

Appendix A:

Submissions and comments

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

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

Responses received

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Treasurer of Victoria	A-2
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Treasurer of Victoria

Minister for Industrial Relations
Minister for Economic Growth

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Telephone: +61 3 7005 9474

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

Dear Mr Greaves,

RESPONSE TO THE AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA, 2024-25

Thank you for your letter dated 3 November 2025, seeking my response to your report on the Annual Financial Report (AFR) of the State of Victoria 2024-25 (the report) before its finalisation and transmission to Parliament.

The report confirms the issuance of a clear audit opinion on the financial statements of the State of Victoria and the General Government Sector (GGS) for the financial year ended 30 June 2025. This provides reasonable assurance that the financial performance and position of the State of Victoria and the GGS as presented in the AFR is reliable and can be depended upon by Parliament and the Victorian community, to inform their understanding of the State's finances, and to inform decision-making.

As noted in the report, in response to the COVID-19 pandemic, the Government put in place a comprehensive fiscal strategy to protect Victorian households and businesses and provide a strong foundation for recovery:

- Step 1: Creating jobs, reducing unemployment and restoring economic growth.
- Step 2: Returning to an operating cash surplus.
- Step 3: Returning to operating surpluses.
- Step 4: Stabilising debt levels.
- Step 5: Reducing net debt as a proportion of the Gross State Product (GSP) by the end of the forward estimate period.

This is a carefully balanced approach, designed to navigate the economic challenges facing the state. As the report points out, two major factors have contributed to government debt over this period:

- COVID-19-related expenditure, which supported the Victorian community and its economy, through necessary investments in the health system, support for households, and direct business support which enabled them to survive; and
- Investment in the productive infrastructure that a growing city and state needs. Victoria's Big Build is unlocking Melbourne through the removal of 110 dangerous and congested level crossings, boosting public transport services through the Regional Rail Revival and the soon-to-open Metro Tunnel, and



making it easier for people and goods to move around our state thanks to the West Gate Tunnel and numerous other road and infrastructure upgrades.

Importantly, the Government's investments in pandemic response measures and productivity enhancing infrastructure helped the Victorian economy successfully navigate the pandemic and the subsequent period of high inflation, elevated interest rates and heightened geopolitical risks. As a result, Victoria has experienced favourable labour market performance and economic growth compared with many advanced economies over this period, thereby delivering on Step 1 of the fiscal strategy.

The Government has since reported significant progress towards delivering on the remaining steps of the fiscal strategy. For three consecutive years beginning in 2022-23, the Government has delivered an operating cash surplus – Step 2 of the strategy. Step 3, an operating surplus, will be delivered in 2025-26. The Government remains on track to deliver steps 4 and 5 over the forward estimates.

The recent releases of the 2025-26 Budget and the 2024-25 Annual Financial Report confirm that this strategy is working as intended, with the economy performing well and the labour market remaining healthy.

The Report notes the continuing impacts on the State's finances of challenging local and international economic conditions and acknowledges the Government has continued its focus on the above strategy, including progressing various initiatives designed to improve the State's financial condition and position.

The Government remains committed to the long-term financial management objectives set out in the State Budget and continues to consider new opportunities that arise to support the Victorian community in these challenging times.

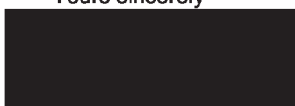
Additionally, the report makes a number of recommendations to the Department of Treasury and Finance (DTF), the responses of which are outlined in the table below:

Recommendation	Response
DTF work with the government to regularly publish updates on its progress against the COVID Debt Repayment Plan.	Noted The COVID Debt Repayment Plan was announced in the 2023-24 Budget. It was expected to take around ten years to offset the pandemic's adverse effects on the State's finances. As the Report notes, two years on, the State remains on track to achieve this objective.
Material entities responsible for administering trust accounts assess whether the current spending patterns are effectively achieving the purposes for which these funds were established.	Agreed DTF continually monitors the balance in the Community Support Fund and provides advice to the Treasurer and the government on available funding in the trust fund to assist in resource allocation decisions, in line with the objectives of the trust fund.



- Material entities should: - Consider the requirements relating to Standing Direction 3.4 – Internal Control System, Instruction 10 – Managing Shared Services and Outsourcing Arrangements when entering into such arrangements and outline those requirements clearly in the service level agreements - Obtain appropriate level of assurance annually as required by the Standing Directions under the FMA over the outsourced service providers and shared services and document.	Agreed DTF agrees with the imperative of departmental/entity compliance with the Financial Management Act (FMA) Standing Directions, including the Direction referenced in this recommendation. In the case of DTF, several corporate functions were transferred from DTF to DGS as part of the machinery of government changes on 1 January 2023, with those functions now provided to DTF by DGS on an outsourced basis. DTF will continue working with DGS on future delivery agreements and related assurance arrangements in compliance with Standing Directions.
Material entities strengthen transparency by delivering targeted training and practical guidance to staff responsible for preparing key management personnel and related party disclosures.	Noted DTF notes that the audit observations in the report related to this recommendation positively reference the extensive guidance provided by DTF to assist entity compliance. DTF will consider the need for, and value of, any further targeted training or practical guidance to staff responsible for preparing the related disclosures in line with DTF guidance.

Yours sincerely



Jaclyn Symes MP
Treasurer
Date: 18/11/2025



Department of Energy, Environment
and Climate Action

PO Box 500, East Melbourne,
Victoria 8002 Australia

SEC-251100030

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

Via email: [REDACTED]

Dear Mr Greaves

Thank you for your letter of 3 November 2025 regarding your Office's proposed *Report on the Annual Financial Report of the State of Victoria: 2024-25* (Report), and the invitation to provide a formal response.

I note that your proposed Report references the Department of Energy, Environment and Climate Action's (DEECA) administration of the Sustainability Trust Fund.

The department incurs expenditure from the Sustainability Trust Fund in accordance with the *Environment Protection Act 2017* and subject to the approval of the Victorian government. This is demonstrated by the Fund's spending proposals being considered by the government each year as part of the annual budget process. Once budgeted spending has been approved by government, Section 4.3 of the *Resource Management Framework* states that departments cannot materially increase budgeted expenditure from a trust account without prior approval from the relevant Cabinet committee or the Treasurer.

While DEECA acknowledges the reported increase in the cash balances held, new spending proposals for the Sustainability Fund are developed by the department for government consideration each year as part of the budget process; and assessing whether current spending patterns are effectively achieving the purpose of the Fund (as recommended in the Report) is a matter for government in setting its budget priorities through the annual State Budget.

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

Yours sincerely

[REDACTED]

Kate Houghton
Secretary

CC: [REDACTED]



Official - Sensitive



Department of Government Services

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Telephone: (03) 9651 5111

Our ref: BSEC-251100128

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

By email: [REDACTED]

Dear Auditor-General

VAGO PROPOSED REPORT: AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE STATE OF VICTORIA: 2024-25

Thank you for your letter dated 3 November 2025 enclosing an extract of the proposed report Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2024-25.

The Department of Government Services (DGS) acknowledges the report's recommendation for agencies to obtain appropriate level of assurance annually as required by the Standing Directions over the outsourced service providers and shared services and documents.

My department provides a range of outsourced services to other departments across government and provides assurances through an annual Corporate Assurance Report. For 2025-26, DGS will further uplift its annual assurance activity by engaging independent auditors to commence a rolling program of independent assurance activities to DGS customers for its outsourced services.

DGS also receives a range of outsourced services and will continue to obtain appropriate assurances from these third-party service providers.

If your office requires further information, please contact Steven Wlazly, Chief Finance Officer, DGS at [REDACTED]

Yours sincerely

Jo de Morton
Secretary

18/11/2025

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.



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Department of Jobs, Skills, Industry and Regions

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Ref: CSEC-2-25-27453

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

Dear Mr Greaves

**AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL REPORT OF THE
STATE OF VICTORIA 2024-25**

Thank you for your letter of 3 November 2025 inviting the Department of Jobs, Skills, Industry and Regions (the department) to provide a response to the Auditor-General's Report on the 2024-25 Annual Financial Report of the State of Victoria (the report).

The department notes VAGO's assessment that the 2022-23 report recommendation into the evaluation of the Business Costs Assistance Program and Licensed Hospitality Venue Fund grants programs has been implemented and acknowledges the associated commentary.

Thank you for the opportunity to comment on the report.

Yours sincerely



Matt Carrick
Secretary

18/11/2025





Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-25-5135

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31/ 35 Collins Street
MELBOURNE VIC 3000
E: [REDACTED]

Dear Mr Greaves

DTP Response to Proposed Auditor-General's Report on the 2024-25 Annual Financial Report of the State of Victoria

Thank you for your letter dated 3 November 2025, inviting the Department of Transport and Planning (DTP) to provide a submission to the proposed *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2024-25*.

The Department of Transport and Planning is appreciative of the opportunity to contribute to the VAGO consultation process. Please find below the formal submission from DTP in response to this invitation.

VicTrack lease arrangement accounting

VicTrack and DTP have assessed and accounted for the arrangement in accordance with current Australian Accounting Standards. DTP's election to apply the fair value measurement relief for its concessionary leases with VicTrack is a valid option permitted under the standards. The appropriateness of this accounting treatment at the General Government Sector level is a matter for the Department of Treasury and Finance.

Growing Trust Fund balance

DTP continually monitors the balance in the Growth Area Infrastructure Fund and advises the Department of Treasury and Finance, and the Minister for Planning on available funding. This informs resource allocation decisions that align with the objectives of the trust fund.

Upcoming accounting changes

DTP notes that the Australian Accounting Standard Board (AASB) has not yet concluded on this matter. While the relief may be removed, it is equally possible that the cost measurement relief will be made permanent. DTP will assess the accounting impact should the AASB's Post Implementation Review remove the cost measurement relief.

Shared service assurance

DTP is aware of its assurance requirements for outsourced services under the Standing Directions and is working with the Department of Government Services (DGS) on a resolution. In the absence of a DGS ASAE 3402 assurance report, DTP has leveraged its internal processes to provide assurance over the financial information presented in the financial statements.



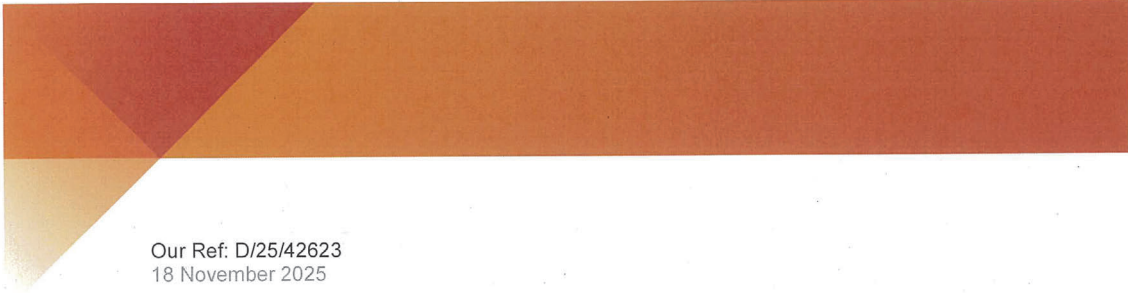
Should you require any further information, please contact Effie Doumis, Acting Chief Financial Officer at [REDACTED]

Yours sincerely

[REDACTED]

Jeroen Weimar
Secretary

Date: 14 November 2025



Our Ref: D/25/42623
18 November 2025

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

Dear Mr Kumara,

Re: Auditor-General's Report on the 2024-25 Annual Financial Report of the State of Victoria.

Thank you for the opportunity for Victorian Rail Track (VicTrack) to provide comments to the Auditor-General's Report on the 2024-25 Annual Financial Report of the State of Victoria.

VicTrack continues to have a difference of opinion with the Victorian Auditor General's Office (VAGO) on the classification of its operating leases, which resulted in the adverse qualification first issued in 2019-20 for VicTrack and its consolidated entities.

VicTrack's position as lessor in relation to these leases has been informed by expert accounting and legal advice. Following further such advice relating to the MR5 Trams franchise arrangement executed in November 2024, the Consolidated Entity's view is that existing leasing arrangements remain substantially unchanged from a lessor perspective.

Further, VicTrack's position remains consistent with the Department of Transport and Planning's current policy in relation to the management of rail operations and associated leases.

As such, VicTrack and its consolidated entities continue to classify the lease arrangements as operating leases in the 2024-25 Financial Statements, consistent with the approach taken in previous years.

Yours sincerely



Jonathan Metcalfe
Interim Chief Executive

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VicTrack

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18 November 2025

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

By email: [REDACTED]

Dear Mr Greaves

Re: Proposed report "Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2024–25"

Thank you for the opportunity to review and comment on the extract of the proposed report "Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2024–25". VMIA notes our teams have been engaged in discussion on data interpretations and representations to improve readability.

We also note that the extract discusses the claims experience of the Domestic Building Insurance (DBI) scheme over the past 10 years, the impact of that upon the financial performance of the DBI portfolio, and the subsequent transactions supporting the establishment of the Building and Plumbing Commission (BPC).

We believe that this discussion is missing the important context that we increased premiums in response to the deteriorating claims experience, with the intent that we would return the DBI portfolio to financial break-even status by 2029. Your previous report, "Domestic Building Insurance - May 2025", provided this context.

VMIA believes that these premium increases significantly reduced the financial risk of the DBI portfolio prior to BPC's establishment.

Yours sincerely



Andrew Davies
Chief Executive Officer

CC: [REDACTED]

VMIA is the Victorian
Government's insurer
and risk adviser

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Insurance Authority



Victorian Managed Insurance Authority (VMIA) acknowledges the Traditional Custodians of the land on which we do business, and we pay our respects to Elders past and present. We acknowledge the important contribution that Aboriginal and Torres Strait Islander peoples make in creating a thriving Victoria.

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**Reducing
workplace
harm.**

**Improving
outcomes for
injured workers.**

WorkSafe Ref: CEO25-3227

13 November 2025

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

By email via: [REDACTED]

Dear Mr Greaves

Thank you for your email of 3 November 2025 with the extract of the proposed report *Auditor-General's Report on the Annual Financial Report of the State of Victoria 2024-25*.

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

Should you wish to discuss this matter further, please contact Mario Briffa, General Counsel and Executive Director, Legal & Governance at WorkSafe on [REDACTED] or via email at [REDACTED]

Thank you again for providing WorkSafe with a copy of the extract to the report for review.

Yours sincerely

A black rectangular redaction box covering the signature of Ashley West.

Ashley West
Chief Executive Officer
WorkSafe Victoria

CEO25-XXX

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