

Appendix C: PAEC's recommendations

External audits of our office

Legal requirement The Audit Act requires VAGO be independently audited at least once every 4 years. The purpose of the audit is to assess whether the Auditor-General and VAGO are meeting their objectives effectively, economically, efficiently and in compliance with relevant legislation.

Appointment of external auditor (2022–24) In 2022–24, PAEC appointed MartinJenkins to independently audit VAGO. The audit report was tabled on 30 July 2024, concluding that the Auditor-General and VAGO are:

- compliant with all relevant Acts of Parliament
- in all material respects, operating effectively, economically and efficiently, while achieving their objectives under the Audit Act.

Monitoring progress on recommendations

Reporting mechanisms We monitor progress in implementing the audit's recommendations through the following mechanisms:

- periodic updates to the operational management group and Audit and Risk Committee
- twice-yearly updates to PAEC.

Summary of recommendations status (as at 31 December 2025)

General recommendations Of the 31 total recommendations made by PAEC in 2020 and 19 total recommendations made in 2024, VAGO's responses are outlined in Figure C1.

Figure C1: VAGO's responses to and status of the 2024 and 2020 quality control framework/SQM recommendations

Recommendation category	Number of recommendations 2020	Number of recommendations 2024
Accepted in full	24	10
Accepted in part	3	2
Accepted in principle	3	7
Not accepted	1	0
Completed	27	9
Partially completed	2 ⁽¹⁾	9 ⁽²⁾

Notes: (1) 2020 recommendation 30 subsumed into 2020 recommendation 26 and 2020 recommendation 4 subsumed into 2024 recommendation 9. (2) 2024 recommendation 14 subsumed into 2024 recommendation 13.
Source: VAGO.

2024 SQM recommendations Figure C2 summarises the implementation status of the 5 recommendations directly related to improvements in VAGO's SQM as at 31 December 2025.

Figure C2: Status of 2024 SQM recommendations

SQM recommendation category	Number of recommendations	Implementation status
Accepted in full	5	Complete: 3 In progress: 2

Source: VAGO.

Figure C3: Update on recommendations relevant to improving audit quality from PAEC's 2024 independent audit

PAEC recommendation	Status
Recommendation 6	In progress
PAEC recommendation	VAGO should Integrate the FA and PRS capability frameworks into the staff Performance and Development Process.
Auditor-General comment	We accept this recommendation. It is pleasing to note that our FA roadmap and PRS divisional plan are already focused on the areas you have highlighted in your recommendation.
Implementation update	<p>PRS (in progress)</p> <p>In 2024–25, PRS fully integrated its capability framework into the performance development process. Following a recommendation of the PRS culture review, VAGO's management agreed to take action toward a unified capability framework. This meant full integration into the performance development process was paused for 2025–26. PRS will utilise the framework's professional practical capabilities for the 2026–27 cycle, while work to establish an enterprise-wide framework continues.</p> <p>FA (complete December 2024)</p> <p>The FA capability framework was embedded into the performance development process for 2024–25, with a strong focus on development goals to enhance capability.</p>
Recommendation 9	In progress
PAEC recommendation	<p>VAGO should progress the Strategic Communications and Engagement proposal ensuring that:</p> <ul style="list-style-type: none"> the proposed work on a communications and engagement strategy builds on the work completed for developing the Parliamentary Engagement Plan – Stage 1 2021 [part A] the communications and engagement strategy includes a process for annual review of the engagement approach and activities [part B]. <p>Note only part A is due December 2024. Part B is due December 2025.</p>
Auditor-General comment	We accept this recommendation.
Implementation update	A parliamentary engagement framework was created, approved and implemented in December 2024. A communications and engagement strategy for the public is in progress, detailing work from both FA and PRS, and includes a process for annual review of the engagement approach and activities.
Recommendation 15	Complete
PAEC recommendation	<p>For its performance audits, use the PRS methodology refresh as an opportunity to:</p> <ol style="list-style-type: none"> include a conceptual framework or frameworks to provide structure for its analytical efforts provide more detail on the definitions of efficiency and economy, and how to audit these include more explicit explanations as how to VAGO applies auditing standards in its performance audits take stock of the range of audits that has been and is being developed, and test for alignment and integration.

PAEC recommendation	Status
Auditor-General comment	<p>We accept this recommendation.</p> <p>It is pleasing to note that our PRS divisional plan is already focused on the areas you have highlighted in your recommendation.</p>
Proposed actions	<p>The PRS methodology refresh is complete with all 4 manuals released. The Performance Engagement Lifecycle steps through how each of the stages of an engagement interact with each other and the relevant manuals, guidance, procedures and templates that apply across each stage.</p> <p>The manuals include consistently worded explanations of obligations under the Audit Act and the Australian Auditing and Assurance Standards. Similarly, guidance documents reference the relevant parts of the standards that apply to the guidance. All these documents are in the PRS Viva Learning Academy.</p> <p>In particular, the guidance 'establishing objectives, lines of inquiry and criteria' defines efficiency, effectiveness and economy for staff. Our continuous planning procedure demonstrates our analytical approach to selecting and designing engagements, including consideration of how we use our mandate.</p> <p>This recommendation is fully implemented in January 2025.</p>

Note: The full tabled report is available at: www.audit.vic.gov.au/independent-performance-audit.

Source: MartinJenkins' *Independent Performance Audit of the Auditor-General and Victorian Auditor's Office*.

Figure C5: Update on recommendations relevant to improving audit quality from PAEC's 2020 independent audit

PAEC recommendation	Status
Recommendation 7	Complete
PAEC recommendation	That VAGO provides good-practice guidance, including examples of exemplar audit files and templates in relation to treatment and filing of documents, including working papers, to ensure each audit file can be easily navigated and the links between the application of the audit criteria, the analysis of evidence collected, and audit findings and recommendations are evident.
Auditor-General comment	<p>I note our current training module 'Working papers and findings' scheduled twice a year for new starters, explicitly covers how to develop and structure working papers. This training includes good-practice examples.</p> <p>We can enhance this with additional instruction to staff on the use of subheadings to allow easier navigation through working papers, and the requirement to structure any working papers completed in Microsoft Teams initially, to be structured consistently.</p> <p>I note also that the current working paper template in AMP for addressing each audit criterion already has headings: References, Agency documents, Conclusion, Evidence/Analysis.</p> <p>We restrict access by staff to completed audit files for security reasons.</p>
Proposed actions	<p>As part of our major refresh of our performance audit methodology, we will develop an 'exemplar' audit file combining all good practices from existing training and guidance.</p> <p>This will be done when we have implemented a new toolset to avoid unnecessary duplication of effort.</p>
Implementation update	<p>PRS have developed and released the following:</p> <ul style="list-style-type: none"> the Conclude and Report manual on 5 September 2024 the Implement the Plan manual on 9 October 2024 the Plan the Engagement manual on 2 December 2024 the Design the Engagement manual on 16 December 2024. <p>These documents constitute VAGO's refreshed performance audit methodology and address the intent of the original recommendation.</p> <p>Our guidance and templates use exemplar case studies to demonstrate good practice. These exemplars draw from each of the four engagement phases.</p> <p>We have developed template working papers in both Word and Excel that require a record of evidence, demonstration of analysis and a statement of findings.</p>

PAEC recommendation	Status
Recommendation 26	In progress
PAEC recommendation	That VAGO develops a proactive professional development program for junior and mid-level staff, which may include opportunities for broader development targeted at developing high-performing staff for future leadership roles.
Auditor-General comment	No comment provided.
Proposed actions	Refer to our responses to recommendations 14 for audit staff and recommendation 30 for all staff.
Implementation update	<p>Planning is underway for manager skills training, which complements the leadership development training program rolled out for executives across the enterprise in 2025.</p> <p>For the 2024–25 cycle, the capability framework has been embedded in the PRS process and is being used by staff and performance development managers at all stages of the cycle, including identifying skill development needs.</p>
<p>Note: The full tabled report is available at: www.audit.vic.gov.au/sites/default/files/compliance/Independent-Performance-Audit-of-VAGO-2020.pdf. Source: Allen and Clarke Consulting's <i>Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General's Office</i> and VAGO.</p>	