

Transparency Report

2019–20



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The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

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Snapshot

This transparency report aims to enhance our stakeholders' understanding of our financial audit quality control system.

Why this report is important

VAGO plays a key role in promoting confidence in the public sector.

We conduct audits, reviews and investigations to ensure public sector agencies are transparent and accountable to the Victorian Parliament and the community.

For this reason, it is important we maintain an effective quality control system that is designed to ensure we comply with relevant legislation and standards and produce high-quality reports.

What's in this report

This report expands on, and is an adjunct to, our *Annual Report 2019–20*. Its purpose is to help our stakeholders understand how we support our auditors to perform high-quality financial audits.

We discuss:

- our approach to transparency reporting
- our legal structure, governance and finances
- our financial audit quality control system and how it aligns

with the Australian Auditing Standards

- external reviews and audits of us.

What we concluded

Our internal monitoring programs and feedback from independent reviews give us a sufficient basis to conclude that our quality control system functioned effectively during 2019–20.

Elements of quality control



Leadership responsibilities for quality

The audit firm promotes a culture that recognises the importance of audit quality



Acceptance and continuance

The firm only starts and continues an engagement if it is competent and can comply with ethical requirements



Engagement performance

The firm performs engagements and issues reports in line with the relevant standards, legislation and ethical principles



Relevant ethical requirements

The firm and its personnel comply with relevant ethical requirements



Human resources

The firm has people who are competent, capable and committed to ethical principles



Monitoring

The firm monitors its quality control system to ensure it is operating effectively

1.

Transparency reporting

In Australia, the *Corporations Act 2001* requires auditors of listed companies to publish an annual transparency report on their website. The main aim of this is to inform the market about each firm's audit quality.

As a public sector entity, we are not required to produce a transparency report. Our annual report, which we table in Parliament, contains much of the content that is usually found in a transparency report.

Despite this, we have decided to produce an annual transparency report to expand on our annual report disclosures and bring a greater focus on our quality control system as it applies to our financial audits.

This chapter provides essential background information about:

- Global transparency reporting trends
 - Transparency reporting in Australia
 - Transparency reporting by VAGO
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1.1 Global transparency reporting trends

Audit firms in many jurisdictions are required or encouraged to publish reports on their audit quality.

Early attempts at this reporting were inconsistent between firms and jurisdictions. In 2007, the International Organization of Securities Commissions (IOSCO) started examining the practices that audit firms were using to be transparent about their audit quality control systems.

In November 2015, IOSCO published its final report on *Transparency of Firms that Audit Public Companies*, which contains guidelines for preparing high-quality transparency reports.

Audit firms have responded positively to regulation and their stakeholders have shown increased interest in a greater range of information than what was previously prescribed by law. In particular, audit firms in Australia, the United Kingdom and the United States of America now report on their audit quality, including through the use of quantitative measures, which are referred to as audit quality indicators (AQIs). AQIs are useful benchmarks that enable more meaningful conversations between the auditor, the audit committee and investors.

AQIs are measures that audit firms use to monitor the quality of their audits and the effectiveness of their quality control systems.

1.2 Transparency reporting in Australia

In 2010, the Australian Government's Department of Treasury, and the Financial Reporting Council reviewed Australia's audit quality standards. This review was largely driven by the global financial crisis and the globalisation of audit and accounting standards. The review led to several important reforms, including mandatory transparency reporting for certain audit firms.

The government's broad objectives for introducing transparency reporting in Australia were to:

- improve audit quality by bringing attention to it
- increase confidence in financial reporting
- bring Australia in line with leading overseas jurisdictions.

Part 2M.4A of the *Corporations Act 2001* and the supporting *Corporations Regulations 2001* outline which Australian audit firms must provide a transparency report and the required content of these reports. Specified audit firms were first required to produce a transparency report for the financial year ending 30 June 2013.

The Australian Securities and Investments Commission's (ASIC) *Information Sheet 184* provides more guidance on the requirements for the contents of transparency reports. These guidelines, which ASIC based on the European Union's *Article 40 Transparency Report of Directive 2006/43/EC*, require firms to include information about their:

- internal quality control systems
- financial and human resources
- legal structure
- governance arrangements.

The principal audit quality standard in Australia is ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* (ASQC 1).

Article 40 *Transparency Report of Directive 2006/43/EU* contains global guidelines on transparency reporting for audit firms.

1.3 Transparency reporting by VAGO

The Auditor-General and the Victorian Auditor-General's Office are part of the public sector. We only audit Victorian state and local government entities. As such, the *Audit Act 1994* governs our operations. We are also governed by the *Public Administration Act 2004* and the *Financial Management Act 1994* where it applies to us.

As a public sector entity, we must table an annual report each year in Parliament. Section 75(2) of the *Audit Act 1994* requires our annual report to include, among other information, a summary of the internal quality control policies and procedures that we had in place for the financial year. The *Financial Management Act 1994* also requires our annual report to include some of the information that private audit firms are required to disclose in their transparency reports.

Consequently, we acknowledge that this transparency report repeats some of the information in our *Annual Report 2019–20*. We have done this to consolidate all the information about the quality of our financial audits into the one document.

The *Corporations Act 2001* does not require us to produce a transparency report because we do not audit listed companies. Despite this, as the public sector equivalent of an audit firm, we have chosen to adopt the requirements of Part 2M.4A of the *Corporations Act 2001* to the extent that they are relevant and appropriate to us. A disclosure checklist against these requirements is in Appendix D. It also provides references to where the same or equivalent information may be found in our annual report.

2.

About VAGO

Overview

VAGO is a not-for-profit public sector entity.

The *Audit Act 1994* restricts us to providing our financial audit services to public sector agencies. We audit around 575 agencies' financial statements on behalf of the Victorian Parliament. These agencies pay for our financial audits.

We may provide financial audit services to agencies that are not defined as public sector agencies under the *Audit Act 1994*, but only if they exist for a public purpose and it is in the public interest to audit them. We audit the Parliament of Victoria's financial statements under this arrangement.

This chapter discusses our:

- Legal structure and ownership
 - Governance structure
 - Audit roles and responsibilities
 - Finances
-

2.1 Our legal structure and ownership

The Auditor-General is appointed as an independent officer of Parliament under the *Constitution Act 1975*. The *Audit Act 1994* establishes VAGO's responsibilities and outlines the Auditor-General's mandate for conducting financial audits of all Victorian public sector agencies.

Section 78 of the *Audit Act 1994* requires us to comply with the Australian Auditing Standards, which are issued by the Auditing and Assurance Standards Board (AUASB). We must also comply with AUASB's Standards on Review Engagements and Standards on Assurance Engagements when performing reviews and other assurance engagements.

The Australian Auditing and Assurance Standards are a suite of standards that establish and provide guidance on auditors' responsibilities and the form and content of their reports.

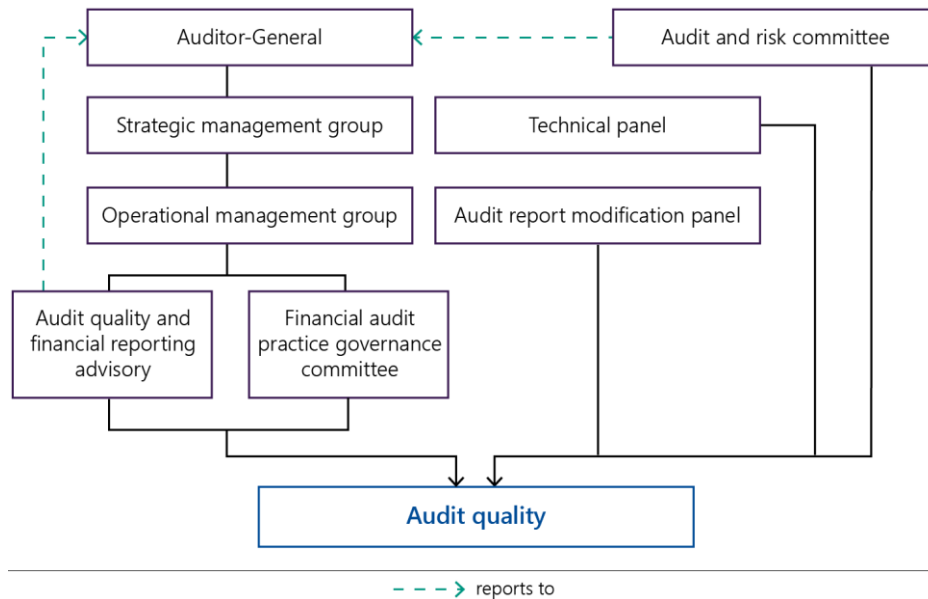
2.2 Our governance structure

Audit quality is a fundamental consideration in our governance. Our governance committees establish, promote, support and monitor the quality of our audits and our compliance with the Australian Auditing Standards and other regulatory requirements.

Our strategic management group (SMG) is responsible for the design of our organisational structures, including assigning and delegating authority. SMG comprises our senior leadership group, which includes the Auditor-General, Deputy Auditor-General and Assistant Auditors-Generals for our financial audit and performance audit business units. SMG also works to drive innovation and develop our auditors' capabilities.

Our operational management group (OMG), audit quality director, financial reporting advisory director, and audit and risk committee also contribute to our system of quality control. In addition, we have a technical panel and an audit report modification panel for our financial audits. These panels review significant accounting and audit matters that arise from our financial audits. At an individual level, all of our auditors are responsible for delivering quality outcomes in the work they perform.

FIGURE 2A: **Governance and audit quality**



Source: VAGO.

2.3 Audit roles and responsibilities

The Auditor-General

For all of our financial audits, the Auditor-General is:

- responsible for our system of quality control (for the purpose of ASQC 1)
- responsible for quality control and audit quality (for the purpose of Australian Auditing Standard ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (ASA 220))
- required to issue the audit opinion (in accordance with part 3 of the *Audit Act 1994* and as required by Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700)).

Engagement teams

At VAGO, an audit engagement team comprises all the individuals who work on an engagement. This includes the signing officer, engagement leader, team members and employees of an external firm if we use an audit service provider (ASP). Figure 2B outlines the roles and responsibilities in our engagement teams.

An ASP is any firm contracted to conduct an audit on behalf of VAGO

FIGURE 2B: **Engagement team roles and responsibilities**

Role	Responsibilities
Signing officer	Responsible for issuing the audit opinion and complying with ASA 700. The Auditor-General may delegate this role. The signing officer may also be the engagement leader. When the signing officer is not the engagement leader, the signing officer makes sure the engagement leader performs their responsibilities in line with ASA 220.
Engagement leader	Responsible for the overall quality control of the audit and complying with ASA 220.
Team leader	Responsible for directing the audit on a day-to-day basis, supervising team members and managing the audit's time frames and cost.
Team members ^(a)	Responsible for undertaking assigned procedures.

Note: ^(a)Subject matter experts who are engaged as consultants are not considered team members.

Source: VAGO.

Engagement leaders and signing officers

According to the *Audit Act 1994* and for the purpose of the Australian Auditing Standards, the Auditor-General is by law the 'engagement partner' (or 'engagement leader') and 'auditor' for all of our financial audit engagements.

As the Auditor-General cannot practically fulfil these statutory obligations alone, section 8 of the *Audit Act 1994* permits the Auditor-General to delegate the:

- ASA 220 responsibility for an audit's quality control to a VAGO employee or an employee of a registered ASP
- ASA 700 signing officer role to a VAGO employee, or to a registered ASP (but only in limited circumstances as specified by section 8(2) of the *Audit Act 1994*.)

The Auditor-General's ability to delegate powers and functions is a key point of difference between us and how private audit firms operate, as contemplated by the auditing standards. In the private sector, the engagement partner assigned to an audit is legally responsible for the audit opinion and audit quality. As a result, private audit firms make no practical distinction between the signing officer role and engagement leader role.

2.4 Our finances

Fees for our financial audit work

We collect fees from public sector agencies for our financial audits. We set our fees in accordance with section 13 of the *Audit Act 1994* to recover the reasonable costs of our financial audit services.

We do not provide any non-audit services to public sector agencies and do not have any other sources of revenue from the agencies we audit.

FIGURE 2C: **Revenue from financial audit fees**

2019–20 (\$ 000)	2018–19 (\$ 000)
27 183	27 061

Other revenue

We also conduct an annual program of performance audits and assurance reviews of public sector agencies on behalf of the Parliament of Victoria, which funds these engagements through an annual appropriation.

In 2019–20 we received \$17.172 million for this work.

Remuneration

Auditor-General

The Governor of Victoria determines the Auditor-General’s remuneration based on the Executive Council’s advice.

Executives

Our executives are employed on fixed-term contracts under the *Public Administration Act 2004*. They are remunerated within the remuneration bands set by the Victorian Independent Remuneration Tribunal.

Our executives are not entitled to performance-related bonuses.

We disclose the Auditor-General and our executives’ remuneration in our *Annual Report*.

Employees

All VAGO employees are engaged under the *Public Administration Act 2004* and are subject to the terms and conditions of the *Victorian Public Service Enterprise Agreement 2020*, which stipulates remuneration bands for each employment category.

The Executive Council comprises the Premier of Victoria and their ministers. It advises the Governor of Victoria on matters that involve exercising certain powers, such as orders and appointments to public offices.

3.

Our quality control system

Statement on our system of quality control

Our quality control system is designed to ensure we conduct our audits in accordance with applicable standards and laws.

This chapter describes each of the elements of our financial audit quality control system.

Our internal monitoring programs, audit quality measures and feedback from independent reviews give us a sufficient basis to conclude that our financial audit quality control system functioned effectively during 2019–20.

This chapter discusses:

- The Australian Auditing Standards' elements of quality control
 - The elements of our financial audit quality control system, including:
 - Leadership responsibilities for quality
 - Relevant ethical requirements
 - Acceptance and continuance of client relationships and specific engagements
 - Human resources
 - Engagement performance
 - Monitoring
-

3.1 Elements of quality control

ASQC 1

ASQC 1 requires audit firms to establish and maintain a system of quality control. ASQC 1 states that to do this, an audit firm (or public sector equivalent) must develop policies and procedures that address six elements. Figure 3A outlines these six elements.

FIGURE 3A: **ASQC 1 quality control elements**



Source: VAGO, based on ASQC 1.

3.2 Leadership responsibilities for quality

Ultimate responsibility for our quality control system

ASQC 1 requirement

The standard requires the chief executive officer (or equivalent) to assume ultimate responsibility for the firm's system of quality control.

Summary of what we do

The Auditor-General is legislatively responsible for our quality control system and performance.

While the Auditor-General is ultimately responsible for our quality control system and performance, we promote audit quality throughout our organisation. Figure 3B shows the roles and groups that are responsible for different parts of our quality control system as it applies to our financial audits.

FIGURE 3B: **Roles and responsibilities in our quality control system**



Source: VAGO.

Operational responsibility for our quality control system

ASQC 1 requirement

The standard requires that a person or persons with sufficient and appropriate experience is assigned operational responsibility for the firm's system of quality control and is provided with the necessary authority to assume that responsibility.

ASQC 1 requirement

Summary of what we do

Our director, audit quality is operationally responsible for our quality control system.

Our director, audit quality is the executive officer assigned the operational responsibility for our quality control system, as specified in their approved position description. They are also a member of our audit report modification panel.

Our director, financial reporting advisory is the executive officer assigned the operational responsibility for providing support and advice on complex accounting and financial reporting matters, as specified in their approved position description. They are also a member of our technical panel.

Both positions report directly to the Auditor-General and are functionally and administratively independent of our financial audit business unit.

Our commitment to create a culture of audit quality

ASQC 1 requirement

The standard requires the firm to promote an internal culture recognising that quality is essential in performing engagements.

Summary of what we do

We are committed to creating a culture of audit quality.

Our senior leadership group promotes audit quality through a number of initiatives, including by:

- endorsing and promoting our policies and procedures
- embedding quality in our values, culture and strategies
- approving and overseeing a portfolio of continuous improvement projects
- establishing and monitoring a values-led recognition and accountability framework
- monitoring audit quality through internal reviews of our quality control framework and quality assurance review program
- monitoring how we implement agreed remedial actions and improvements that arise from our monitoring systems.

3.3 Relevant ethical requirements

Our independence, ethical standards and requirements

ASQC 1 and other relevant requirements

The Auditor-General is appointed as an independent officer of Parliament under the *Constitution Act 1975*. This Act outlines preventative measures to uphold the Auditor-General's independence and ethical responsibilities, including:

- the Auditor-General must be an independent officer of Parliament
-

ASQC 1 and other relevant requirements

- the Auditor-General must not engage in paid employment outside of the office
- the Auditor-General has complete discretion to perform or exercise his or her functions or powers
- the Auditor-General is not subject to direction from anyone regarding how he or she conducts audits and prioritises certain matters.

We are also required to comply with the following regulations that contain ethical standards and requirements:

- Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*
- Australian Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*
- *Code of Conduct for Victorian Public Sector Employees of Special Bodies*
- *Public Administration Act 2004*
- applicable provisions of the *Corporations Act 2001*
- *Standing Directions 2018 Under the Financial Management Act 1994*, which provides policies on gifts, benefits and hospitality.

Summary of what we do

- All of our employees must complete an independence declaration when they join VAGO. They must complete this declaration again each year by 30 September and if their circumstances change.
 - Our employees are only permitted to engage in secondary employment in rare circumstances with the prior approval of their business unit's leadership.
 - All of our employees complete a suite of compulsory ethical training courses when they join VAGO. They must complete refresher courses annually.
 - We have clear policies for accepting and providing gifts, benefits and hospitality. We publish our gift register on our website and update it every six months.
-

We are committed to identifying, evaluating, and acting on our ethical compliance obligations. We have organisational policies, contractual arrangements and a continuous improvement program to ensure our employees and ASPs understand and comply with our ethical requirements. We have a range of processes to monitor this.

Independence declarations

Our conflict of interest policy and employee declaration procedure requires our employees to complete an independence declaration when they join VAGO, if their circumstances change, and again each year before 30 September.

We also require all audit engagement team members, including internal specialists, to confirm and declare their independence in establishing the audit team prior to each audit commencing. We require our ASPs to provide a written attestation to their independence at both the start and end of an audit engagement.

A member of our human resources team will notify the Assistant Auditor-General of financial audit of any financial audit employee's independence declarations where a conflict of interest exists. The Assistant Auditor-General will approve any actions

needed to reduce the threats to our independence. We review compliance with our conflicts of interest policy and independence declaration procedures annually.

Ethical requirements training

We have a range of processes to monitor and ensure our employees understand and comply with our ethical requirements. When we onboard new employees, we provide mandatory and assessment-based ethical training modules. Employees must complete these modules again each year as part of our annual compliance program, which our senior leadership group monitors.

Our compulsory ethical training modules cover:

- fraud, corruption and conflicts of interest
- independence and (regulatory) obligations
- privacy, secrecy and confidentiality.

Gifts, benefits and hospitality

Our gifts, benefits and hospitality policy states that it is not appropriate for our employees to offer or receive gifts, benefits or hospitality that could reasonably be perceived to affect our independence. We have a range of guides and examples to ensure our employees know about when they should reject a gift, the receipt and giving of gifts for business purposes, and their recording on the gifts, benefits and hospitality register.

As required by the *Standing Directions 2018* under the *Financial Management Act 1994*, we publish our gifts, benefits and hospitality policy and register on our website.

Rotation of senior personnel

ASQC 1 requirement

The standard requires the firm to rotate senior personnel on an audit engagement after a specified period to reduce the familiarity threat to an acceptable level.

Summary of what we do

We have a policy for rotating senior engagement team members in line with ASQC 1.

Our policy requires us to rotate engagement leaders and engagement quality control reviewers (EQCRs) every seven years and team leaders every five years. The Assistant Auditor-General of financial audit is responsible for ensuring senior engagement team members in our financial audit business unit rotate in accordance with ASQC 1.

We monitor the rotation of roles through our annual resourcing plan. This plan assesses the amount of time that senior engagement team members have spent on each engagement.

An EQCR is an experienced financial auditor who performs an objective review of an audit's significant judgements and conclusions. An EQCR cannot be a team member of the audit engagement that they are reviewing.

3.4 Acceptance and continuance of client relationships and engagements

ASQC 1 requirement

The standard requires that the firm only undertakes or continues client relationships and engagements where it:

- is competent to perform the engagement and has the capabilities, including time and resources, to do so
- can comply with relevant ethical requirements
- has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity.

The standard acknowledges that where public sector auditors are legislatively appointed, the requirements of the standard may not be relevant.

Summary of what we do

We are mandated to undertake audits of all public sector agencies, and so do not have the ability to decline an engagement. Within this context, we have established appropriate acceptance and continuance policies and procedures.

The *Audit Act 1994* requires the Auditor-General to audit the financial statements of each public body in Victoria. Because these audits are mandated, certain ASQC 1 and ASA 220 requirements that relate to accepting and continuing engagements are not applicable to us.

We have documented our acceptance and continuance policies and procedures. To accept a new engagement, the engagement leader must:

- assess the relevant ethical requirements
- obtain approval from the Assistant Auditor-General of financial audit. This process requires the Assistant Auditor-General to confirm that the engagement is within our mandate
- make sure a second party, usually the Auditor-General or Deputy Auditor-General, authorises the new client
- evaluate our ability to perform the engagement, which involves assessing:
 - the engagement team's competency and capability
 - the need to engage suitably qualified external resources and/or specialists.

For continuing engagements, the engagement leader must confirm the engagement remains within our mandate.

The Assistant Auditor-General of financial audit annually reviews the clients allocated to each engagement leader. This review considers each engagement leader's ethical compliance and resourcing requirements.

3.5 Human resources

ASQC 1 requirements

The standard requires the firm to have sufficient personnel with the competence, capabilities and commitment to ethical principles necessary to perform engagements in accordance with

ASQC 1 requirements

the Australian Auditing Standards, relevant ethical requirements, and applicable legal and regulatory requirements.

The standard also requires the firm to assign responsibility for each engagement to an engagement partner and appropriate personnel with the necessary competence and capabilities to perform engagements.

Summary of what we do

- We set minimum academic and professional competency standards that our employees must meet to be appointed to or progress to more senior audit roles.
 - All of our employees have agreed performance and development goals and undergo an annual performance review and assessment against these goals.
 - We provide structured learning to all new employees, encourage them to pursue their professional development goals and support them to develop new capabilities.
 - We provide structured training to our auditors on an as-needed basis on accounting and auditing standards and using audit tools and techniques.
-

Recruitment, promotion and compensation

We recruit-high calibre people into a continuous improvement culture to achieve high-quality audit outcomes. We encourage innovation and collaboration, are collegiate, and are committed to effective stakeholder engagement and sharing knowledge. We look for individuals who have these attributes when recruiting new staff.

Our employment screening and assessment criteria include minimum academic and professional qualifications and requisite experience.

We compensate our employees in accordance with the *Victorian Public Service Enterprise Agreement 2020*. Salary progression is dependent on satisfactory performance. Employees do not receive performance bonuses or other forms of incentive-based remuneration.

Recruitment and promotion are open, competitive and merit-based processes.

Performance appraisals

We encourage our employees to actively support others and pursue their own professional development goals. As a part of our annual performance program, employees record their goals and learning in development plans.

At the start of the annual performance cycle, each employee sets goals that are aligned with our four strategic objectives:

- increase our relevance
- grow our influence
- invest in our people
- lead by example.

Employees record and monitor their progress against their goals throughout the year. Managers hold regular meetings with employees to discuss their expectations, performance feedback, workloads and upcoming priorities.

Each employee has a formal mid-year and end-of-year evaluation with their manager. These sessions also involve discussions about career goals.

These regular meetings and formal evaluations can help employees identify their learning and development goals. Remedial action is undertaken for underperforming employees.

Learning and development

We provide new employees, including graduates, with a structured induction program. We continue to supplement each employee's on-the-job training and coaching with face-to-face training sessions, e-learning modules and guidance materials. Our formal training program includes modules on our audit methodology and any updates or changes to professional standards, our regulatory environment, audit tools and ethical requirements.

We provided our financial audit staff with intensive audit methodology training after we refreshed our audit methodology in 2018 and 2019. We have continued to build our staff and organisation's technical capability by continuously updating this methodology and our new accounting and auditing standards.

All staff self-assess their capabilities and create annual learning and development goals. We evaluate each employee's performance against these goals and refer to them when we develop our training programs.

We have recently started a project to create a new development framework. This framework's purpose will be to build our auditors' capability in their existing roles and provide support for potential career progression within the organisation. To do this, we will identify the key skills and competencies that our auditors require to successfully perform each role and at each level. The framework will also support our performance and development program.

We support our people to learn new technical, analytical and people-management skills. We treat coaching, supervision and reviews as ongoing processes and feed them into of our annual performance program. Employees' self-assessments, manager assessments and career progressions are also part of our audit quality framework.

Most of our engagement team members have Chartered Accountants Australia and New Zealand (CA ANZ) or Certified Practising Accountant Australia (CPA) memberships or are progressing towards membership (or similar international equivalent). These employees maintain the minimum professional training requirements for these memberships. In addition, we monitor completion of our mandatory professional training including completion of our annual compliance program.

Financial reporting

Our employees' accounting and financial reporting skills are essential to the quality of our audits. To support our engagement teams, the financial reporting advisory director provides training on accounting standards requirements and how to apply them. We also provide guidance materials on how to apply these standards in a public sector context. Our financial reporting advisory team supports our engagement teams to apply the standards by responding to their enquires and providing technical consultations about complex accounting and financial matters.

3.6 Engagement performance

Audit methodology and tools

ASQC 1 requirement

The standard requires the firm to establish policies and procedures to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issues reports that are appropriate in the circumstances. The standard states that these policies and procedures shall include:

- matters relevant to promoting consistency in the quality of engagement performance
- supervision and review responsibilities.

Summary of what we do

- We have a risk-based audit methodology.
 - We use our data analytics tool to better understand our audit clients and conduct risk assessments.
 - We have a series of templates and guidance materials to support the quality and efficiency of our audits.
 - We configure our engagement teams to ensure we have the technical capability and experience to undertake each engagement.
 - We have supervision and review policies that provide for more experienced engagement team members to review work completed by less experienced engagement team members.
-

Our audit methodology

We released our updated audit methodology, EPIC, in 2019. This risk-based methodology, which stemmed from our continuous improvement program, includes four major processes. Figure 3C describes these processes.

FIGURE 3C: EPIC's four processes



Source: VAGO.

EPIC incorporates information systems auditing (ISA) planning, risk assessments and conclusions for an integrated audit approach. It gives auditors the opportunity to better document and demonstrate how they reached a conclusion and whether the

audited agency has the controls to adequately mitigate any risks that the audit identified.

Our EPIC Methodology contains policies, guidance, processes and procedures that reflect our public sector context.

Independent reviews of EPIC in 2019 and 2020 concluded that:

- it complies with the Australian Auditing Standards and the *Audit Act 1994* requirements that are applicable for financial periods beginning after 1 January 2019 (independent review commissioned by us)
- our methodologies for financial audits are comprehensive and regularly reviewed to make sure we are complying with the *Audit Act 1994* and relevant regulations and standards (the Public Accounts and Estimates Committee's (PAEC) independent audit of us).

We use software that we collaboratively designed and developed with the Queensland Audit Office in 2007 to document our audits and store audit evidence. We use this for all of our audit engagements and refresh it on an ongoing basis to ensure it complies with the Australian Auditing Standards.

As mentioned in Section 2.3, we supplement our workforce with ASPs and contracted experts to ensure we have the competency and resources to undertake our mandated work. Our ASPs and contracted experts use their firm's audit methodology, which must comply with Australian Auditing Standards and is subject to our quality assurance review program.

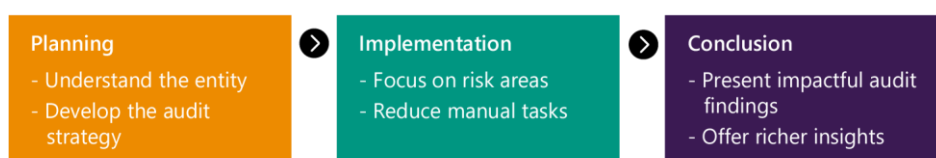
Data analytics

We released our data analytics platform, Empower, in late 2019 to coincide with EPIC's launch. We use Empower for all of our significant audits and are planning to extend it to all our audit clients.

Empower combines the data we obtain from our audited agencies and formats it, reconciles it and makes it available to our auditors. Our auditors use this data to better understand an audited agency when they are conducting a risk assessment and in the conduct of audit testing.

In some audits, Empower enables us to efficiently increase the extent of coverage of transactions and identify high-risk transactions for detailed testing. We also use Empower to enhance the quality of our audits in the phases shown in Figure 3D.

FIGURE 3D: **Audit activities that Empower improves**



Source: VAGO.

Other tools and templates

We have a series of templates and guidance materials to support the quality and efficiency of our audits.

In 2019, we developed a series of templates and checklists with decision points that assist engagement teams to direct an audit's approach. These materials support engagement teams complete a number of audit procedures and provide sufficient documentation to support their key decisions and audit judgements. For example, our EQCR checklist includes a series of questions with decision points that direct engagement teams to evaluate the need for an EQCR for an engagement. This enables our engagement teams to achieve more precise and consistent outcomes and improves how they document their key judgements.

Engagement teams

We plan our engagement teams to ensure they have the technical capability and experience to undertake each engagement. We also consider the need to appoint experts to respond to identified audit risks. We have specialist ISA and data analytics resources and contract a variety of experts to supplement our engagement teams' skill sets.

When planning our engagement teams, we consider the mix of in-house and external resources that we require to deliver quality outcomes for our financial audit program. We allocate resources based on each audit's budget.

We have oversight procedures, contract-management processes and annual performance assessments to monitor the quality of our ASP workforce.

We rotate our audit staff off an engagement every four to five years and our senior engagement team members every five to seven years. This allows us to continually share knowledge while maintaining compliance with our ethical requirements.

Supervision and review policies and procedures

We have policies and procedures for supervision and review responsibilities. These state that more experienced engagement team members must review work completed by less experienced engagement team members. For all engagements, the engagement leader is responsible for ensuring that these reviews are performed in accordance with our policies and procedures.

Consultations and differences of opinion

ASQC 1 requirement

The standard requires that consultations must be completed on difficult or contentious matters, including differences of opinion, before the audit report is signed. To enable this, firms should have sufficient resources to consult effectively.

The audit team must document and implement the conclusions of consultations and differences of opinion.

Summary of what we do

We encourage our engagement teams to consult with our specialists on difficult or contentious matters where appropriate.

Our auditors consult with our technical panel and audit report modification panel on significant accounting and auditing matters. Our consultation policy outlines our principles for assessing significant matters that require consultation. We have protocols and online forms to facilitate consultations between engagement teams and our audit quality and financial reporting advisory teams.

Our audit quality and financial reporting advisory teams support our engagement teams by providing updates on new auditing and accounting standards requirements. They also give our auditors tools and guides to apply the standards while conducting their engagements.

Engagement teams record consultation outcomes in their engagement files.

Engagement quality control review

ASQC 1 requirements

The standard states that firms must establish a criterion to determine when an engagement quality review should be performed for audits and reviews.

It outlines various procedures that should be included in the engagement quality control review, particularly surrounding the review of significant matters and judgements to ensure the proposed reports are accurate.

The standard states that the engagement quality reviewer should hold the technical qualifications to perform the role and maintain objectivity throughout the engagement.

Summary of what we do

We appoint an EQCR to all high-risk engagements and assess the need for an EQCR on all other moderate-risk engagements.

We appoint an EQCR to all high-risk engagements. For all other engagements, we annually assess the need for an EQCR. We provide our engagement teams with tools to undertake this assessment.

While the extent of an EQCR's review depends on the risk and complexity of the audit, it always covers vital areas, such as independence, materiality and significant risks and judgements.

We do not issue an audit report until the EQCR has completed their review and the engagement team has satisfactorily resolved all of their significant questions. The EQCR's involvement in an engagement does not reduce the signing officer or engagement leader's responsibilities. All documentation evidencing the EQCR's involvement in an engagement, including discussions with the engagement leader where conclusions were reached, are contained within the engagement file.

Engagement documentation

ASQC 1 requirements

The standard states that the assembly of final engagement files should be completed on a timely basis after the engagement reports have been finalised, with engagement documentation then being retained for a sufficient period.

The standard also states that engagement documentation should be maintained in such a way to ensure confidentiality, safe custody, integrity, accessibility and retrievability.

ASQC 1 requirements

Summary of what we do

- We require our engagement teams to complete each audit in an established audit file and store all relevant audit documentation in it.
 - We require our engagement teams to assemble and lock down their engagement files within 60 days after we issue an audit report.
-

The *Audit Act 1994* imposes confidentiality requirements on our auditors that restricts them from sharing or inappropriately using any information obtained during an audit. We have policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of our engagement documentation in accordance with ASQC 1 and relevant legislation.

Our audit methodology states that engagement teams must maintain the confidentiality of their work papers and the information they collect during an audit.

We require our employees to apply security classifications, including 'official', 'sensitive' or where necessary, 'protected', to all documentation and to secure and store documents in accordance with our records management policy. Adding protective markings to documents is a requirement of all Victorian Government agencies under the *Privacy and Data Protection Act 2014*. The classification levels are based on the potential damage that would occur to the government's operations, the organisation or an individual if the information's confidentiality was compromised.

We also require our engagement teams to assemble and lock down their engagement file within 60 days after we issue an audit report. We retain these files for at least seven years for engagements that are governed by the *Corporations Act 2001* and at least five years for all other engagements. We regularly monitor compliance with our lockdown policy.

3.7 Monitoring

Quality assurance review programs

ASQC 1 requirement

The standard requires us to have a monitoring process to ensure our quality control system is relevant, adequate and operating effectively.

Our annual quality assurance review program should:

- be assigned to a person with sufficient and appropriate experience and authority
 - inspect at least one completed engagement for each engagement leader on a three-year cycle
 - be performed by an individual(s) who are independent from the engagement team
 - evaluate its results and undertake appropriate remedial responses, including disciplinary action, with members of the engagement team for any identified quality control issues
 - appropriately communicate results to engagement leaders and other individuals as appropriate.
-

ASQC 1 requirement

Summary of what we do

- We have an annual quality assurance review program.
- We conduct additional audit quality assessments
- We have internal auditors who report to our audit and risk committee.

Annual quality assurance review program

We have an annual quality assurance review program. The director, audit quality is responsible for this program. Approved quality reviewers who are objective and independent of an engagement perform these reviews.

The review program covers all engagement leaders over a three-year cycle. It evaluates a selection of audit engagements and engagements where certain risk criteria are present, such as a prior unsatisfactory file rating.

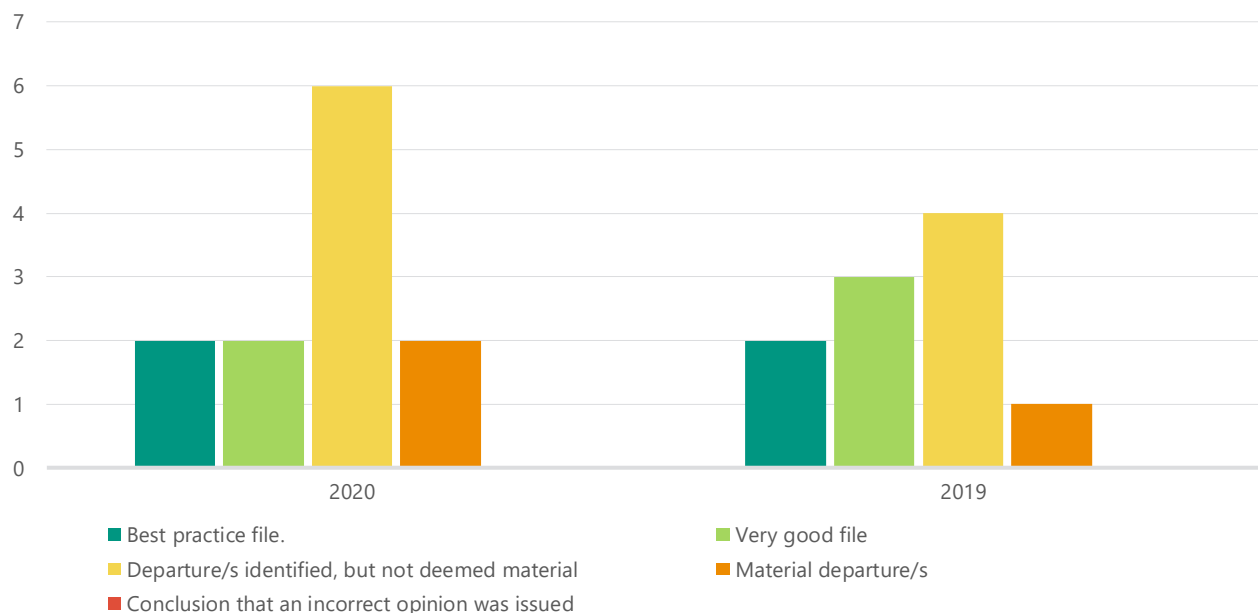
Focused on continuous improvement, these reviews assess the quality of our in-house and outsourced audit engagements against the Australian Auditing Standards' requirements and our audit methodology. We provide individual reports, which contain the overall quality rating of each engagement file and observations from the review, to the relevant engagement leader. We use these reports to remediate issues where needed and implement learnings for future audits. We evaluate the results of the review program and prepare an annual report and action plan for the Auditor-General.

Our 2020 quality assurance review program covered 12 engagements (compared to 10 engagements in 2019) and one active engagement (compared to six active engagements in 2019).

Figure 3E shows the quality ratings we gave to the engagement files we reviewed in 2019 and 2020 in our post audit quality assurance review program.

FIGURE 3E: Post Audit Quality assurance review program results for 2019 and 2020






Engagement files



Note: Figure 3F below outlines our file rating definitions.

Source: VAGO.

FIGURE 3F: File rating definitions

	This score indicates that the reviewer identified no weaknesses across the audit or only identified weaknesses that were very minor and easily addressed. It also indicates that the audit work addressed all of the key areas and was clearly recorded, reviewed and concluded.
	This score indicates that the engagement was generally performed effectively. It also indicates that it was appropriately directed, supervised and reviewed by the signing officer and/or ASP, engagement leader and EQCR where required.
	This score indicates that the main audit areas were properly addressed and appropriately documented, but there was a lack of evidence in some areas.
	This score indicates that a material weakness or weaknesses were identified in the audit file that resulted from a departure from the Australian Auditing Standards. It indicates that the reviewer was unable to conclude that a particular financial statement audit area was free from material misstatement.
	This score is reserved for audit files where the quality reviewer believes that the audit opinion is unsupported, inappropriate and/or incorrect.

Source: VAGO.

In 2020, our review program resulted in 18 remedial actions (compared to 23 in 2019). We are currently remediating the engagement files that had material departure ratings in 2020. The engagement leaders who are responsible for unsatisfactory files will be subject to further review.

Other remedial actions from our review program include:

- developing tools to support our engagement teams
- updating our procedures
- developing and providing training to our engagement teams
- providing guidance to our engagement teams to improve how they apply our audit methodology and policies.

We monitor our progress in implementing these remedial actions through periodic updates to OMG and our audit and risk committee.

The 2021 review program will evaluate the effectiveness of these remedial actions. In 2021, we will also establish an annual accounting technical review of a sample of our clients' financial statements. Our director financial reporting advisory will be responsible for conducting this program.

Additional audit quality assessments

In addition to our annual review programs, we review all key audit matters each year. Our goal setting and performance evaluation processes also include audit quality criteria.

Internal audit

In accordance with the *Standing Directions 2018* under the *Financial Management Act 1994*, we have internal auditors who report to our audit and risk committee. Our internal audit charter outlines the authority, independence, role, responsibilities, performance expectations and relationships of our internal auditor.

The objective of our internal audit function is to provide an innovative, responsive, effective and valuable insights to assist us and our audit and risk committee to manage risks, monitor compliance with policies and procedures and improve the efficiency and effectiveness of our internal control systems.

Our internal auditors develop an annual internal audit plan with our audit and risk committee. These audits assess the quality and performance of specific functions in our office. Audit quality is one of the topics listed in the plan. We use the information from our surveys, reviews and internal audit processes to address any issues that arise from these audits, identify trends and common themes, develop improvement projects and strategies, and monitor the effectiveness of our current improvement projects.

Complaints and allegations

ASQC 1 requirements

The standard requires us to:

- have policies and procedures to appropriately deal with complaints and allegations

According to Auditing Standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, key audit matters are 'matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period'.

ASQC 1 requirements

- appropriately deal with complaints and allegations that work performed fails to comply with standards, relevant ethical requirements, and applicable legal and regulatory requirements
 - appropriately deal with allegations of non-compliance with our quality control system.
-

Summary of what we do

We have various channels for our clients and employees to make complaints and allegations

We have various channels for our clients and employees to make complaints and allegations regarding:

- non-compliance with professional or regulatory/legal requirements
- non-compliance with our own quality control system.

Our webpage [complaints about VAGO](#) provides information about our complaints process and how to submit a complaint about an audit.

We assess, investigate, respond and remediate complaints as required.

If a complainant is dissatisfied with how we handled a complaint, they have the right to ask us to reconsider the complaint by contacting the Deputy Auditor-General. If the complainant is still dissatisfied, they may raise their complaint with the Victorian Ombudsman.

If the complainant is still dissatisfied and the complaint is about the professional conduct of a registered member of CA ANZ or CPA Australia, then the complainant may refer the matter to them.

We received only four complaints about audits conducted between 2018-19 and 2019-20. We have taken remedial action for all four complaints, including terminating a contract with an ASP and revising an engagement team and audit approach.

4.

External oversight and reviews

Overview

We are accountable to the Victorian Parliament and all Victorians for how efficiently and effectively we perform our audit services and how economically we use public resources.

Public audit firms are inspected by ASIC. As a public sector firm, our audit engagements are not subject to ASIC's inspection program. Instead, we are subject to external oversight and reviews in accordance with the *Audit Act 1994*.

This chapter discusses:

- PAEC's oversight
 - The Victorian Inspectorate's oversight
 - ASIC's audit inspections
-

4.1 PAEC's oversight

PAEC has a series of obligations and responsibilities regarding the Auditor-General and VAGO. The *Constitution Act 1975*, the *Parliamentary Committees Act 2003* and the *Audit Act 1994* govern PAEC's responsibilities to:

- recommend who to appoint as the Auditor-General. The current Auditor-General was appointed in 2016.
- appoint auditors to conduct an independent performance audit of us every four years
- appoint auditors to conduct an annual financial audit of us
- be consulted when we form our annual plan, which outlines our financial audit and performance audit work plan
- be consulted on our annual budget.

Independent performance audit

The *Audit Act 1994* requires an independent performance audit of our office to be undertaken at least once every four years. The purpose of this audit is to determine if we and the Auditor-General are achieving our objectives effectively, economically and efficiently and in compliance with all relevant Acts.

PAEC appointed Allen and Clarke Consulting to conduct this audit in 2019–20. The audit report, which was tabled in Parliament on 4 August 2020, was positive overall. It concluded that:

'The Auditor-General and VAGO are operating in compliance with all relevant Acts of Parliament. Moreover, the Auditor-General and VAGO are, in all material respects, operating effectively, economically and efficiently and achieving their objectives in compliance under the Act'.

A key finding of the audit was that we have a strong cultural understanding of the importance of maintaining independence, which is underpinned by appropriate policies and methodologies. The report found that our audit staff conduct audit engagements professionally and respectfully and understand the need to add value by helping to improve the effectiveness and efficiency of the public sector.

The report also found that our methodologies for performance audits and financial audits are comprehensive and regularly reviewed to ensure compliance with the *Audit Act 1994* and relevant regulations and standards.

Allen and Clarke Consulting examined 38 of our financial audits that we completed between February 2017 and October 2019. It concluded that:

'Examination of a selection of in-house and Audit Service Provider files confirmed compliance with the Australian Auditing Standards and other relevant statutory requirements. However, some minor areas need to be addressed, including ensuring audit files are closed within 60 days of the issue of the auditor's report'.

The audit made 31 recommendations in total. We accepted 24 recommendations in full, three in part, three in principle and did not accept one recommendation.

Eleven of the accepted recommendations related to the quality of our financial audits. Appendix C contains these 11 recommendations and our proposed actions to implement them. We are monitoring our progress in implementing these recommendations through periodic updates to OMG and our audit and risk committee.

The full tabled report is available on our website at: [PAEC performance audit of VAGO](#)

4.2 The Victorian Inspectorate's oversight

The Victorian Inspectorate (VI) is a key oversight body in Victoria's integrity system and reports directly to Parliament. The *Victorian Inspectorate Act 2011* gives VI the power to scrutinise our activities.

The purpose of VI's oversight is to ensure we comply with the information-gathering powers and duties outlined in the *Audit Act 1994*. These powers allow us to:

- require agencies to give us information, documents and meet with us
- use and inspect documents or other items
- enter and inspect premises.

VI has the power to receive and investigate certain types of complaints about the Auditor-General or VAGO officers regarding our use of coercive powers and procedural fairness during our audits. In 2019–20, we did not exercise our coercive powers and VI did not review any of our activities.

In VI's annual report 2019-20, VI advised it had received one notification about VAGO from another agency. On assessment, it did not engage the jurisdiction of the VI and was subsequently dismissed. The VI Annual Report contains more detail on its oversight of VAGO and the complaint it received. The VI did not otherwise receive any complaints relating to VAGO and made no recommendations to the Auditor-General.

In 2020, VI consulted with us on its *Integrity Response Guidelines* and a self-reporting tool it created for us to report on our use of coercive powers. VI also reviewed and commented on our revised documentation about our information-gathering powers and duties to help it acquit its oversight responsibilities.

4.3 ASIC's audit inspections

ASIC's audit inspection program aims to promote high-quality external audits of financial reports and raise the standard of conduct in the auditing profession. Its inspections focus on audit quality and promoting compliance with the *Corporations Act 2001*, Australian Auditing Standards and Accounting Professional and Ethical Standards Board's requirements.

Our ASPs may be inspected by ASIC in relation to audit work they undertake in their own right as the audit partner. We require our ASPs to notify us of the results of ASIC's inspection program and any remediation taken for audit quality matters.

We consider the results of ASIC's audit inspection program when formulating our quality assurance review program, analysing the results of our program and any remedial action taken, and identifying audit quality areas to focus on.

ASIC recently released its *Report 468 Audit inspection report for 2018–19*. In their view, in '26 per cent of the total 207 key audit areas they reviewed across 58 audit files at audit firms of all sizes, auditors did not obtain reasonable assurance that the financial report as a whole was free from material misstatement.'

APPENDIX A

Audit quality indicators

A transparency report may include AQIs used by the firm. Where AQIs are included, the report should also include reasons why measures are considered appropriate, the impact of measuring each aspect of audit quality, any limitations of those measures, and the results of applying such measures.

Measures should be presented on a comparable basis from year to year. If we choose to discontinue, amend or replace any measure, the previous measure should also be included with the reasons for the change.

This appendix includes our:

- rationale for selected measures
 - AQI performance statement
-

Our rationale for selected measures

For many entities, the evaluation of their auditor is challenging and based on interactions with the engagement team and the outputs of the audit. These outputs, which include the audit report, audit strategy and communication about the results of the audit, provide minimal insight into the quality of the audit process.

AQIs provide quantitative measures about the external audit process to assist entities in their evaluation. They also provide measures to help improve audit quality.

Audit quality itself is challenging to define, measure and quantify. Audit quality refers to matters that contribute to the likelihood that the auditor will:

- achieve the fundamental objective of obtaining reasonable assurance that the financial report as a whole is free of material misstatement
- ensure material deficiencies detected are addressed or communicated through the audit report.

In Australia, ASIC provides guidance on using voluntary indicators in transparency reports. Some regulatory bodies in jurisdictions around the world also have voluntary protocols for using indicators while others have mandated them.

Determining relevant indicators and evaluating them, including understanding variations in indicators to evaluation criteria, is challenging for auditors and audited entities. For many years, there has been ongoing consideration by regulators and key stakeholders about reporting on these indicators, including what should be reported and the clarity of the insights they provide. The key outcomes of using appropriate indicators should be an improved:

- understanding of audit quality roles and responsibilities
- knowledge of and engagement in an audit
- coordination and collaboration during an audit.

The aim of using AQIs is to develop a portfolio of quantitative measures that enhances the discussion of audit quality between an audit firm and its stakeholders.

AQIs can be measured at the engagement or audit firm level. A widely accepted list of core indicators has not yet been established.

Since 1994, the Australasian Council of Auditors-General (ACAG) has included indicators in its annual macro benchmarking survey. In 2014–15, an evaluation of the audit quality measures included in the survey resulted in a rationalisation of measures where their cost exceeded their value.

We use this suite of quality indicators because the ACAG benchmarking report provides comparable information, to the extent practicable, on audit offices across Australia.

We also use the output quality measures from our annual service delivery statement, which forms part of the state's budget papers.

AQI performance statement

In Figure A1 we report our actual and comparative results for the 2018-19 and 2019-20 financial years against relevant external benchmarks where available and appropriate.

FIGURE A1: **Our AQI performance statement for 2018-19 and 2019-20**

Audit quality indicator	Unit of measure	2018-19 actual	2019-20 actual	2019-20 benchmark	Variance
Percentage of financial audit team members who completed annual independence declarations	Per cent	100	100	100	0
Percentage of financial audit team members who completed the annual ethical compliance training	Per cent	N/A	100	100	0
Instances of non compliance with our rotation policy	Number	0	0	0	0
Financial statements with prior-period material errors	Per cent	0.9	1.7	≤5	3.3
Ratio of engagement leader hours charged to in-house financial audit work to lower level audit staff hours	Ratio	0.059	0.063	0.124	-0.061
Percentage of time charged to audits by senior staff—attest audits	Per cent	26	21	23	-2
Training hours per full-time equivalent (FTE) audit professional—attest audit	Hours	62	36	74	-38
Staff workload—chargeable hours per FTE professional—financial audit	Hours	1 135	1 245	1 229	16
Technical resources staff paid hours as a percentage of all hours charged to audit activities	Per cent	4.4	5.6	5*	1
Percentage of total office expenditure to allocated technical audit resources	Per cent	4	2	3	-1
Post-audit and assurance quality review program- audit files with material deficiencies	Per cent	10.0	16.7	0	16.7

Notes: *ACAG measure (the numbers in ACAG's Macro Benchmarking (MBM) Survey 2019-20 report are rounded).

Source: VAGO.

Notes to our AQI statement for the year ended 30 June 2020

This performance statement includes our AQIs and results. It also includes an explanation of significant variations between our current and prior-year results or between our current results and the benchmarks. We deem adverse variations greater than 5 per cent significant for this purpose. We have not provided notes for variations within this tolerance.

Basis of preparation

In the absence of mandatory AQIs, we have prepared this statement based on the audit quality performance indicators we use in Budget Paper No. 3 and those used in the ACAG MBM. We have presented the results in line with the *Standing Directions 2018* under the *Financial Management Act 1994*, our performance management framework, the Financial Reporting Directions FRD 8D *Consistency of budget and departmental reporting* and FRD 27C *Presentation and Reporting of Performance Information*.

Statement of limitations

In choosing and analysing our AQIs, we observe that:

- some do not directly measure the quality of the audits performed
- each provides information relating to only one aspect of the inputs for achieving quality audits and there are many factors affecting audit quality
- different quantitative results for a particular measure may be appropriate in different circumstances (for example, different engagement leader-to-staff ratios may be appropriate depending on factors such as the nature, size and complexity of an audit engagement)
- the indicators presented in this report may change in future years as we reassess the relevance and usefulness of each indicator.

Definitions

FIGURE A2: **AQI definitions, calculations and benchmark sources**

AQI	Calculation	Benchmark source
Percentage of financial audit team members who completed annual independence declarations	Percentage of financial audit team members who completed the annual professional independence declarations by the due date	VAGO measure
Percentage of financial audit team members who completed the annual ethical compliance training	Percentage of financial audit team members who completed the annual ethical compliance training by the due date	VAGO measure
Instances of non compliance with our rotation policy	Number of reported instances of non compliance with our rotation policy requirements	VAGO measure
Proportion of agencies disclosing prior period material errors in financial statements	Numerator: Total number of agencies disclosing a prior-period material error during the financial year Denominator: Total number of agencies issued with an audit opinion during the financial year	<i>Victorian Budget 19/20 Service Delivery Budget Paper No. 3</i>
Ratio of engagement leader hours charged to in-house financial audit work to lower level audit staff hours	Numerator: Total hours of attest audit engagement leaders charged to in-house attest audit activity Denominator: Total hours of attest audit staff among levels below engagement leader charged to in-house attest audit activity	ACAG MBM survey state and territory average for 2019-20
Percentage of time charged to audits by senior staff—attest audits	Hours charged to attest audits by audit staff who are classified as an engagement leader, manager, EQCR or higher as a percentage of total hours charged to attest audits	ACAG MBM survey state and territory average for 2019-20
Training hours per FTE audit professional—attest audit	Numerator: Training/professional development hours recorded for attest audit staff Denominator: Total FTE number of attest audit staff	ACAG MBM survey state and territory average for 2019-20

AQI	Calculation	Benchmark source
Staff workload—chargeable hours per FTE professional—financial audit	Numerator: Total attest audit staff hours charged/allocated to attest and non-attest audits Denominator: Total FTE number of attest audit staff	ACAG MBM survey state and territory average for 2019-20
Technical resources staff paid hours as a percentage of all hours charged to audit activities	Numerator: Total hours paid for by the office for staff who specialise in providing technical advice to other staff in relation to audit work (including methodology support) Denominator: Total hours charged to audit activities by audit staff, the Auditor-General and Deputy Auditor General, non audit staff and contracted-in/labour hire personnel	ACAG MBM survey state and territory average for 2019-20
Percentage of total office expenditure to allocated technical audit resources	Numerator: Office expenditure on specialist audit technical advisory services Denominator: Total office expenditure	ACAG MBM survey state and territory average for 2019-20
Post-audit and assurance quality review program—audit files with material deficiencies	Numerator: Total number of financial audit engagement files subject to post-audit quality reviews during the financial year that contain material departures from professional and regulatory standards Denominator: Total number of financial audit engagement files subject to post-audit quality reviews during the financial year	<i>Victorian Budget 19/20 Service Delivery Budget Paper No. 3</i>

Source: VAGO.

Explanation of significant variances

- The engagement leader hours charged to financial audit has slightly increased by 0.004 compared to last year. Our ratio is significantly lower than the average because the engagement leaders in the other Auditor-General offices reported that they charged more hours to compensate for their staff shortages and to provide guidance during the COVID-19 pandemic.
- The reduction in training hours per FTE was due to the impact of the COVID-19 pandemic, which resulted in planned training being deferred.
- For 2019-20, 17 per cent of the audit files (2 of 12 files) reviewed by our approved reviewers were found to have material departures from professional standards. In these two cases, the audit files did not clearly and sufficiently demonstrate a sufficient basis in our audit documentation on which to form and issue these opinions. Engagement leaders were required to remediate these departures. However, our result remains better than the rate of reviewed audit files with material departures from professional standards that ASIC found in its *Audit inspection report for 2018–19* (26 per cent).

APPENDIX B

Entities we audited in 2019–20

ASIC requires audit firms to disclose the names of the relevant bodies in line with section 332B of the *Corporations Act 2001* for which the auditor conducted an audit under Division 3 of Part 2M.3 in the relevant reporting year.

For VAGO this translates to the names of:

- public bodies we audit under section 10(1) of the *Audit Act 1994*
- any state-owned companies we audit under section 22 of the *Audit Act 1994*
- any entities that are not public bodies, but that we agree to audit as a public-purpose arrangement under section 24 of the *Audit Act 1994*.

FIGURE B1: **Entities we audited in 2019–20**

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
General government sector		
ABA Natural Disaster Relief Fund	75,000	New entity in 2020
Adult Multicultural Education Service	43,900	43,500
Adult, Community and Further Education Board	34,400	34,400
Albury Wodonga Health	52,750	52,750
Alexandra District Health	19,500	19,500
Alfred Health	247,000	247,000
Alfred Hospital Whole Time Medical Specialists' Private Practice Trust	10,250	10,250
John F Marriott for HIV Trust	6,475	New entity in 2020
Marriott for HIV Ltd	3,750	New entity in 2020
Alpine Health	21,000	21,000
Ambulance Victoria	178,000	178,000
Architects' Registration Board of Victoria	15,400	15,400

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Austin Health	203,000	203,000
Australian Centre for the Moving Image	32,000	32,000
Australian Health Practitioner Regulation Agency	165,000	165,000
Australian Regenerative Medicine Institute Joint Venture	7,300	6,700
Bairnsdale Regional Health Service	38,000	38,000
Ballarat Health Services	88,500	88,500
Barwon Health	223,500	125,000
Barwon Health Foundation	7,750	7,750
Barwon Health Foundation Limited	5,550	5,550
Bass Coast Health	46,500	46,500
Beaufort and Skipton Health Service	20,000	20,000
Beechworth Health Service	21,000	21,000
Benalla Health	21,000	21,000
Bendigo Health	67,700	67,700
Boort District Health	16,550	16,550
Calvary Health Care Bethlehem Limited	17,900	17,900
Casterton Memorial Hospital	9,850	9,850
Castlemaine Health	26,600	26,600
Caulfield Racecourse Reserve Trust	11,000	11,000
Cell Therapies Pty Ltd	19,450	19,450
Cellularity Pty Ltd	3,000	2,600
CenITex	129,250	129,250
Central Gippsland Health Service	41,000	41,000
Central Highland Rural Health	50,800	New entity in 2020
Cobram District Hospital	Ceased entity	18,500
Cohuna District Hospital	19,100	16,600
Cohuna Community Nursing Home Inc	Ceased entity	5,150
Colac Area Health	16,900	16,900
Commercial Passenger Vehicles Victoria	53,000	53,000
Commissioner for Environmental Sustainability	7,800	7,800
Connect Settlement Services Pty Ltd	9,020	11,500
Corangamite CMA	11,500	11,500
Corryong Health	17,100	17,100
Country Fire Authority	194,000	194,000
Court Services Victoria	205,000	205,000

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Dental Health Services Victoria	33,400	33,400
Department of Education and Training	630,850	630,850
Department of Environment, Land, Water and Planning	491,700	446,700
Department of Health and Human Services	546,500	546,500
Department of Jobs, Precincts and Regions	358,000	358,000
Department of Justice and Community Safety	348,000	348,000
Department of Premier and Cabinet	137,250	137,250
Department of Transport	1,100,000	578,000
Department of Treasury and Finance	425,000	425,000
Dhelkunya Dja Land Management Board	7,200	7,200
Djerriwarrh Health Services	14,500	14,500
Docklands Studios Melbourne Pty Ltd	31,000	31,000
East Gippsland CMA	17,000	17,000
East Grampians Health Service	14,400	14,400
East Grampians Health Building for the Future Foundation	3,650	3,650
East Wimmera Health Service	16,450	16,450
Eastern Health	126,100	126,100
Echuca Regional Health	38,100	38,100
Edenhope and District Memorial Hospital	12,300	12,300
Emergency Services Superannuation Board	16,300	16,300
Emergency Services Superannuation Scheme	241,700	241,700
Emergency Services Telecommunications Authority	35,400	34,500
Energy Safe Victoria	36,500	36,500
Environment Protection Authority	58,200	58,200
Essential Services Commission	17,500	17,500
Film Victoria	28,200	28,200
Game Management Authority	16,000	16,000
Gippsland Health Alliance	11,250	11,250
Gippsland Southern Health Service	40,000	40,000
Glenelg Hopkins CMA	10,900	10,900
Glenelg Hopkins CMA	23,300	23,300
Goulburn Valley Health	54,900	54,900
Grampians Rural Health Alliance	15,200	15,200
Great Ocean Road Health	20,750	New entity in 2020
Gunaikurnai Traditional Owner Land Management Board	7,200	7,200

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Health Professional Councils Authority	15,000	15,000
Health Purchasing Victoria	32,350	32,350
Heathcote Health	14,950	14,950
Hepburn Health Service	28,250	Ceased
Heritage Council of Victoria	16,900	16,900
Hesse Rural Health Service	24,600	24,600
Heywood Rural Health	10,750	10,750
Hume Rural Health Alliance	15,400	15,400
Independent Broad-based Anti-corruption Commission	36,800	36,800
Infrastructure Victoria	16,200	16,200
Inglewood and Districts Health Service	16,500	16,500
Judicial College of Victoria	15,600	15,600
Judicial Commission of Victoria	12,800	12,800
Kerang District Health	15,900	15,900
Kooweerup Regional Health Service	38,000	38,000
Kyabram District Health Service	17,000	17,000
Kyneton District Health Service	16,750	16,750
Labour Hire Authority	10,000	New entity in 2020
Latrobe Regional Hospital	54,500	54,500
Library Board of Victoria	47,200	47,200
Loddon Mallee Rural Health Alliance	11,300	11,300
Lorne Community Hospital	Ceased entity in 2020	9,250
Maldon Hospital	14,950	14,950
Mallee CMA	15,700	15,700
Mallee Track Health and Community Service	17,500	17,500
Mansfield District Hospital	24,600	24,600
Maryborough District Health Service	19,000	19,000
Melbourne Health	225,500	225,500
Melbourne Polytechnic	61,700	43,200
Melbourne Recital Centre Ltd	38,000	37,000
Mercy Hospitals Victoria Ltd	84,000	84,000
Metropolitan Fire and Emergency Services Board	179,375	175,000
Monash Health	296,500	296,500
Kitaya Holdings Pty Ltd	39,000	39,000
Moyne Health Services	12,100	12,100

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Woody's Murray 2 Moyne Cycle Relay Inc.	1,500	Part of Moyne Health in 2019
Museums Board of Victoria	75,000	75,000
Nathalia District Hospital	Ceased entity in 2020	17,000
National Gallery of Victoria	64,500	64,500
NCN Health	39,300	New entity in 2020
North Central CMA	13,200	13,200
North East CMA	11,800	11,800
Northeast Health Wangaratta	41,600	41,600
Northern Health	74,000	74,000
Northern Health Research, Training and Equipment Foundation Limited	3,250	3,250
Northern Health Research, Training and Equipment Trust	3,250	3,250
Numurkah District Health Service	Ceased entity in 2020	15,000
Office of Public Prosecutions	24,800	24,800
Omeo District Health	15,850	15,850
Orbost Regional Health	15,400	15,400
Otway Health	Ceased entity in 2020	10,250
Parks Victoria	79,100	79,100
Parliament of Victoria	64,000	64,000
Peninsula Health	102,750	102,750
Peter MacCallum Cancer Centre	132,000	112,500
Peter MacCallum Cancer Foundation	22,550	22,550
Peter MacCallum Cancer Foundation Limited	4,600	4,600
Port Phillip & Westernport CMA	13,800	13,800
Portable Long Service Benefits Authority	15,000	6,500
Portland District Health	19,000	19,000
Active Health Portland Ltd	8,700	8,700
Procurement Australasia Ltd	15,950	15,950
Professional Standards Council of Victoria	13,200	13,200
Public Transport Victoria	Amalgamated with Department of Transport in 2020	270,000
Franchise Asset Holdings Pty Ltd	Ceased entity in 2020	12,500
Recreational Fishing Licence Trust Fund	11,700	11,700
Residential Tenancies Bond Authority	15,200	15,200

Who we audited	Annual audit fee (\$ 2020	Annual audit fee (\$ 2019
Roads Corporation	Amalgamated with Department of Transport in 2020	415,000
Robinvale District Health Services	24,100	24,100
Rochester and Elmore District Health Service	16,900	16,900
Royal Botanic Gardens Board	21,600	21,600
Rural Northwest Health	25,100	25,100
Senior Master of the Supreme Court	82,400	82,400
Sentencing Advisory Council	15,600	15,600
Seymour Health	24,650	24,650
Shrine of Remembrance Trustees	21,000	21,000
South Gippsland Hospital	22,550	22,550
South West Alliance of Rural Health	18,500	18,500
South West Healthcare	47,000	47,000
St. Vincent's Hospital (Melbourne) Limited	94,800	94,800
Stawell Regional Health	13,800	13,800
Stawell Regional Health Foundation	3,700	3,700
Surveyors Registration Board of Victoria	10,300	10,300
Sustainability Victoria	40,300	40,300
Swan Hill District Health	29,700	29,700
Tallangatta Health Service	17,450	17,450
Terang and Mortlake Health Service	9,250	9,250
The Kilmore and District Hospital	14,500	14,500
The Queen Elizabeth Centre	11,300	11,300
The Royal Children's Hospital	195,000	200,000
The Royal Children's Hospital Foundation	8,700	8,700
The Royal Victorian Eye and Ear Hospital	48,000	48,000
The Royal Women's Hospital	80,000	80,000
Royal Women's Hospital Foundation Limited	2,000	2,000
The Royal Women's Hospital Foundation Trust Funds	6,200	6,200
Timboon and District Healthcare Service	10,250	10,250
Trust for Nature (Victoria)	18,000	18,000
Tweddle Child and Family Health Service	11,000	11,000
Veterinary Practitioners Registration Board of Victoria	13,500	13,500
Victoria Comprehensive Cancer Centre	12,750	11,250

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Victoria Comprehensive Cancer Centre Ltd	4,100	4,100
Victoria Legal Aid	61,500	60,000
Victoria Police	379,300	379,300
Victoria State Emergency Service Authority	75,400	75,400
Victorian Assisted Reproductive Treatment Authority	7,200	7,200
Victorian Building Authority	48,000	48,000
Victorian Commission for Gambling and Liquor Regulation	142,000	142,000
Victorian Curriculum and Assessment Authority	28,700	28,700
Victorian Electoral Commission	24,000	24,000
Victorian Environmental Water Holder	7,200	7,200
Victorian Equal Opportunity and Human Rights Commission	23,300	23,300
Victorian Fisheries Authority	64,000	64,000
Victorian Health Promotion Foundation	23,100	23,100
Victorian Inspectorate	16,200	16,200
Victorian Institute of Forensic Medicine	27,000	27,000
Victorian Institute of Forensic Mental Health	37,000	37,000
Victorian Institute of Sport Trust	21,000	3,600
Victorian Institute of Sport Limited	3,600	21,000
Victorian Institute of Teaching	29,310	29,310
Victorian Law Reform Commission	20,500	20,500
Victorian Legal Services Board	63,900	63,900
Victorian Legal Services Commissioner	12,600	12,600
Victorian Ombudsman	16,400	16,400
Victorian Pharmacy Authority	13,000	13,000
Victorian Planning Authority	22,300	22,300
Victorian Public Sector Commission	17,100	17,100
Victorian Registration and Qualifications Authority	31,350	31,350
Victorian Responsible Gambling Foundation	18,600	18,600
Victoria State Pool Account	15,500	20,500
Victorian Traditional Owners Fund Limited	13,000	13,000
Victorian Traditional Owners Trust	Ceased entity in 2020	8,000
Victorian Traditional Owners Trust - Gunaikurnai Land and Waters Aboriginal Corporation	4,000	4,000
Victorian Traditional Owners Trust Dja Dja Wurrung Clans Aboriginal Corporation	4,000	4,000

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Victorian Traditional Owners Trust Taungurung	4,300	New entity in 2020
Visit Victoria	75,000	75,000
West Gippsland CMA	13,900	13,900
West Gippsland Healthcare Group	41,000	41,000
West Wimmera Health Service	26,650	26,650
Western District Health Service	35,850	35,850
Western Health	119,000	119,000
Western Health Foundation Limited	12,500	11,850
Western Health Foundation	(a)	New entity in 2020
Wimmera CMA	16,500	16,500
Wimmera Health Care Group	43,750	43,750
Winchelsea Hostel and Nursing Home Society Inc.	9,200	9,200
Yarram and District Health Service	18,000	18,000
Yarrawonga Health	28,500	28,500
Yea and District Memorial Hospital	16,950	16,950
Yorta Yorta Traditional Owner Land Management Board	7,200	7,200

Community Health Services and Aged Care Services

Ballarat Community Health	(a)	New entity in 2020
Banyule Community Health	(a)	New entity in 2020
Bellarine Community Health Ltd	45,000	New entity in 2020
Bendigo Community Health Services Limited	(a)	New entity in 2020
Castlemaine District Community Health Limited	(a)	New entity in 2020
Central Bayside Community Health Services Limited	(a)	New entity in 2020
Cobaw Community Health Services Limited	(a)	New entity in 2020
cohealth Limited	(a)	New entity in 2020
Darebin Community Health Service	(a)	New entity in 2020
Darlingford Upper Goulburn Nursing Home Inc	19,500	New entity in 2020
EACH	(a)	New entity in 2020
EACH Housing Ltd	(a)	New entity in 2020
Gateway Health Limited	(a)	New entity in 2020
Gippsland Lakes Community Health	(a)	New entity in 2020
Grampians Community Health	(a)	New entity in 2020
Indigo North Health Inc	17,500	New entity in 2020
IPC Health Ltd	(a)	New entity in 2020

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Latrobe Community Health Service Limited	(a)	New entity in 2020
Lyndoch Living Limited	(a)	New entity in 2020
Lyndoch Healthcare Pty Ltd	(a)	New entity in 2020
Nexus Primary Health	(a)	New entity in 2020
Nillumbik Community Health Service Ltd	(a)	New entity in 2020
North Richmond Community Health Limited	(a)	New entity in 2020
Northern District Community Health	(a)	New entity in 2020
Primary Care Connect	(a)	New entity in 2020
Ranges Community Health	(a)	New entity in 2020
Red Cliffs and Community Aged Care Services Inc	(a)	New entity in 2020
Star Health Group Limited	(a)	New entity in 2020
Sunbury Community Health Centre Limited	(a)	New entity in 2020
Sunraysia Community Health Services Limited	(a)	New entity in 2020
Universities and their subsidiaries		
Bendigo Kangan TAFE	62,700	61,300
Box Hill Institute	104,000	New entity in 2020
Box Hill Enterprises Ltd	6,400	New entity in 2020
Chisholm Institute	48,200	57,600
Caroline Chisholm Foundation	6,100	4,800
TAFE Online Pty Ltd	7,900	6,200
Deakin University	140,300	150,000
Deakin Residential Services	20,300	17,250
FIKA Entertainment Pty Ltd	5,750	New entity in 2020
FLAIM Systems Pty Ltd	7,100	5,100
Unilink Ltd	6,700	5,700
Universal Motion Simulator Pty Ltd	7,100	5,230
Federation University	100,500	70,000
Brisbane Education Services Pty Ltd	9,400	3,000
Datascreen	3,400	3,000
Inskill Limited	3,400	3,100
The School of Mines and Industries Ltd	3,400	3,100
Gordon Institute of TAFE	77,800	82,000
Gotec Limited	7,150	6,900
Goulburn Ovens Institute of TAFE	29,400	23,600

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Holmesglen Institute	102,700	97,400
Holmesglen Foundation	12,550	11,600
Holmesglen International Training	3,000	3,000
Glenuc Pty Ltd	2,770	2,700
La Trobe University	121,500	128,300
Unitemps La Trobe Ltd	6,100	10,000
Monash University	304,000	282,000
Monash Accommodation Services Pty Ltd	19,000	20,500
Monash College Pty Ltd	72,200	62,500
Monash Commercial Pty Ltd	4,700	4,100
Monash Custodians Pty Ltd	4,510	4,400
Monash Health Research Precinct Pty Limited	13,120	12,800
Monash Investment Holdings Pty Ltd	4,510	4,100
Monash Investment Trust	12,100	10,300
Monash Property South Africa	11,875	11,500
Monash University Foundation	22,500	23,600
Monash University Foundation Pty Ltd	4,500	34,400
Monash University Indonesia Limited	12,000	12,300
Royal Melbourne Institute of Technology	312,000	306,000
RMIT Holdings Pty Ltd	8,600	8,400
RMIT Online Pty Ltd	11,250	11,300
RMIT Spain S.L	16,500	16,600
RMIT Training Pty Ltd	25,350	23,500
RMIT University Indonesia Pty Ltd	8,100	7,900
RMIT University Vietnam LLC	84,900	89,000
South West Institute of TAFE	28,400	17,400
Sunraysia Institute of TAFE	34,400	24,600
TAFE Kids Incorporated	5,400	3,600
Swinburne University of Technology	153,800	164,000
Capsular Technologies Pty Ltd	4,400	2,900
National Institute of Circus Arts Limited	16,400	15,000
Swinburne Academy Pty Ltd	4,750	New entity in 2020
Swinburne Intellectual Property Trust	6,900	6,600
Swinburne International (Holdings) Pty Ltd	3,700	2,085
Swinburne Student Amenities Association Limited	11,000	10,700

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Swinburne Ventures Limited	5,500	5,600
TAFE Gippsland	93,250	92,777
The University of Melbourne	365,300	319,545
Australian Music Examinations Board (VIC) Ltd	15,300	16,000
Goulburn Valley Equine Hospital Pty Ltd	9,000	8,365
Melbourne Business School Ltd	74,100	12,000
Melbourne Teaching Health Clinics Ltd (formerly Melbourne Dental Clinic Pty Ltd)	14,400	22,000
Melbourne University Publishing Ltd	20,800	28,000
Mt Eliza Graduate School of Business and Government Ltd	7,400	-
Nossal Institute Limited	11,700	14,000
UM Commercialisation Pty Ltd	10,000	9,515
UM Commercialisation Trust	10,000	9,515
UoM Commercial Ltd	64,200	84,000
VERNet Pty Ltd	19,600	17,200
VET Development Centre Ltd	19,850	22,000
Victoria University	112,900	127,500
Victoria University Enterprises Pty Ltd	4,900	3,600
Victoria University Foundation	5,900	4,800
Victoria University Foundation Ltd	4,900	3,400
Victoria University International Pty Ltd	4,900	3,500
VU Online Pty Ltd	4,900	4,600
William Angliss Institute of TAFE	100,400	99,000
Angliss (Shanghai) Education Technology Co. Ltd.	7,100	6,700
Angliss Consulting Pty Ltd	16,100	15,900
Angliss Multimedia Pty Ltd	3,100	2,300
Angliss Solutions Pty Ltd	3,100	2,300
William Angliss Institute Foundation	16,100	15,900
William Angliss Institute Pte Ltd	5,850	6,000
Wodonga Institute of TAFE	31,100	37,600
Local government entities		
Alpine Shire Council	37,300	37,300
Ararat Rural City Council	41,200	41,200
Ballarat City Council	94,000	94,000
Banyule City Council	64,200	64,200

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Bass Coast Shire Council	64,700	64,700
Baw Baw Shire Council	43,400	43,400
Bayside City Council	66,000	66,000
Benalla Rural City Council	45,900	45,900
Boroondara City Council	68,600	68,600
Borough of Queenscliffe	40,100	40,100
Brimbank City Council	63,400	63,400
Buloke Shire Council	41,600	41,600
Campaspe Shire Council	51,900	51,900
Cardinia Shire Council	71,800	71,800
Casey City Council	61,500	61,500
Casey-Cardinia Regional Library Corporation	12,300	12,300
Central Goldfields Shire Council	44,300	44,300
City of Monash	70,800	70,800
City of Whittlesea	67,100	67,100
Colac-Otway Shire Council	42,500	42,500
Community Chef	16,000	16,000
Corangamite Regional Library Corporation	6,900	6,900
Corangamite Shire Council	50,300	50,300
Dandenong Market Pty Ltd	11,900	11,900
Darebin City Council	74,500	74,500
East Gippsland Shire Council	39,300	39,300
Eastern Regional Library Corporation	8,800	8,800
Frankston City Council	79,000	79,000
Gannawarra Shire Council	52,900	52,900
Geelong Regional Library Corporation	10,300	10,300
Glen Eira City Council	66,000	66,000
Glenelg Shire Council	39,300	39,300
Golden Plains Shire Council	45,400	45,400
Goulburn Valley Regional Library Corporation	9,800	9,800
Greater Bendigo City Council	56,400	56,400
Greater Dandenong City Council	76,900	76,900
Greater Geelong City Council	95,600	95,600
Greater Shepparton City Council	71,100	71,100
Hepburn Shire Council	50,400	50,400

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Hindmarsh Shire Council	43,800	43,800
Hobsons Bay City Council	64,700	64,700
Horsham Rural City Council	51,700	51,700
Hume City Council	74,900	74,900
Indigo Shire Council	42,200	42,200
Kingston City Council	62,100	62,100
Latrobe City Council	60,800	60,800
Loddon Shire Council	39,800	39,800
Macedon Ranges Shire Council	40,400	40,400
Manningham City Council	63,300	63,300
Mansfield Shire Council	44,100	44,100
Maribyrnong City Council	61,000	61,000
Maroondah City Council	63,800	63,800
Melbourne City Council	149,700	149,700
CityWide Service Solutions Pty Ltd	89,600	89,600
Melton City Council	55,300	55,300
Mildura Airport Pty Ltd	11,200	11,200
Mildura Rural City Council	63,100	63,100
Mildura Regional Development	7,300	6,100
Mitchell Shire Council	46,900	46,900
Moira Shire Council	52,400	52,400
MomentumOne Shared Services	5,750	5,750
Moonee Valley City Council	78,000	78,000
Moorabool Shire Council	45,200	45,200
Moreland City Council	71,400	71,400
Mornington Peninsula Shire Council	94,000	94,000
Mount Alexander Shire Council	36,100	36,100
Moyne Shire Council	43,600	43,600
Municipal Association of Victoria	250,000	New Entity in 2020
Murrindindi Shire Council	46,700	46,700
Nillumbik Shire Council	63,300	63,300
North Central Goldfields Regional Library Corporation	8,600	8,600
Northern Grampians Shire Council	34,300	34,300
Peninsula Leisure Pty Ltd	23,600	23,600
Port Phillip City Council	72,900	72,900

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Prahran Market Pty Ltd	15,600	15,600
Procurement Australasia Ltd	15,950	15,950
Pyrenees Shire Council	37,400	37,400
Queen Victoria Market Pty Ltd	20,000	20,000
Regent Management Company Pty Ltd	6,800	6,800
Regional Kitchen Pty Ltd	10,300	10,300
Regional Landfill Clayton South Joint Venture	10,300	10,300
South Gippsland Shire Council	57,900	57,900
Southern Grampians Shire Council	42,700	42,700
Stonnington City Council	72,900	72,900
Strathbogie Shire Council	41,400	41,400
Surf Coast Shire Council	44,600	44,600
Swan Hill Rural City Council	54,300	54,300
Towong Shire Council	35,400	35,400
Wangaratta Rural City Council	50,200	50,200
Wangaratta Livestock Exchange Pty Ltd	7,000	7,000
Warrnambool City Council	48,700	48,700
Wellington Shire Council	57,500	57,500
West Gippsland Regional Library Corporation	10,100	10,100
West Wimmera Shire Council	38,100	38,100
Western Leisure Services Pty Ltd	10,300	10,300
Whitehorse City Council	73,500	73,500
Whitehorse-Manningham Regional Library Corporation	10,300	10,300
Wimmera Development Association	6,000	6,000
Wimmera Regional Library Corporation	9,200	9,200
Wodonga City Council	60,900	60,900
Wyndham City Council	65,900	65,900
Yarra City Council	75,700	75,700
Yarra Plenty RLC	9,100	9,100
Yarra Ranges Shire Council	57,400	57,400
Yarriambiack Shire Council	32,500	32,500
Public non-financial corporations		
Accident Compensation Conciliation Service	15,000	15,000
Agriculture Victoria Services	36,000	36,000

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Phytogene Pty Ltd	7,000	7,000
Alpine Resorts Co-ordinating Council	7,500	7,500
Australian Grand Prix Corporation	70,500	70,500
Ballarat General Cemeteries Trust	17,450	17,450
Barwon Region Water Corporation	92,900	92,900
Barwon Asset Solutions	24,600	24,000
Barwon South West Waste and Resource Recovery Group	14,900	14,900
Bendigo Cemeteries Trust	12,300	12,300
Central Gippsland RWC	92,300	92,300
Central Highlands RWC	84,700	84,700
City West Water Corporation	144,600	144,600
Coliban Region Water Corporation	93,100	93,100
Dairy Food Safety Victoria	31,000	31,000
Development Victoria	138,000	138,000
East Gippsland RWC	40,000	40,000
Emerald Tourist Railway Board	13,000	13,000
Falls Creek Alpine RMB	51,300	50,000
Federation Square Pty Ltd	38,000	38,000
Geelong Cemeteries Trust	14,900	14,900
Geelong Performing Arts Centre Trust	30,000	30,000
Gippsland and Southern RWC	47,000	47,000
Gippsland Waste and Resource Recovery Group	6,000	6,000
Goulburn Valley RWC	54,900	54,900
Goulburn Valley Waste and Resource Recovery Group	10,600	10,600
Goulburn-Murray RWC	181,900	181,900
Grampians Central West WRRG	13,200	13,200
Grampians Wimmera Mallee WC	56,000	56,000
Lake Fyans Recreational Area Committee of Management Inc	6,000	6,000
Greater Sunraysia PFAID	Ceased entity in 2020	11,500
Greyhound Racing Victoria	17,900	17,900
Harness Racing Victoria	35,800	35,800
HRV Management Limited	4,400	4,400
Melton Entertainment Trust	29,800	29,800
Kardinia Park Stadium Trust	20,500	20,500
LaunchVic Limited	19,000	19,000

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Loddon Mallee Waste and Resource Recovery Group	17,000	17,000
Lower Murray Water	89,400	89,400
Melbourne and Olympic Parks Trust	85,000	62,500
Melbourne Convention and Exhibition Trust	49,200	49,200
Melbourne Convention Bureau Limited	41,000	41,000
Melbourne Cricket Ground Trust	15,300	14,850
Melbourne Market Authority	55,000	55,000
Melbourne Port Lessor Pty Ltd	57,500	57,500
Melbourne Water Corporation	179,000	179,000
Metropolitan Waste and Resource Recovery Group	35,000	25,000
Mount Hotham Alpine Resort Management Board	29,500	28,750
Mt Buller and Mt Stirling Alpine Resort Management Board	25,200	24,500
Murray Valley Wine Grape Industry Development Committee	6,000	6,000
North East Region Water Corporation	51,000	51,000
North East Waste and Resource Recovery Group	6,800	6,800
Phillip Island Nature Park	20,000	20,000
Port of Hastings Development Authority	16,500	16,500
PrimeSafe	17,500	17,500
Queen Victoria Women's Centre Trust	14,700	14,700
South East Water Corporation	144,600	144,600
iota Services Pty Ltd	11,200	11,200
South Gippsland RWC	37,600	37,600
Southern Alpine Resort Management Board	80,000	87,500
State Electricity Commission of Victoria	16,500	16,500
State Sport Centres Trust	41,800	41,800
The Greater Metropolitan Cemeteries Trust	99,000	99,000
The Mildura Cemetery Trust	12,950	12,950
The Southern Metropolitan Cemeteries Trust	89,000	89,000
V/Line Corporation	96,000	96,000
VicForests	115,000	115,000
Victorian Arts Centre Trust	58,000	58,000
Victorian Interpreting & Translating Service	23,000	23,000
Victorian Plantations Corporation	7,200	7,200
Victorian Ports Corporation (Melbourne)	57,500	57,500
Victorian Rail Track	180,000	97,500

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
Rolling Stock (Victoria-VL) Pty Ltd	6,700	6,200
Rolling Stock (VL-1) Pty Ltd	12,800	12,000
Rolling Stock (VL-2) Pty Ltd	12,800	12,000
Rolling Stock (VL-3) Pty Ltd	12,800	12,000
Rolling Stock Holdings (Victoria) Pty Ltd	27,000	18,000
Victorian Regional Channels Authority	30,500	30,500
Victorian Strawberry Industry Development Committee	12,500	12,500
Wannon Water	54,900	54,900
Western Region Water Corporation	52,700	52,700
Westernport RWC	32,000	32,000
Yarra Valley Water Corporation	145,000	145,000
Zero Emissions Water Limited	7,500	7,500
Zoological Parks and Gardens Board	38,100	38,100
Public financial corporations		
State Trustees Limited	169,000	169,000
State Trustees Australia Foundation	11,200	11,200
State Trustees Australia Foundation Open Fund	10,450	10,450
State Trustees Common Funds	28,200	28,200
inveST Funds	95,000	95,000
STL Financial Services Limited	13,200	13,200
Transport Accident Commission	230,000	230,000
Residential Independence Pty Ltd	6,750	6,750
Residential Independence Trust	6,750	6,750
Treasury Corporation of Victoria	300,000	300,000
Victorian Funds Management Corporation	89,600	89,600
VFM Emerging Markets Trust	10,250	10,250
VFM Global Small Companies Trust	10,350	10,350
VFMC Australian Credit Trust	12,900	12,900
VFMC Balanced Fund	4,700	4,700
VFMC Capital Stable Fund	4,700	4,700
VFMC Cash Trust	8,100	8,100
VFMC Emerging Markets Debt Trust 1	10,600	New Entity in 2020
VFMC Emerging Markets Debt Trust 2	10,600	New Entity in 2020
VFMC Equity Trust 1	11,900	11,900

Who we audited	Annual audit fee (\$) 2020	Annual audit fee (\$) 2019
VFMC Equity Trust 2	11,900	11,900
VFMC ESSS Private Equity Trust 2004	15,800	15,800
VFMC ESSS Private Equity Trust 2006	15,800	15,800
VFMC ESSS Private Equity Trust 2007	15,800	15,800
VFMC Fixed Income Trust	13,100	13,100
VFMC Growth Fund	3,700	3,700
VFMC Inflation Linked Bond Trust	17,000	17,000
VFMC Insurance Strategies Trust	50,500	50,500
VFMC International Equity Trust 1	15,200	15,200
VFMC International Equity Trust 2	15,200	15,200
VFMC International Fixed Income Trust	13,500	New Entity in 2020
VFMC Investment Trust I	9,750	9,750
VFMC Investment Trust II	25,500	25,500
VFMC Investment Trust IV	14,900	14,900
VFMC Opportunistic Strategies Trust	6,700	6,700
VFMC Yield Optimised Dividend Accumulator Trust	12,300	12,300
Victorian Managed Insurance Authority	142,400	142,400
Victorian WorkCover Authority	330,000	330,000

Notes:

*Includes an audit of a performance statement

^(a)Transitional arrangements applied to these entities with audit fees paid to the ASP.

Source: VAGO.

APPENDIX C

PAEC's recommendations

FIGURE C1: **Extract of recommendations relevant to improving audit quality in the financial audit business unit from PAEC's independent audit of VAGO**

No.	PAEC recommendation	Auditor-General's comment	Proposed action/s
12	That VAGO ensures all changes to the financial audit methodology are sufficiently documented and readily identifiable.	As we advised the review team the changes made to the methodology are readily identifiable because we automatically maintain version histories, from which it is a simple process to compare versions if needed to see what changes have been made in response to suggestions.	We will in future also retain marked up PDF copies of versions with tracked changes, to make it easier for an external reviewer to also identify them.
13	That VAGO conducts the future piloting of replacement software tools in a more structured manner led by an expert team to ensure adoption of a consistent approach and all issues are identified and resolved prior to full rollout. Staff feedback should be obtained and addressed after this.	<p>The report notes that for the methodology pilot Directors 'had discretion on whether to adopt EPIC for one or all of their audits'.</p> <p>To be clear, all Directors were required to pilot its use on at least one audit, but they were left to judge whether they would extend the pilot to other audits. This based on the capacity of their teams.</p> <p>The pilot and associated training was coordinated, with the first tranche focused on planning, and delivered at the time of the year that all teams undertake planning. This allowed them to work on live files and share their experiences with other teams before, during and after training.</p> <p>The second tranche focused on the conduct phase and again we timed the training for when teams were in this phase of their audits.</p> <p>In addition, training and guidance material, and the methodology itself was updated and refined based on</p>	<p>As part of our current, and any future pilots, we will continue to:</p> <ul style="list-style-type: none"> • maintain a register of staff feedback which documents matters identified by staff along with the resolution of issues. • have a technology champion in each sector • schedule any deployment of a replacement toolset at the commencement of an audit cycle • provide training and ongoing support in logical tranches.

No.	PAEC recommendation	Auditor-General's comment	Proposed action/s
		<p>feedback from audit teams during the pilot.</p> <p>It remains unclear why this was considered not to be sufficiently systematic.</p> <p>We have already commenced a pilot for replacement software to support our FA audits and will apply the same approach to that described above. This pilot is being led by the Audit Quality team.</p>	
14	That VAGO adapts ACAG's National Competency Framework for Financial Auditors to ensure it covers all staff classifications consistent with the financial audit methodology and signing officer delegation arrangements.	We initiated a HR Project: <i>Capability Development Framework</i> in January 2020.	<p>We will:</p> <ul style="list-style-type: none"> research the conceptual underpinnings of the ACAG competency frameworks and their currency analyse each audit role to identify our current capability and competence requirements and compare this to the ACAG framework for any gaps map existing internal or externally sourced training to each role and identify any gaps in the currently provided training and development opportunities identify solutions to fill them.
15	That VAGO establishes a training strategy aimed at consistent delivery of targeted training to financial audit staff at their different levels.	With the prospect of the integration of EPIC into a new toolset, for the remainder of 2020 we will continue our approach to training all FA staff as outlined in comments under recommendation 13 above. After this, it will be appropriate to return to a structured curriculum that is customised to the specific needs of each audit grade.	We will use the outputs from the above <i>Capability Development Framework</i> project to develop a training curriculum which we will progressively deploy over the next three years, starting with the graduate intake in February 2021.
16	That VAGO maintains an up-to-date list of all training provided by staff classification, which is regularly reviewed to ensure that staff receive training relevant to their level/classification	<p>The limitations of our current training booking system preclude easy tracking of staff grade.</p> <p>We have scoped a HR Project: ERP: Stage 3 which will address this.</p>	<p>We will implement a Learning Management System to replace our current training booking system.</p> <p>This system will record all training provided and allow analysis by grade.</p>
17	That VAGO considers obtaining confirmation from Audit Service Providers that their staff on VAGO audits are systematically trained in the use of a contemporary financial audit methodology.	<p>This is already established as a principle during the procurement and empanelling of our audit service providers.</p> <p>I see merit in having empanelled providers positively state that they have adhered to this principle. We have an ASP Panel Refresh project nearing completion. It would be appropriate to specify this in our new</p>	We will update our contractual key deliverables by requiring firms annually to attest to a suite of Audit Quality requirements as reflected in ASQC 1 including confirmation regarding training delivered to audit staff that undertake audits on behalf of VAGO.

No.	PAEC recommendation	Auditor-General's comment	Proposed action/s
		contractual arrangements with the new panel of providers.	
18	That VAGO adapts the ACAG Governance and Audit Framework for Self-Assessment and External Review (2014) to its context. This may be done by reference to Australian National Audit Office and New South Wales Audit Office that have both developed their own comprehensive quality control frameworks.	<p>We have already initiated a Project: <i>Systems of Quality Control</i> the specified deliverables from which will largely address this recommendation in terms of consolidating the documentation of our system of quality control.</p> <p>I note that the ACAG framework has not been reviewed since 2016. I note also that for this PAEC review we developed a self-assessment 'performance portfolio' structured to align with its terms of reference and key areas in this report.</p> <p>As these key areas have been used by the PAEC for the past two reviews, it may be better to maintain our existing portfolio and adapt the ACAG framework into it.</p>	<p>We will:</p> <ul style="list-style-type: none"> • finalise of our ASQC 1 project • ascertain the currency of the ACAG framework and understand whether there is any intent or need to update it • analyse the framework against our performance portfolio to identify any address gaps • maintain our self-assessment using the updated performance portfolio biennially until the next PAEC audit.
19	That VAGO ensures consistency in the understanding and application of its Engagement Quality Control Reviewer Policy by identifying inconsistent practices during Active File Reviews and Post Audit and Assurance Quality Reviews and implementing corrective action.	<p>The new policy will have been in full effect for the 2019–20 financial year.</p> <p>It will be timely to examine its application as part of our cold review processes for both 30 June 2020 audits and again for 30 June 2021 audits.</p>	We will target compliance with our EQCR policies in our post audit quality assurance review programs for the next two audit cycles to determine whether the updated policy has increased understanding and application.
20	That VAGO develop procedures ensuring compliance by both in-house staff and Audit Service Providers with ASQC 1 as this relates to completion/ closure of audit files within 60 days of issue of the auditor's report.	<p>For clarity, it is not a legal requirement to close audit files within 60 days. The requirement is to establish a timeframe for closure where one is not specified in law. ASQC 1 guidance states that 'such a time limit would ordinarily not be more than 60 days'. Per the standards closed files subsequently can be opened in certain circumstances. Our working paper systems have strong audit trails that allow a reviewer to determine if, when and by whom a working paper was changed after the audit was completed. That some inhouse files were not closed within the 60-day period per our own policy is a matter of some administrative concern, but this was not because there are no procedures, or that these are not clear.</p> <p>Both our financial and performance audit procedure libraries and toolsets have an explicit separate procedure for this, with an associated milestone that is tracked in each business unit.</p>	<p>We will amend our key deliverables for our ASPs to require them to confirm they have closed their databases within our policy period of 60 days.</p> <p>That this has happened we can check as part of our post audit quality reviews of our ASP files.</p>

No.	PAEC recommendation	Auditor-General's comment	Proposed action/s
25	That VAGO undertakes a training needs assessment for members of the Audit Quality and Financial Reporting Advisory team. Based on this analysis VAGO should develop training programs to ensure members are appropriately qualified to maintain and monitor the quality control framework.	The technical audit teams are small and change over time. Their training needs will invariably differ depending on their qualifications and experience. We will address immediate individual needs through our routine annual performance development process, presently underway.	We will: <ul style="list-style-type: none"> establish the specific skills and competencies required for the technical team and capture these in the auditor competency framework undertake a gap assessment for current and any new members on appointment tailor a training program and include this in development plans of each team member.
26	That VAGO develops a proactive professional development program for junior and mid-level staff, which may include opportunities for broader development targeted at developing high performing staff for future leadership roles.		Refer to our responses to recommendations 14 for audit staff and recommendation 30 for all staff.

Note: The full tabled report is available at: www.audit.vic.gov.au/sites/default/files/compliance/Independent-Performance-Audit-of-VAGO-2020.pdf.

Source: Allen + Clarke Consulting's *Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General's Office* 31 July 2020.

APPENDIX D

Disclosure checklist: Prescribed and voluntary information

Schedule 7A of the *Corporations Regulation 2001* sets out the information that must be included in an audit firm's transparency report. Our transparency report addresses these requirements unless the requirement is not applicable to us. ASIC's *Information Sheet (INFO 184) Audit Transparency Reports* details information that auditors may voluntarily include in transparency reports.

In Figure D1, we provide the location of the compulsory and voluntary information included in this report and our *Annual Report 2019–20*.

FIGURE D1: Location of *Corporations Regulations 2001* Schedule 7A Prescribed Information and ASIC voluntary information

	Relevant to VAGO	Transparency report reference	Annual report reference
Prescribed information			
If the auditor belongs to a network, a description of: <ul style="list-style-type: none"> the network the legal arrangements of the network the structural arrangements of the network 	N/A	N/A	N/A
A description of the auditor's internal quality control system	✓	Chapter 3	Section 5.5
A statement that sets out the auditor's independence practices in the relevant reporting year	✓	Section 3.3	Section 5.4
The name of each body that is authorised to review the auditor and the date of the most recent review of the auditor conducted by the body	✓	Chapter 4	Section 1.7
The names of the relevant bodies in section 322 of the <i>Corporations Act</i> for which the auditor conducted an audit under Div 3 of Pt 2M.3 in the relevant reporting year	✓	Appendix B	N/A
Financial information for the auditor that relates to the relevant reporting year, including:	✓	Section 2.4	Section 7.1

	Relevant to VAGO	Transparency report reference	Annual report reference
<ul style="list-style-type: none"> total revenue revenue relating to audits of financial statements conducted by the auditor and other services provided by the auditor 			Section 7.2
A description of the firm or company's:			
<ul style="list-style-type: none"> legal structure ownership governance structure 	✓	Section 2.1 Section 2.1 Section 2.2	Section 1.1 Section 1.1 Section 1.2
A statement by the firm's administrative body or management body (or the company's board of directors) on the effectiveness of the functioning of the internal quality control system in the relevant reporting year	✓	Chapter 3	N/A
The date on which the firm or company most recently conducted an internal review of its independence compliance	✓	Section 3.3	1.7
A statement about the firm or company's policy on the minimum amount and nature of continuing or other professional education that professional members of an audit team must undertake during the relevant reporting year	✓	Section 3.5	Section 4.3
Information about the basis for remuneration of the firm's partners or the company's directors	✓	Section 2.4	Section 7, Note 9.2 of the Financial Report
Voluntary information			
If the auditor belongs to a network, the report may include information about the degree to which the network sets policy and monitors compliance and structural arrangements in the network, including the degree of authority the network has over the audit firm	N/A	N/A	N/A
Actions to improve audit quality how the auditor:			
Promotes, evaluates and monitors professional scepticism and compliance with auditing standards	✓	Section 2.2	Section 5.5
Promotes a culture of audit quality (e.g. messages from leadership focusing on audit quality, education initiatives, key focuses in quality reviews, and encouragement of consultation on complex audit issues)	✓	Chapter 3 Appendix A	Section 2.2 Section 5.5
Ensures that partners/directors, staff and experts with appropriate experience and expertise are assigned to audit engagements having regard to, for example, workload, technical competence, and audit, industry and other relevant experience	✓	Section 3.6	Section 4.1 Section 4.2
Approaches supervision and review, including the extent of partner/director involvement in working with audit teams in the planning and execution of audits, and the extent of real-time or post-completion quality reviews of engagements	✓	Section 3.7	Section 5.5
Holds partners/directors and leadership accountable for audit quality, including how performance is measured on audit quality, how such performance is assessed, and the extent to which this affects remuneration	✓	Section 3.2	Section 5.5
AQI—quantitative metrics			

	Relevant to VAGO	Transparency report reference	Annual report reference
<p>If quantitative input measures of audit quality are referred to in a transparency report, the reasons why those measures are considered appropriate, the impact of measuring each particular aspect of audit quality, any limitations of those measures, and the results of applying such measures</p> <p>Measures should be presented on a comparable basis from year to year. If the auditor chooses to discontinue, amend or replace any measure previously included in a transparency report, the previous measure should generally also be included with the reasons for the change.</p>	✓	Appendix A	N/A
Findings from ASIC inspections			
<p>The report may include the firm's actions to address overall themes about the quality of audits at firms generally, as identified in the most recent public audit firm inspection report issued by ASIC</p> <p>To reduce the risk that a transparency report is misleading, it should include a statement that the reader should not make any assumptions about the scope of, or findings from, any ASIC review</p>	✓	N/A	N/A
Findings from external reviews			
<p>The report may include areas for improvement derived from reviews by other relevant external bodies on audit quality</p>	✓	Chapter 4	Section 1.7

Source: VAGO, based on ASIC's *Information Sheet 184*.

APPENDIX E

Acronyms and abbreviations

Acronyms

ACAG	Australasian Council of Auditors-General
ASIC	Australian Securities and Investments Commission
ASP	audit service provider
AQI	audit quality indicator
AUASB	Auditing and Assurance Standards Board
CA ANZ	Chartered Accountants Australia and New Zealand
EQCR	engagement quality control reviewer
FTE	full-time equivalent
IOSCO	International Organization of Securities Commissions
ISA	information systems auditing
OMG	operational management group
PAEC	Public Accounts and Estimates Committee
SMG	strategic management group
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate

Abbreviations

ASA 220	<i>ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i>
ASA 700	<i>ASA 700 Forming an Opinion and Reporting on a Financial Report</i>
ASQC 1	<i>ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>
CPA Australia	Certified Practising Accountant Australia

All reports are available for download in PDF and HTML format on our website
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