VAGO

Serving the public interest since 1851

Maintaining State Roads

September 2026

Independent assurance report to Parliament
2026–27:2

This report is printed on Monza Recycled paper. Monza Recycled is certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Gas Protocol and ISO 14040 framework. The Lifecycle Analysis for Monza Recycled is cradle to grave including Scopes 1, 2 and 3. It has FSC Mix Certification combined with 99% recycled content.

ISSN 3083-130X (Online)

ISSN 3083-1318 (Print)

VAGO
Victorian Auditor-General's Office

Maintaining State Roads

Independent assurance report to Parliament
Published by order, or under the authority,
of the Parliament of Victoria
September 2026

VAGO
Victorian Auditor-General's Office

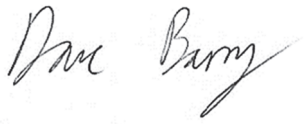
The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Maintaining State Roads*.

Yours faithfully



Dave Barry
Deputy of the Auditor-General
9 September 2026

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.

Contents

This report has a Volume 2, which includes the data used to build this audit's dashboard. Refer to Appendix F for more information.

Audit snapshot

Is the Department of Transport and Planning achieving its road pavement maintenance objectives and delivering value for money?

Why we did this audit

Roads being in poor condition can increase travel time, the cost of operating a vehicle, and the risk of accidents.

State roads carry most of Victoria's traffic. Growing traffic and freight loads on state roads are increasing the need for maintenance. Adverse weather events, such as major flooding in 2022, put additional pressure on the network.

Delaying maintenance or diverting funding to address these unexpected issues can lead to a further decline in road condition and mean more costly repairs are needed later. By contrast, proactive maintenance helps slow deterioration, reduce long-term costs and provide safe, reliable and efficient transport.

We did this audit to assess whether the Department of Transport and Planning (the department) is managing road maintenance to achieve its objectives and deliver value for money.

Key background information

Source: VAGO.

What we concluded

The overall condition of Victoria's state roads is deteriorating. In 2024, around 48 per cent of the network was in poor or very poor condition, compared to 39 per cent in 2021.

Victoria has a large and growing road maintenance backlog, where the network is deteriorating faster than the pace of repairs. Rising costs, increasing traffic and ageing roads make the backlog more challenging to address.

The department has advised the government that funding is insufficient to maintain or improve the condition of state roads. This has meant it focuses more on reactive and safety-critical repairs rather than preventative works.

The department has opportunities to improve how it makes use of available funding by addressing gaps in its:

- asset information, reflecting unintegrated and poor-quality datasets
- coordination between the teams responsible for planning and delivering maintenance
- processes for making sure maintenance meets quality standards.

The department has mostly met its publicly reported performance targets in recent years, but the targets give no meaningful insight into road condition or the effectiveness of road maintenance. Using data it already has, the department could do more to provide transparency about the condition of Victoria's state roads.

1.
Our key findings

What we examined

Our audit followed 3 lines of inquiry:

1. Does the Department of Transport and Planning (the department) have fit-for-purpose road pavement data?
2. Does the department effectively plan road pavement maintenance?
3. Does road pavement maintenance meet the department's standards, targets and objectives?

To answer these questions, we examined the department's role in maintaining the state road network.

Identifying what is working well

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

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

Explore the dashboard

This report has an interactive dashboard, which includes key data behind our findings.

Find the dashboard at audit.vic.gov.au.

Terms used in this report

Defects

Defects are visible signs of failure or other undesirable features of a road surface, such as potholes and cracks.

Hazards

Hazards are events, conditions, defects or substances that have the potential to harm road users' health and safety.

Road and road pavement

In the context of asset management, 'road pavement' is used for the engineered surface structure that vehicles travel on, while 'road' refers to the whole road network, including assets such as bridges, signs, traffic lights and drains. This report uses 'road' to refer to the 'road pavement' to reflect common usage.

State roads

State roads are roads that are owned and managed by the department.

Background information

Victoria's state roads

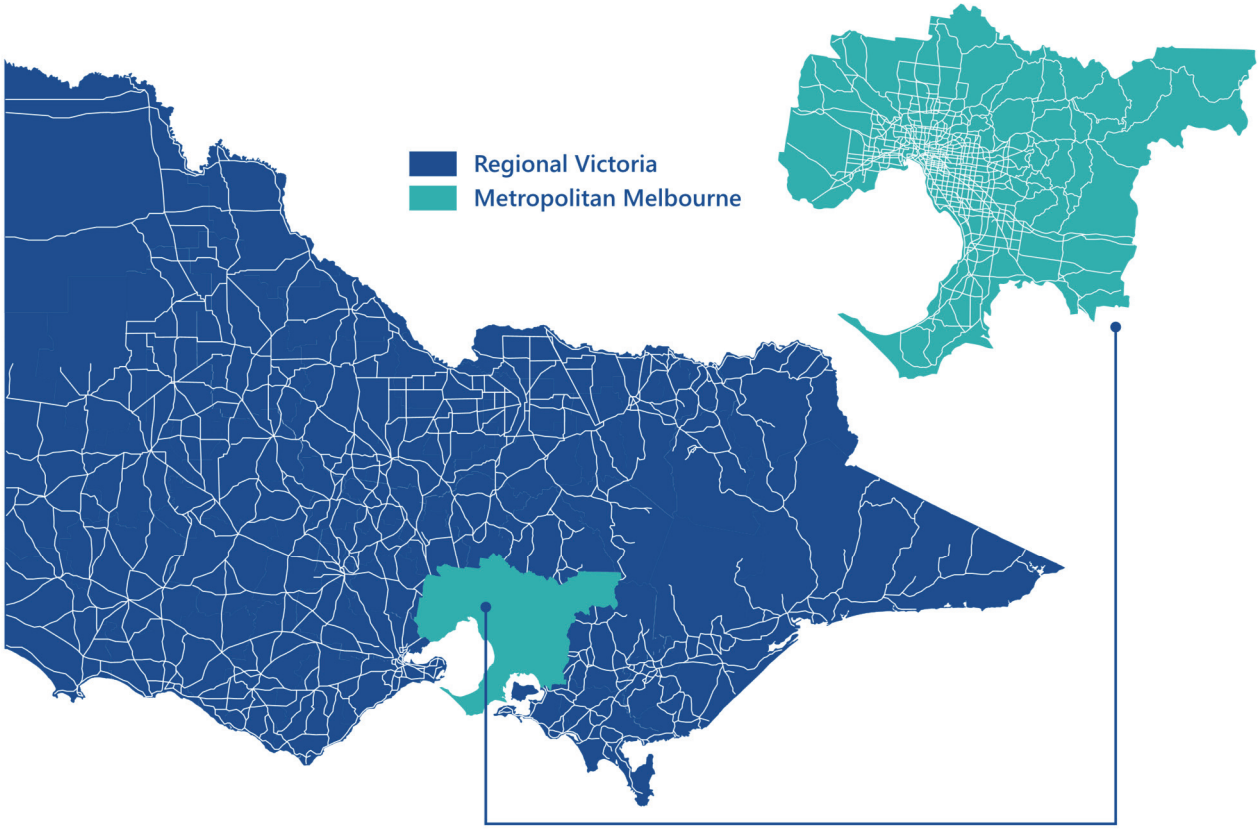
State roads make up around 15 per cent of Victoria's road network by length but carry most of the state's traffic and freight. State roads are managed by the department. Around 82 per cent of the state road network is in regional Victoria.

Road use in Victoria is increasing, putting pressure on the state road network and increasing the need for maintenance. Between 2020–21 and 2024–25, activity on Victoria's roads grew from 58.72 billion vehicle-kilometres to 68.22 billion vehicle-kilometres travelled, and freight activity grew from 45.1 billion to 54.0 billion tonne-kilometres. The department expects this growth to continue, with Victoria's total annual freight task expected to increase from around 440 million tonnes in 2020–21 to around 908 million tonnes by 2050–51.

Vehicle-kilometres and tonne-kilometres

Vehicle-kilometres and tonne-kilometres measure road activity. Vehicle-kilometres represents the total distance covered by vehicles and is calculated by multiplying the number of vehicles on the road network by their average trip lengths. Tonne-kilometres also account for the weight of freight loads.

Figure 1: Victoria's state road network



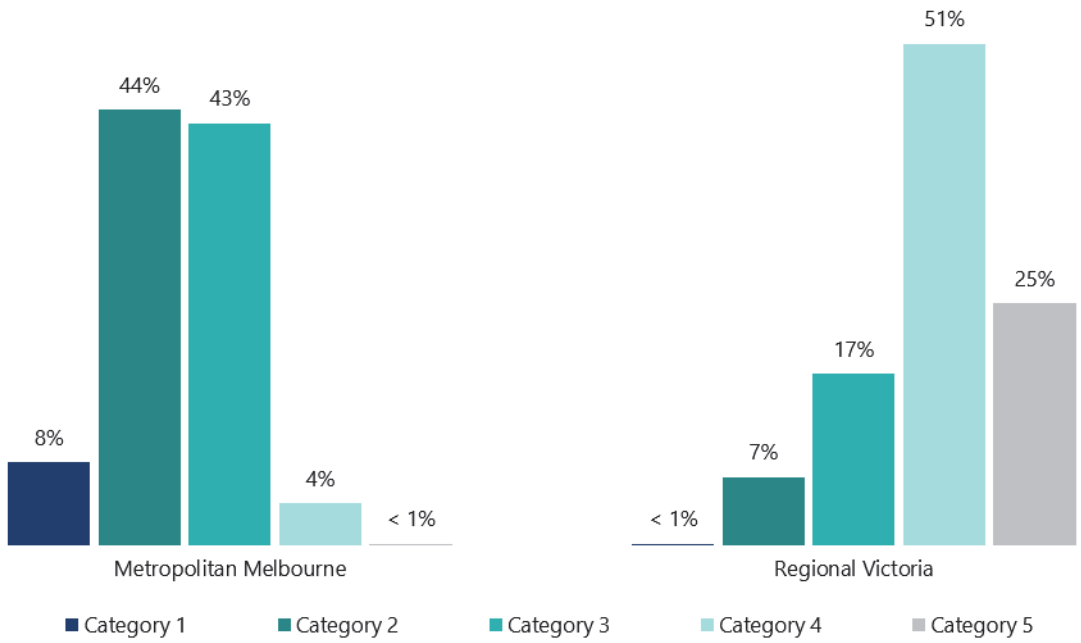
Source: VAGO, based on the department's data.

The department assigns state roads to a road maintenance category based on their strategic significance.

Category …	is …	and represents around …
1	key arterial roads connecting major regions, including roads connecting Melbourne to other capital cities	2 per cent of state roads.
2	roads connecting capital cities and key towns	14 per cent of state roads.
3	roads connecting important centres, roads connecting category 1 and category 2 roads, and arterial roads in rural areas	22 per cent of state roads.
4	roads connecting properties in rural areas	43 per cent of state roads.
5	low-volume or lowest-order rural roads with one function or activity	20 per cent of state roads.

Around three-quarters of roads outside metropolitan Melbourne are category 4 and 5 roads, as shown in Figure 2.

Figure 2: Breakdown of state roads by road maintenance category



Note: Based on data collected in 2024. Percentages do not sum to exactly 100 per cent due to rounding.
Source: VAGO, based on the department's data.

Types of road maintenance

The road network includes:

- the road pavement, which is the engineered surface vehicles travel on
- other assets such as drains, bridges and traffic signs.

This report focuses on maintenance of the road pavement, which we refer to as the 'road' to reflect common usage. The condition of roads is closely linked to the performance of other assets. For example, poor drainage can allow water to penetrate the road, which weakens its structure and accelerates deterioration.

The department delivers 2 road maintenance programs.

They are the ...	which includes ...	and aims to ...
routine maintenance program	relatively inexpensive interventions such as patching potholes and cleaning drains	control the occurrence of hazards and minor defects to slow the rate of road deterioration.
planned maintenance program	periodic maintenance	improve the condition of the road and delay the need for capital renewal work.
	capital renewal	restore the road to 'as new' condition. Capital renewal is typically more expensive than periodic maintenance.

Road maintenance reforms

The 2019–20 state Budget funded the department to reform the way road maintenance is prioritised and delivered. Work to implement these reforms is ongoing and supported by the 2025 *Victorian Road Maintenance Strategy*. The 6 pillars of the department's reforms are:

1. Establish a consistent contractual framework across the state (the Victorian Road Maintenance Contracts).
2. Enhance the state's contract management capability.
3. Improve data systems and governance to help measure road network performance and maintenance needs.
4. Create a consistent, transparent and accurate investment prioritisation framework, supported by improved data.
5. Define the level of service to be delivered and the level of service currently being delivered.
6. Define clearer accountabilities within the department and its contractors.

Road maintenance contracts

Victorian Road Maintenance Contracts are the main contracts the department uses to deliver routine maintenance, as well as a substantial portion of planned works. The transition to these contracts began in 2023, as shown in Figure 3. Different arrangements apply to the Western Roads Upgrade area, as well as to Peninsula Link, EastLink, CityLink and the West Gate Tunnel, where maintenance is delivered through public–private partnerships. Four companies hold the Victorian Road Maintenance Contracts for Victoria's 8 road maintenance regions. There is a public–private partnership contract for delivering ongoing maintenance in the Western Roads Upgrade area.

Figure 3: Road maintenance contracts

Contract area	Contract type	Since
Barwon South West region	Victorian Road Maintenance Contract	2023
Gippsland region	Victorian Road Maintenance Contract	2023
Loddon Mallee region	Victorian Road Maintenance Contract	1 July 2026
Hume region	Victorian Road Maintenance Contract	2023
Metro Western region	Victorian Road Maintenance Contract	2024
Metro South Central region	Victorian Road Maintenance Contract	2024
Grampians region	Victorian Road Maintenance Contract	1 July 2026
Metro Eastern region	Victorian Road Maintenance Contract	1 July 2026
Western Roads Upgrade area	Public–private partnership	2018

Source: VAGO.

Under the Victorian Road Maintenance Contracts, the department sets road maintenance standards, priorities and funding levels. Contractors plan and deliver maintenance in line with the department's requirements.

Contractors receive payments for routine maintenance, which include:

- a fixed component for inspections and safety requirements (including rectifying hazards)
- a variable component, which depends on:
  - the number of defects rectified
  - meeting performance requirements such as hazard response times and works quality standards.

Road asset management funding

The Victorian Government has allocated $1.04 billion to road asset management in 2026–27, as Figure 4 shows. This allocation includes funding for maintaining roads, including assets such as bridges, drains, road signs and traffic signals. It also includes funding for asset management planning.

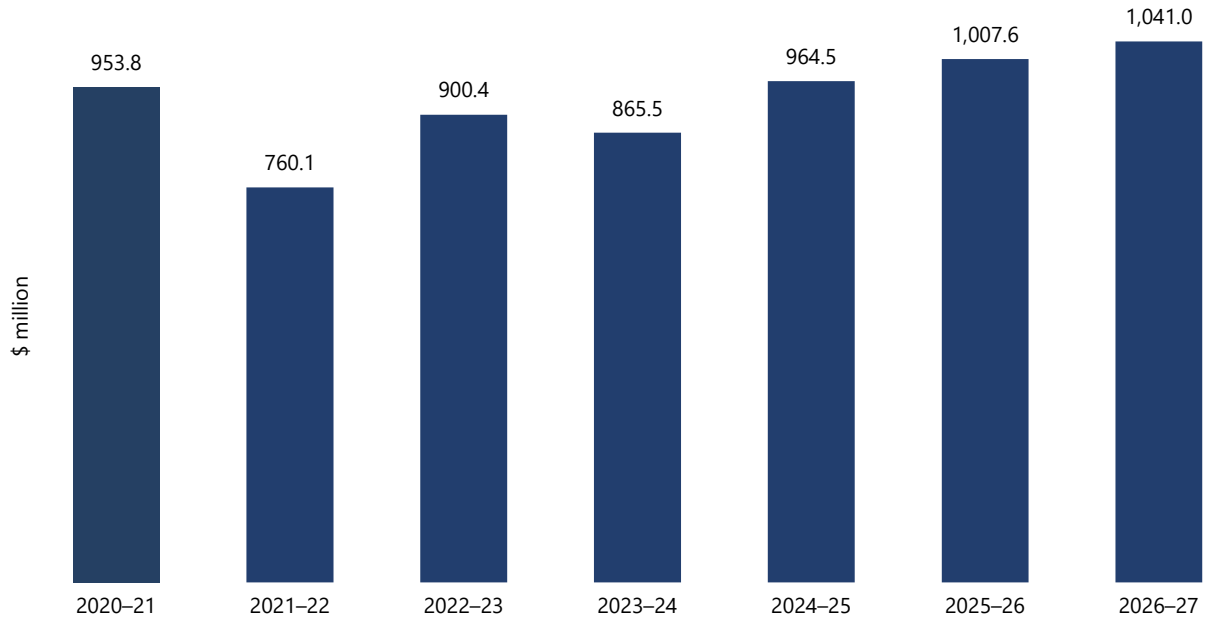
Recent government funding announcement

On 30 August 2026, the government announced an extra $352 million of funding to double the number of potholes fixed this year.

The department told us this funding is additional to the $1.04 billion already allocated to road asset management in 2026–27. This means the total road asset management funding for 2026–27 is approximately $1.39 billion.

This announcement happened after we completed our audit, so it falls outside of its scope and is not reflected in our findings.

Figure 4: Total road asset management funding



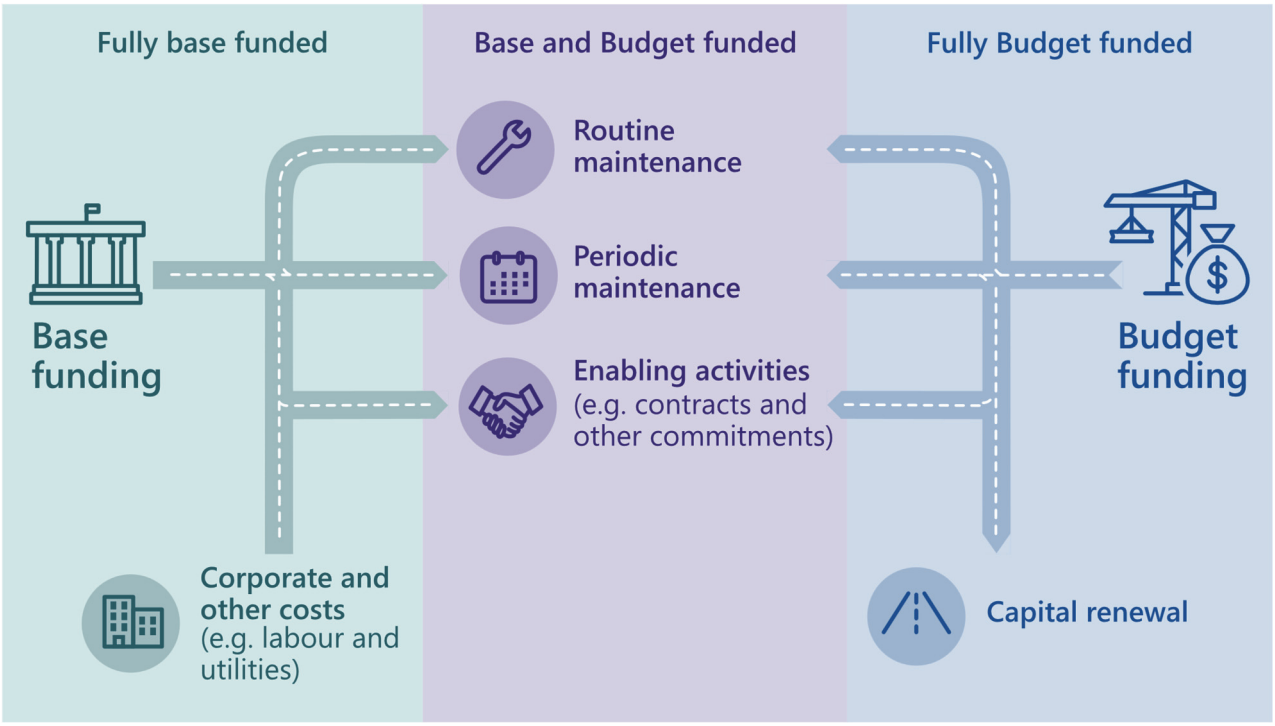
Note: Data for 2022–23 to 2025–26 shows final budgets, accounting for any rephasing or additional funding decisions taken during the year. Data for 2020–21 and 2021–22 reflects the budgets announced at the start of each financial year, because the department could not provide final budget amounts.
Source: VAGO, based on the department's data and state Budget papers.

There are 2 streams of maintenance funding.

They are ...	which is ...	and is used for ...
base funding	ongoing funding to meet the department's fixed costs and core safety obligations	• maintenance essential to rectifying hazards and keeping roads safe (fixed contract costs) • some discretionary routine maintenance • corporate costs including labour costs • most enabling activities (such as asset management, systems and data collection).
Budget funding	additional, fixed-term funding provided through the state Budget to supplement base funding	• most discretionary routine maintenance • planned works (periodic maintenance and capital renewal) • some enabling activities (such as contract administration costs).

Figure 5 illustrates these funding streams.

Figure 5: Base and Budget funding streams



Source: VAGO, based on information from the department.

What we found

This section focuses on our key findings, which fall into 3 areas:

1. The proportion of roads in poor or very poor condition is increasing.
2. The department's approach to maintenance has some gaps.
3. The department can improve its oversight of contractors.

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

Consultation with the department

When reaching our conclusions, we consulted with the audited department and considered its views.

You can read its full response in Appendix A.

Key finding 1: The proportion of roads in poor or very poor condition is increasing

State roads continue to deteriorate

On average, state roads are deteriorating. Based on a key measure used by the department, around 48 per cent of state roads were in poor or very poor condition in 2024. This is an increase since 2021, when around 39 per cent of state roads were in poor or very poor condition.

Across Victoria, the gap between the number of defects recorded and the number of defects repaired more than doubled between January 2025 and June 2026.

Defect data presented in this report

Defect data in this report is based on defect job records, which are created by contractors and collated by the department. In some cases, a single job record may represent multiple defects identified at the same location.

Performance reporting does not provide transparency about road condition

The department's annual performance statements report on the proportion of roads that meet roughness, rutting and cracking standards (which are measures of road condition).

But the department has more meaningful information, such as data on remaining useful life, pavement condition, defect growth and repairs, and the maintenance backlog, which would improve transparency if made accessible to the public.

There is a substantial and growing maintenance backlog

Measures of road condition, defect growth, and asset renewal indicate that maintenance needs are accumulating faster than they are being addressed. Financial indicators show that investment is not keeping pace with asset deterioration.

The department has advised the government that funding is not sufficient

The department has advised the government that funding levels have not been sufficient to maintain and improve the network, and that maintenance is increasingly focused on reactive and safety-critical repairs rather than preventative works.

Addressing this finding

To address this finding, we have made 2 recommendations to the department about improving transparency around:

- the condition of state roads and the impact of maintenance
- future costs of addressing the maintenance backlog.

Key finding 2: The department's approach to maintenance has some gaps

The department does not always clearly document why it prioritises sites for maintenance

To identify sites for planned maintenance, the department uses both software-based modelling and visual inspections. Most of the planned maintenance program reflects its modelling. But the department does not always clearly document the reasons for departures from it. This reduces transparency about how it prioritises maintenance.

The department does not make sure routine maintenance matches its priorities

Contractors are responsible for scheduling routine maintenance in line with the department's priorities.

The department approves contractors' monthly routine maintenance programs. But it cannot show that it systematically assesses whether these programs align with its priorities.

Fragmented and sometimes poor data limits maintenance decision-making

Key road maintenance information is stored across multiple, incompatible systems, and some datasets are of poor quality. As a result, the department cannot easily access an integrated view of relevant data or show that it is using available information to prioritise works and optimise funding.

Addressing this finding

To address this finding, we have made 3 recommendations to the department about:

- defining its criteria for prioritising periodic maintenance or capital renewal work
- better coordinating planned and routine maintenance
- improving its use of data to identify opportunities for more cost-effective road maintenance.

Key finding 3: The department can improve its oversight of contractors

The department has defined standards for maintenance contractors

The department's contracts and technical specifications define quality and timeliness standards for routine maintenance and planned works. This provides a framework for the department to assess contractor performance.

The department has limited assurance over the quality of works

While it has defined standards, the department's approach to overseeing its contractors is not effective in some areas. Oversight of routine maintenance in particular has gaps and does not provide the department with confidence that its required standards are consistently met. The department has acknowledged opportunities to improve its processes and systems for assuring the timeliness and quality of routine maintenance.

Addressing this finding

To address this finding, we have made one recommendation to the department about:

- strengthening its oversight of its maintenance contractors.

See the next page for the complete list of our recommendations, including agency responses.

2.
Our recommendations

We made 6 recommendations to address our findings. The agency has accepted the recommendations in full or in principle.

			Agency response(s)
Finding: The proportion of state roads in poor or very poor condition is increasing			
Department of Transport and Planning	1	Improve public insight into road condition by updating public reporting using metrics that better reflect the condition of road pavements (see Section 3).	Accepted in principle
	2	Track and publicly report road maintenance backlogs (see Section 3).	Accepted in principle
Finding: The department's approach to maintenance has some gaps			
Department of Transport and Planning	3	Further define site selection criteria for the final planned maintenance program, and establish a standard for documenting the reasons for decisions that depart from the modelled program (see Section 4).	Accepted
	4	Improve processes to coordinate routine and planned maintenance, and clearly document the rationale for choosing a rectification approach (see Section 4).	Accepted
	5	Develop and implement a strategy to collect fit-for-purpose data on drainage assets that impact pavement condition, and integrate these datasets into maintenance planning (see Section 4).	Accepted
Finding: The department can improve its oversight of contractors			
Department of Transport and Planning	6	Strengthen its processes to obtain greater assurance that maintenance activities meet required standards (see Section 5).	Accepted

3.
Condition of state roads

The condition of the state road network continues to worsen, with a growing proportion of roads in poor or very poor condition. Renewal spending is not keeping pace with deterioration and defects are appearing faster than they are repaired.

The department's public reporting does not provide transparency about road condition or the expected impact of maintenance works.

Covered in this section:

- State roads continue to deteriorate
- Road condition varies between regions
- Performance reporting does not provide transparency about road condition
- There is a substantial and growing maintenance backlog
- The department has advised the government that funding is not sufficient

State roads continue to deteriorate

Road condition surveys

The department engages an external provider to survey most roads in the state road network every one to 2 years. It uses this data to understand road condition and maintenance needs.

The surveys collect data on 5 measures, as shown in Figure 6.

Surveys under the provider's current methodology were completed in 2021, 2022 and 2024. Results from the latest survey are expected in October 2026.

Figure 6: The 5 road condition measures

Measure	Description
Roughness	A measure of the smoothness of the road surface (in the direction of travel) and a key factor in ride comfort and safety. A high degree of roughness often indicates a structural failure.
Rutting	A measure of the extent of long depressions (ruts) and a key factor in ride comfort and safety. Ruts form in the wheel path, reducing skid resistance in wet weather, and often indicate a structural failure.
Cracking	A measure of the extent of cracks in the road surface. Cracking allows water to penetrate the road, weakening the structure, causing potholes and accelerating deterioration.
Texture	A measure of surface friction and a key factor in safety, especially for motorcyclists. Wear and tear causes texture to be lost, affecting the ability of vehicles to brake effectively.
Remaining useful life	A measure that reflects the strength or structural integrity of a road. It is a key measure used in road asset management to determine when major maintenance is needed to prolong the ability of a road to safely provide its intended service.

Source: VAGO, based on the department's information.

Rehabilitation and resurfacing

Rehabilitation is intensive work that involves replacing both the structural and surface layers of a road. Resurfacing addresses cracks or damage only on surface layers to avoid more expensive rehabilitation.

Working well: Road condition surveys

Statewide road condition surveys allow the department to forecast likely rates of deterioration and plan proactive maintenance, rather than reacting after a road fails.

This approach represents better practice asset management, helping to extend remaining useful life, prioritise maintenance works and reduce long-term costs.

Remaining useful life

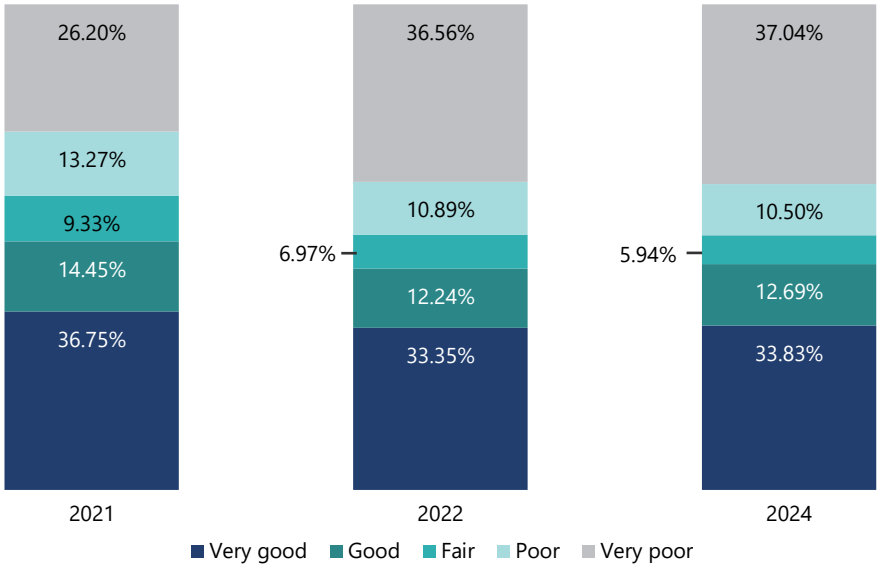
The department's 'remaining useful life' measure estimates the number of years before a road deteriorates to the point that it cannot be used safely without reducing access (for example, by reducing speed limits or limiting vehicle load masses). Remaining useful life is a useful measure of a road's structural integrity and overall condition.

The department's standards say ...	are rated as ...
roads with between 5 and 15 years of remaining useful life	poor.
roads with less than 5 years of remaining useful life	very poor.

Based on the department's standards, roads with less than 5 years of remaining useful life should be rehabilitated within one to 2 years to avoid access restrictions, subject to consideration of other measures at that location, such as very poor roughness or very poor rutting.

The proportion of state roads rated as very poor for remaining useful life increased from around 26 per cent in 2021 to around 37 per cent in 2024, as Figure 7 shows. This indicates significant deterioration in the network's structural condition and an increased need for maintenance.

Figure 7: Remaining useful life of the state road network



Note: The department did not commission a statewide survey in 2023. Data collected during the 2026 survey had not been validated by the department at the time this report was published. Percentages may not sum exactly due to rounding.
Source: VAGO analysis, based on the external provider's survey data, validated by the department.

Performance across the 4 other road condition measures

Across the remaining 4 road condition measures, from 2021 to 2024 the proportion of roads in poor or very poor condition has:

- increased for roughness and rutting
- decreased for cracking and texture, as Figure 8 shows.

Figure 8: Proportion of state roads in poor or very poor condition

Year	Roughness	Rutting	Cracking	Texture
2021 survey	22.42%	6.89%	9.24%	19.45%
2024 survey	23.73%	8.46%	8.56%	18.43%
Difference	+1.31%	+1.57%	-0.68%	-1.03%

Note: View changes in road condition by region, category, or road name in this report's dashboard. Figures in the report and dashboard are rounded. Data collected during the 2026 survey had not been validated by the department at the time this report was published.
Source: VAGO, based on the external provider's survey data validated by the department.

Over the same period, the proportion of roads in good or very good condition has:

- decreased for roughness and rutting
- increased for cracking and texture, as Figure 9 shows.

Figure 9: Proportion of state roads in good or very good condition

Year	Roughness	Rutting	Cracking	Texture
2021 survey	64.35%	86.61%	86.64%	74.61%
2024 survey	62.73%	84.72%	87.51%	75.79%
Difference	-1.62%	-1.89%	+0.87%	+1.18%

Note: View changes in road condition by region, category or road name in this report's dashboard. Figures in the report and dashboard are rounded. Data collected during the 2026 survey had not been validated by the department at the time this report was published.
Source: VAGO, based on the external provider's survey data validated by the department.

The department's technical standards say roads that are rated as very poor for roughness should be rehabilitated. Based on the 2024 survey results, the department rated around 10.3 per cent of its network very poor in terms of roughness. But during the 2024–25 planned works season, the department rehabilitated only 0.4 per cent of state roads.

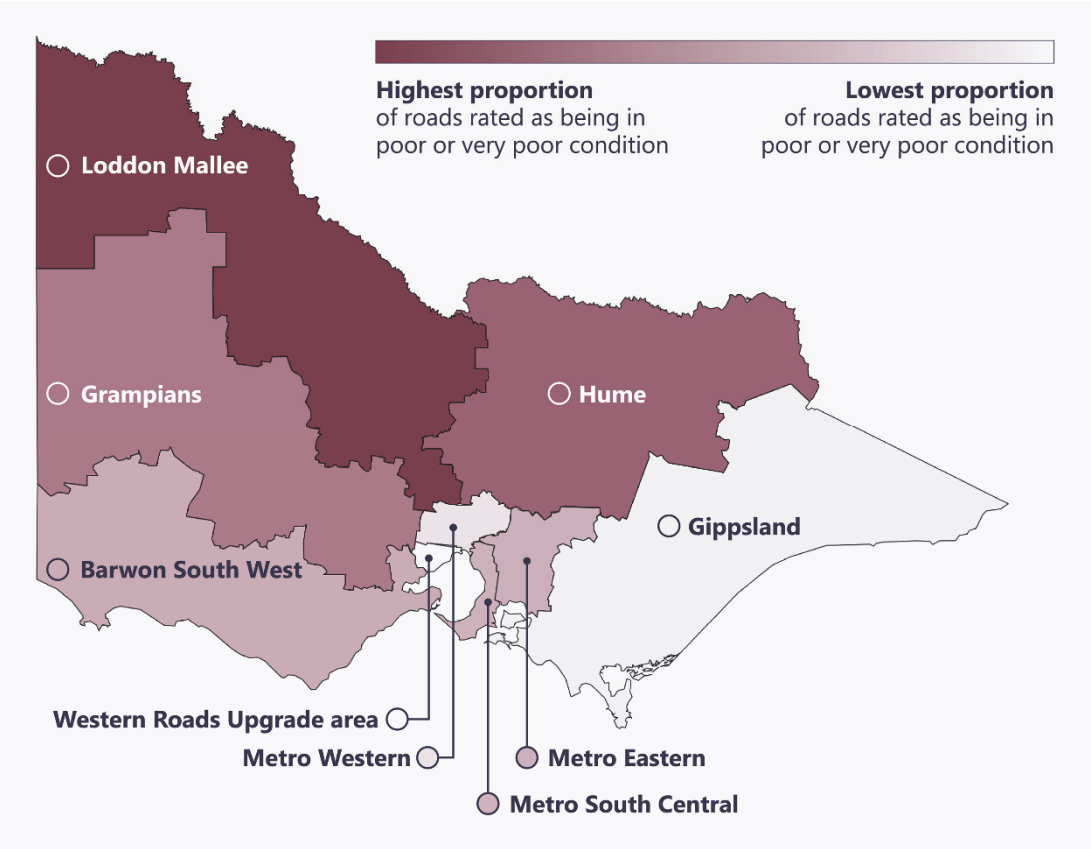
Refer to Appendix D for rating descriptions.

Road condition varies between regions

Regional and metropolitan comparisons

Road condition varies across different regions of Victoria, as Figure 10 shows.

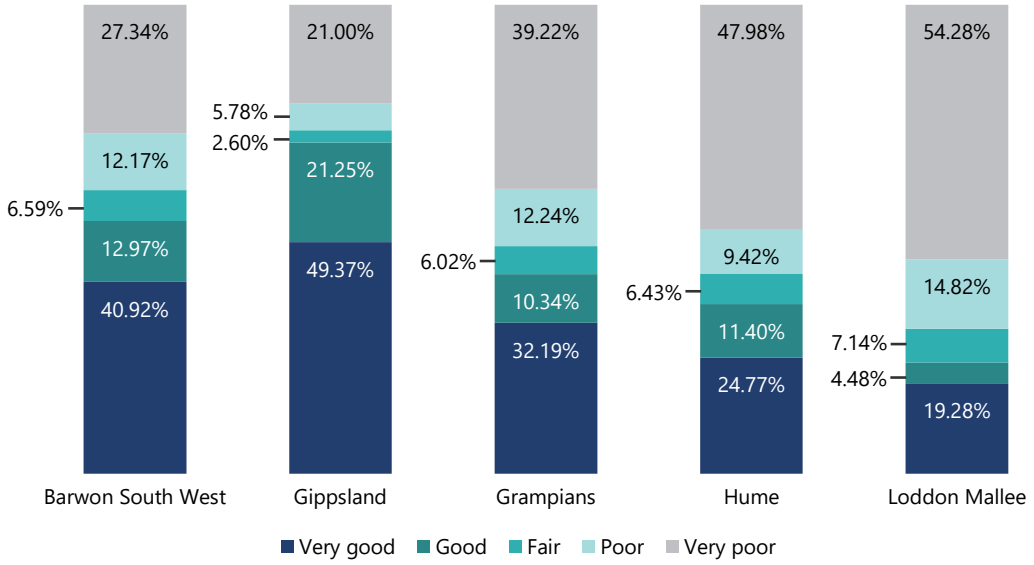
Figure 10: Map of Victoria showing regions' relative road condition based on remaining useful life



Source: VAGO, based on information from the department.

Figure 11 shows the remaining useful life measure in regional Victoria for 2024. The proportion of roads rated poor and very poor was highest in the Loddon Mallee region.

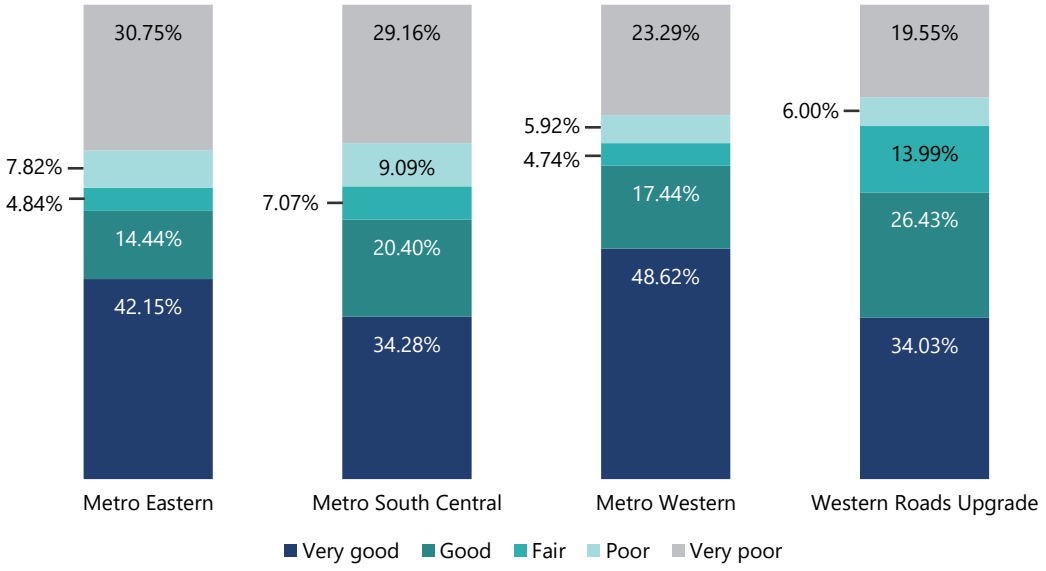
Figure 11: Remaining useful life of state roads in regional Victoria in 2024



Note: Data collected during the 2026 survey had not been validated by the department at the time this report was published. Figures in the report and dashboard are rounded.
Source: VAGO, based on the external provider's survey data, validated by the department.

Figure 12 shows the remaining useful life measure in 2024 for the 4 regions that make up metropolitan Melbourne. The proportion of roads in overall poor and very poor condition was highest in the Metro Eastern region.

Figure 12: Remaining useful life of state roads in metropolitan Melbourne in 2024



Note: Data collected during the 2026 survey had not been validated by the department at the time this report was published. Figures in the report and dashboard are rounded.
Source: VAGO, based on the external provider's survey data validated by the department.

Performance reporting does not provide transparency about road condition

Department performance measures

The department uses annual performance statements to report against 15 road maintenance targets. These include the length of road meeting the department's standard for roughness, rutting and cracking.

But this reporting does not provide public transparency about road condition.

This is because …	which means that …
the department has not publicly defined the standard it uses to report against	there is no transparency about what constitutes good performance.
the threshold for roads meeting the standard is low	the department reports a relatively favourable view of road condition compared to other data.

For example, in its 2024–25 performance statement, the department reported that 95.3 per cent of regional roads met the roughness standard. But the 2024 road condition survey found that in regional Victoria:

- 23.31 per cent of regional state roads were in poor or very poor condition for roughness (noting the survey uses a different measurement basis to the performance statements)
- 50.38 per cent were in poor or very poor condition in terms of remaining useful life.

The department also reports performance against targets for:

- resurfacing
- rehabilitation
- major patching (reported since 2024–25)
- the length of road maintained.

But none of these targets provide meaningful insight into the condition of the state road network or the expected impact of maintenance.

Major patching

Major patching is a structural repair of failed pavement involving removal and replacement of weak material.

While resurfacing and rehabilitation aim to restore or improve condition and extend the road's useful life, major patching is a shorter-term solution intended to slow further deterioration. It is generally reactive and has been used by the department to deliver targeted flood repairs.

Due to the high fixed cost of preparing for each major patching repair, the department considers it significantly more expensive per square kilometre compared to rehabilitation or resurfacing. This means major patching delivers comparatively poor value for money when a large volume of work is needed.

Refer to Appendix E for full list of the department's 15 public performance targets and results.

Key issue: The department does not have meaningful targets

Road condition targets should reflect the needs and reasonable expectations of road users. But the department has no government-endorsed targets for the 'acceptable' condition of the network.

The department's annual performance measures (as shown in Appendix E) are based on available funding, rather than on a defined condition or service level that the department aims to achieve.

The department's internal draft 10-year road maintenance strategy includes a target for road condition. But this has not been endorsed by the government and is not consistently referenced in the department's maintenance planning documents.

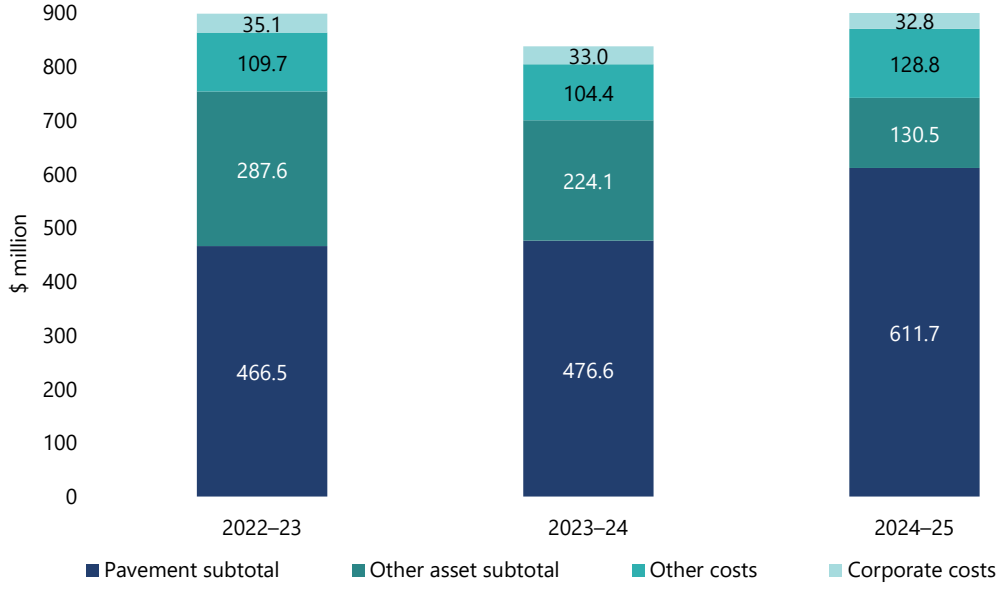
Without agreed targets to work towards, it is difficult for the department to plan long-term maintenance strategies, consistently identify performance gaps and demonstrate that it is prioritising works to address them.

There is a substantial and growing maintenance backlog

Maintenance funding and expenditure

The department allocates most of its road maintenance funding to road pavements. Road pavement spending increased from $466.5 million in 2022–23 to $611.7 million in 2024–25, as Figure 13 shows.

Figure 13: Total road asset maintenance spending



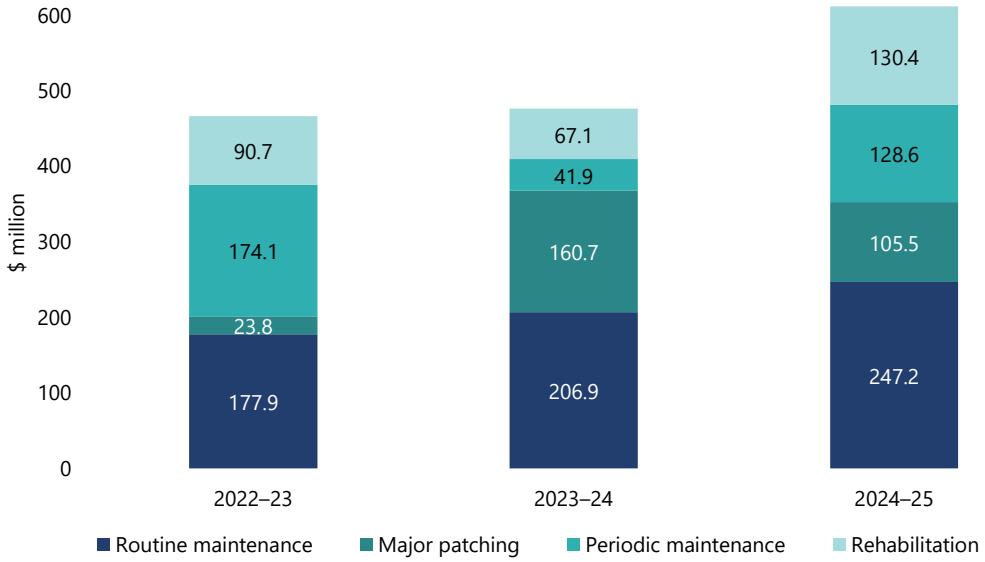
Note: 'Other costs' relates to support and enabling costs, Intelligent Transport Systems, and the Peninsula Link public–private partnership.
Source: VAGO, using the department's data.

We did not analyse earlier years because the department could not provide its road pavement expenditure before 2022–23.

For road pavements, most spending has been on routine and periodic maintenance, as Figure 14 shows. But the department did not track routine maintenance costs for road pavements separately from other road assets before 2024–25, so the costs are combined.

Though the time series is limited, relatively less funding has been made available for rehabilitation works that would help to address the decline in the network's condition.

Figure 14: Road pavement maintenance spending



Note: 'Routine maintenance' is for road pavements and other assets.
Source: VAGO, using the department's data.

Asset renewal ratio

Financial indicators suggest that investment in maintaining state roads has not kept pace with depreciation. This is consistent with the deterioration identified in road condition surveys.

We calculated the asset renewal ratio for road pavements. It averaged 0.16 between 2022–23 and 2024–25, which indicates significant underinvestment.

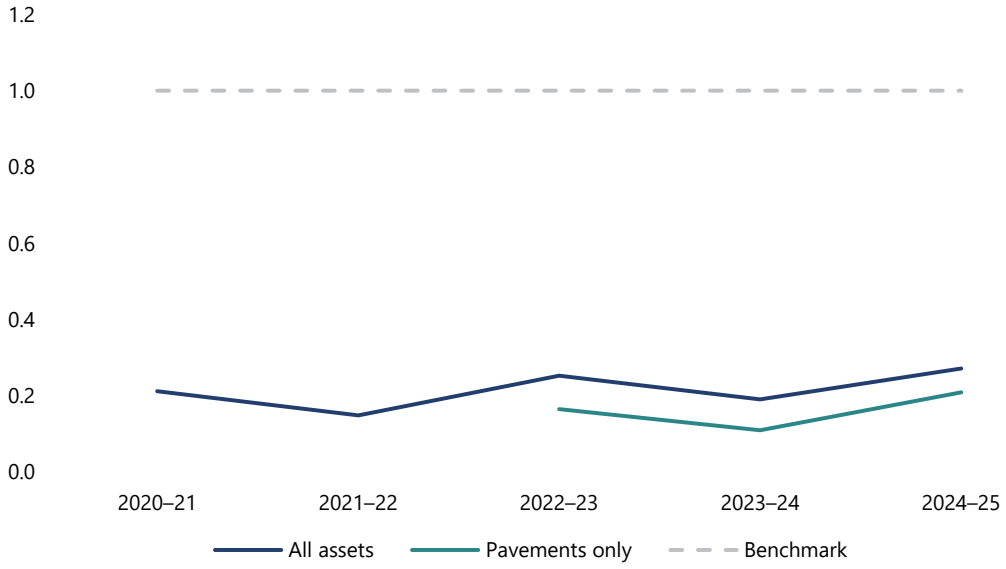
Asset renewal ratio

An asset renewal ratio measures the amount of money spent renewing an asset as a ratio of its depreciation. A ratio:

- of one indicates investment matches depreciation and is enough to preserve the asset's current condition
- below one indicates investment is not keeping pace with depreciation and may lead to faster deterioration in asset condition and shorten an asset's life
- above one indicates investment exceeds depreciation and may extend an asset's life.

The department could not provide road renewal data for road pavements only before 2022–23. Because of this, we calculated the asset renewal ratio for all road assets (including road pavements, bridges and drains) from 2020–21 to 2024–25. This ratio was also well below one, as Figure 15 shows.

Figure 15: Asset renewal ratio



Source: VAGO, based on expenditure data provided by the department.

Asset impairment

The department estimates that the value of roads' accumulated asset impairments from 2020–21 to 2024–25 was more than $1.34 billion, as shown in Figure 16.

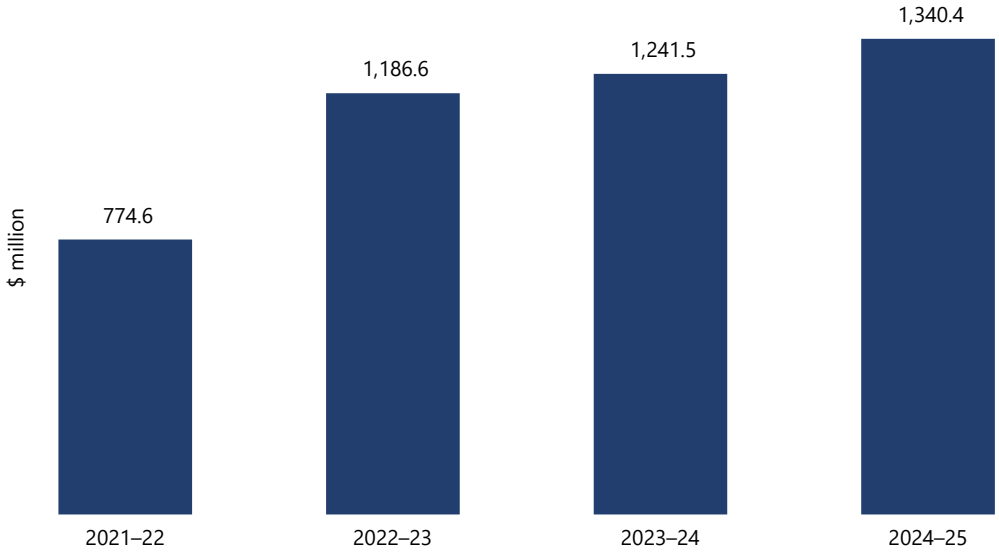
This also indicates a growing maintenance backlog because the road network's condition and life span are declining faster than the pace of maintenance and renewal.

Asset impairment

An asset impairment in this context is where a road's condition results in a loss of service potential beyond normal depreciation.

The department accounts for asset impairments by reducing the value of the road network based on the road's condition, life span and an estimate of the restoration work needed.

Figure 16: Accumulated asset impairment value for roads



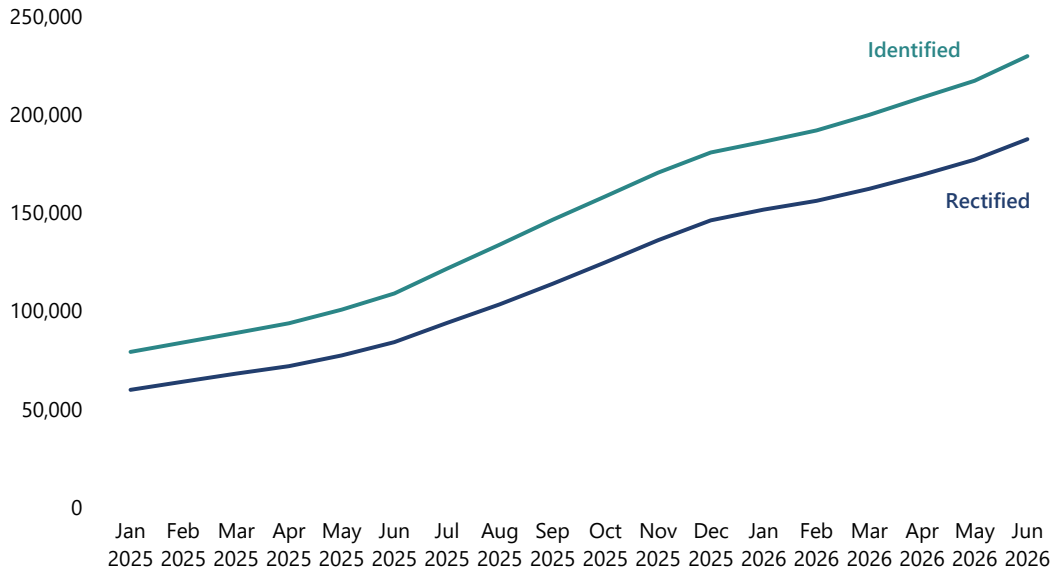
Note: Accumulated impairment is factored into carrying value as at end of financial year.
Source: VAGO, based the department's data.

Routine maintenance defects are accumulating

Routine maintenance data provides another indicator of growing maintenance needs. Defects are signs of deterioration or damage, such as potholes, cracking, rutting and failed sections. Hazards are the most severe category of defects.

As Figure 17 shows, there is a widening gap between the number of defects identified and rectified over time.

Figure 17: Cumulative number of defects identified and rectified



Note: Defect data in this figure is based on defect job records, which are created by contractors and collated by the department. In some cases, a single job record may represent multiple defects identified at the same location. This graph excludes records unrelated to road condition, such as issues with signage, guide posts, obstructions and linemarking. It also excludes records with incomplete or inconsistent asset, status and defect type information, as well as those that were cancelled or recorded as 'no action required'.
Source: VAGO, based on data recorded by routine maintenance contractors and provided by the department.

The department has advised the government that funding is not sufficient

Department advice

The department has identified several key challenges for maintaining the road network, including:

- rising costs of maintenance reflecting input cost changes
- increasing population and demand on roads
- ageing assets and historical underinvestment
- a growing road network
- recent major floods.

The department has advised the government that it considers funding levels are insufficient to maintain or improve the condition of the road network.

During the 2026–27 Budget process the department also provided advice that, under existing funding allocations, maintenance is increasingly focused on reactive and safety-critical repairs rather than planned, preventative works that sustain asset condition over the long term.

It said the result is an ongoing decline in network performance, with visible impacts on road condition, ride quality and user experience.

Budget funding

In recent years, total road asset management funding has been around $900 million to $1 billion per year (see Figure 4 above). The department's 2026–27 road maintenance business case, informing the state Budget process, estimated it would cost more than $3 billion per year to maintain road pavement condition at existing levels while replacing age-expired assets.

But recognising fiscal constraints, the department sought a 'minimal' level of funding required to:

- commence replacing at-risk structures (such as bridges)
- increase the number of road maintenance defects rectified
- slow the deterioration of the road network.

Over the period from 2026–27 to 2029–30, the department's business case sought gross additional funding of $2.11 billion in output funding and $979.4 million in asset funding. This included the release of approximately $825.2 million held in contingency. Output and asset funding outcomes from the 2026–27 state Budget are shown in Figure 18.

Figure 18: Additional road maintenance funding

	Output funding		Asset funding	
Year	Sought	Received	Sought	Received
2026–27	$513.1m	$336.9m	$222.5m	$150.2m
2027–28	$541.3m	$100.0m	$237.4m	$125.0m
2028–29	$510.6m	$125.0m	$255.8m	$125.0m
2029–30	$541.8m	$150.0m	$263.8m	$150.0m

Source: VAGO, based on information from the department and state Budget papers.

Under the department's proposal, road maintenance funding (covering all road assets) would increase to around $1.18 billion per year on average. The department advised that this level of investment would slow the ongoing deterioration of road pavements but would not be sufficient to improve their overall condition.

Total budget funding for road asset management in 2026–27 was $1.04 billion. There were no committed amounts beyond 2026–27, noting there has been early release of part of the funding contingency.

The department's business case also presented higher-investment options that would improve pavement condition. Under one of these options, annual investment in pavement resurfacing and rehabilitation would increase to $1 billion. This option was forecast to improve pavement condition over time.

Recent government funding announcement

On 30 August 2026, the government announced an extra $352 million of funding to double the number of potholes fixed this year.

The department told us this funding is additional to the $1.04 billion already allocated to road asset management in 2026–27. This means the total road asset management funding for 2026–27 is approximately $1.39 billion.

This announcement happened after we completed our audit, so it falls outside of its scope and is not reflected in our findings.

4.

Deciding maintenance priorities

The department's approach to maintenance planning combines data modelling and visual inspections. This provides it with reliable, statewide insights into road condition and maintenance needs.

But the department does not always clearly document why it prioritises some sites over others or how it balances competing considerations.

Fragmented information and systems also limit its ability to identify the most cost-effective maintenance interventions.

Covered in this section:

- The department does not always clearly document why it prioritises sites for maintenance
- The department does not make sure routine maintenance matches its priorities
- Fragmented and sometimes poor data limits maintenance decision-making

The department does not always clearly document why it prioritises sites for maintenance

Identifying options for planned maintenance

The department's planned maintenance program is a list of intensive maintenance options (such as resurfacing and rehabilitation) that it plans to deliver each financial year.

The program includes estimated costs and is approved by the department's Secretary.

To identify options for its program, the department develops 2 draft programs. It then selects sites depending on available funding.

The draft programs are the …	which is based on …	But …
ground program	visual road inspections by the department's staff, who identify specific maintenance needs and rank sites, considering factors such as: • safety hazards • defect type • road geometry • freight routes • the impact of lane closures.	the department has not clearly documented how it weighs different criteria when ranking sites, or its reasons for prioritising some sites over others.
modelled program	a commercial software tool that estimates the optimal combination of works for a given budget and investment, prioritising higher category roads (such as categories 1 and 2).	the software identifies works that would yield the highest possible network-level benefit, so it may not always identify the most cost-effective option for a single site. This outcome is expected for large and complex networks.

The modelled program estimates the optimal combination of resurfacing and rehabilitation works that can be delivered for a given budget. The modelled program splits funding across different road categories and between metropolitan Melbourne and regional Victoria.

The modelled and ground programs each provide a perspective on maintenance need. But the department does not consistently document how sites are assessed within the ground program, or how differences between the 2 programs are resolved.

Ground program selection

To select sites for the ground program, the department:

- visually inspects the road network and rates sites needing planned maintenance based on how critical the work is
- selects which sites are suitable for the final ground program. To do this, in addition to its ratings, the department considers whether sites:
  - have been raised as a concern by its maintenance contractors or local councils
  - are on heavy vehicle freight routes
  - were rehabilitated or resurfaced in a previous year and require a final seal
  - present an opportunity to realise a cost-efficiency (for example, by combining works).

But the department does not apply a consistent approach to documenting inspection outcomes.

Key issue: Unclear basis for ground program selection

The department's policies say that sites with both severe and extensive defects should be rated as 'safety critical'. But we reviewed visual inspection records where the department's staff:

- noted how severe defects were but not how extensive
- did not describe factors relevant to how critical the work is, such as speed limit, road geometry and road maintenance category
- gave 'safety critical' and 'critical' ratings to locations with seemingly very similar defects, without giving reasons for the different ratings.

Available documentation does not always show how criticality assessments were reached.

Selecting sites for the final program

To select and prioritise sites for the final planned maintenance program, the department:

- compares how the modelled and ground programs split investment between road maintenance regions, and between regional Victoria and metropolitan Melbourne
- examines differences to understand reasons for any discrepancies
- selects sites from both programs to form the final planned maintenance program.

The department says the process is informed by existing criteria, sound engineering knowledge, local knowledge of the road network, and professional judgement.

But in practice there is limited evidence of how the department reconciles its 2 draft programs, or what factors it uses to determine site selection.

We found the department ...	**For example, when the ...**
lacks clear criteria and rules.	draft programs propose: • similar investments for a road maintenance category, the department has no documentation showing which program it should choose its sites from and why • different investments, the department has not documented what variance threshold requires investigation.
does not always document the rationale for its decisions.	ground program proposed more investment in category 3 roads than category 2 roads, compared to the modelled program which proposed a more even split, the department found the: • category 3 roads were at risk of failing without immediate intervention, and that they are high-profile locations with significant community feedback • the category 2 road was lower risk. While the department identified reasons for preferring category 3 roads in this case, it did not document how it weighted those factors against competing priorities elsewhere in the network. As a result, it is difficult to know if similar circumstances would result in consistent decisions across locations.

The lack of documentation of decision-making limits the department's ability to:

- justify why certain sites were chosen
- show that sites are chosen based on a consistent methodology and set of criteria
- show consistency in its prioritisation processes.

The use of professional judgement in maintenance planning is reasonable. But where judgement materially influences site selection, the department should document the factors it considered and its rationale for these decisions.

Ground program versus modelled program

Most sites in the final planned maintenance program align with the modelled program, which seeks to optimise maintenance given available funding.

In 2025–26, around 80 per cent of sites matched the modelled program. But the department does not always clearly document the reasons for selecting ground program sites that do not match with the modelled program.

Aside from this, the department says the final planned maintenance program is expected to deliver network condition outcomes similar to the modelled program. It noted there is no material difference in network-level performance when comparing the modelled and final programs because the scale of maintenance it can complete is constrained by the limited available funding.

Integrated maintenance planning

Road condition is directly impacted by the condition of adjacent assets. For example, drainage assets and roadsides that are poorly maintained can cause water to pool and infiltrate the road.

This means the condition of other assets should also be considered as part of an integrated road maintenance strategy.

Currently, the department does not have complete and reliable data for many of its road-adjacent assets. This means that it cannot fully realise the potential for more integrated and cost-effective road maintenance.

The department does not make sure routine maintenance matches its priorities

Importance of routine road maintenance

Effective routine maintenance aims to identify and rectify minor defects as they occur to slow deterioration, minimise safety hazards and reduce long-term costs by reducing the need for more expensive repairs.

Prioritising routine maintenance

The department lacks an effective process to verify if routine maintenance contractors are rectifying defects in line with the department's priorities and requirements. This limits the department's ability to show that routine maintenance work delivers maximum value from available funding.

Under the Victorian Road Maintenance Contracts, the department requires contractors to:

- develop, implement and submit a methodology for prioritising their works
- make sure the methodology aligns with the department's priorities as outlined in the department's road maintenance standard (Section 750PB), which include:
  - hazards to be fixed first, followed by high-priority defects
  - all other defects to be prioritised considering severity, age, location and complaints
  - no defect to remain on the network beyond 1.5 times the average age for defects of the same type
- submit a monthly routine maintenance program (a list of defects that a contractor has prioritised for that month) for the department's approval. Contractors do not include hazards in these monthly programs as they must rectify hazards within the department's timeframes. The department provides separate fixed funding for this.

High-priority defects

High-priority defects are defects that the department considers are 'causing community nuisance and/or concern', such as where the defect is:

- not a hazard, but its nature and location present an elevated risk to public safety
- located within a high-speed intersection (80 kilometres per hour limit), or within 50 metres of an intersection or freeway interchange (including all ramps, turning lanes and slip lanes)
- located in an area with a high concentration of retail, commercial, tourism or community activity
- the subject of multiple independent complaints from the public.

Contractors must also submit monthly routine maintenance programs for the department's approval. When developing the program, the Victorian Road Maintenance Contracts require contractors to consider:

- the department's budget constraints
- opportunities to realise cost-efficiencies and minimise community disruptions (such as by combining works)
- opportunities to be proactive in preventing emerging defects.

But we found that since Victorian Road Maintenance Contracts started:

- only one of 4 contractors has provided its methodology to the department for review
- there is no procedure to check if contractors prioritise defects requested by the department
- there is no procedure to check if contractors prioritise defects older than 1.5 times the average defect age
- monthly programs contain minimal information about how contractors selected between defects of equal severity.

The department's assessment of its contractors' monthly routine maintenance programs does not clearly show that it evaluates how they align with its defect rectification priorities. Of the programs we reviewed, almost all of the department's comments focused on checking the quality of the defect data.

Fragmented and sometimes poor data limits maintenance decision-making

Planned and routine maintenance

Routine and planned maintenance preserve roads in different ways.

Routine maintenance ...	Planned maintenance ...
is mostly reactive, minor and inexpensive repairs, such as filling potholes.	is programmed works that are more extensive and costly, such as resurfacing and rehabilitation.
keeps the road operational and safe on a daily basis, such as by removing immediate obstructions.	are interventions to extend or renew a section's service life.
may help to slow deterioration but does not improve or restore the road's service life.	includes: • surface interventions like resurfacing, that slow deterioration by preventing water infiltration, and delay more costly rehabilitation works • rehabilitation, which restores the road back to its original condition and structural integrity.

Routine and planned maintenance should be coordinated through shared data and systems, and integrated planning processes to support the department to make informed decisions.

For example, frequent routine maintenance may mean a longer-term solution, like resurfacing, would be more cost effective. Coordinating works can also reduce the risk of unnecessary duplications.

Lack of coordination

The department develops its routine and planned maintenance programs separately, with minimal information sharing or joint planning. This means there is a risk that the department is missing opportunities to make more cost-effective investment decisions.

The department ...	But ...	This means ...
uses modelling software and visual inspections to identify sections for the planned maintenance program.	the software does not consider defect data, routine maintenance works or costs	• it cannot accurately estimate whole-of-life maintenance costs of its network • it is not fully using its own data to make informed decisions about a section's priority or consider more cost-effective options to maintain it.
	it does not always use defect and routine maintenance data to inform ground program development.	
says that routine and planned maintenance teams share their work programs and meet monthly to discuss and coordinate upcoming and future projects.	monthly meetings only started in February 2026 and the minutes do not record the discussions that the department says happened.	we cannot verify the department's claim.
collects key and real-time information, including on: • state roads inventory • maintenance history and scheduled maintenance programs (routine and planned) • data from road pavement condition surveys and routine maintenance inspections.	the department does not have a central location for collating data. Instead, it stores this information in different forms and systems, which are not all compatible and capable of being integrated.	it does not have easy access to integrated data to facilitate coordination and efficient decision-making.
	the department has acknowledged that useful operational defect data is not being systematically used to shape the planned maintenance program.	planned maintenance is not drawing on all relevant network intelligence, so opportunities for more cost-effective interventions may be missed.

The department said that it began consolidating all road pavement data in a central, enterprise-wide asset management system in January 2026.

5.
Oversight of contractors

The department can improve its oversight of maintenance contractors.

Gaps in inspection coverage, follow-up and verification processes reduce the department's ability to detect and address quality issues, particularly for routine maintenance.

Covered in this section:

- The department has defined standards for maintenance contractors
- The department has limited assurance over the quality of works

The department has defined standards for maintenance contractors

Maintenance standards

Routine and planned maintenance contractors are accountable for their performance under:

- their contracts with the department
- the relevant road maintenance standards.

Under Victorian Road Maintenance Contracts, continued failure to meet minimum requirements for acceptable performance triggers financial consequences. Good performance provides additional access to deliver works under the planned maintenance program.

Key performance requirements for routine maintenance relate to:

- responding to hazards within mandatory timeframes
- accurately completing network inspections and recording data
- meeting quality standards for maintenance work.

Planned maintenance works are also subject to individual project contracts, which:

- require contractors to comply with relevant standards
- set project completion dates.

The department is responsible for validating information reported by contractors and for enforcing its standards. The effectiveness of the department's oversight depends on it doing this and making sure that any non-compliant work is rectified.

Surveillance inspections

The department has a surveillance team that reviews contractors' network inspections and inspects their routine and planned maintenance activities, subject to available resources. These inspections are a key part of the department's quality assurance strategy.

The department has limited assurance over the quality of works

Quality inspections – routine maintenance

The department does not have targets for routine maintenance quality inspections. The number and type of checks it does depend on the discretion of individual surveillance officers and quality assurance team leaders.

The absence of a consistent strategy has resulted in significant variation between maintenance regions in the number and type of works inspected.

Of routine maintenance works inspected by the department from July 2024 to December 2025, it assessed around:

- one in 4 as non-compliant or lacking sufficient evidence for a full assessment
- one in 8 as defective and requiring rework.

Common causes for non-compliance include a poor-quality finish and use of incorrect materials.

But the department does not have a process to track whether reworks achieve quality standards or happen within the timeframe required by the routine maintenance standards.

Under current processes, the department cannot easily verify that defective works are recorded and managed as rework jobs within contractor systems. This limits its visibility over rectification work and associated payments, and creates a risk that contractors claim payment twice.

The combination of low inspection coverage, a high non-compliance rate and a lack of effective monitoring and enforcement increases the risk of defective maintenance.

Quality inspections – planned maintenance

For rehabilitation and resurfacing works, the department requires contractors to provide evidence that quality standards have been met for key stages of projects.

Depending on the type of work, the contractor must give the department quality assurance documents. This includes inspection and testing plans, which identify the inspections and tests required to verify that works have been completed to the required standards. The department told us that it checks these documents before certifying that work is complete.

But the department does not have a centralised system to store and track quality assurance documents prepared by contractors, including inspection and testing plans. As a result, it cannot efficiently and systematically monitor compliance with testing requirements or readily demonstrate that required inspections and tests have been completed across planned maintenance works.

Beginning in 2026, the department has arranged independent quality assurance audits for selected rehabilitation and resurfacing projects. Four audits have been completed. Audits reviewed the adequacy of contractor quality control processes and found numerous gaps, including in processes for verifying that subcontracted work meets quality requirements. This indicates that the existing framework may not be sufficient to ensure quality requirements are consistently met.

The department's surveillance team and project managers also perform on-site quality inspections. The department told us that it prioritises hold point inspections (which are key construction milestones that must be witnessed by the department's representative for works to continue). It told us that it makes every effort to make sure hold point inspections occur. However, we identified instances where required hold point inspections did not occur.

Contractor network inspections

Contractors must inspect every road at least once a month to identify and accurately record any hazards or defects.

This data supports prioritising routine works and processing the contractor's claims for payment.

The department's surveillance team aims to inspect the quality of about 10 per cent of records provided by contractors. While this is not a structured risk-based assurance strategy, the

department told us that it focuses on checking contractors' hazard records. These checks frequently identify quality issues.

For example …	the department's records show …
in one road maintenance region in metropolitan Melbourne	of 118 road-related hazard notifications it issued: • 55 per cent were for missed hazards • 12 per cent were incorrectly categorised hazards.
in one road maintenance region in regional Victoria	7 per cent of the 409 hazard records and 21 per cent of 1,632 defect records it checked had incorrect measurements.
in one road maintenance region in regional Victoria	10 per cent of 1,745 hazard records and 9 per cent of 9,448 defect records it checked had 'data issues considered incorrect' against the relevant standards.

Victorian Road Maintenance Contracts include key performance indicators for data quality. The department can apply non-conformance notifications and financial abatements for sustained underperformance.

The department has applied financial consequences for inaccurate identification of hazards and defects. But it has not applied consequences for other aspects of data quality where contractors have not met the required standards for a sustained period.

Key issue: Quality standards are not always enforced by the department

Gaps in the department's assurance systems undermine its oversight of contractors.

For example, the department …	But it …
issues non-compliance notifications to contractors with a mandatory 10-day response time.	cannot systematically track if contractors respond on time, because its notifications register does not include a field for due dates.
has applied financial consequences for inaccurately identifying hazards and defects.	has not applied consequences for data quality breaches, due to sustained difficulty meeting its standards.
has adapted an existing system to enable its assurance inspections.	does not require contractors to use compatible systems, meaning it is unable to verify all contractor records efficiently and to the same standard, in all regions.
	has read-only access to its contractors' systems, meaning it is unable to directly create rework jobs or record missed hazards and defects. Instead, the department generates an email to the contractor, which is expected to update its own system. But accountability for checking that contractors do this is not defined and it is unclear whether any checks occur.

Maintenance timeliness – hazard and defect response

The department sets timeframes for routine maintenance, but it does not effectively manage compliance. The department's road maintenance standards (Section 750PB) outline the timeframes for contractors to rectify hazards. This ranges from one hour to 2 weeks depending on the road maintenance category, and the nature and location of the hazard.

When a hazard cannot be rectified within the required timeframe, contractors must:

- make the site safe using temporary measures, such as appropriate warnings
- rectify hazards as soon as possible and no later than one week after the original required timeframe.

The department keeps a hazard register, which is mostly reported by contractors. We reviewed this register and found that 89 per cent of known hazards were recorded as having been addressed within the required timeframe.

Contractors are not required to rectify defects other than hazards. The exception is that no defect should exceed 1.5 times the average age of defects of the same type. The department could not provide evidence that it monitors compliance with this requirement.

Maintenance timeliness – planned maintenance

Project-level contracts set target completion dates for planned maintenance and allow the department to seek liquidated damages if projects are delayed without a valid reason.

The department told us there are often valid reasons for delays (such as weather) and that it grants contract variations on a case-by-case basis. It did not seek liquidated damages in 2024–25.

But weaknesses in the department's approach meant that for 2024–25, it could not show whether planned works projects were delivered on time. This is because:

- the department tracked the completion of contract works packages, but did not track the completion of individual projects
- contractors do not always request variations at the time delays occur. The department's supervisors typically are not on site to verify the cause of delays, so it must rely on information provided by contractors.

6.
Appendices

There are 6 appendices covering responses from audited agencies, terms used in this report and information about how we perform our work.

Appendix A:
Submissions and comments

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

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

Responses received

Response provided by the Secretary, the Department of Transport and Planning

Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-26-3569

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

Dear Mr Greaves

Victorian Auditor-General's Office - Maintaining state roads - Proposed report

Thank you for your letter of 13 August 2026 inviting the Department of Transport and Planning (the Department) to respond to the Maintaining state roads proposed report (the Report).

Victoria's state road network, spanning more than 23,000 kilometres, is a critical public asset that underpins the state's economic prosperity and connectivity. Maintaining a network of this scale requires the coordinated effort of dedicated road maintenance crews and support staff who work across the network every day to identify hazards, undertake essential repairs and deliver long-term maintenance activities.

The Department notes that while the Report's primary focus is the condition and maintenance of road pavements, the road maintenance program encompasses a broad range of assets that are essential to the operation of the network, including bridges and other structures, drainage, traffic signals, street lighting, CCTV and other roadside infrastructure.

The demands placed on the road network continue to increase. Higher general traffic volumes, growing freight movements, heavier vehicles and more frequent extreme weather events are accelerating pavement wear and creating greater complexity in maintaining road infrastructure across the state.

In response to these challenges, the Department has undertaken significant reforms in recent years. Central to this work has been establishing the Victorian Road Maintenance Contract model, which has strengthened accountability, improved oversight of contractor performance and supported a data-driven approach to maintenance planning. These reforms provide a stronger foundation for directing resources to the areas of greatest need and maximising benefits to the network of maintenance activities.

VICTORIA State Government

The Department acknowledges the opportunities for further improvement identified in the Report and is committed to strengthening its practices and capabilities in these areas. The enclosed action plan sets out the specific actions that will be taken to address the Report's recommendations and build on the reforms already underway

Yours sincerely

Jeroen Weimar
Secretary

26 August 2026

Encl: DTP management action plan – Maintaining state road

DTP action plan

Maintaining state roads

The Department of Transport and Planning (DTP) action plan to address the recommendations from the Victorian Auditor-General's Office *Maintaining state roads* report:

No	VAGO recommendation	DTP response	Due date
1	To improve public insight into road condition by updating public reporting using metrics that better reflect the condition of road pavements.	**Accept in principle** DTP acknowledges the importance of public reporting on the condition of road pavements. While DTP supports the intent of the recommendation to refine performance reporting, it cannot fully accept the recommendation as the final implementation of specific performance measures is not determined by DTP. DTP reports its performance in compliance with the Department of Treasury and Finance's (DTF) *Resource Management Framework and* will consider the report's findings in the development of performance measures for 2027/28. These measures will be presented to Government for its consideration.	30 June 2027
2	Track and publicly report road maintenance backlogs.	**Accept in principle** DTP, in consultation with DTF, will explore viable opportunities to track and publicly report on the road maintenance backlog. These opportunities will be presented to Government for its consideration.	30 June 2027
3	Further define site selection criteria for the final planned maintenance program and establish a standard for documenting the reasons for decisions that depart from the modelled program.	**Accept** As part of the reforms implemented, DTP is in the second cycle of a new integrated planned maintenance program selection process. DTP will continue to embed this during the development of the 2027/28 planned maintenance program, including documenting the rationale for decisions that depart from the system modelled program.	30 November 2027

No	VAGO recommendation	DTP response	Due date
4	Improve processes to coordinate routine and planned maintenance and clearly document the rationale for choosing a rectification approach.	**Accept** As part of the reforms implemented, DTP is embedding new ways of working with the routine and planned maintenance teams. The process for selection of rectification will be reviewed and updated to ensure an appropriate mechanism to capture the rationale for selection of a rectification approach is included.	30 November 2027
5	Develop and implement a strategy to collect fit-for-purpose data on drainage assets that impact pavement condition and integrate these datasets into maintenance planning.	**Accept** DTP has recently completed an assessment of drainage assets. This data is being integrated into the road condition dataset to inform maintenance planning. As part of the reforms implemented, DTP is in the second cycle of a new integrated planned maintenance program selection process. DTP will continue to embed this during the development of the 2027/28 planned maintenance program, including documenting how drainage data that impacts pavement condition is included in the modelling and planning of maintenance activities.	30 November 2027
6	Strengthen its processes to obtain greater assurance that maintenance activities meet required standards.	**Accept** DTP will review its current processes, with consideration of available resources and existing contract requirements, to identify opportunities to strengthen its assurance that maintenance activities meet required standards. For identified opportunities, a work plan will be developed, noting that some changes may be reliant on changes within contracts.	30 November 2027

Appendix B:
Abbreviations, acronyms and glossary

Abbreviations

We use the following abbreviations in this report:

Abbreviation	Full spelling
the department	Department of Transport and Planning

Acronyms

We use the following acronyms in this report:

Acronym	Full spelling
VAGO	Victorian Auditor-General's Office

Glossary

The following terms are included in or relevant to this report:

Term	Explanation
Level of assurance	This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance. We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements **assurance reviews** and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem.' See our assurance services fact sheet for more information.
Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these **performance audits**. See our assurance services fact sheet for more information.

Appendix C:
Audit scope and method

Scope of this audit

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
The department	Plans maintenance priorities, sets maintenance standards, and oversees the delivery of maintenance by contractors.

Our audit objective

Is the department achieving its road pavement maintenance objectives and delivering value for money?

What we examined

For the audit, we looked at the department's:

- standards and systems for collecting road condition and defect data
- tools and processes for planning and prioritising road maintenance
- frameworks and procedures for overseeing contractors and assuring the quality of road maintenance.

Aspects of performance examined

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

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
○	●	○	○

Key:

● Primary focus

● Secondary focus

○ Not assessed

Conducting this audit

Assessing performance

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

Line of inquiry		Criteria	
1.	Does the department have fit-for-purpose road pavement data?	1.1	The department collects pavement condition and maintenance data that is current, complete, accurate, relevant and consistent over time.
2.	Does the department effectively plan road pavement maintenance?	2.1	The department has a framework in place to identify maintenance needs that align with relevant road asset management standards.
		2.2	The department prioritises maintenance in a way that minimises lifecycle maintenance costs.
3.	Does road pavement maintenance meet the department's standards, targets and road pavement maintenance objectives?	3.1	Maintenance undertaken is consistent with the department's identified priorities.
		3.2	Maintenance is completed on time, on budget, and to the department's specifications.
		3.3	Pavements are maintained in a suitable condition to deliver the department's targets and road pavement maintenance objectives.

Our methods

As part of the audit, we:

- reviewed the strategic frameworks, modelling processes and inspection methods to understand how the department analyses network condition and selects sites for maintenance
- reviewed the systems, observed the procedures and analysed the data that the department uses to monitor defects and assure the performance of contractors
- used the department's data to quantify the condition of the network and the defect backlog
- reviewed documents such as Cabinet briefings, road maintenance business cases, program schedules and Budget papers to understand the department's advice to the government and how much funding it had sought and received for road maintenance.

Level of assurance

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

Compliance

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

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

Cost and time

The full cost of the audit and preparation of this report was $825,612.

The duration of the audit was 13 months from initiation to tabling.

Appendix D:
Condition rating descriptions

The department uses survey results to provide an indicator of maintenance needs. Figure D1 describes these ratings.

Figure D1: Maintenance ratings and meaning

Rating	Road condition	Maintenance needs
Very good	Road is in essentially new condition	No maintenance currently needed
Good	Road displays minor defects	Only minor routine maintenance needed
Fair	Road displays minor to moderate defects but is still serviceable	Routine maintenance needed
Poor	Road displays moderate to significant defects but is still serviceable	Routine maintenance needed, with defects that require resurfacing
Very poor	Road displays significant defects that need resurfacing or rehabilitation, and may present road safety hazards	Significant ongoing maintenance needed to stay serviceable. If resurfacing is needed but delayed, rehabilitation will be necessary

Source: VAGO, based on information from the department.

Appendix E:
Department performance measures and results

Figure E1: Department performance measures and results 2020–21 to 2025–26

Performance measure	Unit	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26*
Road area major patched (inner metropolitan Melbourne)	m^2 ('000)	N/A	N/A	N/A	N/A	8	9
Road area major patched (outer metropolitan Melbourne)	m^2 ('000)	N/A	N/A	N/A	N/A	35	27
Road area major patched (regional Victoria)	m^2 ('000)	N/A	N/A	N/A	N/A	566	95
Road area resurfaced or rehabilitated (inner metropolitan Melbourne)	m^2 ('000)	N/A	561	266	64	342	262
Road area resurfaced or rehabilitated (outer suburban Melbourne)	m^2 ('000)	N/A	875	729	523	802	557
Road area resurfaced or rehabilitated (regional Victoria)	m^2 ('000)	14,112	11,478	9,029	422	3,290	3,574
Road network maintained (inner metropolitan)	m^2 ('000)	N/A	24,017	24,017	24,128	24,135	24,293
Road network maintained (outer suburban)	m^2 ('000)	N/A	31,760	31,760	31,988	32,130	32,130
Road network maintained (regional Victoria)	m^2 ('000)	173,410	173,533	173,641	173,660	173,660	173,660
Road length meeting cracking standard (metropolitan Melbourne)	per cent	95.3	90.5	87.4	84.8	87.6	84.9
Road length meeting cracking standard (regional Victoria)	per cent	97.5	98.5	98.4	98.1	98.4	98
Road length meeting roughness standard (metropolitan Melbourne)	per cent	93.1	93.3	92.4	92.3	92.3	91.5
Road length meeting roughness standard (regional Victoria)	per cent	93.6	95.9	95.7	95.5	95.3	95
Road length meeting rutting standard (metropolitan Melbourne)	per cent	95.6	97.6	96.5	95.7	97.8	96.7
Road length meeting rutting standard (regional Victoria)	per cent	98.4	98.4	98.3	97.9	97.7	97.3

Note: m^2 means square metres. N/A means this measure did not exist for that year. *2025–26 figures are expected outcomes.
Source: VAGO, based on the department's output performance measures.

In 2023–24, the results for 'road area surfaced or rehabilitated' measures were lower than in previous years. The department said this was because it reprioritised funding to undertake major patching on flood-affected roads.

The department introduced new measures to capture major patching in 2024–25.

Appendix F:
Dashboard data statement

Provision of data

Due to the volume of data used to build this audit's dashboard, we have included it as a separate Volume 2 to this report.

The data is also available as a set of downloadable CSV files, which can be found on this report's dashboard page on the VAGO website.

The content of Volume 2 and the CSV files is described in this appendix.

Data sources

We used 3 key data sources to build this audit's dashboard. They are the department's:

- geospatial data (publicly available on its Transport Victoria Open Data Portal), which shows the locations and names of state roads
- road condition dataset, which captures the condition of the state road network on 5 key measures, surveyed in sections of up to 100 metres
- defect dataset, which captures the location, type and status of pavement defects identified by the department's road maintenance contractors.

Figure F1: Description of dashboard data in Volume 2 and the CSV files

File name	Data description	Data volume
Remaining useful life	Dataset summarising the remaining useful life of the state road network on a 5-point scale, aggregated by road maintenance region, council area, road name and survey year	Rows: 4,353 Columns: 10
Roughness	Dataset summarising the roughness of the state road network on a 5-point scale, aggregated by road maintenance region, council area, road name and survey year	Rows: 4,353 Columns: 10
Rutting	Dataset summarising rutting of the state road network on a 5-point scale, aggregated by road maintenance region, council area, road name and survey year	Rows: 4,353 Columns: 10
Cracking	Dataset summarising cracking in the state road network on a 5-point scale, aggregated by road maintenance region, council area, road name and survey year	Rows: 4,353 Columns: 10
Texture	Dataset summarising the texture of the state road network on a 5-point scale, aggregated by road maintenance region, council area, road name and survey year	Rows: 4,353 Columns: 10
Defects	Dataset summarising identified and rectified state road pavement condition defects, aggregated by road maintenance region, council area, road name, defect type and month	Rows: 130,482 Columns: 11

Source: VAGO.

Auditor-General's reports tabled in 2026–27

Report title	Tabled
Delivering the Suburban Rail Loop (2026–27: 1)	August 2026
Maintaining State Roads (2026–27: 2)	September 2026

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

Our role and contact details

The Auditor-General's role

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

Our assurance services

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

Contact details

Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne Vic 3000
AUSTRALIA

Phone +61 3 8601 7000
Email enquiries@audit.vic.gov.au