

6.

Performance statement

Declaration in the Performance Statement

In our opinion, the measures used and results reported in the accompanying performance statement of the Victorian Auditor-General's Office in respect of the 2020–21 financial year are presented fairly, and are consistent with the Standing Directions under the *Financial Management Act 1994*.

The statement includes the 2020–21 performance measures 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.

As at the date of signing, we are not aware of any circumstance which would render any particulars in the performance statement to be misleading or inaccurate.

We authorise the attached performance statement for issue on 25 August 2021.



Auditor-General
Victorian Auditor-
General's Office

Melbourne
25 August 2021



Acting Executive Officer
Victorian Auditor-
General's Office

Melbourne
25 August 2021

6.1 Performance statement

Our performance statement makes reference to the 2020–21 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	2019–20 actual	2020–21 target	2020–21 actual	2020–21 per cent variation	Result	Notes
Quantity							
Average cost of parliamentary reports	(\$ thousand)	473.4	519	535.3	3.1	✓	
Quality							
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	(per cent)	80.8	80	70.8	11.5		3.1
Overall level of external satisfaction with audit reports and services—parliamentarians	(per cent)	90.0	85	87.5	2.9	✓	
Timeliness							
Average duration taken to finalise responses to inquiries from Members of Parliament	(days)	15	≤ 20	12	–	✓	
Average duration taken to produce performance audit parliamentary reports	(months)	10.1	≤ 9	12.2	35.5		3.2
Average duration taken to produce financial audit parliamentary reports after the balance date	(months)	5.3	≤ 5	6.7	34.0		3.3
Cost							
Total output cost	(\$ million)	17.2	17.4	16.8	3.4	✓	

Note: ✓ indicates that the target was achieved or exceeded

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

Performance measure	Unit of measure	2019–20 actual	2020–21 target	2020–21 actual	2020–21 per cent variation	Result	Notes
Quantity							
Average cost of audit opinions issued on performance statements	(\$ thousand)	5.2	5.3	5.2	1.9	✓	
Average cost of audit opinions issued on the financial statements of agencies	(\$ thousand)	50.2	51.0	50.7	0.6	✓	
Quality							
External/peer reviews finding no material departures from professional and regulatory standards	(per cent)	83.3	100	81.25	18.8		3.4
Proportion of agencies disclosing prior period material errors in financial statements	(per cent)	1.7	≤5	2.0	–	✓	
Timeliness							
Audit opinions issued within statutory deadlines	(per cent)	98.1	98	97.3	0.7		
Management letters to agencies issued within established time frames	(per cent)	92.3	90	93.8	4.2	✓	
Cost							
Total output cost	(\$ million)	28.0	28.0	28.9	3.2		

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

6.2 Notes to the performance statement for the year ended 30 June 2021

1. Basis of preparation

The Victorian Auditor-General's Office (VAGO) must report annually on 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 provide a comparison of output targets and actual performance in their annual report of operations, and reasons for any significant or material variances. While not applicable to us, FRD 27C also requires that the statement of performance must include the actual results achieved for the reporting period against the corresponding period's pre-determined 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. We deem significant as greater than a 5 per cent variance. 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 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 lifecycle cost of parliamentary reports tabled during 2019–20 / Total number of parliamentary reports tabled during 2019–20 (excluding 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 that have been implemented / 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 Members of Parliament	Timeliness	Tracks the efficiency with which VAGO responds to inquiries from respective parliamentarians	Number of days between the date the inquiry is received and the date the response is sent out
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 tabling date of all performance audit parliamentary reports tabled during the financial year / Total number of performance audit parliamentary reports tabled during the financial year
Average duration taken to produce financial audit parliamentary reports after the 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 during the financial year / Total number of financial audit parliamentary reports tabled during the financial year
Total output cost	Cost	Tracks the cost-efficiency of the whole of VAGO	Total expenditure allocated to the output group, net recoup of salaries and expenses

Performance measure	Dimension	Goal	Calculation
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 lifecycle cost of audit opinions issued on performance statements during the financial year (actual or estimated) / Total number of audit opinions issued on performance statements during the financial year
Average cost of audit opinion issued on the financial statements of agencies	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of audit opinions issued on financial statements during the financial year / Total number of audit opinions issued on financial statements during the 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 the financial year that contain material departures from professional and regulatory standards / Total number of financial audit engagement files subject to post audit quality reviews during the 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 the financial year / Total number of agencies issued with an audit opinion during the 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 during the financial year / Total number of audit opinions issued during the financial year
Management letters to agencies issued within established timeframes	Timeliness	Tracks the timeliness of our work	Total number of finalised management letters issued to agencies within 28 days of the audit opinion being issued during 2019–20 / Total number of finalised management letters issued to agencies during the financial year
Total output cost	Cost	Tracks the cost efficiency of the whole of VAGO	Total expenditure allocated to this output group net recoup of salaries and expenses

3. Explanation of significant variances

- 3.1 Overall, agencies are progressing the implementation of our recommendations. It should be noted that there can be several actions to complete against one recommendation, therefore a recommendation would be considered as 'in progress', even if all but one action were complete. Unresolved recommendations include recommendations that are 'in progress' (230 recommendations) and 'not started'

(13 recommendations). Of the recommendations in progress, 85 per cent are due to be completed during the 2021–22. Reasons for delayed completion dates include:

- COVID-19 related delays
- changes in legislation
- state Budget-dependent actions
- Royal Commission reports.

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 2020–21. The causes of these delays included that:

- we paused some audits or granted agencies more time to respond to us due to the impact that COVID-19 had on them. This had a significant impact on audit duration
- our own productivity was impacted due to COVID-19—for example, due to reduced staff hours during home-schooling periods
- in some cases 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 tabling date. This is because time elapsed after balance date is a good indicator of the timeliness of our reports. We tabled 5 financial audit parliamentary reports during 2020–21. Of these, *the Auditor-General's Report on the Annual Financial Report of the State 2019–20* was tabled within our target of 5 months as required by the *Audit Act 1994*. The remaining 4 reports related to our the results of our audits for the 2020 audit cycle for the local government, state-controlled entities, university, and technical and further education sectors. These reports were all delayed due to the disruption the pandemic had on the delivery of our audit program and statutory reporting timelines of agencies.

3.4 We did not meet our target because three of the 16 audit files that were reviewed were found to have some material departures from professional standards. Our external assessors took the view that in these three 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 2020–21 result is lower than our 2019–20 result, it remains better than industry published rates.

Despite this, we observed a low disclosure rate of prior period errors by agencies during 2020–21, which indicates that any identified material departures from standards are not leading to systemic or significant 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 2020-21 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 2020-21.

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

We have complied with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) that are relevant to our review of the performance statement.



PKF
Melbourne, 25 August 2021



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