

Appendix C:

Review scope and method

Scope of this review

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
All government departments, Country Fire Authority and Museums Victoria	<ul style="list-style-type: none"> Paying suppliers according to contracted or otherwise agreed payment terms
Department of Jobs, Skills, Industry and Regions	<ul style="list-style-type: none"> Development and oversight of the <i>Victorian Government Fair Payment Policy</i> Collecting performance data
The Victorian Small Business Commission	<ul style="list-style-type: none"> Publishing performance data

Our review objective

Does the government pay its suppliers on time?

What we examined

How timely government agencies make payments of contracted goods and services to the private sector. This includes how agencies implemented the *Victorian Government Fair Payment Policy* requirements into their policies, procedures, contracts and processes.

Why we conducted this review

When suppliers do business with Victorian Government agencies they expect to be paid on time. This is important to business cashflow and for the reputation of these agencies. We did this review to see if agencies are paying on time and if publicly reported information about payment timeliness is accurate and transparent.

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 review we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
○	●	○	●

Key:

- Primary focus
- Secondary focus
- Not assessed

Conducting this review

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. Does the government pay its private sector suppliers according to contracted or otherwise agreed payment terms?	<p>1.1 The government established and agreed on clear terms of trade with its suppliers, including:</p> <ul style="list-style-type: none"> contracts with all suppliers with a value less than \$3 million have the required clauses regarding payment terms and interest penalties standards or requirements for a 'correct and complete' invoice including form, content and lodgement procedure are documented, agreed and periodically reviewed payment terms (payment due dates) are clearly specified and agreed rejection and resubmission and timeframe pause and reset processes are clear and agreed.
	<p>1.2 The government complies with the agreed terms of trade, including obtaining agreed discounts for early payment (if any), and paying penalty interest on late payments where required by the vendor.</p>
2. Is the data provided by entities to the Victorian Small Business Commission about their invoice volumes and amounts, payment timeframes and compliance rates reliable and is the publicly reported performance presented fairly?	<p>2.1 Data compiled by each agency and reported by the Victorian Small Business Commission is:</p> <ul style="list-style-type: none"> valid (relevant and consistent with intent of performance reporting on eligible vendor payments) complete (all eligible invoices and contracts are captured) accurate (number of invoices, amounts paid and days to pay are calculated correctly) consistent with underlying accounting records and ledgers.
	<p>2.2 The Victorian Small Business Commission presents data that is useful for decision-making in that it is:</p> <ul style="list-style-type: none"> consistent and comparable over time complete and accurate readily understandable and not able to be misinterpreted.

Our methods As part of the review we looked at 6 agencies (Department of Health, Department of Families, Fairness and Housing, Department of Justice and Community Safety, Department of Jobs, Skills, Industry and Regions, Museums Victoria and Country Fire Authority) in-depth and:

- reviewed internal policies, procedures and contracts templates
- reviewed a sample of contracts to see if they contain the *Victorian Government Fair Payment Policy* clauses
- conducted walkthroughs to see how these agencies process invoices and calculate payment timeliness.

We also reviewed data for all agencies under the *Victorian Government Fair Payment Policy* and included this information in our accompanying dashboard.

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).

Compliance

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

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

Cost and time

The full cost of the review and preparation of this report was \$480,000.

The duration of the review was 7 months from initiation to tabling.
