

Transparency Report

2025

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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.

About this report

The purpose of this transparency report is to enhance our stakeholders' understanding of our audit quality and internal system of quality management (SQM).

Why this report is important

In Australia, the *Corporations Act 2001* requires auditors of listed companies to publish a transparency report on their website each year. The aim is to inform the market about each firm's audit quality.

As a public sector entity, we do not have to produce a transparency report. Our annual report, which we table in Parliament, contains some of the content that is usually found in a transparency report.

But as a public-sector equivalent of an audit firm, we choose to adopt the *Corporations Act 2001* requirements that are relevant and appropriate to us.

This report expands on our annual report. It provides further transparency on how the policies, processes and procedures in our SQM support:

- our audit quality objectives
- our engagement teams to perform high-quality financial and performance engagements.

What is audit quality

Audit quality is our fundamental objective. It means we have assurance that our work is appropriate and aligns with the Australian Auditing and Assurance Standards and applicable legal and regulatory requirements.

What's in this report

This is our sixth transparency report. We discuss:

- our investment in audit quality
- our legal structure, governance and finances
- our SQM and how it aligns with the Australian Auditing and Assurance Standards, relevant ethical requirements and applicable legal and regulatory requirements
- external reviews and audits of us.

In Appendix D, we reference our disclosures in this report and our annual report against the relevant *Corporations Act 2001* requirements.

What we concluded

Our SQM evaluation incorporates our engagement inspection programs and considers results from independent reviews.

It provides reasonable assurance that we achieved our SQM objectives in the 2024–25 financial year.

1.

About VAGO

VAGO is a public sector entity and part of Victoria's integrity system. We provide assurance to Parliament and the community about the Victorian public sector's performance and accountability. We do this through an annual program of financial and performance audits, reviews and investigations of state and local government entities.

In 2024–25 we issued 540 opinions on public sector agencies' financial reports and 110 opinions on performance statements. We also reviewed the general government sector's estimated financial statements and audited and reported on the Annual Financial Report of the State of Victoria. We tabled in Parliament 10 performance engagement reasonable assurance reports, 7 performance engagement limited assurance reports and 3 results of audits reports.

We can provide financial audit services to entities that are not defined as public sector agencies under the *Audit Act 1994* (the Audit Act). We do this only if they exist for a public purpose and we believe it is in the public interest to audit them. We audit the Parliament of Victoria's financial statements under this arrangement.

Covered in this section:

- Our legal structure and ownership
- Our governance structure
- Our services
- Our engagement roles and responsibilities
- Our finances

1.1 Our legal structure and ownership

Overview

The Auditor-General is an independent officer of the Victorian Parliament under the *Constitution Act 1975*.

VAGO is a special body as defined in section 6 of the *Public Administration Act 2004* (PAA). This limits how the PAA applies to VAGO, including VAGO not being bound by certain government policies made under the PAA.

The Audit Act:

- establishes VAGO and its responsibilities
- outlines the Auditor-General's mandate for performing financial and performance engagements of all Victorian public sector entities
- gives the Auditor-General the power to employ Victorian Public Service staff
- requires us to apply the Australian Auditing and Assurance Standards, which are issued by the Auditing and Assurance Standards Board.

Australian Auditing and Assurance Standards

The Australian Auditing and Assurance Standards outline auditors' requirements and provide guidance on the form and content of audit and assurance reports.

1.2 Our governance structure

Overview

Our strategic management group and operational management group are governing bodies that support our SQM. They establish, support and monitor our engagement quality and compliance with:

- the Australian Auditing and Assurance Standards
- relevant ethical requirements
- other applicable legal and regulatory requirements.

The Audit and Risk Committee is also part of VAGO's governance framework. Its focus is overall governance and risk.

Strategic management group

Our strategic management group includes the:

- Auditor-General
- Deputy Auditor-General
- Assistant Auditors-General of our financial audit (FA) and parliamentary reports and services (PRS) divisions
- director of strategy, governance and risk.

The strategic management group:

- creates and monitors VAGO's strategy
- promotes good governance
- manages performance outcomes and sustainability
- makes sure VAGO has strong executive leadership.

We discuss the strategic management group's responsibilities for promoting audit quality in Section 3.3.

Operational management group

Our operational management group includes the:

- Auditor-General
- Deputy Auditor-General
- Assistant Auditors-General of our FA and PRS divisions
- director of strategy, governance and risk
- chief information officer
- chief financial officer
- chief people officer
- director of data, AI, systems assurance and audit technology.

The operational management group:

- monitors VAGO's performance
 - manages risks
 - makes sure VAGO complies with policies and regulations
 - drives continuous improvement in our operations.
-

Audit and Risk Committee

The Auditor-General appoints our Audit and Risk Committee. It has at least 3 and at most 5 independent members (including the chairperson) who are not VAGO staff.

The Audit and Risk Committee gives independent support and advice to help the Auditor-General carry out their responsibilities outlined in the *Financial Management Act 1994*. This includes independently reviewing and assessing the effectiveness of VAGO's systems and controls for financial management, performance and sustainability, including risk management.

Every year, the Audit and Risk Committee gives the Auditor-General:

- a report summarising what it examined during the year and their outcomes
- an assessment of its performance during the past year.

The *Standing Directions 2018 Under the Financial Management Act 1994* outline the Audit and Risk Committee's responsibilities, which are further defined in its own charter.

SQM leadership roles

The Auditor-General, strategic management group, audit quality director and financial reporting advisory director have specific responsibilities and accountabilities for governance over our SQM.

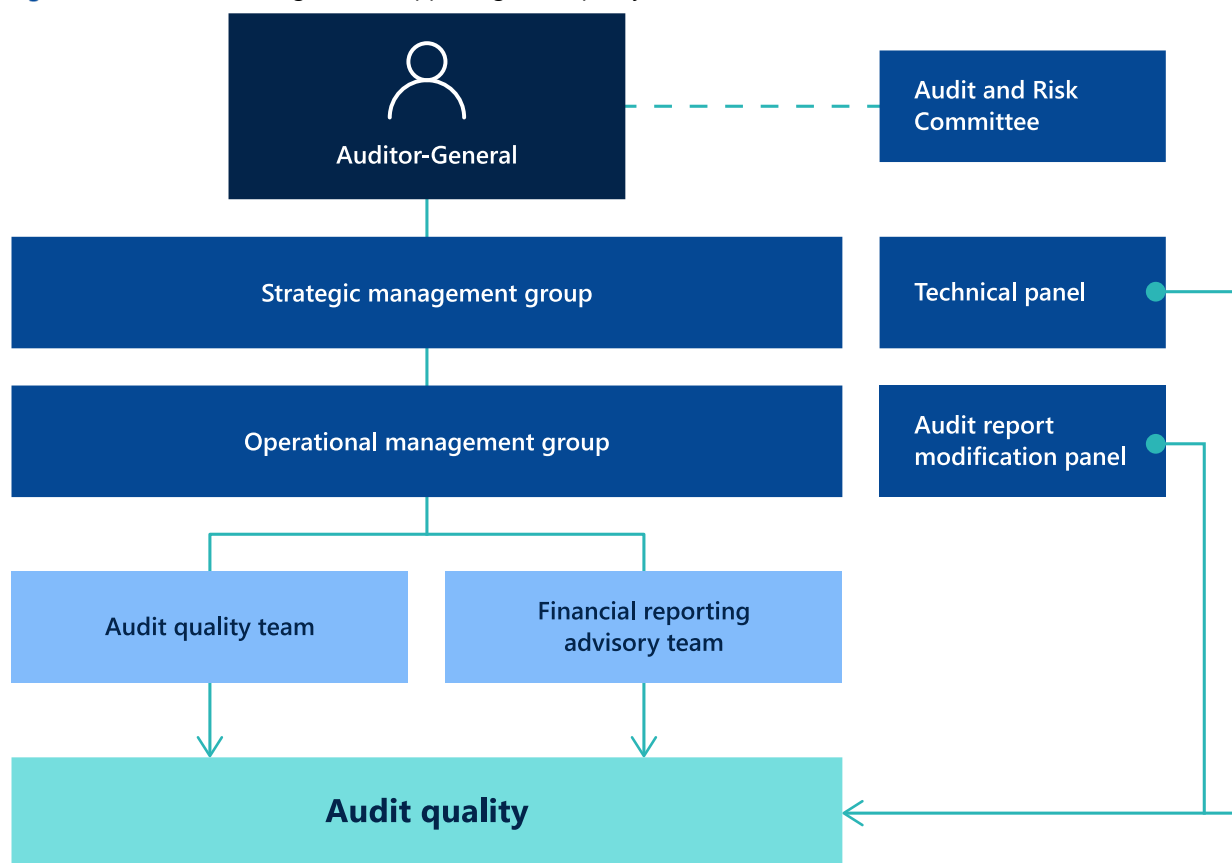
Operational implementation, monitoring and compliance of our SQM sits primarily with divisional AAGs, directors and senior practice managers.

We also have a technical panel and an audit report modification panel for our financial audits. These panels review significant accounting and audit matters arising from our financial audits.

All our auditors are responsible for delivering quality outcomes in the work they perform.

Figure 1 shows the roles, groups and committees involved with our SQM.

Figure 1: Governance arrangements supporting audit quality



Source: VAGO.

1.3 Our services

Performance engagements

Our PRS division does performance engagements to assess if government agencies, programs and services:

- effectively meet their objectives
- use resources economically and efficiently
- comply with legislation.

We can audit community sector and for-profit organisations that provide government services. We can also audit how recipients use government grants.

Performance engagements provide reasonable or limited assurance about activities that agencies, programs and services are doing well. They also identify opportunities for improvement.

We report the results of these engagements to Parliament.

Financial engagements

Our FA division does financial engagements to provide public sector entities with:

- audit opinions on public sector entities' financial reports and performance statements
- an audit opinion on the Annual Financial Report of the State of Victoria
- a review report on the general government sector's estimated financial statements
- other assurance activities such as audit opinions on grant acquittals submitted by entities to funding bodies.

Our audit opinions provide reasonable assurance that entities':

- financial reports fairly present their financial positions, cashflows and operational results for the year
- performance statements and grant acquittals are reliable.

This means Parliament and the community can confidently use these reports to make informed decisions. We also provide reports to Parliament on the results of these audits, including:

- the Auditor-General's report on the Annual Financial Report of the State of Victoria
- sector-based analysis of audit reports.

For information about the difference between performance audits and assurance reviews, read [Our assurance services](#) fact sheet.

1.4 Our engagement roles and responsibilities

The Auditor-General

The Auditor-General is responsible for:

- our SQM and audit quality, in line with:
 - ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (ASQM 1)
 - ASQM 2 *Engagement Quality Reviews* (ASQM 2)
 - ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (ASA 220)
- issuing a financial audit opinion, in line with part 3 of the Audit Act and ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700)
- issuing an assurance report on a performance engagement, in line with section 56(1) of the Audit Act and ASAE 3500 *Performance Engagements* (ASAE 3500).

We discuss the Auditor-General's responsibility for our SQM further in Section 3.3.

Engagement teams

A VAGO engagement team includes staff who do audit, assurance or other activities on an engagement.

For financial audits, audit service providers (ASP) are also part of our engagement teams. Figure 2 outlines the roles and responsibilities in our engagement teams.

ASPs

An audit service provider is an external auditor or audit firm engaged by the Auditor-General to conduct audit or assurance work for VAGO. Audit service providers perform this work under a formal contract and follow VAGO's legislative mandate, quality requirements, and oversight arrangements as appropriate.

An engagement team excludes:

- a subject matter expert
- the engagement quality reviewer (EQR).

Subject matter expert

A subject matter expert is a person or organisation that has specific knowledge and experience of a non-auditing or non-assurance field. They help auditors get audit evidence. They are also known as an auditor's expert or assurance practitioner's expert.

Figure 2: Engagement team roles and responsibilities

Role	Financial engagements	Performance engagements
Signing officer	<p>Responsible for:</p> <ul style="list-style-type: none"> issuing the audit opinion complying with ASA 700 the engagement quality under ASA 220. <p>We deliver our financial audit program through a hybrid model, contracting around half of our financial audit effort to ASPs. A VAGO signing officer remains responsible for audit quality, the audit opinion and issuing the audit report.</p> <p>The Auditor-General may formally delegate an audit to an ASP under the Audit Act. In these cases, the ASP acts as signing officer and issues the audit report in line with the terms of the delegation and the Audit Service Provider Instructions.</p> <p>The signing officer may also be the engagement leader. But if they are not, the signing officer makes sure the engagement leader performs their responsibilities in line with ASA 220 before signing the audit report.</p>	<p>Responsible for submitting the report to Parliament and for its contents, including its:</p> <ul style="list-style-type: none"> conclusions recommendations other information. <p>The Auditor-General is the signing officer for all performance engagements.</p> <p>The signing officer is also responsible for the assurance conclusion issued under ASAE 3500 and the overall engagement quality management in line with ASQM 1 and ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> (ASAE 3000).</p>
Engagement leader	<p>Responsible for:</p> <ul style="list-style-type: none"> the engagement quality under ASA 220 confirming to the signing officer that the assigned ASA 220 requirements are fulfilled recommending the form and content of the auditor’s report. <p>For ASP audits, the engagement leader is the ASP firm partner.</p>	<p>Responsible for:</p> <ul style="list-style-type: none"> managing and achieving quality on the engagement being sufficiently and appropriately involved throughout the engagement in line with ASAE 3000.
Team leader	<p>Responsible for:</p> <ul style="list-style-type: none"> directing and supervising team members managing the engagement’s timeframes and cost. 	
Team member	Responsible for completing their assigned activities.	
ASP review officer	<p>Responsible for and/or assists the VAGO signing officer in doing the required audit activities outlined in our ASP oversight guidance procedure.</p> <p>The review officer can delegate administrative and non-judgemental tasks to other team members.</p>	Not applicable.

Source: VAGO.

Engagement leaders and signing officers

By law, the Auditor-General is the engagement partner (or engagement leader, lead assurance practitioner or signing officer) and auditor for all financial and performance engagements. As the Auditor-General cannot practically do this alone, section 8 of the Audit Act allows them to delegate certain roles and responsibilities.

The Auditor-General can delegate the ...	to a ...
ASA 220 responsibility for a financial audit's quality	VAGO staff member or an ASP partner who is a registered company auditor.
ASAE 3000 responsibility for an assurance engagement's quality	VAGO staff member.
ASA 700 signing officer role	VAGO staff member. This role can also be delegated to an ASP partner who is a registered company auditor, but only in limited circumstances outlined in section 8(2) of the Audit Act.

The Auditor-General's ability to delegate powers and functions is a key point of difference between VAGO and private audit firms. Private audit firms follow their own quality policies (as well as professional standards) to delegate responsibilities. While the firm's engagement partner is still legally responsible for the audit, they can delegate many tasks.

In large, global audits, private firms often split the roles of engagement leader and signing officer. They do this to manage the complexity of international work, meet different regulatory rules and bring in the right expertise. The engagement leader runs the audit day to day and coordinates teams in different countries. The signing partner, usually a senior partner, reviews the final work and signs off on the audit opinion, making sure it follows the firm's rules and professional standards.

1.5 Our finances

Fees for our financial audit work

We collect fees from public sector entities for our financial audits and other auditing services, such as grant acquittals and performance statement audits.

We set our fees in line with section 13 of the Audit Act to recover the reasonable costs of our financial audit services. Our ASPs occasionally deliver non-audit services to public sector entities, but only where those services do not compromise their independence. We do not receive any other revenue from the entities we audit.

Figure 3: Revenue from financial audit fees

2024–25 (\$)	2023–24 (\$)	2022–23 (\$)	2021–22 (\$)	2020–21 (\$)
36,431,129 ^(a)	38,237,390 ^(b)	33,365,648	30,463,551	27,895,692

Note: (a) Financial audit fee revenue only. Audit opinion output appropriations in our 2024–25 Annual Report of \$37,145,000 additionally include a cost of living allowance from Parliament of \$713,500. (b) Total financial audit fees were significantly higher in 2023–24 compared to 2022–23 due to an increase in production hours from 96,700 to 109,000, an increase in recoverable audit service provider costs from \$17.5 million to \$19.9 million, plus audit fees were increased by 4 per cent in line with the Australian Bureau of Statistics' wage price index.

Source: VAGO.

Other revenue

We receive funding to conduct services on behalf of the Parliament of Victoria. This includes:

- performance engagements and assurance reviews of public sector entities
- results of financial audit parliamentary reports
- strategic audit planning for our PRS program.

Figure 4: Annual funding for parliamentary reports and services

2024–25 (\$)	2023–24 (\$)	2022–23 (\$)	2021–22 (\$)	2020–21 (\$)
19,696,651 ^(a)	19,269,415	18,759,000	18,281,625	18,112,000

(a) Annual funding for parliamentary reports and services only. PRS engagement and review output appropriations in our 2024–25 Annual Report of \$20,410,000 additionally include a cost of living allowance from Parliament of \$713,500. Source: VAGO.

Auditor-General and executives' remuneration

The Governor of Victoria formally determines the Auditor-General's remuneration on ministerial advice through the Executive Council.

Our executives are employed on fixed-term contracts under the PAA. They are remunerated within the bands set by the Victorian Independent Remuneration Tribunal. Our executives are not entitled to performance-related bonuses.

We disclose the Auditor-General, the strategic management group and our executives' remuneration in our annual report.

Workforce composition and remuneration

Our workforce comprises a mix of employees, contractors, consultants and ASPs, engaged under different employment and commercial arrangements.

Employees are engaged under the PAA. Non-executive employees are covered by the Victorian Public Service Enterprise Agreement 2024, while executives are employed and remunerated as noted in the section above. Executives are not covered by the Enterprise Agreement.

Contractors and consultants are not employees under the PAA. They may be engaged through labour hire firms or directly under other contractual arrangements, including specialist professional services contracts. Where labour hire arrangements apply, fees are agreed through the relevant contractual mechanism, including whole-of-government or VAGO-specific procurement arrangements.

We select ASPs through a rigorous qualification process that considers:

- strength of data protection and governance practices
- audit quality, assessed against ASQM 1 standards
- expertise and experience of key personnel
- capacity to deliver high-quality audit services
- use of innovative approaches, including data analytics and technology
- cultural alignment with VAGO's values and methodology.

We award audit engagements through a competitive panel process based on the quality, efficiency and value for money of ASPs' proposals.

ASPs' fees are governed by the terms and conditions of a panel contract and our supporting ASP instructions. We make payments after each phase of an audit engagement is completed and we have accepted key deliverables.

2.

Investing in audit quality

We have invested in projects to improve our workforce's skills and knowledge, and to streamline and modernise our systems and processes. These projects enhance our SQM. This section provides information about key projects as at 31 December 2025.

Covered in this section:

- Parliamentary report and performance engagement methodology
- Financial audit methodology and software
- Enhancing capability

2.1 Parliamentary report and performance engagement methodology

Investing in our professional practice

We established a professional practice and development branch in the PRS division in 2023. The branch has helped us significantly improve our performance engagement methodology.

We have ...	to ...
reinforced a risk-based approach to engagement planning	make sure our reports are targeted and deliver impact.
developed key guidance documents	help apply the Australian Standards on Assurance Engagements in our performance audits and assurance reviews.
developed new manuals and tools	drive effective professional practice across our engagements.
streamlined our products	make sure we communicate our findings clearly.

Performance engagement methodology

We established our new performance engagement methodology at the end of 2024. This included designing and delivering:

- 4 manuals for our engagement delivery
- 10 guidance documents to align our work with the Australian Auditing and Assurance Standards and key audit principles
- 10 procedures for specific tasks
- revised templates and tools (including a risk assessment plan to improve our understanding of an engagement and our approach to conduct).

These updates will support our staff and improve our engagement process from planning to reporting.

Future work

The professional practice and development branch will lead further work to:

- better use our digital channels and platforms
 - deliver a learning pathway for our performance engagement methodology
 - make sure our methodology is current and reflects better practice, including guidance on the EQR's role and other responsibilities in the engagement team.
-

2.2 Financial audit methodology and software

Caseware

In 2024–25 we continued to transition our in-house audits to our new cloud-based management platform, Caseware.

Legacy tools have been a significant challenge for our financial audit teams, so we launched a project to replace our audit software. Caseware has the modern features expected by auditors and 84 per cent of in-house audits are now using it. The rest will transition in 2025–26.

Caseware's ...	means ...
integrated entity communication	we can collaborate with the entities we audit directly in the tool, with all responses automatically linked to the relevant audit tasks.
streamlined workflow	uploading trial balances and creating lead sheets is easier, which speeds up key audit tasks.
Empower 2.0 (Empower) integration	we can leverage the power of our in-house analytics platform directly within the audit software, which enables a more data-driven approach.
enhanced visibility	we have control over visibility settings, which allows our auditors to tailor audit procedures to specific engagements.
embedded methodology	tasks are aligned with the latest guidelines, making sure our audits meet public sector audit best practices.

The project's next phase will rollout Caseware to our ASP engagements in 2026–27. This will further improve the value of our audits.

Empower 2.0

In July 2024, we launched Empower 2.0, which is an advanced version of our previous analytics platform. In 2024–25, Empower has:

- supported audits of 54 entities
- managed around 23 billion records
- hosted around 14,500 report views by financial auditors.

Empower offers better data protection, performance and user experience. It gives auditors direct access to raw data, interactive visualisations and practical tools to simplify how we plan and conduct audits.

Our key focus in 2024–25 was to automate how we extract data from source systems.

In 2025–26 we are exploring how auditors can use Empower to test general IT controls and information processing controls. This includes having pre-built data visualisations and AI agents to help with repetitive tasks.

This will allow auditors to work more efficiently and effectively. They can focus more on high-value activities that require professional judgement and critical thinking, which can lead to greater job satisfaction and a stronger sense of purpose in their work. Exposing our staff to modern tools also contributes to upskilling and professional growth.

Methodology updates and training

Our FA division is improving how we use our methodology and software to:

- boost staff capabilities
- conduct audits using data analytics
- deliver efficient, risk-based audits.

There has been significant effort invested in Caseware support materials, such as the document library, guidelines, procedures learning content to support Caseware business rules. Significant effort has also been invested in updating our EPIC financial audit methodology, which is discussed in more detail in section 3.7.

ASPs

Each year, we review our ASP instructions, procedures and policies.

Our FA division continues to focus on ASP oversight and management, focusing on initiatives to improve how they:

- collaborate with our ASPs
- oversee their work
- manage their performance.

ASP engagement, oversight and monitoring are discussed in detail in Section 3.7.

2.3 Enhancing capability

Overview

We launched capability frameworks in 2023–24 to support our staff in their daily work. In 2024–25 we started including them in our professional development plan process for audit staff to support their professional development.

Enhancing FA capability

Financial Audit have developed an audit capability framework, learning and development curriculum and succession pathways to assist us:

- build our employees' capability in their existing roles
 - develop new and emerging capability requirements
 - support potential career progression within the organisation.
-

PRS learning framework project

The PRS learning framework aims to develop a specialised professional practice pathway for performance audit.

It will include 18 online learning modules to support PRS staff across all phases of an engagement. The modules will support and onboard new staff, as well as be a standalone learning resource for 'point in time' learning such as workshops.

We will complete the PRS learning framework in 2025–26.

**Current focus
and next steps**

To continue strengthening our staff capability, we will:

- combine existing frameworks into a unified, organisation-wide approach that supports consistency and clarity
- explore skills growth and make sure skills remain central to our capability strategy
- expand learning resources for human/enduring skills and make sure all staff can access development opportunities.

This will help us deliver a more connected, future-ready workforce in line with our strategic plan.

3.

Our SQM

We have designed our SQM to make sure we conduct our engagements in line with regulatory requirements. This section describes each component and process in our SQM.

Covered in this section:

- SQM framework
- Risk assessment process
- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance
- Engagement performance
- Resources
- Information and communication
- Monitoring and remediation process

3.1 SQM framework

Our SQM and ASQM 1

ASQM 1 is the main standard that outlines quality requirements for audits.

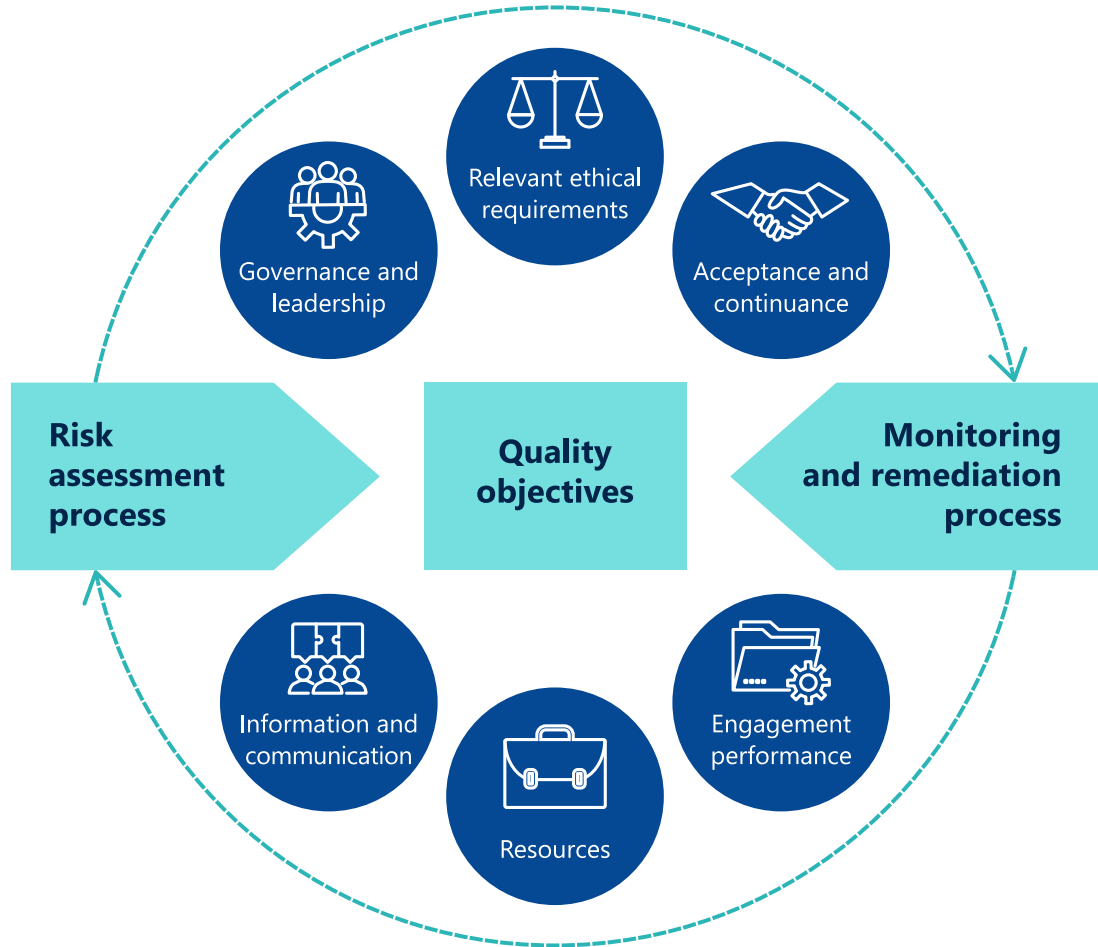
We have designed, implemented and operate our SQM in line with ASQM 1 requirements. It has policies and procedures to address risks to our quality objectives.

We also evaluate our SQM each year through our monitoring and remediation process to:

- assesses the SQM's effectiveness
- identify risks
- plan any changes to our SQM.

Figure 5 outlines the 6 ASQM 1 quality management objectives in our risk assessment, monitoring and remediation processes.

Figure 5: ASQM 1 quality management objectives within our risk assessment and evaluation processes



Source: VAGO.

3.2 Risk assessment process

Requirements

ASQM 1 requirements	<p>ASQM 1 requires that we:</p> <ul style="list-style-type: none"> • have a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address them • establish quality objectives as outlined in our SQM • understand and account for how conditions, events, circumstances, actions or inactions may adversely affect achieving quality objectives • design and implement responses to address quality risks • establish policies or procedures to identify: <ul style="list-style-type: none"> • whether additional quality objectives are needed • quality risks and how we respond to them.
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Summary of what we do	<p>We have:</p> <ul style="list-style-type: none"> • a risk appetite statement • a risk and management framework and procedures. <p>We respond to identified quality risks to achieve our audit quality objectives.</p>
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Quality risk assessment and management

Quality risk A risk qualifies as a quality risk when it has a reasonable possibility of both:

- occurring
 - adversely affecting us achieving one or more quality objectives.
-

Risk assessment and risk response We identify quality risks through our risk assessment process. We do this by:

- considering the Australasian Council of Auditors-General's work on quality risks
- consulting with our strategic management group to assess our risk factors, quality risks and risk responses.

Our SQM outlines the policies, processes and procedures we use to respond to audit quality risks.

We evaluate our risk responses every year to assess how effectively they address audit quality risks.

We discuss this further in Section 5.

3.3 Governance and leadership

Requirements

ASQM 1 – quality objectives We have adopted the ASQM 1 requirements for governance and leadership responsibilities as our quality objectives. They are to have:

- a culture that recognises and reinforces:
 - serving the public interest by consistently performing quality engagements
 - the importance of professional ethics, values and attitudes
 - all staff's responsibility for quality and their expected behaviours relating to engagement performance or our SQM activities
 - the importance of quality in strategic decisions and actions, including financial and operational responsibilities
 - leadership that:
 - is responsible and accountable for quality
 - demonstrates a commitment to quality through its actions and behaviours
 - the appropriate organisational structure and role assignment for our SQM
 - plan and apply resources consistently with our commitment to quality.
-

ASQM 1 – other requirements ASQM 1 requires us to assign to staff with appropriate capacity, experience, knowledge, influence and authority:

- ultimate responsibility and accountability for our SQM
 - operational responsibility and accountability for our SQM
 - operational responsibility for complying with independence requirements
 - operational responsibility for the monitoring and remediation process.
-

Summary of what we do We have:

- a governance structure and a leadership team (as outlined in this section and Section 1)
 - assigned specific SQM responsibilities and accountabilities in line with ASQM 1 requirements.
-

Ultimate responsibility for our SQM

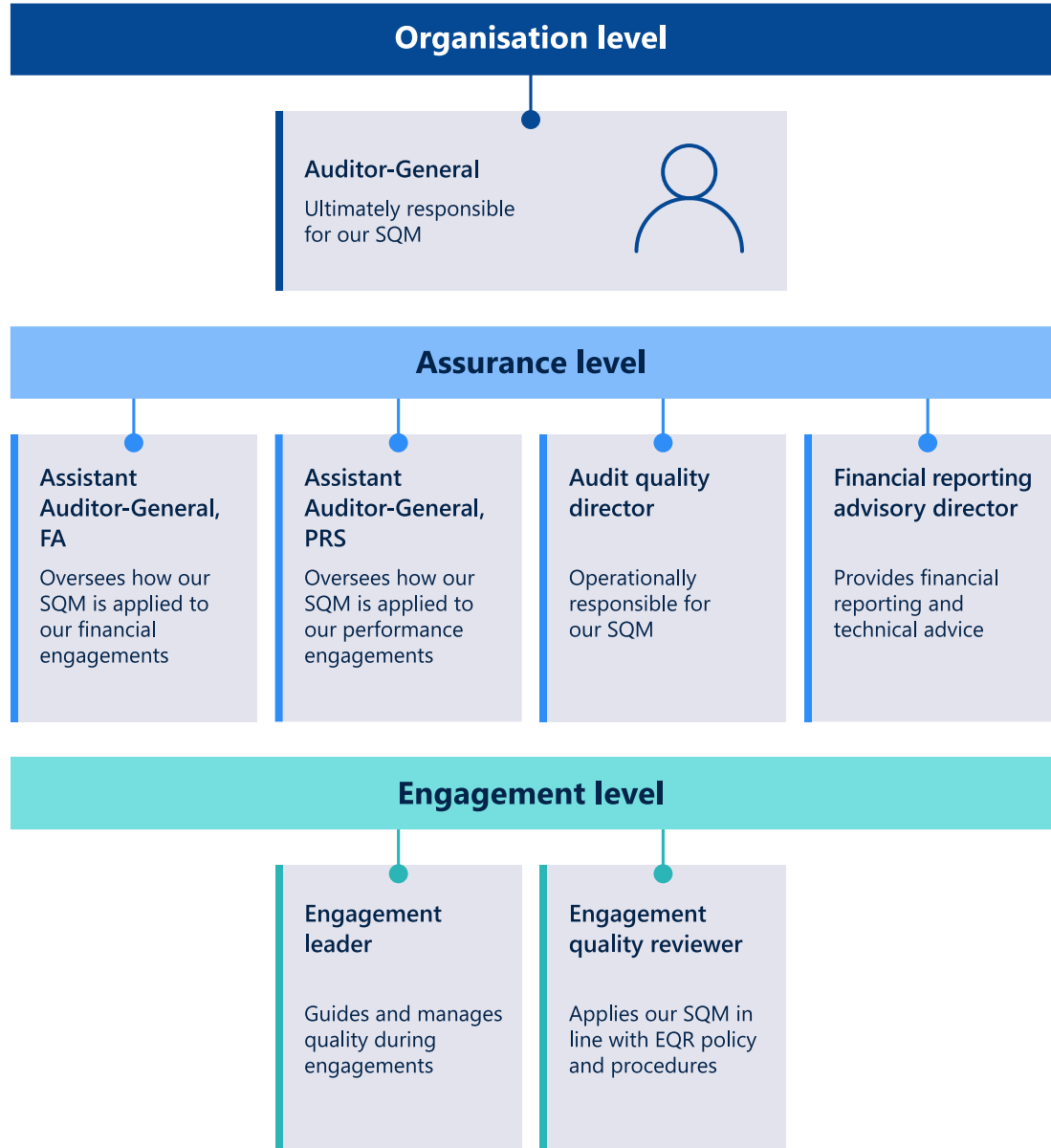
The Auditor-General's responsibility

ASQM 1 requires the chief executive officer (or equivalent) to have ultimate responsibility and accountability for an entity's SQM.

The Auditor-General is responsible for our SQM and its performance. But all our staff have a role in audit quality.

Figure 6 shows the roles and groups that oversee our SQM.

Figure 6: Governance arrangements supporting audit quality



Source: VAGO.

Operational responsibility for our SQM and monitoring and remediation process

Roles and responsibilities

Our audit quality director is operationally responsible for our:

- SQM
- monitoring and remediation processes.

They are also:

- a key subject matter expert, providing support and advice to our auditors on complex auditing matters
- a member of our:
 - audit report modification panel
 - technical panel.

The audit quality director reports directly to the Auditor-General and is independent of our FA and PRS divisions.

Our financial reporting advisory director is operationally responsible for providing support and advice to our financial auditors on complex accounting and financial reporting matters. They are also a member of our technical panel.

Operational responsibility for monitoring independence requirements

Roles and responsibilities

The Assistant Auditors-Generals of FA and PRS are operationally responsible for monitoring how their divisions meet independence requirements.

The engagement leader and signing officers are responsible for assessing independence throughout each audit process. They identify and evaluate potential threats throughout PRS and FA engagements, recording them on the audit file and notifying human resources for central tracking of independence.

We discuss VAGO's independence requirements in further detail in Section 3.4.

Our commitment to a quality-first culture

Roles and responsibilities

Our strategic management group promotes audit quality by:

- embedding quality in our values, culture, ethical standards and strategic objectives
- managing and overseeing strategic project performance
- monitoring audit quality by internally evaluating our SQM every year and reporting the results in our annual transparency reports
- assessing the effectiveness of our risk management.

Our operational management group promotes audit quality by:

- making sure we comply with our policies and procedures
 - monitoring performance against our organisational objectives, including audit quality objectives.
-

3.4 Relevant ethical requirements

Our independence, ethical standards and requirements

Requirements

ASQM 1 – quality objectives	<p>We have adopted the ASQM 1 quality objectives for ethical requirements, including independence, as our quality objectives. They are to:</p> <ul style="list-style-type: none"> • understand relevant ethical requirements that apply to us and our engagements • carry out our responsibilities under the relevant ethical requirements as expected • make sure others we engage to assist with our work, including ASPs and specialists, are aware of and meet relevant ethical requirements when working with us.
ASQM 1 – other requirements	<p>ASQM 1 requires us to have policies and procedures for:</p> <ul style="list-style-type: none"> • identifying, evaluating and addressing threats to compliance and the consequences of breaches with the relevant ethical requirements • reporting any breaches of the ethical requirements. <p>ASQM 1 also requires all staff bound by independence requirements to confirm at least annually they comply with those requirements.</p>
<i>Constitution Act 1975</i>	<p>The <i>Constitution Act 1975</i> appoints the Auditor-General as an independent officer of Parliament. It outlines measures to uphold the Auditor-General’s independence and ethical responsibilities, including that the Auditor-General:</p> <ul style="list-style-type: none"> • is an independent officer of Parliament • must not engage in paid employment outside of the office • has complete discretion to perform or exercise their functions or powers • is not subject to direction from anyone about how they conduct engagements and prioritise certain matters.
Other regulatory requirements	<p>We must comply with the following regulations that have ethical standards and requirements:</p> <ul style="list-style-type: none"> • APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> • ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i> • <i>Code of Conduct for Victorian Public Sector Employees of Special Bodies</i> • PAA • applicable provisions of the <i>Corporations Act 2001</i> • <i>Standing Directions 2018 Under the Financial Management Act 1994</i>, which outlines policies on gifts, benefits and hospitality.
Summary of what we do	<p>We identify, evaluate and act on our ethical compliance obligations. We have policies, procedures and contractual arrangements to make sure:</p> <ul style="list-style-type: none"> • our staff declare their independence annually and, where any changes in circumstances impact their declaration, they update it • our staff are aware of our ethical requirements and annually complete ethics and independence training modules • our ASPs, auditor and assurance practitioners, experts and other contractors who work on our engagements declare their independence • we identify and appropriately address threats to independence • we report on breaches of our ethical requirements.
Independence declarations	<p>Our conflict of interest policy and employee declaration procedure require our staff to complete an independence declaration:</p> <ul style="list-style-type: none"> • when they join VAGO • if their circumstances change • each year before 30 September.

We also require all engagement team members, including internal and external subject matter experts, to confirm and declare their independence before each engagement and if their circumstances change.

We require our ASPs and external subject matter experts to confirm their independence in writing at tendering stage and at their appointment as a VAGO ASP or external subject matter expert.

Our ASPs also confirm their independence in writing at the start and end of each financial audit engagement. We require them to have an appropriate system to maintain their independence in line with the auditing, professional and ethical standards.

If a conflict of interest happens, our human resources team notifies the Assistant Auditor-General of FA or PRS (as appropriate). They will approve any actions needed to reduce threats to our independence.

We review compliance with our conflict of interest policy and independence declaration procedure annually. Our FA signing officers and engagement leaders also monitor independence throughout each audit engagement on an ongoing basis.

In 2024–25 all VAGO staff completed their independence declarations. There were 2 breaches of our conflict of interest policy where we could not identify the mitigating action taken by PRS staff. This occurred during a change in leadership. The nature of the conflicts declared are low risk in both cases. One relates to former employment and the other relates to personal relationships with people in government agencies who are not decision-making positions. In each case, the two PRS staff members do not work on engagements with the agencies involved. For 2025–26 we have introduced a new process for managing conflict of interest declarations that ensure this cannot happen again, which is now the responsibility of our strategy, governance and risk team. The new process involves:

- a streamlined declaration process to make it easier for staff to proactively declare conflicts
- more guidance on identifying and managing conflicts and how to put appropriate controls in place for managing conflicts
- giving direct supervisors a more responsibility and support in managing conflicts in line with the best practice guidance
- significantly more oversight on the declarations made. There have been no other breaches since we started producing transparency reports in 2019–20.

Ethical requirements training

We make sure our staff understand and comply with our ethical requirements.

When we onboard new staff we provide mandatory and assessment-based ethics training modules. Staff must complete these modules each year as part of our annual compliance program, which our strategic management group monitors.

In 2024–25 all FA and PRS staff completed the annual mandatory compliance training (and since we started producing transparency reports in 2019–20).

Our compulsory ethics training modules cover:

- fraud, corruption and conflicts of interest
 - independence and regulatory obligations
 - privacy, secrecy and confidentiality
 - appropriate behaviour
 - public interest disclosures.
-

Gifts, benefits and hospitality

Our gifts, benefits and hospitality policy states that it is not appropriate for our staff to offer or receive gifts, benefits or hospitality that could reasonably be perceived to affect our independence or impartiality.

We have guides and examples to make sure our staff know:

- when they should reject a gift
- how to give and receive gifts for business purposes
- how to record items on our gifts, benefits and hospitality register.

Our fraud, corruption and conflict of interest training also addresses these requirements.

As required by the *Standing Directions 2018 Under the Financial Management Act 1994*, we publish our gifts, benefits and hospitality policy and register on our website.

Rotation of senior personnel

Rotation policies To avoid actual and perceived threats to our independence caused by our staff becoming familiar with staff from the entities we audit, we rotate the following engagement team members on or before the following periods:

- engagement leader – at least every 7 years
- EQR – at least every 7 years
- team leader – at least every 5 years.

The Assistant Auditors-General of FA and PRS are responsible for rotating senior members of our engagement teams. Both divisions monitor the rotation of senior team members through their annual resourcing allocations. We have the same rotation requirements for our FA ASPs.

We also maintain registers to:

- track how long our auditors have worked in each sector and on each audited entity
- assess the amount of time senior team members have spent on each engagement.

In 2024–25 there was one breach of our financial audit rotation policy. We authorised a director to work on an eighth-year audit of an entity because of an unplanned director resignation. We outlined the breach and proposed remediation actions in a memo to the Auditor-General. The Auditor-General approved the actions, which we managed accordingly. Given our current resourcing plan, we do not expect this to happen again. There were no other breaches of our FA rotation policy in 2024–25.

There have been no breaches of our PRS audit rotation policy since we started producing transparency reports in 2019–20.

3.5 Acceptance and continuance

Requirements

Audit Act mandated engagements	ASQM 1 outlines our mandate to do audits of all public sector agencies without an agency being able to decline an engagement. Because of this, we do not have audit quality objectives for accepting and continuing mandated engagements.
Audit Act non-mandated engagements	Our decision to accept an engagement under section 23 or 24 of the Audit Act (non-mandated engagements) is based on: <ul style="list-style-type: none"> the engagement's nature and circumstances the audited entity's integrity and ethical values our ability to perform the engagement in accordance with the Auditing and Assurance Standards Board's auditing standards and applicable legal and regulatory requirements our financial and operational priorities.
ASQM 1 – other requirement	ASQM 1 requires us to have policies and procedures that address our obligation by law or regulation to accept an engagement.
Summary of what we do	For non-mandated engagements, we have acceptance and continuance policies and procedures. For mandated engagements, we address audit quality risks in our SQM's engagement performance and resourcing components.

Audit Act mandate

The Audit Act:

- requires the Auditor-General to audit the financial statements of each public body in Victoria
- gives the Auditor-General the mandate to undertake performance engagements of Victorian public sector entities and of their objectives, operations and activities.

As we do our audits, certain ASQM 1, ASAE 3000 and ASA 220 requirements that relate to accepting and continuing engagements do not apply to us.

For continuing engagements, the engagement leader confirms that the engagement is still within our mandate each year.

For performance engagements:

- the Audit Act requires us to consult with the Public Accounts and Estimates Committee (PAEC) on our performance audit specifications
- ASAE 3500 requires us to communicate the engagement terms to the entity at the start of each performance engagement, as detailed in our methodology procedures.

Non-mandated engagements

We may do financial audits by arrangement under section 23 of the Audit Act. It requires public bodies to get ministerial approval before asking us to provide other auditing services. The Auditor-General approves these requests.

Under section 24 of the Audit Act, we may enter into a public purpose audit arrangement with an entity that is not a public body if the:

- engagement is in the public interest
- entity exists for a public purpose.

We may be asked to do non-mandated engagements that meet the Audit Act's requirements. In these cases, we have acceptance and continuance policies and procedures that address our non-mandated engagement audit quality objectives.

To maintain our independence and objectivity, we do not allow our ASPs to provide non-assurance services to an audit entity during their contracted period without the Auditor-General's prior written approval.

Dispensed audits

Section 10(2) of the Audit Act allows the Auditor-General to dispense of an audit or financial report. To our knowledge there were no dispensed audits from 2020–21 to 2024–25.

Dispensed audit

A dispensed audit is an audit that the Auditor-General has formally given up their right to complete during a reporting period. The Auditor-General dispenses of audits when it is not practical for us to do them. When this happens, the reporting entity appoints their own auditor for the financial year.

3.6 Engagement performance

Requirements

ASQM 1 – quality objectives	<p>We have adopted the ASQM 1 quality objectives for engagement performance as our objectives. They are to make sure:</p> <ul style="list-style-type: none"> engagement teams understand and fulfil their responsibilities including: <ul style="list-style-type: none"> overall responsibility of engagement executives for managing and achieving engagement quality being sufficiently and appropriately involved throughout an engagement the nature, timing and extent of engagement teams' work is appropriate to the engagement and resources available. Work done by less experienced team members is directed, supervised and reviewed by more experienced team members engagement teams exercise appropriate professional judgement and professional scepticism engagement teams consult on difficult or contentious matters and implement the agreed actions differences of opinion are brought to the attention of the Auditor-General and resolved. This includes in the audit team, or between the audit team and the EQR or staff performing SQM activities engagement teams put together documentation in a timely way after an engagement report is tabled. Documentation is appropriately maintained and retained to meet VAGO's needs and the relevant legal, ethical or audit standard requirements.
ASQM 1 and ASQM 2 – other requirements	<p>ASQM 2 requires us to have an engagement quality review for engagements when:</p> <ul style="list-style-type: none"> it is required by law or regulation we determine it is appropriate to address quality risks.
Summary of what we do	<p>We have policies, procedures and guidance to address risks relating to our quality objectives for:</p> <ul style="list-style-type: none"> engagement team composition consultations and differences of opinion engagement quality engagement documentation.

Engagement team composition

Engagement teams

We outline engagement team members' roles and responsibilities in our engagement methodologies and audit policies. We provide training to make sure teams understand these requirements. We also have supervision, review, performance management and monitoring processes to make sure staff fulfil their responsibilities.

Our ASP contracts and instructions have information on ASPs' roles and responsibilities.

Supervision and review policies and procedures

We have policies and procedures for supervision and review responsibilities. They state that more-experienced engagement team members must review less-experienced engagement team members' work.

For all engagements, the engagement leader is responsible for making sure these reviews are done in line with our policies and procedures.

We also have oversight procedures, contract management processes and annual performance assessments to monitor the quality of ASPs, as outlined in Section 3.7.

Consultations and differences of opinion

Financial engagement consultations

During financial engagements, we require engagement leaders to consult our financial reporting and advisory team or audit quality team on:

- significant accounting and auditing issues
- difficult or contentious matters.

Our consultation policy outlines principles for assessing matters that need consultation. We have protocols and online forms to guide consultations and we keep a register of consultations.

Our financial reporting advisory team and audit quality team include audit and accounting subject matter experts. We encourage our auditors to consult these subject matter experts where appropriate. Engagement teams record consultation outcomes in their engagement files. Our technical panel meets monthly to consider significant and contentious accounting and auditing-related matters.

Performance engagement consultations

During performance engagements, we require engagement leaders to consult with their EQR, the Auditor-General and the Assistant Auditor-General, PRS about any internal differences of opinion.

As part of our acquittal process, we document the conclusions we reach before finalising the engagement documentation and corresponding report. The Auditor-General makes the ultimate decision.

Differences of opinion

If there is a difference of opinion between a subject matter expert and an engagement team, the engagement leader must refer the matter to the relevant Assistant Auditor-General and, if needed, the Auditor-General.

If there is a difference of opinion between an EQR and an engagement leader, the relevant Assistant Auditor-General and/or staff from the audit quality team will help to resolve it. In line with our EQR policy, the engagement leader must refer unresolved differences of opinion to the Auditor-General for discussion and resolution.

Engagement quality

Financial audit EQR

We appoint an EQR to all high-risk engagements. For moderate-risk engagements, we annually assess the need for an EQR. We provide our engagement teams with tools to do this assessment.

The extent of an EQR's review depends on the engagement's risk and complexity. It always covers:

- independence
- materiality
- significant risks and judgements.

We do not issue an audit report until the EQR has completed their review and the engagement team has satisfactorily resolved all their significant questions.

The EQR's involvement in an engagement does not reduce the signing officer or engagement leader's responsibilities. All documentation showing the EQR's involvement in an engagement, including discussions with the engagement leader where conclusions were reached, is saved in the engagement file.

We consult with our ASPs to decide whether an EQR is needed for an engagement they are undertaking. If an EQR is required, the ASP is responsible for allocating a second independent partner as the EQR. An ASP must adhere to its own firm's EQR policy and procedures for completing the engagement quality review.

Performance engagement EQR

We appoint an EQR to all PRS reasonable assurance engagements. We generally do not appoint an EQR on limited assurance engagements but can if needed.

The EQR must complete and document their review and the engagement team must satisfactorily resolve all their significant questions before the Auditor-General can issue the report.

In 2024–25 there was seven breaches of our EQR policy. An EQR reviewed an engagement where the engagement leader was the EQR for their concurrent engagement, which our policy does not allow. This happened because of a restructure in our PRS division.

We outlined the breach and proposed remediation actions in a memo to the Auditor-General. The Auditor-General approved the actions, which we managed accordingly. Given our current resourcing plan, we do not expect this to happen again.

Engagement documentation

Documentation protocols

The Audit Act restricts our auditors from sharing or inappropriately using any information gathered during an engagement.

We have policies and procedures to maintain the confidentiality, safe custody, integrity, accessibility and recoverability of our engagement information in line with ASQM 1 and relevant legislation.

Engagement teams must maintain the confidentiality of their work papers and the information they collect during an engagement.

All Victorian Government agencies must add protective markings to documents under the *Privacy and Data Protection Act 2014*. We use Microsoft 365 security and sensitivity labels on all documents and emails. They include 'official', 'sensitive', 'protected' and 'secret'. The classification levels are based on the potential damage to the government's operations, an organisation or a person if confidentiality was compromised. We secure and store all documents in line with our protective marking procedure.

File lockdown and retention

We require our engagement teams to assemble and lock down their engagement files within:

- 60 days after we issue a financial audit report
- 15 days from the tabling date for performance engagement reports.

Caseware also has a feature to automatically lock down engagement files 90 days after we issue the financial audit report. We keep all engagement files for at least 7 years from the date of an audit report. We also require our ASPs to keep engagement files for this period. We regularly monitor compliance with our engagement file lockdown policy.

3.7 Resources

Resource group 1: human resources

Requirements

ASQM 1 – quality objectives	<p>We have adopted the ASQM 1 quality objectives for human resources as our objectives. They are:</p> <ul style="list-style-type: none">• to hire, develop and retain staff who can consistently perform quality audits or carry out non-audit responsibilities relating to our SQM• staff to:<ul style="list-style-type: none">• show they are committed to quality through their actions and behaviours• develop and maintain the appropriate competence to perform their roles• be held accountable or recognised through timely evaluations, compensation, promotion and other incentives• to hire staff from external sources when we do not have enough or appropriate personnel to operate our SQM or do engagements• to assign engagement team members to each engagement who have appropriate skills and enough time to consistently perform quality engagements• to assign staff to work in our SQM who have appropriate skills and enough time to perform the required activities.
Summary of what we do	<p>We have policies, procedures, processes and guidance to address risks to our quality objectives for:</p> <ul style="list-style-type: none">• recruitment, promotion and compensation• performance appraisals• learning and development• assigning resources to engagements.

Recruitment, promotion and compensation

To achieve our quality audit objectives, we recruit high-calibre talent and have a culture of continuous improvement and accountability. We encourage innovation, collaboration, stakeholder engagement and sharing knowledge.

Recruitment to every VAGO position is a transparent, merit-based process. Our human resources policies and procedures recruit and promote staff with the competence, capabilities and commitment to the ethical principles needed to perform our engagements to a high standard.

Our recruitment assessment criteria include:

- qualifications
- experience
- a range of behavioural and operational attributes
- reference and security checks.

We recognise that diverse and inclusive workforces:

- are more capable of meeting evolving organisational needs
- provide different ways of looking at work issues
- drive higher innovation and productivity.

We compensate our employees in line with the *Victorian Public Service Enterprise Agreement 2024*. Salary progression depends on satisfactory performance and high performers (except executives) can achieve a bonus each year. Employees do not receive other forms of incentive-based remuneration.

We manage our senior executive employees' performance in line with our executive employment contracts and the *VPS executive employment handbook*. Our process reflects the principles outlined in our employee performance policy and associated procedures.

Performance appraisals

Our employee performance policies and procedures help us develop and monitor our employees' capabilities and competence. This involves self-assessments, manager assessments and a measurement process.

At the start of our annual performance cycle, each employee sets goals and record them in development plans. Goals are aligned with our strategic objectives. Employees record their learning and progress against their goals throughout the year.

Managers hold regular meetings with employees to discuss their expectations, performance feedback, workloads and upcoming priorities. This process also includes audit quality criteria.

Employees also do self-assessments against the capability frameworks to identify their current capability levels. Managers assess their team members against these frameworks. These assessments support meaningful goal setting and development planning.

Each employee has a formal midyear and end-of-year evaluation with their manager. These sessions also involve discussions about career goals.

These meetings and evaluations help employees identify their learning and development goals. Targeted support and remedial action are provided for underperforming employees.

We encourage our employees to actively support each other and pursue their own professional development goals.

Learning and development

Our staff's ongoing development is essential to audit quality. We support our staff to adopt new and emerging technical, analytical and human skills and capabilities. We:

- provide structured learning for all new staff and run a graduate induction program
- provide on-the-job training and coaching with training sessions, e-learning modules and guidance materials
- share information about accounting and auditing standards and methodologies to build our auditors' technical capability. Technical training includes:
 - modules on our audit methodology and tools
 - updates or changes to professional standards
 - our regulatory environment and ethical requirements
- run workshops and seminars to increase our staff's capability and knowledge
- refer to our staff's annual learning and development goals when we design our training programs.

We are changing our learning and development approach. We are evolving our '70/20/10' model (70 per cent on-the-job, 20 per cent exposure and shadowing, 10 per cent formal learning) to be complemented by the 3Es (experience, exposure and education). This enables continuous improvement of our existing approach, under a refreshed concept, to reflect that auditor learning occurs primarily while performing engagements, supported by learning from the colleagues and formal training. This gives staff more flexibility to learn in ways that best suit their roles and career goals.

We support our staff to learn new technical, analytical and essential people skills. We treat coaching, supervision and reviews as ongoing processes and feed them into our annual

performance program. We monitor completion of our mandatory training modules, including our annual compliance program.

All our financial auditors have a Chartered Accountants Australia and New Zealand membership or a Certified Practising Accountant Australia membership, are progressing towards one of these memberships, or have a similar international equivalent that our job descriptions allow. These staff maintain the minimum professional training requirements for these memberships.

Our PRS staff have extensive experience in data analytics and policy development.

Assigning staff to engagements

It is important that engagement teams have the capacity and capability to respond to each engagement's specific risks and requirements. To support this, we have policies, procedures, and use:

- resourcing strategies
- suitable subject matter experts
- appropriate recruitment practices
- professional development criteria.

We set up engagement teams to make sure we have the technical capability and experience to do each engagement. We assign an engagement leader with the appropriate competence, capabilities and authority to perform the role.

Our resourcing strategy considers a mix of in-house staff and external subject matter experts. We allocate resources to audits based on:

- the budget prepared for each engagement
- the capabilities required to address each audit's risk level.

For financial audits, we also engage ASPs to deliver quality outcomes. Our Victorian Public Service level allocation policy for financial audit engagements sets the minimum Victorian Public Service classification required for each audit engagement role. This is based on factors such as the nature of the engagement (for example material entities, non-material entities or ASP engagements) and the level of audit risk.

Resource group 2: technological resources

Requirements

ASQM 1 – quality objectives	We have adopted the ASQM 1 quality objective for technological resources as our objective. This is that we use appropriate technological resources to operate our SQM and do quality engagements.
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Summary of what we do	We have dedicated teams and have invested in: <ul style="list-style-type: none">• data science and data analytics• an Empower data analytics platform• systems assurance.
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Data science and data analytics

We have dedicated teams to support our audit engagements. Our data analytics team supports the FA division. Our data science team supports the FA and PRS divisions. They help our auditors to:

- translate audit objectives into questions that can be addressed using data analytics
- process, sample and check source data
- use data for evidence during annual planning
- test tools
- communicate and visualise data analytics results.

Our data teams also support auditors by providing training and other forms of knowledge and skill transfer. For example, they train:

- performance auditors to apply statistical analysis skills and use tools such as Python and Microsoft Power BI
- financial auditors to use our data analytics platform, Empower.

Our data science team uses publicly available data and data owned by government agencies to do their analyses.

Empower 2.0

Our data analytics platform, Empower, gives our auditors access to data and prebuilt visualisations. They use Empower 2.0 to:

- access and analyse data to support audit planning and execution
- do risk assessments to:
 - better understand classes of transactions
 - develop an appropriate risk-based audit approach
- identify higher-risk data entries that require further testing
- perform audit procedures that involve selecting and evaluating a statistical sample
- re-perform rule-based audit procedures, which auditors previously had to complete manually
- help them match financial records to their audit entities' financial statements
- present impactful audit findings and offer richer insights.

We have a data champion group that provides training and support to our financial auditors to apply our data analytics approach.

Systems assurance

Our systems assurance team supports engagement teams when they need IT audit subject matter experts on their engagements. They can help with:

- general IT controls testing
- automated information processing controls testing
- learning and development
- testing system interfaces and other procedures that respond to risks arising from use of IT.

At times, our systems assurance team supports the financial auditors when the organisation we are auditing does not have strong enough IT controls. For example, they may check how a report is set up to make sure it works correctly. They also help with audit work that requires specialised IT knowledge, such as reviewing computer programs that were used in detailed testing of financial information.

In 2024–25, we resourced our systems assurance team using in-house staff and staff from one professional services firm.

Resource group 3: intellectual resources

Requirements

ASQM 1 – quality objectives	<p>We have adopted the ASQM 1 quality objective for intellectual resources as our objective. It requires that we use intellectual resources:</p> <ul style="list-style-type: none"> • to operate our SQM and do quality engagements • consistently with auditing and assurance standards, and applicable legal and regulatory requirements.
Summary of what we do	<p>Our commitment to this objective is supported by our:</p> <ul style="list-style-type: none"> • FA methodologies • performance engagement methodologies • audit quality and financial reporting advisory teams.

Our FA methodology We have a risk-based EPIC methodology, which complies with the Australian Auditing Standards and includes audit policies, guidance, processes and procedures for the public sector across 4 major processes. Figure 7 describes these processes.

Figure 7: The processes of our EPIC methodology



Source: VAGO.

EPIC incorporates information systems, auditing planning, risk assessments and conclusions for an integrated audit approach.

It gives auditors the opportunity to better document and demonstrate how they reached a conclusion and if the audited entity has the controls to address any risks the audit identified.

We continually monitor and refresh our EPIC methodology.

Software transition

As outlined in Section 2.2, we are replacing our current FA software. We are on track to transition all remaining in-house FA engagements to our new software in 2025–26.

Our performance engagement methodology

Our engagement file is where we document our engagement. It consists of the:

- Audit Methodology Procedure Lotus Notes database
- Microsoft Teams site and associated SharePoint site
- final published PowerBI dashboards.

Our performance engagement methodology includes policies, manuals, guidance, procedures and tools to cover all 4 phases of an engagement. They are:

- design the engagement
- plan the engagement
- implement the plan
- conclude and report.

As outlined in Section 2.1, our PRS division recently created a new engagement methodology. It has aligned its Audit Methodology Procedure Lotus Notes database to support these changes for the 2025–26 cycle. We are doing further work to improve our database and join up the systems our engagement teams use.

Audit quality and financial reporting advisory teams

Our staff's auditing, accounting and financial reporting skills are essential to the quality of our engagements.

Our audit quality and financial reporting advisory teams support engagement teams by providing:

- training on:
 - our audit methodology and tools
 - how to apply the Australian Accounting Standards and Australian Auditing and Assurance Standards in a public sector context
- technical consultation on complex accounting, auditing and financial matters.

Our PRS division delivers a regular training to support performance audit capability. This includes:

- 'community of practice' sessions to develop skills and share knowledge
- tutorial sessions to learn more about the Victorian public sector.

PRS staff also attend Australasian Council of Auditors-General training sessions about conducting and managing performance audits.

Resource group 4: ASPs

Requirements

ASQM 1 – quality objectives	We have adopted the ASQM 1 quality objective for using ASPs as our objective. It requires that human, technological or intellectual resources from ASPs are appropriate for use in our SQM and engagements.
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Summary of what we do	We have policies, procedures, processes and guidance to address risks to our quality objectives, including: <ul style="list-style-type: none">• tendering processes• contractual arrangements• ASP instructions• ASP oversight procedures• annual performance assessments• ongoing communication with staff and ASPs.
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ASP employment and oversight

We engage ASPs to help deliver our annual financial audits. Our procurement process for ASPs assesses their capability, ethical requirements and quality control system.

The ASP engagement leader is responsible for the quality of their audits. VAGO signing officers remain responsible for the audit opinions we issue.

An FA sector director decides the level of ASP oversight needed for each audit and assigns an ASP review officer. Their decision on level of oversight and choice of ASP is influenced by the:

- ASP engagement leader's assessment of the financial report level risks associated with the engagement
 - signing officer's agreement with the ASP engagement leader's risk assessment
 - ASP review officer's completion of our ASP oversight assessment tool.
-

ASP engagement and oversight

When doing audits on our behalf, our ASPs:

- use their firm's audit methodology
- must comply with Australian Auditing Standards and our ASP instructions
- provide evidence of work completed to help us oversee their work.

During an ASP engagement, the ASP review officer is responsible for either:

- completing the oversight audit procedures outlined in our ASP oversight guidance procedure
- assisting the signing officer to do this.

Where the level of ASP oversight is intensive, the sector director or delegated signing officer will complete the required audit procedures.

Monitoring our ASPs

Through our annual engagement quality inspection program (EQIP), we do post-engagement quality inspections of our ASP's work every 3 years. We discuss this in Section 3.9.

The Australian Securities and Investments Commission (ASIC) may also inspect our ASPs. We discuss this in Section 4.3.

We also assess our ASPs on an ongoing basis under our ASP performance management framework, which monitors the performance of the ASP firms as a whole and the performance of individual ASP engagement leader personnel.

We assess ASP engagement leader:

- audit capability and capacity
- the quality of their key deliverables
- relationships with audited entities and with VAGO
- the innovation in their audit approach.

Each nominated ASP engagement leader is scored from one to 5 (ranging from unsatisfactory to exceptional) against each of the above criteria to arrive at an average score for the firm and for individual engagement leaders. These results are reported annually by the Assistant Auditor-General of FA to the operational management group with recommended actions where performance challenges exist. A low score can result a range of actions against an ASP including additional VAGO oversight, placing them on a performance improvement plan, restricting the audit engagements we award to them or terminating their agreement with VAGO.

3.8 Information and communication

Requirements

ASQM 1 – quality objectives	<p>We have adopted the ASQM 1 quality objectives for information and communication as our quality objectives. They are:</p> <ul style="list-style-type: none">• our information systems identify, capture, process and maintain relevant and reliable information that supports the SQM• we recognise and reinforce staff’s responsibility to exchange relevant and reliable information, including:<ul style="list-style-type: none">• information to staff to help them carry out their responsibilities in the SQM• information to VAGO when staff are carrying out activities in the SQM or for engagements• relevant and reliable information is communicated to external parties, including:<ul style="list-style-type: none">• information by VAGO to service providers, enabling them to fulfil their responsibilities relating to the services or resources provided by them• when required by law, regulation or relevant auditing standards, or to support external understanding of the SQM.
ASQM 1 – other requirements	<p>ASQM 1 requires us to:</p> <ul style="list-style-type: none">• identify, communicate, evaluate and report any breaches of ethical requirements and respond appropriately in a timely manner• establish policies and procedures to communicate with staff responsible for governance and external parties on our SQM.
Summary of what we do	<p>We have information systems, policies, procedures, processes and guidance to address risks to our information and communication quality objectives. We also publish a transparency report annually on our website.</p>

Our information system

Information system responsibilities

- Our policies and methodologies outline responsibilities to identify and capture data.
- Our IT business support team maintains and manages our information systems, including:
- how we capture, store, and dispose of records in our records management system
 - managing record control and security
 - training staff on our security and data retention policies.

Collaboration and information sharing

- We have a collaborative environment where auditors share their knowledge, experience and technical expertise to improve the quality of our engagements.
- We encourage collaboration and information sharing within the boundaries of the Audit Act and other regulatory requirements.
- We have policies and procedures that maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation in line with:
- ASQM 1
 - the *Public Records Act 1973*
 - the *Privacy and Data Protection Act 2014*
 - the Australian and international standards for information management:
 - ISO 15489-1:2016: *Information and documentation – Records management*
 - ISO 16175-1:2020: *Information and documentation – Processes and functional requirements for software for managing records*
 - ISO 23081 Series: *Metadata for records*.

We do regular systems audits against these policies. Where needed, we flag incidents or inconsistencies to our strategic management group for action. Our IT team also monitor our data systems to make sure no important data is destroyed without authorisation.

Exchange of information within the office

Overview We encourage collaboration between our business divisions and our financial and performance auditors and engagement teams.

Communicating the importance of quality In line with ASQM 1, we keep our staff informed about the importance of audit quality. To provide visible leadership, promote our culture and audit quality, and improve communication across VAGO, we:

- require all staff to do SQM training
- hold regular stand-up briefings for all staff, hosted by a strategic management group member, where staff can also ask questions
- post regular announcements on Microsoft Teams to inform staff about new or revised policies and processes related to our SQM
- hold technical update sessions
- provide feedback to auditors on the results of our monitoring and remediation processes
- rotate participation of our senior staff in monthly operational management group meetings
- report staff survey results to the strategic management group
- hold divisional forums, offsite days, sector team days and team meetings
- have an EPIC advisory committee
- have a data analytics champions group
- have a staff consultation committee.

We also include questions about our audit quality in stakeholder and staff surveys. We analyse survey results and take action as appropriate. We actively engage with our staff during this process.

Staff consultation committee

The office has a staff consultation committee facilitating direct communication between staff and senior executives. This committee incorporates representatives from all VAGO's business divisions of intended mixed seniority. The committee's objectives, principles and structure are outlined in its terms of reference.

Communication with external parties

Overview We communicate with external parties including audited entities, ASPs, Parliament and the public.

Communication with audited entities and Parliament Our auditors engage with key management personnel and governance committees during our engagements.

Entity audit committees are a main point of contact for information. We attend relevant audit committee meetings to share deliverables for our engagements.

Our audit methodologies make sure we communicate with our audited entities and Parliament in line with the Audit Act and relevant auditing and assurance standards.

We consult with our audited entities when preparing our annual plan and engagement deliverables. We seek comments from PAEC on our draft annual plan and each engagement's strategy.

We table our annual plan, annual report and audit reports in Parliament. Before doing so, we invite relevant ministers to a briefing on the engagement.

Communication with ASPs

We communicate with our ASPs through:

- our ASP instructions
- the ASP portal
- sector-specific workshops to discuss emerging matters or contentious audit and financial reporting issues within sectors impacting audits
- quarterly 'ASP Live' online events to provide updates on progress against key deliverables, processes, audit quality matters and VAGO news.
- annual ASP engagement leader workshop to connect ASPs to VAGO's areas of strategic focus work through progress or changes affecting the audit delivery model
- the ASP performance management framework
- annual quote rounds for each upcoming audit season
- biannual confirmations of their SQM framework, data protection and governance, and local jobs first
- email on specific matter and to send relevant updates.

We outline our quality requirements for ASPs in contract agreements and ASP instructions. We provide all relevant policies, procedures and templates to our ASPs in our ASP portal. We communicate changes in these requirements as they occur.

Communication with the public

To fulfil our role promoting confidence in the public sector, our communications with the public are critically important. We must be transparent and accountable.

We include the results of our financial audits and performance engagements in reports, which we table in Parliament. We make these reports and their related summary videos publicly accessible via our website. We have a communications plan for each parliamentary report to help reach the public through social media.

To make sure our work is easily understood, we produce products that are:

- accessible
- useful to the public
- written clearly in plain language.

To promote transparency, and in line with our legislative obligations, we annually report on our performance, strategies and plans for the year ahead and beyond. These corporate publications are publicly accessible via our website and include information we consider to be of public interest.

We also describe the various aspects of oversight that we are subject to in our assurance services, and use of public resources. We communicate this information on the [how we are accountable](#) page of our website.

External general enquiries

We receive general correspondence from parliamentarians, public sector representatives, councillors and the public. We respond according to our format and timeline guidelines.

As per our media policy, we do not:

- pursue media coverage
- comment on our work outside of what we say in our tabled reports, official website and social media channels.

We discuss communications for complaints and allegations in Section 3.9.

3.9 Monitoring and remediation process

Requirements

ASQM 1 – quality objectives	We have adopted the ASQM 1 audit quality objectives for monitoring and remediation as our objectives. They are to: <ul style="list-style-type: none">• provide relevant, reliable and timely information about the SQM’s design, implementation and operation• take appropriate actions to respond to deficiencies on a timely basis• monitor our work to identify deficiencies, including on completed engagements• establish policies and procedures to make sure the staff doing monitoring activities are objective and have the necessary skills and time to do so.
ASQM 1 – other requirements	ASQM 1 requires us to establish policies and procedures for receiving, investigating and resolving complaints and allegations about failures to perform our work, in line with auditing standards and legal and regulatory requirements.
Summary of what we do	We have monitoring and remediation processes that cover: <ul style="list-style-type: none">• EQIP• complaints and allegations management• how we communicate results, including breaches of ethical requirements.

Monitoring and remediation process Our monitoring and remediation process provides:

- relevant, reliable and timely information about the design, implementation and operation of our SQM
- a basis to identify deficiencies
- actions to respond to identified deficiencies in a timely way, to support the continuous improvement of our SQM and engagement quality
- guidance to identify, communicate, evaluate and report any breaches of relevant ethical requirements and respond in a timely way.

Post-engagement quality inspections We have designed the annual EQIP for our financial and performance engagements in line with ASQM 1 requirements. The EQIP evaluates:

- all engagement leaders over a 3-year cycle, including ASP engagement leaders
- a selection of financial and performance engagements
- engagements with certain risk criteria, such as a prior unsatisfactory file rating.

The EQIP focuses on continuous improvement. We assess the quality of our engagements against the Australian Auditing and Assurance Standards’ requirements and audit methodology.






We then prepare reports with an overall quality rating of each engagement and observations from the inspection. Figure 8 describes the ratings. We give these reports to the relevant engagement leader and use them to:

- address issues where needed
- identify root causes
- implement learnings for future engagements.

We evaluate the results of our EQIP and prepare a report and action plan for the Auditor-General. This report also outlines the significance and pervasiveness of any issues across our engagements.

The operational management group and Audit and Risk Committee monitor our progress in implementing any agreed actions.

Figure 8: File rating definitions

Rating	Financial audit rating description	Performance audit rating description
 Best-practice file	No weaknesses across the audit or only very minor and easily addressed weaknesses. The audit work addressed all key areas and was clearly recorded, reviewed and concluded.	No departures from professional and regulatory standards identified. Best-practice file.
 Very good file	The engagement was generally performed effectively. It was appropriately directed, supervised and reviewed by the signing officer and/or ASP engagement leader and EQR where required.	Very good file. Departures from professional and regulatory standards are of a trivial nature only.
 Departure(s) identified, but not deemed material	The main audit areas were properly addressed and appropriately documented, but there was a lack of evidence in some areas.	Departures from professional and regulatory standards identified but not deemed material either individually or in aggregate.
 Material departure(s)	A material weakness or weaknesses in the audit file, resulting from a departure from the Australian Auditing Standards. The inspector was unable to conclude that a particular financial statement audit area was free from material misstatement.	Material departure(s) identified from professional and regulatory standards.
 An incorrect opinion was issued	The inspector believes that the audit opinion is unsupported, inappropriate and/or incorrect.	An inappropriate report has been issued.

Source: VAGO.

EQIP results for performance engagements

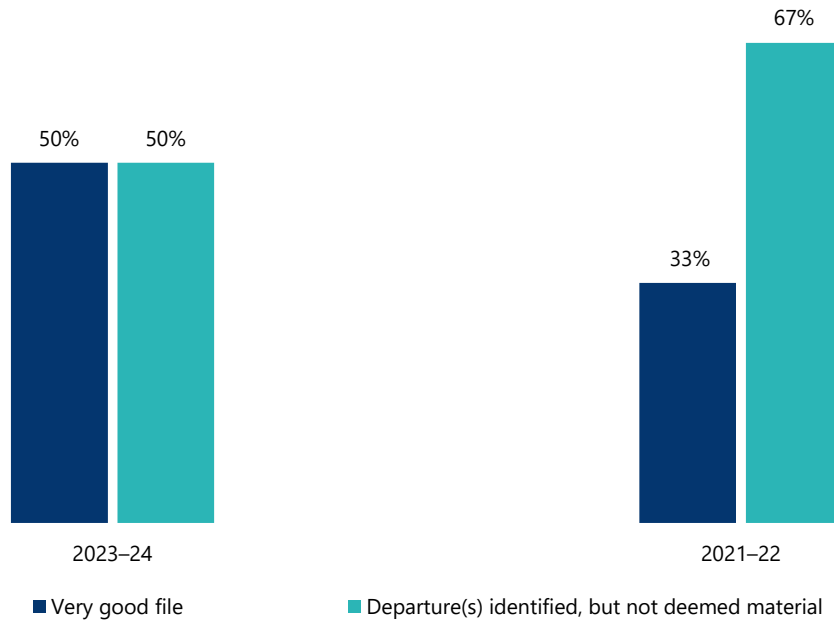
Our 2024–25 EQIP covers 3 performance engagements, which accounts for 50 per cent of our performance engagement leaders.

In ...	our performance engagement EQIP covered ...	resulting in ...
2023–24	2 engagements	4 recommendations.
2022–23	6 engagements	22 recommendations.
2021–22	6 engagements	12 recommendations.

We have addressed these recommendations by refreshing our performance engagement methodology and associated training.

Figure 9 shows the engagement file ratings we reviewed from 2021–22 to 2023–24. In 2022–23, PAEC did not provide a file rating for its recommendations. We explain them in Appendix C.

Figure 9: EQIP results for performance engagement files reviewed for 2021–22 and 2023–24



Note: 2022–23 is missing because PAEC did not provide file ratings this year. Numbers have been rounded and may not add up to 100 per cent. Source: VAGO.

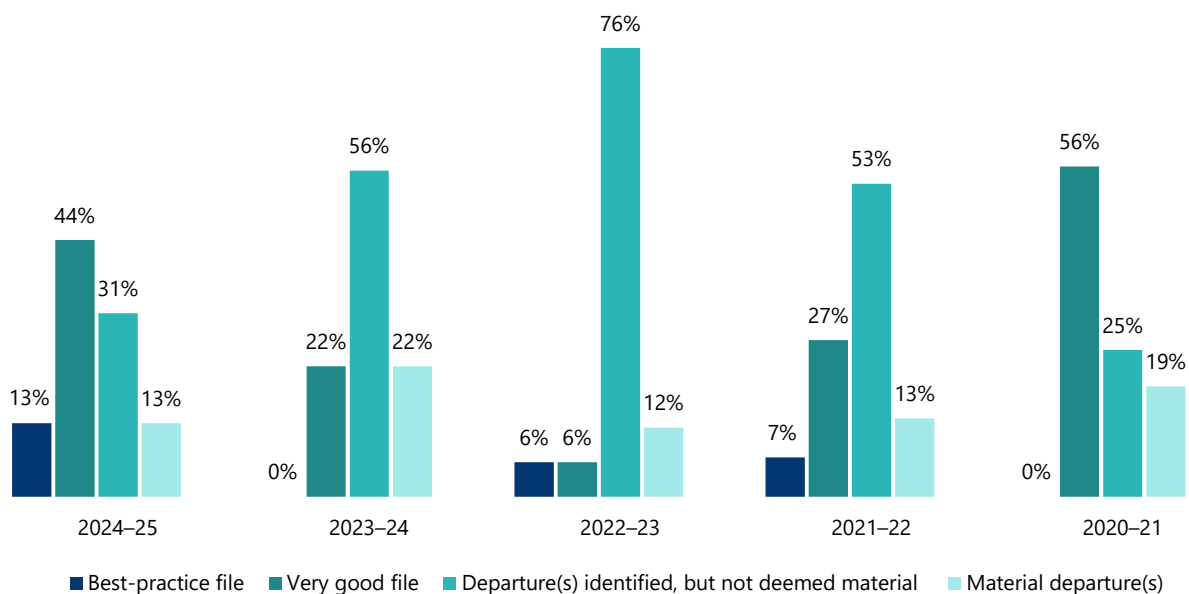
EQIP results for financial engagement

Our 2024–25 EQIP covers 16 financial engagements, which accounts for 29 per cent of our financial engagement leaders. It resulted in 6 remedial actions.

In ...	our financial audit EQIP covered ...	resulting in ...
2023–24	18 engagements	7 remedial actions.
2022–23	17 engagements.	8 remedial actions.
2021–22	15 engagements.	10 remedial actions.
2020–21	16 engagements.	13 remedial actions.

Figure 10 shows the ratings for the engagement files we reviewed from 2020–21 to 2024–25.

Figure 10: EQIP results for financial audit engagements from 2020–21 to 2024–25



Source: VAGO.

Remedial actions from our financial EQIP include:

- developing tools to support our engagement teams
- updating our procedures
- providing training and guidance to our engagement teams to improve how they apply our audit methodology and policies.

The engagement leaders responsible for material departure ratings are subject to further inspection.

We monitor progress for remedial actions and provide updates to our operational management group and Audit and Risk Committee. Our 2024–25 EQIP will evaluate the effectiveness of our 2023–24 remedial actions.

Internal audit

In line with the *Standing Directions 2018 Under the Financial Management Act 1994*, we have internal auditors who report to our Audit and Risk Committee.

Our internal audit charter outlines the authority, independence, role, responsibilities, performance expectations and relationships of our internal auditors.

The objective of our internal audit function is to provide innovative, responsive, effective and value-added internal audits that assist us and our Audit and Risk Committee to:

- control risks
- monitor compliance with policies and procedures
- improve the efficiency and effectiveness of our quality control system.

Our internal auditors develop a 3-year rolling internal audit plan that is approved by our Audit and Risk Committee.

These audits assess the quality and performance of specific functions in our office. Audit quality is one of the topics listed in the plan for this year.

We use the information from our surveys, reviews and internal audit processes to:

- address any issues that arise from these audits
 - identify trends and common themes
 - develop improvement projects and strategies
 - monitor the effectiveness of our current improvement projects.
-

Complaints and allegations

We have various channels for entities and staff to make complaints and allegations about:

- noncompliance with professional, regulatory or legal requirements
- noncompliance with our own SQM.

The [complaints page](#) on our website provides information about our complaints process and how to submit a complaint about an audit engagement.

Anyone can provide feedback or make a complaint or allegation about suspected fraud or corruption by a VAGO staff member or ASP. We can also receive complaints through direct communication with our engagement teams.

Figure 11: Types of complaints and reporting processes

Type of complaint	Reporting process
Conduct of an engagement	Contact VAGO directly
Professional conduct of a Chartered Accountants Australia and New Zealand or Certified Practising Accountant Australia member	Contact Chartered Accountants Australia and New Zealand or Certified Practising Accountant Australia
VAGO activities other than audits	Contact VAGO or the chair of PAEC
Fraud, corruption or misconduct by VAGO employees, contractors and consultants	Contact VAGO, the Independent Broad-based Anti-corruption Commission or Integrity Oversight Victoria
Administrative action taken by VAGO officers	Contact VAGO or the Victorian Ombudsman
The use of VAGO's coercive powers (sections 30–37, 39, 41–46 and 48–51 of the Audit Act)	Contact VAGO or Integrity Oversight Victoria

Source: VAGO.

We do not tolerate fraud or corruption and take all allegations of suspected fraud or corruption seriously and respond fully. We assess, investigate, respond and resolve complaints as required.

If a complainant is dissatisfied with how we have handled a complaint, they have the right to ask us to reconsider by contacting the Deputy Auditor-General.

If they are still dissatisfied, depending on their concern, they can escalate the complaint to the:

- chair of PAEC
- Integrity Oversight Victoria
- Independent Broad-based Anti-corruption Commission
- Victorian Ombudsman.

We received 4 complaints in 2024–25:

- 3 relating to the timeliness of financial audits
- one relating to a consultation done as part of a performance engagement.

We received 2 complaints in 2023–24.

4.

External oversight and reviews

We are accountable to the Victorian Parliament and the community for how efficiently and effectively we perform our engagements and use public resources.

ASIC inspects private sector registered auditors. As a public sector entity, we are not subject to ASIC's surveillance program. Instead, we are subject to external oversight and reviews in line with the Audit Act.

Covered in this section:

- PAEC's oversight
- Integrity Oversight Victoria's oversight
- ASIC's audit surveillance

4.1 PAEC's oversight

Overview

PAEC has responsibilities relating to the Auditor-General and VAGO. The *Constitution Act 1975*, the *Parliamentary Committees Act 2003* and the Audit Act outline PAEC's responsibilities to:

- recommend who to appoint as the Auditor-General
- appoint external auditors to do an independent performance audit every 4 years
- appoint external auditors to do a financial audit of our financial and performance statements every year.

We have responsibilities to consult PAEC:

- on our annual budget and annual plan
- when we develop objectives and scope for performance engagements, based on set criteria
- by providing quarterly reports on our assurance reviews.

Independent performance audit

The Audit Act requires VAGO to be independently audited at least every 4 years. The audit's aim is to assess if we are:

- achieving our objectives effectively, economically and efficiently
- complying with all relevant Acts.

Our latest independent performance audit was in 2023–24. PAEC appointed MartinJenkins to do the audit and its report was tabled in Parliament on 30 July 2024. The report was positive overall and found several strengths, including our:

- policies and processes for defining and ensuring independence
- contribution to an effective and efficient public service
- staff’s professionalism
- contemporary methodology, tools and techniques
- focus on quality and continuous improvement
- focus on staff wellbeing and development.

The audit made 19 recommendations in total all of which we accepted (10 recommendations in full, 2 in part and 7 in principle). Appendix C shows the status of these recommendations, including our proposed actions and progress towards implementing them. We provide regular updates about our progress to the operational management group and the Audit and Risk Committee.

Three of the accepted recommendations relate to the quality of our performance engagements and 2 relate to both our financial audits and performance engagements.

4.2 Integrity Oversight Victoria’s oversight

Overview

Integrity Oversight Victoria (formerly the Victorian Inspectorate) is a key oversight body in Victoria’s integrity system and reports directly to Parliament. The *Integrity Oversight Victoria Act 2011* (formerly the *Victorian Inspectorate Act 2011*) gives Integrity Oversight Victoria the power to scrutinise our activities.

Integrity Oversight Victoria makes sure we comply with our information-gathering powers and duties, as outlined in the Audit Act. These powers allow us to:

- require individuals and body corporates to give us information and documents and meet with us
- use and inspect documents or other items
- enter and inspect premises.

Integrity Oversight Victoria can receive and investigate complaints about how we use these powers and the way we do our engagements. We also have a self-reporting tool to tell Integrity Oversight Victoria if we have exercised our powers.

In 2024–25 we did not use these powers and Integrity Oversight Victoria did not:

- receive any complaints about VAGO
 - review any of our activities.
-

4.3 ASIC's audit surveillance

Overview

ASIC’s audit surveillance program aims to promote high-quality external audits of financial reports and raise the standard of conduct in the auditing profession.

The program focuses on audit quality and compliance with the:

- *Corporations Act 2001*
- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board’s requirements.

Most of our audits are outside ASIC's *Corporations Act 2001* regulatory mandate. ASIC has not included any of our public sector *Corporations Act 2001* entities in its inspection program but has the power to do so.

ASIC may inspect our ASPs' audit work. We require our ASPs to notify us of the results of ASIC's inspection and any actions taken.

We consider the results of ASIC's audit surveillance program when:

- planning our annual financial audit engagement inspection program
 - analysing the results of our engagement inspection program, root cause analysis and any remedial action taken.
-

5.

Evaluating the SQM

We evaluate our SQM to make sure we are achieving its objectives.

Covered in this section:

- Evaluation requirements
- Roles and responsibilities
- The evaluation process
- Our 2025 SQM evaluation

5.1 Evaluation requirements

Requirements

ASQM 1 requirements

ASQM 1 requires:

- the Auditor-General to annually evaluate our SQM and conclude if it provides VAGO with reasonable assurance that its objectives are being met
- the Auditor-General to take prompt and appropriate action for any objectives that have not been met. They must communicate to engagement teams, individuals and external parties as required in line with policies and procedures
- VAGO to consider the SQM evaluation as part of the Auditor-General and audit quality director's performance evaluations.

Summary of what we do

We have adopted these requirements and completed our annual evaluations, as described in this section.

5.2 Roles and responsibilities

Assignments

The Auditor-General:

- oversees our SQM evaluation
- concludes if our SQM provides reasonable assurance that we are meeting our quality objectives, based on advice and recommendations from the audit quality director.

The audit quality director has operational responsibility for our SQM and reports directly to the Auditor-General.

The staff performing the evaluation have the required authority, competencies and capabilities and are given enough time to perform the evaluation effectively.

5.3 The evaluation process

Our iterative process

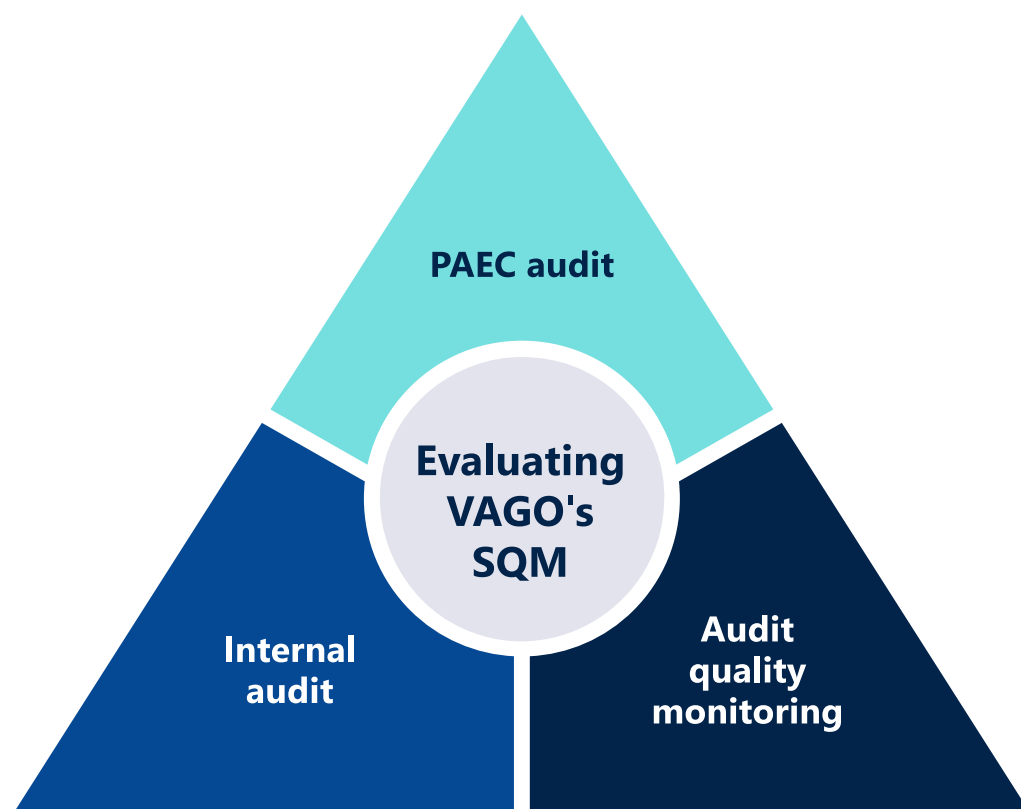
In 2022–23, we transitioned our existing quality control framework to a newly developed SQM to align with the new and revised requirements of ASQM 1, ASQM 2 and ASA 220.

For our first annual evaluation using this system we used the:

- results of our monitoring and remediation process
- information from earlier monitoring activities
- results of internal and external oversight of VAGO.

We operate our SQM in a continual and iterative manner and are responsive to changes in the nature and circumstances of our engagements. Figure 12 show the 3 ways we evaluate our SQM.

Figure 12: How we evaluate our SQM



Source: VAGO.

During an evaluation, we consider:

- any deficiencies identified
- their severity and pervasiveness
- remedial actions taken to address them.

We then communicate this information to:

- the relevant engagement teams to consider and address
- staff working in our SQM or governance, in line with our policies and procedures.

There are opportunities to improve our SQM and how we implement it. We describe this in Section 2.

Internal audit assessment

In 2023–24, we had our SQM independently assessed to assess its design and operational effectiveness.

The review found that we have a comprehensive framework for managing audit quality. The framework has governance structures, risk assessment processes and ongoing monitoring mechanisms that help us comply with professional standards.

The review found our SQM provides a strong foundation to support audit quality. It has:

- clear leadership accountability
 - documented methodologies across the key business areas
 - established processes for engagement quality review and oversight.
-

5.4 Our 2024–25 evaluation

Evaluation conclusion

The Auditor-General commissioned an annual evaluation of our SQM, which was completed on 22 December 2025. The evaluation provided reasonable assurance that we are achieving our SQM objectives.

6.

Appendices

Appendix A: Audit quality indicators

Appendix B: Entities we audited

Appendix C: PAEC's recommendations

Appendix D: Disclosure checklist: Prescribed and voluntary information

Appendix E: Abbreviations and acronyms

Appendix A:

Audit quality indicators

Our rationale for selected measures

Overview Audit quality indicators are quantitative measures that give insight into our engagement processes. They help us assess and improve our audit quality and maintain high standards of performance. They can be measured either at the engagement level or the audit entity level.

Our approach There is no universally accepted set of audit quality indicators. Since 1994, we have drawn on indicators used in the Australasian Council of Auditors-General annual macro benchmarking survey. We do this because they provide consistent, comparable insights across audit offices in Australia.

In 2014–15, the Australasian Council of Auditors-General reviewed the survey's audit quality measures. It removed those where the cost of measurement exceeded their benefit.

Other indicators We also use for our quality indicators:

- output measures from our annual service delivery statement, which is part of the Victorian Government's Budget papers
- our annual complaints management reporting to the Audit and Risk Committee
- results from Victorian Public Sector Commission's annual people matter staff survey
- our survey results from our audit entities' chief financial officers.

Purpose We use this combination of indicators to:

- provide a comprehensive analysis of audit quality in financial and performance engagements
- evaluate our SQM's effectiveness.

Audit quality indicator performance statement

Figure A1 shows the 2020–21 to 2024–25 results for our audit quality indicators.

It compares them against 2024–25 external and internal benchmarks where they are available and appropriate.

Figure A1: Our audit quality indicator performance statement for 2020–21 to 2024–25

Audit quality indicator	Unit of measure	2020–21 results	2021–22 results	2022–23 results	2023–24 results	2024–25 results	2024–25 benchmark	2024–25 variance
Percentage of audited financial statements with restatements for material prior-period errors	Per cent	2.0	2.2	1.0	0.4	2.2	≤5.0	Within range

Audit quality indicator	Unit of measure	2020–21 results	2021–22 results	2022–23 results	2023–24 results	2024–25 results	2024–25 benchmark	2024–25 variance
Number of audited financial statements with restatements for material prior-period errors	Number	11	12	6	2	12	≤27	Within range
Percentage of engagement leader hours charged to in-house financial audit work to lower-level audit staff hours ^(a)	Per cent	4.5	4.8	6.1	5.2	6.8	10.0	-3.2
Percentage of time charged to audits by senior staff – attest audits	Per cent	18.5	26.0	24.2	23	23	25	-2
Percentage of time charged to audits by senior staff – non-attest audits	Per cent	40.7	42.0	40.0	43	51	48	3
Training hours per full-time equivalent (FTE) audit professional – attest audit	Hours	51.4	64.1	90.0	95.0	101	123	-22 ⁽¹⁾
Training hours per FTE audit professional – non-attest audits	Hours	50.1	76.7	48.0	76.0	94.0	87.0	7.0
Staff workload – chargeable hours per FTE professional – attest audits	Hours	1,259	1,146	1,117	1,190	1,198	1,111	87
Staff workload – chargeable hours per FTE professional – non-attest audits	Hours	1,125	899	843	897	953	905	48
Technical resources staff paid hours as a percentage of all hours charged to audit activities	Per cent	15.0	11.2	9.4	8	8	5	3
Percentage of total office expenditure allocated to technical audit resources (includes the cost of specialist technical advisory staff)	Per cent	1.7	2.5	3.0	3.0	4.0	3.0	1.0
Percentage of EQIP findings that contain material departures	Per cent	18.8	13.3	11.8	11.8	6.3	40.9	34.6
Number of complaints upheld against the quality assurance of our work performed	Number	0	0	1	1	3	0	-3 ⁽²⁾
Attrition of permanent staff as a percentage of total permanent staff	Per cent	20	18	34	23	27	18	-9 ⁽³⁾
Percentage of the attest audit budget spent before the auditee's reporting period year end – in-house attest audit	Per cent	63.6	47.3	48	57	51	60	9
Anonymous independent survey of staff through the Victorian Public Sector Commission's People Matter Survey – FA senior leadership score	Score out of 100	87.0	91.0	90.0	89.0	95.0	70.0	25.0

Audit quality indicator	Unit of measure	2020–21 results	2021–22 results	2022–23 results	2023–24 results	2024–25 results	2024–25 benchmark	2024–25 variance
Anonymous independent survey of staff through the Victorian Public Sector Commission's People Matter Survey – PRS senior leadership score	Score out of 100	64.0	56.0	39.0	47.0	62.0	70.0	-8.0 ⁽⁴⁾
Independent survey of financial audit engagements' chief financial officers – satisfaction rating of the level and quality of communication between the auditor and auditee ^(b)	Per cent	92.5	86.1	81.5	84.3	85.6	90.0	-4.4

Note: (a) Change of format from 2024–25 to show as a percentage for clarity. Prior year comparatives are unchanged in value, but expressed in this new format. (b) Prior-period figures restated due to a change in calculation methodology. Figures reflect the weighted average of audit entity chief financial officer survey responses. (1)–(4) See 'Explanation of significant variances' below.
Source: VAGO.

Explanation of significant variances

We consider adverse variations more than 5 per cent as significant. We have not provided notes for variations within this range.

⁽¹⁾ Training hours per FTE for professional staff working on attest audits continues to increase, as it did in the previous year. This reflects the positive impact of our continued:

- rollout of our Enhancing FA Capability project (see Section 2.2)
- focus on formal learning and development across VAGO.

This supports our goal to build capability through the FA capability framework and develop skills based on functional and audit engagement roles.

⁽²⁾ We received 4 complaints in 2024–25:

- 3 related to the timeliness of financial audits
- one related to consultation during a PRS engagement.

All 3 financial audit complaints were investigated internally and upheld. We worked with each complainant to capture lessons learned and put measures in place to make sure similar issues do not happen again. The PRS complaint was not upheld as, under the Audit Act, we were not required to consult on audit findings before tabling the report. But we acknowledge the audit team could have done more to keep the complainant updated on the status of the audit and maintain communications with them.

⁽³⁾ Staff turnover during the period reflected sustained competitive pressures in the external labour market. Across the audit profession, demand for experienced staff continues to outpace supply, alongside growing regulatory and technical complexity. These conditions contributed to elevated workforce movement during the period, consistent with sector-wide trends.

⁽⁴⁾ The significant increase in the survey results reflects PRS leadership's work to address staff dissatisfaction with the approaches to organisational change and workplace culture reported last year. These matters form part of our continuous improvement plans to drive change and improve staff satisfaction.

Notes to our audit quality indicator performance statement for the year ended 30 June 2025

Basis of preparation

In the absence of mandatory audit quality indicators, we have prepared this statement based on:

- the audit quality performance indicators we use in Budget Paper No. 3
- the measures used in the Australasian Council of Auditors-General Macro Benchmarking Survey
- other audit quality indicators used in the industry.

We have presented our results in line with the *Standing Directions 2018 Under the Financial Management Act 1994* and the financial reporting directions' FRD 8 *Consistency of budget and departmental reporting* and FRD 27 *Presentation and reporting of performance information*.

Figure A2 describes our audit quality indicator calculations and benchmark sources.

Statement of limitations

In choosing and analysing our audit quality indicators, we observe that:

- some do not directly measure the quality of the audits we perform
- each audit quality indicator provides information that only relates to one aspect of the inputs for achieving high-quality audits and there are many factors that affect audit quality
- different quantitative results for a particular measure may be appropriate in different circumstances (for example, different engagement-leader-to-staff ratios may be appropriate depending on factors like the nature, size and complexity of an audit engagement)
- the audit quality indicators presented in this report may change in future years as we reassess the relevance and usefulness of each indicator.

Figure A2: Audit quality indicators

Audit quality indicator	Calculation	Benchmark source
Percentage of audited financial statements with restatements for material prior-period errors	Numerator: Total number of agencies disclosing a prior-period material error during the financial year Denominator: Total number of agencies issued with an audit opinion during the financial year	Department of Finance 2024–25 <i>Department Performance Statement</i>
Number of audited financial statements with restatements for material prior-period errors	Number of agencies disclosing a prior-period material error during the financial year	VAGO measure
Percentage of engagement leader hours charged to in-house financial audit work to lower-level audit staff hours	Numerator: Total hours of attest audit engagement sector directors charged to in-house attest audit activity Denominator: Total hours of attest audit staff for levels below engagement leader charged to in-house attest audit activity	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Percentage of time charged to audits by senior staff – attest audits	Hours charged to attest audits by audit staff who are classified as a manager or higher as a percentage of total hours charged to attest audits	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Percentage of time charged to audits by senior staff – non-attest audits	Hours charged to non-attest audits by audit staff who are classified as an engagement leader, manager, EQR or higher as a percentage of total hours charged to non-attest audits	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25

Audit quality indicator	Calculation	Benchmark source
Training hours per FTE audit professional – attest audit	Numerator: Training/professional development hours recorded for attest audit staff Denominator: Total FTE number of attest audit staff	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Training hours per FTE audit professional – non-attest audit	Numerator: Training/professional development hours recorded for non-attest audit staff Denominator: Total FTE number of non-attest audit staff	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Staff workload – chargeable hours per FTE professional – attest audit	Numerator: Total attest audit staff hours charged/allocated to attest audits Denominator: Total FTE number of attest audit staff	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Staff workload – chargeable hours per FTE professional – non-attest audit	Numerator: Total non-attest audit staff hours charged/allocated to non-attest audits Denominator: Total FTE number of non-attest audit staff	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Technical resources staff paid hours as a percentage of all hours charged to audit activities	Numerator: Total hours paid for by the office for staff who specialise in providing technical advice to other staff in relation to audit work (including methodology support) Denominator: Total hours charged to audit activities by audit staff, the Auditor-General and Deputy Auditor-General, non-audit staff and contracted/labour hire personnel	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Percentage of total office expenditure to allocated technical audit resources (including the cost of specialist technical advisory staff)	Numerator: Office expenditure on specialist audit technical advisory services Denominator: Total office expenditure	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Percentage of EQIP findings that contain material departures	Numerator: Total number of financial audit engagement files subject to a EQIP during the financial year that contain material departures from professional and regulatory standards Denominator: Total number of financial audit engagement files subject to a EQIP during the financial year	ASIC results – <i>REP 819 ASIC's oversight of financial reporting and audit 2024–25</i>
Number of complaints upheld against the quality assurance of our work	Number of complaints upheld during the financial year	VAGO measure
Attrition of permanent staff as a percentage by role	Number of FTE permanent employees who ceased employment with VAGO in 2024–25 as a percentage of total FTE number of permanent staff in 2024–25	Australasian Council of Auditors-General Macro Benchmarking Survey state and territory average for 2024–25
Percentage of the audit budget spent before the auditee's reporting period year end (only applicable for FA excludes audits undertaken by ASPs)	Numerator: Audit engagement expenditure incurred from audit commencement to auditee's reporting period year end Denominator: Total estimated audit fee for audit engagement	VAGO measure

Audit quality indicator	Calculation	Benchmark source
Anonymous independent survey of staff through the Victorian Public Sector Commission's People Matter Survey – overall senior leadership score	Percentage of staff surveyed who agreed with the overall senior leadership questions raised by the Victorian Public Sector Commission	Victorian Public Sector Commission comparator peer group benchmark
Independent survey of financial audit engagements' chief financial officers – satisfaction rating of the level and quality of communication between the auditor and auditee	Percentage of chief financial officers surveyed who were satisfied that we communicated with them effectively	VAGO measure – consolidated chief financial officer agency survey results for 2024–25

Source: VAGO.

Appendix B:

Entities we audited

Audited entities

Overview

In line with the *Corporations Act 2001*, ASIC requires audit firms to disclose the names of relevant bodies they audited under section 332B of Part 2M.4A in the relevant reporting year.

For VAGO, this translates to the names of:

- public bodies we audit under section 10(1) of the Audit Act
- any state-owned companies we audit under section 22 of the Audit Act
- any entities that are not public bodies, but we agree to audit as a public-purpose arrangement under section 24 of the Audit Act.

A table of the fees we charged to the entities we audited is available as [a CSV download](#) on our website.

Notes:

(a) In all years except 2022–23 payouts from the ABA Natural Relief Disaster Fund were reported financial statements in the Department of Justice and Community Safety and formed part of the Department's audit.

(b) Prior to August 2024 The Royal Children's Hospital's Foundation was a controlled entity of The Royal Children's Hospital. However, the 2022–23 and 2023–24 audits were not performed by VAGO. In August 2024 The Royal Children's Hospital Foundation was deconsolidated from the Royal Children's Hospital and is no longer within our audit mandate.

(c) The entity changed its year-end from June to December in 2023 and prepared financial statements for 18 months from 1 July 2022 to 31 December 2023.

(d) The audit of Melbourne Business School Limited was brought in-house for the 31 December 2023 engagement, as VAGO was appointed as both the *Corporations Act 2001* and the *Financial Management Act 1994* auditor. Previously, VAGO was solely the *Financial Management Act 1994* auditor and relied on the work of another auditor to sign the audit opinion. With VAGO as the auditor under both pieces of legislation, we now do all fieldwork to support the audit report, and therefore the fee has increased in line with this. The audit fee charged covers Melbourne Business School Limited and Mt Eliza Graduate School of Business and Government Limited.

(e) Citywide Utilities Pty Ltd was a new entity in 2022. This entity was then consolidated into Citywide Service Solutions Pty Ltd.

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 Planning is underway for manager skills training, which complements the leadership development training program rolled out for executives across the enterprise in 2025.
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.

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 *Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General's Office* and VAGO.

Appendix D:

Disclosure checklist: Prescribed and voluntary information

Schedule 7A of the *Corporations Regulations 2001* sets out the information that must be included in an audit firm's transparency report. Our transparency report addresses these requirements unless the requirement is not applicable to us.

ASIC's *Information Sheet INFO 184: Audit transparency reports* details information that auditors may voluntarily include in transparency reports.

Figure D1 shows where prescribed and voluntary information can be found in this report and our *Annual Report 2024–25*.

Figure D1: Locations of *Corporations Regulations 2001* schedule 7A prescribed information and voluntary information in our 2024–25 transparency report and annual report

	Relevant to VAGO	Transparency report reference	Annual report reference
Prescribed information			
If the auditor belongs to a network, a description of: <ul style="list-style-type: none"> the network the legal arrangements of the network the structural arrangements of the network 	N/A	N/A	N/A
A description of the auditor's SQM	✓	Section 3	Section 1
A statement that sets out the auditor's independence practices in the relevant reporting year	✓	Section 3.4 Section 3.5	N/A
The name of each body that is authorised to review the auditor and the date of the most recent review of the auditor conducted by the body	✓	Section 4	Section 1
The names of the relevant bodies in section 332A(1) of the <i>Corporations Act 2001</i> for which the auditor conducted an audit under Part 2M.4A of the Act in the relevant reporting year	✓	Appendix B	N/A
Financial information for the auditor that relates to the relevant reporting year, including: <ul style="list-style-type: none"> total revenue revenue relating to audits of financial statements conducted by the auditor and other services provided by the auditor revenue relating to other services provided by the transparency reporting auditor 	✓ ✓ N/A	Section 1.5 Appendix B	Note 2.2 of the Financial Report
A description of the firm or company's: <ul style="list-style-type: none"> legal structure ownership governance structure 	✓	Section 1.1	Section 1

	Relevant to VAGO	Transparency report reference	Annual report reference
A statement by the firm's administrative body or management body (or the company's board of directors) on the effectiveness of the functioning of the internal quality control system in the relevant reporting year	✓	Section 5	N/A
The date on which the firm or company most recently conducted an internal review of its independence compliance	✓	Section 3.4	N/A
A statement about the firm or company's policy on the minimum amount and nature of continuing or other professional education that professional members of an audit team must undertake during the relevant reporting year	✓	Section 3.6	N/A
Information about the basis for remuneration of the firm's partners or the company's directors	✓	Section 1.5	Note 8.2 of the Financial Report
Voluntary information			
If the auditor belongs to a network, the report may include information about the degree to which the network sets policy and monitors compliance and structural arrangements in the network, including the degree of authority the network has over the audit firm	N/A	N/A	N/A
Actions to improve audit quality – how the auditor:			
<ul style="list-style-type: none"> promotes, evaluates and monitors professional scepticism and compliance with auditing standards 	✓	Section 1.2	Section 1
<ul style="list-style-type: none"> promotes a culture of audit quality (e.g., messages from leadership focusing on audit quality, education initiatives, key focuses in quality reviews, and encouragement of consultation on complex audit issues) 	✓	Section 2 Section 3 Appendix A	Section 1
<ul style="list-style-type: none"> ensures that partners/directors, staff and experts with appropriate experience and expertise are assigned to audit engagements having regard to, for example, workload, technical competence, and audit, industry and other relevant experience 	✓	Section 3.7	N/A
<ul style="list-style-type: none"> approaches supervision and review, including the extent of partner/director involvement in working with audit teams in the planning and execution of audits, and the extent of real-time or post-completion quality reviews of engagements 	✓	Section 3.6 Section 3.7	N/A
<ul style="list-style-type: none"> holds partners/directors and leadership accountable for audit quality, including how performance is measured on audit quality, how such performance is assessed, and the extent to which this affects remuneration 	✓	Section 3.3 Section 3.6 Appendix A	N/A
Audit quality indicator – quantitative metrics			
If quantitative input measures of audit quality are referred to in a transparency report, the reasons why those measures are considered appropriate, the impact of measuring each particular aspect of audit quality, any limitations of those measures, and the results of applying such measures.	✓	Appendix A	N/A
Measures should be presented on a comparable basis from year to year. If the auditor chooses to discontinue, amend or replace any measure previously included in a transparency report, the previous measure should generally also be included with the reasons for the change.			

	Relevant to VAGO	Transparency report reference	Annual report reference
Findings from ASIC inspections			
The report may include the firm's actions to address overall themes about the quality of audits at firms generally, as identified in the most recent oversight of financial reporting and audit report issued by ASIC	✓	Section 4.3 Appendix A	N/A
To reduce the risk that a transparency report is misleading, it should include a statement that the reader should not make any assumptions about the scope of, or findings from, any ASIC review			
Findings from external reviews			
The report may include areas for improvement derived from reviews by other relevant external bodies on audit quality	✓	Section 4	Section 1
Source: VAGO.			

Appendix E:

Abbreviations and acronyms

Abbreviations We use the following abbreviations in this report:

Abbreviation	Full spelling
ASA 220	<i>ASA 220 Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i>
ASA 700	<i>ASA 700 Forming an Opinion and Reporting on a Financial Report</i>
ASAE 3000	<i>ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
ASAE 3500	<i>ASAE 3500 Performance Engagements</i>
ASQM 1	<i>ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i>
ASQM 2	<i>ASQM 2 Engagement Quality Reviews</i>
Audit Act	<i>Audit Act 1994</i>
Empower	Empower 2.0

Acronyms We use the following acronyms in this report:

Acronym	Full spelling
ASIC	Australian Securities and Investments Commission
ASP	audit service provider
EQIP	engagement quality inspection program
EQR	engagement quality reviewer
FA	financial audit [division]
FTE	full-time equivalent
PAA	<i>Public Administration Act 2004</i>
PAEC	Public Accounts and Estimates Committee
PRS	parliamentary reports and services
SQM	system of quality management
VAGO	Victorian Auditor-General's Office

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