

Sustainable performance
and accountability



2004-05 annual report



AUDITOR GENERAL
VICTORIA

Auditing in the Public Interest



Our vision

Recognised excellence in public sector auditing.

Our purpose

Improving performance and accountability in the Victorian public sector.

Our values and behaviours

We value:

- Respect
- Excellence
- Integrity.

We are committed to the following behaviours that constantly uphold our values:

- Working together
- Openness to new ideas
- Leading by example
- Influencing change
- Celebrating success
- Communicating honestly.

2004-05 focus

During 2004-05, we:

- continued to provide value adding **parliamentary reports and services**
- issued prompt, high standard **audit reports on financial statements** through careful management of internal and external resources
- applied innovative ways in **managing our Office**, and commenced work on updating our audit methodologies to ensure that we maintain our leading edge status in public sector auditing
- effectively managed the **financial performance** of the Office
- responded to the independent performance audit of the Office and set in train a range of actions to further enhance our **performance and accountability to parliament**.





Snapshot of our Office

Our history

The Victorian Auditor-General's Office was established in July 1851. The Office plays a key role in providing parliament and the Victorian community with assurances on the financial integrity of the state.

In the early 1980s, our financial statement auditing responsibilities were expanded to include performance auditing, which evaluates whether public sector agencies use their resources efficiently and effectively, to meet their objectives.

In 2000, legislative changes relating to the appointment, independence and tenure of the Auditor-General were enshrined in the state's Constitution Act.

Principal legislation

- The *Constitution Act 1975*, Division 3, Part V – governs the appointment and independence of the Auditor-General.
- The *Audit Act 1994* – defines the powers and responsibilities of the Auditor-General.

Audit responsibilities

The Auditor-General is responsible for:

- auditing the Annual Financial Report of the state
- reviewing the Estimated Financial Statements within the state budget papers
- conducting financial statement audits for some 620 state public sector organisations, including parliament, government departments, public bodies, educational institutions, public hospitals and municipal councils
- undertaking wide-ranging performance audits concerned with the economic, efficient and effective use of public resources applied to achieve public program objectives
- undertaking special investigations or examination of events, transactions or activities which merit audit attention
- reporting the results of audits or investigations to parliament in an objective, competent, insightful and timely manner.

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Operating environment

The agencies we audit:

- earn approximately \$40 billion in revenue
- incur approximately \$39 billion in expenditure
- hold over \$146 billion in assets.

Available resources

At 30 June 2005, we:

- had 148 in-house staff (127 at 30 June 2004)
- engaged 26 external audit service providers (46 during 2003–04)
- received \$24.9 million in funding from parliament (\$24.3 million in 2003–04).

Office information

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Highlights for 2004-05

Accountability to parliament

- An independent performance audit confirmed that the Auditor-General and the Office are complying with the requirements of the Audit Act: achieving our objectives, and largely operating effectively, economically and efficiently (see page 10).
- Our 2003-04 Annual Report received a Silver Award (see page 10).

Parliamentary reports and services

- We met or exceeded our performance targets for the quantity, quality and timeliness of our major audit reports (see page 12).
- We achieved an 82 per cent client satisfaction rating (target 80 per cent) from stakeholders on our surveyed parliamentary reports (see page 32).
- We maintained our commitment to provide information and guidance to stakeholders, and professional bodies, on accountability and resource management issues (see page 34).

Audit reports on financial statements

- We issued 99 per cent of our audit opinions (98 per cent in 2003-04) within statutory deadlines (see page 39).
- Seventy-seven per cent of our audit clients (74 per cent in 2003-04) expressed their satisfaction with the way we conducted our financial statement audits (see page 39).

Managing our Office

- A Special Investigations Unit was established in August 2004 to conduct special audit reviews and investigations (see page 54).
- We launched a new 2004-05 to 2006-07 Corporate Plan (see page 54).
- We updated our internal communications equipment to enable more efficient interfaces with email and voice mail facilities (see page 56).
- We commenced redevelopment of our financial statement and performance audit methodologies (see page 58).
- We developed and introduced a number of key human resource strategies to strengthen our organisational capacity (see page 61).
- Our Green Office Interest Group increased its activities to conserve energy, reduce waste and promote recycling (see page 66).

Financial management

- Our net financial result for the year was a surplus of \$966 000 (\$1.041 million, 2003-04) (see page 68).
- Audit fee income for the year was \$14.2 million (\$14.2 million, 2003-04) (see page 97).



Auditor-General's review



“As government activity reaches into the community and embraces an ever broadening array of service delivery models, the need for strong and effective accountability models, including audit, become all the more important.”

Overview

The 2004-05 year was one of achievement and challenge for us. While much of it was planned for, such as the completion of scheduled audits and internal process improvements, a number of unplanned challenges also presented themselves throughout the year. The successful completion of audit activity and of business improvements were counter balanced by an increase in the number of financial audits and in the number of inquiries around probity and financial management undertaken during the year.

Continuing structural change across the public service and the out-workings of the government's decision that all government-controlled entities should be audited by the Auditor-General has seen a steady increase in the total number of audits required to be completed by my Office over recent times. As government activity reaches into the community and embraces an ever broadening array of service delivery models, the need for strong and effective accountability models, including audit, become all the more important. Our challenge as an Office has been to respond productively to those changes – this annual report sets out how well we achieved that objective.

Independent performance audit of the Office

As is the case of any organisation committed to continuous improvement, we maintain a broad and continuous array of processes and review mechanisms designed to lead to business improvement and improved effectiveness in the conduct of audit activity. These are more fully explained in the body of the report. Notwithstanding those initiatives, every 3 years parliament engages an independent auditor to examine all aspects of the activities of my Office, the results of which are reported to parliament. Such audits invariably bring to attention matters where, with the benefit of a fresh perspective, further refinement and enhancement to our policies and processes are merited. These are set out more fully on pages 102 to 111 of this report.

I welcome this fresh perspective, but more especially I welcome the overall finding of the auditor that the Office is performing overall in an efficient and effective manner, consistent with its legislative mandate. We continue to act on the auditor's recommendations which serve to reinforce our own continuous improvement behaviours.

External operating environment

This Office has, since 2000, dedicated a small group of senior and experienced personnel to the task of understanding the forces that shape the environment in which we undertake our audit duties. These people are not necessarily from an audit background. They are people who are much more familiar with the agencies that we audit. They come from Health, Education and other disciplines. They bring to our perspective a richer understanding about how government services are delivered and how policies are shaped. It is through this mechanism that we ensure we target our audit activities, expressed in our Annual Plan, at the right place, at the right time, and in the right context. We do this to maximise value from our audit activities in providing ongoing assurance to parliament and the community that public resources are being properly accounted for, and that performance in the public sector is optimised.

The development of the Annual Plan for each year commences well before the period to which it applies. The development of the plan for 2005-06 reflects our planned activities in the context of our broader assessment about the state of the Victorian public sector and the forces that will shape its performance in the years ahead. In doing so, it is our expectation that our audits, particularly the planned major studies, are strongly aligned to those areas where greatest need and greatest pressure on public services will occur. Thus leading to targeting the higher risk and material areas of public sector activity and where the outcome of our audits will have the greatest long-term benefit.

While some of the winds of change from the international quarter have lapped our Victoria shores and will bring with them change – for instance, the application of the Australian equivalents to International Financial Reporting Standards – other forces external to our Office are shaped by the broader public sector environment and community expectations. The flow-on effect of the CLERP 9 reforms and the expected upgrade and governance practices in the public as well as the private sector, are all having a positive effect on the quality of oversight and management of public agencies.

Accounting and auditing in Australia is about to undergo substantial change. The public sector is not immune from those changes. New accounting standards will apply to financial years commencing on or from 1 January 2005, and potential changes to auditing standards following the Commonwealth Government's decision to give auditing standards legal backing from 2006 will affect our audit environment.

To test our understanding of how legislative audit mandates are applied internationally, I took the opportunity in July 2004 to visit my counterparts in the United States of America and Canada, and again in March 2005 to the United Kingdom. It was informing to see how those offices were grappling with similar issues.



Improved operational effectiveness

In 2004–05, we implemented a number of initiatives designed to build capacity and improve responsiveness. In August 2004, I established a dedicated group to examine matters coming to our attention outside planned audits, largely from the community or members of parliament. Although such activity has been undertaken for many years, the new group provides a more timely response capability. Results so far are encouraging. A number of major investigations have now been completed and reported.

From a capacity building point of view, we continue to invest substantially in technology to improve our internal reporting arrangements, to improve communication and data sharing, particularly in the field, and to redevelop audit tools and methods. The latter involving the redesign of audit tools and methods for each of our 2 main streams of audit activity: one being the annual financial statement audit, the second providing guidance on the conduct of performance audits and special inquiries/investigations.

The redevelopment of the financial audit methodology represents a considerable investment both of time and money, and draws heavily on experienced staff to ensure that the resulting tool set reflects best audit practice, is comprehensive, and facilitates effective and efficient auditing through the application of standardised processes, quality controls and learning.

To share some of that investment we have entered into a joint arrangement with the Auditor-General for Queensland to develop a new financial audit methodology for public sector financial auditing. A number of my audit colleagues around Australia have also expressed a desire to become involved.

Upgrades of this nature only occur once every 6–8 years, and represent a tremendous opportunity not only to achieve efficiencies through the better use of technology across the organisation but, equally importantly, to provide an opportunity to ensure that the legislative audit model applied through the application of technology represents best practice in legislative auditing here in Victoria.

The new financial audit tool set is scheduled to be completed and launched in November 2005.

How did we perform during the year?

Performance against annual plan

The performance objectives and targets for our Office are expressed in our annual plan. This plan, a statutory requirement designed to establish ex-ante accountability for our performance, sets out our key performance objectives and annual performance targets, and the estimated resources required to meet those objectives.

All key output targets set out in the *2004–05 Annual Plan* were materially met or exceeded. The number of financial audits continues to grow, having increased by some 20 per cent over the last 5 years. Ten performance audits were completed, 2 follow-up audits of performance audits completed 2 years ago were also reported, along with a number of unplanned special investigations, either reported during the year or substantially completed at year-end, and scheduled to be reported in 2005–06. These latter activities can vary substantially in size and often require considerable time to ensure that natural justice aspects of the audits are appropriately completed prior to the publication of any report. Indications are that special investigations and reviews will continue to remain an important aspect of our broader reporting program.

Over recent years, we have continued to emphasise the importance of being responsive and timely in undertaking and completing our professional audit work. While achievements in most areas have shown substantial improvement, there still remains some room for improvement, particularly in finalising audit management letters and completing special inquiries.

Performance drivers

Our medium term Corporate Plan sets out 5 key drivers of our performance over the next few years. These are:

- improving reporting
- delivering an effective product mix
- shaping awareness and direction in the public sector
- working with agencies to optimise our effectiveness
- strengthening our business processes and organisational capabilities.

When I reflect on how well we are tracking against the drivers, I am pleased to report that I believe that they are influencing our behaviour and that we are delivering against each of them. We continue to refine our reporting practices, and we are broadening our range of product mix – particularly in recent times through the development of a small number of good practice guides which essentially extract the key features of reported audits and present them in a way that agencies can apply as good practice to guide their activities and behaviours. Feedback during my visits to agencies around Victoria indicates that the guides are well received and valued, and are filling a gap that is not available from within the state.

Some of our work is shaping awareness and direction in the public sector, for instance our work around sustainability, asset management, strategic human resource planning, and achieving health outcomes. Feedback from agencies about the quality of our interactions with them indicates that the relationships are largely responsive and productive, and the strengthening of our business processes and organisational capability continues at a satisfactory pace.

What does 2005-06 hold for us?

The key priorities for 2005-06 from an audit perspective will be, to:

- complete all audit activities efficiently and effectively, within budgetary and other performance targets
- continue our audit focus around the maintenance of capacity across the public sector – particularly human resources and infrastructure
- undertake specifically targeted work on contracting and tendering practices
- factor the application of the new Public Sector Management Act and the establishment of the State Services Authority into our audit considerations
- undertake the audit of the Commonwealth Games and make adjustments for the attendant increased audit activity that will, and already has, accompanied this important state event.

On the internal business front, our priorities will be:

- meet the challenge of responding to heightened demand from agencies seeking to meet tighter reporting deadlines established by government
- leverage the knowledge and skills that staff have of the new Australian equivalents to International Financial Reporting Standards to ensure that agencies address the application of those new standards for financial years commencing on and from 1 January 2005
- oversee and launch the successful development of the 2 new audit methodologies.

Appreciation

Ours is a people business. People and information are key influences on the success of any audit organisation. It is only fitting, therefore, that I express publicly in this annual report my appreciation of the work staff, external audit service providers and those who have provided advice to audit teams and myself throughout the year, for their unfailing diligence and professionalism in contributing to improved accountability and performance across the Victorian public sector.



JW Cameron
Auditor-General



Accountability to parliament

Key achievements

- We presented our *2004-05 Annual Plan* to parliament on 25 June 2004 (see page 8).
- The independent performance auditor found that the Victorian Auditor-General and the Office were largely operating effectively, economically and efficiently (see page 10).
- We have commenced action on the 45 recommendations made by the independent performance auditor (see page 10).
- We received a Silver Award for our *2003-04 Annual Report* (see page 10).



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Role of the Auditor-General

The Victorian Auditor-General is an officer of parliament. The state's constitution enshrines provisions for the appointment, tenure and independence of the position. Parliament's Public Accounts and Estimates Committee recommends the appointment of the Auditor-General, and only a resolution of both Houses of Parliament can remove him/her from office.

The Auditor-General must serve the interests of parliament by periodically reviewing how well elected governments have met their accountability obligations for responsibly managing public resources. The Auditor-General has a legislative mandate under the *Audit Act 1994* to externally audit around 620 public sector agencies and report the results of all audits directly to parliament.

The Auditor-General or his/her delegate must provide an audit opinion on the annual financial statements of all audited agencies, and on the Annual Financial Report of the state. The Auditor-General may also investigate instances of waste, probity or lack of financial prudence in the use of public resources, and has the power to carry out performance audits to establish whether government and its agencies use public resources effectively, efficiently and economically.

While much of the work of the Auditor-General is to assure parliament of the soundness of past public sector performance, the Office also advises agencies to help them improve their future performance.

Performance against annual plan

Under section 7A of the *Audit Act 1994*, the Auditor-General must prepare an annual plan and present it to parliament, following consultation with the Public Accounts and Estimates Committee. This reinforces the special relationship between the Auditor-General and parliament. It recognises that the legislative independence and autonomy of the Auditor-General also requires accountability directly to parliament.

My *2004-05 Annual Plan* was presented to parliament on 25 June 2004. It set out:

- our planned work program for 2004-05
- our business improvement initiatives for the year
- the funding to meet planned performance.

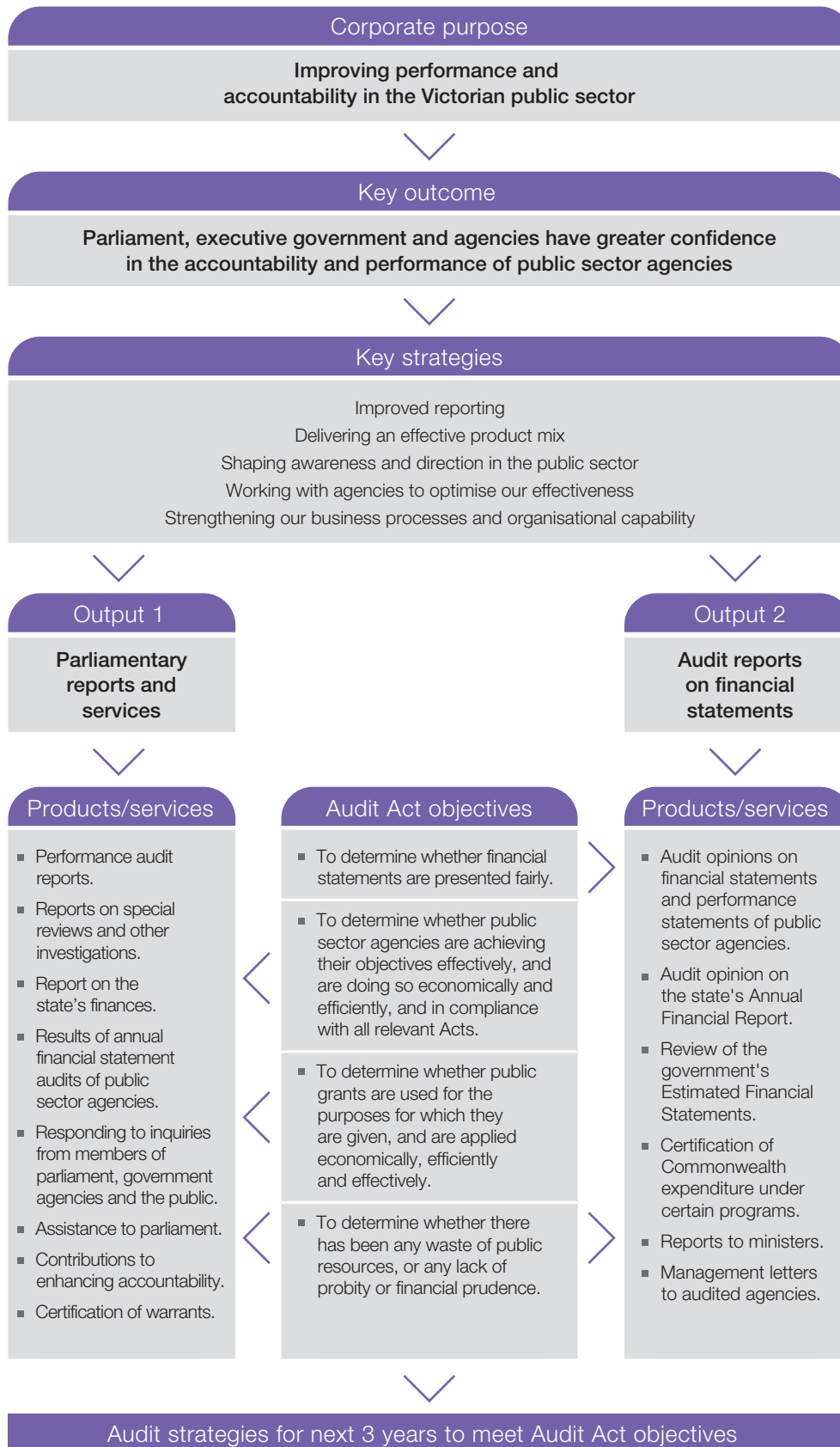
This annual report presents our achievements against the *2004-05 Annual Plan*.

Outputs and products

Under Victoria's output management system, the state budget allocates resources to the Office according to the outputs to be delivered. Our outputs and associated products fall into 2 output groups:

- Parliamentary reports and services
- Audit reports on financial statements.

The following diagram links our key desired outcomes with services performed and products delivered. It also shows the relationship of those products with my legislative mandate.



Independent assessment of our performance

The *Audit Act 1994* requires a person appointed by parliament, on the recommendation of the Public Accounts and Estimates Committee, to conduct a performance audit of the Auditor-General (and the Office) at least every 3 years.

Mr John Phillips of Acumen Alliance was appointed in May 2004 to undertake the performance audit and to report to parliament.

The report of the performance auditor was tabled in parliament in December 2004, and concluded as follows:

Terms of reference	Conclusion
Is the Victorian Auditor-General and the Office operating in compliance with the Audit Act and achieving their objectives?	We have found the Victorian Auditor-General and the Office is complying with the legislative objectives, undertaking the audit mandate in accordance with the Act and Australian auditing standards and substantially achieving the corporate objectives. The Office is operating in compliance with the <i>Audit Act 1994</i> .
Is the Victorian Auditor-General and the Office operating effectively, economically and efficiently?	By reference to Audit Offices in other Australian jurisdictions, the Victorian Auditor-General and the Office are largely operating effectively, economically and efficiently. We have made a number of recommendations in this report to address areas of operations where improvements are required.

Appendix 1 sets out recommendations made by the performance auditor and our responses. The Senior Management Group monitors progress in addressing the recommendations on a monthly basis. Of the 45 recommendations, action on 8 has been completed, with the remainder in progress.

Silver Award for 2003-04 Annual Report

Our 2003-04 *Annual Report* received a Silver Award in the Australasian Reporting Awards. The awards, hosted by Australasian Reporting Awards (ARA) Inc., recognise best practice in annual reporting. Entries in the awards are received from Australasian-wide listed companies, government agencies, community groups and not-for-profit organisations.

The Silver Award was presented at a formal awards ceremony held in Melbourne in June 2005.





Parliamentary reports and services

Key achievements

- Sixteen reports were tabled in parliament (see page 12).
- We received a 82 per cent client satisfaction rating on our major audit reports (see page 12).
- We continued to deliver a range of quality services to parliament and our stakeholders to assist them in improving their accountability and resource management responsibilities (see page 33).



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Our reports and services are designed to meet the needs of both parliament and the community. Our reports to parliament contain the results of any audit activity undertaken which merits the attention of parliament. Stand-alone reports are prepared and presented to parliament for any major audit, such as a performance audit or major investigation, and on my annual assessment of the state's finances. Omnibus reports are prepared at least twice a year – November and May – and contain observations out of the

preceding June or December financial statement audit rounds and any special reviews or investigations completed at that time. On occasions, a third omnibus report will be prepared containing the results of any further reviews or follow-up of performance audits conducted 2 years earlier.

The following tables shows our performance for the *Parliamentary reports and services* output group (Output group 1) against 2004–05 targets.

Performance against output targets

Performance measures	Unit of measure	Target 2004-05	Actual 2004-05	Target 2005-06
Cost				
Delivering reports and services (see page 12)	\$million	10.52	(a) 9.83	10.80
Quantity				
Major audit reports (see page 14)	number	16	16	16
Quality				
External satisfaction with major audit reports (see page 31)	per cent	80	82	80
Timeliness				
Finishing reports within time frames (see page 30)	per cent	100	81	100
Acknowledging inquiries from members of parliament and the public within 7 days and responding within 4 weeks (see page 33)	per cent	95	70	95

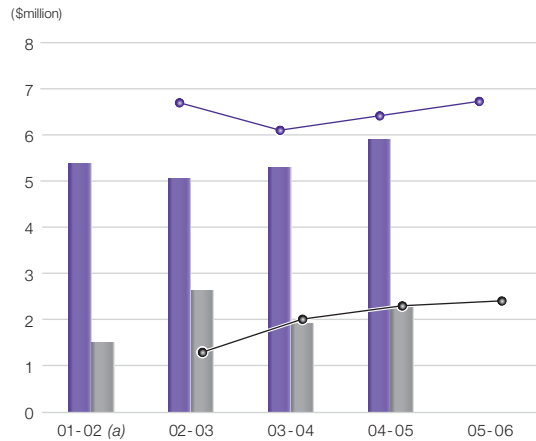
(a) Represents costs of the output group. Revenue received was \$10.76 million.

Cost of reports and services provided

Product	Target 2004-05	Actual 2004-05	Target 2005-06
	(\$m)	(\$m)	(\$m)
Parliamentary reports			
Performance audits	6.41	5.93	6.69
Other audits, investigations and results of annual financial statement audits	2.36	2.38	2.40
Report on the state's finances for 2003-04	0.36	0.32	0.38
Parliamentary services			
Assistance to parliament	0.30	0.28	0.30
Responding to inquiries from members of parliament and the public	0.21	0.14	0.21
Contributions to enhancing accountability	0.70	0.73	0.70
Liaison with international and interstate organisations	0.15	0.03	0.09
Examination and certification of warrants	0.03	0.02	0.03
Aggregate output costs	10.52	9.83	10.80



Cost of parliamentary reports and services against plan



(a) The planning targets were first published in our 2003-04 Annual Plan.

■ Performance audit - actual ● Performance audits - planned
 ■ Other major audits - actual ● Other major audits - planned

We spent less on performance audits in 2004-05 than planned because of the increased number of other audits and investigations undertaken, such as the East Gippsland Shire Council – Proposed sale of Lakes Entrance property and the Community Support Fund grant to Bayside Employment Skills Training Inc.

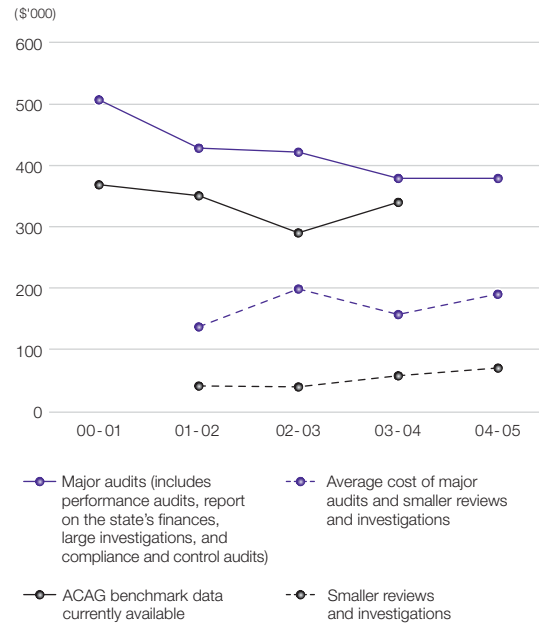


Performance auditors - Celinda Estallo (left) and Susan Roberts.

In August 2004, we established a dedicated team responsible for responding to, and investigating, requests from the community, parliament and ministers. This has been a growing activity in recent years (see page 54 for further information on the Special Investigations Unit).

We continued our contribution to harmonising Australian and international accounting standards.

Average cost of our parliamentary reports



This chart shows our performance against the Australian Council of Auditors-General (ACAG) benchmarks. The ACAG results reflect different mandates, however, the benchmarks offer a useful comparison.

Although our major audits cost more than the ACAG benchmark, the cost has been decreasing over the last 3 years, while the cost of our smaller reviews and investigations has been rising. The 2004-05 result also reflects a shift to providing more comprehensive reports on the overall results of financial audits. Taken together, the average cost of our *Parliamentary reports and services* output group audits are below the ACAG benchmark.

Parliamentary reports

Performance against quantity targets

Report type	Target 2004-05	Actual 2004-05	Target 2005-06
Major audits –			
Performance audits	12	10	12
Other	-	2	-
Other parliamentary reports	3	3	3
Examination of the state's finances	1	1	1
Total	16	16	16

During 2004-05, we completed 10 performance audits (9 in 2003-04) against our target of 12 (12 in 2003-04), as well as 2 other major audits (2 in 2003-04): *East Gippsland Shire Council: Proposed sale of Lakes Entrance property* and *Administration of grants by local government*. Four audits were completed at 30 June 2005 and included in the completed outturn data but 3 were tabled in July and the fourth will be included in the next omnibus report to parliament.

Two further performance audits were in progress at 30 June 2005 which will be tabled in the 2005 spring session of parliament. One of these is the audit of the new public tram and train franchise arrangement which represents one of the largest resource commitments by the Office in recent years.

We also completed and published a good practice guide on *Internal financial reporting in local government*. This guide draws from the results of an audit on the usefulness of local councils' internal financial reports, reported to parliament in the May 2004 *Report on Public*

Sector Agencies: Results of Special Reviews, (see page 34 for further information on the good practice guide).

Major audit reports

Major audit reports cover 3 segments of audit activity:

- examination of the state's finances
- major audits, including performance audits, grouped under 3 strategic themes around challenges and risks:
 - meeting community needs
 - public sector capability and resources
 - sound economic, financial and performance management and accountability
- omnibus reports which are prepared at the end of each financial audit cycle, and report on the results of each audit round. These reports also include the results of other special audits or investigations completed at that time.

Examination of the state's finances

Report of the Auditor-General on the Finances of the State of Victoria, 2003-04 (November 2004)

This report analyses the state's financial performance and position for 2003-04.

The state's financial condition improved in 2003-04 and remained resilient and sound. It continues to be significantly influenced by external factors, including the performance of equity markets and the property market.

A substantial operating surplus was reported for the year – a significant improvement on the previous year's result. This improvement was mainly due to the impact of improvements in equity markets on investment revenues and superannuation costs.

The report highlighted the volatility of revenue from investment and property markets, combined with the

growing costs of increased service delivery, industrial settlements and commitments associated with “off-balance sheet” financing arrangements.

The government has identified a number of changes needed to its accounting policies as a result of implementing the accounting standards developed as part of the transition to International Financial Reporting Standards. These changes may have a material impact on the state's financial position and financial performance. We will continue to work closely with all public sector agencies in implementing and monitoring the impact of the new standards.



Value-adding features of this report

Improved resource management

The report highlights areas of revenue raising and expenditure that need to be monitored and managed.

Improved accountability and transparency

The report provides an independent analysis of the state's financial performance and condition, and assists users to understand the key factors impacting on state finances.



Spencer Street Station redevelopment works – a major infrastructure project reviewed as part of the report.

Major audits – themes and activity

Parliamentary reports focus on areas where the public sector has the best potential to improve its performance, its resource management, and to enhance its accountability and transparency.

The following table presents major audits completed or planned, by strategic theme, over 3 years.

Strategic themes	2003-04	2004-05	2005-06 (in progress or under consideration)
Meeting community needs	<ul style="list-style-type: none"> • Addressing the needs of Victorian prisoners • Improving literacy standards in government schools • Managing emergency demand in public hospitals • Delivery of home and community care services by local government 	<ul style="list-style-type: none"> • Managing school attendance • Managing patient safety in public hospitals • Our children are our future: Improving outcomes for children and young people in Out of Home Care 	<ul style="list-style-type: none"> • Patient access to services and bed management in acute public hospitals (a) • Vocational education and training: Meeting the needs of selected industries (a) • Investment in health promotion and prevention • Strategies to improve road safety • Early childhood and family support services • Education programs for students with a disability

Strategic themes	2003-04	2004-05	2005-06 (in progress or under consideration)
Public sector capability and resources	<ul style="list-style-type: none"> • Parliament's information technology upgrade • Maintaining public housing stock • Managing logging in state forests • Central Gippsland Regional Water Authority Waste Management Operations at Dutson Downs • Water trading in Victoria • Beating the bugs: Protecting Victoria's economically significant crops from pests and diseases 	<ul style="list-style-type: none"> • Measuring the success of the Our Forests, Our Future policy • Meeting our future Victorian Public Service work force needs • Regulating operational rail safety • Management of occupational health and safety in local government • In good hands: Smart recruiting for a capable public sector • Managing stormwater flooding risks in Melbourne • Managing intellectual property in government agencies 	<ul style="list-style-type: none"> • Strategic work force management in Victoria Police (b) • Tendering and contract management practices on capital projects in selected agencies • Condition and maintenance of rail infrastructure • Maintenance, replacement and extension of sewerage infrastructure (b) • Condition and maintenance of public sector residential aged care facilities (b) • Leasing of assets in selected agencies • Specific information and communication technology projects • Specific capital projects

Strategic themes	2003-04	2004-05	2005-06 (in progress or under consideration)
Sound economic, financial and performance management and accountability	<ul style="list-style-type: none"> • Budget development and management within departments • Development of policy advice • Management of procurement and accounts payable 	<ul style="list-style-type: none"> • Cheltenham and Regional Cemeteries Trust: Review of expenditure and related matters • Review of Warrnambool City Council financial management practices • East Gippsland Shire Council: Proposed sale of Lakes Entrance property • Administration of grants by local governments 	<ul style="list-style-type: none"> • Health purchasing practices (b) • Management of selected aspects of public transport franchising arrangements (b) • Victorian WorkCover Authority: Claims management (a) • Primary industry research management (a) • Internal management performance monitoring and reporting in selected sectors (a) • Privately provided public bus services (b) • State investment in major events

(a) Area of audit interest carried forward from 2004-05 Annual Plan.

(b) Work in progress at 30 June 2005.

We ask audited agencies for feedback on the majority of our parliamentary reports. The results (where available) are shown at the end of each reference below.

Commentary on major audits completed and tabled in parliament in 2004-05 follows.



Meeting community needs

Managing school attendance (December 2004)

Students who are regularly absent from school are at the greatest risk of dropping out of school early, becoming long-term unemployed, being caught in the poverty trap, depending on welfare and being involved in the justice system.

Effective management of student attendance is one of the most important ways to minimise student absenteeism. This includes ensuring that students and their parents are aware of attendance requirements.

The audit found that while schools and the Department of Education and Training (DET) place considerable focus on addressing school absenteeism, weaknesses in current attendance management practices mean that it is difficult for schools to know whether these efforts are effective.

The report recommended further attention to the following areas:

- developing consistent, effective follow-up processes in schools for unexplained and unapproved absences

- developing a more complete and accurate picture of student absenteeism (incidence and the reasons) based on rigorous and comprehensive information at a state and school level
- schools need to build stronger partnerships to support student attendance with parents and the local community.



Regular attendance is critical to future student success.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended that DET improve staff skills in schools in the use of computer attendance recording systems.	We recommended improved reporting on absenteeism in schools.	We recommended that DET and schools develop better procedures for following-up on unexplained absences.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
83%	84%	98%

Managing patient safety in public hospitals (March 2005)

Worldwide, some 10 per cent of all hospital admissions are associated with a medical error or “adverse event”.

This audit considered how effectively clinical risk management programs in hospitals identify and prevent care-related harm to patients.

We found that clinical risk management is currently unevenly developed and implemented across hospitals. While some have strong processes in place to identify, investigate and prevent incidents, others are quite a distance from good practice. The weaker hospitals have

inadequate systems for recognising errors when they occur, incomplete systems for recording errors, and no clear mechanisms for making sure errors are not repeated in the future.

We recommended a number of changes in hospitals to address these weaknesses. We also recommended that the Department of Human Services (DHS) better define minimum acceptable standards, and ensure that all hospitals meet those standards.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended the development of a statewide clinical risk management strategy, and that this should consider using self-paced and on-line training methods.	We recommended that hospitals develop and implement policies on disclosure of clinical incidents to patients, and that DHS develop a minimum data set for incident reporting.	We recommended that hospitals link their clinical risk management framework into their wider organisational risk management framework.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
73%	75%	92%

Our children are our future: Improving outcomes for children and young people in Out of Home Care (June 2005)

Out of Home Care (OOHC) provides accommodation and care outside the parental or family home for people (under 18 years) in need of care and protection.

In recent years, the Department of Human Services (DHS) has recognised the need for improvements in the way that the program operates and services are delivered. As a result, DHS embarked on a reform program. Our audit assessed the adequacy of DHS' approach to reform of OOHC.

We found that the identification of areas in need of improvement was soundly based. However, there were some shortcomings that weakened the formulation

and implementation processes for the 4 key reform initiatives that we examined. DHS has approached reform at the operational level (on an initiative-by-initiative basis) rather than adopting a whole-of-system (strategic) approach. Such an approach to the ongoing management of the reform is necessary to provide greater assurance that resources are being used efficiently and effectively. Ultimately, a strategic approach has greater potential to improve outcomes for children and young people in care.

DHS generally supported the report's recommendations.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended that DHS adopt a more strategic approach to reform of OOHC.	We recommended that DHS establish an appropriate performance management and reporting framework to monitor its progress in improving OOHC services and achievement of expected outcomes.	We recommended that, in line with good practice, DHS develop a clearly-articulated management strategy to oversee the reform program, supported by structured project management processes.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
73%	75%	94%



Public sector capability and resources

Measuring the success of the *Our Forests, Our Future* policy (October 2004)

Victoria's state forests are valuable assets. All forests, including the small portion available for logging, need to be managed carefully and sustainably. The government has set out its sustainable forest management approach in its policy statement "Our Forests, Our Future".

This report was one in a series on sustainable forest management. It sets out a framework of performance indicators and measures for assessing whether the responsible agencies are implementing the government's policy as planned, and whether the policy outcomes are being achieved. The report publishes audit criteria that we may apply in future audits. These should also assist parliament, relevant departments and other stakeholders to gauge the success of the policy implementation and so improve accountability and transparency.



Forest ecosystems need to be protected in order to maintain their productive capacity.

"The report is timely in that it contributes to thinking and discussion about measuring and evaluating achievement of sustainability outcomes which is widely recognised as difficult to do but is central to the responsibilities of the Department".

Department of Sustainability and Environment

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
The performance framework provides opportunities for government agencies and stakeholders to measure and report.	Publication designed to stimulate transparency in measuring the success of policy implementation.	Adoption of a comprehensive performance management and reporting framework should add to operational efficiencies.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
82%	83%	75%

Meeting our future Victorian Public Service work force needs (December 2004)

There are significant issues confronting the sustainability of work forces throughout the world, including the ageing of the work force, likely reductions in the overall future size of the work force, increased competition for knowledge workers and changing employee attitudes to issues such as work/life balance. The Victorian Public Service (VPS) also faces particular challenges in planning for its work force so that the objectives of government can be met.

The audit assessed strategic work force planning across the VPS – at both a central and departmental level. A set of elements for better practice work force planning were developed as a result of research in private and public organisations with good reputations for undertaking effective work force planning.

The audit found that all agencies were undertaking some elements of work force planning but some were more strategic and systematic in their approach than others. The need for central agency leadership and support to agencies in work force planning was identified.



Major Projects Victoria staff on site.

“The report is a valuable and timely resource that will inform the considerations of both Departments and the [newly established] Authority ...”

Department of Premier and Cabinet

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended that agencies develop a strategic approach to identifying work force issues and that a central agency be tasked with leadership in work force planning across the VPS.	We recommended that all departments develop meaningful performance measures to monitor and report on the impact of work force strategies on their performance.	We recommended improvements be made in the areas of the collection and analysis of work force data and in the identification and measurement of performance indicators.

Regulating operational rail safety (February 2005)

Thousands of Victorians travel on trains every day. Their safety is assured through a series of rail safety regulations, administered by the Department of Infrastructure (DoI). Equally important is the role of Victoria's accredited rail operators in complying with the safety regulations.

Our audit examined whether DoI implemented the rail safety regulatory framework effectively and efficiently, for trains only. We focused on 4 areas: accreditation; safety auditing; incident and accident reporting and investigation; and enforcement.

We made 11 recommendations to improve DoI's operational practices, so that they are more systematic, rigorous and sophisticated. DoI accepted all of the recommendations and has developed new procedures to ensure that rail safety is regulated more effectively in the future. The implementation of these recommendations will significantly improve DoI's operational procedures for assuring safety.



Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
The report's recommendations about better prioritisation and planning of its regulatory activities, particularly its risk assessment approaches, will result in DoI resources being targeted to areas of greatest risk and need.	Implementation of our recommendations about the documentation of its accreditation decisions, safety audit observations and findings, and accident and incident investigation findings, will improve the extent to which DoI can justify these decisions and findings.	The audit report recommends widespread revisions to DoI's procedures for planning and undertaking safety audits, as well as prioritising and planning accident and incident investigations, and enforcement actions.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
83%	84%	84%

Management of occupational health and safety in local government (April 2005)

In 2003–04, local government experienced 2 deaths and lodged 870 standard WorkCover claims. During this time, local government paid \$42 million in WorkCover insurance premiums, averaging over \$500 000 each, and WorkCover paid out around \$20 million in fully-developed claims costs.

The rising cost of claims and the increasing numbers of psychosocial claims in the public sector led to this audit. We examined whether local governments were managing occupational health and safety (OHS) in an exemplary way. We measured the sector's performance against exemplary criteria as both federal and state governments are encouraging public sector agencies to demonstrate exemplary OHS behaviour because their activities have large flow-on effects to the community.

We found that OHS, while satisfactory at the operational level, did not get sufficient top management attention. OHS performance varied widely across local governments and our overall assessment rated the sector's performance as "basic". The report's 24 recommendations were about improving accountability, OHS monitoring and reporting systems. There were specific recommendations on 2 case studies included in the audit: contract management and psychosocial issues.

The report was well received and Office staff have made presentations at several OHS forums since its tabling.



Protective clothing worn while inspecting drains.

“Very professional ... Planning, communication protocols, timeframes, reporting of findings were all to a good standard”.

WorkSafe.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended establishment of a statewide OHS forum where councils can share information on OHS systems, guidelines, indicators, risk assessments, investigation techniques and benchmarking.	We recommended that elected councils require and approve OHS objectives, targets and lead indicators against which the CEO must report.	We recommended that improvements be made in the areas of risk management, monitoring and reporting, OHS system implementation, training needs assessments and accountability.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
92%	81%	Not available (a)

(a) Our current means of data collection are insufficient to gain this data from all local governments.

In good hands: Smart recruiting for a capable public sector (June 2005)

Both the public and private sectors are facing challenges to retaining a sustainable work force. This audit examined one important aspect of ensuring that the public sector retains a competent work force: recruitment.

Our audit examined the effectiveness and efficiency of recruitment in Victorian public sector agencies. We concluded that agencies need to improve the way they attract and select employees and that they need to plan

their future work force needs. Agencies also need to improve the skills of their managers in recruiting staff, to use more innovative strategies to attract staff to the public sector, and to measure the cost, effectiveness and efficiency of their recruitment activities.

We recommended that agencies address these issues and that the recently established State Services Authority provide leadership in improving the recruitment practices in the public sector.

“The department welcomes the comprehensive analysis of recruitment strategies and activities provided in the report.”

Department of Innovation, Industry and Regional Development

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended that agencies review their recruitment practices and interpretation of the merit principle to ensure recruitment is efficient and effective, and that the State Services Authority provide leadership in expanding agency understanding of attraction and selection strategies.	We recommended that agencies ensure that accurate recruitment documentation is maintained.	We recommended improvements be made in the areas of the application of the merit principle, record keeping, and in implementing a range of recruitment and selection strategies.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
79%	81%	91%



Managing stormwater flooding risks in Melbourne (completed June 2005)

Severe storms across Melbourne in December 2003 and January 2004 resulted in widespread flash flooding in some metropolitan areas, with consequential disruption of services and property damage. These events highlighted the flooding risks for those parts of Melbourne developed before the late 1970s with lower drainage capacities.

Given this, the audit examined the performance of Melbourne Water (the city's central water and drainage authority) and 6 councils (Bayside, Boroondara, Darebin, Casey, Glen Eira and Stonnington) in managing their stormwater drainage systems to effectively mitigate the risk of overland flooding.

The audit concluded that aside from 2 agencies (Melbourne Water and Stonnington), there was little evidence that effective strategies had been applied to address the flooding risks. Because of this lack of progress, metropolitan Melbourne will continue to face significant flood-related damage, particularly to properties located in flood-prone areas, should the storms as severe as those of 2003 and 2004 recur.

All 7 agencies that were covered in the audit supported the report's 11 recommendations.

“I believe the Auditor-General has, in his usual, competent way, issued a very useful report highlighting a very important issue. I commend it to the House.”

The Hon. JG Hilton, MP, *Hansard*,
21 July 2005.



Flooding in Glenferrie Road, Hawthorn, in early 2004.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended that Melbourne Water and councils explore opportunities for working collaboratively to address the management of flooding risks.	We recommended that agencies improve their consultation with stakeholders on flooding and drainage issues, and that councils report to the community on their performance in managing flooding risks and drainage assets.	We recommended that councils develop flood risk management practices, and develop drainage asset management plans consistent with best practice.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
76%	82%	92%

Managing intellectual property in government agencies (completed June 2005)

Government agencies create, purchase and fund many different kinds of intellectual property (IP), for example, scientific research, IT solutions, information datasets and social research.

This audit considered how effectively agencies manage intellectual property, including whether agencies identify IP at creation, know what kinds of IP they own or control, have strategies for capitalising IP assets and effectively manage the risks of infringing on IP owned by others. We also examined how effectively agencies manage contracts for service delivery where IP may form part of the contract deliverables.

We found that there is currently little direction given on how government IP should be best managed to support the statewide policy direction articulated in

government's statements on innovation. At a whole-of-government level, guidelines and directions are piecemeal. Poor record keeping means that the level of risk associated with this lack of direction cannot be assessed. Currently, there are inconsistent approaches to IP management across government, and a risk that decisions regarding IP made at officer level are seen as lacking in transparency.

We recommended that government nominate an agency to take responsibility for developing a whole-of-government policy on IP. Agencies then need to consider and develop detailed guidance on agency level approaches to IP management in line with a whole-of-government direction and agency-level objectives.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended that the Department of Treasury and Finance develop improved guidelines on IP considerations in purchasing.	We recommended that departments develop clear guidelines on IP management, and define their default position on the ownership of IP created under funding agreements and the circumstances in which exceptions to this position can be considered.	We recommended that agencies clarify IP ownership in tender submissions, and make this clear in all requests for tender.
Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
81%	97%	100%

Sound economic, financial and performance management and accountability

Administration of grants by local governments (completed June 2005)

This audit assessed how well 5 local governments administered grants and other forms of financial support provided to third parties. It found that:

- while each had established formal processes for administering community grants programs, their administrative frameworks were not fully developed to encompass the range of ways they used to provide financial support to third parties (for example, loans, donations, subsidies, sponsorships and other contributions)
- they needed to develop sufficiently comprehensive and robust administrative/control arrangements to recognise the differing ways they provide community support and consistently manage these activities.

This will help ensure that these activities are more effectively managed and the resultant funding outcomes are consistently measured, evaluated, compared and reported

- they also needed to develop a better understanding of the risks associated with different grant types and recipients, and apply this understanding to the development of more focused (risk-based) grant monitoring and acquittal regimes.

The report made several recommendations aimed at improving the grant administration across local government, covering key aspects of management and reporting.



Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We recommended the annual evaluation of grant program outcomes to inform the future operation of such programs.	We identified the need for local governments to maintain adequate information systems to ensure that complete and accurate grant information is kept for public access, as required as legislation.	We recommended that local governments establish appropriate procedures for the monitoring and acquittal of grants, commensurate with the assessed characteristics of different grant types and value.

Note: Survey results were not available at the time of preparing this annual report.

Review of Warrnambool City Council financial management practices (May 2005)

In June 2004, the Ombudsman referred a number of allegations to my Office for inquiry about the adequacy of Warrnambool City Council's financial management practices. The results of our examination of these allegations were included in my May 2005 report *Results of special reviews and other investigations*. In all, some 15 allegations were investigated covering the 13-year period from 1992 to 2004.

While our investigation found the majority of allegations not to be substantiated, or not able to be substantiated due to insufficient evidence, a number of issues were identified.

The report highlighted a need for the council to continually review and refine its governance and reporting arrangements, and its project management procedures.

Value-adding features of this report

The report provided an independent analysis and assessment of a number of issues of significant community interest and concern, and made several recommendations aimed at strengthening the council's financial management practices.

Cheltenham and Regional Cemeteries Trust – Review of expenditure and related items (May 2005)

The Cheltenham and Regional Cemeteries Trust manages cemeteries at 3 locations: Cheltenham Memorial Park, Cheltenham Pioneer Cemetery and Bunurong Memorial Park. A voluntary 8-member trust oversees the administration of the cemeteries.

We investigated certain concerns referred to our Office about the expenditure of trust funds and related matters at the trust. The results were included in my May 2005 report *Results of special reviews and other investigations*.

Our investigation concluded that the trust made, and continued to make, substantial expenditures that

are excessive by public sector standards and not for the purposes of the trust. Despite continually being made aware of appropriate purchasing practices by the Department of Human Services and my Office, the trust over several years engaged in practices that are unacceptable for agencies in the public sector.

Due to the nature of the issues encountered in this audit, further work is currently being undertaken across another 12 major cemetery bodies, the results of which will be reported in Spring 2005.

Value-adding features of this report

The report identified the need for the trust to immediately strengthen its governance arrangements, and expenditure practices and policies. It also provided valuable lessons for governing bodies of similar agencies for ensuring that effective control frameworks are established over the financial operations of their agencies.

East Gippsland Shire Council: Proposed sale of Lakes Entrance property (completed June 2005)

In February 2004, the East Gippsland Shire Council requested my Office to examine the adequacy of its processes and actions in attempting to sell the property at 55 Palmers Road, Lakes Entrance, and in settling an associated legal action.

The council was unsuccessful in selling this property in the period between 1998 and 2001. In June 2001, it resolved to sell the property for \$1.5 million to a private company. Following community unrest and a number of other offers for the property, the council decided not to proceed with the sale, but sell the property by public tender. In October 2001, the council approved the sale of the property for \$1.525 million. Subsequently, an interested party initiated a Supreme Court action to prevent the sale.

In October 2003, the council settled the Supreme Court action at a cost of \$912 000, and the contract of sale for the property was cancelled.

Our report identified a number of deficiencies in the council's processes and actions, including:

- lack of evidence that a comprehensive analysis was undertaken prior to pursuing the sale of the property
- inadequate due diligence on prospective purchasers of the property
- poorly conducted tender process for the sale of the property which was further compromised by the actions of the then mayor
- lack of transparency to the community and inadequate community consultation
- deficiencies in advice from council officers to the council.

“This is an interesting report, and I congratulate the Auditor-General on the thorough and comprehensive investigation which was undertaken at the instigation of the East Gippsland shire ...”

The Hon. Philip Davis, MP, *Hansard*, 21 July 2005.

Value-adding features of this report

The report drew out a number of important lessons from the events surrounding the sale of the property which should be considered by all local governments when planning the disposal of significant public assets. It also identified opportunities for further guidance to be provided to local government in Victoria.



Omnibus reports

Report on public sector agencies - Results of special reviews and other studies (August 2004)

This omnibus report set out the results of 4 audits covering water rights trading in Victoria, management of procurement and accounts payable, an examination of processes used in developing policy advice in government, and progress made by the Environment Protection Authority to address matters raised in our June 2002 performance audit report *Managing Victoria's air quality*.

Auditor-General's Report - Results of 30 June 2004 financial statement and other audits (December 2004)

This report set out:

- the results of financial statement audits for agencies with 30 June 2004 balance dates
- the outcomes of an audit of the administration of grants by 4 state agencies and one local government council.

The 30 June 2004 audit round resulted in the issue of 454 clear audit opinions and 9 qualified audit opinions on the financial statements of state and local government agencies. We also issued 92 clear audit opinions and 2 qualified audit opinions on performance statements of municipal councils and regional water authorities.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
<p>We highlighted the need for ongoing monitoring of the financial performance and condition of several hospitals to ensure their continuing viability.</p> <p>We also identified the need for agencies to ensure that they manage risks arising from outsourcing services.</p>	<p>We identified the need to strengthen the current accountability arrangements for government schools and voluntary fire brigades.</p>	<p>We identified several aspects of grants administration that posed risks for public sector agencies and needed to be effectively managed.</p>

Seventy-one per cent of state agencies met the 12-week statutory reporting requirement (66 per cent in 2003). Ninety-five per cent of local government agencies met the 3-month statutory reporting requirement for that sector (95 per cent in 2003).

While public sector agencies had generally established effective systems of internal control, scope for improvement was found at some agencies – particularly in relation to the management of outsourced services, the operation of audit committees, information technology controls, and purchasing and accounts payable processes and controls.

The report highlighted the continuing financial difficulties faced by a number of the state's public hospitals and municipal councils, and the need to strengthen the accountability arrangements for the state's 1 632 government schools and the 1 240 voluntary fire brigades across Victoria.

Finally, the report raised several concerns about the administration of grants by 5 public agencies (including grants provided to the Cambodian Association of Victoria over 5 years), and made several recommendations to strengthen agency policies and practices.

Note: Due to the broad scope of the issues covered by this report which impacted across the public sector, we did not conduct a client satisfaction survey.

Results of special reviews and other investigations (May 2005)

This report set out the results of 10 special reviews and investigations.

The 4 audit investigations examined a number of significant allegations and concerns conveyed to our Office by external parties. They covered:

- the management of the construction of a major fire control line during the 2003 fire season
- the administration of an industry assistance program
- the financial management practices of the Warrnambool City Council (see page 25) and the Cheltenham and Regional Cemeteries Trust (see page 25).

The 6 special reviews examined:

- progress made on implementation of the recommendations contained in our October 2002 performance audit report *Community dental services*
- the sale of the Overseas Projects Corporation of Victoria Ltd's major assets
- the implementation of 2 major "change" projects, aiming to improve public sector asset management and telecommunication services (namely, the "Government Infrastructure Management System" and the "Telecommunications Purchasing and Management Strategy" projects)
- capital budgeting and management by local governments

- the processes used to ensure that medical practitioners in Victorian public health services (particularly overseas qualified and trained practitioners) are appropriately qualified to practice medicine.

The report identified scope for improvement in each of the areas examined and made many recommendations to strengthen agency practices and performance. While the findings and recommendations were primarily directed towards the specific agencies examined, they also provided useful insights and lessons to be learned for other agencies with similar activities.



Qualified medical practitioner treating a patient.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
<p>We highlighted the need for:</p> <ul style="list-style-type: none"> • effective agency-level governance arrangements to ensure proper oversight and management of activities by governing bodies • improved planning and management of future industry assistance programs • improved capital budgeting and management by local governments • better information to strategically manage the delivery of community dental services. 	<p>Our report provided an independent assessment of several matters of concern referred to our Office by external parties, facilitating transparency on these matters.</p>	<p>Our report set out many useful insights and lessons for public sector agencies when:</p> <ul style="list-style-type: none"> • conducting business and asset sales • assessing the effectiveness of the governance and expenditure control arrangements • developing and managing their capital expenditure programs.

To gauge the level of satisfaction with the report quality, audit process and level of agreement with recommendations, we surveyed agencies with management responsibility for the following 2 issues contained in the report:



Implementation of the Government Infrastructure Management System project

Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
88%	94%	100%

Implementation of the Telecommunications Purchasing and Management Strategy project

Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
88%	94%	100%

Results of financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits (May 2005)

This report contained the results of:

- financial statement audits for agencies with 2004 balance dates other than 30 June (mainly universities, TAFE institutes and alpine resorts)
- 4 special audits examining:
 - the effectiveness of the Sheriff's Office in enforcing warrants for the recovery of outstanding fines and fees
 - the management of a major justice sector "change" project, namely, the Metropolitan Mobile Radio Network project
 - the administration of a grant to a community-based organisation (Bayside Employment Skills Training Inc.)
 - the adequacy of internet security practices by local governments.

At the time of preparing the report, we had issued 120 clear audit opinions on the financial statements of public sector agencies with balance dates other than 30 June 2004. One further audit opinion was qualified. The low incidence of audit qualifications represented a significant improvement on the previous year, when 8 agencies' financial statements were qualified.

There was substantial improvement in the number of agencies completing their audited financial statements within 12 weeks (from 60 per cent in 2003 to 76 per cent in 2004).

The report identified the need for further improvement in selected aspects of financial management, including agencies' internal management reporting practices, risk management policies and practices, and the management of employee leave balances. It also identified the need for TAFE institutes to improve the quality of information included in their annual reports about the efficiency and effectiveness of their operations, so that members of parliament and other users of these reports can better assess the institutes' performance.

Scope for improvement was found at each of the areas examined and recommendations were made to improve agency practices.

Value-adding features of this report

Improved resource management	Improved accountability and transparency	Improved operational procedures
We assessed the financial performance and condition of TAFE institutes, including factors impacting thereon.	We highlighted the need for agencies to further improve the timeliness of financial reporting. We recommended that TAFE institutes publish better information about their performance via key performance indicators in their annual reports.	We identified a need for the Sheriff's Office to improve its operating methodology, information systems and performance management arrangements. We made several recommendations for local governments to strengthen their internet security practices. We recommended several improvements to the Department for Victorian Communities' grant administration processes.

To gauge the level of satisfaction with the report quality, audit process and level of agreement with recommendations, we surveyed agencies with management responsibility for the following 2 issues contained in the report:

Sheriff's Office enforcement of warrants

Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
73%	75%	100%

Management of the Metropolitan Mobile Radio Network project

Client satisfaction with report quality	Client satisfaction with audit process	Recommendations – level of agreement
90%	91%	100%

Performance against timeliness targets

The Auditor-General has set timeliness targets for completing reports to parliament.

Our external target is to have all reports tabled in the planned parliamentary session. Internal targets help us to achieve that goal.

Although we largely met our external targets, we need to improve our internal targets. During 2004–05, we continued looking at how we conduct audits and prepare parliamentary reports, including our audit methodology and publication processes.

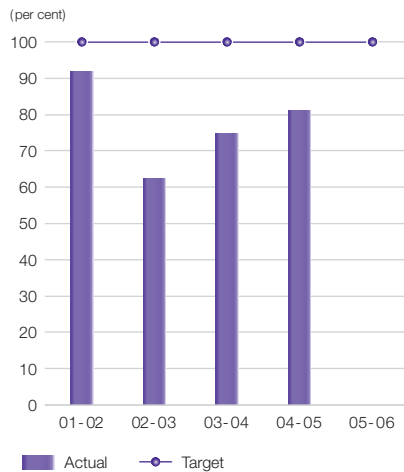
While we achieved the completion of 16 parliamentary reports in accordance with our targets in the Budget

Papers, the above chart shows that 13 of the 16 reports completed in 2004–05 (12 of 16 in 2003–04) also met our business plan targets. The remaining audits were largely completed within one month of target date.

In 2004–05, we extended our work and consulted more widely during 2 particularly complex audits, and this prevented us from reaching our internal target. Where there is potential for a conflict between audits that have a proper scope and are effective, and reaching a set target, the Office places the needs of good audit practice ahead of quantitative targets.



Timeliness of parliamentary reporting program – internal targets



Performance against quality and client satisfaction targets

Feedback on reports from members of parliament and external assessors

Feedback helps us to confirm that our audits have examined the most appropriate subjects, and that our findings and recommendations are clear and concise. Members of parliament and members of the Public Accounts and Estimates Committee (PAEC) provide informal feedback. Comments made during parliamentary debates have been positive.

We obtain formal feedback:

- every 3 years through an independent performance audit of our Office
- during intervening years by interviewing members of the PAEC
- from a small group comprising, a retired parliamentarian, a senior public servant and an expert in local government.

Independent performance audit

In 2004-05, the independent performance auditor undertook a comprehensive survey of our client base, including:

- all members of parliament
- board or audit committee chairs of 46 public sector agencies
- departmental secretaries/chief executive officers and chief financial officers of some 260 public sector agencies.

The surveys sought to rate the Office across a range of areas comprising service delivery, planning and supervision, technical competence, communication, staff attitude and performance, value-adding, reporting, quality control, use of agents and specialists, performance audits, and other audits and investigations.

The overall rating combining each area and client was satisfactory to good. The response from parliamentarians was good to very good.

What was particularly pleasing was the acknowledgement that our efforts to encourage staff to improve relations with clients and “add value” wherever possible was bearing fruit. The surveys also highlighted areas where our effort could improve and these are consistent with our continuous improvement efforts.

Further information on the survey results are available from www.parliament.vic.gov.au/paec/reports.

Public Accounts and Estimates Committee

During 2004-05, the Auditor-General met with members of the PAEC to discuss the performance of the Office. Members comments were consistent with the findings of the independent performance audit. Particularly, members emphasised the value that the Office made to public accountability, but indicated that we needed to better explain our approach to strategic planning. Our *2005-06 Annual Plan* which deals more directly with risk and audit selection, in part, responds to this concern.

External assessors

In 2004–05, 4 of our performance audit reports were examined by a small group of external reviewers experienced in parliamentary, public sector and local government needs. The reports reviewed were:

- *Management of occupational health and safety in local government*
- *Managing patient safety in public hospitals*
- *Meeting our future Victorian Public Service work force needs*
- *Regulating operational rail safety.*

The external assessors considered the reports under 2 headings:

- matters relating to the look and feel of the reports
- content of the reports.

The assessors commented that the reports were user-friendly, but that both the report and the internet version could be enhanced through improved presentation (fonts), and providing indexing and navigational aids on the internet version.

The assessors also commented positively on the content of the reports, and suggested that our executive summaries needed to be more focused on bringing out the higher level conclusions. The assessors also suggested that we could better explain our rationale for selecting the agencies subject to audit.

These suggestions are being addressed in current audits and parliamentary reports.

Views of client agencies on tabled reports

To help us continually improve our audits, we ask audited agencies for their feedback in formal surveys and in face-to-face discussions.

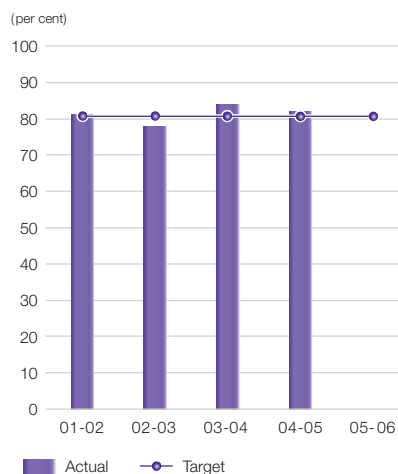
Our 3 key survey measures of client satisfaction are:

- report quality – does the report have value and is it relevant?
- audit process – was the audit process and the audit team adequate and professional?
- level of agreement – how much does the agency agree with our recommendations?

We collate the data and compare the total against our satisfaction target. Our target for 2004–05 was 80 per cent.

At 82 per cent, client satisfaction exceeded our 2004–05 target and was consistent with our 2003–04 result. This high level of satisfaction shows that our reports are useful and add value to agencies' operations.

Overall client satisfaction with parliamentary reports



In conjunction with the Australasian Council of Auditors-General, we are currently working on developing a common methodology that would allow us to benchmark the results of our client satisfaction surveys against other Australian audit offices.

Enhancing our parliamentary reports

This year, we continued to focus on our plain English program. The program aims to make our parliamentary reports more concise and easier to read. We continued to train staff in plain English writing skills, combined with ongoing support and evaluation to help staff maintain and develop their skills.

We continued to use external plain English editors to help us with report structuring and general reporting and writing skills.



Kim Nolan and John Olesky from the Reports and Communications Section – responsible for managing our parliamentary publishing program.



Parliamentary services

Other services provided to parliament

We provide a range of services that complement our reports to parliament. They include advice and comment on contemporary issues for key parties such as parliamentary committees, central government and peak professional bodies.

We strive to use our skills and knowledge to help parliament and the government improve public sector management and reporting practices. Our independence from decision-making allows us to advise on change in the public sector.

Assistance to parliament



Members of the Public Accounts and Estimates Committee (left) meeting with Office staff to discuss upcoming audit specifications.

Legislation requires us to consult with the Public Accounts and Estimates Committee (PAEC) on the Auditor-General's annual plan and budgetary needs. This year, a more contemporary format for the draft annual plan was introduced to better communicate the analysis that underpins our planned work program. The annual plan includes our assessment of the challenges and risks to public sector performance and accountability, and areas of audit interest that we consider are a priority. It provided an opportunity to focus on broader challenges and risks to the public sector.

We briefed members of parliament on each of our reports and liaised with the PAEC on performance audit specifications.

As soon as possible after our reports were tabled, we held briefings for members of parliament. There were encouraging attendances at a number of these sessions. In order to make members of parliament aware of forthcoming reports and the timing of briefing sessions, we updated tabling dates on our website and, at the start of the tabling week, provided members with the report title.

It is our intention to continue these briefings during 2005-06, as they assist members in better understanding the contents of our reports.

During the year, a number of staff were seconded to the PAEC to help with its research activities.

Inquiries from members of parliament and the public

Each year, we receive many inquiries from members of parliament and the public about the actions of public sector agencies or officers. These inquiries are usually concerns about the management of public resources, and often include a request for an audit examination.

During 2004-05, we received 114 inquiries: 21 were from members of parliament and 93 were from the general public and community groups (130 inquiries in 2003-04).

We aim to initially respond to all inquiries within 7 days, and finally within 4 weeks. This time frame includes considering whether the issue should be investigated by us. Following preliminary analysis, a number of matters referred to us led to specific audits or investigations, the results of which are included, in the main, in the next available omnibus report presented to parliament.



Dr Vivienne Roche (Strategic Audit Planning and Sector Leadership Group) maintains close contact with our stakeholders.

In 2004–05 we:

- acknowledged 66 per cent of inquiries from members of parliament and the public within 7 days
- responded to 75 per cent of these within 4 weeks.

The benchmarks of 95 per cent were not achieved as a number of letters were not responded to within timelines as we were waiting for the release of agency reports. We will continue to seek to achieve the performance goals we set, notwithstanding the difficulties which can be encountered in completing sufficient preliminary work to allow a decision to proceed further or not, to be made.

Enhancing accountability and resource management in the public sector

We regularly advise government, peak bodies and individual agencies in areas such as draft legislation, new proposals for financial management and intended changes to financial reporting frameworks.

During 2004–05, we liaised with government agencies on significant financial reporting issues and on new and revised Financial Reporting Directions. The directions set out the requirements for financial management and reporting in the Victorian public sector. We continued to provide significant input to central agencies on a range of financial reporting issues, including the reporting of performance information. A major additional demand on this aspect of our work this year accompanies the introduction of the new accounting standards following Australia's decision to adopt International Financial Reporting Standards for reporting periods commencing on or after 1 January 2005. These changes affect all public sector bodies.

We also:

- issued regular newsletters to agencies about current and topical public administration and governance matters, and the results of recent major audits
- advised TAFE institutes, Victorian government departments, ambulance services and public hospitals on model financial reports and reporting guidelines
- developed and provided water authorities and university subsidiary companies with model financial reports
- worked to identify and promote draft accounting and auditing standards and other public sector issues to do with harmonising national and international accounting standards.

Good practice guides



The Office publishes good practice guides for public sector managers in selected areas. Our guides draw on the work done in recent audit examinations on good and better management practices for public sector agencies. These guides are available on our website.

A good practice guide on *Internal financial reporting in local government* was published during the year.

This good practice guide arose from our 2004 audit of local government financial reporting practices. While the audit identified instances of good reporting practices in some local governments, it concluded that there was still significant scope for improvement across the sector.

The guide steps preparers and readers of local government internal financial reports through a systematic review process. Its aim is to help better define and satisfy financial information needs. It allows local governments to benchmark their existing reporting systems, and the content and layout of their internal reports.



Interstate organisations and international delegations

We periodically meet with visiting interstate organisations, and host international delegations, such as parliamentary representatives from overseas, to share our knowledge and experiences.

During 2004–05, we hosted:

- a financial audit delegation from the Chinese National Audit Office
- 2 financial audit delegations from regional Chinese municipalities
- a study tour of accountants and financial auditors from Indonesia
- the Public Accounts Committee of NSW on a study tour concerning trends in sustainability reporting in government.

Through such visits, we aim to build relationships and share information with our interstate and overseas colleagues for mutual benefit.



Carol Pagnon and Scott Bayley (front row, 3rd and 4th from left) hosted a visiting delegation from the Chinese National Audit Office in November 2004.

Contributions to professional bodies

A number of our senior staff hold positions in professional bodies, committees and societies. These include the Public Sector Accountants Committee of CPA Australia, the Australasian Evaluation Society and the Victorian Divisional Council of CPA Australia.

The Auditor-General is the Australian representative on the International Public Sector Accounting Standards Board (IPSASB) and was a member of the Australian Accounting Standards Board (AASB) until May 2005.



Jim Dixon, from our Accounting and Auditing Policy area, regularly provided presentations on accounting and auditing issues at local and international forums.

Parliamentary reports and services

During the year, a number of presentations were made by senior staff:

Presenter	Topic
Wayne Cameron	Role of the audit committee in local government. Presentation to Local Government Audit Committee Chairs, Melbourne, July 2004.
Russell Walker	Public private partnerships – Governance and accountability issues. National Conference of Parliamentary Environment and Public Works Committees, Lorne, July 2004.
Jim Dixon	The changing auditing and risk landscape – Better practices for better governance. Keynote address to CPA Audit and Risk Management Symposium, Melbourne, November 2004.
Jim Dixon	An Australian perspective on the changing auditing and risk landscape - Better practices for better governance, 28th Annual Congress of the European Accounting Association, Goteborg, Sweden, May 2005.
Wayne Cameron	Quality reporting in the public sector. Keynote address to Australasian Reporting Awards annual seminar on reporting, Melbourne, June 2005.

Australasian Council of Auditors-General

In May 2005, we hosted a business meeting and planning workshop of the Australasian Council of Auditors-General (ACAG). We also hosted the annual Communications Officers Conference, which comprised representatives from most Australian Audit Offices, and the Office of the Comptroller and Auditor-General of New Zealand.

We hosted meetings of the ACAG (technical) Advisory Committee in July 2004 and February 2005. This committee, which comprises senior staff with responsibilities for providing technical advice on policy and standards, examines emerging auditing and accounting issues, with a view to providing a consensus position across Australian and New Zealand audit offices. The meeting allowed for a sharing of views and experiences between our Office and ACAG members.

Warrants for expenditure of public funds

Under the *Constitution Act 1975* and the *Financial Management Act 1994*, any money drawn from the Consolidated Fund of the Public Account must be authorised by warrants that the Auditor-General examines and certifies.

During 2004-05, the Auditor-General certified 25 warrants authorising Consolidated Fund expenditure of up to \$26.4 billion (2003-04, 36 warrants of \$24.5 billion).

Outlook for 2005-06

In the coming year we will:

- identify in our annual plan a number of key challenges and risks across the public sector and the audit response that will be taken to provide parliament with the necessary assurance
- improve our responsiveness to requests to undertake other audits and investigations, and report the results in a more timely way
- continue to review our reports to parliament to ensure that they reflect the highest professional standards in presentation and content, and meet the expectations of our stakeholders.



Audit reports on financial statements

Key achievements

- We issued 604 audit opinions to agencies, and 94 audit opinions on certain agencies' non-financial performance indicators (see page 39).
- Ninety-nine per cent of our audit opinions were issued on time (see page 39).
- We delivered financial audit services at \$730 000 less than budget (see page 40).
- Client satisfaction with our financial statement audit services increased from 74 per cent in 2003-04 to 77 per cent in 2004-05 (see page 44).



In this section

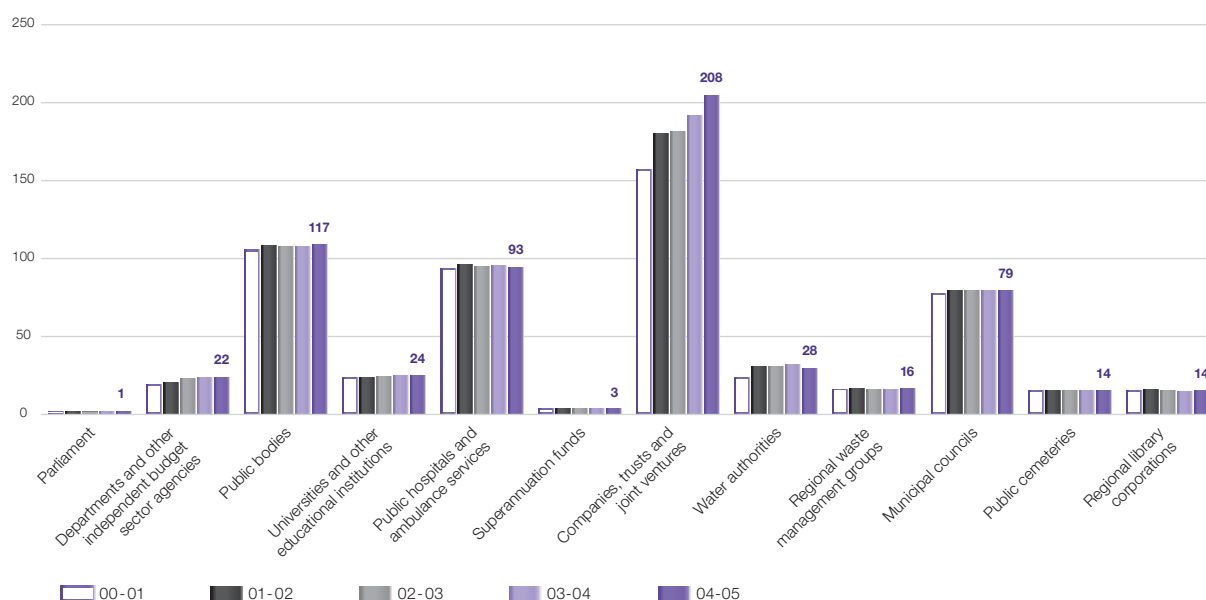
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The Auditor-General has a statutory responsibility to examine the annual financial statements of departments and public bodies, and express audit opinions about whether their financial statements fairly reflect their financial position and financial results of operations. The Auditor-General must also provide an audit opinion on the performance statements prepared by each municipal councils and certain water bodies.

Audit responsibilities

At 30 June 2005, the Auditor-General was responsible for auditing the Annual Financial Report of the state, the review of the Estimated Financial Statements in the state budget, and around 620 financial statements of public sector agencies (around 600 in 2003-04). These agencies collect income of about \$40 billion, spend about \$39 billion and hold over \$146 billion in assets.

Type and number of agencies audited each year, at 30 June



Appendix 3 of this annual report lists all the agencies subject to audit at 30 June 2005.

The following tables show how the *Audit reports on financial statements* output group (Output group 2) performed against 2004-05 targets.



Performance against output targets

Performance measures	Unit of measure	2004-05 target	2004-05 achievement	2005-06 target
Cost				
Delivering services within output cost (see page 41)	\$million	15.00	14.45	15.07
Quantity				
Audit opinions issued (see page 41)	number	610	604	625
Audit opinion on the 2003-04 Annual Financial Report of the state (see page 42)	number	1	1	1
Review of the Estimated Financial Statements forming part of the 2005-06 state budget (see page 42)	number	1	1	1
Audit opinions on non-financial performance indicators (see page 42)	number	79	(a) 94	94
Timeliness				
Audit opinions within statutory deadlines (see page 43)	per cent	100	99	100
Management letters and reports to ministers in set time frames -				
- Management letters (see page 43)	per cent	100	(b) 76	100
- Reports to ministers (see page 43)	per cent	100	100	100
Quality				
Overall external satisfaction with how we conducted financial statement audits (see page 44)	per cent	80	77	80

(a) The increase in the number of audit opinions on non-financial performance indicators relates to the inclusion of 15 water bodies required to prepare statements of performance from 2003-04.

(b) Target not achieved due to the need to consult extensively with agencies on complex issues before issuing final management letters.

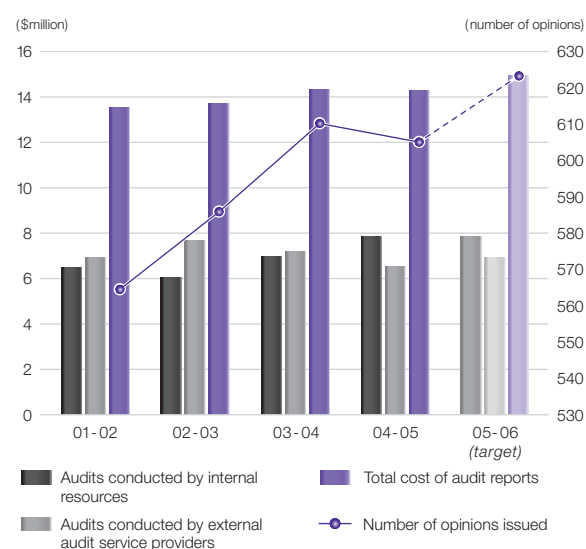
Our reports on the results of financial statement and other audits include any issues that emerge during financial statement audits that we believe should be reported to parliament (see page 27).

Performance against cost targets

Item	Target 2004-05	Actual 2004-05	Target 2005-06
	(\$m)	(\$m)	(\$m)
Audit reports on financial statements -			
- Audits conducted with internal resources	7.48	7.66	7.59
- Audits involving external audit service providers	7.10	(a) 6.43	7.10
Audit opinion on the Annual Financial Report of the state	0.23	0.18	0.21
Review of Estimated Financial Statements in the state budget	0.19	0.18	0.17
Aggregate output costs	15.00	14.45	15.07

(a) Includes \$6.06 million expenditure on external audit service providers, and \$370 000 incurred on these audits by internal resources.

Cost of audit reports on financial statements



Since 2001-02, the aggregate cost of audit reports has risen by 10 per cent (including CPI increase), while the number of audit opinions rose by 7.1 per cent.

During 2004-05, we issued 604 audit opinions to agencies, including companies, trusts and joint ventures (611 in 2003-04). Our payments to external audit service providers decreased to \$6.06 million (\$6.7 million in 2003-04) following our policy to do at least 35 per cent of audits in each sector in-house. Our internal costs for contracted audits were \$370 000. These costs covered our contract management and quality control processes.

The slight increase in the total cost of audit opinions, at \$14.45 million (\$14.34 million in 2003-04), was largely due to CPI increases partly offset by:

- the small decline in the number of opinions issued
- and some efficiencies achieved through improved coordination of audit effort.

We recover the costs of the audits from the agencies and pay this money to the Consolidated Fund. We paid \$14.26 million into the fund in 2004-05 (\$14.3 million in 2003-04).



Trends in average cost of audit opinions

		Actual 2002-03	Actual 2003-04	Actual 2004-05	Target 2005-06
Audit opinions	no.	587	611	604	625
Costs	\$m	13.7	14.3	14.45	15.07
Average cost per audit	\$'000	23	23	24	24

The average cost per audit opinion increased slightly in 2004-05, reflecting general cost increases and the impact of additional audit effort required to address new developments, such as the introduction of new accounting standards (Australian equivalents to International Financial Reporting Standards) for future accounting periods.

We estimate the output group's costs will rise by \$620 000 in 2005-06, largely because of a greater number of agencies, forecast rises in employment costs and certain sectors needing extra audit work on performance indicators.

Performance against quantity targets

Audit opinions issued to agencies

In 2004-05, we issued 604 audit opinions. Of these, 350 (391 in 2003-04) were issued on the basis of recommendations by our contracted audit service providers.

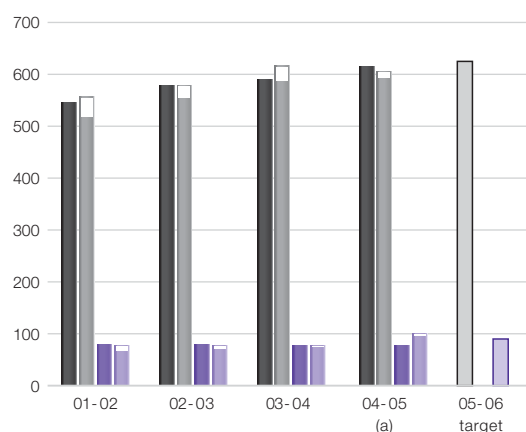
We also issued 79 audit opinions on performance statements to local government councils (79 in 2003-04), and 15 audit opinions on performance statements to regional water authorities (nil in 2003-04). Under the *Roads to Recovery Act 2000*, we issued 63 audit opinions on Statements of Receipts and Expenditure to the Commonwealth Department of Transport and Regional Services.



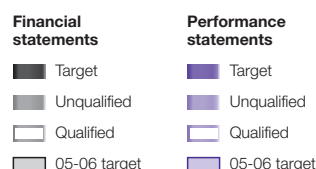
Emma Homfray helps in the management of information relating to our audit clients.

Audit reports on financial statements

Number of audit opinions on financial statements and performance statements



(a) The increase in the year in the number of audit opinions on performance statements relates to the issue of a reporting direction by the Minister for Finance requiring 15 water bodies to include audited statements of performance in their annual reports, from 2003-04.



Ninety-eight per cent of audit opinions on financial statements and on local government council performance statements were unqualified.

We most commonly issued a qualified opinion where agencies:

- inappropriately accounted for non-exchange revenue grants (2 agencies)
- failed to consolidate “controlled entities” (2 agencies)
- were unable to attest to the completeness of cash donations as the risks associated with such collections could not be mitigated by internal controls (2 agencies)
- had uncertainty on whether they would continue as a going concern (2 agencies).

Two local government councils received qualified performance statements because:

- one had not included performance measures in its business plan, as required by legislation
- one had insufficient or inappropriate evidence of certain performance measures.

Audit opinion on the 2003-04 Annual Financial Report of the state

A key feature of the state’s accountability framework is that the government must prepare and present consolidated financial statements to parliament each year. The statements include all the public sector entities that the government controls. Local government bodies and universities are not included in the state’s financial report.

On 5 October 2004, the Auditor-General issued an unqualified audit opinion on the Annual Financial Report of the state for 2003-04. The government presented its audited financial report to parliament on 13 October 2004.

The government’s Estimated Financial Statements

On 28 April 2005, we completed our review of the government’s Estimated Financial Statements for the financial year ending 30 June 2006 and the following 3 years. The government’s *Budget Papers*, presented to parliament in May 2005, included our short-form audit report on the results of this review.

A particular feature of the statements this year was their reformatting to allow easier alignment of these statements, prepared under generally accepted accounting principles, with the format used for statistical reporting purposes.



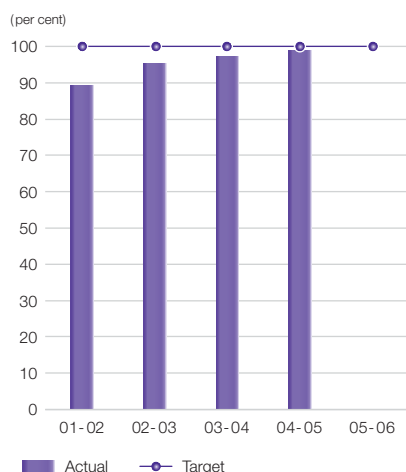
Performance against timeliness

Audit opinions issued within statutory deadlines

The *Financial Management Act 1994* and the *Audit Act 1994* set out the annual reporting and audit requirements for departments and other public sector agencies. They must submit their annual financial statements to the Auditor-General within 8 weeks of the financial year-end.

The Auditor-General must then express an opinion on the financial statements within 4 weeks of their receipt.

Percentage of audit opinions issued within statutory deadlines



During 2004-05, we issued 99 per cent (98 per cent in 2003-04) of our audit opinions within the statutory deadline. We did not reach our target of 100 per cent because accounting and disclosure issues for certain entities had to first be resolved. However, the above chart shows that there has been a steady improvement in performance in this area over the last 4 years.

Improving timeliness of financial reporting by agencies

The audited financial statements of 72 per cent of public sector agencies were completed within 12 weeks of the balance date (70 per cent in 2003-04). This improvement was achieved by initiatives of agencies and by our strategies to help agencies meet their statutory reporting requirements. These include:

- early consulting for effective reporting schedules and auditing processes
- solving accounting and auditing problems as early as possible
- encouraging agencies to do draft financial reports before the balance date to resolve issues about format and disclosure.

“Audit’s collaborative and pragmatic approach to resolving issues is commendable.”

Transport Accident Commission

Management letters to agencies and reports to ministers

We send all the audited agencies management letters outlining our findings and recommendations.

In 2004-05, we sent 76 per cent of management letters in our targeted time frame (86 per cent in 2003-04). Although there is always some slippage on achieving our aim of issuing the final management letter within 4 weeks of the audit opinion being signed, due to the need to consult extensively prior to final issue, the results this year requires our further attention. Any issues arising out of an audit will have been brought to the attention of agency management and, if material, the audit committee promptly. However, the issue of a final letter is often affected by natural justice agency clearance processes.

We will work to find more effective ways to improve the timeliness of our management letters by completing as much of the audit as possible before balance date, and sending interim management letters before financial year-end informing agencies of interim audit results.

We issued a consolidated report, following completion of the main 30 June round, to each minister outlining significant audit matters for agencies in their portfolio.

Measuring the quality of financial statement audits

Agency satisfaction with how we conduct financial statement audits

Each year, we survey audited agencies for feedback on the quality of our work.

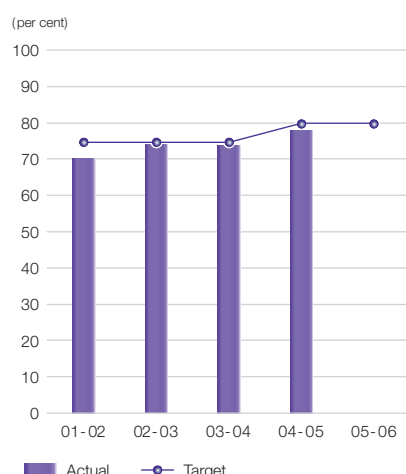
Executive management rates our services against a range of key attributes such as how professional and skilled our staff were, how effective their communication was, and how well they understood the agency's business. We use responses to improve our service.

“Audit staff are particularly strong in their industry knowledge.”

Yarra City Council

The survey also asks for an overall rating of satisfaction with financial statement audit services. Client satisfaction was 77 per cent for 2004-05 which is slightly below our target of 80 per cent, but above our 2003-04 result of 74 per cent. Our target for 2005-06 is 80 per cent.

Agency satisfaction with financial statement audit work



In conjunction with the Australasian Council of Auditors-General we are currently working on developing a common methodology that would allow us to benchmark the results of our client satisfaction surveys against other Australian audit offices.

Particular strategies employed during the year included:

- consolidating our financial audit sector knowledge and skills to deliver better audits
- liaising more extensively with an agency's senior management during the audit process
- interacting more with external audit service providers and agencies when planning and undertaking high-risk audits
- improving our responsiveness to agency or service provider requests.

“Any requests to the Auditor-General's Office are usually of an urgent nature. Your staff respond to these requests quickly which is appreciated by Council.”

Colac-Otway Shire Council

We also encourage staff and external audit service providers to interact more, to assess the quality of each other's work, and to quickly identify and resolve audit issues. This approach helped us to improve the early resolution of issues and our financial reporting timeliness, resulting in the positive client survey results we received for 2004-05.

“The Victorian Auditor-General's Office is very responsive and co-operative in its approach to our audit.”

Melbourne Water

A discussion on our internal quality assurance regimen is set out on page 50.



Resourcing financial statement audits

Policy for resourcing financial statement audits

Financial statement audits are carried out by a mix of internal staff or external audit service providers under a 3-year contract. (The initial 3-year contract may be extended for up to 2 further years depending on performance.) Decisions about these resources are based on the Auditor-General's financial statement audits resourcing policy established in 2001-02. As part of this policy:

- internal staff are responsible for auditing the Annual Financial Report of the state, reviewing the government's budget estimates, and auditing the administrative functions of parliament, government departments and public sector agencies
- 35 per cent of all financial statement audits within each sector of government will be audited by our own staff
- the balance of financial statement audits are contracted-out, using competitive tendering arrangements. The pool of such audits is rotated over time so as to facilitate movement between those audits subject to contract audit and staff over time
- we aim to rotate the Financial Audit Group director or the external audit service provider for each audit every 5 years, in line with international best practice, to help maintain audit independence and ensure a fresh and objective perspective.

During the year, we continued to review this policy to ensure that it remained the most appropriate means for resourcing financial statement audits.

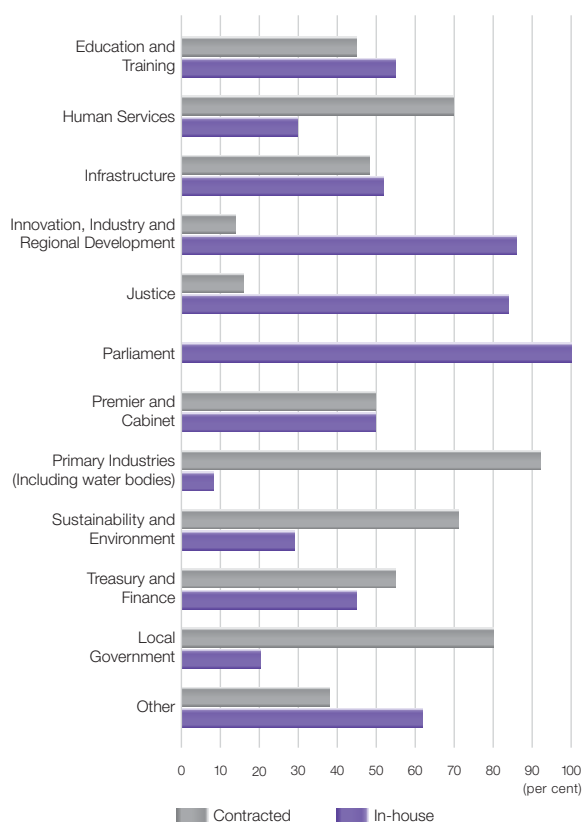
Also, we extended contracts beyond the 5-year period for a small number of audits. This occurred for a number of reasons, including the final audit of certain agencies being undertaken by the existing external audit service provider and to place the tenders for certain audits on the same time frame as other audits in that sector. Details of specific contracts extended beyond 5 years will be included in future annual reports.

Resource mix for financial statement audits

At 30 June 2005, the Financial Audit Group internally staffed 254 audits, or 42 per cent (220 or 36 per cent, in 2003-04). The increase was mainly attributable to new audit responsibilities assumed during the year (mainly controlled and subsidiary entities), the drawing in of further local government audits in line with our resourcing policy, and a decision to undertake the audit of the RMIT group internally from the 2004 calendar year.

The following chart shows in-house and external audit service providers across each sector at 30 June 2005, by percentage of audits completed. Tenders for audits mainly in the local government sector were completed during the year.

Resourcing financial statement audits



Further rounds of tenders for education sector agencies are planned for September 2005, and for general government agencies in November 2005.

External audit service providers

The following table show payments to 26 external audit service providers in 2004-05.

Financial statement audits, payments to external audit service providers, 2004-05

External audit service provider	Amount (\$'000)
RSM Bird Cameron	1 412
Ernst & Young	960
WHK Day Neilson	557
Richmond Sinnott & Delahunty	431
PricewaterhouseCoopers	259
Haines Norton	374
KPMG	127
KPMG Albury	152
Armitage Downie	211
Coffey Hunt	196
Mulqueen Griffin Rogers	115
HLB Mann Judd (Vic)	297
Deloitte Touche Tohmatsu	119
Johnsons MME	207
Pannell Kerr Forster	113
Avenir Group Victoria	177
Other (a)	357
Total	6 064

(a) Comprises payments to external audit service providers of less than \$100 000.

In 2004-05 we paid \$6.064 million (\$6.689 in 2003-04) to 26 external audit service providers.

The Audit Act authorises the Auditor-General to delegate the responsibility for signing audit opinions on financial statements to external audit service providers where the annual operating expenditure is under a threshold amount which is indexed annually. The base amount for 2003-04 was \$5 million. In 2004-05 the amount was \$5.1 million. In 2004-05, the Auditor-General delegated responsibility to external audit service providers to issue audit opinions and audit management letters for 82 audits (96 in 2003-04). Appendix 4 of this annual report lists those audits delegated.

Outlook for 2005-06

In the coming year we will:

- implement an enhanced financial audit process and methods, through a new electronic tool set supported by comprehensive audit policy and guidance, for financial audit staff
- deliver a comprehensive professional development program to our staff, targeting their development needs and emerging public sector issues such as building on the extensive training already undertaken in support of the roll-out of the new accounting standards
- develop strategies to improve our timeliness in issuing audit management letters
- continue to review our financial audit resourcing policy to ensure that it remains cost-effective.



Managing our Office

Key achievements

- A Special Investigations Unit was established to conduct special audit reviews and investigations (see page 54).
- We updated our internal communications equipment with new voicemail facilities (see page 55).
- We further enhanced our internal communication strategy with the introduction of an online staff newsletter and intranet upgrade (see page 56).
- We commenced redevelopment of our financial statement and performance audit methodologies (see page 58).
- We improved our human resource strategies to strengthen our organisational capacity (see page 61).
- Our Green Office Interest Group helped us to conserve energy, reduce waste and promote recycling (see page 66).



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Our aim is to manage the Office and its people in such a manner as to ensure that we maintain an effective and sustainable organisation.

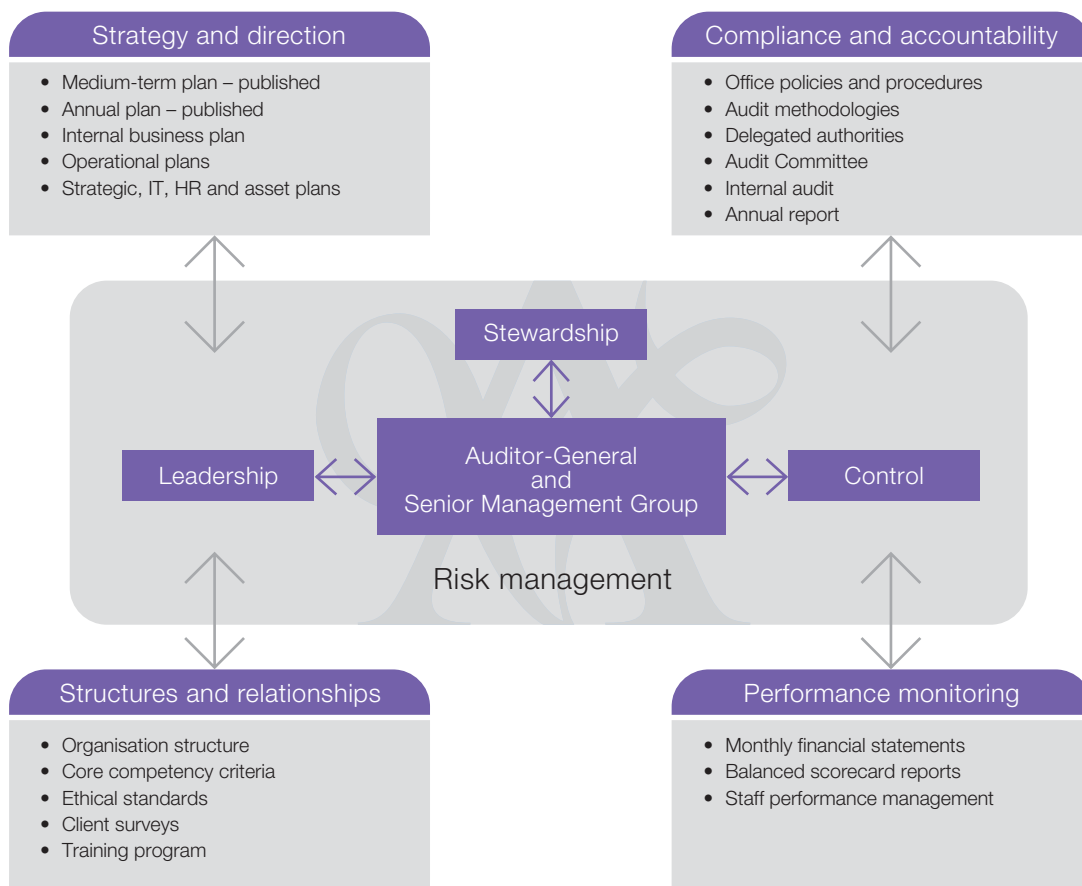
This aim underpins all aspects of our operations: sound strategic corporate and audit planning, the effectiveness of our quality assurance, our success in attracting and keeping skilled people and giving them opportunities for professional growth, and our stewardship in administering the funds parliament assigns to us.

Governance

We support our main work with a strong governance framework.

The following diagram illustrates the 4 main elements of the framework and its underlying components. It shows how all the elements interact, including risk management, in helping us to achieve our corporate aims.

Our governance framework





Our performance against organisational targets

2004-05 target	2004-05 achievement
<ul style="list-style-type: none"> • Improve parliamentary reports through redesign and restructure. 	<ul style="list-style-type: none"> • Our reports now have more visual information, such as charts and diagrams that make complex text easier to read.
<ul style="list-style-type: none"> • Continue our plain English program. 	<ul style="list-style-type: none"> • We have re-engineered our standard document templates, report quarterly against our plain English benchmarks, run advanced training for selected staff and have begun appraising staff on their ability to apply plain English writing skills.
<ul style="list-style-type: none"> • Enhance to core audit methodologies. 	<ul style="list-style-type: none"> • We have undertaken a major project to enhance our core performance audit and financial statement audit methodologies during 2004-05 to ensure that they maintain their leading edge status.
<ul style="list-style-type: none"> • Use our new practice management system to drive business improvement. 	<ul style="list-style-type: none"> • We have improved our business support processes, including automatic creation of purchase orders and email advice to decision-makers.
<ul style="list-style-type: none"> • Add value through enhanced knowledge management. 	<ul style="list-style-type: none"> • We continue to increase the use of multi-group teams on audits and are in the planning phase for an electronic document management system.
<ul style="list-style-type: none"> • Enhance communication. 	<ul style="list-style-type: none"> • We continue to enhance our communications to meet stakeholder and staff needs.
<ul style="list-style-type: none"> • Recognise the importance of our people. 	<ul style="list-style-type: none"> • We have continued to focus on our people management practices, including the nurturing of staff skills and the valuing of staff potential.
<ul style="list-style-type: none"> • Reduce our environmental impacts. 	<ul style="list-style-type: none"> • We have continued to reduce energy consumption, purchase green power, reduce our waste and recycle more paper, through our "Green Office" initiatives.
<ul style="list-style-type: none"> • Complete independent assessments of audits. 	<ul style="list-style-type: none"> • Reviews completed, report received and actions initiated.

Future directions

Our annual plan for 2005–06 identifies a number of activities aimed at continuous improvement.

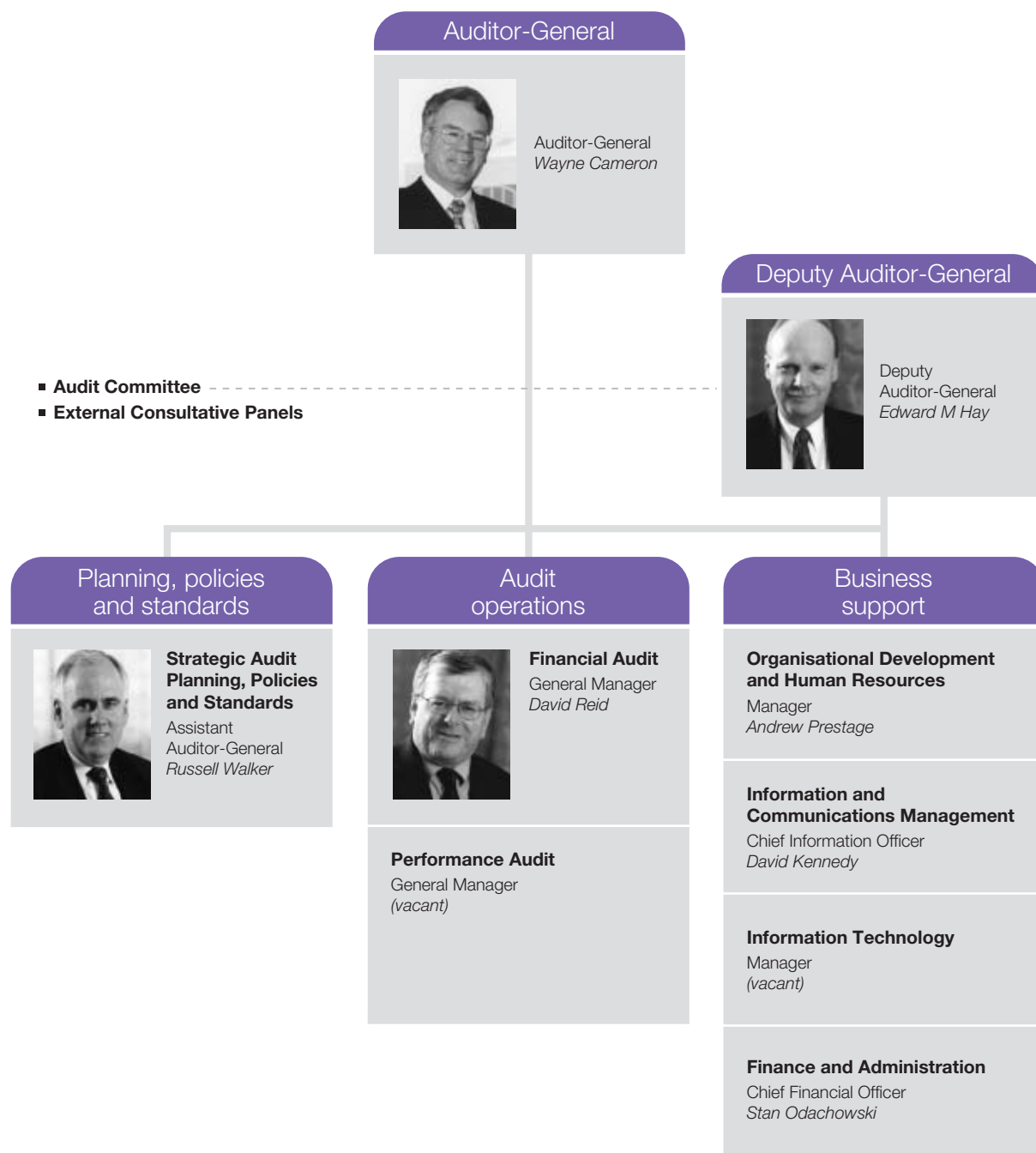
Business initiative	How it will be achieved
<ul style="list-style-type: none">• Roll-out new financial audit tool set.	<ul style="list-style-type: none">• Target completion date is November 2005.
<ul style="list-style-type: none">• Roll-out new performance audit tool set.	<ul style="list-style-type: none">• Expected completion date is June 2005.
<ul style="list-style-type: none">• Continue to implement our plain English initiative.	<ul style="list-style-type: none">• To be achieved through introductory, refresher and advanced training programs.
<ul style="list-style-type: none">• Broaden our implementation of our information and knowledge management strategic plan.	<ul style="list-style-type: none">• To be achieved through particular emphasis on better linkages of our internet and intranet.
<ul style="list-style-type: none">• Enhance our learning and development program.	<ul style="list-style-type: none">• To be achieved through ensuring that the program meets the needs of our staff and our Office, with a particular emphasis upon strengthening leadership behaviours, teamwork and communication skills, nurturing staff skills and valuing staff potential.
<ul style="list-style-type: none">• Improve business processes and reporting.	<ul style="list-style-type: none">• To be achieved through capturing the business opportunities flowing from our practice management system, which supports our output-based resource planning, management and reporting.
<ul style="list-style-type: none">• Reduce environmental impacts.	<ul style="list-style-type: none">• To be achieved through working with our staff to reduce the environmental impact of our activities with a major focus on reducing our energy consumption, purchasing more green power, reducing our waste and recycling more paper.
<ul style="list-style-type: none">• Explore use of wireless technology for use by field staff.	<ul style="list-style-type: none">• Field trial to be conducted to assess the viability of the technology. Technology will be implemented if the trial is successful and costs are reasonable.
<ul style="list-style-type: none">• Further improve IT audit skills through development of IT audit lab.	<ul style="list-style-type: none">• Servers, portable computers, data communications equipment and software to be installed to support skills development by auditors.



Leadership and stewardship

Senior management structure

This chart outlines our senior management structure at 30 June 2005.



Senior management

J Wayne Cameron

BCom, FCA (NZ), FCPA, FCA (Aust.), FIPAA

Auditor-General of Victoria

Wayne began his 7-year appointment as Auditor-General of Victoria in September 1999. He is responsible to the Victorian Parliament for exercising the audit powers and functions under the *Constitution Act 1975* and the *Audit Act 1994*. He is also responsible for managing the Office overall.

Edward Hay

BA (Accounting), CA

Deputy Auditor-General

Edward began as Deputy Auditor-General in November 2001. He reports direct to the Auditor-General on our management and performance. He oversees the coordination of audit operations and internal support, and he helps us to foster a positive professional relationship with audited agencies and the auditing profession.

Russell Walker

Dip Bus(Acc) Grad Dip (Govt Accounting), FCPA

Assistant Auditor-General, Strategic Audit Planning, Policies and Standards

Russell began as Assistant Auditor-General in 1987. In 2002, he became the manager of the Strategic Audit Planning, Policies and Standards Group. The group identifies medium to long-term issues in the public sector requiring an Office focus, particularly in accountability and performance. The group is also responsible for technical accounting and auditing advice, quality assurance and audit methodology development.

David Reid

BCom, FCPA

General Manager, Financial Audit Group

David was appointed General Manager, Financial Audit Group in May 2000. He manages our financial statement audits, including overseeing the audits that we contract out to external audit service providers.

General Manager, Performance Audit Group

The Deputy Auditor-General is providing guidance to the Performance Audit Group.

Managing the Office

The Senior Management Group and 5 committees manage the Office.

Senior Management Group

The Senior Management Group provides a forum for considering our policy framework and strategic direction, and monitoring our performance against organisational goals and milestones.

The leaders of each business unit are members of the group, which meets monthly.

During 2004-05, the group monitored our performance against key performance indicators. It also oversighted major initiatives, including:

- application of new VPS structures
- revamp of the annual plan
- development of an IT audit strategic plan
- development of a new financial audit tool set
- development of a revised performance audit tool set
- implementation of a new digital telephone system
- introduction of document security policies
- implementation of the Executive Information System.

Information Management and Technology Steering Committee

This committee oversees our information management and technology strategies and initiatives.

The committee members are: Deputy Auditor-General (Chair); Manager, IT; Chief Finance Officer; General Managers, Financial and Performance Audit; and the Chief Information Officer.

During 2004-05, the committee:

- completed a review of our IT strategic plan to improve business efficiency, support audit activity and better maintain our IT infrastructure
- sanctioned the commencement of key tasks drawn from the information technology strategic plan and the review of the information technology strategic plan.

The IT strategic plan is reviewed annually to ensure that it is aligned with, and supports, the corporate plan by improving business efficiency, supporting audit activities and maintaining an efficient IT infrastructure.

Operations Committee

The responsibilities of this committee include directing resources to achieve our objectives.

The committee members are the Deputy Auditor-General (Chair); General Managers, Performance and Financial Audit; and Assistant Auditor-General, Strategic Audit Planning, Policy and Standards.

The committee met as needed during 2004-05.



Learning and Development Steering Committee

This committee manages and oversees our learning and development strategies and activities.

The committee members are the Deputy Auditor-General (Chair); General Managers, Financial and Performance Audit; Assistant Auditor-General, Strategic Audit Planning, Policy and Standards; and Manager, Human Resources.

During 2004-05, the committee approved the introduction of a new "Whole of Career" Learning and Development Framework that incorporates professional development requirements for all positions, along with a 3-year training calendar.

Remuneration Committee

This committee advises the Auditor-General on our remuneration policies and practices, and staff remuneration arrangements. These policies and practices help us to attract, motivate and retain quality staff.

The committee members are the Auditor-General (Chair); Deputy Auditor-General; General Managers, Performance and Financial Audit; and Assistant Auditor-General, Strategic Planning, Policy and Standards and an independent member, Mr Patrick O'Grady.

The committee met twice during 2004-05 to monitor the executive and non-executive officer annual performance appraisals processes and salary review.

Audit Committee

The Audit Committee independently advises the Auditor-General on the quality of internal operating controls, responsible resource management and whether internal financial reports are adequate. The committee monitors how we manage significant financial risks, and reviews the results of internal and external audits and annual financial statements.

Audit Committee Chairman's report (year ended 30 June 2005)

The Audit Committee has 3 members: David Greenall (Chairman), chartered accountant, independent member; Keith James FCPA of Hall & Wilcox Lawyers, independent member; and Deputy Auditor-General, Edward Hay.

The committee met 5 times during the financial year. Set out below are the main tasks undertaken:

We reviewed both the annual external financial report for recommendation to the Auditor-General. We also reviewed the internal financial management reports to assess the use of resources and the relevance of the monthly reports to management in monitoring this aspect of the Office's operations.

The Office has a comprehensive risk reporting and management process in place and we reviewed the adequacy of this process.

A new audit committee charter was finalised, taking into account the requirements of Treasury's Financial Management Compliance Framework. A new internal audit charter was also finalised and took into account the performance auditor's comments.

The internal auditor, Mr Ron Tilley, attended our meetings and provided written reports on his audit findings: the committee reviewed his audit program to ensure that it takes account of the matters covered by the new charter. He reported to meetings and the committee followed-up on his recommendations.

The committee met with the new performance auditor (Mr John Phillips of Acumen Alliance) and the new external auditor (Mr Terry Benfold of Pitcher Partners), and discussed respective roles.

We have instigated a program of following-up recommendations of the performance auditor, pending the formal response to the report by the Public Accounts and Estimates Committee.

During the year, I briefed the Office's Senior Management Group on the activities of the committee.

The committee reviewed its own performance during the year; both in processes and against the requirements set out in our new charter.

During the year, the Auditor-General and various senior members of staff attended meetings and I thank them for their input and assistance. I also wish to thank my fellow committee members.

David T Greenall (Chairman)

Establishment of Special Investigations Unit

The conduct of special reviews and other investigations has been an important part of our work for many years. The steady increase in requests from parliamentarians, members of the public and statutory officers such as the Ombudsman for these types of audits has required us to give greater attention to this part of our activities. As a strategic response, in August 2004, we established a Special Investigations Unit within the Financial Audit Group.

During the year, the unit undertook 6 investigations resulting in reports to parliament.



John Arnol and Joy Patton – members of our new Special Investigations Unit.

Risk management

Risk management planning is an integral part of effective corporate governance. It identifies and assesses risks, and it outlines appropriate treatments to reduce risks to acceptable levels.

This is the third year we have applied our risk management policies and practices. We again revised the policy and processes during the year to improve their effectiveness. Our risk management plan identifies all our strategic, audit and operational risks.

The Senior Management Group monitors our risks monthly and reports on:

- any changes to existing risks and a timetable for managing them
- any new risks and strategies for handling them.

There are no emerging or existing risks that do not have effective risk treatments in place.

Declaration of interests

All executive officers and business unit managers have completed statements declaring whether their interests, shares in and other benefits from business enterprises could give rise to a conflict of interest, and there were no such conflicts.

Strategy and direction

Corporate plan

We launched the Auditor-General's second *Corporate Plan for the period 2004-05 to 2006-07* in June 2004. The plan sets out our organisational objectives and strategies to achieve these. Every quarter, the Senior Management Group monitors progress against the plan.

Our current corporate plan builds on the foundation established under the previous plan, and will extend our range of products and services. The corporate plan will guide us to be more responsive, to work more collaboratively, and to use our knowledge to shape our awareness and the direction we take on emerging issues.

Annual plan

One of our key corporate goals is to target our audits at areas most likely to help improve performance and accountability in the public sector. We continued to develop our strategic audit planning to help us identify these areas.

Audit planning involves being aware of:

- national and international trends in public sector practice
- emerging public sector issues such as private-public partnerships
- results of previous audits
- risk issues for government operations
- community concerns, both through direct contact and the media.

We maintain a 3-year strategic audit plan for each government sector, from which we develop an annual audit program, which is then reflected in our annual plan.

This information also informs our budgetary needs. After consulting with the Public Accounts and Estimates Committee, we transmitted our annual plan to parliament in June 2005.



Business and operational group plans

The Office business plan supports the corporate plan and the annual plan. It sets out the way in which the year's planned outputs and developmental goals are to be achieved. Plans for each operational group support the business plan. The Senior Management Group monitors progress against the business and operational group plans every quarter.



Above: Andrew Greaves (left), Alison Hutchison and Scott Bayley – members of audit operational and strategic planning groups – meet regularly to discuss progress of major audit projects.

Information technology

IT strategies focus on:

- improving business efficiency
- improving support for audit activities
- maintaining the IT infrastructure.

Right: Adam Ryan assisted with trials on a new wireless access technology which will allow field staff to access our computer network remotely.



During 2004–05, we completed the following key tasks in accordance with the 2004–2007 IT strategic plan.

Business initiative	Achievement
Redevelop of the financial audit methodology policies, processes and software in a joint venture with the Queensland Audit Office.	Participated in the steering committee for the project, and provided software developers to assist in defining user requirements, designing the system and writing the software. This project is to be rolled-out in November 2005.
Redevelop of the performance audit methodology policies, processes and software.	Assisted in the project specification and business case preparation. A software developer is helping define user requirements, design the system and develop the software. This project will be completed by June 2006.
Improve reporting, order entry and budgeting facilities in the MARS practice management system.	Assisted in the definition of system improvement, and engaged contractors to write the software.
Review and improve the scheduling and booking of professional development courses for staff.	Assisted in the definition of user requirements and developed the software to schedule and book professional development courses.
Purchase and deploy new portable computers.	As part of the ongoing maintenance plan for the information technology infrastructure, new portable computers were purchased and deployed.
Upgrade our telephone system as part of the statewide review of telephone services.	Implemented a fibre optic-based voice-over-internet protocol (VOIP) telephone system. It is interfaced with the email system to assist with the management of voice mail messages. The project has generated interest from other government bodies as it was the first VOIP-based implementation in the state government.

Managing our Office

Key tasks to be done next year include:

- complete software development work on the 2 major audit methodology projects and new Executive Information System
- improve the data communication facilities for auditors at audit sites
- upgrade the operating system software on all desktop and portable computers.

Right: During the year, we installed a new digital phone system which allowed Joan McConnell, our receptionist, to direct phone calls with new, computer-assisted technology.



Information management

In 2004–05, we continued improving the following information and knowledge management services and facilities.

Business initiative	Achievement
Launch and introduce an internal communications strategy.	We introduced initiatives such as the <i>Insight</i> , on-line staff newsletter, and our staff ideas, suggestions and feedback forum.
Develop distribution model for business intelligence.	We broadened access to this information using a number of electronic methods.
Improve access to information resources.	We now use the intranet to provide various electronic resources and the Information Resource Centre catalogue to staff desktops.
Develop an electronic document records management system.	We are still developing this project.
Introduce and approve refreshed information security and classification strategic framework, and action plan.	We are still developing and implementing this framework.

Future directions in information and knowledge management include:

Business initiative	Objective
Continue development of an institutionalised information security and classification framework.	Ensure best practice control of our information assets.
Upgrade our internal intranet and external internet systems.	Maximise the business opportunities from these business support systems.
Continue the development and implementation within the Office of our Executive Information System and balanced scorecard reporting initiative.	Develop and deliver an integrated performance reporting system of key performance indicators based on the balanced scorecard principles.



Corporate communications strategy

Our corporate communications strategy aims to make our key stakeholders – parliament, agencies, the community, other Auditors-General, the accounting profession, educational institutions, and staff – more aware and confident of our role and work.

During 2004–05, we sought to improve our communications practices through:

- better communication in our partnerships with parliament, executive government, the Public Accounts and Estimates Committee, government agencies, industry groups, audit committees, other audit offices and the community
- creating opportunities to communicate with respect and balance
- adding value to audit findings
- collaborating to enhance decision-making, reach common goals and be consistent in the views we communicate
- promoting our reports in external forums and through professional associations
- communicating proactively, strategically and clearly.

“Excellent communication of requirements and expectations.”

East Gippsland Shire Council

During the year, we undertook a number of promotional activities aimed at developing community awareness of our role and services. These included:

- staffing an exhibit at the Royal Melbourne Show
- participating in an open day at Parliament House
- involvement in graduate recruitment activities as various tertiary educational institutions
- presentations to members of parliament and in other forums on the role, work and products of the Office.

In 2005–06, we plan to review our current communications strategy. This will ensure that we continue to deliver effective and valued communications to our stakeholders through a range of innovative practices and technologies.



Dijana Cetinic (right), at the Office's exhibit at the Parliament House Open Day in June 2005. This is an ideal venue to promote our key accountability role.

Compliance and accountability

Quality assurance practices

We are committed to best practice in undertaking audits. We aim to continually raise our standards to better meet the needs of parliament and audited agencies.

Financial Audit Policy Manual

Our Financial Audit Policy Manual guides staff and external audit service providers in undertaking financial statement audits.

The manual is updated annually and was released at a forum for all auditors in June 2005. The forum focused on current developments in auditing and financial reporting, and highlighted emerging developments in individual sectors and across the public sector.

Our Strategic Audit Planning, Policy and Standards Group also issues financial audit policy alerts on policy developments on emerging legislative, financial reporting or auditing issues. These “as needed” alerts give timely interim guidance and we include them as updates in the manual. Auditors in the field access the manual and the alerts through controlled internet access.

Financial audit methodology and computer audit specialists

Financial Audit Group staff carry out 42 per cent of our financial statement audits.

Our Computer Risk Management team is part of that group. The team reviews new information technology and controls in agency computer systems, and examines their IT security, business continuity planning, and how they develop and maintain key business applications.

It is important that our audit methods achieve high-quality results. In December 2004, we entered into a joint arrangement with the Queensland Audit Office to revamp our existing financial audit methodology.

The arrangement provides for the development of a new Lotus Notes-based audit methodology to replace EFINA, the electronic system that currently maintains our working papers for financial statement audits.



Chris Yong and Pia Sto Domingo, from the Computer Risk Management team, regularly access computer systems at audit client locations.

Redeveloping the audit methodology is a major undertaking which will:

- strengthen our audit planning, focusing especially on evaluating and managing key financial risks
- update our financial audit policies and guidelines.

We anticipate that the revised audit methodology will be completed in November 2005.



(From left) David O'Neill and Shaun Mayfield (both from the Queensland Audit Office), and Earnest Kim (Victorian Auditor-General's Office), members of a joint financial audit methodology development team.

Performance audit and special reviews methodology

During 2004–05, the Performance Audit Group continued to redevelop the Manual for Auditing Performance (MAP), and established a continuous improvement process to streamline adoption and modification of our audit and business processes. The Auditor-General has approved an upgrade to our electronic database system, EMPERA, to reflect changes in our processes and broader trends in performance auditing.

We have assessed EMPERA and will take advantage of new software development, corporate business processes and project management functionality in order to have a more dynamic knowledge bank.

The project team has developed a prototype database and this is being trialled with staff. The prototype revealed a new way of thinking about our audit work, and has opened up many possibilities for improving the effectiveness and efficiency of our audit recording and management. All operational areas within the Office, particularly the Performance Audit Group, and those undertaking special reviews, will be involved in the future project to revitalise the EMPERA system to ensure that it reflects best audit practice.



Adhering to the auditing standards

Under the *Audit Act 1994*, we must follow Australian auditing standards. Although we can set new auditing standards, the Auditor-General did not issue any in 2004-05.

To complement the Australian standards, the Auditor-General periodically issues audit policy statements which we use to update our Financial Audit Policy Manual.

We comply with auditing standards and policies, and safeguard the quality of our audits by:

- involving senior officers in all phases of the audit, including approving the plan and reviewing significant matters arising from each audit
- having senior support officers to help the assigned auditor on all high-risk audits
- having senior staff review audit results to ensure that the audit meets professional standards.

These measures also identify key issues and where necessary draw the attention of parliament and agencies to important financial management and accountability issues, and any inconsistencies in financial reporting.

External quality assurance reviews of our audit work occur through:

- parliament appointing an independent auditor to do a 3-yearly performance audit of the Office
- arranging a periodic peer review by another Australian audit office
- applying a post-audit quality review program, conducted by a well recognised audit professional, of a sample of completed audits to check that they follow professional auditing standards and the Auditor-General's policies
- reviews of selected parliamentary reports by independent experts
- client satisfaction surveys on the quality of our audits.

Financial statement audit independent review

Each year, the Auditor-General, engages external parties to review a sample of the audits done by both our external audit service providers and in-house auditors. This quality assurance check provides an objective evaluation of the quality audits undertaken both by staff and contracted audit service providers.

Each post-audit quality review undertaken in 2004-05 determined whether:

- the audit used Australian auditing standards and met legislative requirements

- the audit included a comprehensive risk assessment, linked to the audit strategy
- the audit strategy was appropriate and had a supporting program
- the evidence for the audit opinion was adequate
- the auditor used appropriate resources and review processes
- external audit service providers met the terms of their contract
- agencies and auditors addressed all issues that arose during the audit and reported in a timely manner.

Although we had pleasing results overall, (the results were released at our annual audit forum), we have subsequently fine-tuned our internal processes and quality assurance arrangements. We have also circulated the results to staff, and reflected any areas requiring re-emphasis in our learning and development program.

Whistleblowers legislation

The *Whistleblowers Protection Act 2001* was introduced in Victoria on 1 January 2002. The legislation aims to encourage whistleblowers to disclose improper conduct by public officers and public bodies. It protects whistleblowers, and it sets up a system to investigate disclosed matters.

Audit-related issues

The *Audit Act 1994* expressly excludes the Auditor-General from application of the whistleblowers legislation.

Section 41 of the *Whistleblowers Protection Act 2001* allows the Ombudsman to refer a disclosure to the Auditor-General, if appropriate. However, the Auditor-General decides whether or not to investigate, in accordance with the powers of the position under the Audit Act.

In June 2004, the Ombudsman referred a disclosure relating to the Warrnambool City Council, which we investigated under the authority of the Audit Act and reported in our May 2005 *Auditor-General's Report: Results of special reviews and other investigations*.

Another disclosure under the whistleblowers legislation was under investigation by us at the end of 2004-05.

Administrative issues

We have developed procedures for handling disclosures by whistleblowers. These procedures have been distributed to staff, and members of the public can request a copy.

Under the legislation, the Deputy Auditor-General is the Office's protected disclosure coordinator. There were no disclosures on administrative matters during 2004-05.

Privacy legislation

We work closely with the Office of the Victorian Privacy Commissioner, as required, to ensure that our audits complement information privacy principles and legislation.

Freedom of information

We have a professional relationship with our audited agencies, but legislation precludes us from disclosing information we gather during an audit to a third party, other than through reporting to parliament. Under section 20B of the *Audit Act 1994*, third parties may not access any information and documents we hold.

Our administrative processes, however, come under the state's Freedom of Information legislation. During the year, we received one application under this legislation, and we responded within the appropriate timelines and guidelines.

National Competition Policy

The Office is compliant with National Competition Policy, including compliance with requirements of the policy statement *Competitive Neutrality: A Statement of Victorian Government Policy, Victorian Government Timetable for the Review of Legislative Restrictions on Competition*, and any subsequent reforms.

Additional Office information available on request

In compliance with the requirements of the Ministerial Directions of the Minister for Finance, details in respect of the information items below have been retained by the Office and are available to the relevant ministers, members of parliament and the public (subject to the Freedom of Information requirements, if applicable). However, in adopting best practice disclosure policies and to ensure that the Office discharges its accountability obligations, where relevant, details about some of the following matters have been disclosed within this report:

- a statement that declarations of pecuniary interests have been duly completed by all relevant staff of the Office
- details of publications produced by the Office about its activities, and where they can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the Office for its services, including services that are administered
- details of any major external reviews carried out in respect of the operation of the Office
- details of any other research and development activities undertaken by the Office
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the Office to develop community awareness of the services provided
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the Office and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the Office, the purposes of each committee and the extent to which the purposes have been achieved.



Structures and relationships

Our people management policies and practices help us to deliver effective results. The table below highlights the key initiatives developed to help the Office strengthen its organisational capability.

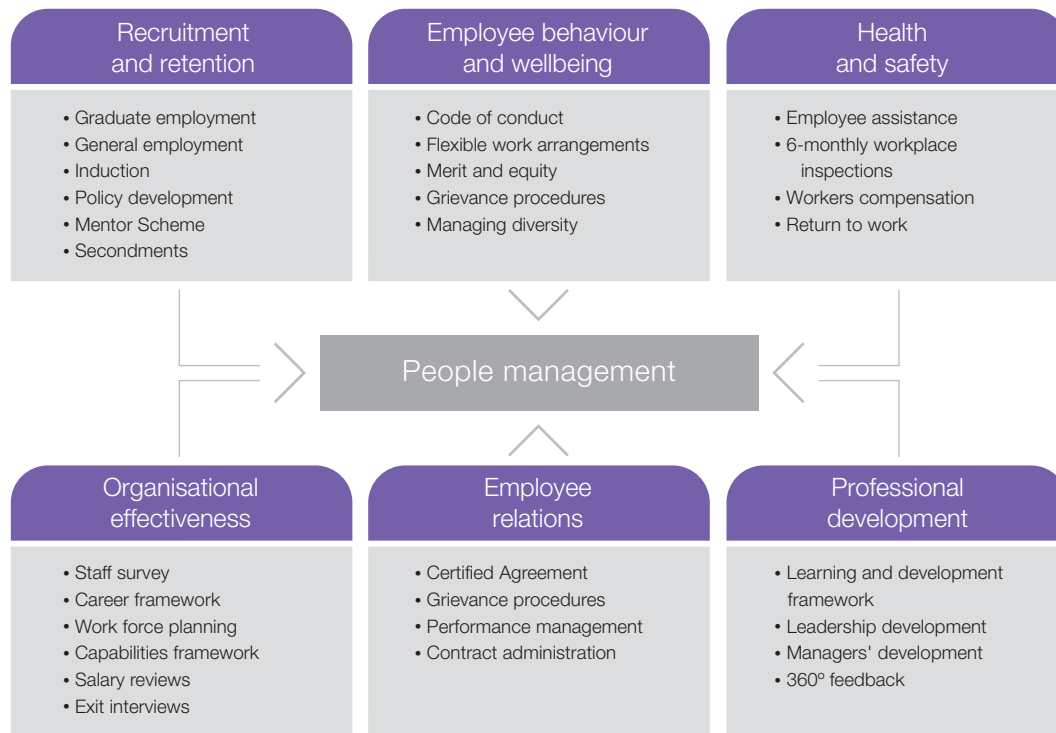
Progress against organisational strategies

Initiative	Achievement
Develop a people strategy.	<p>We have developed a people strategy around one of our organisational goals: “Strengthening our business processes and organisational capacity”. To successfully achieve this strategy we must have clear and well-implemented strategies and plans to attract, recruit, develop and retain the right people.</p> <p>The strategy identifies 3 key areas of focus over the next 3 years. They are:</p> <ul style="list-style-type: none"> • Work force capacity – staff have the capacity to support the advancement of current and future business goals. • Value-driven leadership – leadership at all levels that promotes and sustains the values of the Office. • Motivating work environment – a work environment that fosters self-esteem and performance. <p>Over the next year, this strategy will be implemented with clear objectives established.</p>
Introduce a new Learning and Development Framework.	<p>This year, we successfully implemented a new Learning and Development Framework. The framework is based on a “whole-of-career” professional development framework that provides staff with stepping-stone development to assist them achieve progression throughout their career.</p>
Continue development and evolution of the Office's guidance policies.	<p>We continually develop and revise our HR Policy Framework to encourage flexibility, responsibility and guidance about conduct at work. We have a comprehensive range of policies on entitlements, benefits and assistance for staff.</p>

Managing our Office

Our people management framework supports our Office's purpose and objectives by continually improving, developing and implementing services and programs that add value and enhance employee and organisational effectiveness.

People management framework



Code of conduct

All staff abide by our code of conduct, issued in November 2003. It incorporates the Victorian Public Service's code of conduct for employees in the Victorian public sector. We adapted our code to reflect our organisational environment, but it remains consistent with the public sector document.

The code is a public statement of how we conduct our business and the respect we have for parliament, the public, our audit clients and our colleagues.

It builds on the employment and conduct principles contained in the *Public Administration Act 2004* and the values of integrity, teamwork, empowerment, and professional and personal growth.

During 2004-05, we ran workshops for all staff facilitated by a representative of the Equal Opportunity Commission, to outline key features of the code.

Secondments

We encourage staff to take secondments to or from other government departments and agencies. Secondments to or from the Office in 2004-05 were:

- Ellen Holland, to the Department of Human Services
- Leigh Naunton, to the Department of Education and Training

- Craig Angove, to the UK National Audit Office
- Kathryn O'Loughlin, from the Department of Education and Training
- David Clark, from the UK National Audit Office.

Merit and equity

We maintain the following programs and policies to ensure that our workplace remains free from discrimination:

- a trained equal opportunity (EO) contact officer to help staff with queries and concerns about EO, harassment, discrimination and our complaints process
- a Merit and Equity Policy to promote and support diversity throughout the Office
- an Employee Assistance Program that gives staff professional and confidential counselling on work-related or personal problems that affect their work
- a code of conduct to help staff understand the behavioural standards they must meet as officers of the public service
- staff induction training, with information on anti-discrimination laws and expected behaviours.



Recognising achievement

We recognise special staff contributions formally at our annual staff conference. There are a number of categories in which staff recognition is awarded.

They are:

- Achievement award for enhancing new ways of doing business
- Achievement award for outstanding service delivery
- Achievement award for demonstrating corporate values and enhancing corporate culture.

Our 2005 staff conference is scheduled for November and award recipients will be listed in our next annual report.

Our staffing profile

Classification by gender, at 30 June 2005

	Male		Full-time Female		Total			Male		Part-time Female		Total	
	03-04	04-05	03-04	04-05	03-04	04-05		03-04	04-05	03-04	04-05	03-04	04-05
Executive officers -													
E02	5	4	1	-	6	4		-	-	-	-	-	-
E03	13	12	4	3	17	15		-	-	3	4	3	4
Sub-total	18	16	5	3	23	19		-	-	3	4	3	4
VPSG 6.2	3	5	1	4	4	9		-	-	1	-	1	-
VPSG 6.1	10	12	3	2	13	14		-	-	2	2	2	2
VPSG 5.2	13	11	1	2	14	13		-	-	-	1	-	1
VPSG 5.1	2	5	1	2	3	7		-	-	-	1	-	1
VPSG 4	7	7	10	11	17	18		-	-	1	2	1	2
VPSG 3.2	2	4	3	5	5	9		-	-	-	-	-	-
VPSG 3.1	10	11	7	7	17	18		-	-	-	-	-	-
VPSG 2.2	4	3	6	8	10	11		-	-	-	-	-	-
VPSG 2.1	5	7	9	11	14	18		-	-	-	-	-	-
VPSG 1.1	-	1	-	1	-	2		-	-	-	-	-	-
Sub-total	56	66	41	53	97	119		-	-	4	6	4	6
Total	74	82	46	56	120	138		-	-	7	10	7	10

Recruitment and retention

We aim to use recruitment practices that respond to the external environment so that we can attract and retain competent people.

Our program offers guidelines and compulsory training in interview skills and techniques for staff involved in recruiting. During 2004-05, we recruited 53 new staff.

All staff undertake a formal induction program using a mix of presentations and web-based technology giving staff easy access to relevant Office information such as policies, forms and overviews of activities.



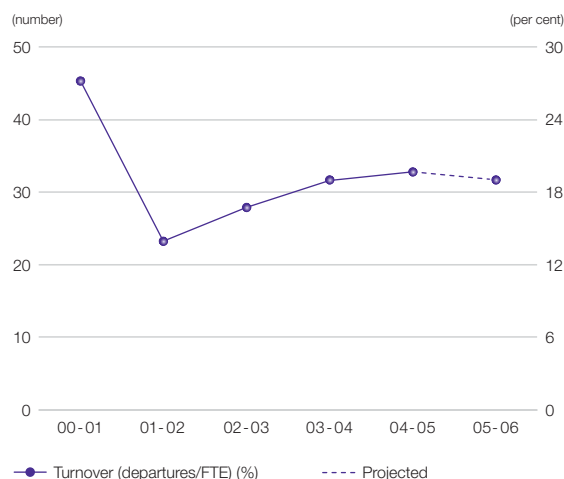
Our graduate program is a comprehensive 12-month program to help new graduates to learn about the Office, accounting and auditing standards, the work environment, our personnel policies and information about the wider public service. We also encourage graduates to work towards Certified Practising Accountant or Chartered Accountant membership by providing financial and coaching opportunities.

In their first year, graduates are also involved in a Mentor Scheme, which supports their transition from an academic to a professional environment.

Staff turnover

Our turnover has been steady at around 18-19 per cent for the 3 years to 2004-05. Our aim is to maintain this level over the next 12 months, recognising the increasing demand for professional staff in Australia's buoyant employment market.

Turnover of staff



Occupational health and safety

Our annual occupational health and safety (OH&S) management plan emphasises individual health and wellbeing, with strategies that include:

- continuing 6-monthly OH&S workplace inspections of all areas of the workplace, including off-site agency work sites, to identify hazards and agree on solutions to remove or minimise them
- promoting a free flu vaccination program with a 50 per cent take-up by staff
- promoting eye-fatigue management exercises.

Other initiatives in 2004-05 included:

- the introduction of an OH&S at Audit Locations Policy, which provides a process for reducing and eliminating hazards that may exist at work locations outside the control of the Office
- the installation of stand-alone monitors at all workstations designated for portable computer use. This ensures that staff working with portable computers can plug-in to peripheral computer equipment to minimise their risk of incurring injuries
- a regular Health and Wellbeing column in the Office newsletter *Insight* which highlights topical workplace health issues, Office policies, and generally promotes ways of improving individual health and wellbeing.



Employee relations

Flexible working arrangements

To help our staff maintain a good balance between professional and personal roles, we offer various work arrangements such as flexible work hours, telecommuting and extended leave.

Learning and development

A key priority for us, as a people knowledge skills driven organisation is to nurture staff and provide high quality learning and development opportunities.

Learning development remains a pivotal activity within the Office's organisational operations.

Learning and Development Framework

We launched a Learning and Development Framework in June 2004. The framework is designed to provide a stepping-stone approach to staff learning and career development. The framework ensures that staff have the appropriate knowledge, skills and experience to perform their current role and potential future roles. All staff have embraced the framework as a tool to facilitate the relevant learning choices and options.



George Peters, from our Learning and Development area, oversees the Learning and Development Framework and associated programs.

Three-year learning and development calendar

The design of the Learning and Development Framework ensure the planning of training and development over a longer term. The development of a 3-year calendar has allowed staff to plot their respective learning requirements for career planning purposes.

Online training registration system

Within the learning and development function, business processes have been strengthened with the development of a training booking system for course enrolment purposes. Using a database, the system is designed to enable staff to register for in-house courses efficiently.



Keri-An Richards conducted in-house training on upgrades to our practice management system (MARS).

Staff survey

A review of the staff survey tool used for the past 4 years was undertaken this year. The review highlighted a number of issues associated with conducting the survey each year, the main issue being the time that elapses from reviewing the survey responses to the implementation of actions to address areas to be improved.

The annual time frame does not allow sufficient time for the actions to be implemented and felt by staff before the next survey is conducted.

Therefore, it was agreed to conduct the survey every 2 years to provide sufficient time for the actions arising from the 2004 survey to be felt by staff.

Office social club

Our social club promotes a spirit of friendship and teamwork among staff, encourages Office morale, and coordinates cultural and recreational activities for staff.

The club's activities in 2004-05 included monthly social get-togethers, a dinner dance, a Christmas party and several sports days. The money we raise from these events sponsors a child in Uganda through World Vision.

Green Office Action Plan

Our Green Office Interest Group met several times during the year, and continued to develop a number of initiatives to conserve energy, reduce waste and promote recycling. The group reviewed its action plan and drafted an environmental management system plan to guide its future activities.

Our energy supply contract came up for renewal in May 2005, and this allowed us to review our commitments with our 2 energy providers. We decided to move to one single energy supplier for 2005-06 and, for the first time, we were able to negotiate the inclusion of 10 per cent "green" energy in our energy contract.

The group looked at our use of photocopier paper, and tested different recycled papers to see if there were any adverse impacts on our productivity. We have subsequently decided that recycled paper will be used for all internal purposes.



Brook Hall, a member of our Green Office Interest Group, actively promoted the efficient use of paper.

Links with our building management were also improved during the year, and a number of building-wide environmental initiatives, such as reducing waste generated from various building tenants, were commenced.

The group provided regular reports to the Office's Senior Management Group, and publicised initiatives to all staff at regular staff meetings and through staff newsletters. As a part of the communication plan, the group has begun exploring the possibility of a partnership with an environmental education firm to help spread the "green" word through a series of activities to be run over 2005-06.

Outlook for 2005-06

In the coming year we will:

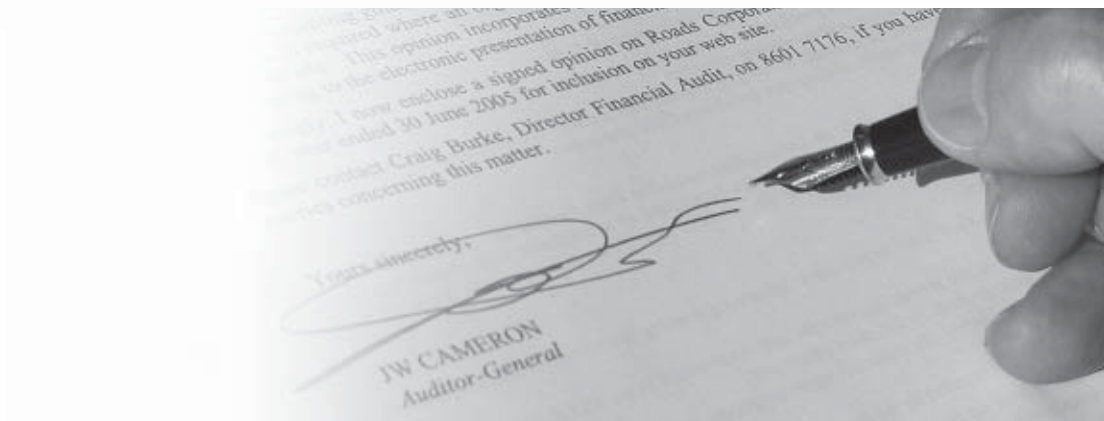
- continue the development and implementation of the Office Executive Information System and balanced scorecard initiative
- improve the data communication facilities and capabilities for auditors at audit sites
- continue our learning and development program to ensure that it meets the needs of our staff and our Office, with a particular emphasis upon strengthening leadership behaviours, teamwork and communication skills, nurturing staff skills and valuing staff potential
- review the future accommodation needs of the Office, as the existing lease expires in March 2007
- draft an environmental management plan which may help guide the Office in future efforts
- "Green" education initiative and activities are scheduled for 2005-06.



Financial management

Key achievements

- We recorded an operating surplus of \$966 000 (see page 68).
- A program was established to manage the transition to Australian equivalents to International Financial Reporting Standards (A-IFRS) (see page 70).



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Financial performance

We are predominantly funded by parliamentary appropriations.

Total appropriation for the Office was \$24.923 million in 2004-05.

Our 2004-05 financial result was achieved in an environment of challenging economic conditions and continuing public sector change.

Our strong financial performance reflects our focus on responsible financial management and our efficient approach to resource management, processes and procedures, and particularly of business plan targets.

Each year, we aim to exceed expectations, and improve the quality, cost and timeliness of our 2 outputs, namely:

- Output Group 1: Parliamentary reports and services
- Output Group 2: Audit reports on financial statements.

We reported a surplus of \$966 000 for the 2004-05 financial year.



Payroll Officer, Wendy Thompson, manages staff pay and allowances.

The following table shows modest movement in both actual revenues and expenses.

Item	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual 2004-05
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenues -					
Appropriation	22 067	22 613	23 380	12 259	10 379
Section 29	-	-	-	11 762	14 268
Special Appropriation	203	211	231	256	276
Other	92	146	151	130	320
Total revenues	22 362	22 970	23 762	24 407	25 243
Total expenses	20 635	22 053	23 464	23 366	24 277
Surplus	1 727	917	298	1 041	966

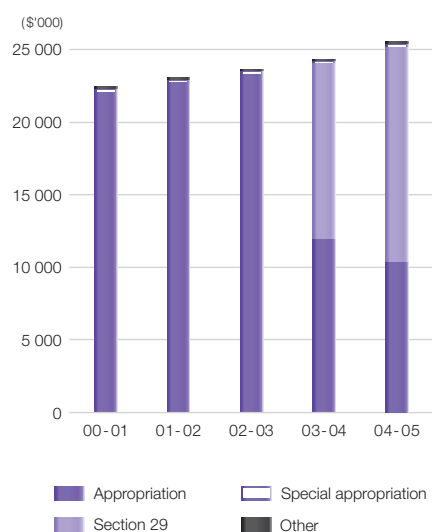


In 2004-05, appropriation authority for financial statement audits was obtained through an arrangement under section 29 of the *Financial Management Act 1994*. This arrangement provides for the establishment of a facility where the revenue collected from financial statement audits establishes the appropriation authority to enable the Office to incur expenditure.

Audit fee income arising from financial statement audits is required, under the *Financial Management Act 1994*, to be paid into the Consolidated Fund and is treated as an administered item.

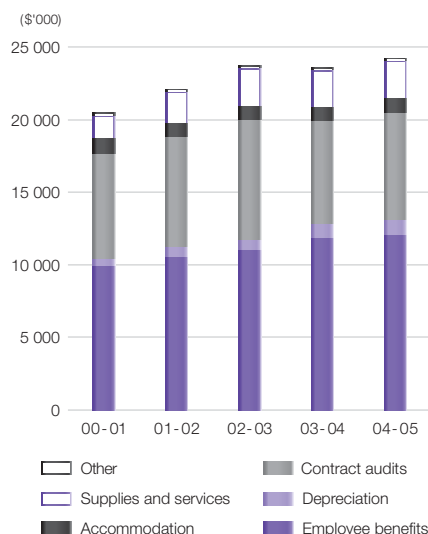
The following chart shows the source of our funding over the last 5 years.

Revenues



The following chart shows our expenditure trends over the last 5 years.

Expenses



Expenses from ordinary activities comprised:

Item	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual 2004-05
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Expenses -					
Depreciation	594	664	794	909	972
Employee benefits	9 800	10 400	10 924	11 727	12 236
Contract audits	6 889	7 383	8 360	7 119	7 208
Accommodation	1 165	929	1 138	1 136	1 195
Supplies and services	2 067	2 549	2 103	2 338	2 532
Other	120	128	145	137	134
Total expenses	20 635	22 053	23 464	23 366	24 277

Output results

Total revenues and expenses for 2004-05 were attributed to outputs as follows:

Output group	Revenues	Expenses	Net result
	(\$'000)	(\$'000)	(\$'000)
1. Parliamentary reports and services	10 759	9 828	931
2. Audit reports on financial statements	14 484	14 449	35
Total	25 243	24 277	966

Financial position

Our financial position at 30 June 2005 remains strong with total assets of \$11.420 million, total liabilities of \$4.784 million and a total equity of \$6.636 million.

The table below shows asset and liability movement over 5 years, and indicates a slow but steady growth in the net assets of the Office:

Item	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual 2004-05
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Current assets	6 197	3 180	2 898	2 987	3 144
Non-current assets	1 869	6 208	6 543	7 394	8 276
Total assets	8 066	9 388	9 441	10 381	11 420
Current liabilities	2 788	3 026	2 830	2 875	2 780
Non-current liabilities	1 904	1 999	1 983	1 837	2 004
Total liabilities	4 692	5 025	4 813	4 712	4 784
Net assets	3 374	4 363	4 628	5 669	6 636

Impacts of adopting Australian equivalents to IFRS

For reporting periods beginning on or after 1 January 2005, all Australian reporting entities are required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IFRS).

The Office has taken appropriate steps in managing the transition to Australian equivalents to IFRS. Further information is contained in note 20 of the financial statements (see page 98).

Consultancies

The Office engaged consultants on 19 projects during the year. This cost \$148 755. No consultancy project undertaken exceeded \$50 000.

Outlook for 2005-06

In the coming year we will:

- seek to live within the incomes appropriated to us
- ensure, where possible, that each output activity lives within budget
- maintain our overall financial position while maintaining operating capability over the long term. This is largely to be achieved by ensuring that our asset base is maintained at optimal long-term efficiency
- upgrade the Micropay system to Micropay Meridian.



Financial statements

for the year ended 30 June 2005

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A glossary of terms used in these financial statements can be found on page 124.

Independent auditor's report

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Victorian Auditor-General's Office for the financial year ended 30 June 2005, comprising the statement of financial performance, statement of financial position, statement of cash flows, the accompanying notes and the declaration by Accountable and Chief Finance and Accounting officers (as set out on pages 73 to 100) included on the Victorian Auditor-General's Office's website. The Auditor-General is responsible for the integrity of the Victorian Auditor-General's Office's website. I have not been engaged to report on the integrity of the Victorian Auditor-General's Office's website. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this website.

Scope

We have audited the financial statements of the Victorian Auditor-General's Office for the financial year ended 30 June 2005 comprising the statement of financial performance, statement of financial position, statement of cash flows, notes to the financial statements and the Accountable Officer's and Chief Finance and Accounting Officer's certification (as set out on pages 73 to 100).

The Auditor-General is responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them, in accordance with the *Audit Act 1994*.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are represented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the *Financial Management Act 1994* so as to present a view which is consistent with our understanding of the Victorian Auditor-General's Office's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial statements of Victorian Auditor-General's Office are in accordance with:

- (a) the *Financial Management Act 1994*, including:
 - (i) giving a true and fair view of the Victorian Auditor-General's Office's financial position as at 30 June 2005 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory professional requirements in Australia.

Signed in Melbourne this 26th day of August 2005.



TJ Benfold
Partner
Pitcher Partners



Statement of financial performance

For the year ended 30 June 2005

	Notes	2003-04 (\$)	2004-05 (\$)
Revenue from ordinary activities -			
Output appropriations		24 020 980	24 647 084
Special appropriations		256 242	276 000
Revenue from other parties		103 991	79 085
Resources received free of charge		26 400	241 075
	4	24 407 613	25 243 244
Expenses from ordinary activities -			
Employee benefits		11 726 990	12 236 078
Contract audit services		7 119 043	7 207 930
Supplies and services		2 336 446	2 532 518
Rental expenses – accommodation		1 136 000	1 194 693
Depreciation and amortisation		909 462	971 851
Capital assets charge		136 527	102 220
Net losses on disposal of plant and equipment		-	18 074
Borrowing costs		1 907	13 273
	5	23 366 375	24 276 637
Result from ordinary activities	12(b)	1 041 238	966 607
Total changes in equity other than those resulting from transactions with Victorian Government in its capacity as owner		1 041 238	966 607

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2005

	Notes	2003-04 (\$)	2004-05 (\$)
Current assets -			
Cash	6	900	900
Receivables	7	2 916 887	3 021 454
Prepayments		69 544	121 320
Total current assets		2 987 331	3 143 674
Non-current assets -			
Receivables	7	5 715 718	6 712 342
Property, plant and equipment	8	1 677 962	1 563 645
Total non-current assets		7 393 680	8 275 987
Total assets		10 381 011	11 419 661
Current liabilities -			
Payables	9	1 284 200	1 456 072
Interest-bearing liabilities	10	9 242	31 100
Provisions	11	1 581 157	1 293 246
Total current liabilities		2 874 599	2 780 418
Non-current liabilities -			
Interest-bearing liabilities	10	76 344	212 098
Provisions	11	1 761 181	1 791 651
Total non-current liabilities		1 837 525	2 003 749
Total liabilities		4 712 124	4 784 167
Net assets		5 668 887	6 635 494
Equity -			
Contributed capital	12(a)	350 127	350 127
Accumulated surplus	12(b)	5 318 760	6 285 367
Total equity		5 668 887	6 635 494

The above statement of financial position should be read in conjunction with the accompanying notes.



Statement of cash flows

For the year ended 30 June 2005

	Notes	2003-04 (\$)	2004-05 (\$)
Cash flows from operating activities -			
Receipts from government		24 397 809	24 921 722
Receipts from other parties		85 760	112 325
Payments to suppliers and employees		(23 670 476)	(23 991 414)
Capital asset charge		(136 527)	(102 220)
Borrowing costs expense		(1 907)	(13 273)
Goods and Services Tax recovered from the ATO		1 148 558	1 175 980
Goods and Services Tax paid to the ATO		(1 433 809)	(1 357 620)
Net cash inflow from operating activities	17	389 408	745 500
Cash flows from investing activities -			
Payments for property, plant and equipment		(547 308)	(903 112)
Redemption of investments		72 314	-
Net cash (outflow) from investing activities		(474 994)	(903 112)
Cash flows from financing activities -			
Proceeds from lease finance		88 624	211 416
Repayment of finance leases		(3 038)	(53 804)
Net cash inflow from financing activities		85 586	157 612
Net increase(decrease) in cash held		-	-
Cash at beginning of the financial year		900	900
Cash at end of the financial year	6	900	900

The statement of cash flows is inclusive of the Goods and Services Tax, where applicable.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial report

For the year ended 30 June 2005

1. Summary of significant accounting policies

The financial statements have been prepared in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

The financial statements are prepared on an accrual accounting basis and in accordance with the historical cost convention.

The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus View, or an alternative accounting policy or an alternative presentation or classification of an item, as permitted by an Australian Accounting Standard, is adopted to improve the relevance and reliability of the financial statements. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

For interim and annual reporting periods ending on or after 30 June 2005, AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires disclosure of any known or reliably estimable information about the impacts on the financial report had it been prepared using the A-IFRS or if the impacts are not known or reliably estimable, a statement to that effect. Refer to note 20 for further information.

The significant policies which have been adopted in the preparation of the financial statements are:

(a) Reporting entity

The financial statements include all the controlled activities of the Victorian Auditor-General's Office.

Administered resources

The Victorian Auditor-General's Office administers, but does not control, certain resources on behalf of the state. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy those resources to achieve the Office's objectives. For these resources, the Office acts only on behalf of the state. The accrual basis of accounting has been used in accounting for administered resources.

The administered resources of the Office are primarily audit fees raised from performing financial statement audits and relate to the activities of Output Group 2 (also refer note 2).

Transactions and balances relating to these administered resources are not recognised as the Office's revenues, expenses, assets or liabilities, and are disclosed in note 19.

Non-current assets

All non-current assets controlled by the Office are reported in the statement of financial position. Non-current assets which the Office administers on behalf of the state are reported as administered resources.

(b) Objectives and funding

The primary objectives of the Office are to assure the parliament that the public sector agencies are delivering their services effectively, and doing so efficiently and economically, have operated lawfully and ethically, and have reported their performance fairly.

The Office is predominantly funded by parliamentary appropriations for the provision of pre-agreed outputs. Its financial audit function is provided on a fee-for-service basis and the revenue generated is treated as administered items.



(c) Outputs of the Office

The Victorian Auditor-General's Office has 2 output groups:

- Output Group 1 – Parliamentary reports and services
- Output Group 2 – Audit reports on financial statements.

Information about the Office's output groups is set out in Note 2.

(d) Acquisitions of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets at the date of acquisition plus incidental costs directly attributable to the acquisition.

(e) Revenue recognition

Revenue becomes controlled by the Office when it has been appropriated by the Victorian Parliament and the appropriation is applied by the Treasurer. Additionally, the Office is permitted under section 29 of the *Financial Management Act 1994* to have certain receipts annotated to the annual appropriation. The receipts which form part of a section 29 agreement are received by the Office and paid into the Consolidated Fund as administered revenue. At that point, section 29 provides for an equivalent amount to be added to the annual appropriation authority limit, which is then available for application by the Treasurer.

Other revenues received by the Office are generally required to be paid into the Consolidated Fund and are treated as administered funds and disclosed in note 19.

(f) Receivables

Receivables mainly represent amounts owing from Victorian Government. In addition, receivables related to audit fees raised are reported as administered items in note 19.

(g) Valuation of non-current assets

Non-current assets are measured at cost.

(h) Depreciation and amortisation of non-current assets

Non-current assets are depreciated on a straight line basis to write off the net cost or revalued amount of each asset group over its expected useful life to the Office.

The expected useful lives are as follows:

Furniture and fittings	10 years
Computer equipment	3 years
Computer software	2.5 years
Office equipment	4 years
Motor vehicles – leased	3 years

In May 2005, the Office amended its depreciation basis for furniture and fittings from 4 to 10 years to 10 years.

(i) Leasehold improvements

The cost of improvements to or on leased properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Office, whichever is the lesser.

In 2001-02, the Office elected to exercise the option under the lease agreement to extend the lease for a further term of 4 years. Accordingly, from 1 July 2001 the leasehold improvements are being amortised on a straight line basis over the remaining extended term of the lease.

(j) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating leases are charged to the statement of financial performance in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

In October 2003, Cabinet endorsed the termination and wind-down over time of the existing motor vehicle lease facility with the Commonwealth Bank of Australia, and its replacement by a new internally managed VicFleet Lease Facility. Under this decision, all motor vehicle leasing arrangements made between VicFleet and the Office on or after 1 February 2004 constitute finance leases.

The Office is now directly responsible for all the risks and benefits of operating its motor vehicles, and reflects the leases in its financial statements accordingly.

(k) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Office prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Employee entitlements

(i) Salaries and annual leave

Liabilities for salaries are recognised, and are measured as the amount unpaid at the reporting date at current pay rates, including on costs, in respect of employees' services up to that date.

Liabilities for annual leave are recognised and measured as the amount unpaid at the reporting date, at rates the Office expects to pay when the liabilities are to be settled.

(ii) Provision for long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the reporting date, to national Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. An estimate of the entitlements likely to be payable within the next financial year is classified as a current liability within the statement of financial position.

The following assumptions were adopted in measuring the present value of liability for long service leave:

	2003-04		2004-05	
	VPS	EO	VPS	EO
Weighted average rates of increase in annual employee entitlements to settlement of the liabilities	4.50%	4.50%	4.75%	4.75%
Weighted average discount rates	5.25%	3.12%	4.62%	3.43%
Weighted average terms to settlement of the liabilities	13.58 years	6.08 years	14.97 years	8.42 years

In 2003-04, the *Victorian Public Service Agreement* certified changes to long service leave entitlements whereby VPS staff were entitled to long service leave payments after a period of 7 years of continued service.

**(iii) Performance incentive payments**

The Executive Officers' performance incentive entitlements for the performance review period to 30 June 2005, payable within the next financial year, are classified as a current liability in the statement of financial position.

(iv) Superannuation

The amount charged to the statement of financial performance for employee superannuation represents the contributions made by the Office to superannuation funds.

No liability is recognised in the statement of financial position for the Office's share of the state's unfunded superannuation liability. The state's unfunded superannuation liability has been reflected in the financial statements of the Department of Treasury and Finance. (DTF).

Funds are allocated to DTF for this purpose and applied as required.

(m) Capital asset charge

A capital asset charge imposed by the Department of Treasury and Finance represents the opportunity costs of capital invested in the non-current physical assets used in the provision of outputs. The charge (8 per cent in 2004-05 and 2003-04) is calculated on the carrying amount of non-current physical assets.

(n) Resources provided and received free of charge

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(o) Contributed capital

Consistent with Urgent Issues Group Abstract 38 and Department of Treasury and Finance Accounting and Financial Reporting Bulletin 39, appropriations for additions to net assets have been designated as contributed capital.

Based on Department of Treasury and Finance Accounting and Financial Reporting Bulletin 40, the Office has determined a part of its accumulated surplus as at 1 July 2001 as the opening balance of contributed capital and the details are disclosed in note 12.

(p) Rounding

All figures in the financial statements and the notes thereto have been rounded off to the nearest dollar, unless specifically stated to be otherwise.

(q) Changes in accounting policy

As referred to in notes 1(h) and 5(b), during the year the Office amended the estimated useful life of furniture and fittings from 4 to 10 years to 10 years. The net effect of this change in current and future financial years is disclosed in note 5(b).

As indicated in note, 4 the annual grant received by the Office in respect of the Royal Melbourne Show, together with associated costs, was treated as a controlled item in financial years up to and including 2003-04. As indicated in note 19, for financial years from 2004-05, such revenue and costs are treated as administered items.

2(a). Office outputs

The Office has 2 major output groups:

(1) The provision of parliamentary reports and services resulting from:

- (i) major programmed audit studies;
- (ii) other studies on specific issues;
- (iii) an examination of the state's finances;
- (iv) the results of annual financial statement audits;
- (v) any investigations following inquiries by Members of Parliament and the general public;
- (vi) other matters that merit investigation by this Office;
- (vii) broader contributions to enhancing public accountability.

(2) The provision of audit reports on financial statements resulting from:

- (i) the conduct of audits on the financial statements of the state and its agencies;
- (ii) the review of the estimated financial statements incorporated within the state's annual budget; and
- (iii) matters arising out of the annual financial statement audit process that are reported to the responsible minister and senior agency management.

The Office is predominantly funded by parliamentary appropriations. All resources controlled by the Office in order to carry out its functions have been included in the financial statements. The major function of the Office is to provide the organisational framework and resources to enable the Auditor-General to carry out an external audit of public sector agencies on behalf of parliament. External contractors are appointed by the Auditor-General, following a process of contestability, to assist in the conduct of performance and financial audits. Audit fee income arising from financial statement audits is required under the *Financial Management Act 1994* to be paid into the Consolidated Fund and is treated as an administered item.



2(b). Output groups schedule – Controlled revenue and expenses

For the year ended 30 June 2005

	Parliamentary reports and services		Audit reports on financial statements		Total for the Office	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue -						
Output appropriations	9 828 980	10 379 000	14 192 000	14 268 084	24 020 980	24 647 084
Special appropriations	133 246	245 514	122 996	30 486	256 242	276 000
Revenue from other parties	54 075	55 154	49 916	23 931	103 991	79 085
Resources received free of charge	13 728	79 555	12 672	161 520	26 400	241 075
Total revenue	10 030 029	10 759 223	14 377 584	14 484 021	24 407 613	25 243 244
Expenses -						
Employee benefits	6 098 035	6 682 379	5 628 955	5 553 699	11 726 990	12 236 078
Contract audit services	429 999	1 143 630	6 689 044	6 064 300	7 119 043	7 207 930
Supplies and services	1 050 584	1 037 614	969 769	1 286 198	2 020 353	2 323 812
Printing	318 000	205 032	-	3 674	318 000	208 706
Rental expenses – accommodation	590 720	394 249	545 280	800 444	1 136 000	1 194 693
Depreciation and amortisation	472 920	320 711	436 542	651 140	909 462	971 851
Capital assets charge	70 994	33 733	65 533	68 487	136 527	102 220
Net losses on disposal of plant and equipment	-	5 964	-	12 110	-	18 074
Borrowing costs	-	4 380	-	8 893	-	13 273
Total expenses	9 031 252	9 827 692	14 335 123	14 448 945	23 366 375	24 276 637
Operating surplus	998 777	931 531	42 461	35 076	1 041 238	966 607

Controlled assets and liabilities

As at 30 June 2005

	Parliamentary reports and services		Audit reports on financial statements		Total for the Office	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Assets -						
Current assets	1 629 268	1 446 090	1 358 063	1 697 584	2 987 331	3 143 674
Non-current assets	4 032 479	3 806 954	3 361 201	4 469 033	7 393 680	8 275 987
Total assets	5 661 747	5 253 044	4 719 264	6 166 617	10 381 011	11 419 661
Liabilities -						
Current liabilities	1 567 793	1 278 992	1 306 806	1 501 426	2 874 599	2 780 418
Non-current liabilities	1 002 177	921 725	835 348	1 082 024	1 837 525	2 003 749
Total liabilities	2 569 970	2 200 717	2 142 154	2 583 450	4 712 124	4 784 167
Net assets	3 091 777	3 052 327	2 577 110	3 583 167	5 668 887	6 635 494



3. Summary of compliance with annual parliamentary appropriations

(a) Annual parliamentary appropriations

The following tables disclose the details of the various parliamentary appropriations received by the Office for the year. In accordance with accrual output-based management procedures, "Provision for outputs" and "Additions to net assets" are disclosed as "controlled" activities of the Office.

	Appropriation Act				Financial Management Act 1994				Total parliamentary authority				Appropriations applied				Variance			
	Annual appropriation (a)		Section 3(2)		Section 29 (a)		Section 32 (a)		2003-04		2004-05		2003-04		2004-05		2003-04		2004-05	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Controlled -																				
Provision for outputs	23 069 000	10 403 000	123 500	-	11 761 633	14 820 000	395 000	296 000	35 349 133	25 519 000	24 020 980	24 647 084	11 328 153	871 916						
Additions to net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	23 069 000	10 403 000	123 500	-	11 761 633	14 820 000	395 000	296 000	35 349 133	25 519 000	24 020 980	24 647 084	11 328 153	871 916						

See note 2 for the break-up of annual appropriation by output group.

(a) Budget Paper No. 3 provided an annual appropriation of \$10.40 million, \$14.82 million for section 29 and \$0.30 million for section 32, resulting in a total parliamentary authority of \$25.52 million. The Victorian Auditor-General's Office applied appropriations of \$24.65 million.

The variance in provision for outputs of \$871 916 represents a carry-forward of \$320 000 for annual appropriations, \$440 000 for section 29 and \$111 916 not drawn down.

(b) Special appropriation

Authority	Purpose		Appropriation applied	
			2003-04	2004-05
			(\$)	(\$)
Section 94A(6) of the Constitution Act 1975	Costs associated with Auditor-General		256 242	276 000

4. Revenue

(a) Revenue by source

	Operating		Non-operating		Total	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue from government -						
Output appropriations	24 020 980	24 647 084	-	-	24 020 980	24 647 084
Special appropriations	256 242	276 000	-	-	256 242	276 000
	24 277 222	24 923 084	-	-	24 277 222	24 923 084
Revenue from other parties -						
Interest received from Performance Incentive Payments Trust Account	-	-	1 371	-	1 371	-
Other -						
Secondment of staff	68 587	-	-	-	68 587	-
Sale of parliamentary reports	32 033	17 827	-	-	32 033	17 827
Recoupment of expenses	-	21 107	-	-	-	21 107
Multimedia Victoria (a)	-	40 000	-	-	-	40 000
Royal Melbourne Show grant	2 000	-	-	-	2 000	-
Miscellaneous revenue	-	151	-	-	-	151
	102 620	79 085	1 371	-	103 991	79 085
Resources received free of charge -						
Revenue from government (b)	-	-	26 400	238 575	26 400	238 575
Revenue from other parties	-	2 500	-	-	-	2 500
	-	2 500	26 400	238 575	26 400	241 075
Total revenue	24 379 842	25 004 669	27 771	238 575	24 407 613	25 243 244

(a) This represents funding provided by Multimedia Victoria for the VOTS (switchboard upgrade) project.

(b) This represents the cost of the external audits of the Victorian Auditor-General's Office.

The financial and performance auditors are appointed by the Public Accounts and Estimates Committee in accordance with the Audit Act 1994.



5. Results for the reporting period

(a) Expenses from ordinary activities

	2003-04	2004-05
	(\$)	(\$)
Expenses -		
Depreciation -		
Furniture and fittings	80 803	2 690
Computer equipment and software	607 545	723 676
Office equipment	42 095	13 955
Total depreciation	730 443	740 321
Amortisation of -		
Leasehold improvements	175 705	205 737
Motor vehicles	3 314	25 793
Total amortisation	179 019	231 530
Total depreciation and amortisation	909 462	971 851
Capital charge on assets	136 527	102 220
Net losses on disposal of plant and equipment	-	18 074
Employee benefits	11 726 990	12 236 078
Contract audit services	7 119 043	7 207 930
Rental expense - accommodation	1 136 000	1 194 693
Supplies and services -		
Recruitment and training	532 761	647 681
Information technology	346 111	335 997
Information management	531 882	449 442
Consultants	234 168	417 818
Other office expenses	691 524	681 580
Borrowing costs -		
Interest and finance charges paid/payable on motor vehicles under finance leases	1 907	13 273
Total expenses	23 366 375	24 276 637

(b) Revisions of accounting estimates

During the year, the estimated total useful lives to the Office of furniture and fittings were revised from 4 to 10 years to 10 years. The net effect of the changes in the current financial year was a decrease in depreciation expense of the Office of \$5 000.

Assuming the assets are held until the end of their estimated useful lives, depreciation of the Office in future years in relation to these assets will be decreased by the following amounts:

Year ending 30 June	\$
2005	5 000
2006	4 000
2007	3 000
2008	2 000
2009	1 000

6. Cash

	2003-04	2004-05
	(\$)	(\$)
Cash on hand (petty cash float)	900	900
Balance per statement of cash flows	900	900

7. Receivables

	2003-04	2004-05
	(\$)	(\$)
Current -		
Amounts owing from Victorian Government	2 874 579	2 780 418
GST receivable	-	224 551
Other debtors	42 308	16 485
	2 916 887	3 021 454
Non-current -		
Amounts owing from Victorian Government	5 715 718	6 712 342
	5 715 718	6 712 342

The amount owing from Victorian Government (\$9 492 760) comprises previously applied parliamentary appropriations not yet drawn down. The balance is represented by accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

The total amount owed by the government was \$9 492 760 (2003-04, \$8 590 297) of which \$2 780 418 (2003-04, \$2 874 579) is likely to be drawn in the next financial year and is reported accordingly as a current receivable.



8(a). Property, plant and equipment

	2003-04	2004-05
	(\$)	(\$)
Leasehold improvements -		
At cost	1 785 211	1 833 864
Less: Accumulated amortisation	(1 237 236)	(1 442 974)
Total leasehold improvements	547 975	390 890
Furniture and fittings -		
At cost	432 437	454 905
Less: Accumulated depreciation	(425 267)	(426 981)
Total furniture and fittings	7 170	27 924
Computer software -		
At cost	780 842	1 118 754
Less: Accumulated depreciation	(401 387)	(669 245)
Total computer software	379 455	449 509
Computer hardware -		
At cost	1 299 498	1 697 056
Less: Accumulated depreciation	(681 357)	(1 283 373)
Total computer hardware	618 141	413 683
Office equipment -		
At cost	126 440	180 122
Less: Accumulated depreciation	(86 529)	(140 261)
Total office equipment	39 911	39 861
Motor vehicles – leased -		
At cost	88 624	268 857
Less: Accumulated amortisation	(3 314)	(27 079)
Total motor vehicles – leased	85 310	241 778
Total property, plant and equipment	1 677 962	1 563 645

8(b). Property, plant and equipment

	Leasehold improvements	Furniture and fittings	Computer software	Computer hardware	Office equipment	Motor vehicles- leased	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
2003-04 -							
Carrying amount at start of year	646 745	83 647	449 358	780 440	79 926	-	2 040 116
Additions	76 935	4 326	128 018	247 325	2 080	88 624	547 308
Disposals	-	-	-	(186 449)	(41 942)	-	(228 391)
Disposals - Accumulated depreciation	-	-	-	186 449	41 942	-	228 391
Depreciation/amortisation expense	(175 705)	(80 803)	(197 921)	(409 624)	(42 095)	(3 314)	(909 462)
Carrying amount at end of year	547 975	7 170	379 455	618 141	39 911	85 310	1 677 962
2004-05 -							
Carrying amount at start of year	547 975	7 170	379 455	618 141	39 911	85 310	1 677 962
Additions	48 652	27 628	350 311	251 456	13 649	211 416	903 112
Disposals	-	(4 700)	(12 399)	(358 798)	(28 241)	(31 183)	(435 321)
Disposals - Accumulated depreciation	-	604	12 399	345 515	27 546	2 028	388 092
Adjustments to opening balances	-	(88)	-	788	951	-	1 651
Depreciation/amortisation expense	(205 737)	(2 690)	(280 257)	(443 419)	(13 955)	(25 793)	(971 851)
Carrying amount at end of year	390 890	27 924	449 509	413 683	39 861	241 778	1 563 645



9. Payables

	2003-04	2004-05
	(\$)	(\$)
Creditors	1 127 385	918 852
Other payables	156 815	537 220
Total	1 284 200	1 456 072

10. Interest-bearing liabilities

	2003-04	2004-05
	(\$)	(\$)
Current -		
Unsecured liabilities	9 242	31 100
Lease liability (a)	9 242	31 100
Non-current -		
Unsecured liabilities	76 344	212 098
Lease liability (a)	76 344	212 098
Aggregate carrying amount of interest-bearing liabilities -		
Current	9 242	31 100
Non-current	76 344	212 098
	85 586	243 198

(a) Refer notes 1(j) and 14.

11. Provisions

	2003-04	2004-05
	(\$)	(\$)
Current -		
Employee entitlements -		
Annual leave (a)	983 237	902 656
Long service leave (a)	388 034	201 065
Performance Incentive Scheme	209 886	189 525
	1 581 157	1 293 246
Non-current -		
Employee entitlements -		
Long service leave (a)	1 761 181	1 791 651
	1 761 181	1 791 651
Aggregate carrying amount of provisions -		
Current	1 581 157	1 293 246
Non-current	1 761 181	1 791 651
Total employee entitlements	3 342 338	3 084 897

(a) Refer note 1(l).

12. Equity and movements in equity

(a) Contributed capital

	2003-04	2004-05
	(\$)	(\$)
Balance at beginning of the year	350 127	350 127
Balance at end of the year	350 127	350 127

(b) Accumulated surplus

	2003-04	2004-05
	(\$)	(\$)
Balance at beginning of the year	4 277 522	5 318 760
Result from ordinary activities	1 041 238	966 607
Balance at end of the year	5 318 760	6 285 367
Total equity at the end of the financial year	5 668 887	6 635 494

13. Auditors' remuneration

	2003-04	2004-05
	(\$)	(\$)
Financial audit	26 400	26 400

The auditor of the Victorian Auditor-General's Office is appointed by parliament and paid by the Public Accounts and Estimates Committee in accordance with the *Audit Act 1994*. Mr Terry Benfold from Pitcher Partners was appointed to this position in 2004. A condition of his appointment is that he does not provide other services to the Office, including contract financial statement audits.

	2003-04	2004-05
	(\$)	(\$)
Performance audit	-	212 175

The Public Accounts and Estimates Committee has, as required by section 19 of the *Audit Act 1994* (the Act), recommended to the parliament that a performance audit of the Victorian Auditor-General's Office be undertaken. John Phillips of Acumen Alliance was appointed in accordance with the Act to undertake the review.

The cost of these audits was paid for by the parliament.



14. Commitments

(a) Finance leases

	2003-04	2004-05
	(\$)	(\$)
Not later than 1 year	14 533	69 615
Later than 1 year but less than 5 years	83 772	198 525
Later than 5 years	-	-
Minimum lease payments	98 305	268 140
Less future finance charges	12 719	24 942
Total lease liability	85 586	243 198

Refer note 1(l) for further information.

(b) Operating leases

	2003-04	2004-05
	(\$)	(\$)
Not later than 1 year	1 353 659	1 428 887
Later than 1 year but less than 5 years	2 204 085	1 052 904
Later than 5 years	-	-
Total	3 557 744	2 481 791

The above operating leases relate primarily to leasing costs associated with the Office's accommodation valued at current rental rates.

(c) Contract audits

	2003-04	2004-05
	(\$)	(\$)
Commitments for the payment of future auditing services under contracts in existence at the reporting date, payable as follows -		
Not later than 1 year	4 778 984	3 011 183
Later than 1 year but less than 5 years	3 157 461	1 827 195
Total	7 936 445	4 838 378

The total amount committed for contract audit services was less compared with the previous year, due to the timing of the rolling tender program.

15. Executive officers' remuneration

The numbers of executive officers, other than accountable officers, whose total remuneration exceeded \$100 000 during the reporting period are shown in the first 2 columns in the table below in their relevant income bands. The base remuneration of executive officers receiving more than \$100 000 in total remuneration is shown in the third and fourth columns. Base remuneration includes cash salary, superannuation and fringe benefits. Total remuneration incorporates base remuneration plus any bonus entitlements, long service leave and retirements entitlements paid.

Income band	Total remuneration		Base remuneration	
	2003-04 (no.)	2004-05 (no.)	2003-04 (no.)	2004-05 (no.)
\$80 000 to \$89 999	-	-	-	1
\$90 000 to \$99 999	-	-	-	1
\$100 000 to \$109 999	2	-	4	2
\$110 000 to \$119 999	5	3	7	7
\$120 000 to \$129 999	6	8	6	5
\$130 000 to \$139 999	3	3	1	2
\$140 000 to \$149 999	2	3	2	-
\$150 000 to \$159 999	3	-	2	2
\$160 000 to \$169 999	-	3	-	2
\$170 000 to \$179 999	1	-	-	-
\$180 000 to \$189 999	-	2	1	-
\$190 000 to \$199 999	-	-	-	1
\$200 000 to \$209 999	1	-	-	-
\$220 000 to \$229 999	-	1	-	-
Total numbers	23	23	23	23
Total amount	\$3 185 334	\$3 393 942	\$3 000 583	\$3 048 935



16. Financial instruments

(a) Terms, conditions and accounting policies

The Office's accounting policies, including the terms and conditions of each class of financial asset and financial liability, recognised at the balance date, are as follows:

Recognised financial instruments	Accounting policies	Terms and conditions
(a) Financial assets		
Amounts owing from Victorian Government	Receivables from the Public Account are carried at nominal amounts.	Details of the terms and conditions are set out in note 7.
Debtors	Debtors are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade receivables are to be settled within 30 days from the date of issue of invoice.
(b) Financial liabilities		
Creditors and other payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Office	Trade liabilities are normally settled on government terms of 30 days or as agreed with the supplier on specific contractual terms.

(b) Net fair values

The carrying amounts of financial assets and financial liabilities recognised at the balance date, consisting of debtors, investments, creditors and accruals approximate fair value.

(c) Credit risk exposures

The Office's exposure to credit risk is limited due to legislative provisions provided under the *Audit Act 1994* which requires an audited entity to pay to the Consolidated Fund an amount to be determined by the Auditor-General to defray the reasonable costs and expenses of a financial audit undertaken by the Office.

Financial statements

(d) Interest rate risk exposures

The Office's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

The Office intends to hold fixed rate assets and liabilities to maturity.

2003-04	Notes	Fixed interest maturing in -						
		Weighted average interest rate	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non- interest bearing	Total
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Financial assets -								
Cash and deposits	6	-	-	-	-	-	900	900
Receivables	7	-	-	-	-	-	8 632 605	8 632 605
			-	-	-	-	8 633 505	8 633 505
Financial liabilities -								
Payables	9	-	-	-	-	-	1 284 200	1 284 200
Lease liabilities	10	6.70%	-	9 242	76 344	-	-	85 586
			-	9 242	76 344	-	1 284 200	1 369 786
Net financial assets (liabilities)			-	(9 242)	(76 344)	-	7 349 305	7 263 719

2004-05	Notes	Fixed interest maturing in -						
		Weighted average interest rate	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non- interest bearing	Total
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Financial assets -								
Cash and deposits	6	-	-	-	-	-	900	900
Receivables	7	-	-	-	-	-	9 733 796	9 733 796
			-	-	-	-	9 734 696	9 734 696
Financial liabilities -								
Payables	9	-	-	-	-	-	1 456 072	1 456 072
Lease liabilities	10	6.61%	-	31 100	212 098	-	-	243 198
			-	31 100	212 098	-	1 456 072	1 699 270
Net financial assets (liabilities)			-	(31 100)	(212 098)	-	8 278 624	8 035 426



17. Reconciliation of results from ordinary activities to net cash inflow from operating activities

Item	2003-04	2004-05
	(\$)	(\$)
Result from ordinary activities	1 041 238	966 607
Depreciation and amortisation	909 462	971 851
Value of assets written-off	-	18 074
Value of finance leases disposed of	-	29 155
Other adjustments to fixed asset balances	-	(1 651)
Changes in operating assets and liabilities -		
(Increase) in receivables	(1 344 525)	(1 101 191)
(Increase) in prepayments	(30 056)	(51 776)
Increase (decrease) in payables	(418 827)	171 872
Decrease (increase) in provisions	232 116	(257 441)
Net cash inflow from operating activities	389 408	745 500

18. Disclosures relating to ministers and Accountable Officers

Given the independent relationship of the Auditor-General with the Parliament, no government minister has any direct responsibility for the operations of the Victorian Auditor-General's Office. The following disclosures are made relating to the Accountable Officer in accordance with the Directions of the Minister for Finance under the *Financial Management Act 1994*:

(i) Names

Persons who held the above position in relation to the Office at any time during the reporting period are:

Accountable Officer:

Mr Wayne Cameron – Auditor-General

Mr Edward Hay (Acting, for 52 days during the period 1 July 2004 to 30 June 2005)

(ii) Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the responsibilities of the position during the reporting period was in the range:

\$250 000 – \$259 999 (2003-04: \$250 000 – \$259 999)

The amount relating to the Acting Accountable Officer is included in “Executive officers’ remuneration” (note 15).

(iii) Other transactions

Other related party transactions requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.



19. Administered items

	2003-04	2004-05
	(\$)	(\$)
Administered revenue -		
Audit fees	14 228 446	14 233 170
Sale of fixed assets	15 637	4 520
Other	13 864	23 108
Total revenue	14 257 947	14 260 798
Administered expenses -		
Payments into the Consolidated Fund	14 260 024	14 257 048
Bad and doubtful debts	(2 077)	-
Royal Melbourne Show (grant funded)	-	3 750
Total expenses	14 257 947	14 260 798
Revenue less expenses	-	-
Administered assets -		
Debtors	2 014 061	356 730
Work-in-progress	635 469	1 667 598
Total assets	2 649 530	2 024 328
Administered liabilities -		
Amounts owing to the state	2 649 530	2 024 328
Total liabilities	2 649 530	2 024 328
Net assets	-	-

The Victorian Auditor-General's Office administers but does not control certain resources on behalf of the state. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Office's objectives. For these resources, the Office acts only on behalf of the state. The accrual basis of accounting has been used in accounting for administered resources.

The accounting policies adopted by the Office for administered items are consistent with those applied to items it controls.

20. Impact of adopting Australian equivalents to International Financial Reporting Standards

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS), the Office will report for the first time in compliance with A-IFRS when results for the financial year ended 30 June 2006 are released. It should be noted that under A-IFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements.

An A-IFRS compliant financial report will include a new statement of changes in equity in addition to the three existing financial statements, which will all be renamed. The statement of financial performance will be renamed as the income statement, the statement of financial position will revert to its previous title as the balance sheet and the statement of cash flows will be simplified as the cash flow statement. However, for the purpose of disclosing the impact of adopting A-IFRS in the 2004-05 financial report, which is prepared under existing accounting standards, existing titles and terminologies are retained.

With certain exceptions, an entity that has adopted A-IFRS must record transactions that are reported in the financial report as though A-IFRS had always applied. This requirement also extends to any comparative information included within the financial report. Most accounting policy adjustments to apply A-IFRS retrospectively will be made against accumulated funds at the 1 July 2004 opening balance sheet date for the comparative period. Those adjustments that may be deferred until 1 July 2005 do not affect the transactions and balances of the Office.

The Office has taken the following steps in managing the transition to A-IFRS and has achieved the following scheduled milestones:

- established a steering committee to oversee the transition to and implementation of the A-IFRS
- established an A-IFRS project team to review the new accounting standards to identify key issues and the likely impacts resulting from the adoption of A-IFRS and any relevant Financial Reporting Directions as issued by the Minister for Finance
- participated in an education and training process to raise awareness of the changes in reporting requirements and the processes to be undertaken.

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requirements (Australian GAAP). Following the completion of its business impact analysis and evaluation of policy alternatives, the Office has concluded that there will not be a significant impact on the Office's financial position and financial performance following the adoption of A-IFRS. It should be noted that the actual effects of transition to A-IFRS may differ from that disclosed due to:

- changes in facts and circumstances
- ongoing work being undertaken by the A-IFRS project team
- potential amendments to A-IFRS and interpretations
- emerging accepted practice in the interpretation and application of A-IFRS and UIG Interpretations.



Explanatory notes

The following requirements have no material effect on the Office's statement of financial position as at 30 June 2005.

Impairment of assets

AASB 136 *Impairment of Assets* requires assets to be assessed for indicators of impairment each year. This standard applies to all assets, other than inventories, financial assets and assets arising from construction contracts, regardless of whether they are measured on a cost or fair value basis. If indicators of impairment exist, the carrying value of an asset will need to be tested to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. For not-for-profit entities, value-in-use of an asset is generally its depreciated replacement cost.

The carrying values of assets are under continuous review, as a result of which the Office has concluded that any impairment loss will not have a significant impact on the Office's financial position and financial performance.

Employee benefits

Under existing Australian accounting standards, employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at their nominal amount regardless of whether they are expected to be settled within 12 months of the reporting date. On the adoption of A-IFRS, a distinction is made between short-term and long-term employee benefits, and AASB 119 *Employee Benefits* requires liabilities for short-term employee benefits to be measured at nominal amounts and liabilities for long-term employee benefits to be measured at present value. AASB 119 defines short-term employee benefits as employee benefits that fall due wholly within twelve months after the end of the period in which the employees render the related service. Therefore, liabilities for employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at present value where they are not expected to be settled within 12 months of the reporting date.

The Office's current accounting policy, as disclosed in note 1(l), measures liabilities for long-term employee benefits at present value.

Finance leases

Existing Australian accounting standards require a lessee of a finance lease to recognise a lease asset and a lease liability equal to the present value of minimum lease payments at the beginning of the lease term. On adoption of A-IFRS, the lease asset and lease liability recognised will be equal to the lower of the present value of minimum lease payments and fair value of the leased asset which, in those cases where the present value of minimum lease payments exceeds the fair value of the leased asset, will require an adjustment to the Office's lease assets and liabilities at the date of transition. In addition, the guidance on whether a lease is a finance lease or operating lease is less prescriptive under A-IFRS, and there is a greater emphasis on the substance of the transaction when making a judgement. As a consequence, there may be instances where leases that have previously been classified as operating leases under Australian GAAP may be reclassified as finance leases under A-IFRS.

Accountable Officer's and Chief Finance and Accounting Officer's certification

We certify that the attached financial statements for the Victorian Auditor-General's Office have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statement of financial performance, statement of financial position, statement of cash flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2005 and financial position of the Office as at 30 June 2005.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.



JW Cameron
Auditor-General

Melbourne
25 August 2005



SG Odachowski
Chief Finance and Accounting Officer
Victorian Auditor-General's Office

Melbourne
25 August 2005



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Appendix 1

Independent performance audit – Recommendations and actions

Governance

Recommendation	Comment and status at 30 June 2005
Recommendation 1. Purpose and objectives of Victorian Auditor-General's Office.	No recommendations made.
Recommendation 2. Business plans at business unit level should use a consistent template that includes strategies, activities, timelines and milestones, budget and resource requirements, revenue projections (where applicable), and key performance indicators (KPIs). We believe the business plan for the Strategic Audit Planning, Policies and Standards (SAPPS) Group is an appropriate template to use.	Accepted. Action is completed.
Recommendation 3. The Victorian Auditor-General's Office (VAGO) needs to continue to analyse the processes by which the internal scorecard is prepared, and ensure the data and reports used are accurate.	Accepted. Action is completed.
Recommendation 4. We support the initiatives recently introduced by VAGO to better manage assignments from a cost and timeline perspective. The results of these measures should be monitored regularly and reinforced by appropriate training.	Accepted. Action is completed.
Recommendation 5. In respect of the VAGO internal audit function: <ul style="list-style-type: none"> the audit committee should amend its charter, formally adopt an internal audit charter and improve its annual self-assessment process the scope of the annual internal audit program should be reviewed to possibly include controls over areas of potential high-risk (not being audit risk) to the operational groups internal audit reports should clearly identify the objectives, scope, conclusion, recommendations, agreed management plans, timelines and responsibilities. Additionally, a process should also be implemented whereby the audit committee monitors and ensures recommendations from all assurance activities commissioned by the committee are being implemented. Further, the results of these reports should be reflected in the Office's overall risk management plans it may be prudent for VAGO to review the composition of the audit committee and consider whether it is appropriate that the senior executive responsible for all areas in the current internal audit program be the sole management representative. 	Accepted. Action is completed. Accepted. Action is completed. Accepted. Action is completed. Under review.
Recommendation 6. We understand that VAGO is considering ways in which it may be able to streamline the contracting process. We support these initiatives. We also believe that VAGO could consider the establishment of a panel of service providers to further improve the efficiency and effectiveness of the contracting process.	Under review.
Recommendation 7. Follow-up on previous performance audit.	No recommendations made.



Strategic audit planning

Recommendation	Comment and status at 30 June 2005
<p>Recommendation 9. The annual planning cycle should be amended along the following lines:</p> <ul style="list-style-type: none"> • Phase 1 (up to December) – Identify the whole-of-government risks and confirm selection criteria, in consultation with the Public Accounts and Estimates Committee (PAEC). Preparation of the statutory annual plan and operating budget. • Phase 2 (January to March) – Develop the final sector audit plans and identification of areas of audit interest in line with the major risks at the whole-of-government level. Refinement of annual budget. • Phase 3 (April to May) – Develop the annual work program and submit it for consultation with the PAEC. We note the annual work program as described would not form part of the annual plan tabled in parliament. 	<p>Subject to discussion with the PAEC. I note the observation that the performance audit program is affected by changes that arise between the time the audit is planned and the time the audit is scheduled. Our recent practice is to reconcile those inter-year movements in the Annual Plan, however, it maybe more appropriate that such a reconciliation appears in the Annual Report.</p>
<p>The process by which portfolio sector audit plans are prepared, together with their linkage to the annual plan, requires improvement. In particular:</p> <ul style="list-style-type: none"> • Recommendation 10a. Additional training and guidance for sector directors on engaging with portfolios is required to assist them in preparing sector audit plans. This guidance should note the importance of maintaining a visible presence at audit committee meetings. • Recommendation 10b. A documented whole-of-government scan of major risks/themes should precede the development of the final plans – this would provide context to the risks/themes identified at the portfolio level. 	<p>Accepted. Action is underway.</p> <p>Accepted. Action is completed. The commentary in the report proposes that our work program and effort should primarily have a risk focus. An Auditor-General's primary role is to provide assurance to the Parliament and ultimately the community across the full audit of the Victorian public sector's activities. My legislative mandate requires me not only to focus on areas of risk, but also areas aimed at identifying opportunities to improve performance and responding to issues of high public interest. My office will continue to balance the consideration of risk with the broader mandate of the Auditor-General.</p>

Strategic audit planning - *continued*

Recommendation	Comment and status at 30 June 2005
<ul style="list-style-type: none"> • Recommendation 10c. Where whole-of-government and/or departmental risk management plans are prepared, they should be more formally assessed in developing an understanding of the key risks/themes affecting the portfolio. If they are not available from the executive, then they should be sought from the audit committee. 	Accepted. Action is ongoing.
<ul style="list-style-type: none"> • Recommendation 10d. Sector audit plans should explain the prioritisation of “areas of audit interest” by reference to the selection criteria. High-risk areas should be given primary consideration. 	Accepted. Action is underway.
<ul style="list-style-type: none"> • Recommendation 10e. Further attention should be given to information technology (IT) developments across the whole of government, with particular consideration given to preparing a specific IT plan utilising specialist IT resources. 	Accepted. Action is underway. My 2004–05 Annual Plan required to be prepared in with the protocols, by 31 January 2004, took account of the IT environment at that time. We continue to monitor state-wide initiatives and have factored any developments into our work program. I consider that we have a full appreciation of the implications of the latest state-wide IT plans and initiatives.



Stakeholder relationships

Recommendation	Comment and status at 30 June 2005
<p>Recommendation 11. The annual consultative process between the Auditor-General and the PAEC is amended to enable greater consultation on the development and status of the annual work program and the results of audits tabled in parliament. This would involve:</p> <ul style="list-style-type: none"> Revising the timelines and content of the annual plan (refer earlier recommendation relating to annual planning cycle). This would enable the PAEC and the Auditor-General to discuss the content of the full annual work program much closer to the commencement of the financial year to which the program relates, and provide the PAEC (and parliament) with a greater opportunity to contribute to the risk assessments and selection criteria which will shape the development of the detailed annual work program The current protocol provides for a quarterly report and briefing to the PAEC by the Auditor-General. We support this initiative and believe this can be further enhanced by reporting on the status and development of the complete annual work program, planned activity for the next quarter in light of any revision in risk assessments, and reporting of additional KPIs as set out later in this report. This would effectively replace the detailed discussions on the approach to individual audit areas previously selected for attention <p><i>We are mindful of the fact that section 7A(1)(a) of the Act requires a work program to be included in the annual plan. If our revised annual plan containing a list of risks to be considered and/or themes to be followed, is not considered a "work program" as envisaged by the Act, then the wording of the Act should be amended. However, we would be sympathetic to the view that a description of a "series of audits scoped to address a set of stated risks" does constitute a "work program" in the context of VAGO as a whole.</i></p>	<p>Subject to discussion with the PAEC. Special reviews and investigations, as indicated in our policies, are less about efficiency, economy and effectiveness and more about probity, waste, compliance and governance. I have concerns about the inclusion of inquiries and investigations of a sensitive nature in a consultative process.</p> <p>Under consideration.</p>
<p>Recommendation 12. Survey of users.</p>	<p>No recommendations made.</p>
<p>Recommendation 13. In determining the most appropriate method to publish and distribute sector-wide audit recommendations and/or general guidance material, the Auditor-General should incorporate into the next round of surveys an opportunity for agencies to comment on the good practice guides issued to date, the relevance of the content, and the most appropriate and effective means by which they should receive future relevant sector-wide "guidance". We consider that an additional distribution channel may be chairs of agency audit committees.</p>	<p>Under review.</p>
<p>Recommendation 14. Prior to developing any further "occasional papers" the Auditor-General should ensure that sufficient stakeholder interest exists to provide a degree of comfort that investment in such a paper will provide value to the public sector.</p>	<p>As noted.</p>

Financial audit	
Recommendation	Comment and status at 30 June 2005
Recommendation 15. To improve the effectiveness, efficiency and consistency of approach, we consider that further investment is required in developing financial audit methods, guidance material and training programs. Such investment should be undertaken in conjunction with the development of new supporting audit technology (refer below).	Accepted. Action should be completed by 1 November 2005.
Recommendation 16. To ensure that VAGO remains up-to-date in the use of audit technology, and is able to effectively discharge its assurance role and retain and attract staff, we support the decision to review the use of Audit Methodology Review Project (EFINA). This should be undertaken in the context of a wider project in relation to development of supporting guidance to the financial audit method (as referred to above). Prior to finalising any agreement with the Queensland Audit Office in respect of such a project, the Auditor-General should be satisfied that all options for a replacement have been considered, including evaluation of existing packages in the private sector and joint development with other Audit Offices. Once all options have been properly considered, a business case should be developed with a clear statement of project scope, deliverables and timelines, together with identification of capital and recurrent funding requirements.	Accepted. Action should be completed by 1 November 2005.
Recommendation 17. In relation to the use of work conducted by internal audit, VAGO should undertake appropriate training to ensure that audit files contain documentation setting out how an agency's internal audit function has been assessed, the conclusions drawn by the audit team, and the resulting impact on VAGO's audit approach and work program.	Accepted.
Recommendation 18. Independent reviews of June year-end audits should be conducted as soon as possible after completion to allow sufficient time for any recommendations and improvements to be incorporated into the subsequent year's audit planning process. Independent reviews of December year-end audits should be separately conducted so as not to delay the reporting of recommendations for the June round of audits.	Accepted.
Recommendation 19. In view of our own findings in respect of the need to improve the consistency of documentation on audit files and ensure that work papers clearly link risk to work programs and audit evidence, particular emphasis on work paper consistency and clarity should be incorporated into the next round of independent quality reviews.	Under review.
Recommendation 20. We recognise that the recruitment and retention of appropriate IT skills is difficult. However, we believe that Computer Risk Management (CRM) is sufficiently important to warrant the implementation of a formal CRM human resources strategy that addresses the areas of IT audit risk identified across client agencies. To maximise the effectiveness of existing resources, we also recommend that consideration be given to expanding the usage and current suite of computer interrogation packages.	Accepted.



Performance audit

Recommendation	Comment and status at 30 June 2005
Recommendation 21. To improve consistency in approach and outcomes of performance audits, recent efforts (via the Business Improvement Project) to develop a method and supporting guidance material should be accelerated. This should include guidance on how to complete the work necessary to satisfy the revised reporting requirements for special reviews and performance audits.	Accepted.
Recommendation 22. Our belief is that the critical success factors for the efficient and effective completion of a performance audit are a well-defined audit criteria, achievable audit timelines (to both ensure budget is met and retain currency of recommendations) and use of appropriately skilled staff. In our view, the most critical determinant of efficiency and effectiveness should be timeliness as this provides the basis on which cost can be managed and currency/relevance of the report outcomes can be ensured. In view of this, we believe VAGO should ensure that where performance audits are scheduled to run for greater than, say, 7-9 months from commencement to completion, then consideration be given to conducting the audit in stages to enable recommendations to be progressively released and actioned. We note this practice was undertaken in the recent audit, <i>Managing logging in State forests</i> .	Accepted in principle.
Recommendation 23. Collaboration between the SAPPS and Performance Audit Groups has become progressively more efficient and effective throughout the review period, although we note further room for improvement. We also suggest that a standard "change schedule" be introduced to ensure that all modifications to the original scope are recorded and explained.	Accepted.
<p>Recommendation 24a to d. To ensure further improvement of the performance audit program, continued attention is required in relation to:</p> <ul style="list-style-type: none"> • development of the performance audit method and supporting guidance material (refer recommendation 21) • establishing clear and relevant audit criteria • management of audit costs, progress against plan and achievement of agreed timelines for completion of the audit • ensuring communication with agencies as part of the audit process is conducted at the appropriate levels, commensurate with the varying audit stages of the audit process. <p>A number of these issues will also be addressed by the recommendations we have made in respect of the scoping and planning of performance audits.</p>	Accepted.
Recommendation 25. We understand the post-audit de-brief form is currently being reviewed and revised. We recommend the review be completed and the form be reintroduced as soon as practical.	Under review.
Recommendation 26. The Business Improvement Project currently underway in the Performance Audit Group should include the updating of EMPERA to bring it into line with new methods, reporting frameworks and overall audit management techniques. Further, the use of EMPERA should be enforced as the accepted standard means of documenting performance audits.	Accepted in principle.

Special reviews

Recommendation	Comment and status at 30 June 2005
Recommendation 27. Independent quality reviews.	No recommendations made.
Recommendation 28. Appropriateness mix of resources.	No recommendations made.
Recommendation 29. We recommend that the conclusions from the independent quality reviews conducted on performance audits be included in the KPIs as a possible means of measuring the effectiveness and efficiency of performance audits.	Under review.
Recommendation 30. We support the initiative to include special reviews in the Performance Audit Business Improvement Project and the new 3-tiered reporting framework recently introduced. We consider it essential that guidance material be developed to support the application of the method outlined in the MAP. A possible way to approach this may involve the defining of broad categories within which reviews may be classified (compliance reviews, performance reviews, financial/attest reviews and general exploratory/investigate reviews) and accordingly developing guidance material to support each category.	Accepted.
Recommendation 31. Refer recommendation on EMPERA in performance audit (refer to recommendation 26).	Accepted in principle.
Recommendation 32. It is important that appropriate skills are used in the conduct of special reviews. In a number of cases, this may require the involvement of staff from the Performance Audit Group. While we note that this happens on occasions, we suggest that greater emphasis be placed on the importance of allocating appropriately skilled staff from all operational groups to special reviews in the future.	Under review.



Business management

Recommendation	Comment and status at 30 June 2005
Recommendation 33. To assist directors and managers in the discharge of their management and supervisory roles, a standard suite of MARS management reports should be defined. Further, ongoing training in the use of MARS will be required to ensure that it is used in an effective and efficient manner.	Accepted in principle.
Recommendation 34. We recommend that VAGO consider the acquisition and/or development of a simple, centralised scheduling system to support the optimum allocation of financial audit staff to audit assignments across the whole group.	Accepted in principle.
Recommendation 35. We recommend that VAGO review the practice of “write on and off” and assure itself that it is operating within the intent of section 10(1) of the Act. If appropriate, the Act may need to be amended to provide VAGO with flexibility in respect of the application of financial audit fees across all agencies.	Under review.
Recommendation 36. VAGO should develop a formal business continuity plan to ensure that in the event of a disaster, key functions and processes can be resumed without significant delay.	Accepted.
Recommendation 37. An HR strategic plan be developed that links to, and supports, the achievement of the recent 3-year corporate plan. We recognise that the corporate plan up to 2003–04 provided a strategic framework for the development of HR initiatives, but that the 2004–05 corporate plan has less emphasis on prescriptive HR requirements, hence the need for a more formalised approach to this area. We note an appropriate framework for the development of such a strategy is outlined in the VAGO 2003–04 annual report.	Accepted in principle.
Recommendation 38. Current recruitment practices generally reflect contemporary practice and should be continued, with an on going emphasis on: <ul style="list-style-type: none"> • ensuring diverse means of advertising vacancies • sourcing staff from diverse backgrounds and experience, and • when recruiting for manager or above positions, experience in agencies or industries in addition to high-level technical skills be emphasised. 	Accepted. No action required.
Recommendation 39. While reporting on staff turnover is undertaken, more analysis is required for VAGO to better understand the reasons for the rate of staff turnover. No documentation was sighted that brought a strategic analysis to better inform decision-making on this important issue. Such an analysis may better identify the reasons and causes, and is a necessary precursor for the development of rectification strategies that may be employed in the short- and long-term.	Accepted in principle.
Recommendation 40. It is recommended that consistent with the VPS career framework, VAGO develop and adopt formal succession planning strategies to address the impact of a potential departure of senior staff across the Office.	Accepted in principle.

Business management - continued

Recommendation	Comment and status at 30 June 2005
<p>Recommendation 41. To ensure that staff understand the Auditor-General's vision and its impact on Office plans, increased attention is required in a number of areas, including:</p> <ul style="list-style-type: none"> • acknowledgement of the results of the staff survey and demonstrable action plans identified to address issues noted • improved focus on coaching/mentoring, and counselling and appraising all staff. This includes honest and open assessment of performance and development of identifiable action plans (including structured training plans) to address any deficiencies noted • reinforcement through internal training and staff meetings of the Office's vision, values and plans to achieve. 	Accepted in principle.
<p>Recommendation 42. While we acknowledge that VAGO undertakes surveys of agencies and parliamentarians, we would suggest that consideration be given to engaging external independents to conduct such surveys. Specifically:</p> <ul style="list-style-type: none"> • VAGO conducts a full external independent survey of parliamentary members every 2 years • an external independent survey on a sample basis of agencies who have received performance audits as well as conduct "face-to-face" interviews. 	Accepted in principle.
<p>Recommendation 43. Consistent with the PAEC's <i>Report on the 2002/03 Budget Outcomes</i>, consideration be given to reporting on some additional KPIs or performance measures, these being:</p> <ul style="list-style-type: none"> • percentage of internal/administrative resources (measured in dollars) devoted to audit support • percentage of audit hours of audit staff charged against annual available hours (staff utilisation) for each operational group • percentage of annual budget invested in learning and development • cost of completed performance audits. 	Under review. I note there is a need to improve performance measures, however, the suggested measures of percentage of audit hours of audit staff charged against annual available hours (staff utilisation) for each operational group and cost of performance audits are already in place and reported and monitored internally. They are, however, not reported in external documents.
<p>Recommendation 44. So as to be fully transparent, VAGO should disclose in each performance audit report the cost of the audit within reasonable bands of variation, say \$100k. Costs should be determined in a manner comparable with other Audit Offices and the basis disclosed.</p>	Accepted in principle. Action completed.



Audit Act

Recommendation	Comment and status at 30 June 2005
Recommendation 45. Section 7A of the Act adequately provides for the development of the annual plan. Accordingly, the need for section 15(3) of the Act should be reviewed.	Under review.

Appendix 2

Office publications

How to obtain our publications

Copies of publications of the Auditor-General, are available through either the Information Victoria bookshop, or through our Office, at the following addresses:

- Information Victoria bookshop (reports only)
356 Collins Street
Melbourne Vic. 3000
Phone: 1300 366 356 (local call cost)
Fax: (03) 9603 9920
Website: <www.information.vic.gov.au>
- Victorian Auditor-General's Office (all publications)
Level 34, 140 William Street
Melbourne Vic. 3000
Phone: (03) 8601 7000
Fax: (03) 8601 7010
Email: <comments@audit.vic.gov.au>
Website: <www.audit.vic.gov.au>

Information on all Auditor-General's publications is also available on our website at <www.audit.vic.gov.au>. The website also features a "search" facility which enables users to quickly locate issues of interest.

Requests for copies of publications may also be made by email to <comments@audit.vic.gov.au>.

Reports issued during 2004-05

August 2004

- Report on public sector agencies – Results of special reviews and other studies

October 2004

Measuring the success of the Our Forests, Our Future policy

November 2004

- Report of the Auditor-General on the Finances of the State of Victoria, 2003-04

December 2004

- Auditor-General's Report – Results of 30 June 2004 financial statement and other audits
- Meeting our future Victorian Public Service workforce needs
- Managing school attendance

February 2005

- Regulating operational rail safety (2005:1)

March 2005

- Managing patient safety in public hospitals (2005:2)

April 2005

- Management of occupational health and safety in local government (2005:3)

May 2005

- Report of the Auditor-General – Results of special reviews and other investigations (2005:4)
- Results of financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits (2005:5)

June 2005

- Our children are our future: Improving outcomes for children and young people in Out of Home Care (2005:6)
- In good hands: Smart recruiting for a capable public sector (2005:7)
- Managing stormwater flooding risks in Melbourne (2005:8) (a)
- Managing intellectual property in government agencies (2005:9) (a)
- East Gippsland Shire Council: Proposed sale of Lakes Entrance property (2005:10) (a)

Other publications

- Annual Report, 2003-04
- Annual Plan, 2005-06

Good practice guide

- 2005:1 Internal financial reporting in local government (issued June 2005)

"Auditing in the Public Interest" newsletter

- Good governance, sustainability and accountability
Winter 2004 (issued August 2004)
- Preparing for change
Summer 2004 (issued December 2004)
- Challenges ahead
Winter 2005 (issued June 2005)

(a) Completed by 30 June 2005, and tabled in July 2005.



Appendix 3

Audit responsibilities at 30 June 2005

Parliamentary bodies

Parliament of Victoria

State accounts

Annual Financial Report

Estimated Financial Statements

Departments and other independent budget sector agencies

Education and Training, Department of

Emergency Communications Victoria

Environment Protection Authority

Equal Opportunity Commission

Essential Services Commission

Human Services, Department of

Infrastructure, Department of

Innovation, Industry and Regional

Development, Department of

Justice, Department of

Ombudsman, Office of the

Police, Office of the Chief

Commissioner of

Premier and Cabinet, Department of

Primary Industries, Department of

Public Advocate, Office of

Public Prosecutions, Office of

State Services Authority, formerly

Office of Public Employment

Supreme Court, Senior Master of the

Sustainability and Environment,

Department of

Treasury and Finance, Department of

Victorian Communities,

Department for

Victorian Electoral Commission

Victorian Privacy Commissioner,

Office of the

Public bodies

2007 World Swimming

Championships Corporation

Accident Compensation and

Conciliation Service

Adult Community and Further
Education Board

Adult Education, Centre for

Adult Multicultural Education Services

Alpine Resorts Co-ordinating Council

Architects Registration Board
of Victoria

Australasian Police Multicultural
Advisory Bureau

Australian Centre for the
Moving Image

Australian Grand Prix Corporation

Building Commission

Cancer Council of Victoria, The

Chief Electrical Inspector,
Office of the

Chinese Medicine Registration
Board of Victoria

Chiropractors Registration Board
of Victoria

Commissioner for
Environmental Sustainability

Country Fire Authority

Dairy Food Safety Victoria

Dental Practice Board of Victoria

Domestic Building (HIH)
Indemnity Fund

EcoRecycle Victoria

Emerald Tourist Railway Board

Falls Creek Alpine Resort
Management Board

Film Victoria

Gambling Research Panel

Gas Safety, Office of

Government Superannuation Office

Greyhound Racing Victoria

Harness Racing Victoria

Health Purchasing Victoria

Heritage Council

Industry Supervision Fund

Infertility Treatment Authority

Judicial College of Victoria

La Trobe University Union

Lake Mountain Alpine Resort
Management Board

Legal Ombudsman, Office of the
Legal Practice Board

Legal Practitioners Liability
Committee

Library Board of Victoria

Medical Practitioners Board
of Victoria

Melbourne Centre for
Financial Studies

Melbourne Market Authority

Melbourne Water Corporation

Mental Health Review Board
of Victoria

Metropolitan Fire and Emergency
Services Board

Mount Baw Baw Alpine Resort
Management Board

Mount Buller Alpine Resort
Management Board

Mount Hotham Alpine Resort
Management Board

Mount Stirling Alpine Resort
Management Board

Murray Valley Citrus Board

Murray Valley Wine Grape Industry
Development Committee

Museums Board of Victoria

National Gallery of Victoria, Council
of Trustees of the

National Institute of Forensic Science

Network Tariff Rebate Trust Fund

Northern Victorian Fresh Tomato
Industry Development Committee

Nurses Board of Victoria

Optometrists Registration Board
of Victoria

Osteopaths Registration Board
of Victoria

Parks Victoria

Pharmacy Board of Victoria

Phillip Island Nature Park Board
of Management

Physiotherapists Registration Board of Victoria	Victorian Institute of Forensic Medicine	Victorian Institute of Teaching
Plumbing Industry Commission	Victorian Institute of Forensic Mental Health	William Angliss Institute of TAFE
Podiatrists Registration Board of Victoria	Victorian Law Reform Commission	Wodonga Institute of TAFE
Port of Hastings Corporation	Victorian Learning and Employment Skills Commission	Public hospitals and ambulance services
Prince Henry's Institute for Medical Research	Victorian Managed Insurance Authority	Alexandra and District Ambulance Service
PrimeSafe, formerly Victorian Meat Authority	Victorian Plantations Corporation	Alexandra District Hospital
Psychologists Registration Board of Victoria	Victorian Qualifications Authority	Alpine Health
Psychosurgery Review Board	Victorian Rail Track	Ambulance Service Victoria - Metropolitan Region
Public Transport Ticketing Body	Victorian Regional Channels Authority	Austin Health
Residential Tenancies Bond Authority	Victorian Relief Committee	Bairnsdale Regional Health Service
Roads Corporation	Victorian State Emergency Authority	Ballarat Health Services
Royal Botanic Gardens Board	Victorian Strawberry Industry Development Committee	Barwon Health
Royal Children's Hospital	Victorian Tertiary Admissions Centre	Bass Coast Regional Health
Royal Women's Hospital	Victorian Urban Development Authority	Bayside Health
Rural Finance Corporation of Victoria	Victorian WorkCover Authority	Beaufort and Skipton Health Service
Sentencing Advisory Council	VITS Languagelink	Beechworth Health Service
Shrine of Remembrance Trustees	Zoological Parks and Gardens Board	Benalla and District Memorial Hospital
Southern and Eastern Integrated Transport Authority	Universities and other educational institutions	Bendigo Health Care Group
Spencer Street Station Authority	Bendigo Regional Institute of TAFE	Boort District Hospital
State Electricity Commission Victoria	Box Hill Institute of TAFE	Calvary Health Care Bethlehem Limited
State Library of Victoria Foundation	Central Gippsland Institute of TAFE	Caritas Christi Hospice Ltd
Surveyors Board of Victoria	Chisholm Institute of TAFE	Casterton Memorial Hospital
Sustainable Energy Authority Victoria	Deakin University	Central Gippsland Health Service
Tourism Victoria	East Gippsland Institute of TAFE	Cobram District Hospital
Transport Accident Commission	Gordon Institute of TAFE	Cohuna District Hospital
Treasury Corporation of Victoria	Goulburn Ovens Institute of TAFE	Colac Area Health
V/Line Passenger Corporation	Holmesglen Institute of TAFE	Coleraine District Health Services
Veterinary Practitioners Registration Board of Victoria	Kangan Batman Institute of TAFE	Dental Health Services Victoria
VicForests	La Trobe University	Djerriwarrah Health Services
Victoria Legal Aid	Monash University	Dunmunkle Health Services
Victorian Commission and Gaming Regulator, formerly Victorian Casino and Gaming Authority	Northern Melbourne Institute of TAFE	East Grampians Health Service
Victorian Competition and Efficiency Commission	Royal Melbourne Institute of Technology	East Wimmera Health Service
Victorian Curriculum and Assessment Authority	South West Institute of TAFE	Eastern Health
Victorian Funds Management Corporation	Sunraysia Institute of TAFE	Echuca Regional Health
Victorian Health Promotion Foundation	Swinburne University of Technology	Edenhope and District Memorial Hospital
	The University of Melbourne	Gippsland Southern Health Service
	University of Ballarat	Goulburn Valley Health
	Victoria University of Technology	Hepburn Health Service
	Victorian College of the Arts	Hesse Rural Health Service
		Heywood Rural Health
		Inglewood and Districts Health Service



Kerang District Hospital	Stawell Regional Health	Cash Common Fund 1, formerly State Trustees Common Fund No. 1
Kilmore and District Hospital	Swan Hill District Hospital	Cash Common Fund 2, formerly State Trustees Common Fund No. 2
Kooweerup Regional Health Service	Tallangatta Health Service	Cell Therapies Pty Ltd
Kyabram and District Health Services	Terang and Mortlake Health Service	Central Highlands Region Timber Pty Ltd
Kyneton District Health Service	Timboon and District Healthcare Service	Charitable Common Fund, formerly State Trustees Common Fund No. 10
Latrobe Regional Hospital	Tweddle Child and Family Health Service	City Library Joint Venture
Lorne Community Hospital	Upper Murray Health and Community Services	City West Water Ltd
Maldon Hospital	West Gippsland Healthcare Group	City Wide Service Solutions Pty Ltd
Mallee Track Health and Community Service	West Wimmera Health Service	Communities that Care
Manangatang and District Hospital	Western District Health Service	Deakin Networks Pty Ltd
Mansfield District Hospital	Western Health	Deakinprime USA
Maryborough District Health Service	Wimmera Health Care Group	Driver Education Centre of Australia Ltd
McIvor Health and Community Services	Wodonga Regional Health Service	Echuca Regional Health Foundation Ltd
Melbourne Health	Yarram and District Health Service	Equity Common Fund, formerly State Trustees Common Fund No. 3
Mercy Public Hospitals Incorporated	Yarrawonga District Health Service	Fed Square Pty Ltd, formerly Federation Square Management Pty Ltd
Moyne Health Services	Yea and District Memorial Hospital	Fixed Interest Common Fund, formerly State Trustees Common Fund No. 4
Mt Alexander Hospital	Superannuation funds	Footy Consortium Pty Ltd
Nathalia District Hospital	Emergency Services Superannuation Scheme	Gascor (T No. 1) Pty Ltd
Northeast Health Wangaratta	Parliamentary Contributory Superannuation Fund	Gascor (TH) Pty Ltd
Northern Health	State Superannuation Fund	Gascor EPL Pty Ltd
Numurkah District Health Service	Companies, trusts and joint ventures	Gascor Holdings No. 1 Pty Ltd
O'Connell Family Centre (Grey Sisters) Inc.	Agriculture Victoria Services Pty Ltd	Gascor Holdings No. 2 Pty Ltd
Omeo District Health	Angliss Consulting Pty Ltd	Gascor Holdings No. 3 Pty Ltd
Orbost Regional Health	Angliss Multimedia Pty Ltd	Gascor IEPL Pty Ltd
Otway Health and Community Services	Angliss Solutions Pty Ltd	Gascor KEPL Pty Ltd
Peninsula Health	Australian Alpine Institute Pty Ltd	Gascor MAPL Pty Ltd
Peter MacCallum Cancer Centre	Australian Human Resources Institute Pty Ltd, formerly Australasian Human Resources Institute Pty Ltd	Gascor MGPL Pty Ltd
Portland District Health, formerly Portland and District Hospital	Australian International Health Institute Limited	Gascor SAPL Pty Ltd
Queen Elizabeth Centre	Australian Music Exams Board (Vic.) Ltd	Gascor SNPL Pty Ltd
Robinvale District Health Services	Australian National Academy of Music Ltd	Gascor WAPL Pty Ltd
Rochester and Elmore District Health Service	Ballarat Health Services Foundation Limited	Gascor WPL Pty Ltd
Royal Victorian Eye and Ear Hospital	Bendigo Health Care Group Foundation Charitable Trust	Geelong Performing Arts Centre Trust
Rural Ambulance Victoria	Box Hill Enterprises Ltd	Gotec Limited
Rural Northwest Health	BR (Vic.) Pty Ltd	Goulburn Murray Telecommunications (Holdings) Pty Ltd
Seymour District Memorial Hospital	Callista Software Services Pty Ltd	Goulburn Murray Telecommunications Infrastructure Limited
South Gippsland Hospital		Hawthorn Edinburgh Ltd
South West Healthcare		
Southern Health		
St George's Health Service Ltd		
St Vincent's Hospital (Melbourne) Ltd		

Hawthorn English Language Centres (Canada) Ltd	Monash Reproductive Health Enterprises Pty Ltd	RMIT (Malaysia) Sdn Bhd
Holmesglen International Training Services Pty Ltd	Monash Reproductive Pathology and Genetics Pty Ltd	RMIT Foundation
HumeNET Limited	Monash South Africa Ltd	RMIT Innovation Ltd
Inquirion Pty Ltd	Monash Southern Africa Pty Ltd	RMIT International Pty Ltd
Inskill Limited	Monash Ultrasound Pty Ltd	RMIT International University Vietnam
International Fibre Centre Limited	Monash University Foundation Pty Ltd	RMIT Training Pty Ltd
International Training Australia Pty Ltd	Monash University Foundation Trust	RMIT Union
John Batman Training and Consulting Pty Ltd	Monash University South Africa	RMIT Vietnam Holdings Pty Ltd
Kitaya Holdings Pty Ltd	Monsu Catering Trust	Rolling Stock (VL-1) Pty Ltd
La Trobe International Pty Ltd	Montech Pty Ltd	Rolling Stock (VL-2) Pty Ltd
La Trobe Marketing Pty Ltd	Monyx Education Services Pty Ltd	Rolling Stock (VL-3) Pty Ltd
La Trobe University Housing Limited	Monyx Pty Ltd	Rolling Stock Holdings (VIC)
La Trobe Winter Sport and Tourism Education Pty Ltd	Monyx Services Food and Beverage Pty Ltd	Rolling Stock Holdings (Victoria-VL) Pty Ltd
MAPS Group Limited	Monyx Services Pty Ltd	Royal Children's Hospital Education Institute Ltd
Meanjin Company Limited	Monyx Services Retail Pty Ltd	Royal Children's Hospital Foundation Ltd
Medical Centre Development Pty Ltd	Moortec Limited	Royal Children's Hospital Foundation Trust Funds
Melbourne 2006 Commonwealth Games Pty Ltd	Moyne Health Services Inc.	Royal Women's Hospital Foundation Ltd
Melbourne and Olympic Parks Trust	MU Student Union Ltd	Royal Women's Hospital Foundation Trust Funds
Melbourne Business School Ltd	MUP Services Pty Ltd	Securities Finance Corporation Ltd
Melbourne Convention and Exhibition Trust	National Institute of Circus Arts Limited	Smart Water Fund
Melbourne Cricket Ground Trust	NMIT International Ltd	South East Water Ltd
Melbourne Enterprises International Limited	Overseas Projects Corporation of Victorian Ltd	Spatial Vision Innovations Pty Ltd
Melbourne Information Management Pty Ltd	Paragon Trust No. 1	Special Power Payments Trust Fund
Melbourne University Private (NZ) Ltd	Paragon Trust No. 2	State Sport Centres Trust
Melbourne University Private Limited	Peter Dibble Memorial Trust	State Trustees Limited
Melbourne University Publishing Ltd	Peter MacCallum Cancer Foundation	STL Financial Services Ltd
Melbourne Ventures Pty Ltd	Peter MacCallum Cancer Foundation Ltd	Streetsahead Cleaning Service
Melbourne Wholesale Fish Market Pty Ltd	Phytogene Pty Ltd	Sustainable Melbourne Trust Fund
Meltech Services Ltd	Port of Melbourne Corporation	Swinburne Graduate School of Integrative Medicine Pty Ltd
Monash Commercial Pty Ltd	Prahran Market Pty Ltd	Swinburne Intellectual Property Trust
Monash Digital Media Pty Ltd	Premium Cash Fund	Swinburne Limited
Monash ED Pty Ltd	Premium Cash Plus Fund	Swinburne Ventures Ltd
Monash International Pty Ltd	Premium Diversified Fund	TAC Law Pty Ltd
Monash International SRL	Premium Equity Fund	Tattersalls Gaming Pty Ltd
Monash Investment Holdings Pty Ltd	Premium Fixed Interest Fund	Tattersalls Sweeps Pty Ltd
Monash Investment Trust	Premium International Fund	Tattersall's Club Keno Pty Ltd
Monash IT Pty Ltd	Premium Property Fund	Telematics Course Development Fund
Monash IVF Pty Ltd	Property Common Fund, formerly State Trustees Common Fund No. 5	The Fire Services College
Monash Learningfast Pty Ltd	Queen Victoria Market Pty Ltd	The Gordon Foundation Ltd
Monash Property Management Pty Ltd	Queen Victoria Women's Centre Trust	The School of Mines and Industries Ballarat Ltd
	Regent Management Company Pty Ltd	



Transport Education and Training Australia Ltd
 Tricontinental Corporation Ltd
 Tricontinental Holdings Ltd
 Trust for Nature (Victoria)
 Twin Waters Resort Pty Ltd
 Unilink Ltd
 V/Line Passenger Pty Ltd
 VCAMM Limited
 VFM Australian Equities Trust
 VFM Australian Fixed Interest Trust
 VFM Emerging Markets Trust
 VFM Global Bond Trust
 VFM Global Small Companies Trust
 VFM Hedged International Equities Trust
 VFM Income Trust
 VFM Indexed Bonds Trust
 VFM International Equities Trust
 VFM Short Term Money Market Trust
 Vicfleet Pty Ltd
 Victoria University Enterprises Pty Ltd
 Victoria University Foundation Ltd
 Victoria University International Pty Ltd
 Victoria University of Technology (Singapore) Pty Ltd
 Victoria University of Technology Foundation
 Victorian Arts Centre Trust
 Victorian Energy Networks Corporation
 Victorian Institute of Sport Limited
 Victorian Institute of Sport Trust
 Victorian Rail Heritage Operations Pty Ltd
 Victorian Rail Services Pty Ltd
 Victorian Trade and Investment Office Pty Ltd
 Victorian Trauma Foundation
 Victorian Trauma Foundation Pty Ltd
 Wimmera Base Hospital Foundation
 Wimmera Development Association
 Winchelsea and District Nursing Home Society Trust
 Wonthaggi and District Benefit Fund
 Yarra Bend Park Trust

Water authorities

Barwon Region Water Authority
 Central Gippsland Region Water Authority
 Central Highlands Region Water Authority
 Coliban Region Water Authority
 Corangamite Catchment Management Authority
 East Gippsland Catchment Management Authority
 East Gippsland Region Water Authority
 First Mildura Irrigation Trust
 Gippsland and Southern Rural Water Authority
 Glenelg Hopkins Catchment Management Authority
 Glenelg Region Water Authority
 Goulburn Broken Catchment Management Authority
 Goulburn Valley Region Water Authority
 Goulburn-Murray Rural Water Authority
 Grampians Wimmera Mallee Water, formerly Grampians Region Water Authority and Wimmera-Mallee Rural Water Authority
 Lower Murray Urban and Rural Water Authority, formerly Lower Murray Region Water Authority and Sunraysia Rural Water Authority
 Mallee Catchment Management Authority
 North Central Catchment Management Authority
 North East Catchment Management Authority
 North East Water
 Port Phillip and Westernport Catchment Management Authority
 Portland Coast Region Water Authority
 South Gippsland Region Water Authority
 South West Water Authority
 West Gippsland Catchment Management Authority
 Western Region Water Authority
 Westernport Region Water Authority
 Wimmera Catchment Management Authority
 Yarra Valley Water Ltd

Regional waste management groups

Barwon Regional Waste Management Group
 Calder Regional Waste Management Group
 Central Murray Regional Waste Management Group
 Desert Fringe Regional Waste Management Group
 Eastern Regional Waste Management Group
 Gippsland Regional Waste Management Group
 Goulburn Valley Regional Waste Management Group
 Grampians Regional Waste Management Group
 Highlands Regional Waste Management Group
 Mildura Regional Waste Management Group
 Mornington Peninsula Regional Waste Management Group
 North East Victorian Regional Waste Management Group
 Northern Regional Waste Management Group
 South Eastern Regional Waste Management Group
 South Western Regional Waste Management Group
 Western Regional Waste Management Group

Municipal councils

Alpine Shire Council
 Ararat Rural City Council
 Ballarat City Council
 Banyule City Council
 Bass Coast Shire Council
 Baw Baw Shire Council
 Bayside City Council
 Benalla Rural City Council
 Boroondara City Council
 Borough of Queenscliffe
 Brimbank City Council
 Buloke Shire Council
 Campaspe Shire Council
 Cardinia Shire Council
 Casey City Council

Central Goldfields Shire Council
 City of Whittlesea
 Colac-Otway Shire Council
 Corangamite Shire Council
 Darebin City Council
 East Gippsland Shire Council
 Frankston City Council
 Gannawarra Shire Council
 Glen Eira City Council
 Glenelg Shire Council
 Golden Plains Shire Council
 Greater Bendigo City Council
 Greater Dandenong City Council
 Greater Geelong City Council
 Greater Shepparton City Council
 Hepburn Shire Council
 Hindmarsh Shire Council
 Hobsons Bay City Council
 Horsham Rural City Council
 Hume City Council
 Indigo Shire Council
 Kingston City Council
 Knox City Council
 La Trobe City Council
 Loddon Shire Council
 Macedon Ranges Shire Council
 Manningham City Council
 Mansfield Shire Council
 Maribyrnong City Council
 Maroondah City Council
 Melbourne City Council
 Melton Shire Council
 Mildura Rural City Council
 Mitchell Shire Council
 Moira Shire Council
 Monash City Council
 Moonee Valley City Council
 Moorabool Shire Council
 Moreland City Council
 Mornington Peninsula Shire Council
 Mount Alexander Shire Council
 Moyne Shire Council
 Murrindindi Shire Council
 Nillumbik Shire Council
 Northern Grampians Shire Council

Port Phillip City Council
 Pyrenees Shire Council
 South Gippsland Shire Council
 Southern Grampians Shire Council
 Stonnington City Council
 Strathbogie Shire Council
 Surf Coast Shire Council
 Swan Hill Rural City Council
 Towong Shire Council
 Wangaratta Rural City Council
 Warrnambool City Council
 Wellington Shire Council
 West Wimmera Shire Council
 Whitehorse City Council
 Wodonga Rural City Council
 Wyndham City Council
 Yarra City Council
 Yarra Ranges Shire Council
 Yarriambiack Shire Council

Regional library corporations

Casey-Cardinia Regional
 Library Corporation
 Central Highlands Regional
 Library Corporation
 Corangamite Regional
 Library Corporation
 Eastern Regional
 Library Corporation
 Geelong Regional
 Library Corporation
 Glenelg Regional
 Library Corporation
 Goulburn Valley Regional
 Library Corporation
 High Country Library Corporation
 North Central Goldfields
 Regional Library Corporation
 West Gippsland Regional
 Library Corporation
 Whitehorse-Manningham
 Regional Library Corporation
 Wimmera Regional
 Library Corporation
 Yarra Plenty Regional
 Library Corporation
 Yarra/Melb Regional
 Library Corporation

Public cemeteries

Andersons Creek Cemetery Trust
 Ballarat General Cemeteries Trust
 Bendigo Cemeteries Trust
 Cheltenham and Regional
 Cemeteries Trust
 Geelong Cemeteries Trust
 Keilor Cemetery Trust
 Mildura Cemetery Trust
 Preston Cemetery Trust
 Templestowe Cemetery Trust
 Trustees of the Fawkner
 Crematorium and Memorial Park
 Trustees of the Lilydale Memorial
 Park and Cemetery
 Trustees of the Altona Memorial Park
 Trustees of the Necropolis Springvale
 Wyndham Cemeteries Trust



Appendix 4

Delegation for signing audit opinions

Delegation provided to external audit service providers for signing audit opinions, 2004-05

(expenditure less than \$5.1 million)

Agency	Audit service provider	Firm
Alexandra and District Ambulance Service	B Potgeiter	WHK Day Neilson
Barwon Regional Waste Management Group	C Kol	Coffey Hunt
Boort District Hospital	K Richmond	Richmond Sinnott & Delahunty
Calder Regional Waste Management Group	R Fraser	WHK Day Neilson
Casey-Cardinia Regional Library Corporation	M Strickland	RSM Bird Cameron
Cell Therapies Pty Ltd	J Parias	Pannell Kerr Forster
Central Murray Regional Waste Management Group	H McKenzie-McHarg	Johnsons MME
Chinese Medicine Registration Board of Victoria	S O'Kane	Avenir Group
Chiropractors Registration Board of Victoria	S O'Kane	Avenir Group
Coleraine District Health Services	C Kol	Coffey Hunt
Corangamite Regional Library Corporation	B Potgeiter	WHK Day Neilson
Dairy Food Safety Victoria	D Nairn	HLB Mann Judd
Deakin Networks Pty Ltd	S Naylor	RSM Bird Cameron
Deakinprume USA	S Naylor	RSM Bird Cameron
Desert Fringe Regional Waste Management Group	M Gunn	Coffey Hunt
Eastern Regional Waste Management Group	M Crossley	WHK Day Neilson
Geelong Performing Arts Centre Trust	J Parias	Pannell Kerr Forster
Geelong Regional Library Corporation	P Delahunty	Richmond Sinnott & Delahunty
Gippsland Regional Waste Management Group	K Wood	RSM Bird Cameron
Glenelg Regional Library Corporation	J Gavens	WHK Day Neilson
Goulburn Valley Regional Waste Management Group	M Crossley	WHK Day Neilson
Grampians Regional Waste Management Group	M Gunn	Coffey Hunt
Hesse Rural Health Service	R Hutton	Haines Norton
Heywood Rural Health	C Kol	Coffey Hunt
High Country Library Corporation	P Delahunty	Richmond Sinnott & Delahunty
Highlands Regional Waste Management Group	R Fraser	WHK Day Neilson
Inglewood and Districts Health Service	K Richmond	Richmond Sinnott & Delahunty

Delegation provided to external audit service providers for signing audit opinions, 2004-05 – *continued*

(expenditure less than \$5.1 million)

Agency	Audit service provider	Firm
Lorne Community Hospital	R Hutton	Haines Norton
Maldon Hospital	K Richmond	Richmond Sinnott & Delahunty
Manangatang and District Hospital	R Fraser	WHK Day Neilson
McIvor Health and Community Services	K Richmond	Richmond Sinnott & Delahunty
Mildura Regional Waste Management Group	S Wight	Davidsons
Monash Commercial Pty Ltd	M Strickland	RSM Bird Cameron
Monash Digital Media Pty Ltd	M Strickland	RSM Bird Cameron
Monash Ed Pty Ltd	M Strickland	RSM Bird Cameron
Monash Investment Holdings Pty Ltd	M Strickland	RSM Bird Cameron
Monash Investment Trust	M Strickland	RSM Bird Cameron
Monash IT Pty Ltd	M Strickland	RSM Bird Cameron
Monash Learningfast Pty Ltd	M Strickland	RSM Bird Cameron
Monash Property Management Pty Ltd	M Strickland	RSM Bird Cameron
Monash Reproductive Health Enterprises Pty Ltd	M Strickland	RSM Bird Cameron
Monash Reproductive Pathology and Genetics Pty Ltd	M Strickland	RSM Bird Cameron
Monash Ultrasound Pty Ltd	M Strickland	RSM Bird Cameron
Monash University Foundation Pty Ltd	M Strickland	RSM Bird Cameron
Monyx Pty Ltd	M Strickland	RSM Bird Cameron
Monyx Services Food and Beverage Pty Ltd	M Strickland	RSM Bird Cameron
Monyx Services Pty Ltd	M Strickland	RSM Bird Cameron
Moortec Limited	S Naylor	RSM Bird Cameron
Mornington Peninsula Regional Waste Management Group	M Crossley	WHK Day Neilson
Murray Valley Citrus Board	S Wight	Davidsons
Murray Valley Wine Grape Industry Development Committee	S Wight	Davidsons
Nathalia District Hospital	P Delahunty	Richmond Sinnott & Delahunty
National Institute of Circus Arts Limited	M Strickland	RSM Bird Cameron
North Central Goldfields Regional Library Corporation	J Gavens	WHK Day Neilsen
North East Victorian Regional Waste Management Group	R Lindner	Haines Norton
Northern Regional Waste Management Group	R Lindner	Haines Norton
Northern Victorian Fresh Tomato Industry Development Committee	S Naylor	RSM Bird Cameron
Omeo District Health	E Jewell	Armitage Downie
Osteopaths Registration Board of Victoria	S O'Kane	Avenir Group
Otway Health and Community Services	R Hutton	Haines Norton



Delegation provided to external audit service providers for signing audit opinions, 2004-05 – *continued*

(expenditure less than \$5.1 million)

Agency	Audit service provider	Firm
Peter MacCallum Cancer Foundation	P Buzzard	Ernst & Young
Peter MacCallum Cancer Foundation Ltd	P Buzzard	Ernst & Young
Phytogene Pty Ltd	C Mortel	KPMG
Podiatrists Registration Board of Victoria	S O'Kane	Avenir Group
Prahran Market Pty Ltd	S Naylor	RSM Bird Cameron
PrumeSafe	D Nairn	HLB Mann Judd
Psychologists Registration Board of Victoria	S O'Kane	Avenir Group
Shrine of Remembrance Trustees	S Naylor	RSM Bird Cameron
South Gippsland Hospital	J Howson	Armitage Downie
South Western Regional Waste Management Group	M Gunn	Coffey Hunt
Swinburne Graduate School of Integrative Medicine Pty Ltd	M Strickland	RSM Bird Cameron
Swinburne Intellectual Property Trust	M Strickland	RSM Bird Cameron
Swinburne Limited	M Strickland	RSM Bird Cameron
Swinburne Ventures Ltd	M Strickland	RSM Bird Cameron
Timboon and District Healthcare Service	C Kol	Coffey Hunt
Trust for Nature (Victoria)	D Nairn	HLB Mann Judd
Tweddle Child and Family Health Service	K Wood	RSM Bird Cameron
Veterinary Practitioners Registration Board of Victoria	C Mortel	KPMG
Victorian Strawberry Industry Development Committee	S Naylor	RSM Bird Cameron
West Gippsland Regional Library Corporation	J Howson	Armitage Downie
Western Regional Waste Management Group	M Crossley	WHK Day Neilson
Yea and District Memorial Hospital	P Delahunty	Richmond Sinnott & Delahunty

Appendix 5

Additional staff statistics

Number of executives and executive vacancies

At 30 June 2005	Ongoing executive officers	Special projects executive officers	Total
Executives employed	22	1	23
Vacancies being filled	4	-	4

Reconciliation with executive numbers

At 30 June	2000-01	2001-02	2002-03	2003-04	2004-05
Executives with remuneration over \$100 000	16	19	20	23	21
<i>Add</i>					
Recruiting for vacant positions	5	1	1	1	1
Executives employed with total remuneration below \$100 000	3	6	3	3	2
Accountable Officers (b)	-	-	-	-	-
Total executive numbers at 30 June	24	26	24	27	24

(a) Refer to executive officers' remuneration, note 15 of the financial statements.

(b) This position is held by the Auditor-General who is an officer of parliament and not an executive officer.

Exemptions from notification of vacancy, 2004-05

Number of exemptions	Classification	Circumstances as defined in Office policy
-	-	-



Appendix 6

Glossary of terms

Terms used throughout the annual report

External audit service provider

An external audit service provider is a private sector auditor engaged by the Auditor-General under contractual arrangements, and appointed following a contestability process, to carry out audits on his behalf.

Financial statement audit

A financial statement audit is an audit assignment which directly relates to the objective of forming an opinion on the financial statements of an agency. The auditor's objective is to provide a high level of assurance to parliament and the community regarding the fair presentation of the financial information contained in the published statements of agencies.

Governance

The term "governance" describes the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties.

Management letter

A management letter is a letter that draws to the attention of an entity's senior management the significant findings and recommendations from the audit of an entity's financial report, in particular, internal control and other accounting matters.

Opinion on financial statements

This is the vehicle used to convey the Auditor-General's opinion as to whether the financial statements have been prepared in accordance with applicable legislation and present fairly in accordance with applicable accounting standards, and other mandatory professional reporting requirements.

Performance audit

A performance audit evaluates whether an organisation is effectively meeting its objectives, and using its resources economically and efficiently. It can cover all or part of the activities of an agency, or a number of agencies.

Performance statement (local government)

Pursuant to the *Local Government Act 1989* each municipal council prepares an annual business plan for the next financial year. The performance statement shows the extent to which the council has achieved the objectives stated in the annual business plan usually expressed as a unit, index or ratio.

Practice management system

This is the term used to refer to the part of our information system that controls client billing and work in progress.

Qualified opinion

A qualified opinion is expressed when the audit results in a significant disagreement with management regarding the financial statements, a material conflict between applicable financial reporting frameworks or an unavoidable limitation on the scope of the audit work.

Special review (audit)

Special reviews focus on specific issues across the Victorian public sector and are identified either as part of ongoing audit activities or through inquiries directed to the Auditor-General by members of parliament or the general public. The findings and recommendations from these reviews are aimed at presenting value-adding and constructive suggestions for better financial and resource management of the Victoria public sector.

Warrant

A warrant is the instrument which authorises the draw-down of funds from the Consolidated Fund. The *Constitution Act 1975*, together with a complementary requirement in the *Financial Management Act 1994*, provides that the government shall not issue any moneys from the Consolidated Fund (the account into which all consolidated revenue is paid) unless authorised by warrants approved by the Governor. Warrants are prepared by the Treasurer and examined by the Auditor-General, to determine whether the requested funds are legally available, prior to approval by the Governor for the release of funds from the Consolidated Fund.

Terms used in the financial statements

Accrual accounting

An accounting method in which revenue and costs are recognised for the period in which they are incurred, rather than as cash is received or disbursed.

Administered items

VAGO administers but does not control certain resources on behalf of the state. These resources are primarily audit fees raised from performing financial statement audits and relate to the activities of Output Group 2. Transactions relating to these administered resources are not recognised as the Office's revenue or expenses in the statement of financial performance.

Australian Accounting Standard (AAS)

Accounting standards issued by the Australian Accounting Standards Board (AASB).

Budget

The originally published budget of the Office.

Controlled items

Transactions and balances relating to controlled resources are recognised as the revenues, expenses, assets and liabilities of the Office.

Fair value

The amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms-length transaction, i.e. current market value of an asset.

Finance leases

A lease which effectively transfers from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets.

Fixed assets

Physical assets owned or controlled by the Office and used for its operational requirements.

Gain/(loss) on disposal

The gross proceeds of sale less the carrying amount of the asset at the time of disposal and expenses directly incurred in disposing of that asset.

General ledger

The accounting system that records the entries that affect each account.

GST

Goods and Services Tax.

Key performance indicators

A set of indicators that assist in measuring overall performance.

Liabilities

Future sacrifices of service potential or economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other past events.

Notes

Provide further information in relation to the rules and assumptions used to prepare the financial report as well as additional information and detail about specific items within the report.

Operating leases

A lease under which the lessor effectively retains substantially all the risks and benefits incident to ownership of the leased asset.

Ordinary activities

Operations of a kind carried on regularly from reporting period to reporting period to achieve the objectives of the Office.

Performance indicator

A statistic identifying the extent of activity in meeting a specific objective.

Revaluation

The process where the fair value of an asset or the useful life of an asset is reassessed.

Statement of cash flows

Summarises the Office's cash receipts and payments for the financial year and the net "cash in hand" position.

Statement of changes in equity

Summarises the change in the Office's net worth.

Statement of financial performance

Measures the Office's operating performance over the year and shows if a surplus or deficit has been made in delivering services.

Statement of financial position

Sets out the Office's net accumulated financial worth at a point in time. It shows the assets that the Office holds as well as the liabilities or claims against these assets.

Useful life

The estimated period of time over which a depreciable asset is expected to be able to be used, or the benefits represented by the asset are expected to be able to be derived.

User charge

A cost-reflective fee or charge imposed on the users of services.

Work in progress

Works where the project is not yet completed and has not been expensed at the end of the reporting period.

Write-off

Term used in relation to amounts receivable, recognising that an amount so receivable is uncollectible.

Written-down value

The fair value of the asset less the accumulated depreciation.



Indexes

In this section

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Disclosure index

The annual report of the Victorian Auditor-General's Office is prepared in accordance with all relevant Victorian legislations. This index has been prepared to facilitate identification of the Office's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Ministerial directions		
Report of operations		
Charter and purpose		
FRD 22	Manner of establishment and the relevant ministers	Inside front cover
FRD 22	Objectives, functions, powers and duties	Inside front cover
FRD 22	Nature and range of services provided	Inside front cover
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FRD 22	Operational and budgetary objectives and performance against objectives	12, 39, 49
FRD 22	Major changes or factors affecting performance	4
FRD 22	Subsequent events	n.a.
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	60
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	n.a.
FRD 22	Statement on National Competition Policy	60
FRD 22	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	59
FRD 22	Details of consultancies over \$100 000	70
FRD 22	Details of consultancies under \$100 000	70
FRD 12	Disclosure of major contracts	119
FRD 22	Statement of availability of other information	60
FRD 22	Occupational health and safety	64
FRD 15	Executive officer disclosures	96
FRD 10	Disclosure index	126
FRD 24	Reporting of office-based environmental impacts	66
FRD 25	Victorian Industry Participation Policy disclosures	n.a.
FRD 8	Budget portfolio outcomes	n.a.



Legislation	Requirement	Page reference
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Premier's Circular

2003/3	Whole-of-Government reporting on responsiveness to cultural diversity women, youth and indigenous affairs	n.a.
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FRD 21	Responsible person and executive officer disclosures	96
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<i>Building Act 1983</i>	n.a.
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Five-year statistics

		2000-01	2001-02	2002-03	2003-04	2004-05
Parliamentary reports and services						
Reports tabled in parliament -						
Report of the Auditor-General on the finances of the state (number)		1	1	1	1	1
Reports on public sector agencies (number)		1	2	3	4	3
Major (including performance) audit reports (number)		6	9	12	11	12
Client satisfaction with parliamentary reports (per cent)		81	80	77	84	82
Non-parliamentary products - (number)		-	-	-	4	1
Audit reports on financial statements						
Audit responsibilities (entities at 30 June) (number)		551	566	587	600	619
Audit reports on financial statements -						
Unqualified opinions issued during reporting year (number)		490	510	558	588	596
Qualified opinions issued during reporting year (number)		32	38	29	23	8
Total opinions issued during reporting year (number)		522	548	587	611	604
Audit reports on local government performance statements -						
Unqualified opinions issued during reporting year (number)		68	65	69	74	77
Qualified opinions issued during reporting year (number)		10	13	9	5	2
Total opinions issued during reporting year (number)		78	78	78	79	79
Audit reports on regional water authority performance statements -						
Unqualified opinions issued during the year (number)		-	-	-	-	-
Qualified opinions issued during the year (number)		-	-	-	-	15
Total opinions issued during the year (number)		-	-	-	-	15
Audit opinions issued within time frame (per cent)		88	90	94	98	99
Client satisfaction with audit services (per cent)		71	70	75	74	77
Resources						
In-house staff (number)		118	127	129	127	148
External audit service providers (number)		50	48	47	46	26
Days sick leave per employee (number)		8.4	16.2	5.0	5.5	6.0
Workers compensation claims (number)		-	2	-	-	1
Injuries reported (number)		1	6	7	7	1
Grievances lodged (number)		-	-	-	-	-
Staff training and professional development per employee (days)		2.1	9.4	9.5	8.8	8.9
Financial management						
Expenditure on external audit service providers (\$million)		5.77	6.52	6.84	6.69	6.06
Revenue from audit fees (\$million)		11.57	13.12	14.03	14.23	14.23
Operating surplus/(deficit) (\$million)		2.06	0.92	0.30	1.04	0.97
Assets (\$million)		8.07	9.39	9.44	10.38	11.42
Liabilities (\$million)		4.69	5.02	4.81	4.71	4.78
Financial audit costs recovered from clients (per cent)		95	97	102	100	100



Sustainable performance and accountability



AUDITOR GENERAL
VICTORIA

Auditing in the Public Interest