

Performance statement

Our performance statement makes reference to the 2019–20 performance measures agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*. In the following tables, we report our actual and comparative results achieved for the financial year against targets for each of our output groups.

FIGURE 6A: **Output Group 1—parliamentary reports and services**

Performance measure	Unit of measure	2018–19 actual	2019–20 target	2019–20 actual	2019–20 per cent variation	Result	Notes
Quantity							
Average cost of parliamentary reports	\$ thousand	527.2	519	473.4	-8.8	✓	3.1
Quality							
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	per cent	78.4	80	80.8	1.0	✓	
Overall level of external satisfaction with audit reports and services—parliamentarians	per cent	73.6	85	90.0	5.9	✓	
Timeliness							
Average duration taken to finalise responses to inquiries from Members of Parliament (MPs)	days	17	≤20	15	-	✓	
Average duration taken to produce performance audit parliamentary reports	months	10.1	≤9	10.1	12.2		3.2
Average duration taken to produce financial audit parliamentary reports after balance date	months	4.8	≤5	5.3	6.0		3.3
Cost							
Total output cost	\$ million	16.0	17.4	17.2	-1.1	✓	

Note: ✓ indicates that the target was achieved or exceeded.

Source: VAGO.

FIGURE 6B: **Output Group 2—audit opinions on financial and performance statements**

Performance measure	Unit of measure	2018-19 actual	2019-20 target	2019-20 actual	2019-20 per cent variation	Result	Notes
Quantity							
Average cost of audit opinions issued on the performance statements	\$ thousand	5.2	5.2	5.2	-	✓	
Average cost of audit opinions issued on the financial statements of agencies	\$ thousand	51	52.0	50.2	3.5	✓	
Quality							
External/peer reviews finding no material departures from professional and regulatory standards	per cent	90	100	83.3	16.7		3.4
Proportion of agencies disclosing prior period material errors in financial statements	per cent	0.9	≤5	1.7	-	✓	
Timeliness							
Audit opinions issued within statutory deadlines	per cent	98.3	98	98.1	0.1	✓	
Management letters to agencies issued within established timeframes	per cent	93.7	90	92.3	2.6	✓	
Cost							
Total output cost	\$ million	27.1	28.0	28.0	-	✓	

Note: ✓ indicates that the target was achieved or exceeded.

Source: VAGO.

Notes to the performance statement for the year ended 30 June 2020

1. Basis of preparation

The Victorian Auditor-General's Office must report annually on our expected and actual performance as part of parliament's departmental performance statement in Budget Paper No. 3. This information is not audited.

While we are not required to include an audited departmental performance statement in our annual report, Financial Reporting Direction (FRD) 8D requires departments to annually provide a comparison of output targets and actual performance in their report of operations, and reasons for any significant or material variances. While not applicable to us, FRD 27C also requires performance statements

to include the actual results achieved for the reporting period against the corresponding period's predetermined performance targets and indicators.

In the absence of any broad mandatory performance reporting standards, we have prepared this performance statement in a format consistent with that used in *Budget Paper No. 3*, and in line with the Standing Directions under the *Financial Management Act 1994*, Performance Management Framework, FRD 8D and FRD 27C.

This performance statement includes the performance measures, targets and results of our two performance output groups, with explanations of significant variations between targets and actual results. A variance is deemed significant if it is greater than 5 per cent. We have not provided notes for variations within the materiality thresholds.

Where applicable, the results in the performance statement have been prepared on bases consistent with those reported in the audited financial statements.

2. Output measures

The products and services we deliver are organised into two parliamentary output groups in *Budget Paper No. 3*. Output Group 1 covers parliamentary reports and services and Output Group 2 covers audit opinions on financial and performance statements. We have performance measures and targets for quantity, quality, timeliness and cost across both of our output groups.

FIGURE 6C: **Output measure definitions**

Performance measure	Dimension	Goal	Calculation
Output Group 1—parliamentary reports and services			
Average cost of parliamentary reports	Quantity	Tracks the cost-efficiency of our products	Total life cycle cost of parliamentary reports tabled during 2019–20 / Total number of parliamentary reports tabled during 2019–20 (excluding our annual plan and annual report)
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	Quality	Tracks our effectiveness and relevance across the public sector	Total number of accepted in principle, partially and fully accepted performance audit recommendations issued two and three years prior / Total number of accepted performance audit recommendations issued two and three years prior
Overall level of external satisfaction with audit reports and services—parliamentarians	Quality	Tracks overall level of external satisfaction with our reports and services	Total number of parliamentarians who stated they were satisfied or very satisfied / Total number of parliamentarians who responded to the question in the survey

Average duration taken to finalise responses to inquiries from parliamentarians (MPs)	Timeliness	Tracks how efficient we are at responding to inquiries from respective parliamentarians	Number of days between the date we receive the inquiry and the date we send our response
Average duration taken to produce performance audit parliamentary reports	Timeliness	Tracks how efficient we are at utilising resources to produce our reports	Total number of months between the initiation date and the tabling date of all performance audit parliamentary reports tabled in a financial year divided by the total number of performance audit parliamentary reports tabled in that financial year
Average duration taken to produce financial audit parliamentary reports after balance date	Timeliness	Tracks how efficient we are at utilising resources to produce our reports	Total number of months between the balance sheet date of the sector and the tabling date of all financial audit parliamentary reports tabled in a financial year divided by the total number of financial audit parliamentary reports tabled in that financial year
Total output cost	Cost	Tracks our overall cost-efficiency	Total expenditure allocated to the output group, net of recoup of salaries and expenses

Output Group 2—audit opinions on financial and performance statements

Average cost of audit opinions issued on performance statements	Quantity	Tracks the cost-efficiency of our products	Total life cycle cost of audit opinions issued on performance statements during a financial year (actual or estimated) divided by the total number of audit opinions issued on performance statements during that financial year
Average cost of audit opinions issued on the financial statements of agencies	Quantity	Tracks the cost-efficiency of our products	Total life cycle cost of audit opinions issued on financial statements during a financial year divided by the total number of audit opinions issued on financial statements during that financial year
External/peer reviews finding no material departures from professional and regulatory standards	Quality	Tracks the quality of our audit processes	Total number of financial audit engagement files subject to post-audit quality reviews during a financial year that contain material departures from professional and regulatory standards divided by the total number of financial audit engagement files subject to post-audit

			quality reviews during that financial year
Proportion of agencies disclosing prior period material errors in financial statements	Quality	Tracks the quality of our work outcomes	Total number of agencies disclosing a prior period material error during a financial year divided by the total number of agencies issued with an audit opinion during that financial year
Audit opinions issued within statutory deadlines	Timeliness	Tracks the timeliness of our work	Total number of audit opinions issued within 28 days of the receipt of finalised financial statements in a financial year divided by the total number of audit opinions issued in that financial year
Management letters to agencies issued within established timeframes	Timeliness	Tracks the timeliness of our work	The total number of finalised management letters issued to agencies within 28 days of the audit opinion being issued during a financial year divided by the total number of finalised management letters issued to agencies during that financial year
Total output cost	Cost	Tracks our overall cost-efficiency	The total expenditure allocated to this output group net of recoup of salaries and expenses

Source: VAGO.

3. Explanation of significant variances

- 3.1 The average cost of our parliamentary reports in 2019–20 was \$473 400, which is lower than our target average cost of \$519 000. Our target for 2019–20 included all of the audits scheduled for 2019–20 in our *Annual Plan 2019–20*. However, the actual result reflects the costs of tabled audits only. For the 15 performance audits and one assurance review tabled during 2019–20, the actual average cost was \$536 688, compared to an average budget of \$537 235. While our target average cost for our four reports on the results of financial audits was \$244 817, the actual average cost was \$220 000. The target average cost for the performance audits that were not completed during the year is \$586 571.
- 3.2 We measure the duration of our performance audit parliamentary reports from the formal initiation of the audit to the tabling date. The average duration exceeded our target in 2019–20 because some audits took longer than we planned. The causes of these delays included:
- agencies requested more time to respond to us due to the impact that COVID-19 had on them
 - we needed to replace audit staff due to unexpected leave and departures

- we needed to undertake additional work either due to new evidence or to obtain sufficient and appropriate audit evidence to support our conclusions and findings.

3.3 We measure the duration of our financial audit parliamentary reports from the balance date of the entities to the report tabling date. This is because the time elapsed after balance date is a good indicator of the timeliness of our reports. We tabled our last two reports, *Results of 2019 Audits: Universities* and *Results of 2019 Audits: Technical and Further Education Institutes* on 30 June 2020. We aim to table these before the end of May each year. This year, our financial audits in these sectors were delayed because we had to resolve accounting issues regarding the treatment of grants and also work with entities to ensure they adequately disclosed the post balance effects of the COVID-19 pandemic on their operations. This had a flow on effect which delayed the finalisation of the two Parliamentary reports.

3.4 We did not meet our target because two of the 12 audit files that were reviewed were found to have some material departures from professional standards. Our external assessors took the view that in these two cases, we did not clearly and sufficiently demonstrate a sufficient basis in our audit documentation on which to form and issue these opinions. While our 2019–20 result is lower than our 2018–19 result, it remains better than published industry rates.

Despite this, we observed a very low disclosure rate of prior period errors by agencies during 2019–20, which indicates that any identified material departures from standards are not leading to significant or systemic material misstatements.

Independent Auditor's Review Report to the Victorian Auditor-General's Office

Report on the Performance Statement

Conclusion

We have reviewed the accompanying performance statement of the Victorian Auditor-General's Office which includes in respect of the financial year 2019-20 the performance indicators agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*, actual and comparative results achieved for the financial year against targets where applicable, and explanations of any significant and/or material variance between the actual results and performance targets, together with the Declaration by the Auditor-General and Acting Executive Officer.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported for the financial year 2019-20.

Auditor-General's Responsibility for the Performance Statement

The Auditor-General is responsible for the preparation of the performance statement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the performance statement to ensure that it fairly represents the measures used and results reported, consistent with the *Standing Directions 2018* under the *Financial Management Act 1994*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the performance statement based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported.

ASRE2405 requires that we comply with the ethical requirements relevant the conduct of our review.

A review of the performance statement consists of making enquiries, primarily of persons responsible for the performance measures, and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional ethical pronouncements.



**PKF
Melbourne, 4 September 2020**



**Steven Bradby
Partner**

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

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