

# Auditing in Victoria

## Role of the Auditor-General

The Auditor-General gives assurance to the Parliament of Victoria on the performance of the Victorian public sector by conducting financial and performance audits to assess whether government agencies are carrying out their activities effectively, efficiently, economically, and in line with Parliament's intentions.

## Legislation

The Auditor-General is appointed under the *Constitution Act 1975*.

The *Audit Act 1994* governs the Auditor-General's powers and functions.

## Audits in Victoria

Audits examine:

- the effectiveness, efficiency, and/or economy of government agencies, programs or services
- the quality of resource management
- improvements in management practices and systems
- the fair presentation of annual financial statements and (where applicable) performance statements
- compliance with legislative and other requirements
- wastage or lack of probity or financial prudence in the management of public resources.

The Auditor-General cannot:

- question the merits of policy objectives of the government
- provide an absolute assurance of the truth of agency information, or the effectiveness of internal controls
- enforce recommendations
- resolve individual matters of contention.

## Audited agencies



We audit the financial statements of around 550 public sector agencies each year.

Each of our performance audits is focused on a limited number of organisations. They can include any of these 550 public sector agencies and can also cover private or not-for-profit providers of public sector services or functions, or grant recipients.

## Financial audits

Financial audits check whether the financial statements of public sector agencies are presented fairly and in accordance with standards, and are reliable and relevant. These audits also provide observations about internal controls, any accounting issues, and compliance with laws and standards.

For some sectors, we also audit their performance statements, providing an opinion on the reliability of agencies' performance indicators.

We develop a financial audit strategy for each agency, based on an assessment of the agency's management controls and organisational and environmental risks. Our auditors follow a risk-based audit methodology to conduct the audit.

## Performance audits

Performance audits assess the performance of an agency or government program. Performance audits extend beyond financial matters to encompass wider management issues of significance to the community.

We develop an audit specification for each performance audit, which outlines the audit objective and issues. Audit objectives can relate to efficiency, economy, effectiveness and compliance.

## Auditing principles and elements

Our audits share general principles and elements.

### Independence

Auditors must be independent from the agencies they audit. They must be objective and unbiased, and avoid situations where their objectivity could be compromised or where bias could influence their judgement. The *Constitution Act 1975* gives the Auditor-General complete discretion on what to audit, how to conduct the audit, and when to do it.

### Standards

We must conduct our audits in accordance with standards issued by the Auditing and Assurance Standards Board (AuASB). These standards cover planning, communication, conduct, evidence, quality assurance, delegations, and reporting aspects of an audit. The Auditor-General may apply additional auditing standards for the conduct of audits.

### Evidence

Auditors rely on high-quality evidence to form conclusions. They gather evidence from a wide range of sources including records, data analysis, interviews, and stakeholder surveys. They can gather information from outside the sector, such as universities and similar organisations from other jurisdictions.

## Access to information

The Auditor-General and VAGO have wide-ranging powers to access information for an audit. This is regardless of any restrictions on disclosure imposed by other legislation, such as secrecy provisions or Cabinet- or commercial-in-confidence confidentiality. We can search premises and compel individuals to provide documents in their possession.

## Communication

Regular communication with audited agencies is a key part of our audit process.

In a performance audit, the main points of communication with the audited agencies are:

- Annual planning.
- Audit specification—we issue draft and final audit specifications outlining the audit scope and objectives.
- Entry meeting—at the start of an audit we meet with each of the audited agencies.
- Throughout the audit we meet regularly to share findings and emerging issues with agencies.
- Provisional and proposed report—we share drafts of the audit report to get comments and further information.

In a financial audit, the main points of communication with the audited agency are:

- Audit Committee meetings—we attend the agency's Audit Committee meetings throughout the year.
- Audit strategy—this document outlines the areas of focus for the financial audit at the start of the audit.
- Interim and final management letters advise management of any issues found during the audit.
- Audit report and closing report provide the Auditor-General's opinion on the financial statements.
- Parliamentary report—for some sectors, the Auditor-General prepares a report to Parliament based on aggregated findings from across several audits.

## Accountability

Balancing the Auditor-General's powers are accountability and quality measures. These include external reviews of audits and reports by experts and peers, and internal self-assessment of our audit processes against a framework sanctioned by the Australasian Council of Auditors-General.

The main external bodies that oversee VAGO are the:

- [Public Accounts and Estimates Committee](#) – conducts the financial and performance audits of VAGO
- [Victorian Inspectorate](#) – receives and investigates complaints and protected disclosures about VAGO officers, and oversees VAGO's use of coercive powers.

## Interacting with Victoria's integrity system

VAGO is one of the key agencies in [Victoria's integrity system](#). Under the system, VAGO has to notify the [Independent Broad-based Anti-corruption Commission](#) (IBAC) about any suspected corrupt conduct, and of any protected disclosures we receive. VAGO can share other information with Victorian integrity bodies and the police, although secrecy restrictions may still apply.