

# Transparency Report

2020–21



# Transparency Report 2020–21

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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# Report snapshot

The purpose of this transparency report is to enhance our stakeholders' understanding of our audit quality and internal quality control system.

## Why this report is important

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

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

However, as the public sector equivalent of an audit firm, we choose to adopt the requirements of the *Corporations Act 2001* to

the extent they are relevant and appropriate to us.

Our transparency report expands on our annual report disclosures. It focuses on how our quality control system supports our auditors to perform high-quality financial and performance engagements.

## What's in this report

This is our second transparency report, which now includes information about our performance engagements. In it we discuss:

- our investment in audit quality
- our legal structure, governance and finances
- our internal quality control system and how it aligns with

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

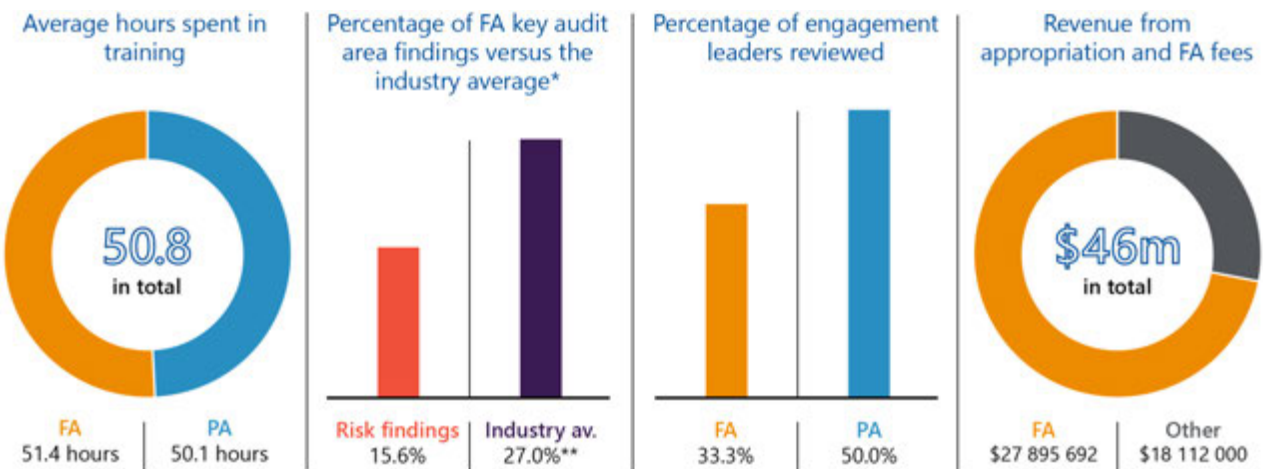
- external reviews and audits of us.

In Appendix E, we reference our disclosures in this report and our annual report against the relevant *Corporations Act 2001* requirements.

## 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 in 2020–21.

## Key facts



Note: \*Key audit area findings represents percentage of internal financial audit Post Audit Assurance Quality Review (PAAQR) findings of risk of material misstatement/financial statement components reviewed in our PAAQR process versus ASIC's industry average

\*\* Refer discussion of ASIC's results at Section 4.3 of this report

Source: VAGO

# 1.

## About VAGO

### Overview

VAGO is a not-for-profit public sector entity. We provide assurance to Parliament and Victorians on the Victorian public sector's performance and accountability. We do this through an annual program of financial and performance audits, reviews and investigations of state and local government entities.

We audit over 550 public sector agencies' financial reports and 110 performance statements. We also audit the annual financial report of the State of Victoria and review and report on the estimated financial statements of the State of Victoria. In 2020–21, we tabled 16 performance engagement reports in Parliament.

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

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### This chapter discusses:

- Our legal structure and ownership
  - Our governance structure
  - Our engagement roles and responsibilities
  - Our finances
-

## 1.1 Our legal structure and ownership

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

Section 78 of the Audit Act requires us to comply with the Australian Auditing and Assurance Standards, which are issued by the Auditing and Assurance Standards Board (AUASB).

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The **Australian Auditing and Assurance Standards** outline auditors' requirements and provide guidance on the form and content of audit and assurance reports.

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### Financial audits

Our financial audits provide assurance that the information in public sector agencies' financial reports is reliable, relevant, presented fairly and in accordance with the Australian Accounting Standards and other relevant legislation. The agencies we audit include:

- government departments
- statutory bodies
- educational institutions
- public health services
- water corporations
- insurers
- local government councils.

### Performance audits

We conduct performance audits that assess the effectiveness, efficiency, economy and compliance of government agencies, programs and services. With our follow-the-dollar powers, we can audit community sector and for-profit organisations that provide government services. We can also audit how recipients use government grants.

### Assurance reviews

Our assurance reviews focus on either financial issues or performance-related matters. Assurance reviews primarily rely on representations and other evidence produced by an entity. As a result, these reviews provide less assurance than an audit engagement. We aim to have enough confidence in our conclusions for them to be meaningful though.

As these reviews provide limited assurance, we typically express our opinions negatively. For example, that nothing has come to our attention to indicate there is a problem. For more information about the difference between audits and assurance reviews, see the [Our assurance services](#) fact sheet on the VAGO website.

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Access the ***Our assurance services*** fact sheet at [www.audit.vic.gov.au/sites/default/files/Our%20role/Our-assurance-services.pdf](http://www.audit.vic.gov.au/sites/default/files/Our%20role/Our-assurance-services.pdf)

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## 1.2 Our governance structure

Our strategic management group (SMG) and audit and risk committee are the two key governing bodies that focus on audit quality. These bodies establish, promote, support and monitor the quality of our engagements and our compliance with:

- the AUASB standards
- relevant ethical requirements
- applicable legal and regulatory requirements.

### Strategic management group

SMG consists of our senior leadership group, which includes the Auditor-General, Deputy Auditor-General and Assistant Auditor-Generals of our financial audit and performance audit business units.

SMG is responsible for designing our organisational structures, which includes assigning and delegating authority. SMG also drives innovation and develops our auditors' capabilities.

### Audit and risk committee

Our audit and risk committee has a minimum of three independent members (including the chairperson) who are not VAGO employees. The Auditor-General appoints the chairperson and the independent members to the committee.

Our audit and risk committee provides independent support and advice to help the Auditor-General carry out their:

- responsibilities to manage VAGO's risk, control and compliance framework
- external accountability responsibilities as prescribed in the *Financial Management Act 1994* and other relevant legislation and requirements.

The audit and risk committee also monitors our audit quality and compliance. It provides an annual report to the Auditor-General that summarises the key matters it examined during the year and their outcomes.

The audit and risk committee's responsibilities are prescribed in the *Standing Directions 2018 Under the Financial Management Act 1994* and further defined in its charter, which the Auditor-General approves.

### Leadership roles for our quality control system

At an individual level, all of our auditors are responsible for delivering quality outcomes in the work they perform. However, our operational management group (OMG), Assistant Auditors-General, audit quality director and financial reporting advisory director have specific responsibilities and accountabilities for our quality control system and in promoting, evaluating and monitoring professional scepticism and compliance with auditing standards.

We also 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.



Figure 1A shows the roles, groups and committees involved with our quality control system.

FIGURE 1A: **Governance arrangements supporting audit quality**



Source: VAGO.

## 1.3 Engagement roles and responsibilities

### The Auditor-General

- responsible for our quality control system and audit quality (for the purpose of Auditing Standard 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) and 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 financial audit opinion (in accordance with part 3 of the Audit Act and as required by Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700))
- responsible for issuing an assurance report on a performance engagement (in accordance with section 56(1) of the Audit Act and as required by Australian Standard on Assurance Engagement ASAE 3500 *Performance Engagements* (ASAE 3500)).

## Engagement teams

At VAGO, an engagement team consists of all the staff who work on an engagement. An engagement team also includes any other individuals who perform audit procedures on the engagement but excludes external auditor's experts. For our financial audits, our audit service providers (ASP) are also part of our engagement teams. Figure 1B outlines the roles and responsibilities in our engagement teams.

An **auditor's expert** is a person or organisation who is an expert in a non-auditing-related field. They help auditors obtain audit evidence. Also, considered a subject matter expert (SME).

## Engagement leaders and signing officers

By law, the Auditor-General is the 'engagement partner' (or 'engagement leader', 'lead assurance practitioner' or 'signing officer') and 'auditor' for all financial and performance engagements according to the Audit Act and for the purpose of the Australian Auditing and Assurance Standards.

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

- ASA 220 responsibility for a financial audit's quality control to a VAGO staff member or an ASP Partner who is a registered company auditor
- ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* responsibility for the overall quality of an assurance engagement to a VAGO staff member
- ASA 700 signing officer role to a VAGO staff member or an ASP Partner who is a registered company auditor (but only in limited circumstances as specified by section 8(2) of the Audit Act).

When undertaking financial audits, we supplement our workforce with **ASPs** to ensure we have the relevant competency and resources. An ASP can be any firm we contract to conduct an audit or assurance engagement on our behalf. We discuss this in more detail in Section 3.5.

The Auditor-General's ability to delegate powers and functions is a key point of difference between us and private audit firms. 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.

FIGURE 1B: Engagement team roles and responsibilities

Role	Financial engagements	Performance engagements
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 before signing the audit report.	The Auditor-General is responsible for transmitting the report to Parliament and for its contents, including the: <ul style="list-style-type: none"><li>• conclusions expressed</li><li>• recommendations made</li><li>• other information in the report.</li></ul>
Engagement leader	Responsible for the overall quality of the engagement and complying with ASA 220. For ASP audits, the engagement leader is the partner of the ASP firm.	Responsible for the overall quality of the engagement in accordance with ASAE 3000.
Team leader	Responsible for directing the engagement on a day-to-day basis, supervising team members and managing the engagement's time frames and cost.	Responsible for directing the engagement on a day-to-day basis, supervising team members and managing the engagement's time frames and cost.

Role	Financial engagements	Performance engagements
Team members <sup>(a)</sup>	Responsible for undertaking their assigned procedures.	Responsible for undertaking their assigned procedures.
ASP oversight reviewer	Responsible for and/or assisting the VAGO signing officer to perform the required audit procedures outlined in our ASP oversight guidance procedure.	Not applicable to performance audit engagements.

Note: <sup>(a)</sup>Auditor's experts who are engaged as consultants are not team members.

Source: VAGO.

## 1.4 Our finances

### Fees for our financial audit work

We collect fees from public sector agencies for our financial audits and other auditing services, such as grant acquittals and our audits of performance statements. We set our fees in accordance with section 13 of the Audit Act 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 1C: **Revenue from financial audit fees**

2020–21 (\$)	2019–20 (\$)
27 895 692	27 183 361

### Other revenue

We also receive an annual appropriation to conduct services on behalf of the Parliament of Victoria. This includes such services as:

- our performance engagements and assurance reviews of public sector agencies
- results of financial audit parliamentary reports
- our strategic audit planning team's responsibilities and assurance work
- planning our performance audit program.

Our **strategic audit planning team** are responsible for our annual plan and a suite of related products. The team also undertakes assurance reviews that arise from referrals we receive from the public.

FIGURE 1D: **Annual appropriation**

2020–21 (\$)	2019–20 (\$)
18 112 000	17 712 000

## 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*.

## Staff

Our workforce consists of VAGO employees and contractors. 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 sets remuneration bands for each employment category.

All VAGO contractors are also engaged under *Public Administration Act 2004* and are subject to the terms and conditions of their labour hire firm. They are paid on an hourly basis in accordance with fees agreed between VAGO and their labour hire firm. Despite this, they are required to follow all VAGO directions as if they were a VAGO employee in addition to any obligations their firm places on them.

We engage registered company auditors, who we delegate some audits to, and our ASPs under contracts. Their fees are subject to the terms and conditions of these contracts and our audit service provider instructions (ASPIs). We pay their fees when they complete each phase of an engagement and we accept the associated key deliverables.

# 2.

## Investing in audit quality

We have been investing in projects to improve our audit quality, including a new performance audit methodology, new financial audit software and a new capability framework for training our auditors. We have also invested in updates to our ASP procedures, instructions and policies.

In 2021, we published our quality control framework, which brings all aspects of our system of quality control together. As part of this project, we also developed and implemented a quality control framework monitoring procedure.

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**This chapter provides information about our investment in our:**

- Performance engagement methodology
  - Financial audit software
  - ASPs
  - Capability framework
  - Quality control framework
-

## 2.1 Performance engagement methodology project

We are investing in our performance engagement methodology to deliver the highest value to Parliament and our other stakeholders from our performance audit resources.

Our new, flexible risk-based methodology, including our investment in data science and audit tools, will enhance the efficiency and effectiveness of our engagement teams and engagement reports.

The project involves:

- separately developing our performance engagement specifications in our methodology instead of in our annual work plan
- enhancing our risk-based engagement planning, risk response and engagement performance
- refreshing our policies, guidance and tools to better support our engagement teams
- an independent quality assurance review to ensure our refreshed methodology complies with the Audit Act and applicable ASAEs
- training our performance auditors on the new methodology.

We will implement our revised methodology in two stages:

- stage 1: applying our strategic engagement planning from September 2021
- stage 2: piloting our new methodology in early 2022.

## 2.2 Financial audit software project

Advances in auditing software are giving auditors secure and better ways to collaborate with audited entities. New software also provides greater automation to enhance the efficiency and quality of audit work.

We are investing in innovative audit software to support our:

- financial audit engagement teams
- financial audit methodology
- data analytics program.

This project involves:

- acquiring software to replace our integrated database and associated tools that is best suited to our needs and compliant with the Australian Auditing and Assurance Standards
- integrating and further developing our financial audit methodology with the software
- training our financial auditors on how to use the new software
- monitoring the software when we start using it and tailoring it if necessary
- supporting our financial auditors, including technology champions, to use the software.

We plan to implement our new audit software during 2022.

## 2.3 Audit service provider refresh project

Our ASPs make a significant contribution to our financial audit engagement resources, which we describe in Section 3.5. When we use ASPs on our financial audits, the following factors are critical to audit quality:

- the ASP's own:
  - data security
  - audit quality control system and framework
  - audit methodologies and technologies
  - data capabilities
- how we oversee and monitor their work.

The auditing industry is rapidly evolving and we do not want public sector auditing to fall behind. In response to this, we refreshed our ASP panel in the 2021 fiscal year because our earlier panel conditions were no longer fit for purpose. Refreshing our panel reduced the number of firms we work with from approximately 25 down to nine.

As part of this project, we have been updating our contractual requirements for ASPs, ASPIs, key deliverables and related audit quality policies. Once complete, we will formally launch our new ASPIs and key deliverables and provide training to our ASPs on how to use them.

We are onboarding our new ASP panel for reporting periods ending 31 December 2021 and 30 June 2022.

## 2.4 Capability framework project

It is crucial for us to invest in our auditors' technical skills, including a mixture of analytical, technology, communication and interpersonal skills.

We are investing in a capability framework and training curriculum that aligns with our audit requirements and will support potential career progression within VAGO.

This project involves:

- identifying the key skills and competencies required to successfully perform each audit role in our performance audit and financial audit business units
- mapping our current training modules to the new capability framework
- identifying and addressing gaps in our current training and development opportunities.

We will implement our new framework in two stages:

- stage 1: publishing our capability framework
- stage 2: addressing identified training gaps.

We plan to complete this part of the project by 30 June 2022. This project will also better align training and development at VAGO with our recruitment and retention strategies.



## 2.5 Quality control framework project

In 2021 we published our quality control framework, which brings all aspects of our quality control system together. As part of this project, we also developed and implemented a quality control framework monitoring procedure.

We have always had appropriate policies and procedures in place to ensure we comply with ASQC 1, ASA 220 and the Accounting Professional and Ethical Standards Board's APES 320 *Quality Control for Firms* and other relevant legislation. However, we did not have an overarching framework and formal monitoring procedure for our quality control system.

In 2021–22, we will refresh our quality control system and framework to implement the following new quality standards issued by AUASB:

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*
- ASQM 2 *Engagement Quality Reviews*
- revised ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

# 3.

## Our quality control system

### Statement on our system of quality control

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

This chapter describes each element of our quality control system.

Our quality measures, internal monitoring programs, and feedback from independent reviews give us a sufficient basis to conclude that our quality control system functioned effectively in 2020–21.

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#### This chapter discusses:

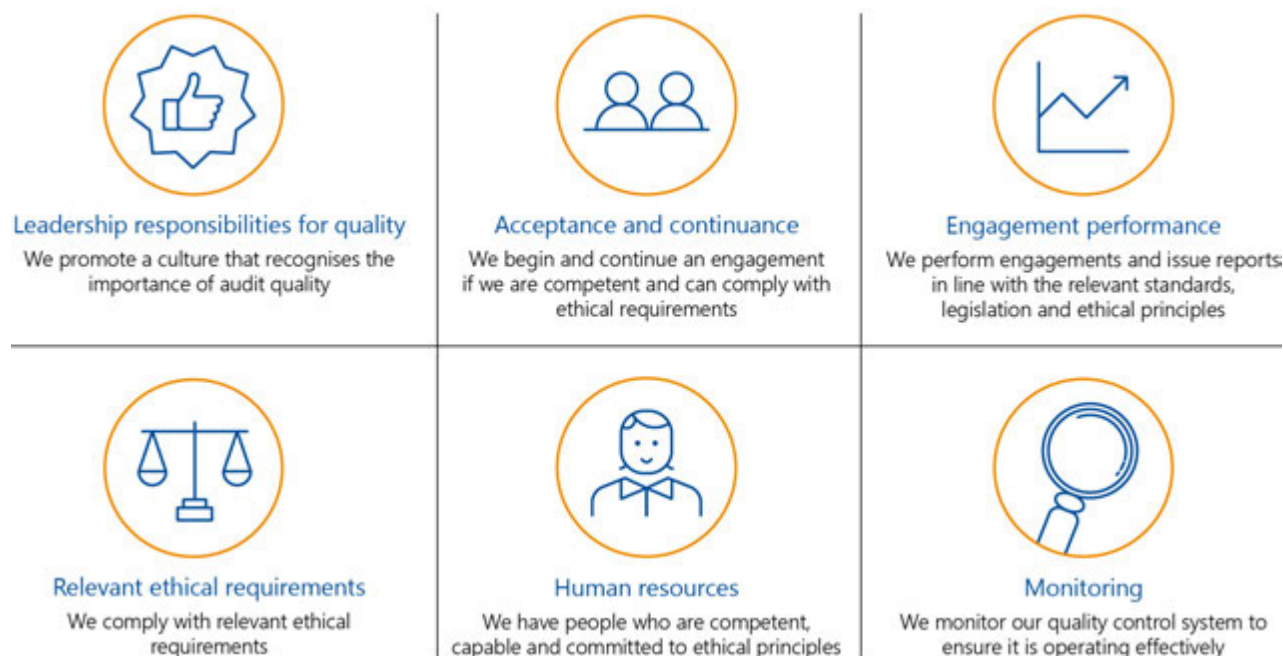
- ASQC 1 elements of quality control
  - The elements of our quality control system, including:
    - Leadership responsibilities for quality
    - Relevant ethical requirements
    - Acceptance and continuance of client relationships and specific engagements
    - Human resources
    - Engagement performance
    - 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.

### 3.2 Leadership responsibilities for quality

#### Ultimate responsibility for our quality control system

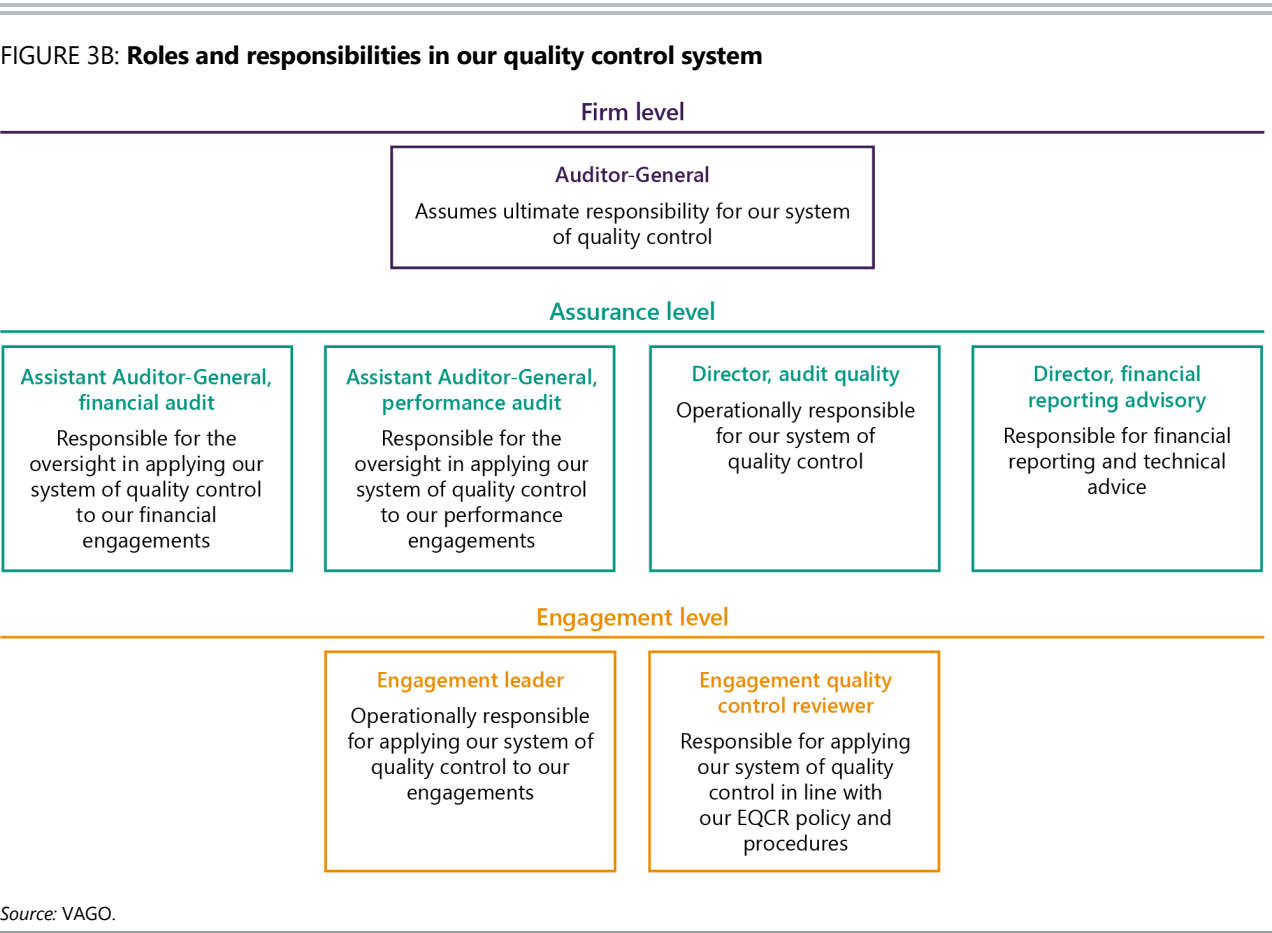
##### ASQC 1 requirement

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 its performance.

While the Auditor-General is ultimately responsible for our quality control system and performance, all of our staff have a role in upholding audit quality. Figure 3B shows the roles and groups that are responsible for different parts of our quality control system as it applies to our financial and performance engagements.



Source: VAGO.

## Operational responsibility for our quality control system

### ASQC 1 requirement

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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.

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### Summary of what we do

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

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Our audit quality director is operationally responsible for our quality control system. They also provide support and advice to our auditors on complex auditing matters. These requirements are specified in their approved position description. They are also a member of our audit report modification and technical panels.

Our financial reporting advisory director is operationally responsible for providing support and advice to our financial auditors 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 and performance audit business units.

## Our commitment to create a culture of audit quality

### ASQC 1 requirement

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

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### Summary of what we do

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We express our commitment to creating a culture of audit quality in various ways.

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Our SMG promotes audit quality through a number of initiatives, including:

- 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
  - our 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

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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
- 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 engagements 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.

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##### Summary of what we do

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- All of our staff 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 staff are only permitted to engage in secondary employment in rare circumstances with the prior approval of their business unit's leader.
  - All of our staff complete a suite of compulsory ethical and independence training courses when they join VAGO. They must complete refresher courses on these topics annually.
  - We have clear policies for accepting and providing gifts, benefits and hospitality. We publish our gifts and benefits register on our website and update it every six months.
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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 staff and ASPs understand and comply with our ethical requirements. We have a range of processes to monitor compliance.

## Independence declarations

Our conflict of interest policy and employee declaration procedure require our staff to complete an independence declaration:

- when they join VAGO
- if their circumstances change
- again, each year before 30 September.

We also require all engagement team members, including internal and external subject matter experts, to confirm and declare their independence prior to each engagement commencing and in changes in circumstances.

We require our ASPs and external subject matter experts to provide a written attestation to their independence upon tendering and their appointment as a VAGO ASP or external subject matter expert. Our ASPs also provide these attestations at the commencement and completion of each financial audit engagement. We require our ASPs to have an appropriate system to maintain their independence in accordance with the Auditing and Professional and Ethical Standards.

A member of our human resources team will notify the Assistant Auditor-General of financial audit or the Assistant Auditor-General of performance audit (as appropriate) of a staff member's independence declaration if a conflict of interest exists. One of our two Assistant Auditor-Generals will approve any actions needed to reduce the threats to our independence.

We review compliance with our conflict of interest policy and independence declaration procedure annually. Our financial audit signing officers and engagement leaders also have a responsibility to monitor independence throughout each audit engagement on an ongoing basis. There were no breaches of our conflicts of interest policy in 2019–20 and 2020–21.

## Ethical requirements training

We have a range of processes to monitor and ensure our staff understand and comply with our ethical requirements. When we onboard new staff, we provide mandatory and assessment-based ethics training modules. Staff must complete these modules again each year as part of our annual compliance program, which our SMG monitors. All financial and performance audit team members completed the annual mandatory compliance training by the due date in 2019–20 and 2020–21.

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 staff to offer or receive gifts, benefits or hospitality that could reasonably be perceived to affect our independence or our impartial performance of official duties. We have a range of guides and provide examples to ensure our staff know:

- when they should reject a gift
- how to give and receive gifts for business purposes
- how to record items on our gifts, benefits and hospitality register.

Our fraud, corruption and conflicts of interest training also covers these requirements.

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

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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.

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### Summary of what we do

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We have performance audit and financial audit policies for rotating senior engagement team members in line with ASQC 1.

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To avoid actual and perceived threats to our independence caused by our staff becoming familiar with employees from the entities we audit, we rotate the following engagement team members on or before the following periods:

- engagement leader—at least every seven years
- engagement quality control reviewer (EQCR)—at least every seven years
- team leader—at least every five years.

The Assistant Auditor-General of financial audit and Assistant Auditor-General of performance audit are responsible for rotating senior members of our engagement teams. Both business units monitor the rotation of senior team members through their annual resourcing allocations. We have the same rotation requirements for our financial audit ASPs.

We also maintain registers to:

- track how long our auditors have worked in each sector and on each audited entity
- assess the amount of time senior team members have spent on each engagement.

There were no breaches of our financial audit or performance audit rotation policies in 2019–20 and 2020–21.

## 3.4 Acceptance and continuance of client relationships and engagements

### ASQC 1 requirement

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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.

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### Summary of what we do

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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.

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The Audit Act:

- requires the Auditor-General to audit the financial statements of each public body in Victoria
- gives the Auditor-General the mandate to undertake performance engagements of Victorian public sector entities' and of their objectives, operations and activities.

As we undertake our audits within this mandate, certain ASQC 1, ASAE 3000 and ASA 220 requirements that relate to accepting and continuing engagements are not applicable to us.

Instead, the Audit Act establishes our acceptance and continuance criteria. Where relevant, we have documented our acceptance and continuance policies and procedures in line with the standards as it applies to the public sector.

For performance engagements, the Audit Act requires us to consult with the Public Accounts and Estimates Committee (PAEC) on our performance audit specifications. ASAE 3500 requires us to communicate the terms of the engagement at the start of each performance engagement. We do this during the performance engagement initiation, as detailed in our performance audit methodology procedures.

For continuing engagements, the engagement leader confirms that the engagement is still within our mandate each year.

### Other services

We may conduct financial audits by arrangement under section 23 of the Audit Act. This section requires public bodies to obtain ministerial approval before requesting us to provide other auditing services. The Auditor-General approves these requests.

To maintain our independence and objectivity, we do not permit our ASPs to provide non-assurance services to an audit client during their contracted period without the Auditor-General's prior written approval.

## Dispensed audits

Section 10(2) of the Audit Act allows the Auditor-General to dispense with the audit of a financial report. Appendix C lists the audits we dispensed in 2020–21.

Due to changes to the Audit Act effective from July 2019, the Auditor-General became the auditor of all public bodies, including 37 entities under the *Health Services Act 1988*. Our program to transition these audits to our office included dispensing of seven audits between 2019 and 2021. This transition period allowed the orderly transition of the auditor in line with the Corporations Act 2001. The Auditor-General has not dispensed of any audits for the reporting period beginning 1 July 2021.

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A **dispensed audit** is an audit that the Auditor-General has formally relinquished their right to undertake during a reporting period. The Auditor-General dispenses of audits when it is impractical for us to undertake them. When this happens, the reporting entity appoints their own auditor for the financial year.

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## 3.5 Human resources

### ASQC 1 requirements

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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 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

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- We set minimum academic and professional competency standards that our staff must meet to be appointed to or progress to more senior audit roles.
  - All of our employees have agreed performance and development goals. We review and assess performance against these goals on an ongoing basis and biannually in formal reviews.
  - We provide structured learning to all new staff, 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 Australian accounting, auditing and assurance standards and how to use our 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 recognise that diverse and inclusive workforces are more capable at meeting business needs, are adept at providing different ways of looking at work issues and drive higher innovation and productivity.

Our human resources policies and procedures are designed to recruit and promote staff with the competence, capabilities and commitment to the ethical principles that are necessary to perform our engagements to a high standard. Our recruitment assessment criteria include:

- qualifications
- experience
- a range of behavioural and operational attributes
- reference and security checks.

At VAGO, recruitment to every position is a merit-based process.

We compensate our employees in accordance with the *Victorian Public Service Enterprise Agreement 2020*. Salary progression depends on satisfactory performance and high performers can achieve a bonus each year. Employees do not receive other forms of incentive-based remuneration.

We manage our senior executive employees' performance in accordance with our executive employment contracts and the *Victorian Public Service Executive Employment Handbook*. Our process reflects the principles outlined in our employee performance policy and associated procedures.

### Performance appraisals

Our employee performance policies and procedures help us develop and monitor our employees' capabilities and competence. This involves self-assessments, manager assessments and a calibration process.

We encourage our employees to actively support each other 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. Our goal setting and performance evaluation processes also include audit quality criteria.

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

Our employees' ongoing development is essential to audit quality. We support our people to harness new and emerging technical, analytical and management capabilities.

We provide structured learning for all new staff and run a graduate induction program. We supplement on-the-job training and coaching with training sessions, e-learning modules and guidance materials. Our formal technical training includes:

- modules on our audit methodology and tools
- updates or changes to professional standards
- our regulatory environment and ethical requirements.

We continue to build our auditors' technical capability by providing updates on new accounting and auditing standards and audit methodologies. We also hold workshops and seminars to increase our employees' capability and knowledge. All employees 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 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 our annual performance program. We monitor completion of our mandatory training modules, including completion of our annual compliance program.

Most of our financial auditors 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 staff maintain the minimum professional training requirements for these memberships. Our performance audit team members have extensive experience in data analytics and policy development.

## Audit quality and financial reporting advisory teams

Our employees' auditing, accounting and financial reporting skills are essential to the quality of our engagements. Our audit quality team and financial reporting advisory team support our engagement teams to apply the Australian Accounting Standards and Australian Auditing and Assurance Standards by:

- providing tools, guides and training
- responding to enquires and providing technical consultations about complex accounting, auditing and financial matters.

Our financial reporting advisory team provides training to our financial auditors on how to apply Australian Accounting Standards in our public sector context.

The audit quality team provides training to our financial auditors on:

- how to apply the Australian Auditing and Assurance Standards in our public sector context
- our audit methodology and tools.

Our performance audit business unit provides an in-house training program led by performance audit staff. Performance audit staff also attend Australasian Council of Auditors-General (ACAG) training sessions and outsource specific speciality training.

### Assigning staff to engagements

It is important our engagement teams have the capacity and capability to respond to the specific risks and requirements of each engagement. To support this, we have policies and procedures and use:

- resourcing strategies
- suitable subject matter experts
- appropriate recruitment practices
- professional development criteria.

Our resourcing strategy considers a mix of in-house staff, external subject matter experts and ASP resources to deliver quality outcomes for our financial audit program. We allocate resources to audits based on:

- the budget prepared for each engagement
- the capabilities required to address each audit's risk level.

Our Victorian public sector (VPS) level allocation policy for financial audit engagements specifies the minimum VPS employment levels for engagement teams. This policy establishes the minimum VPS grade allowed to deliver an audit engagement role, depending on the nature of the engagement i.e. material entities, non-material entities or oversight of ASP engagements, or the audit risk.

We configure engagement teams to ensure we have the technical capability and experience to undertake each engagement. We assign responsibility to an engagement leader with the appropriate competence, capabilities, and authority to perform the role. We also have specialist data analytics, systems assurance, and data science resources available when responding to identified audit risks. When needed, we contract a variety of subject matter experts to supplement our engagement teams' capabilities when responding to identified audit risks.

### Audit service providers

We employ ASPs to help deliver our annual financial audits. Our procurement process for ASPs assesses their capability, ethical requirements and quality control system.

When working on our behalf, the ASP engagement leader is responsible for the quality for each audit. In accordance with our ASP oversight policy, VAGO signing officers remain responsible for the audit opinions we issue.

The sector director determines the level of ASP oversight required for each audit and assigns an ASP oversight reviewer. The level of oversight may range from low to high in any given year. It is influenced by:

- the ASP engagement leader's assessment of the pervasive inherent risks at the entity level
- the signing officer's determined ASP engagement leader's risk, which they assess using our ASP oversight risk assessment questionnaire.

During an ASP engagement, the ASP oversight reviewer is responsible for and/or assists the signing officer to complete the required audit procedures outlined in our

ASP oversight guidance procedure. Our ASPs submit key deliverables that include attestations and work completed to help us oversee their work.

Our ASPs use their firm's audit methodology when conducting our engagements and are contractually required to comply with Australian Auditing Standards. They also comply with our ASPIs when completing audits on our behalf.

As discussed in Section 4.3, our ASPs may be inspected by the Australian Securities and Investments Commission (ASIC).

## 3.6 Engagement performance

### Audit methodology and tools

#### ASQC 1 requirements

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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.

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#### Summary of what we do

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- We have a risk-based audit methodology for our financial auditors.
  - We are refreshing our risk-based strategic planning and performance audit methodology.
  - We use our data analytics tools to better understand our agencies and conduct risk assessments.
  - We have a series of templates and guidance materials to support the quality and efficiency of our engagements.
  - 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 ensure more-experienced engagement team members review work that less-experienced engagement team members complete.
- 

#### Our financial audit methodology

Our risk-based EPIC Methodology, which complies with the Australian Auditing Standards, includes integrated audit policies, guidance, processes and procedures designed for the public sector across 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 if the audited entity has the controls to adequately mitigate any risks that the audit identified.

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 financial engagements and refresh it on an ongoing basis to ensure it complies with the Australian Auditing Standards.

### Our performance engagement methodology

Our performance audit methodology procedure (AMP) Lotus Notes database contains our performance engagement methodology, including the relevant policies, procedures, guidance and tools.

We started refreshing our performance engagement methodology in 2020–21, which includes updating our strategic engagement planning approach. This approach will help us identify risk-based topics and design risk-based engagement activities that promote accountability, drive improvement and are significant to the Victorian Parliament, public sector and community.

### Data science and data analytics

We have dedicated teams to support our financial and performance audit engagements. Our data analytics team primarily focus on our financial audits. Our data science team mainly works on our performance engagements. These teams help our auditors to:

- translate audit objectives into questions that can be addressed using data analytics
- acquire, cleanse, check, transform and map source data
- sample data
- perform planning analytics using our data analytics platform Empower
- substantively test tools
- communicate and visualise data analytics results.

Our data science team uses publicly available data and data owned by government agencies to conduct statistical and other analyses to realise our audit objectives.

Our data teams also support our auditors by providing training and other forms of knowledge and skill transfers. They train our performance auditors to apply statistical analysis skills and use relevant software applications and tools, such as Python and Microsoft Power BI. They train financial auditors to use our bespoke data analytics platform Empower.

### Empower

We have internally developed our own data analytics platform, which is called Empower. Empower gives our auditors access to data and pre-built visualisations across 55 classes of transactions/account balances and 30 audit clients.

Engagement teams use Empower to:

- access data to do their audits
- undertake risk assessments to:
  - better understand classes of transactions
  - develop an audit approach
- identify higher-risk journal entries that require further testing
- perform audit procedures that involve selecting and evaluating a statistical sample
- re-perform rule-based audit procedures, which auditors previously had to complete manually
- help them match financial records to their audit clients' financial statements
- present impactful audit findings and offer richer insights.

In 2021, our financial audit business unit refreshed its financial audit data champion group to support our financial auditors to apply our data analytics approach.

### Systems assurance

Our systems assurance team supports our engagement teams when they need specialist information technology (IT) skills for:

- IT general controls (ITGC) testing
- IT application controls (ITAC) testing
- detailed substantive testing relevant to data migration.

They also provide advice about ITGC and ITAC to our financial auditors. At times, our systems assurance team helps financial auditors when controls are deficient at an entity we are auditing. For example, testing the configuration of a report. They also assist with substantive audit procedures where IT expertise is needed. For example, reviewing Python scripts that have been used for substantive testing.

### Engagement teams

We use specialist systems assurance and data analytics resources and contract a variety of experts to supplement our engagement teams' skill sets.

When planning our engagement teams, we consider a mix of in-house and external resources to deliver quality outcomes for our financial and performance engagement programs. We allocate resources based on each engagement's budget and needs.

For our performance engagements, resourcing and scheduling starts with annual planning. Available tabling dates for our reports, which Parliament determines, is a key factor in how we schedule our engagements. Sector teams determine the scope,

timelines, staffing requirements and hours for each planned engagement. This information informs our annual work plan for performance engagements. We reconcile this plan against our annual appropriation and available staff hours and adjust it as necessary.

For our financial engagements, 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.

In addition to the rotation policy we describe at Section 3.3, operationally we plan to rotate our audit staff off an engagement:

- up to two years for graduates
- on or before five years for auditors
- senior engagement team members every five to seven years.

This allows us to continually share knowledge while maintaining compliance with our ethical requirements.

We also have oversight procedures, contract-management processes and annual performance assessments to monitor the quality of ASPs.

### 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 less-experienced engagement team members' work. For all engagements, the engagement leader is responsible for ensuring these reviews are performed in accordance with our policies and procedures.

## Consultations and differences of opinion

### ASQC 1 requirements

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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

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We have policies, procedures and guidelines to provide us with reasonable assurance that:

- appropriate consultations take place on difficult or contentious matters
  - sufficient resources are available to enable appropriate consultations.
- 

### Financial audit consultations

We require engagement leaders to consult with our financial reporting and advisory team or audit quality team on:

- significant accounting and auditing issues
- difficult or contentious matters.

Our consultation policy outlines our principles for assessing significant matters that require consultation. We have protocols and online forms to facilitate consultations and maintain a consultation register.

Our financial reporting advisory team and audit quality team include audit and accounting subject matter experts. We encourage our auditors to consult with these subject matter experts where appropriate. Engagement teams record consultation outcomes in their engagement files. Our technical panel meets monthly to consider significant and contentious accounting and auditing-related matters.

### Performance engagement consultations

Our acquittal processes require engagement leaders to consult with their EQCR, the Auditor-General and the Assistant Auditor-General of performance audit to resolve internal differences of opinion. As part of the acquittal process, we document the conclusions we reach before finalising the engagement documentation and corresponding report. The Auditor-General makes the ultimate decision.

### Differences of opinion

If there is a difference of opinion between a subject matter expert and an engagement team, the engagement leader must refer the matter to the relevant business unit's Assistant Auditor-General and, if needed, the Auditor-General.

If there is a difference of opinion between an EQCR and an engagement leader, the business unit's Assistant Auditor-General and/or staff from the audit quality team will help to resolve it. In line with our EQCR policy, the engagement leader must refer unresolved differences of opinion to the Auditor-General for discussion and resolution.

## Engagement quality control review

### ASQC 1 requirements

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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.

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### Summary of what we do

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For our financial engagements, 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 performance engagements.

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### Financial audit

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 engagement, 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 that shows the EQCR's involvement in an engagement, including discussions with the engagement leader where conclusions were reached, is saved in the engagement file.

We consult with our ASPs to decide if an EQCR is needed for an engagement they are undertaking. If an EQCR is required, the ASP is responsible for allocating a second independent partner as the EQCR. An ASP has to adhere to its own firm's EQCR policy and procedure for completing the engagement quality control review.

### Performance engagements

We appoint an EQCR to all of our performance engagements. Like our financial audit EQCR policy and procedure, the EQCR must complete and document their review and the engagement team must satisfactorily resolve all of their significant questions before the Auditor-General can issue an assurance report.

## Engagement documentation

### ASQC 1 requirements

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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.

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### Summary of what we do

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We require our engagement teams to complete each engagement in an established engagement file and store all relevant engagement documentation in it.

We require our engagement teams to assemble and lock down their engagement files within:

- 60 days after we issue a financial audit report
  - 15 days from the tabling date for performance assurance reports.
- 

The Audit Act imposes confidentiality requirements on our auditors, which restrict them from sharing or inappropriately using any information obtained during an engagement. 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 other relevant legislation.

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

We enforce Microsoft 365 Security and Compliance sensitivity labels to all documents. All documents are secured and stored in accordance with our protective marking procedure. Our sensitivity labels include 'official', 'sensitive', 'protected' or, where necessary, 'secret'.

All Victorian Government agencies are required to add protective markings to documents 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, an organisation or an individual if the information's confidentiality was compromised.

We also require our engagement teams to assemble and lock down their engagement files within:

- 60 days after we issue a financial audit report
- 15 days from the tabling date for performance assurance reports.

We retain all engagement files for at least seven years. We also require our ASPs to retain engagement documentation for a period of seven years from the date of an audit report. We regularly monitor compliance with our lockdown policy.

## 3.7 Monitoring

### Quality assurance review programs

#### ASQC 1 requirements

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The standard requires the firm to have a monitoring process to ensure its system of quality control is relevant, adequate and operating effectively.

The standard states that a firm's 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.

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#### Summary of what we do

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- 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.
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### Quality control monitoring policies and procedures

Our quality control monitoring program is designed to provide reasonable assurance that our policies and procedures for our quality control system are relevant, adequate and operating effectively in accordance with ASQC 1. The program focuses on continuous improvement and audit quality.

We have an annual quality assurance review program for both active and completed engagement file reviews. These programs, which our audit quality director is responsible for, assess our independence, compliance and the quality of our audits. Approved quality reviewers who are objective and independent of an engagement perform these reviews.

### Post audit and assurance quality review

We have an annual quality assurance review program for our financial and performance engagements.

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

These reviews, which focus on continuous improvement, assess the quality of our in-house and outsourced engagements against the Australian Auditing and Assurance Standards' requirements and 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 engagements.

We evaluate the results of the review program and prepare an annual report and action plan for the Auditor-General. OMG and the audit and risk committee monitor our progress in implementing any agreed actions.

### Active file appraisals

We undertake active file appraisals during the conduct of financial audit engagements. Our annual appraisal program reviews a selection of engagement leaders. Only pre-approved appraisers who are objective and independent of the engagement can perform an active file appraisal. The appraisals may be conducted during any phase of an audit and possibly during multiple phases throughout the audit process.

### Results of our annual quality assurance review program

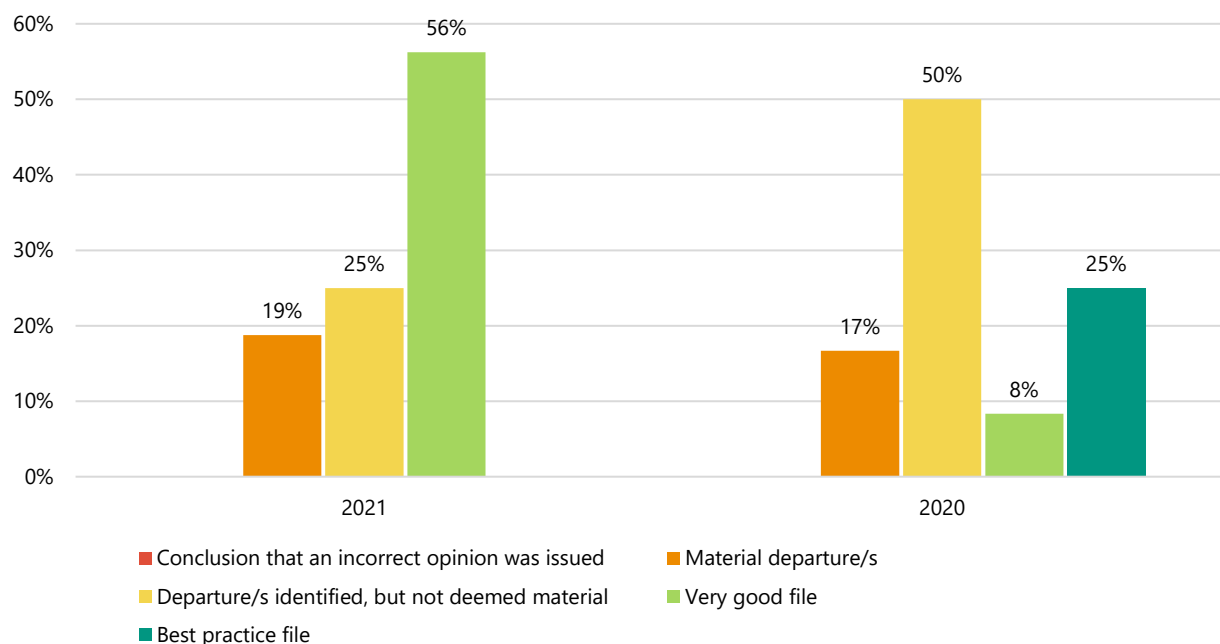
Our 2021 quality assurance review program for financial audit covered 16 engagements for post audit and assurance quality reviews (PAAQRs) (compared to 12 engagements in 2020). These reviews covered 33.33 per cent of our financial engagement leaders (including ASPs). We also completed seven active file appraisals (compared to one active file appraisal in 2020).

Figure 3D shows the quality ratings for the engagement files we reviewed in 2020 and 2021 (excluding active file appraisals).

Our 2021 quality assurance review program for performance audit is covering three engagements (we also reviewed three engagements in 2020). These reviews covered 50 per cent of our performance engagement leaders each year. We did not provide ratings to any files in 2020. Instead, we concluded none of the assurance reports we reviewed in 2020 were inappropriate and did not find any significant deficiencies. We will rate files in 2021 and will embed improvements based on key lessons learnt within our revised methodology.



FIGURE 3D: **Assurance quality review program results for financial audit engagements in 2020 and 2021**



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

Source: VAGO.

FIGURE 3E: **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 2021, our review program resulted in 13 remedial actions (compared to 18 in 2020) for financial engagements. We are currently remediating the engagement files that had material departure ratings in 2021. The engagement leaders 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 updates to OMG and our audit and risk committee. The 2022 review program will evaluate the effectiveness of the 2021 remedial actions.

In 2021, we established an annual accounting technical review of a sample of our entities' financial statements. Our financial reporting advisory team reviewed the financial statements of all 16 engagement files that were part of our financial audit PAAQR program. Overall, our financial reporting advisory director noted no significant deficiencies.

### 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 auditors.

The objective of our internal audit function is to provide innovative, responsive, effective and value-added internal audits that assist us and our audit and risk committee to:

- control risks
- monitor compliance with policies and procedures
- improve the efficiency and effectiveness of our quality control system.

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
- monitor the effectiveness of our current improvement projects.

## Complaints and allegations

### ASQC 1 requirements

---

The standard requires the firms to:

- have policies and procedures to appropriately deal with complaints and allegations
  - 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 noncompliance with our quality control system.
- 

### Summary of what we do

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We have policies and procedures to provide us with reasonable assurance that we investigate and where appropriate, act on:

- complaints and allegations that our engagements fail to comply with:
    - AUASB's standards
    - relevant ethical requirements
    - applicable legal and regulatory requirements
  - allegations of noncompliance with our quality control system.
- 

We have various channels for entities and staff to make complaints and allegations about:

- noncompliance with professional, regulatory or legal requirements
- noncompliance with our own quality control system.

The complaints page on our website provides information about our complaints process and how to submit a complaint about an engagement. Anyone can provide feedback or make a complaint or allegation about suspected fraud or corruption by a VAGO staff member or ASP. We can also receive complaints through direct communication with our engagement teams.

We do not tolerate fraud or corruption and take all allegations of suspected fraud and/or corruption seriously and respond fully. 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 CA ANZ or CPA Australia member, then the complainant may refer the matter to them.

In 2020–21, we received two complaints. One was related to the conduct of an audit. We required additional time to complete our inquiries and closed the complaint in 43 days. The other complaint was an anonymous submission and concerned matters other than audits. We closed it within 28 days.

# 4.

## External oversight and reviews

### Overview

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

ASIC inspects public audit firms. As a public sector entity, we are not subject to ASIC's inspection program. Instead, we are subject to external oversight and reviews in accordance with the Audit Act.

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#### This chapter discusses:

- PAEC's oversight
  - The Victorian Inspectorate's (VI) oversight
  - ASIC's audit inspections
-

## 4.1 PAEC's oversight

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

- recommend who to appoint as the Auditor-General (the current Auditor-General was appointed in 2016)
- appoint external auditors to conduct an independent performance audit of us every four years
- appoint external 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* 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 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 engagements and financial audits are comprehensive and regularly reviewed to ensure compliance with the *Audit Act* and relevant regulations and standards.

Allen and Clarke Consulting examined 38 of the financial audits 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.

Allen and Clarke Consulting examined nine of the performance engagements we completed between February 2017 and October 2019. It concluded that:

Evidence indicates that the audit plan, criteria and evidence collected adequately support the findings, conclusions and recommendations contained within reports. There was no evidence of material or unjustified omissions of adverse findings. While most recommendations were clear, specific, actionable and addressed the root cause of issues, there were a few instances where the recommendations were either not sufficiently targeted or were open ended and ongoing in nature. Reports were developed through a rigorous process that was devoid of fear, favour and affection. Indications were that Audit and Risk Committee Chairs and Departmental Secretaries valued the contribution VAGO's performance audits could make towards promoting a culture of ongoing improvement.

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. We have completed 11 recommendations and 13 are in progress or partially complete. We will start implementing the remaining six in 2021–22.

Eleven of the accepted recommendations relate to the quality of our financial audits and eight relate to the quality of our performance engagements. Appendix D contains these 19 recommendations, our proposed actions and implementation progress. We are monitoring our progress in implementing these recommendations through periodic updates to OMG and our audit and risk committee.

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You can access the full report of our external audit at [www.audit.vic.gov.au/sites/default/files/compliance/Independent-Performance-Audit-of-VAGO-2020.pdf](http://www.audit.vic.gov.au/sites/default/files/compliance/Independent-Performance-Audit-of-VAGO-2020.pdf).

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## 4.2 The Victorian Inspectorate's oversight

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. 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 engagements. We have worked with VI to develop a self-reporting tool about the exercise of our coercive powers. In 2020–21, we did not exercise these powers and VI did not review any of our activities.

We understand that VI received three complaints about VAGO in 2020–21:

- Two complaints were duplicate notifications/referrals that the VI combined as one complaint. This complaint remains open.
- One complaint was dismissed as it was outside the VI's complaint jurisdiction under the *Victorian Inspectorate Act 2011* and below the threshold of an assessable disclosure under the *Public Interest Disclosures Act 2012*.

VI made no recommendations to VAGO in 2020–21.

### 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*, the Australian Auditing Standards and the Accounting Professional and Ethical Standards Board's requirements.

ASIC may inspect the audit work our ASPs undertake as an audit partner for their firm engagements. 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:

- planning our quality assurance review program
- analysing the results of our quality assurance review program and any remedial action taken
- identifying audit quality areas to focus on.

ASIC recently released its *Report 677 Audit inspection report: 1 July 2019 to 30 June 2020*. In this report, it states that:

In our view, in 27% of the 179 key audit areas we reviewed on a risk basis across 53 audit files in the 12 months to 30 June 2020, auditors did not obtain reasonable assurance that the financial report as a whole was free of material misstatement. This compares to 26% for the 12 months to 30 June 2019.

# APPENDIX A

## Audit quality indicators

### Our rationale for selected measures

Audit quality indicators (AQIs) provide quantitative information about an audit firm's engagement processes. They also help firms to improve their audit quality.

Appropriate AQIs should help a firm to:

- understand its audit quality roles and responsibilities
- increase its knowledge of, and involvement in, an audit
- coordinate and collaborate during an engagement.

Firms can measure AQIs at an engagement or audit entity level.

A widely accepted list of core indicators has not yet been established. However, since 1994, ACAG has included a suite of indicators in its annual macro benchmarking (MBM) survey. In 2014–15, ACAG evaluated the audit quality measures included in its survey. During this evaluation, it removed measures if the cost to measure them exceeded their value.

We use this suite of quality indicators as our base AQIs because ACAG's 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, and a mix of other relevant indicators recommended by overseas legislative bodies. We use this mix of indicators to:

- provide a more comprehensive analysis of audit quality in our financial and performance engagements
- assess the effectiveness of our quality control system.

### AQI performance statement

Figure A1 reports the 2019–20 and 2020–21 results for our AQIs. It also compares our results against relevant external and internal benchmarks where they are available and appropriate.



SMG reviews and revises our AQIs to more accurately reflect our quality control system for financial and performance engagements as part of our annual quality control monitoring procedure. As a result, we did not report all of the following AQIs in our 2019–20 transparency report. We have refined or replaced some from the prior year.

FIGURE A1: **Our AQI performance statement for 2019–20 and 2020–21**

AQI	Unit of measure	2019–20 actual	2020–21 actual	2020–21 benchmark	Variance
Percentage of financial audit team members who completed annual independence declarations	Per cent	100	(a)	100	N/A
Percentage of financial audit team members who completed the annual ethical compliance training	Per cent	100	(a)	100	N/A
Instances of noncompliance with our rotation policy	Number	0	(a)	0	N/A
Percentage of audited financial statements with restatements for material prior-period errors	Per cent	1.7	2.0	≤5	3.0
Number of audited financial statements with restatements for material prior-period errors	Number	11	11	28	–17
Ratio of engagement leader hours charged to in-house financial audit work to lower-level audit staff hours	Ratio	0.063	0.045	0.105	–0.06 <sup>1</sup>
Percentage of time charged to audits by senior staff—attest audits	Per cent	21	18.5	21 <sup>(d)</sup>	2.5
Percentage of time charged to audits by senior staff—non-attest audits	Per cent	45.4	40.7	42 <sup>(d)</sup>	–1.3
Training hours per full-time equivalent (FTE) audit professional—attest audit	Hours	36	51.4	74 <sup>(d)</sup>	–22.6 <sup>3</sup>
Training hours per FTE audit professional—non-attest audit	Hours	42.6	50.1	60 <sup>(d)</sup>	–9.9 <sup>3</sup>
Staff workload—chargeable hours per FTE professional—attest audit	Hours	1 245	1 259	1 237 <sup>(d)</sup>	22
Staff workload—chargeable hours per FTE professional—non-attest audit	Hours	1 116	1 125	1 062 <sup>(d)</sup>	63 <sup>2</sup>
Technical resources staff paid hours as a percentage of all hours charged to audit activities	Per cent	5.6	(b)	5 <sup>(d)</sup>	N/A
Percentage of total office expenditure allocated to technical audit resources (includes the cost of specialist technical advisory staff)	Per cent	2	1.7	3 <sup>(d)</sup>	–1.3
Percentage of PAAQR findings of risk of material misstatement/financial statement components reviewed in PAAQR process	Per cent	(c)	15.6	27	–11.4
Number of complaints upheld against the quality assurance of our work performed	Number	(c)	0	0	0
Attrition of permanent staff as a percentage	Per cent	(c)	20	15	5

AQI	Unit of measure	2019–20 actual	2020–21 actual	2020–21 benchmark	Variance
Percentage of the audit budget spent before the auditee's reporting period year end—financial audit	Per cent	59	51	60	9 <sup>4</sup>
Anonymous independent survey of staff through the Victorian Public Sector Commission's (VPSC) People Matter Survey—overall senior leadership score	Score out of 100	70	82	70	12 <sup>5</sup>
Independent survey of financial audit engagements' chief financial officers—satisfaction rating of the level and quality of communication between the auditor and auditee	Per cent	88.9	93.4	90	3.4

Notes: <sup>(a)</sup>No longer reported as an AQI. Refer Chapter 3 for our reporting of compliance-based results for 2020–21.

<sup>(b)</sup>No longer reported as an AQI. A similar AQI exists, so we no longer report on it to avoid duplicating our tracking and reporting work.

<sup>(c)</sup>New AQI for 2020–21. Prior-year data is unavailable or was not tracked for reporting purposes.

<sup>(d)</sup>ACAG measure (the numbers in ACAG's 2020–21 MBM survey report are rounded).

Source: VAGO.

## Notes to our AQI statement for the year ended 30 June 2021

This section explains:

- significant variations between our current and prior-year results
- significant variations between our current results and the benchmarks
- the reason for any changes in our AQIs from the prior year.

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
- the measures used in ACAG's MBM survey
- other AQIs used in the industry.

We have presented our results in line with the *Standing Directions 2018 Under the Financial Management Act 1994*, our performance management framework, and 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 we perform
- each AQI provides information that only relates to one aspect of the inputs for achieving high-quality audits and there are many factors that affect 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 like the nature, size and complexity of an audit engagement)
- the AQIs presented in this report may change in future years as we reassess the relevance and usefulness of each indicator.

## Definitions

FIGURE A2: **Our 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 noncompliance with our rotation policy	Number of reported instances of noncompliance with our rotation policy requirements	VAGO measure
Percentage of audited financial statements with restatements for material prior-period errors	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>
Number of audited financial statements with restatements for material prior-period errors	Number of agencies disclosing a prior-period material error 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 for levels below engagement leader charged to in-house attest audit activity	ACAG MBM survey's state and territory average for 2020–21
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's state and territory average for 2020–21
Percentage of time charged to audits by senior staff—non-attest audits	Hours charged to non-attest audits by audit staff who are classified as an engagement leader, manager, EQCR or higher as a percentage of total hours charged to non-attest audits	ACAG MBM survey's state and territory average for 2020–21
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's state and territory average for 2020–21
Training hours per FTE audit professional—non-attest audit	Numerator: Training/professional development hours recorded for non-attest audit staff Denominator: Total FTE number of non-attest audit staff	ACAG MBM survey's state and territory average for 2020–21

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's state and territory average for 2020–21
Staff workload—chargeable hours per FTE professional—performance audit	Numerator: Total non-attest audit staff hours charged/allocated to attest and non-attest audits Denominator: Total FTE number of non-attest audit staff	ACAG MBM survey's state and territory average for 2020–21
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/labour hire personnel	ACAG MBM survey's state and territory average for 2019–20
Percentage of total office expenditure to allocated technical audit resources (including the cost of specialist technical advisory staff)	Numerator: Office expenditure on specialist audit technical advisory services Denominator: Total office expenditure	ACAG MBM survey's state and territory average for 2020–21
Number of PAAQR findings of risk of material misstatement/financial statement components reviewed in PAAQR process	Numerator: Total number of financial audit engagement files subject to a PAAQR during the financial year that contain material departures from professional and regulatory standards Denominator: Total number of financial audit engagement files subject to a PAAQR during the financial year	ASIC results - <i>Report 677 Audit inspection report: 1 July 2019 to 30 June 2020</i>
Number of complaints upheld against the quality assurance of our work	Number of complaints upheld during the financial year	VAGO measure
Attrition of permanent staff as a percentage by role	Number of FTE permanent employees who ceased employment with VAGO in 2020–21 as a percentage of total FTE number of permanent staff in 2020–21	ACAG MBM survey's state and territory average for 2020–21
Percentage of the audit budget spent before the auditee's reporting period year end (only applicable for financial audit; excludes audits undertaken by ASPs)	Numerator: Audit engagement expenditure incurred from audit commencement to auditee's reporting period year end Denominator: Total estimated audit fee for audit engagement	VAGO measure
Anonymous independent survey of staff through VPSC's People Matter survey—overall senior leadership score	Percentage of staff surveyed who agreed with the overall senior leadership questions raised by VPSC	VPSC comparator peer group benchmark
Independent survey of financial audit engagements' chief financial officers—satisfaction rating of the level and quality of communication between the auditor and auditee	Percentage of chief financial officers surveyed who were satisfied that we communicated with them effectively	VAGO measure - consolidated CFO agency survey results for 2020–21

Source: VAGO.

## Explanation of significant variances

1. The ratio of engagement leader hours charged to financial audit work has declined due to the disruption caused by the COVID-19 pandemic. The 30 June 2020 audit cycle ran approximately three months longer than a normal year. This meant audit work for the 2021 audit cycle commenced later and continued beyond June 2021.
2. Chargeable hours for our performance audit staff are higher than the ACAG average as we set and generally meet internal productivity targets, staggered by position seniority, that result in a greater percentage of hours dedicated to audit and assurance work in accordance with the intent of our funded appropriation.
3. Training hours per FTE were lower than our benchmark because we had to defer some planned training due to the coronavirus pandemic.
4. Similarly, due to the disruption caused by the pandemic, our percentage of the audit budget spent for financial audits, before the auditee's reporting period year end is lower than our benchmark.
5. Our overall senior leadership score has increased from last year and above the comparator group average in the survey of staff through the VPSC's People Matter Survey largely arising from our leadership's commitment to and focus on the health and well-being of our staff during the extended COVID-19 lockdown.

## Explanation of revised AQIs

- Last year, our transparency report only reflected our financial audit business unit's practices. This year, OMG agreed to include our performance audit business unit, including the relevant AQIs.
- While we were creating our quality control framework, OMG agreed that indicators for compliance did not truly reflect our audit quality. As a result, we now report on them in the body of the transparency report. We developed new indicators to ensure that we address each element of our quality control framework.
- OMG agreed to remove indicators that measured the same audit quality inputs and outputs to avoid duplicating our tracking and reporting work.

## APPENDIX B

# Entities we audited in 2020–21

In line with section 332B of the *Corporations Act 2001*, ASIC requires audit firms to disclose the names of relevant bodies they audited 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
- any state-owned companies we audit under section 22 of the Audit Act
- any entities that are not public bodies, but we agree to audit as a public-purpose arrangement under section 24 of the Audit Act.

Figure B1 lists the entities we audited in 2020–21.

FIGURE B1: **Entities we audited in 2020–21**

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
<b>Annual financial report of the state</b>	388,400	380,000
<b>General government sector</b>		
ABA Natural Disaster Relief Fund	185,000	75,000
Adult Multicultural Education Service	47,040	43,500*
Adult, Community and Further Education Board	35,300	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	10,450	10,250
John F Marriott for HIV Trust	6,600	6,475
Marriott for HIV Ltd	3,850	3,750
Alpine Health	21,000	21,000
Ambulance Victoria	181,500	178,000

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Architects' Registration Board of Victoria	25,000	15,400
Austin Health	203,000	203,000
Australian Centre for the Moving Image	32,800	32,000
Australian Health Practitioner Regulation Agency	160,000	165,000
Australian Regenerative Medicine Institute Joint Venture	Ceased entity	7,300
Bairnsdale Regional Health Service	38,000	38,000
Ballarat Health Services	90,500	88,500
Barwon Health	135,000	223,500
Barwon Health Foundation	7,900	7,750
Barwon Health Foundation Limited	5,650	5,550
Bass Coast Health	46,500	46,500
Beaufort and Skipton Health Service	20,450	20,000
Beechworth Health Service	21,000	21,000
Benalla Health	21,000	21,000
Bendigo Health	67,700	67,700
Boort District Health	16,900	16,550
Calvary Health Care Bethlehem Limited	17,900	17,900
Casterton Memorial Hospital	10,050	9,850
Castlemaine Health	26,600	26,600
Caulfield Racecourse Reserve Trust	18,000	26,300*
Cell Therapies Pty Ltd	28,050	19,450
Cellularity Pty Ltd	3,500	3,000
CenITex	105,000	129,250
Central Gippsland Health Service	41,000	41,000
Central Highlands Rural Health	45,000	80,300*
Cladding Safety Victoria	39,000	New entity in 2021
Cohuna District Hospital	19,500	19,100
Colac Area Health	16,900	16,900
Commercial Passenger Vehicles Victoria	55,700	54,500*
Connect Settlement Services Pty Ltd	Ceased entity	9,020
Corangamite Catchment	12,000	11,500
Corryong Health	17,500	17,100
Council of Trustees of the National Gallery of Victoria	64,500	64,500

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Country Fire Authority	219,400	226,150*
Court Services Victoria	215,300	234,200*
Dental Health Services Victoria	34,150	33,400
Department of Education and Training	600,000	630,850
Department of Environment, Land, Water and Planning	604,000	508,500*
Department of Health and Human Services	558,500	621,500*
Department of Jobs, Precincts and Regions	375,000	358,000
Department of Justice and Community Safety	479,800	561,700*
Department of Premier and Cabinet	143,800	137,250
Department of Transport	1,110,000	1,130,000*
Department of Treasury and Finance	340,000	425,000
Dhelkunya Dja Land Management Board	14,000	7,200
Djerriwarrh Health Services	14,800	14,500
Docklands Studios Melbourne Pty Ltd	31,800	31,000
East Gippsland Catchment	17,800	17,000
East Grampians Health Service	14,700	14,400
East Grampians Health Building for the Future Foundation	3,700	3,650
East Wimmera Health Service	16,800	16,450
Eastern Health	126,100	126,100
Echuca Regional Health	38,250	38,100
Edenhope and District Memorial Hospital	12,300	12,300
Emergency Services Superannuation Board	16,800	16,300
Emergency Services Superannuation Scheme	241,700	241,700
Emergency Services Telecommunications Authority	35,400	35,400
Energy Safe Victoria	37,500	36,500
Environment Protection Authority	60,000	58,200
Essential Services Commission	18,400	17,500
Film Victoria	29,000	28,200
Fire Rescue Victoria (Formerly called Metropolitan Fire and Emergency Services Board)	207,000	203,600*
Game Management Authority	21,400	17,500*
Gippsland Health Alliance	11,250	11,250
Gippsland Southern Health Service	40,000	40,000



Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Glenelg Hopkins Catchment Management Authority	11,400	10,900
Goulburn Broken Catchment Management Authority	24,000	23,300
Goulburn Valley Health	54,900	54,900
Grampians Rural Health Alliance	15,550	15,200
Great Ocean Road Coast and Parks Authority	25,000	New entity in 2021
Great Ocean Road Health	20,750	20,750
Gunaikurnai Traditional Owner Land Management Board	16,000	7,200
Health Professional Councils Authority	15,000	15,000
Health Purchasing Victoria	39,750	32,350
Heathcote Health	15,300	14,950
Hepburn Health Service	Ceased entity	28,250
Heritage Council of Victoria	30,000	21,400*
Hesse Rural Health Service	24,750	24,600
Heywood Rural Health Service	11,000	10,750
Hume Rural Health Alliance	15,400	15,400
Independent Broad-based Anti-corruption Commission	37,800	36,800
Infrastructure Victoria	17,000	16,200
Inglewood and Districts Health Service	16,850	16,500
Judicial College of Victoria	20,000	15,600
Judicial Commission of Victoria	22,500	12,800
Kerang District Health	15,900	15,900
Kooweerup Regional Health Service	38,000	38,000
Kyabram District Health Service	17,350	17,000
Kyneton District Health Service	Ceased entity	16,750
Labour Hire Authority	25,000	10,000
Latrobe Regional Hospital	54,500	54,500
Legal Practitioners Liability Committee	49,400	47,200
Library Board of Victoria	41,000	40,000*
Loddon Mallee Rural Health Alliance	11,550	11,300
Maldon Hospital	15,300	14,950
Mallee Catchment Management Authority	16,400	15,700
Mallee Track Health and Community Service	17,900	17,500
Mansfield District Hospital	24,600	24,600

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Maryborough District Health Service	19,400	19,000
Melbourne Health	225,500	225,500
Melbourne Polytechnic	61,700	61,700
Melbourne Recital Centre Ltd	38,000	37,000*
Mercy Hospitals Victoria Ltd	84,000	84,000
Monash Health	296,500	296,500
Kitaya Holdings Pty Ltd	39,200	39,000
Moyne Health Services	11,250	11,000*
Woody's Murray 2 Moyne Cycle Relay Inc.	1,550	1,500
Museums Board of Victoria	78,500	75,000
NCN Health	36,500	39,300
North Central Catchment Management Authority	15,000	13,200
North East Catchment Management Authority	15,000	11,800
Northeast Health Wangaratta	41,600	48,600*
Northern Health	78,700	74,000
Northern Health Research, Training and Equipment Foundation Limited	3,350	3,250
Northern Health Research, Training and Equipment Trust	3,350	3,250
Office of Public Prosecutions Victoria	26,600	24,800
Office of the Commissioner for Environmental Sustainability	22,000	7,800
Omeo District Health	15,850	15,850
Orbost Regional Health	15,750	15,400
Parks Victoria	82,000	79,100
Parliament of Victoria	65,600	64,000
Peninsula Health	102,750	102,750
Peter MacCallum Cancer Centre	150,000	155,000*
Peter MacCallum Cancer Foundation	25,000	22,550
Peter MacCallum Cancer Foundation Limited	3,500	4,600
Police Department (Vic) (Formerly called Victoria Police)	379,300	394,500*
Port Phillip & Westernport Catchment Management Authority	14,500	13,800
Portable Long Service Benefits Authority	35,000	15,000
Portland District Health	19,000	19,000
Active Health Portland Ltd	8,900	8,700

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Recreational Fishing Licence Trust Fund	12,200	12,000*
Residential Tenancies Bond Authority	19,900	15,200
Robinvale District Health Services	24,100	24,100
Rochester and Elmore District Health Service	17,250	16,900
Royal Botanic Gardens Board	55,000	26,100*
Rural Northwest Health	25,100	25,100
Senior Master of the Supreme Court of Victoria	86,100	84,000
Sentencing Advisory Council	20,000	20,200*
Seymour Health	24,650	24,650
Shrine of Remembrance Trustee	27,900	21,000
South Gippsland Hospital	22,550	22,550
South West Alliance of Rural Health	18,900	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	3,800	3,700
Surveyors Registration Board of Victoria	15,000	10,300
Sustainability Victoria	60,000	39,100*
Swan Hill District Health	30,700	29,700
Tallangatta Health Service	17,450	17,450
Terang and Mortlake Health Service	9,450	9,250
The Kilmore and District Hospital	14,850	14,500
The Queen Elizabeth Centre	11,550	11,300
The Royal Children's Hospital	198,250	195,000
The Royal Children's Hospital Foundation	8,900	8,700
The Royal Victorian Eye and Ear Hospital	48,000	48,000
The Royal Women's Hospital	81,750	80,000
Royal Women's Hospital Foundation Limited	2,200	2,000
The Royal Women's Hospital Foundation Trust Funds	6,350	6,200
Timboon and District Healthcare Service	10,450	10,250
Trust for Nature (Victoria)	18,500	18,000
Tweddle Child and Family Health Service	11,250	14,900*
Veterinary Practitioners Registration Board of Victoria	14,200	13,500
Victoria Comprehensive Cancer Centre	14,000	12,750

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Victoria Comprehensive Cancer Centre Ltd	3,500	4,100
Victoria Legal Aid	60,500	60,000*
Victoria State Emergency Service Authority	112,000	88,400*
Victoria State Pool Account	14,000	15,500
Victorian Assisted Reproductive Treatment Authority	7,350	7,200
Victorian Building Authority	49,500	77,000*
Victorian Commission for Gambling and Liquor Regulation	165,000	149,834*
Victorian Curriculum and Assessment Authority	30,400	28,700
Victorian Electoral Commission	25,100	24,000
Victorian Environmental Water Holder	15,000	7,200
Victorian Equal Opportunity and Human Rights Commission	24,900	28,900
Victorian Fisheries Authority	65,600	65,600*
Victorian Health Promotion Foundation	23,100	23,100
Victorian Inspectorate	17,100	16,200
Victorian Institute of Forensic Medicine	33,000	27,000
Victorian Institute of Forensic Mental Health	37,000	37,000
Victorian Institute of Sport Trust	21,600	21,000
Victorian Institute of Sport Limited	3,800	3,600
Victorian Institute of Teaching	30,660	29,310
Victorian Law Reform Commission	24,000	20,500
Victorian Legal Services Board	61,000	63,900
Victorian Legal Services Commissioner	13,300	12,600
Victorian Ombudsman	17,300	16,400
Victorian Pharmacy Authority	13,300	13,000
Victorian Planning Authority	55,000	22,300
Victorian Professional Standards Council	19,800	18,200*
Victorian Professional Standards Council	19,800	18,200*
Victorian Public Sector Commission	18,000	17,100
Victorian Registration and Qualifications Authority	33,000	31,350
Victorian Responsible Gambling Foundation	23,900	18,600
Victorian Traditional Owners Fund Limited	14,000	13,000
Victorian Traditional Owners Trust - Gunaikurnai Land and Waters Aboriginal Corporation	4,500	4,000

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Victorian Traditional Owners Trust - Dja Dja Wurrung Clans Aboriginal Corporation	4,500	4,000
Victorian Traditional Owners Trust – Taungurung Clans Aboriginal Corporation	4,500	4,300
Visit Victoria Limited	77,000	77,000*
West Gippsland Catchment Management Authority	26,000	13,900
West Gippsland Healthcare Group	41,000	41,000
West Wimmera Health Service	27,250	26,650
Western District Health Service	35,850	35,850
Western Health	119,000	119,000
Western Health Foundation Limited	3,500	11,850*
Western Health Foundation	13,000	(a)
Wimmera Catchment Authority	17,300	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	18,150	18,000
Yarrawonga Health	28,500	28,500
Yea and District Memorial Hospital	17,350	16,950
Yorta Yorta Traditional Owner Land Management Board	26,000	7,400*
<b>Community Health Services and Aged Care Services</b>		
Ballarat Community Health	34,750	(a)
Banyule Community Health	35,500	(a)
Bellarine Community Health Ltd	51,000	65,000*
Bendigo Community Health Services Limited	30,500	(a)
Castlemaine District Community Health Limited	18,750	(a)
Central Bayside Community Health Services Limited	34,000	(a)
Cobaw Community Health Services Limited	16,000	(a)
cohealth Limited	68,250	(a)
Darebin Community Health Service	34,000	(a)
Darlingford Upper Goulburn Nursing Home Inc	24,000	19,500
EACH	10,000	(a)
EACH Housing Ltd	7,750	(a)
Gateway Health Limited	5,750	(a)

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Gippsland Lakes Complete Health Limited	32,750	(a)
Grampians Community Health	46,500	(a)
Indigo North Health Inc	22,000	17,500
IPC Health Ltd	48,000	(a)
Latrobe Community Health Service Limited	15,000	(a)
Lyndoch Living Limited	69,500	(a)
Lyndoch Healthcare Pty Ltd	17,750	(a)
Nexus Primary Health	37,000	(a)
Nillumbik Community Health Service Ltd	32,500	(a)
North Richmond Community Health Limited	28,000	(a)
Northern District Community Health	26,150	(a)
Primary Care Connect	6,250	(a)
Ranges Community Health	22,500	(a)
Red Cliffs and Community Aged Care Services Inc	16,500	(a)
Star Health Group Limited	37,750	(a)
Sunbury Community Health Centre Limited	61,500	(a)
Sunraysia Community Health Services Limited	26,000	(a)
<b>Universities and their subsidiaries</b>		
Bendigo Kangan Institute	62,700	62,700
Box Hill Institute	104,000	104,000
Box Hill Enterprises Ltd	6,400	6,400
Chisholm Institute	48,200	48,200
Caroline Chisholm Foundation	6,100	6,100
TAFE Online Pty Ltd	7,900	7,900
Deakin University	148,460	206,300*
Deakin Residential Services Pty Ltd	20,300	20,300
FIKA Entertainment Pty Ltd	8,200	5,750
FLAIM Systems Pty Ltd	Ceased entity	7,100
Unilink Ltd	6,700	6,700
Universal Motion Simulator Pty Ltd	7,100	7,100
Federation University	107,500	119,750*
Brisbane Education Services Pty Ltd	4,100	9,400
Datascreen Pty Ltd	3,400	3,400
Inskill Limited	3,400	3,400

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
The School of Mines and Industries Ltd	3,400	3,400
Gippsland Institute of Technical and Further Education	83,360	93,250
Gordon Institute of TAFE	85,743	87,870*
Gotec Limited	7,100	7,150
Goulburn Ovens Institute of TAFE	70,000	68,404*
Holmesglen Institute	102,700	102,700
Holmesglen Foundation	12,500	12,550
Holmesglen International Training	3,000	3,000
Glenuc Pty Ltd	2,770	2,770
La Trobe University	121,500	146,500
Unitemps La Trobe Ltd	6,100	6,100
Monash University	330,000	373,500*
Monash Accommodation Services Pty Ltd	19,000	19,000
Monash College Pty Ltd	72,200	72,200
Monash Commercial Pty Ltd	4,700	4,700
Monash Custodians Pty Ltd	Ceased entity	4,510
Monash Health Research Precinct Pty Limited	15,750	22,120
Monash Investment Holdings Pty Ltd	4,510	4,510
Monash Investment Trust	12,100	12,100
Monash Property South Africa	Ceased entity	11,875
Monash University Foundation	22,500	22,500
Monash University Foundation Pty Ltd	4,510	4,500
Monash University Indonesia Limited	12,000	12,000
Royal Melbourne Institute of Technology	322,000	357,000*
RMIT Holdings Pty Ltd (2020 audit fee includes RMIT Holdings and RMIT Vietnam)	8,600	93,525*
RMIT Online Pty Ltd	11,250	11,250
RMIT Spain S.L	16,500	16,500
RMIT Training Pty Ltd	25,350	25,350
RMIT University Indonesia Pty Ltd	8,100	8,100
RMIT University Vietnam LLC	Ceased entity	84,900
South West Institute of TAFE	60,000	32,200
Sunraysia Institute of TAFE	66,800	60,700*
TAFE Kids Incorporated	5,400	6,300*

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Swinburne University of Technology	160,300	178,800*
Capsular Technologies Pty Ltd	4,400	4,400
National Institute of Circus Arts Limited	16,400	16,400
Swinburne College Pty Ltd	16,200	16,200
Swinburne Intellectual Property Trust	6,900	6,900
Swinburne International (Holdings) Pty Ltd	3,700	3,700
Swinburne Student Amenities Association Limited	11,000	11,000
Swinburne Ventures Limited	5,500	5,500
The University of Melbourne	427,000	440,300*
Australian Music Examinations Board (VIC) Ltd	15,985	15,300
Goulburn Valley Equine Hospital Pty Ltd	20,500	9,000
Melbourne Business School Ltd	16,000	15,315*
Melbourne Teaching Health Clinics Ltd	14,290	14,400
Melbourne University Publishing Ltd	22,100	20,800
Mt Eliza Graduate School of Business and Government Ltd	7,400	7,400
Nossal Institute Limited	12,350	11,700
UM Commercialisation Pty Ltd	9,280	10,000
UM Commercialisation Trust	9,280	10,000
UoM Commercial Ltd	61,400	64,200
VERNet Pty Ltd	17,900	19,600
VET Development Centre Ltd	22,000	19,850
Victoria University	123,780	132,900
Victoria University Enterprises Pty Ltd	4,900	4,900
Victoria University Foundation	Ceased entity	5,900
Victoria University Foundation Ltd	Ceased entity	4,900
Victoria University International Pty Ltd	Ceased entity	4,900
VU Online Pty Ltd	4,900	4,900
William Angliss Institute of TAFE	104,015	100,400
Angliss (Shanghai) Education Technology Co. Ltd.	7,100	9,100
Angliss Consulting Pty Ltd	16,100	16,100
Angliss Multimedia Pty Ltd	3,100	3,100
Angliss Solutions Pty Ltd	3,100	3,100
William Angliss Institute Foundation	16,100	16,100



Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
William Angliss Institute Pte Ltd	5,850	5,850
Wodonga Institute of TAFE	31,000	35,100
<b>Local government entities</b>		
Alpine Shire Council	38,000	37,300
Ararat Rural City Council	42,000	41,200
Ballarat City Council	101,000	94,000
Banyule City Council	65,500	64,200
Bass Coast Shire Council	66,000	64,700
Baw Baw Shire Council	44,300	43,400
Bayside City Council	67,400	66,000
Benalla Rural City Council	46,800	51,900*
Boroondara City Council	70,000	68,600
Borough of Queenscliffe	40,900	40,100
Brimbank City Council	64,700	63,400
Buloke Shire Council	42,400	41,600
Campaspe Shire Council	52,900	81,900*
Cardinia Shire Council	73,300	71,800
Casey City Council	62,800	61,500
Casey-Cardinia Regional Library Corporation	12,500	12,300
Central Goldfields Shire Council	45,200	44,300
City of Greater Dandenong	78,500	76,900
City of Maribyrnong	62,300	61,000
City of Whittlesea	68,500	67,100
Colac Otway Shire	43,300	42,500
Community Chef	(b)	16,000
Corangamite Regional Library Corporation	7,000	6,900
Corangamite Shire Council	51,300	50,300
Dandenong Market Pty Ltd	12,100	11,900
Darebin City Council	76,100	74,500
East Gippsland Shire Council	40,100	39,300
Eastern Regional Library Corporation	8,900	8,800
Frankston City Council	80,700	79,000
Gannawarra Shire Council	54,000	52,900
Geelong Regional Library Corporation	10,500	10,300
Glen Eira City Council	67,400	66,000

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Glenelg Shire Council	40,100	39,300
Golden Plains Shire Council	46,300	45,400
Goulburn Valley Regional Library Corporation	10,000	9,800
Greater Bendigo City Council	57,600	56,400
Greater Shepparton City Council	72,600	71,100
Hepburn Shire Council	51,400	57,400*
Hindmarsh Shire Council	43,600	43,800
Hobsons Bay City Council	66,000	64,700
Horsham Rural City Council	52,800	51,700
Hume City Council	76,500	74,900
Indigo Shire Council	43,000	42,200
Kingston City Council	63,400	62,100
Knox City Council	60,100	58,900*
Latrobe City Council	62,100	60,800
Loddon Shire Council	40,600	39,800
Macedon Ranges Shire Council	41,200	40,400
Manningham City Council	64,600	63,300
Mansfield Shire Council	45,000	44,100
Maroondah City Council	65,100	63,800
Melbourne City Council	157,900	149,700
CityWide Service Solutions Pty Ltd	109,500	96,800*
Melton City Council	56,400	55,300
Mildura Airport Pty Ltd	11,400	19,200*
Mildura Rural City Council	64,400	73,100*
Mildura Tourism and Economic Development Limited	7,400	7,300
Mitchell Shire Council	47,800	46,900
Moira Shire Council	53,400	52,400
MomentumOne Shared Services	5,800	7,750*
Monash City Council	72,300	70,800
Moonee Valley City Council	79,600	78,000
Moorabool Shire Council	46,100	45,200
Moreland City Council	72,700	78,600*
Mornington Peninsula Shire Council	101,000	94,000
Mount Alexander Shire Council	36,800	36,100
Moyne Shire Council	44,500	43,600

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Municipal Association of Victoria	255,500	250,000
Murrindindi Shire Council	47,600	46,700
Nillumbik Shire Council	64,600	63,300
North Central Goldfields Regional Library Corporation	8,700	8,600
Northern Grampians Shire Council	35,000	34,300
Peninsula Leisure Pty Ltd	24,100	23,600
Port Phillip City Council	74,400	72,900
Prahran Market Pty Ltd	15,900	15,600
Procurement Australasia Ltd	18,950	15,950
Pyrenees Shire Council	38,100	37,400
Queen Victoria Market Pty Ltd	20,400	20,000
Regent Management Company Pty Ltd	6,900	6,800
Regional Kitchen Pty Ltd	(b)	10,300
Regional Landfill Clayton South Joint Venture	10,500	10,300
Shire of Strathbogie	42,200	41,400
Shire of Towong	36,100	35,400
South Gippsland Shire Council	59,100	57,900
Southern Grampians Shire Council	43,600	42,700
Stonnington City Council	74,400	80,100*
Surf Coast Shire Council	45,500	44,600
Swan Hill Rural City Council	55,400	54,300
The Greater Geelong City Council	102,600	95,600
Wangaratta Rural City Council	51,200	63,200*
Wangaratta Livestock Exchange Pty Ltd	7,100	7,000
Warrnambool City Council	49,700	48,700
Wellington Shire Council	58,700	57,500
West Gippsland Regional Library Corporation	10,300	10,100
West Wimmera Shire Council	38,800	38,100
Western Leisure Services Pty Ltd	10,500	10,300
Whitehorse City Council	75,000	73,500
Whitehorse-Manningham Regional Library Corporation	10,500	10,300
Wimmera Development Association	6,100	6,000
Wimmera Regional Library Corporation	9,400	9,200
Wodonga City Council	62,100	65,900*

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Wyndham City Council	67,300	65,900
Yarra City Council	77,300	75,700
Yarra Plenty Regional Library Service	9,300	9,100
Yarra Ranges Shire Council	58,600	57,400
Yarriambiack Shire Council	33,100	32,500
<b>Public non-financial corporations</b>		
Accident Compensation Conciliation Service	15,400	15,000
Agriculture Victoria Services	36,900	36,000
Phytogene Pty Ltd	7,350	7,000
Alpine Resorts Co-ordinating Council	16,000	7,500
Australian Grand Prix Corporation	62,000	72,300*
Ballarat General Cemeteries Trust	17,850	17,450
Barwon Region Water Corporation	95,500	92,900
Barwon Asset Solutions	25,000	24,600
Barwon South West Waste and Resource Recovery Group	15,500	14,900
Central Gippsland Region Water Corporation	130,000	92,300
Central Highlands Region Water Corporation	84,000	84,700
City West Water Corporation	228,000	144,600
Coliban Region Water Corporation	177,000	93,100
Dairy Food Safety Victoria	32,500	31,000
Development Victoria	144,500	138,000
East Gippsland Region Water Corporation	41,300	40,000
Emerald Tourist Railway Board	13,700	13,400*
Falls Creek Alpine Resort Management Board	47,000	51,300
Fed Square Pty Ltd	39,000	38,000
Geelong Cemeteries Trust	21,250	14,900
Geelong Performing Arts Centre Trust	45,000	55,000*
Gippsland and Southern Rural Water Corporation	48,700	47,000
Gippsland Waste and Resource Recovery Group	6,300	6,000
Goulburn Valley Region Water	55,000	54,900
Goulburn Valley Waste and Resource Recovery Group	10,600	10,600
Goulburn-Murray Rural Water Corporation	190,000	181,900

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Grampians Central West Waste And Resources Recovery Group	13,800	13,200
Grampians Wimmera Mallee Water Corporation	57,500	56,000
Lake Fyans Recreational Area Committee of Management	6,500	6,200*
Greyhound Racing Victoria	18,800	17,900
Harness Racing Victoria	37,500	35,800
HRV Management Limited	4,700	4,400
Melton Entertainment Trust	31,200	29,800
Kardinia Park Stadium Trust	21,600	20,500
LaunchVic Limited	19,900	19,900*
LanguageLoop (Formerly called Victorian Interpreting & Translating Service)	32,900	23,000
Loddon Mallee Waste and Resource Recovery Group	17,500	17,000
Lower Murray Urban and Rural Water Corporation	90,000	89,400
Melbourne and Olympic Parks Trust	86,800	109,000*
Melbourne Convention and Exhibition Trust	50,500	49,200
Melbourne Convention Bureau Limited	43,000	41,000
Melbourne Cricket Ground Trust	19,500	15,300
Melbourne Market Authority	55,000	55,000
Melbourne Port Lessor Pty Ltd	69,000	57,500
Melbourne Water Corporation	200,000	179,000
Metropolitan Waste and Resource Recovery Group	50,000	35,000
Mount Hotham Alpine Resort Management Board	35,400	35,500*
Mt Buller and Mt Stirling Alpine Resort Management Board	49,000	34,300*
Murray Valley Wine Grape Industry Development Committee	6,350	6,200*
North East Region Water Corporation	50,000	51,000
North East Waste and Resource Recovery Group	8,000	6,800
Phillip Island Nature Park Board of Management Inc	20,900	20,000
Port of Hastings Development Authority	17,300	16,500
PrimeSafe	18,000	17,500
Queen Victoria Women's Centre Trust	17,700	14,700

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
Remembrance Parks Central Victoria (Formerly called Bendigo Cemeteries Trust)	16,000	12,300
South East Water Corporation	200,000	144,600
iota Services Pty Ltd	20,000	11,200
South Gippsland Region Water	38,000	37,600
Southern Alpine Resort Management Board	60,000	80,000
State Electricity Commission of Victoria	17,400	16,500
State Sport Centres Trust	42,900	41,800
The Greater Metropolitan Cemeteries Trust	99,000	99,000
The Mildura Cemetery Trust	13,250	12,950
The Southern Metropolitan Cemeteries Trust	91,000	89,000
V/Line Corporation	98,400	98,400
VicForests	99,000	115,000
Victorian Arts Centre Trust	58,000	58,000
Victorian Plantations Corporation	15,000	7,200
Victorian Ports Corporation (Melbourne)	59,000	74,000*
Victorian Rail Track	184,000	190,000*
Rolling Stock (Victoria-VL) Pty Ltd	6,850	6,700
Rolling Stock (VL-1) Pty Ltd	13,100	12,800
Rolling Stock (VL-2) Pty Ltd	13,100	12,800
Rolling Stock (VL-3) Pty Ltd	13,100	12,800
Rolling Stock Holdings (Victoria) Pty Ltd	27,600	27,000
Victorian Regional Channels Authority	31,300	30,500
Victorian Strawberry Industry Development Committee	13,200	12,900*
Wannon Region Water Corporation	56,000	54,900
Western Region Water Corporation	54,000	52,700
Westernport Region Water	32,000	32,000
Yarra Valley Water Corporation	185,000	145,000
Zero Emissions Water Limited	20,000	7,500
Zoological Parks and Gardens Board	65,000	38,100
<b>Public financial corporations</b>		
State Trustees Limited	169,000	169,000
State Trustees Australia Foundation	11,500	11,200
State Trustees Australia Foundation Open Fund	10,800	10,450

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
State Trustees Limited Charitable (Formerly called State Trustees Common Funds)	29,000	28,200
Invest Balanced Fund (Formerly called inveST Funds)	95,000	95,000
STL Financial Services Limited	13,600	13,200
Transport Accident Commission	230,000	230,000
Residential Independence Pty Ltd	7,000	6,750
Residential Independence Trust	7,000	6,750
Treasury Corporation of Victoria	346,000	345,468*
Victorian Funds Management Corporation	91,900	124,600*
VFM Emerging Markets Trust	10,600	10,250
VFM Global Small Companies Trust	10,700	10,350
VFMC Australian Credit Trust	13,300	12,900
VFMC Balanced Fund	4,900	4,700
VFMC Capital Stable Fund	4,900	4,700
VFMC Cash Trust	8,400	8,100
VFMC Emerging Markets Debt Trust 1	10,600	10,600
VFMC Emerging Markets Debt Trust 2	10,600	10,600
VFMC Equity Trust 1	12,200	11,900
VFMC Equity Trust 2	12,200	11,900
VFMC ESSS Private Equity Trust 2004	16,200	15,800
VFMC ESSS Private Equity Trust 2006	16,200	15,800
VFMC ESSS Private Equity Trust 2007	16,200	15,800
VFMC Fixed Income Trust	13,500	13,100
VFMC Growth Fund	3,800	3,700
VFMC Inflation Linked Bond Trust	17,500	17,000
VFMC Insurance Strategies Trust	50,500	50,500
VFMC International Equity Trust 1	15,600	15,200
VFMC International Equity Trust 2	15,600	15,200
VFMC International Fixed Income Trust	13,500	13,500
VFMC Investment Trust I	10,000	9,750
VFMC Investment Trust II	26,200	25,500
VFMC Investment Trust IV	15,300	14,900
VFMC Opportunistic Strategies Trust	6,900	6,700
VFMC Property Trust 1	24,400	New entity in 2021
VFMC Property Trust 2	24,400	New entity in 2021

Who we audited	2021 annual audit fee estimate (\$)	2020 annual audit fee (\$)
VFMC Yield Optimised Dividend Accumulator Trust	12,700	12,300
Victorian Managed Insurance Authority	142,400	142,400
Victorian WorkCover Authority	330,000	330,000

Notes: \*The 2020 audit fee disclosed in the prior year transparency report was the estimate provided to the auditee as the audit was in progress. This year's transparency report has reported the total audit fee now that the audit is complete.

<sup>(a)</sup>Transitional arrangements applied to these entities with audit fees paid to the ASP.

<sup>(b)</sup>This entity has been amalgamated into Western Health.

Source: VAGO.



## APPENDIX C

# Dispensed audits in 2020–21

FIGURE C1: **Financial audits approved for dispensation under section 10(2) of the Audit Act for the 2020–21 period**

Entity dispensed	Financial year
Access Health and Community	2019–20
Bentleigh Bayside Community Health Limited	2019–20
Sandringham Ambulatory Care Centre Pty Ltd	2019–20
DPV Health Ltd	2019–20
Link Health and Community Limited	2019–20
Link Private Practice Pty Ltd	2019–20
Merri Community Health Services Limited	2019–20

Source: VAGO.

# APPENDIX D

## PAEC's recommendations

FIGURE D1: **Update on our audit quality recommendations from PAEC's independent audit**

### Recommendation 1

#### PAEC Recommendation

That VAGO's performance audit business unit model the processes established in financial audit to support maintaining independence, including:

- ensuring the process of completing and documenting a declaration of interest by all team members during the audit initiation phase is consistently applied and appropriately filed
- introduce a review of declarations of independence at least once during performance audits
- developing a policy around rotation of directors.

#### Auditor-General comment

That not all staff always documented this process is of some concern, given the procedural step requires this.

However, it does not appear to be a systemic issue, nor is there any evidence of any undisclosed conflicts of interest.

It will need the Engagement Leader, through their quality control checks of the audit file, to make sure this happens in all future cases.

Our post audit and assurance quality reviews will afford the opportunity for us to determine whether this is occurring.

As to a rotation policy, this is less an issue in the performance audit context. First, because for most of our 575 plus audited entities, the performance audit director does not have an ongoing relationship with key agency personnel predicated on a 'recurring' audit engagement.

The familiarity threat that could impair their independence is therefore very low. Secondly, and more practically, turnover at that level, combined with machinery of government changes, has meant that no director has been, or is likely to be, assigned to one sector for more than seven years.

#### Proposed actions as at 31 July 2020

We had already updated the wording in our procedures library to clarify expectations that consideration of independence requirements occurs for all individuals in the engagement team and this is to be documented.

We have also added a step to our Engagement Quality Control Review checklist at the reporting stage of each audit for the Engagement Quality Control Reviewer to inquire and confirm that team independence has been maintained throughout the audit.

These changes are in effect for all audits that commence from 1 July 2020. As a result, no further action is proposed in relation to the first two bullet points in the recommendation.

	We will extend the seven-year rotation policy used in financial audit to performance audit directors as part of our major review and refresh of the Performance Audit policies, procedures and methods.
<b>Implementation update</b>	<p>We have finished implementing our proposed actions.</p> <p>We have extended the seven-year rotation policy we use in our financial audit business unit to our performance audit business unit as part of our performance audit policies, procedures, and methodology refresh project.</p>
<b>Recommendation 2</b>	
<b>PAEC Recommendation</b>	That VAGO develops a data science strategy that clearly outlines VAGO's approach to integrating data science within performance audit practice.
<b>Auditor-General comment</b>	<p>It remains unclear from the report which key external stakeholders perceive this risk, and how they think data science could be used to overstep our mandate.</p> <p>As we advised the team throughout their review we have used 'data science' in our performance audits for many years by gathering data through surveys and by obtaining access to and analysing the financial and administrative datasets held by agencies.</p> <p>However, I agree that a strategy, analogous to that which we developed for applying data analytics in financial audit, will be useful internally to optimise its application in a performance audit setting, and for stakeholder engagement.</p>
<b>Proposed actions as at 31 July 2020</b>	<p>To support our next four-year Strategic Plan 2021-2025, we will develop a data science strategy and also promulgate it externally by:</p> <ul style="list-style-type: none"> <li>• first engaging directly with key stakeholders to better understand their concerns</li> <li>• integrating into our planned major refresh of our performance audit policies, procedures and methods the use of data science in annual planning, audit topic selection and the phases of a performance audit</li> <li>• articulating these approaches through our external engagement and communications.</li> </ul>
<b>Implementation update</b>	We have started implementing our proposed actions as part of our performance audit methodology refresh project. We plan to complete this project by December 2021.
<b>Recommendation 3</b>	
<b>PAEC Recommendation</b>	That VAGO develops a systematic approach to measuring the impact of performance audits, taking into account allocated/invested resources.
<b>Auditor-General comment</b>	This recommendation is encompassed by our responses to recommendations 23 and 24.
<b>Proposed actions as at 31 July 2020</b>	See response to recommendations 23 and 24.
<b>Implementation update</b>	<p>We have finished implementing our proposed actions. Refer to recommendations 23 and 24 for more information.</p> <p>We reviewed relevant literature and ACAG's benchmarking and presented our approach to SMG, who accepted it. We also shared our approach with ACAG's heads of performance audit group. We proposed minor changes to our Members of Parliament/client survey to collect more impact data and resume impact and influence reports through our communications and engagement team.</p>
<b>Recommendation 7</b>	
<b>PAEC recommendation</b>	That VAGO provides good practice guidance, including examples of exemplar audit files, and templates in relation to treatment and filing of documents, including working papers, to ensure each audit file can be easily navigated and the links between the application of the audit criteria, the analysis of evidence collected, and audit findings and recommendations are evident.

<b>Auditor-General comment</b>	<p>I note our current training module <i>Working papers and findings</i>, scheduled twice a year for new starters, explicitly covers how to develop and structure working papers. This training includes good practice examples.</p> <p>We can enhance this with additional instruction to staff on the use of subheadings to allow easier navigation through working papers, and the requirement to structure any working papers completed in Teams initially, to be structured consistently.</p> <p>I note also that the current working paper template in AMP for addressing each audit criteria already has headings: References, Agency documents, Conclusion, Evidence/Analysis.</p> <p>We restrict access by staff to completed audit files for security reasons.</p>
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<b>Proposed actions as at 31 July 2020</b>	<p>As part of our major refresh of our performance audit methodology we will develop an 'exemplar' audit file combining all good practices from existing training and guidance.</p> <p>This will be done when we have implemented a new toolset to avoid unnecessary duplication of effort.</p>
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<b>Implementation update</b>	We expect to commence the proposed action in January 2022 and complete it by December 2022.
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## Recommendation 8

<b>PAEC recommendation</b>	That VAGO updates its record keeping policy and procedures to provide clear guidance on the use of Teams in relation to the conduct of an audit. In particular, the storage of evidence and drafting/storage of working papers, approvals and whether there is expected to be a single repository for an audit file. The record keeping policy and procedures should be linked to VAGO's performance audit and financial audit methodologies.
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<b>Auditor-General comment</b>	<p>Your report notes that senior management is comfortable with the use of two platforms to document audits.</p> <p>As we advised the review team, we mandate the use of AMP to document all key audit steps. One limitation of our AMP system, and all other audit existing workpaper systems of which we are aware, is its inability for audit teams to collaborate and work simultaneously on the same work paper. This inevitably requires audit teams to sometimes use other platforms for files that are a work in progress.</p> <p>As we complete our performance audit methodology refresh over the next twelve months, we will also be investigating the availability of any new cloud-based audit toolsets that may overcome these limitations.</p>
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<b>Proposed actions as at 31 July 2020</b>	<p>As an interim measure we will update the performance audit manual to reflect expectations for use of Teams and AMP in regard to audit files.</p> <p>Once we have selected and implemented a new audit toolset, we will revisit this issue.</p>
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<b>Implementation update</b>	<p>We have partially finished implementing our proposed actions. Our targeted completion date is December 2022.</p> <p>We have updated our performance audit manual to include our policy and guidance on defining what an engagement file is, including our use of Microsoft Teams and AMP. We will need to revise our policy and guidance when we implement a new audit toolset.</p>
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## Recommendation 9

<b>PAEC recommendation</b>	That VAGO develops an e-learning program to supplement the existing training so that new staff can access modules in a timely fashion.
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<b>Auditor-General comment</b>	<p>We had already approved and initiated a Human Resources project <i>Develop Induction E-Learning Modules</i> in January 2020.</p> <p>These modules cover understanding of our fraud, corruption and conflict of interest obligations, and our independence obligations.</p>
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<b>Proposed actions as at 31 July 2020</b>	<p>We have recorded all of our current performance audit training modules, for use by new starters and existing employees.</p> <p>We have transitioned all of our induction material into eLearns.</p>
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	<p>We are launching Stage 2 of our SuccessFactors project in August 2021 which will provide a systematic online approach to onboarding training for new starters.</p> <p>Over the next two years we will explore, and seek to develop, preferably with other ACAG offices, on-line training for performance auditors aligned to the Performance Audit competency framework.</p>
<b>Implementation update</b>	<p>We have partially finished implementing our proposed actions. We plan to fully complete them by December 2022.</p> <p>We have created Microsoft Stream videos for three key courses and will continue to record the next wave of our performance audit training modules for new starters and existing employees. Over the next two years, we will also explore and seek to develop (preferably with other ACAG offices) online training for performance auditors that aligns with our performance audit competency framework by December 2022.</p>
<b>Recommendation 10</b>	
<b>PAEC recommendation</b>	That VAGO reviews the performance audit methodology to make explicit the oversight function of Engagement Leaders as a crucial component in the quality control framework. This includes enhancing the evidence trail to include attestation of evidence/working paper quality during the conduct phase of audits.
<b>Auditor-General comment</b>	That VAGO reviews the performance audit methodology to make explicit the oversight function of Engagement Leaders as a crucial component in the quality control framework. This includes enhancing the evidence trail to include attestation of evidence/working paper quality during the conduct phase of audits.
<b>Proposed actions as at 31 July 2020</b>	We will review and as necessary clarify the expectations of Engagement Leaders to better and more consistently evidence their review of working papers that relate to the evidence collection and analysis phases of audits.
<b>Implementation update</b>	<p>We have finished implementing our proposed actions.</p> <p>We have updated our performance audit methodology and communicated these changes to our performance audit staff.</p>
<b>Recommendation 11</b>	
<b>PAEC recommendation</b>	That VAGO formalises its expectations of performance audit staff managing contractors/consultants and applies this practice consistently.
<b>Auditor-General comment</b>	<p>Our expectation for oversight of work undertaken by contractors as part of performance audits is consistent with our expectations for the oversight of work undertaken by VAGO auditors.</p> <p>All contract and procurement documentation for contractors engaged by VAGO already reflects this.</p>
<b>Proposed action as at 31 July 2020</b>	We will add information about expectations for contractor management and oversight into the <i>Project Management</i> performance audit training module.
<b>Implementation update</b>	<p>We have finished implementing our proposed action.</p> <p>We have incorporated our expectations for managing and overseeing contractors into our performance audit project management training module.</p>
<b>Recommendation 12</b>	
<b>PAEC recommendation</b>	That VAGO ensures all changes to the financial audit methodology are sufficiently documented and readily identifiable.
<b>Auditor-General comment</b>	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.

<b>Proposed action as at 31 July 2020</b>	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.
<b>Implementation update</b>	<p>We have partially implemented our proposed action. We aim to complete it by December 2021.</p> <p>We have a change management process for policy and template updates and have implemented the process to retain marked-up PDF versions with tracked changes.</p>

### Recommendation 13

<b>PAEC recommendation</b>	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.
<b>Auditor-General comment</b>	<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 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>
<b>Proposed actions as at 31 July 2020</b>	<p>As part of our current, and any future pilots, we will continue to:</p> <ul style="list-style-type: none"> <li>• maintain a register of staff feedback which documents matters identified by staff along with the resolution of issues</li> <li>• have a technology champion in each sector</li> <li>• schedule any deployment of a replacement toolset at the commencement of an audit cycle</li> <li>• provide training and ongoing support in logical tranches</li> </ul>
<b>Implementation update</b>	<p>Our proposed actions are in progress. We aim to complete them in 2022.</p> <p>Our financial auditors will populate a feedback register. The register will be monitored by the financial audit governance committee. This register will include both methodology and technology-related matters.</p> <p>During a software trial to potentially replace some of our financial audit software, we maintained a feedback register to document matters identified by our financial auditors and how we resolved them.</p>

### Recommendation 14

<b>PAEC recommendation</b>	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.
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<b>Auditor-General comment</b>	We initiated a HR Project: <i>Capability Development Framework</i> in January 2020.
<b>Proposed actions as at 31 July 2020</b>	<p>We are:</p> <ul style="list-style-type: none"> <li>researching the conceptual underpinnings of the ACAG competency frameworks and their currency</li> <li>analysing each audit role to identify our current capability and competence requirements and compare this to the ACAG framework for any gaps</li> <li>mapping existing internal or externally sourced training to each role and identify any gaps in the currently provided training and development opportunities to identify solutions to full them.</li> </ul>
<b>Implementation update</b>	<p>Our proposed actions are in progress. We aim to complete them by 30 June 2022.</p> <p>We are currently aligning our current financial audit training suite and position descriptions. We are also reviewing ACAG's framework and how it applies to the structure of our financial audit business unit.</p> <p>We completed a similar process for our performance audit business unit. We are planning to implement the updated performance audit competency framework to all of performance auditors by the end of October 2021.</p>
<b>Recommendation 15</b>	
<b>PAEC recommendation</b>	That VAGO establishes a training strategy aimed at consistent delivery of targeted training to financial audit staff at their different levels.
<b>Auditor-General comment</b>	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
<b>Proposed actions as at 31 July 2020</b>	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, this started with the graduate intake in February 2021.
<b>Implementation update</b>	<p>Our proposed actions are in progress. We aim to complete them by March 2023.</p> <p>Our training curriculum is at stage 2 of our capability framework development project (refer to recommendation 14). Starting with our graduate program in February 2021, we are progressively deploying training modules as part of a staged curriculum delivery.</p>
<b>Recommendation 16</b>	
<b>PAEC recommendation</b>	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.
<b>Auditor-General comment</b>	<p>The limitations of our current training booking system preclude easy tracking of staff grade. We have scoped a HR Project: ERP: Stage 3 which will address this.</p>
<b>Proposed actions as at 31 July 2020</b>	<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>
<b>Implementation update</b>	Our proposed action is scheduled in stage 3 of our human capital management enterprise resource planning project. We aim to complete this by June 2022.
<b>Recommendation 17</b>	
<b>PAEC recommendation</b>	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.

<b>Auditor-General comment</b>	<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 contractual arrangements with the new panel of providers.</p>
<b>Proposed actions as at 31 July 2020</b>	<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.</p>
<b>Implementation update</b>	<p>Our proposed actions are in progress. We aim to complete them by December 2021.</p> <p>We have developed an annual audit quality attestation key deliverable as part of our ASPI document refresh project. We will publish the updated ASPI for the 30 June 2022 audit cycle.</p>
<b>Recommendation 18</b>	
<b>PAEC recommendation</b>	<p>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>
<b>Auditor-General comment</b>	<p>We have already initiated a Project: Systems of Quality Control 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>
<b>Proposed actions as at 31 July 2020</b>	<p>We will:</p> <ul style="list-style-type: none"> <li>• finalise of our ASQC 1 project</li> <li>• ascertain the currency of the ACAG framework and understand whether there is any intent or need to update it</li> <li>• analyse the framework against our performance portfolio to identify any address gaps</li> <li>• maintain our self-assessment using the updated performance portfolio biennially until the next PAEC audit.</li> </ul>
<b>Implementation update</b>	<p>We have implemented our proposed actions.</p> <p>We have published our quality control framework and provided training on our framework to all VAGO employees and new employees.</p> <p>ACAG has advised that it will revise its framework in 2021. We will update our quality control framework to align with any changes.</p> <p>To assess our quality control system, we have developed and implemented a quality control framework monitoring procedure, which includes reviewing and revising our AQIs. In 2021–22, we will initiate a new project to update our quality control framework to align with the new ASQM 1 and ASQM 2 and revised ASA 220.</p>
<b>Recommendation 19</b>	
<b>PAEC recommendation</b>	<p>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>
<b>Auditor-General comment</b>	<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>



<b>Proposed action as at 31 July 2020</b>	We will target compliance with our EQCR policies in our post audit and assurance quality review (PAAQR) programs for the next two audit cycles to determine whether the updated policy has increased understanding and application.
<b>Implementation update</b>	<p>We have implemented our proposed actions.</p> <p>We have included monitoring compliance with our EQCR policies in our PAAQR program checklist. This checklist was used in our 2021 PAAQR program and will be used in our 2022 PAAQR program. Additionally, our EQCR policy was a focus area for our 2021 active file reviews.</p>
<b>Recommendation 20</b>	
<b>PAEC recommendation</b>	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.
<b>Auditor-General comment</b>	<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>
<b>Proposed actions as at 31 July 2020</b>	<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>We will check this has occurred as part of our post audit quality reviews of our ASP files.</p>
<b>Implementation update</b>	<p>We have implemented our proposed actions.</p> <p>Our 2020–21 PAAQR program checked compliance with our file closure policy. In 2019–20, the coronavirus pandemic impacted our file closure rates. As part of our ASP refresh project, our key deliverables now include an ASP attestation on their compliance with our file closure policy.</p>
<b>Recommendation 25</b>	
<b>PAEC recommendation</b>	That VAGO undertakes a training needs assessment for members of the Audit Quality (AQ) and Financial Reporting Advisory (FRA) team. Based on this analysis VAGO should develop training programs to ensure members are appropriately qualified to maintain and monitor the quality control framework.
<b>Auditor-General comment</b>	<p>The technical audit teams are small and change over time. Their training needs will invariably differ depending on their qualifications and experience.</p> <p>We will address immediate individual needs through our routine annual performance development process (PDP), presently underway</p>
<b>Proposed actions as at 31 July 2020</b>	<p>We will:</p> <ul style="list-style-type: none"> <li>establish the specific skills and competencies required for the technical team and capture these in the auditor competency framework</li> <li>undertake a gap assessment for current and any new members on appointment</li> <li>tailor a training program and include this in development plans of each team member.</li> </ul>
<b>Implementation update</b>	<p>We have partially implemented our proposed actions. We aim to fully implement them by December 2021.</p> <p>Our audit quality and financial reporting advisory teams developed a team training calendar and individual development plans in 2020–21. These teams completed an average of</p>

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119 training hours for the period. We aim to develop specific audit quality and financial reporting advisory technical competencies for our capability framework by December 2021.

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#### Recommendation 26

PAEC recommendation	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.
Auditor-General comment	No comment provided
Proposed actions as at 31 July 2020	Refer to our responses to recommendations 14 for audit staff and recommendation 30 for all staff.
Implementation update	Refer to the implementation update for recommendation 14. We have scheduled to complete our proposed actions for recommendation 30 by June 2022.

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

Source: Allen and Clarke Consulting's *Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General's Office*, and VAGO.

## APPENDIX E

# Disclosure checklist: Prescribed and voluntary information

Schedule 7A of the *Corporations Regulations 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.

Figure E1 shows where compulsory and voluntary information can be found in this report and our *Annual Report 2020–21*.

**FIGURE E1: Locations of *Corporations Regulations 2001* schedule 7A prescribed information and voluntary information in our 2020–21 transparency report and annual report**

	Relevant to VAGO	Transparency report reference	Annual report reference
<b>Prescribed information</b>			
If the auditor belongs to a network, a description of: <ul style="list-style-type: none"><li>the network</li><li>the legal arrangements of the network</li><li>the structural arrangements of the network</li></ul>	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	N/A
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: <ul style="list-style-type: none"> <li>total revenue</li> <li>revenue relating to audits of financial statements conducted by the auditor and other services provided by the auditor</li> </ul>	✓	Section 1.4	Section 7.1 Section 7.2
A description of the firm or company's: <ul style="list-style-type: none"> <li>legal structure</li> <li>ownership</li> <li>governance structure</li> </ul>	✓	Section 1.1 Section 1.1 Section 1.2	Section 1.1 Section 1.1 Section 1.3
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	N/A
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	N/A
Information about the basis for remuneration of the firm's partners or the company's directors	✓	Section 1.4	Note 8.2 of the Financial Report
<b>Voluntary information</b>			
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
<b>Actions to improve audit quality how the auditor:</b>			
Promotes, evaluates and monitors professional scepticism and compliance with auditing standards	✓	Section 1.2	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 2 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	N/A
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 3.6 Section 3.7	N/A
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 3.5	N/A

<b>AQI—quantitative metrics</b>			
<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
<b>Findings from ASIC inspections</b>			
<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
<b>Findings from external reviews</b>			
The report may include areas for improvement derived from reviews by other relevant external bodies on audit quality	✓	Chapter 4	Section 1.7

Source: VAGO.

## APPENDIX F

# Acronyms and abbreviations

### Acronyms

ACAG	Australasian Council of Auditors-General
AMP	audit methodology procedure
ASIC	Australian Securities and Investments Commission
ASP	audit service provider
ASPIs	audit service provider instructions
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
ISA	information systems auditing
IT	information technology
ITAC	IT application controls
ITGC	IT general controls
MBM	macro benchmarking
OMG	operational management group
PAAQR	post audit and assurance quality review
PAEC	Public Accounts and Estimates Committee
SMG	strategic management group
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate
VPSC	Victorian Public Sector Commission

## 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>
ASAE 3000	<i>ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
ASAE 3500	<i>ASAE 3500 Performance Engagements</i>
ASQC 1	<i>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</i>
Audit Act	<i>Audit Act 1994</i>
CPA Australia	Certified Practising Accountant Australia

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[www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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