labour hire guidelines recognise that labour hire workers play a role in the VPS to make sure the government delivers its priorities. They also require departments to limit labour hire use to certain VECs. These include:

- if internal and/or external recruitment has not been successful or is unlikely to be successful
- where an existing VPS employee is on short-term leave or secondment
- where recruitment is underway to fill a vacancy and temporary backfill is required.

Where an engagement meets a VEC, the guidelines also specify approval requirements and minimum wage requirements.

Departments must also demonstrate that they meet the associated conditions for each circumstance. For more information about the labour hire guidelines, please see Appendix D.

**Labour hire procurement** All 10 departments require written approval from the appropriate level of authority before entering into a labour hire contract. This good practice shows that departments abide by the approval requirements in the guidelines.

But we found gaps in the processes and policies for engaging labour hire staff under the 2019 labour hire guidelines for:

- DFFH
- DH
- DTF.

The 2019 labour hire guidelines require ...	And we found that ...
<ul style="list-style-type: none"><li>• the secretary to approve all engagements. The secretary can delegate their authority to the responsible deputy secretary for engagements of less than 12 months.</li><li>• written approval to be granted before entering into the contract.</li></ul>	all 10 departments required the appropriate reviewer to provide written approval before entering a labour hire contract.
labour hire to be limited to one of the 3 VECs outlined above.	<ul style="list-style-type: none"><li>• DH, DTF and DTP did not require staff to nominate a VEC in their approval requests for labour hire engagements</li><li>• DH, DTF and DTP have all updated their labour hire approval forms to require staff to select a VEC following the introduction of the 2024 labour hire guidelines.</li></ul>
engagements to last no longer than 12 months unless approved by the secretary and: <ul style="list-style-type: none"><li>• the role is deemed critical to the business and workload cannot be distributed</li><li>• VPS fixed-term or ongoing recruitment was unsuccessful.</li></ul>	<ul style="list-style-type: none"><li>• DFFH, DH and DTF's policies did not explicitly state that labour hire engagements should not last longer than 12 months unless the specified conditions apply</li><li>• DH and DTF updated their policies in December 2024 and November 2024 respectively to address this gap.</li></ul>

The 12-month guideline intends to limit extended labour hire engagements to specific circumstances. If staff consistently seek to engage labour hire workers for an extended term, this may increase the risk of non-compliance with the guidelines.

Providing clear and accessible guidance to staff

Providing clear guidance to staff who procure goods and services is an important safeguard that helps build a high-compliance environment.

Clear guidance provides policies, training and advice about:

- the requirements for professional services and labour hire, including the circumstances where they can and cannot be engaged
- what staff should do in their day-to-day work to make sure they meet these requirements.

Guidance should also be available to all staff who procure goods and services in their role. Inadequate guidance may increase the risk of staff applying departments' policies inconsistently or incorrectly. Departments may then become non-compliant with the guidelines. We reviewed departments' intranet pages, procedures, guidance staff and training materials related to professional services and labour hire engagements.

We found ...	provided all staff who procure goods and services clear guidance on ...
7 departments (DE, DEECA, DGS, DJCS, DJSIR, DPC, DTP)	all of the labour hire guidelines.
3 departments (DFFH, DH, DTF)	part of the labour hire guidelines. They did not provide guidance about the 12-month limit on labour hire engagements. DH and DTF addressed this gap in 2024.

Working well: Guidance to staff on the 2019 professional services guidelines

All departments provide clear guidance to all staff who procure goods and services on how to apply the professional services guidelines. All departments include this guidance in their general policies, approval forms or intranet sites, which means this information should be accessible to all staff who need it.

Implementing updated guidelines

DPC updated the 2019 professional services guidelines in July 2024.

The updated guidelines:

- introduced record-keeping requirements for departments
- strengthened requirements on departments when engaging and approving professional services and labour hire.

Departments are at different stages of implementing the 2024 guidelines. We looked at departments' policies and procedures and found that 2 departments (DEECA and DFFH) had not fully integrated the 2024 professional services or labour hire guidelines as of February 2025. DEECA has a time-limited exemption from DPC to finish its implementation by June 2025, and DFFH had an exemption from DPC to finish this by October 2024. The other 8 departments have updated their templates, policies and guidance in line with the new requirements. Implementing the updated guidelines may improve transparency and reduce the number of contractor and consultant engagements for enduring public service functions.

## Departments are accredited with the VGPB

### The VGPB accreditation

The VGPB's procurement framework provides guidance and policies that support departments when they procure goods and services. Departments must apply to the VGPB for accreditation with the framework.

The VGPB assesses departments' applications for accreditation, which include internal compliance audits, policies and other relevant documentation.

To maintain accreditation, departments must complete 2 internal audits in each 3-year audit cycle. Departments can choose focus areas within the framework based on their assessment of risk.

As of October 2024, all departments are accredited with the VGPB framework.

Compliance with the VGPB framework means that departments have processes in place to get value for money when they procure contractors and consultants.

This provides:

- accountability and transparency over departments' procurement processes
- assurance to the VGPB that processes are in place to respond to recommendations from internal audits.

### Addressing gaps from audits required by the VGPB

All departments have documented processes to:

- acquit internal audit recommendations and implement management actions
- manage and oversee internal audit actions through their audit and risk committees
- maintain a record of audit actions
- follow up on overdue actions.

#### Working well: Guidance to staff

DEECA, DJSIR and DTP provide guidance to staff on how to verify completed actions. This is a positive step that should help business areas to implement audit actions transparently.



# Departments have processes to report on consultant spending in their annual reports. But public transparency about contractor spending could be improved

## Annual reporting processes

Under FRD 22, departments must report specific information about their use of consultants in their annual reports, including details of each consultancy valued at \$10,000 or more.

We reviewed all departments' processes and data quality controls to make sure the information they report about spending is complete and accurate.

All departments provide staff with templates, guides and advice on how to categorise contractors and consultants for annual reporting.

All departments have processes to prepare and review their data for annual reporting, as required by FRD 22. However, these processes differ by department.

All departments except DFFH and DH:

- extract data at a transaction level directly from their financial systems
- manually clean and categorise transactions according to general ledger account codes and descriptions (either contractor or consultant) and exclude transactions not required for their annual reports
- collate their data into the annual report format
- have governance mechanisms and operational processes in their workflows to validate information.

Both DFFH and DH:

- engage an external supplier to:
  - consolidate their transaction data
  - provide reports on their consultancy and contractor spending
- analyse these reports manually before publishing their annual reports.

## Validating data

Departments also take different steps to check annual report data is complete and accurate.

We found that ...	circulate ...
DE, DEECA, DJCS, DPC, DTF and DJSIR	spending data to all departmental divisions and/or groups for initial review and validation before writing the report. DEECA and DJCS validate their data on a monthly basis, rather than annually.
DE, DGS and DJSIR	draft annual report tables to relevant internal groups for final validation.

Case study 1 explores how VAGO analysed departments' spending data to check if it is complete.

Case study 1: Our analysis

VAGO analysis of departments’ spending on Deloitte

VAGO has direct access to departments' financial systems and performs monthly (or as required) data extractions for accounts payable and general ledger transactions.

The extracted data is transformed into VAGO's common data model and presented within Empower, our data analytics system.

We selected Deloitte because it was the vendor with the:

- largest absolute variance between all departments' published spending and actual transactions
- second-largest average percentage difference between all departments’ published spending and actual transactions.

We asked departments to reconcile their reported spending and their actual spending on Deloitte in 2023–24.

We found a difference of \$19,940,707 between what departments reported in their annual reports for Deloitte and the accounts payable records available in Empower for 2023–24. This difference can be largely explained by the departments classifying engagements as contractors rather than consultants. Departments are not required to include their spending on contractors in their annual reports under FRD 22.

Data limitations

We excluded DE from our analysis because we could not import its data for 2023–24 into our Empower system due to differing data formats.

We also filtered out transactions under \$10,000 to align with the reporting requirements. However, the \$10,000 reporting threshold applies at an engagement level, rather than a transaction level. This may mean that there is additional departmental spending not captured in our analysis.

VAGO included some transactions for entities that are no longer part of departments due to MoG changes.

Source: VAGO.



Accuracy of spending

The largest factor that contributed to the difference we found was spending on contractors, which departments are not required to report.

We also found ...

For example ...

departments may exclude some transactions that they classify as Cabinet in confidence from their annual reports, even though FRD 22 and Cabinet protocols do not support this.

DPC and DTF both excluded transactions they said were Cabinet in confidence from their 2023–24 annual reports, totalling \$277,677 and \$145,722 respectively.

some errors and data quality issues in departments' contractor spend data.

DFFH underreported one engagement by \$414,090 due to an issue with how its third-party contractor filtered its transaction data.

DJSIR's contractor data had a typo that characterised its 2023–24 spend on an engagement as \$17,713 instead of \$177,713. However, its actual spending to date reflected the correct figure.

Public  
transparency  
about spending

Public transparency about departments' spending on contractors could be improved.

As noted in case study 1, departments spend significant public funds on external suppliers that they categorise as contractors. These are not required to be publicly reported.

Departments also interpret and apply reporting requirements differently, which means that spending data is not always comparable.

In our 2023 audit *Contractors and Consultants in the Victorian Public Service: Spending*, we recommended that DTF assess whether changing FRD 22 to require departments to include both contractor and consultant spending in their annual report would increase transparency on government spending and advise government accordingly.

DTF accepted our recommendation. While DTF originally advised that it would address this recommendation by June 2024, it has not yet completed this as of February 2025.

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# 4.

## Showing value for money for professional services

The deep-dive departments could not always demonstrate that they got value for money in the professional services engagements we reviewed.

This is because they could not always show that they actively managed their contracts or used the deliverables from these engagements.

Covered in this section:

- Using professional services to achieve government priorities
- Departments could not always show they had a VEC
- Departments consider value for money when they procure professional services
- Departments could not always show that they actively manage contracts
- Departments could not always show how they used deliverables

### Using professional services to achieve government priorities

#### How departments should use professional services

Departments use professional services to help them achieve their priorities. For example, they might engage a consulting firm to provide advice about a technical matter if they do not have enough internal expertise to inform decision-making.

They might also engage a contractor to provide professional services. For example, a contractor might act as a project or program manager for the department.

Under the 2019 professional services guidelines, departments should only use professional services under certain conditions. This helps the government meet its commitment to reduce spending on consultants and contractors.

#### Getting value for money in procurement

In its guidance documents to departments, the VGPB states that value for money is a foundational principle that applies to all procurement activities, regardless of:

- complexity
- value.

Under the VGPB's procurement framework, departments should aim to get the right combination of factors to get value for money. Figure 5 outlines the VGPB's definition.

**Figure 5:** The 6 factors that contribute to value for money in procurement



Source: VAGO, based on the VGPB's *Value for money: Goods and services guide*.

#### Our methods

We asked DEECA, DFFH and DJCS to show us how they managed a selection of professional services engagements. We selected 5 engagements from each department that represented a range of functions, total costs, duration and other factors.

We used the value-for-money definition in the VGPB procurement framework to make our assessment. We also asked departments to show us that they:

- had a VEC before going to market
- actively managed the contract to make sure suppliers delivered milestones within cost and time requirements
- used the deliverables as intended.

We determined that departments could only show value for money across the whole engagement lifecycle if they:

- met the procurement requirements in the professional services guidelines
- considered the combination of value-for-money factors in the VGPB procurement framework
- actively managed the contract
- received and used deliverables as intended.

Figure 6 shows the results from our tests.

**Figure 6:** Sample test results for professional services engagements

Test	Assessment	DEECA	DFFH	DJCS
Can departments demonstrate that they had a VEC before going to market?	Yes	4	2	-
	Partly	-	1	4
	N/A*	1	2	1
Can departments demonstrate that they had an intended use for the deliverable before going to market?	Yes	5	5	5
	Partly	-	-	-
Can departments demonstrate that selected professional services engagements got value for money?**	Yes	4	-	4
	Partly	1	5	1
Can departments demonstrate that they used the deliverable as intended?	Yes	4	3	5
	Partly	1	2	-

\*These engagements did not constitute universal and enduring public service functions, so they did not need to have a VEC.

\*\*This test used the VGPB's value for money definition and made sure the departments considered the 6 value-for-money factors.

Note: None of the professional services engagements we reviewed had a 'no' result

Source: VAGO assessment of departments' procurement documents, contract management documents and final deliverables.

#### Good practice case study

We saw examples of good practice at each of the deep-dive departments across different stages of an engagement. For example:

- DFFH showed good practice in selecting suppliers with the right experience and capability
- DJCS showed us it received and used the deliverables from all the engagements we looked at.

Case study 2 shows an example of how DEECA demonstrated value for money across the full engagement lifecycle.

#### Case study 2: Showing value for money

##### Good practice in a DEECA engagement for advisory services

DEECA engaged a consulting firm to analyse its options for organisational strategy.

DEECA compared the consulting firm's quoted cost and capability against 2 other suppliers in the procurement process. DEECA's procurement plan provided a clear rationale for why it needed to engage an external provider for independent advice.

DEECA also developed a detailed risk management plan that outlined its actions to mitigate risk throughout the engagement.

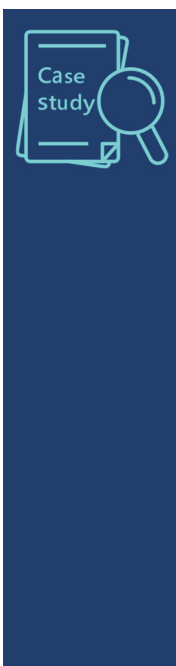
DEECA regularly monitored the consulting firm's delivery of key work against its budget and timeline. When it varied the contract, DEECA outlined:

- its rationale for continuing to engage the consultant
- how the engagement had got value for money for the department to date.

Finally, DEECA demonstrated that it was satisfied with the work provided and that it was able to use the advice to inform decision-making.

This is a positive example of how departments can demonstrate that they get value for money when they use professional services for enduring public service functions, such as strategy.

Source: VAGO, based on information from DEECA.





## Departments could not always show they had a VEC

**Good practice** DEECA demonstrated a VEC for all applicable engagements we reviewed. DEECA determined that one engagement was not an enduring public service function and so it did not require a VEC.

DEECA's approval form for professional services engagements includes fields where staff must:

- state if the engagement is a universal and enduring public service function
- nominate the VEC that applies to the engagement if applicable
- justify their reason for not using VPS staff for the engagement.

DFFH also demonstrated a VEC for all but one of the applicable engagements we reviewed. DFFH's professional services approval form also asks contract managers to explain why the procurement meets the nominated VEC.

These are examples of good practice that support compliance with the professional services guidelines.

Please see Section 3 for a list of VECs.

### Gaps in documenting VECs

DFFH and DJCS could not always show us they documented a VEC for the applicable engagements we reviewed.

The 2024 professional services guidelines introduced record-keeping requirements for departments. To comply with the new guidelines, DJCS has implemented a new record-keeping procedure that should address the gaps we found in its documentation.

#### Key issue: Documenting VECs

DFFH partly demonstrated a VEC for one of the 3 applicable engagements we reviewed, and DJCS partly demonstrated a VEC for 4 of the 4 applicable engagements we reviewed.

Our test was not applicable to the remaining engagements as these did not require a VEC because they were not universal and enduring public services functions.

DFFH and DJCS only partly demonstrated VECs. This is because while they told us they had a valid rationale for these engagements, they did not document how the engagement met the conditions for that VEC before they started procurement.

DJCS told us that several of the applicable engagements we reviewed were not universal and enduring public service functions, so they did not need to have a VEC. However, DJCS could not provide evidence to support that it determined this before going to market for these services.

This means that these departments could not show us that their reason for using professional services was valid in line with the 2019 professional services guidelines.

## Departments consider value for money when they procure professional services

**The VGPB value-for-money factors** The weight that departments give to each value-for-money factor from the VGPB procurement framework varies based on:

- their priorities
- the type of engagement
- other factors, such as market conditions.

DEECA, DFFH and DJCS showed us that they considered a combination of these factors during the procurement stage of all the professional services engagements we reviewed.

#### Working well: Selecting a supplier with the right experience and capability at DFFH

DFFH engaged a consultant to do research to inform its policy on family violence. Before going to market, DFFH developed a detailed request for proposal that it asked potential suppliers to use when submitting their proposals. This outlined:

- how the project fit into government priorities
- the project's requirements
- the project's key deliverables.

It then assessed each potential supplier against structured evaluation criteria, which included:

- ability and capacity to deliver all elements of the project within its timeframe
- demonstrated skills, qualification and experience of staff doing the work
- demonstrated ability to identify, understand and communicate the inherent limitations, complexities and interdependencies in the work.

DFFH selected the supplier with the highest score and lowest price bid to complete its project. Its process allowed DFFH to make sure the selected proposal was fit for purpose and met its requirements.

In this example, DFFH showed us that it considered and achieved a balance of each of the value-for-money factors. This is good practice and shows us that DFFH's choice of supplier represented good value for the department.

**Clear intentions** The deep-dive departments showed us they had a clear purpose for engaging professional services in all the engagements we reviewed.

They outlined how they intended to use the products they were buying in their procurement documentation.

This is important because it makes it easier for the departments to:

- pick the right supplier that can deliver what they need
- establish their budget and timeframe
- assess the quality of products they receive against their requirements.

#### Supplier capability

The deep-dive departments evaluated supplier capability when procuring all the professional services engagements we reviewed.

These departments assessed each supplier's experience and capabilities against the department's requirements to determine their suitability for these engagements.

Picking a supplier with the right experience and capability helps departments achieve their project objectives within cost, time and quality requirements.

**Total costs of an engagement**

The deep-dive departments showed us they evaluated the total proposed costs of all the engagements we reviewed.

For example, where departments ran a competitive procurement process, they assessed the relative costs of each supplier that responded to their request for quotes. In some cases, departments assessed costs against other benchmarks, such as standard purchasing panel rates, if it was a direct approach or sole-supplier procurement.

Departments must use state purchasing panels for certain goods and services unless they have an exemption. For example, they must use the professional advisory services contract for most professional services engagements.

This arrangement intends to improve value-for-money outcomes for departments.

According to the user guide for the professional advisory services contract, departments must use the contract for ...	such as ...
commercial and financial advisory services	<ul style="list-style-type: none"><li>• preparing business cases</li><li>• providing commercial policy advice.</li></ul>
tax advisory services	<ul style="list-style-type: none"><li>• preparing employment tax statements</li><li>• technical advice for complex tax issues.</li></ul>
financial assessment services	doing a financial assessment of the financial viability and capacity of shortlisted or preferred service providers as part of a due diligence process.
probity services	providing independent advice on probity matters and issues.

**Managing risk**

Departments should also take steps to identify and mitigate risks that may compromise if they can deliver their projects on time and within budget.

The deep-dive departments showed us that they have processes to:

- consider risks to their projects
- make plans to mitigate these risks.

For example, DFFH's procurement plan template includes a section on risk management.

DFFH's procurement plan asks staff to ...	For example ...
identify key risks to the project.	the quality of deliverables.
rate the risk.	low, medium or high risk.
outline a plan to mitigate the risk, including who is responsible.	<ul style="list-style-type: none"><li>• the department will set clear expectations about the quality of deliverables in its request for tender</li><li>• the department will require providers to provide drafts of the work so it can assess and manage quality</li><li>• the contract manager will meet regularly with the provider to identify early issues.</li></ul>

The deep-dive departments demonstrated to us that they used these processes in the procurement stage to consider the overall engagement risk.

Considering broader government objectives

Departments must also consider broader government objectives in procurement. These objectives can be:

- economic
- social
- environmental
- ethical.

The deep-dive departments' procurement templates require staff to consider relevant policy objectives.

The deep-dive departments' procurement templates reference the government's ...	which aims to ensure ...
Social Procurement Framework	value-for-money considerations are not solely focused on price, but also include opportunities to deliver social and sustainable outcomes that benefit the Victorian community.
Local Jobs First policy	that small and medium businesses are given a full and fair opportunity to compete for government contracts.

We saw examples of where departments had used their procurement templates to document how engagements aligned with government objectives in the areas of:

- energy policy
- family violence reform
- gambling policy.

Departments could not always show that they actively managed contracts

Monitoring milestone delivery

We saw examples of good practice in contract management at the deep-dive departments. DEECA showed us how they tracked costs and milestone delivery in 4 out of 5 engagements we reviewed. DJCS also did this in 4 of the 5 engagements we reviewed.

For example, both departments showed us:

- status reports provided by the consultant or contractor
- project-management documents and tools they used to track costs
- draft deliverables
- evidence that they regularly met with the consultant or contractor to check their progress and provide feedback on their work.

Gaps in showing active contract management

However, the deep-dive departments could not always show us how they managed the engagements we looked at.

For example ...	could not show us how it tracked ...	for ...
DFFH	costs or the delivery of key milestones over time	the 5 contracts we looked at.
DEECA and DJCS	the delivery of key milestones over time	one contract we looked at.

This means that these departments could not demonstrate that they fully got value for money for these engagements.

**Key issue: Gaps in tracking contract milestones and costs**

The deep-dive departments could not always show us that they took the necessary steps to make sure their suppliers delivered high-quality products on time and on budget.

**Impact**

It is important for departments to actively manage their contracts to make sure that the products they receive are:

- high quality
- within budget
- on time
- able to be used as intended.

This helps departments to get value for money over the lifecycle of their engagements with contractors and consultants for professional services.

## Departments could not always show how they used deliverables

**Using deliverables as intended**

DJCS showed us that it received and used the deliverables from all 5 engagements we looked at. This is an example of good practice.

While the other deep-dive departments have clear intentions for engaging professional services, DEECA and DFFH could not always show that they:

- received the products they paid for
- used these products as intended.

DEECA could not show us the final deliverables it received for one engagement. And DFFH could not show us that it used the deliverables for 2 engagements as intended.

This reduces these departments' ability to show that their engagements were a good use of public funds and got value for money for the department.

For example, DFFH engaged a consultant to provide advice for decision-making about housing policy. DFFH showed us evidence that it received modelling from the consultant, but it could not show us if or how it used this advice to inform decision-making.

# 5.

## Showing value for money for labour hire

The deep-dive departments could not always demonstrate that the labour hire engagements we reviewed got value for money. This is because there were gaps in departments' documentation about how they manage labour hire workers and the work that labour hire workers complete.

Covered in this section:

- Using labour hire workers
- Departments could not always show they had a VEC
- Departments consider value for money when they procure labour hire
- Departments can improve how they manage labour hire workers to show value for money

### Using labour hire workers

**How do departments use labour hire?** At times, departments need short-term support so they have enough capacity or capability to deliver key projects and services. They may use labour hire to fill these temporary workforce gaps. Labour hire is carried out by contractors.

Most departments' people and culture teams provide guidance and templates for procuring labour hire.

Day-to-day management of labour hire workers sits with individual business units and line managers. This is because labour hire staff often work within a VPS team and contribute to the overall objectives of their business unit.

This is different to professional services, where a supplier is engaged to deliver a discrete project or piece of work.

**Our methods** We asked DEECA, DFFH and DJCS to show us how they managed a selection of labour hire engagements. We selected 5 engagements from each department that represented a range of functions, total costs, duration and other factors.

We used the value-for-money definition in the VGPB procurement framework to make our assessment. We also asked departments to show us they:

- had a VEC before going to market
- selected the right worker to meet the department's needs
- actively managed the labour hire workers to make sure they delivered on key role accountabilities
- received work that met their intended needs.



We determined that departments could only show value for money across the whole engagement lifecycle if they met the procurement requirements in the labour hire guidelines, considered the VGPB's combination of value for money factors and actively managed the contract to receive work that met their needs.

Figure 7 shows the results from our tests.

**Figure 7:** Sample test results for labour hire engagements

Test	Assessment	DEECA	DFFH	DJCS
Can departments demonstrate that they had a VEC prior to going to market?	Yes	5	4	2
	Partly	-	1	-
	No	-	-	1
	N/A	-	-	2
Can departments demonstrate that they had an intended use for the deliverable prior to going to market?	Yes	5	5	4
	Partly	-	-	-
	No	-	-	1
Can departments demonstrate that selected professional services engagements got value for money?*	Yes	3	-	3
	Partly	1	-	2
	No	1	5	-
Can departments demonstrate that they used the deliverable as intended?	Yes	3	1	4
	Partly	-	1	1
	No	2	3	-

\*This test used the value-for-money definition in the VGPB procurement framework and made sure the departments considered the 6 value-for-money factors.

Source: VAGO assessment of departments' procurement documents, contract management documents and final deliverables.

## Departments could not always show they had a VEC

**Good practice** DEECA showed us it had a VEC for all 5 of the labour hire engagements we reviewed, in compliance with the labour hire guidelines.

DJCS and DFFH both demonstrated that they had a valid rationale for 4 engagements.

### Working well: Documenting labour hire engagement circumstances

In its electronic approval form, DEECA has a dedicated field to capture the VEC and justification for using labour hire. As staff must complete this form to engage labour hire workers, this is a strong control to make sure DEECA complies with the labour hire guidelines.

### Gaps in documenting VECs

DJCS and DFFH could not show they had a VEC for all the engagements we reviewed.

DJCS told us it does not have this documentation for one engagement because the engagement was transferred from DPC following MoG changes.

DFFH could not show it had a VEC for one engagement. This is because DFFH's rationale for engaging the worker was in line with a VEC, but it did not document how the engagement met the required conditions for that VEC.

It is important that departments have a valid rationale to engage labour hire workers so that they comply with the labour hire guidelines. It also reduces the risk of departments engaging external suppliers for work that its own existing staff could deliver.

## Departments consider value for money when they procure labour hire

**Clearly outlining intended work** The 2019 labour hire guidelines noted that when departments decide to seek external support, this is often driven by the need for specialist or technical skills or additional capacity. They do this to make sure new initiatives are delivered in a timely and effective manner.

We asked departments if they could clearly identify the intended scope of work for the labour hire workers in the engagements we reviewed. Departments demonstrated that they could clearly outline what they needed labour hire workers to do in all but one of the engagements.

DJCS could not show us its intended use for one engagement. DJCS told us that this is because it does not have all the documentation for this engagement due to MoG changes.

### Working well: Outlining intended work

The deep-dive departments clearly described the work they needed labour hire workers to do before hiring them. For example:

- DEECA showed they needed a labour hire worker to lead the implementation of communication reforms across the department
- DFFH showed they needed a labour hire worker to assist with implementing operational policy
- DJCS showed they needed a labour hire worker to assist with establishing a new public sector entity.

This is a positive finding that shows that these departments:

- have a clear purpose for engaging labour hire workers
- articulate the key role accountabilities for these workers.

**Assessing costs** As part of our assessment of value for money in labour hire engagements, we assessed if wages paid to labour hire were equivalent to the VPS level of the position being filled.

Departments must use the Victorian Government staffing services contract when they procure certain labour hire positions.

The staffing services panel covers ...	such as a ...
administration staffing services	records management officer.
information technology services	senior data engineer.
specialist services	policy analyst.

The staffing services contract:

- provides agreed rates that change depending on how long the department engages the labour hire worker
- is intended to provide competitive prices and a simple pricing structure that helps departments get value for money when they need to use labour hire.

The deep-dive departments showed us that they paid labour hire workers according to the relevant staffing services rate outlined in the contract, except one engagement at DJCS. DJCS could not locate the rate information for this engagement due to MoG changes.

Paying standardised rates is good practice that should help these departments get value for money in their engagements.

#### Assessing supplier capability

DEECA, DFFH and DJCS showed us they carried out competitive procurement processes. They considered the capabilities and experiences of candidates when selecting a suitable worker.

All 3 departments have processes to evaluate labour hire candidates against pre-determined criteria. In some cases, where the departments engaged a candidate directly due to time pressures, they provided a rationale to support their choice.

This means that the deep-dive departments were able to show us they selected a supplier who represented value for the department through their:

- capability
- experience
- cost.

## Departments can improve how they manage labour hire workers to show value for money

#### Completing deliverables

Departments could not always show how they monitored the performance of labour hire workers, or what work or deliverables they completed while working for the department.

Departments told us that it is more difficult to demonstrate that they monitored and received quality work from labour hire engagements than professional services.

This is because the engagements are fundamentally different, with labour hire workers working under the direction of VPS staff rather than delivering distinct projects.

However, it is still important for departments to manage labour hire workers effectively and demonstrate that the services they receive get value for money in line with the *Standing Directions 2018*.

#### Key issue: Showing the results from labour hire

We asked the deep-dive departments to show us that their labour hire workers completed the key accountabilities for their roles.

But ...	could not show that it actively managed ...	and could not show us that it received services that met its intended needs in ...
DEECA	2 engagements	2 engagements.
DFFH	5 engagements	4 engagements.
DJCS	2 engagements	1 engagement.

Note: This table represents all engagements that did not fully meet the criteria.

This is because these departments could not show us that the labour hire workers:

- completed deliverables for the department
- provided services that met the intended needs of the business unit.

### Working well: Monitoring the performance of labour hire workers

DEECA uses an electronic system to procure and extend labour hire contracts. This allows it to document information about:

- position descriptions
- rates
- its rationale for extending contracts, including value-for-money assessments.

DEECA also showed us examples of how staff used Excel documents and other project-management tools to track how labour hire workers performed throughout their contracts.

This helps DEECA make sure the work completed by labour hire workers meets the department's needs.

# 6.

## Appendices

There are 4 appendices covering responses from audited agencies, information about how we perform our work and more context about departments' obligations.

**Appendix A: Submissions and comments**

**Appendix B: Abbreviations, acronyms and glossary**

**Appendix C: Audit scope and method**

**Appendix D: Additional context about DPC's guidelines**

# Appendix A:

## Submissions and comments

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

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

### Responses received

Agency	Page
Department of Education	A-2
Department of Energy, Environment and Climate Action	A-3
Department of Families, Fairness and Housing	A-5
Department of Health	A-8
Department of Jobs, Skills, Industry and Regions	A-9
Department of Justice and Community Safety	A-10
Department of Premier and Cabinet	A-12
Department of Transport and Planning	A-13
Department of Treasury and Finance	A-14



## Department of Education

Secretary

2 Treasury Place  
East Melbourne Victoria 3002  
Telephone +61 3 9637 2000

COR25161754

Mr Dave Barry  
Acting Auditor-General  
Victorian Auditor-General's Office  
[REDACTED]

Dear Mr Barry

### **Proposed report - Contractors and Consultants: Management**

Thank you for your letter of 12 May 2025 and the opportunity to comment on the proposed report for this audit. The Department of Education (the department) is committed to ensure it gets value for money when it uses contractors and consultants.

The department appreciates the collaboration from your team throughout the audit. The department has reviewed the proposed report and has no feedback. The proposed report's findings and conclusions reflect positively on the department's clear guidance provided to all staff who procure goods and services on applying labour hire guidelines, and the steps taken to validate the completeness and accuracy of annual report data.

Should your office wish to discuss the department's response, they can contact Shamiso Mtenje, Executive Director, Assurance, Knowledge and Executive Services on [REDACTED]  
[REDACTED]

Yours sincerely

**Tony Bates PSM**  
Acting Secretary  
26 / 5 / 2025

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





Department of Energy, Environment  
and Climate Action

PO Box 500, East Melbourne,  
Victoria 8002 Australia

SEC-250500075

Mr Dave Barry  
Acting Auditor-General  
Victorian Auditor-General's Office  
Level 31/35 Collins Street  
MELBOURNE VICTORIA 3000



Dear Mr Barry

**PROPOSED DRAFT REPORT – CONTRACTORS AND CONSULTANTS: MANAGEMENT**

Thank you for your invitation to comment on the Victorian Auditor-General's Office (VAGO) proposed draft report for the performance engagement *Contractors and Consultants: Management* received on 12 May 2025.

The Department of Energy, Environment and Climate Action (DEECA) acknowledges the importance of strengthening management of professional service engagements.

DEECA welcomes your findings and accepts the relevant recommendation detailed in the report. DEECA's action plan for addressing the recommendation is enclosed.

I thank you and your staff for this work and I look forward to a continued productive relationship with your office.

Yours sincerely



**John Bradley**  
Secretary

26/05/2025

Encl: DEECA's action plan for responding to VAGO's recommendation from *Contractors and Consultants: Management* report.



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Response provided by the Secretary, Department of Energy, Environment and Climate Action, *continued*

Department of Energy, Environment and Climate Action – action plan to address recommendations from VAGO's report: *Contractors and Consultants: Management*

No	Recommendation	Acceptance	Agreed Action	Completion Date
3	<p>All deep dive departments strengthen their review and documentation processes to make sure they can demonstrate their engagements with contractors and consultants get value for money in line with the <i>Standing Directions 2018</i>. To do this, make sure they have fit-for-purpose:</p> <ul style="list-style-type: none"> <li>contract management templates, guidance and procedures</li> <li>monitoring and oversight mechanisms to make sure contractors and consultants deliver work that can be used as intended</li> <li>contract review processes that enable the department to assess value for money at the end of their engagements.</li> </ul>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>DEECA will review its procurement policies, guidance and templates to make sure DEECA can demonstrate engagements with contractors and consultants get value for money (in line with the <i>Standing Directions 2018</i>), identify specific areas for improvement and implement required changes.</p>	30 May 2026

OFFICIAL-Sensitive





Secretary

Department of Families, Fairness and Housing

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Melbourne Victoria 3000  
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[www.dffh.vic.gov.au](http://www.dffh.vic.gov.au)

VAGO ref: 34896 25  
DFFH ref: BAC-EOB-985

Dave Barry  
Acting Auditor-General  
Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
MELBOURNE VIC 3000

Via email:

[Redacted]

cc:

[Redacted]

Dear Mr Barry

**VAGO audit proposed report: *Contractors and consultants: management***

Thank you for your letter of 12 May 2025, and for providing the Department of Families, Fairness and Housing (the department) with an opportunity to review and respond to the proposed report for the *Contractors and consultants: management* performance audit.

The department notes the findings and recommendations specified in that proposed report and confirms acceptance of the recommendation applicable to the department. The details of the department's proposed actions in relation to the recommendation, and when those actions will be completed, are included in the Agency Action Plan.

Yours sincerely

[Redacted signature]

**Peta McCammon**  
Secretary

23/05/2025

Attachment: Agency Action Plan



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**Department of Families, Fairness, and Housing action plan to address recommendations from *Contractors and consultants: management***

No.	Finding	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
3	The deep-dive departments could not always show they got value for money in the engagements we reviewed.	Strengthen their review and documentation processes to make sure they can demonstrate their engagements with contractors and consultants get value for money in line with the Standing Directions 2018. To do this, make sure they have fit-for-purpose: <ul style="list-style-type: none"> <li>contract management templates, guidance and procedures</li> <li>monitoring and oversight mechanisms to make sure contractors and consultants deliver work that can be used as intended</li> <li>contract review processes that enable the department to assess value for money at the end of their engagements.</li> </ul>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<u>Contract management templates, guidance and procedures (Professional Services and Labour Hire)</u>  DFFH will review existing templates, guidance and procedures and develop and update documents as necessary.  <u>Monitoring and oversight mechanisms to make sure contractors and consultants deliver work that can be used as intended</u>  <u>Professional Services</u> DFFH will review existing contract evaluation form and	31 December 2025

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			<p>make updates as necessary.</p> <p><b><i>Labour hire</i></b>  DFFH will investigate options for an oversight mechanism, with a view to update existing templates and develop additional guidance.</p> <p><b><i>Contract review</i></b>  <u>processes that enable the department to assess value for money at the end of their engagements.</u></p> <p><b><i>Professional Services</i></b>  DFFH will review existing contract review processes.</p> <p><b><i>Labour hire</i></b>  DFFH will develop a centralised mechanism for managers to provide performance details.</p>
--	--	--	--



Secretary

Department of Health

50 Lonsdale Street  
Melbourne Victoria 3000  
Telephone: 1300 650 172  
GPO Box 4057  
Melbourne Victoria 3001  
[www.health.vic.gov.au](http://www.health.vic.gov.au)  
DX 210081

DH file no: BAC-CO-55470

VAGO file no: 34896 25

Dave Barry  
Acting Auditor-General  
Victorian Auditor-General's Office  
[REDACTED]

Dear Mr Barry

**VAGO proposed report: Contractors and consultants: management**

Thank you for your letter of 12 May 2025 providing the Department of Health with an opportunity to review and comment on the proposed *Contractors and consultants: management* report.

The department notes the findings and has no further comments on the proposed report.

The findings of the report are encouraging, affirming our commitment to achieving value for money while maintaining compliance with government directives.

We look forward to receiving a copy of the final report.

Yours sincerely

[REDACTED]

**Jeriny Atta PSM**  
Secretary  
22/05/2025

**Copy:**

Elisha Curcio – [REDACTED]



**OFFICIAL**



## Department of Jobs, Skills, Industry and Regions

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

Ref: BSEC-2-25-45371

Mr Dave Barry  
Acting Auditor-General  
Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
MELBOURNE VICTORIA 3000

Dear Mr Barry

### **VAGO PROPOSED REPORT - CONTRACTORS AND CONSULTANTS: MANAGEMENT**

Thank you for your letter of 12 May 2025 regarding the Contractors and Consultants: Management Performance Audit Proposed Report. The Department of Jobs, Skills, Industry and Regions (the department) acknowledges the proposed report and notes that no recommendations have been assigned to the department. Accordingly, no action plan has been developed.

The department reiterates its commitment to continually improve capabilities and processes to manage contractors and consultants.

Thank you for the professional manner in which the audit was undertaken. If you require further information, your team can contact Karan Gill, Chief Audit Officer on [REDACTED] or [REDACTED]

Yours sincerely

Matt Carrick  
Secretary

23/05/2025





## Department of Justice and Community Safety

Secretary

Level 26  
121 Exhibition Street  
Melbourne Victoria 3000  
Telephone: (03) 8684 0501  
[justice.vic.gov.au](http://justice.vic.gov.au)

Our ref: 25053248

Mr Andrew Greaves  
Auditor-General  
Victorian Auditor-General's Office  
Via email: [REDACTED]

### **Proposed report: Contractors and Consultants: Management**

Dear Mr Greaves

Thank you for your letter of 12 May 2025 providing the proposed report on *Contractors and Consultants: Management*.

The Department of Justice and Community Safety (the department) is committed to implementing processes to procure, manage and report on its use of contractors and consultants to provide value for money and consistent with Victorian Government Purchasing Board policy framework and Financial Reporting Direction 22.

The department has reviewed the report and has no issues with your conclusions and findings. I have attached the department's action plan to address recommendation 3.

If you have any questions or require further information, please contact Julianne Brennan, Executive Director, Governance and Assurance on [REDACTED] or via email at [REDACTED].

Yours sincerely

**Kate Houghton PSM**  
Secretary

26/05/2025



**PROTECTED****DJCS action plan**

Contractors and Consultants: Management

#	VAGO recommends that DJCS, DEECA, DFFH:	Response	#	By:	By:
3	<p>Strengthen their review and documentation processes to make sure they can demonstrate their engagements with contractors and consultants get value for money in line with the <i>Standing Directions 2018</i>. To do this, make sure they have fit-for-purpose:</p> <ul style="list-style-type: none"> <li>contract management templates, guidance and procedures</li> <li>monitoring and oversight mechanisms to make sure contractors and consultants deliver work that can be used as intended</li> <li>contract review processes that enable the department to assess value for money at the end of their engagements.</li> </ul>	Accept	3.1	Review and update finance and procurement policies and procedures for greater clarity on record keeping and evidentiary requirements to demonstrate that value for money has been obtained through professional services and labour hire engagements.	30-Nov-25
			3.2	Develop guidance or training materials to support staff engaging professional services and labour hire services to understand value-for-money considerations in the context of engaging professional services and labour hire.	30-Nov-25
			3.3	Develop processes and build in system controls to monitor and manage spend and value for money obtained against professional services and labour hire for the full lifecycle of the engagement.	30-Nov-25
			3.4	Review and update Secretary pre-approval (pre-procurement) templates and resources to ensure valid engagement circumstances and core public service function assessments are applied and articulated appropriately when seeking authorisation to engage professional services and labour hire.	30-Nov-25
			3.5	Establish a regular system and data interrogation process for monitoring policy compliance and data integrity for reporting.	30-Nov-25





Department of  
Premier and Cabinet

1 Treasury Place  
Melbourne, Victoria 3002 Australia  
Telephone: 03 9651 5111  
dpc.vic.gov.au

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

BSEC-250500145

By email: [REDACTED]

Dear Auditor-General

I refer to the letter from Mr Dave Barry, Acting Auditor-General, dated 12 May 2025, providing the Department of Premier and Cabinet (DPC) with an opportunity to comment on the proposed performance audit report regarding the management of contractors and consultants.

DPC appreciates the audit findings and acknowledges the work by your office in conducting this audit. I was pleased to see that DPC and all departments' processes to procure and report on contractors and consultants comply with requirements.

While there are no direct recommendations that require a response by DPC, I note that at the direction of government, in mid-2024, DPC reviewed the arrangements for approval and internal-to-government reporting of professional services and labour hire. The consequent DPC-led reforms prioritised strengthening internal reporting to government and monitoring arrangements as the most appropriate priorities for government in the first place. This was in the context of the existing Financial Reporting Directions 22 requirements already providing sufficient public transparency by mandating the reporting of consultants in annual reports, with departments also required to keep records of contractor spend and make them available to the public upon request, which further reinforces transparency over contractor spend.

Should you require further information in relation to DPC's response, please contact Vasko Nastevski, Chief Procurement Officer, via [REDACTED]

Yours sincerely

**Jeremi Moule**  
Secretary

30 / 05 / 2025

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





## Department of Transport and Planning

GPO Box 2392  
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-25-1975

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

Dear Mr Greaves

**Victorian Auditor-General's Office - Contractors and consultants: management -  
Proposed report**

Thank you for your letter of 12 May 2025 enclosing the proposed report (**the Report**) for the *Contractors and consultants: management* performance audit and inviting the Department of Transport and Planning (the Department) to respond.

On behalf of the Department, I note the Report's conclusion that we are complying with the requirements set by the Department of Treasury and Finance (DTF), and I welcome the Report's recognition of the Department's better practices such as providing clear guidance to staff on procurement processes and closure of audit actions.

The Department acknowledges the recommendations raised for DTF and looks forward to future improvements that this can bring to public reporting. The Department also acknowledges the recommendation for deep-dived departments to strengthen processes to demonstrate value for money in line with the *Standing Directions 2018*, and the Department will continue to comply with directions and guidance provided by DTF.

The Department is committed to supporting our experts in progressing the important transport and planning projects for Victoria by engaging consultants to provide specialist and technical advice, when there is a sound business case and it delivers overall value for money.

Thank you for the opportunity to comment on the Report.

Yours sincerely



**Jeroen Weimar**  
Secretary

Date: 22 May 2025





## Department of Treasury and Finance

1 Treasury Place  
Melbourne Victoria 3002 Australia  
Telephone: +61 3 9651 5111  
dtf.vic.gov.au

D24/50806

Mr Andrew Greaves  
Victorian Auditor-General  
Level 31, 35 Collins Street  
Melbourne VIC 3000  
[REDACTED]

Dear Auditor-General

### PROPOSED REPORT – PERFORMANCE AUDIT: CONTRACTORS AND CONSULTANTS: MANAGEMENT

Thank you for the opportunity to respond to the proposed report for the performance audit *Contractors and Consultants: Management*.

The Department of Treasury and Finance's (DTF) action plan outlining the department's response to the two recommendations directed to it is attached. DTF accepts the two recommendations in principle.

I note both recommendations relate to Financial Reporting Direction 22 (FRD 22), including to assess reporting requirements in relation to spending on contractors and to amend the definitions of contractors and consultants to be mutually exclusive.

At the direction of government, in mid-2024 the Department of Premier and Cabinet (DPC) reviewed the arrangements for approval and internal-to-government reporting of professional services and labour hire. The consequent DPC-led reforms prioritised strengthening internal reporting to government and monitoring arrangements as the most appropriate priorities for government in the first place. This was in the context of the existing FRD 22 requirements already providing sufficient public transparency by mandating the reporting of consultants in annual reports, with departments also required to keep records of contractor spend and make them available to the public upon request.

I further make note of the comment on page 8 in your proposed report:

*While DTF originally advised that it would address this recommendation by June 2024, as of April 2025 it has not completed its assessment.*

It is important this is contextualised with my reply to you of 10 April 2025, informing you of the above-mentioned review by DPC, and that DTF would be relying on this review to acquit its assessment. The current guidance outlining the definitions of consultants and contractors reflects the experience and input of various stakeholders over many years. Further work in this area is not considered a priority at this time, especially given the existing full public disclosure and availability of information in this area.

Should you require further information in relation to DTF's response, please contact Vasko Nasteviski, Chief Procurement Officer, via email at [REDACTED].



Thank you again for the opportunity to respond to the proposed report.

Yours sincerely



Chris Barrett  
Secretary

26 / 5 / 2025

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**Department of Treasury and Finance action plan to address recommendations from *Contractors and consultants: management***

No.	Finding	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1 Department of Treasury and Finance	Departments' procurement and reporting processes comply with requirements. But public transparency about spending could be improved.	Assess whether requiring entities subject to the <i>Financial Reporting Direction</i> 22 to report their spending on contractors in their annual reports would improve public transparency and advise government accordingly.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	<p>In mid-2024, the Department of Premier and Cabinet (DPC), at the direction of government, reviewed the arrangements for professional services and labour hire.</p> <p>The DPC-led reforms prioritised strengthening internal reporting to government and monitoring arrangements as the most appropriate priorities for government in the first place. This was in the context of the existing FRD 22 requirements already providing sufficient public transparency by mandating the reporting of consultants in annual reports, with departments also required to keep records of contractor spend and make them available to the public upon request.</p> <p>In light of this, it is not considered necessary for DTF to undertake a review of FRD 22 at this time. However, in the spirit of the audit recommendation, to re-enforce transparency over this spend, DTF will update the Model Report to include a cross-reference to FRD 22 annual report</p>	DTF Model Report update by June 2026

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2 Department of Treasury and Finance	Departments' procurement and reporting processes comply with requirements. But public transparency about spending could be improved.	Amend the Guidance Note to Financial Reporting Direction (FRD) 22 to ensure that the definitions of contractors and consultants are mutually exclusive and clear to enable consistent and comparable reporting across the public sector.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	consultancy disclosures to highlight that contractor spend information is available upon request.	N/A
				The current guidance outlining the definitions of consultants and contractors reflects the experience and input of various stakeholders over the years and reflects that it is practically challenging to develop a mutually exclusive definition.  While we will continue to look for opportunities to improve the related guidance, further work in this area is not considered a priority at this time for DPC and DTF, given competing priorities and also noting the existing full public disclosure and availability of information in this area.	

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# Appendix B:

## Abbreviations, acronyms and glossary

**Abbreviations** We use the following abbreviations in this report:

Abbreviation	Full spelling
labour hire guidelines	<i>Administrative Guidelines on Engaging Labour Hire in the Victorian Public Service</i>
professional services guidelines	<i>Administrative Guidelines on Engaging Professional Services in the Victorian Public Service</i>

**Acronyms** We use the following acronyms in this report:

Acronym	Full spelling
DE	Department of Education
DEECA	Department of Energy, Environment and Climate Action
DFFH	Department of Families, Fairness and Housing
DGS	Department of Government Services
DH	Department of Health
DJSIR	Department of Jobs, Skills, Industry and Regions
DJCS	Department of Justice and Community Safety
DPC	Department of Premier and Cabinet
DTP	Department of Transport and Planning
DTF	Department of Treasury and Finance
FRD 22	<i>Financial Reporting Direction 22 Standard disclosures in the Report of Operations (April 2024)</i>
MoG	machinery of government
VAGO	Victorian Auditor-General's Office
VEC	valid engagement circumstance
VGPB	Victorian Government Purchasing Board
VPS	Victorian Public Service

## Glossary

The following terms are included in or relevant to this report

Term	Explanation
Level of assurance	<p>This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance.</p> <p>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.</p>
Limited assurance	<p>We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements <b>assurance reviews</b> and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem.'</p> <p>See our <a href="#">assurance services fact sheet</a> for more information.</p>
Reasonable assurance	<p>We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these <b>performance audits</b>.</p> <p>See our <a href="#">assurance services fact sheet</a> for more information.</p>



# Appendix C:

## Audit scope and method

### Scope of this audit

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
DE, DEECA, DFFH, DGS, DH, DJCS, DJSIR, DPC, DTF, DTP	<ul style="list-style-type: none"><li>• Complying with:<ul style="list-style-type: none"><li>• the 2019 and 2024 professional services guidelines</li><li>• the 2019 and 2024 labour hire guidelines</li><li>• the VGPB's procurement framework</li><li>• FRD 22.</li></ul></li><li>• Demonstrating value for money for their spending in line with the <i>Standing Directions 2018</i>.</li></ul>

Our audit objective

Does the Victorian Public Service get value for money when it uses contractors and consultants?

What we examined

We examined procurement, contract management and reporting practices from 1 July 2019 to 30 June 2024 at all 10 Victorian departments.

To do this, we assessed all departments':

- policies, procedures and guidance to staff
- templates relating to procuring, managing and reporting on using contractors and consultants.

We compared all departments' (except DE's) annual report data for 2023–24 to the data we hold in Empower, our data analytics system.

We also selected DEECA, DFFH and DJCS to look at in more detail, based on our assessment of:

- materiality
- risk
- control environments
- spending categories and profile
- previous audit coverage.

We applied a risk-based approach to select 5 professional services and 5 labour hire engagements from DEECA, DFFH and DJCS. We reviewed these against our test criteria, which looked at if these departments could demonstrate that their engagements got value for money.




Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
			

Key:

-  Primary focus
-  Secondary focus
-  Not assessed

Conducting this audit

Assessing performance

To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. Do departments' processes to procure, manage and report on contractor and consultant engagements comply with relevant guidelines?	1.1 Do departments' processes to engage contractors and consultants comply with DPC's professional services and labour hire administrative guidelines?
	1.2 Do departments' processes to manage contracts comply with VGPB's policy framework?
	1.3 Do departments' processes to retain and report information about their use of contractors and consultants meet requirements in the FRD 22?
2. Can departments demonstrate that their use of contractors and consultants achieves value for money?	2.1 Can departments demonstrate that their management of contractors and consultants achieves value for money?
	2.2 Do departments use deliverables or contracted resources as intended?

Our methods

As part of the audit we:

- reviewed all departments' policies, procedures and processes relating to their use of contractors and consultants
- spoke to staff at all 10 departments
- met regularly with staff at the deep-dive departments
- conducted data analysis
- selected 5 professional services and 5 labour hire engagements each from DEECA, DFFH and DJCS, and reviewed these against our test criteria.

#### Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

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#### Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

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#### Cost and time

The full cost of the audit and preparation of this report was \$660,000.

The duration of the audit was 10 months from initiation to tabling.

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# Appendix D:

## Additional context about DPC’s guidelines

**VECs for labour hire** Under DPC's 2019 labour hire guidelines, departments must meet one of the following circumstances and associated conditions to engage labour hire.

To meet this circumstance ...	departments must demonstrate ...
internal and or/external recruitment action has not been successful or is unlikely to be successful	at least one of following: <ul style="list-style-type: none"> <li>approaches to sourcing a suitable candidate through internal and/or external recruitment processes have been unsuccessful, including advertising on the Jobs and Skills Exchange.</li> <li>due to limited supply and/or high demand for a technical or specialist skill, recruitment action is highly unlikely to succeed or succeed in a reasonable timeframe.</li> </ul>
an existing VPS employee is on short-term leave or secondment	at least one of the following: <ul style="list-style-type: none"> <li>approaches to sourcing a suitable candidate through internal and/or external recruitment processes have been unsuccessful, including advertising on the Jobs and Skills Exchange.</li> <li>the leave or vacancy has occurred without sufficient notice to undertake internal and/or external sourcing processes.</li> <li>the vacancy is likely to conclude before it can be recruited.</li> </ul>
recruitment is underway to fill a vacancy and temporary backfill is required	the following: <ul style="list-style-type: none"> <li>the temporary vacancy would compromise the ability of the work unit to meet critical business needs or the temporary vacancy is likely to conclude before it can be filled, and:               <ul style="list-style-type: none"> <li>approaches to sourcing a suitable candidate internally have been unsuccessful, or</li> <li>the leave or vacancy has occurred without sufficient notice to undertake internal sourcing processes.</li> </ul> </li> </ul>

**Changes to the professional services guidelines** Figure D1 shows changes to the VECs between the 2019 and 2024 professional services guidelines. There were no changes to the VECs between the 2019 and 2024 labour hire guidelines.

**Figure D1:** Changes between the 2019 and 2024 professional services guidelines

VEC	2019 professional services guidelines	2024 professional services guidelines
Work requiring skills or expertise that cannot be efficiently maintained within the organisation	To meet this condition, the following must apply: <ul style="list-style-type: none"> <li>the necessary technical or specialist skill(s) required to deliver the work or services are not available or not efficient to maintain within an organisation, and</li> </ul>	To meet this condition, the following must apply: <ul style="list-style-type: none"> <li>the necessary technical or specialist skill(s) required to deliver the work or services are not available within the organisation, AND</li> </ul>

	<ul style="list-style-type: none"> <li>current and future demand within the organisation for the technical or specialist skill(s) does not warrant recruiting the capability into the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>current and future demand within the organisation for the technical or specialist skill(s) does not warrant recruiting the capability into the organisation.</li> </ul>
Need for genuine independence	Independence may be required to instil confidence in the objectiveness, impartiality, and integrity of Government work, services, or decision-making processes. In these circumstances, the type and level of independence required must be carefully considered, including the potential for another area of a department or Government to provide the services.	<p>To meet this condition, one of the following must apply:</p> <ul style="list-style-type: none"> <li>There is a legal obligation (legislative or contractual agreement with another level of government) for services to be performed by an entity external to government for the purpose of integrity or assurance, OR</li> <li>The services require independent assessment from a body separate from those involved in the work and a genuine effort was made to identify appropriately independent resources elsewhere in the organisation.</li> </ul>
The engagement connects the VPS with the latest technical advances, emerging key skills or expertise and builds VPS capability	<p>Initially these services may need to be delivered by an external provider, however over time it is expected that new technologies, specialist skillsets and/or ways of working will be able to be delivered by internal capacity.</p> <p>Approval of external engagements must therefore be able to demonstrate a contractual obligation and clear project strategy for transferring relevant skills and knowledge across to the VPS from the professional services provider.</p>	This condition is not included in the 2024 professional services guidelines.
Work requiring immediate or time critical action that cannot be met within existing VPS capacity	<p>The capacity condition is only applicable in circumstances that are characterised by unpredictable demands requiring immediate or time critical action, such as legal matters with court-imposed deadlines and urgency, or surge capacity required due to emergency management, or similarly critical events.</p> <p>To meet this condition, the following must apply:</p> <ul style="list-style-type: none"> <li>the necessary capacity required to deliver the work or services is not available or not efficient to maintain within an organisation, and</li> <li>current and future demand within the organisation for the capacity do not warrant recruiting into the organisation.</li> <li>The capacity condition must not be used to bridge shortfalls in regular or foreseeable demand for internal capacity or capabilities.</li> </ul>	<p>To meet this condition, the following must apply:</p> <ul style="list-style-type: none"> <li>The work is urgent or time critical; such as it relates to an emergency, a legal/court deadline, or a similarly critical event; or it is a public commitment with specific deadlines that cannot be pushed out (and DPC has agreed this position), AND</li> <li>The work relates to unpredictable demands (i.e. should not be used for periods of predictable or foreseeable surge work), AND</li> <li>The ability to meet at least some of the required capacity through reprioritising existing resources or using surge functions has been considered prior to going to market and is not feasible.</li> </ul>
Engagement has received explicit Cabinet approval	This condition is not included in the 2019 professional services guidelines	<p>To meet this condition, the following must apply:</p> <ul style="list-style-type: none"> <li>Where a decision of Cabinet (or a Committee of Cabinet) explicitly requests a service be delivered externally.</li> <li>Whether a VEC applies should be assessed and approved by the responsible senior executive prior to going to market, and the decision and VEC recorded.</li> </ul>

Source: DPC's 2019 and 2024 professional services guidelines.

# Auditor-General's reports tabled in 2024–25

Report title	Tabled
<i>Results of 2023 Audits: Technical and Further Education Institutes</i> (2024–25: 1)	July 2024
<i>Building a Capable and High-performing Public Service Workforce</i> (2024–25: 2)	August 2024
<i>Protecting the Biosecurity of Agricultural Plant Species</i> (2024–25: 3)	October 2024
<i>Responses to Performance Engagement Recommendations: Annual Status Update 2024</i> (2024–25: 4)	October 2024
<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2023–24</i> (2024–25: 5)	November 2024
<i>Fair Presentation of Service Delivery Performance: 2025</i> (2024–25: 6)	November 2024
<i>Staff Wellbeing in Fire Rescue Victoria</i> (2024–25: 7)	November 2024
<i>Reporting on Local Government Performance: Follow-up</i> (2024–25: 8)	February 2025
<i>Major Projects Performance Reporting 2024</i> (2024–25: 9)	February 2025
<i>Managing Disruptions Affecting Victoria's Public Transport Network</i> (2024–25: 10)	March 2025
<i>State Trustees' Financial Administration Services</i> (2024–25: 11)	April 2025
<i>Recycling Resources from Waste</i> (2024–25: 12)	April 2025
<i>Results of 2023–24 Audits: Local Government</i> (2024–25: 13)	April 2025
<i>Domestic Building Insurance</i> (2024–25: 14)	May 2025
<i>Quality of Victoria's Critical Data Assets</i> (2024–25: 15)	May 2025
<i>The Orange Door: Follow-up</i> (2024–25: 16)	May 2025
<i>Work-related Violence in Government Schools</i> (2024–25: 17)	May 2025
<i>Contractors and Consultants: Management</i> (2024–25: 18)	June 2025

All reports are available for download in PDF and HTML format on our website at <https://www.audit.vic.gov.au>

# Our role and contact details

## The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet [About VAGO](#).

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## Our assurance services

Our online fact sheet [Our assurance services](#) details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

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## Contact details

Victorian Auditor-General's Office  
Level 31, 35 Collins Street  
Melbourne Vic 3000  
AUSTRALIA  
  
Phone +61 3 8601 7000  
Email [enquiries@audit.vic.gov.au](mailto:enquiries@audit.vic.gov.au)

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