

APPENDIX D

Audit and risk management

Audit and Risk Committee Chair's report for the year ended 30 June 2020

The Audit and Risk Committee is appointed by the Auditor-General to provide independent advice to assist them in the discharge of their responsibilities for the management of VAGO's risk, control and compliance framework, the external accountability responsibilities as prescribed in the *Financial Management Act 1994* and other relevant legislation and prescribed requirements.

All committee members are independent, non-executive members who are appointed by the Auditor-General for a term of three years and are eligible for reappointment subject to a formal review of the member's performance by the Auditor-General. All members have appropriate financial and industry expertise and an appropriate understanding of the operations of VAGO.

Lynne O'Brien has been Chair of the Audit and Risk Committee since 1 January 2019. The members of the Audit and Risk Committee for the year ended 30 June 2020 and their attendance at meetings are set out in Figure D1.

FIGURE D1: **Audit and Risk Committee members for the year ended 30 June 2020**

Committee member	Meetings held	Meetings attended
Lynne O'Brien	4	4
Julie Fahey	4	4
Peter Niblett	4	4

The responsibilities of the committee are defined in its charter, which is approved by the Auditor-General and delivers on the responsibilities set out in the Standing Directions under the *Financial Management Act 1994*.

The main responsibilities of the committee are to:

- independently review and report on the annual report and all other financial information published by VAGO

- assist in reviewing the effectiveness of VAGO's internal control environment, covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable legislation and regulations
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- maintain effective communication with external auditors
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- oversee the effective operation of the risk management framework.

In fulfilling its responsibilities, the Audit and Risk Committee has received operational management reports, risk management reports and briefings from the Auditor-General on issues affecting VAGO. During the year, the Audit and Risk Committee has considered:

- the closing report from the external financial auditor for the year ended 30 June 2020, which identified no significant issues
- status updates and review reports from the internal auditor, which include management's response to matters raised by internal audit, together with subsequent follow up
- VAGO's risk management reports and risk register
- systems of controls for gifts, benefits and hospitality and the Auditor-General's expenditure
- policies and procedures in place for the development of VAGO's annual plan and budget and resource planning
- impacts of COVID-19 on VAGO, including management actions in response to the pandemic and other COVID-19 related disclosures.

At the time of signing this report, the annual financial report for the year ended 30 June 2020 had been considered and recommended for adoption by the Auditor-General.

The Audit and Risk Committee has met in camera with the external financial auditors, the Auditor-General and the internal auditor. The internal audit function was provided by ShineWing Australia in 2019–20.



Lynne O'Brien
 Chair, Audit and Risk Committee
 25 August 2020

Risk management

Our risk management framework is developed in line with the *Victorian Government Risk Management Framework*, the Standing Directions 2018 under *the Financial Management Act 1994*, and the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2018).

We maintain effective risk governance through appropriate internal management structure and oversight arrangements. Each enterprise risk is assigned to a member of the Operations Committee, who is responsible for ensuring the risk is effectively managed. The enterprise risk register is considered by our Audit and Risk Committee at each of its meetings.


During 2019–20, we:

- refreshed and updated our enterprise risks in line with our *Strategic Plan 2017–2021*
- continued to undertake an in-depth monthly focus on current and emerging risks
- reviewed and reassessed our risk management framework, including the risk appetite statement and business unit operational risk registers.
- refreshed our enterprise risk register in November 2019. We have identified 11 enterprise risks:

	Risk
1	External events or changes undermine our role and powers in Victoria's integrity system and diminish our impact
2	Failure of practice and project management delaying and/or denying the fulfilment of our plans
3	Serious breaches of the Act, <i>Financial Management Act 1994</i> and <i>Public Administration Act 2004</i>
4	Failure to capitalise on modern technologies and work practices to ensure our continued relevance and reach
5	Failure to influence public service accountability and performance
6	Unauthorised disclosure and/or breaches of information
7	Final audit product is of poor quality
8	Failure to meet auditing and assurance standards in the conduct of audits
9	Control environment does not support management of conflicts of interest, fraud and corruption, compliance and sound financials
10	Misalignment of staff and leadership with VAGO values
11	Ineffective sourcing and development of high-quality human capital (staff and third-party providers)

Victorian Auditor-General's Office Financial Management Compliance Attestation Statement

I, Andrew Greaves, certify that the Victorian Auditor-General's Office has complied with the applicable Standing Directions 2018 under *the Financial Management Act 1994* and Instructions.



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

25 August 2020

Internal audit

ShineWing Australia was appointed as our internal auditor in October 2019. The internal auditor reports to our Audit and Risk Committee and the Auditor-General. The following reviews were carried out in 2019–20:

- enterprise resource planning system implementation
- data analytics implementation
- Financial Management Compliance Framework
- audit service provider management and supervision

The internal auditor also attended each meeting of our Audit and Risk Committee, where reports were being considered, and provided a report on the status of the internal audit program as required.