



Annual Report

2021–22

Annual Report 2021–22

VAGO

Victorian Auditor-General's Office

The Hon Nazih Elasmr MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

I am pleased to provide you with my *Annual Report 2021–22* for presentation to Parliament.

This report covers VAGO's activities for the period 1 July 2021 to 30 June 2022. It has been prepared according to the *Audit Act 1994* and the *Financial Management Act 1994*. It complies with the requirements of relevant Australian Accounting Standards and Interpretations, Standing Directions and Financial Reporting Directions.

Yours faithfully



Andrew Greaves
Auditor-General

21 September 2022

The Victorian Auditor-General's Office acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

Foreword

This year marks the final year of our 2017–21 strategic plan, in which we have focused on making our outputs more relevant and influential. Our strategy and our achievements over the past four years have been underpinned by investing in the skills and knowledge of our workforce and in streamlining and modernising our systems and processes.

I am pleased that over the past four and a half years we have continued to strengthen the reputation and standing of my Office. Our reports are generally regarded as objective, balanced and fair; and this has served to add to their credibility, usefulness and wide acceptance. To this end it is pleasing to see a steady improvement this year in the rate of progress by audited agencies implementing our audit recommendations.

Much of the success of our reports we attribute to our data first strategies, which embed data science into our performance audits and data analytics into our financial audits. This has served to strengthen our audits and enrich our public reports with more empirical evidence to support our findings. As well as making an impact in our audit practices this approach has also improved the way we communicate our findings. Our growing list of public-facing dashboards serve to increase transparency and strengthen accountability for public sector performance.

Work flexibility has been central to investing in our people this year. To achieve this, we have transitioned to our 'Better Normal' hybrid working model. This combines the best of office-based and virtual work to match the way our people work with their specific situations and needs. This year we have also continued to focus on creating a more inclusive workplace with the finalisation of our *Reconciliation Action Plan* and the development of our *Diversity, Inclusion and Belonging Plan 2022–25*.

We still face challenges addressing workloads and time pressures that cause many of our staff undue stress—worsened by the lingering effects of the pandemic on our workforce and those of the agencies we audit. It was nonetheless pleasing to see that employee engagement increased in our People Matter survey results this year.

We recognise that our future success depends critically on our people. For this reason, we have given them prominence in our new strategic plan for 2022–25. Much of our effort over the coming years will be directed to investing in our workforce and equipping them with the knowledge, skills and tools they need to be successful.

Andrew Greaves
Auditor-General

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1.

About VAGO

VAGO's role is to provide assurance to Victoria's Parliament and community about the performance and accountability of the state's public sectors.

We achieve this by auditing and reviewing the finances and performance of state and local government entities.

This chapter covers:

- Our role
 - Our operating model
 - Our governance arrangements
 - Our values
 - Our strategic plan
 - How we report on our performance
 - How we are accountable
-

1.1 Our role

The Auditor-General is an independent officer of the Victorian Parliament, supported by around 185 staff and 9 firms who are our audit service providers.

The Victorian Auditor-General's Office (VAGO) provide assurance to Parliament and the Victorian community about how effectively public sector agencies are providing services and using public money. We achieve this through an annual program of financial and performance audits and reviews of state and local government public sector entities.

We are part of Victoria's integrity system, governed by the *Constitution Act 1975* and the *Audit Act 1994* (the Act). The office of 'Auditor-General' is independent—it is not controlled or directed by Parliament or the government.

Our legislation

The *Constitution Act 1975* establishes the office of 'Auditor-General' and gives them complete discretion in how they perform the functions and powers of their role.

The *Audit Act 1994* sets out the legal basis of our powers and the responsibilities of our role.

Supporting continuous improvement

Our unique position and access to information across the Victorian public sector enables us to identify common issues and provide useful insights for parliamentarians, the public and the agencies we audit.

We make recommendations to audited agencies on how to improve services and function more efficiently and effectively.

Our assurance services

'Level of assurance' refers to the measure of the confidence we have in our conclusions. This depends on the source, quality and quantity of evidence we obtain.

We achieve ...	When we ...	This ...
reasonable assurance	obtain and verify direct evidence about an agency's performance from a variety of internal and external sources	<ul style="list-style-type: none">enables us to express an opinion or draw a conclusion against an audit objective with a high level of assuranceis called an audit engagement.
limited assurance	rely primarily on an agency's representations and other evidence generated by that agency (while aiming to have enough confidence in our conclusion for it to be meaningful)	<ul style="list-style-type: none">allows us to quickly and cost-effectively respond to, examine and report on issues where a 'reasonable assurance' engagement is not requiredis called an assurance review and is typically expressed in the negative (for example, that nothing has come to our attention to indicate there is a problem).

We design our work programs with the information needs of our report users in mind. Taking into account cost and practicality, we consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.

Types of engagements

We also distinguish our work program based on who engages us and who sets the audit objectives, scope and the criteria we use to evaluate performance.

- Our **performance** audit and review program consists of **direct engagements**. Parliament engages and funds us to undertake this work.
- Our **financial** audit and review program consists of **attest engagements**. The public sector entity that prepares the financial information is the engaging party and pays for the audit. The responsible party for each entity certifies (or attests) that the entity's financial report is prepared properly and is reliable.

These engagements fall into 4 types, as shown in Figure 1A.

FIGURE 1A: The 4 engagement types

Engagement type	Performance (direct)	Financial (attest)
Audit (reasonable assurance)	Performance audits Assess if government agencies, programs and services are effectively meeting their objectives, using their resources economically and efficiently and/or complying with legislation. Provide reasonable assurance about activities that are performed well/represent better practice, and identify opportunities for improvement. May involve using our 'follow the dollar' powers, which allow us to audit: <ul style="list-style-type: none">• community-sector and for-profit organisations contracted to provide government services• how government grant recipients use their funds.	Financial audits Provide reasonable assurance that information contained in public sector agencies' financial and performance reports is: <ul style="list-style-type: none">• reliable• relevant• presented fairly and according to Australian Accounting Standards and other relevant legislation.
Review (limited assurance)	Performance reviews Provide limited assurance, generally with a focus on waste, probity or compliance. Typically have a narrow scope, examining a discrete activity or set of transactions, usually in relation to a single issue of significant public interest.	Financial reviews Provide limited assurance that no material modifications need to be made to an entity's financial report for it to conform with the Australian Accounting Standards and other relevant legislation.

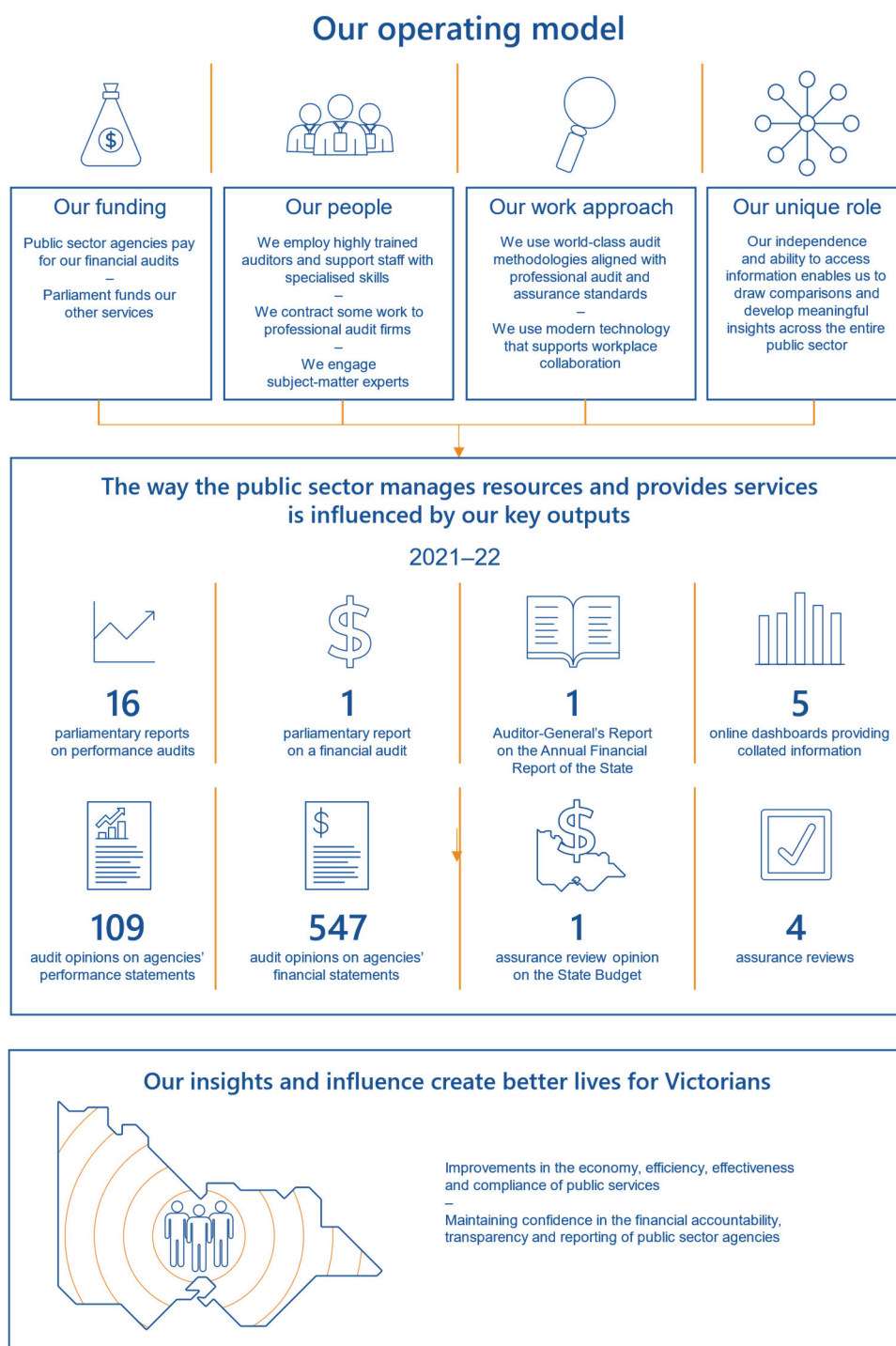
Source: VAGO.

For more information about our assurance services, please see the fact sheets on our website at audit.vic.gov.au/our-role.

1.2 Our operating model

Figure 1B shows our operating model, with an overview of our inputs and 2021–22 outputs and services.

FIGURE 1B: Our operating model showing 2021–22 outputs



Source: VAGO.

1.3 Our governance arrangements

Our strategic management group governs VAGO's strategic direction and alignment to our vision, values and purpose. This group is responsible for:

- setting and monitoring VAGO's strategy
- overseeing good governance and a positive organisational culture
- achieving performance outcomes and sustainability
- ensuring that VAGO has strong executive leadership.

FIGURE 1C: VAGO's strategic management group 2021–22



Source: VAGO.

1.4 Our values

Our values shape our work and culture and how we grow as an organisation.

In 2021–22, we continued to promote and embed these values through team-building activities and by celebrating the outstanding efforts of our employees both day-to-day and more formally at recognition events.

FIGURE 1D: **The VAGO values**







Source: VAGO.

1.5 Our strategic plan

The VAGO *Strategic Plan 2017–2021* set out our objectives and directions (see Figure 1E) and articulated what success would look like (see Figure 1F).

FIGURE 1E: 2017–2021 strategic objectives and directions

	Our objectives	Our directions
 <p>Increase our relevance</p>	<p>Be more relevant by delivering credible and authoritative reports and advice about things that matter and will make a difference.</p>	<p>Modernise our auditing methods Update how we audit to reflect new and emerging technology-enabled practices.</p> <p>Explore our full mandate Rebalance our audit programs to evenly cover efficiency and effectiveness, governance and compliance.</p> <p>Take a longer-term perspective Analyse audit results through time to identify what works on complex and interconnecting issues.</p>
 <p>Grow our influence</p>	<p>Be valued for our independence and more influential because of the unique perspectives we provide.</p>	<p>Strengthen our engagement Build more productive relationships based on mutual respect and understanding of our respective roles and organisational contexts.</p> <p>Better leverage our access Use our access to cross-government datasets to provide our clients with new insights they can use.</p> <p>Increase accessibility to our work Develop new interactive channels with our stakeholders and open up access.</p>
 <p>Invest in our people</p>	<p>Enable high performance by our people through a supportive culture, professional development and collaboration.</p>	<p>Be clear about what we stand for Demonstrate leadership and accountability in how we work and live our values and culture.</p> <p>Invest in excellence Support our people to harness new and emerging technologies by developing their technical, analytical and people management capabilities.</p> <p>Get the mix right Ensure our workforce composition builds our capability to position us to meet future business needs.</p>
 <p>Lead by example</p>	<p>Model exemplary performance in everything we do.</p>	<p>Simplify our business Eliminate unnecessary internal red tape, and streamline and increase automation of core business processes.</p> <p>Embrace new technology Invest in cloud technology, implement the best software solutions to integrate our business systems, and share information to improve our practice.</p> <p>Better intelligence to drive decisions Develop a comprehensive portfolio of service, product and project performance measures.</p>

Source: VAGO.

Throughout this report we detail our progress against these objectives in this final year of operating under this plan. Figure 1F gives a snapshot of our four-year progress and achievements.

FIGURE 1F: **Snapshot of our progress against 'what success looks like'**

What success looks like	Our 4-year progress and highlights
<p>Increase our relevance</p> <p>Our audit program effort is targeted across efficiency, effectiveness, economy and compliance.</p> <p>The benefits realised by the public sector show an increased return on investment from our audit work.</p>	<p>Key achievements:</p> <p>Our reports and advice are now generally well-regarded: credible, balanced and fair.</p> <p>We have delivered clear examples of our authoritative reporting, including reporting on sexual harassment, clinical governance, mental health and <i>Budget Paper No. 3: Service Delivery</i>.</p> <p>We uplifted our financial audit methodology and rolled out of standardised procedures, forms, templates and core training.</p> <p>And we developed our Empower (financial audit data analytics tool) product and commenced the adoption of technology-enabled practices.</p> <p>We will continue to:</p> <p>Explore our full mandate by:</p> <ul style="list-style-type: none"> expanding our use of review engagements focus our coverage on areas of greatest risk and materiality. <p>Modernise our audit methodologies and our audit and assurance toolsets and complete the update of our performance engagement methodology.</p> <p>Focus on data-driven auditing by extending the reach and application of Empower in our audits.</p>
<p>Grow our influence</p> <p>More of our performance audits originate from requests from Parliament, the public sector and the public.</p> <p>Use of our reports and associated datasets in government service delivery and for parliamentary purposes has increased.</p>	<p>Key achievements</p> <p>We are demonstrably independent, and while this had led to some contested reports, by and large we have been a strong influencer on important issues.</p> <p>We have progressively introduced dashboards into our suite of published products, which help make our work more accessible.</p> <p>We updated our annual planning methodology, introduced continuous planning and have started earlier and more meaningful engagement with the Public Accounts and Estimates Committee (PAEC) on current and potential future audit topics.</p> <p>We will continue to:</p> <p>Explore the:</p> <ul style="list-style-type: none"> methods we use to gather information analytical and visualisation tools we use to explain our audit results way in which we publicly report.

What success looks like	Our 4-year progress and highlights
<p>Invest in our people</p> <p>Employee engagement has increased.</p> <p>We develop, attract and retain the talent we need.</p>	<p>Key achievements</p> <p>We delivered improved results across all dimensions in our People Matter survey results.</p> <p>We have shifted our culture to have a people focus, underpinned by our shared values and diversity agenda including our Diversity and Inclusion Plan, People Matter Action Plans and Gender Equality Action Plan, and we started our reconciliation journey.</p> <p>We also introduced our 'Better Normal' principles to become a true employer of choice.</p> <p>And we refreshed our audit service provider panel to help us deliver our financial audit program and improve service quality and delivery.</p> <p>We will continue to:</p> <p>Build on our achievements in our employee experience and engagement by:</p> <ul style="list-style-type: none"> • providing professional development and career growth • refining our organisation and audit delivery models to provide our staff with a rich, diverse and challenging work experience.
<p>Lead by example</p> <p>Workforce productivity has increased.</p> <p>Our internal practices set the benchmark for public sector entities and other audit offices.</p>	<p>Key achievements</p> <p>We have streamlined our back-office practices and processes through our investment in technology.</p> <p>We have put more available hours into our audit products, while investing in our data analytics capability.</p> <p>Our pro-transparency agenda (publishing our People Matter survey results and Transparency Report on our website) has set a benchmark for other entities and audit offices.</p> <p>We will continue to:</p> <p>Contribute to better public services by:</p> <ul style="list-style-type: none"> • making better use of our data • improving how we engage and share better-practice approaches and insights with the public sector.

Source: VAGO.

The next strategic planning period (2022–25)

We recently published our 2022–25 strategic plan. This builds on and continues the work set out in our 2017–21 plan.

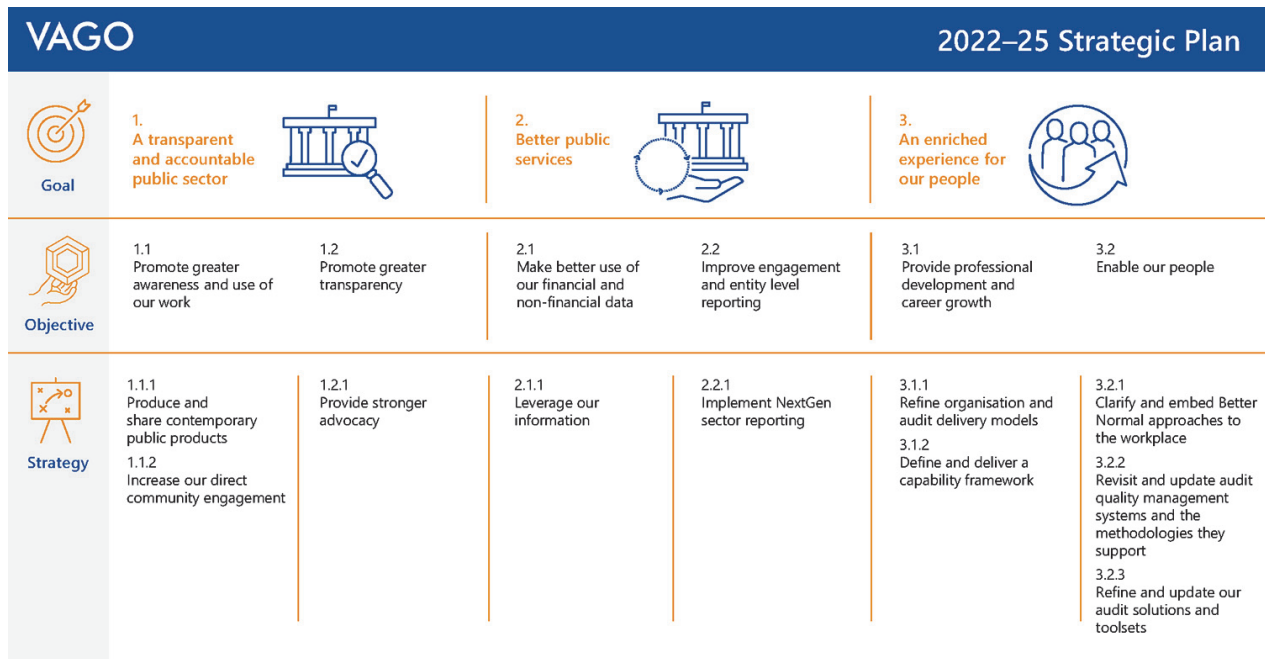
In revisiting and refreshing our approaches we judged that our existing strategy served us well. However, we also acknowledge that we were unable to fully realise our ambitious strategic agenda over the past 4 years, as we and the public sector were significantly disrupted by the coronavirus (COVID-19) pandemic. Therefore, our new plan includes work carried over as well as new initiatives.

Figure 1G gives a summary of our 2022–25 strategic plan.

Our 2022–25 strategic plan is on our website at:

www.audit.vic.gov.au/vago-strategic-plan-2022-2025

FIGURE 1G: 2022–25 strategic plan at a glance



Source: VAGO.

1.6 How we report on our performance

Every year, we report against a set of performance measures and targets that we agree on with the Assistant Treasurer.

We discuss our 2021–22 performance against these measures in the relevant sections in this report.

We also include an independently audited performance statement in Chapter 6. We are not required to prepare this statement or have it audited, but we believe it is necessary to promote transparency and better public sector practice. It assures readers that our non-financial performance information is reliable—the same way the independent external audit opinion on our financial statements provides assurance.

VAGO's performance measures and targets

are set out in *Budget Paper No. 3: Service Delivery*. You can find this paper on the [Victorian State Budget website](#).

1.7 How we are accountable

We are accountable to the Parliament of Victoria and all Victorians for how efficiently and effectively we perform our auditing services and how economically we use public resources. The key mechanisms used to ensure this accountability are:

- external audits of our office
- oversight by the Victorian Inspectorate
- monitoring and publishing of our expenses.

External audits of our office

The Act requires that our office is the subject of an independent performance audit at least once every 4 years. The purpose of the audit is to determine whether the Auditor-General and VAGO are achieving their objectives effectively, economically and efficiently and in compliance with all relevant Acts.

In 2019–20, PAEC appointed Allen and Clark Consulting to conduct this audit. They tabled their report in Parliament on 4 August 2020.

Overall, the report was positive, concluding 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.

The report made 31 recommendations. We monitor our progress in implementing these through:

- periodic updates to our operational management group, and audit and risk committee (ARC)
- biannual updates to PAEC.

Of the 31 recommendations made to our office, we ...	And have ...
accepted: <ul style="list-style-type: none">• 24 in full• 3 in part• 3 in principle	16 recommendations completed 14 recommendations in progress or partially complete.
did not accept 1 recommendation	

The 2019–20 external audit report on VAGO, tabled in August 2020, is on our website at:
www.audit.vic.gov.au/how-we-are-accountable

Oversight by the Victorian Inspectorate

The Victorian Inspectorate (VI) is a key oversight body in Victoria's integrity system, with the power to scrutinise our activities. It can receive and assess complaints made about us and can examine our use of our coercive powers. The VI can also monitor our compliance with certain sections of the Act.

We have worked with the VI to develop a self-reporting tool about the exercise of our coercive powers. We did not exercise these powers during the past financial year.

We understand that the VI did not receive any complaints about VAGO in 2021–22. The VI conducted one investigation of a public interest complaint about VAGO and its officers referred by the Independent Broad-based Anti-corruption Commission (IBAC). The VI concluded that all allegations were unsubstantiated. Two observations were raised with VAGO, with the VI suggesting that we:

- review our processes and procedures to help prevent delays in the finalisation of audit files; and
- review our employee performance management processes and procedures to ensure timely and regular performance feedback.

Monitoring and publishing our expenses

The Standing Directions 2018 under the *Financial Management Act 1994* require us to publish our Gifts, Benefits and Hospitality Policy and register on our website.

Our ARC monitors the Auditor-General's expenses. To further enhance transparency and strengthen accountability, we also voluntarily publish this information on our website.

Find out more about our accountability mechanisms on our website at:
www.audit.vic.gov.au/how-we-are-accountable

2.

Increasing our relevance



In 2021–22 we continued to increase our relevance by widening our audit program to explore our full mandate. We also furthered modernising the way we work.

Analysing our performance remains key to ensuring our work continues to realise a return on investment for the Parliament and for the people of Victoria.

Progress snapshot

In 2021–22:



22
reports
tabled

16
performance
audits

4
limited
assurance reviews

2
financial
audits



\$683,636
average cost
of a tabled report
Our target: \$527,000



96 live financial data
dashboards for **53** clients

In-house data-analytics platform Empower delivers more efficient and effective audits

Source: VAGO.

This chapter covers:

- Our audit programs: performance and financial
- Our assurance review program
- Delivering services efficiently
- Modernising our audit methods

2.1 Our audit programs

To realise our goal of strengthening accountability and enhancing transparency across the public sector, we need to ensure our reports and advice are not just relevant, but also timely.

The ongoing impacts of the COVID-19 pandemic have continued to limit our ability to control the timeliness of our reports in 2021–22. However, we continued to increase our relevance by widening our performance audit program to cover our full mandate.

In this section we look at our performance and financial audit programs.

Our performance audit program

Planning our work

Our *Annual Plan 2022–23*, tabled in June 2022, sets out our next two-year performance audit program. It informs Parliament, the public sector and the Victorian community about our short and medium-term goals and priorities. It also:

- helps us identify opportunities for early consultation with our stakeholders
- allows agencies to prepare for audits well in advance.

We decide which areas to audit by anticipating and responding to current and emerging risks and challenges in the Victorian public sector. We use a multifaceted approach to identify, assess and prioritise potential topic areas. Our planning process informs the development of a work program that balances predictability and responsiveness.

In 2022–23, we will continue to focus on delivering a risk-based performance audit work program that reflects our mandate. We will undertake a mix of performance engagements that examine whether the public sector achieves its objectives effectively, economically and efficiently, and whether they comply with relevant legislation.

Parliamentary reporting on performance audits

This year we tabled 16 performance audit reports in Parliament. Due to the impact of COVID-19 on our workforce and on agencies from March 2020, some of these audits were listed in previous annual plans.

Of our planned performance audits, we:

- cancelled one
- delivered one as a limited assurance review
- tabled one on 1 September 2022
- plan to table a further 2 by 31 October 2022.








For more information, please see the section 'Adjusting our performance audit program due to COVID-19' later in this section.

Our 2021–22 reports covered a diverse range of topics including hospitals, schools, police, transport and local councils. Our reports highlighted key governance issues, monitoring and reporting challenges, and instances of poor financial discipline. We

Our *Annual Plan 2022–23* is on our website at:
www.audit.vic.gov.au/report/annual-plan-2022-23

also noted good practices, reporting on these to set a better example for others to follow. Figure 2A lists the performance audits tabled in 2021–22 by sector.

Performance audits tabled in 2021–22, grouped by sector

	Sector	Tabled reports
	Central Agencies and Whole of Government	<i>Management of Spending Measures in Response to COVID–19</i> (October 2021, report 8) <i>Business Continuity During COVID–19</i> (February 2022, report 13) <i>Government Advertising</i> (April 2022, report 15)
	Education	<i>Effectiveness of the Navigator Program</i> (March 2022, report 14) <i>ICT Provisioning in Schools</i> (April 2022, report 16)
	Environment and Planning	<i>Protecting Victoria's Biodiversity</i> (October 2021, report 7) <i>Supplying and Using Recycled Water</i> (November 2021, report 9) <i>Offsetting Native Vegetation Loss on Private Land</i> (May 2022, report 17)
	Health and Human Services	<i>Clinical Governance: Department of Health</i> (September 2021, report 3) <i>Kinship Care</i> (June 2022, report 20)
	Infrastructure and Transport	<i>Integrated Transport Planning</i> (August 2021, report 1) <i>Major Infrastructure Program Delivery Capability</i> (August 2021, report 2) <i>Melbourne Metro Tunnel Project—Phase 2: Main Works</i> (June 2022, report 21)
	Justice and Community Safety	<i>Administration of Victorian Courts</i> (October 2021, report 6) <i>Managing Body-Worn Cameras</i> (June 2022, report 19)
	Local Government and Economic Development	<i>Fraud Control Over Local Government Grants</i> (May 2022, report 18)

Source: VAGO.

It is important that we communicate our findings in ways that are relevant to our stakeholders and audiences. From limited assurance reviews to full-scale performance audits, we used a wide array of products to achieve this, including long-form reports, summary videos, briefings, presentations and dashboards. We also use surveys in a variety of ways, both to gather evidence and to seek feedback.

Adjusting our performance audit program due to COVID-19

In 2021–22, 10 of the 16 reports we tabled were carried over from our previous annual plans, a direct impact of COVID-19 disruptions and pressures, both in our office and for public sector agencies.

For more information about how we adjusted our audit program due to COVID-19, see our **Annual Plan 2022–23** on our website at: www.audit.vic.gov.au/report/annual-plan-2022-23

As in the previous year, we carefully considered all requests from agencies for short and medium-term delays, and we have worked with agencies to reschedule our work program to support their COVID-19 response. Last year we deferred planned audits on supporting sexual and reproductive health to 2022–23 and clinical trials in public hospitals to 2023–24 due to the significant impact on the health sector in responding to COVID-19.

In 2021–22, we:

- delivered our planned performance engagement on council waste management services as an assurance review (see section 2.2 for information)
- cancelled our planned performance engagement on supporting workers in transitioning industries due to planned reforms addressing the issues we would have considered in our audit. Key points:
 - In July 2021 the Victorian Government established the Victorian Skills Authority (VSA) in response to the recommendations of the *Skills for Victoria's Growing Economy Review*.
 - The VSA will gather evidence and data about Victoria's training and employment needs, match these needs to training, and provide independent advice to government. They will also produce Victorian Skills Plans and Regional Skills Plans, the first of which is due in 2022.
 - We plan to reassess this topic over the coming years to assess the level of risk at that time.

Our financial audit program

The independent audit opinions we provide to agencies on their financial reports—and, where applicable, performance statements—enhance the credibility and reliability of that information. They also allow agencies to publish an annual report, which they are required to do due to their accountability obligations.

Financial (attest) engagements

Each year, we audit approximately 550 agencies' financial reports and provide opinions on more than 100 performance statements. We audit agencies including government departments, statutory bodies, educational institutions, public health services, water corporations, insurers and local government councils.

We also conduct an annual assurance review of the estimated financial statements contained in the state Budget. We provide our review opinion to the Treasurer to include in the budget papers.

Audit opinions issued

In 2021–22 we issued 550 audit opinions on the financial reports of public sector agencies. Six of these opinions were carried over from a previous reporting period.

We also issued 109 audit opinions on the performance statements of local councils, water agencies and TAFEs, meeting our target.

Parliamentary reporting on financial audits

Under the Act, we must report to Parliament the results of our audit of the state's financial report, which is prepared by the Treasurer.

96%

of audit opinion target met
for public sector agency
financial reports

90%

of management letters
issued within target
timeframe

We also report separately on the results of our audits of local governments, universities and Technical and Further Education Institutes (TAFEs). Although this is not mandatory, we believe the size and impact of these sectors makes the more detailed reporting a valuable tool for parliament and the community. Figure 2B lists the financial audit reports we tabled under our 2021–22 program.

FIGURE 2B: **Reports tabled on the results of 2020–21 financial audits**

Report	Tabled
Tabled in 2021–22	
<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2020–21</i>	Nov 21
<i>Results of 2020–21 Audits: Local Government</i>	Dec 21
Tabled since 1 July 2022	
<i>Results of 2020–21 Audits: Technical and Further Education Institutes</i>	Jul 22
<i>Results of 2020–21 Audits: Universities</i>	Jul 22

Note: Reports on results of audits of universities and TAFEs were delayed due to staff resource challenges as a result of COVID-19.

Source: VAGO.

Measuring the quality of our audit work

As auditors, it is critical that our work is reliable. We design our audit procedures to detect material errors. We measure how we perform on this by assessing the number of financial statements that require corrections to take account of undetected errors from prior periods.

This year 2.2 per cent of agencies disclosed prior-period material errors in their financial statements. This within our target of less than 5 per cent.

A financial audit opinion can only provide reasonable, not absolute, assurance that there are no material errors in the information.

Delivering our financial audit program in a pandemic

Financial reporting and audit timelines are challenging in a normal year for all stakeholders involved. COVID-19 continued to add to this challenge for some state government entities to meet their annual reporting requirements and our ability to undertake our audits for the 30 June 2021 and 31 December 2021 financial reporting periods.

Consistent with the previous reporting period, we addressed this by working with entities to develop an entirely remote approach to completing year-end processes and audit functions. Working towards a common goal helped us to deliver the 2021 audit program.

2.2% of agencies disclosed prior-period material errors in their financial statements. Our target was less than 5%

As we did last year, we also delivered our audit program incrementally:

- For the 30 June audit delivery, we prioritised our audit of the Annual Financial Report of the State of Victoria for 2020–21 and material entities, where non-material entities audits occurred after. As a result, we provided many of our non-material audit opinions later in 2021–22 than in other years.
- For our 31 December audit delivery, we prioritised based on entity type and reporting timelines. As a result, some audit opinions were issued later than in other years.

The challenges faced to our financial audit program also saw us table some of our reports on results of our financial audits later than previous years.

We have encountered further challenges with the 2022 audit program, due to:

- the narrowed timeframe of the last pre-election sitting day of Parliament
- flow-on workforce impacts from the pandemic
- scarce resources in the accounting industry that complement our workforce during peak reporting season
- workforce pressure on corporate finance functions of the agencies we audit.

We have again prioritised material entity audits for the 2022 year-end to help ensure that the state can deliver its annual financial report for 2021–22 ahead of the state election in November 2022.

2.2 Our assurance review program

In 2021–22 we delivered 4 limited assurance reviews (shown in Figure 2C), one of which was not in our Annual Plan.

The additional review—*Managing Conflicts of Interest in Procurement*—was developed in response to 4 separate referrals we received from Members of Parliament and the public between July and October 2020. Each of the referrals alleged conflicts of interest in procurement. In examining these allegations, we considered the referrals as 4 separate case studies.

A second limited assurance review—*Council Waste Management Services*—was originally included in our Annual Plan as a performance audit. As part of our audit planning, we considered whether an efficiency audit into Victorian councils' waste management services would result in an impactful report, including whether it would lead to process improvements and efficiency gains for councils. Based on the evidence we obtained during planning, we found that continuing with a full performance audit would not provide value for money and we instead decided to conduct a limited assurance review. This is an example of our flexible approach and ability to effectively apply both the Act and *Australian Standard on Assurance Engagements ASAE 3000*.

FIGURE 2C: **Assurance reviews tabled in 2021–22**

Review	Tabled
<i>Responses To Performance Audit Recommendations: Annual Status Update</i>	Jun 21
<i>Managing Conflicts of Interest in Procurement</i>	Sep 21
<i>Major Projects Performance</i>	Sep 21
<i>Council Waste Management Services</i>	Dec 21

Source: VAGO.

2.3 Delivering services efficiently

The average cost of our parliamentary reports in 2021–22 was \$683,636. This is 28 per cent higher than the 2020–21 average (\$535,300), and 30 per cent over our 2020–21 target (\$527,000).

The higher costs of our reports correlate to the additional time we spent on audits. Figure 2D summarises the average cost and time to complete for our reports by type.

FIGURE 2D: **Average cost and time to complete—parliamentary reports by type 2020–21**

Engagement/report type	2021–22 average cost	2021–22 average time to complete	Prior year average time to complete	Target average time to complete
Performance audits	\$876,225	14.3 months	13.6 months	9 months
Reports on the results of financial audit	\$185,937	4.9 months	6.7 months	5 months
Limited assurance review	\$351,204	7.9 months	4.6 months	N/A

Source: VAGO.

Delivering performance audit reports

This year our average time to complete performance audits (from initiation to tabling) was 14.3 months. As shown in Figure 2D, this is 0.7 months more than last year and more than 5 months above our target.

These delays were caused by:

- large, complex audits with multiple audited agencies
- allowing agencies more time to respond to us due to COVID-19
- fewer available staff hours due to:
 - unforeseen additional leave resulting from COVID-19
 - staff departures.

Delivering financial audit reports

The average time to produce our parliamentary reports on results of our financial audits after the balance date in 2021–22 was 4.9 months. As shown in Figure 2D, this is below the prior year result and within our target of 5 months.

We tabled two financial audit parliamentary reports during 2021–22:

- *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2020–21* was delivered within 4.6 months and within our target of 5 months as required by the Act.
- *Results of 2020–21 Audits: Local Government* was delivered just over the target, at 5.1 months.

Our two education sector reports—*Results of 2021 Audits: Universities* and *Results of 2021 Audits: Technical and Further Education Institutes*—were both delayed due to COVID-19, and tabled in early July 2022, outside our reporting period. These reports would have increased our overall average time as they took over 6 months to complete.

Delivering financial audit services

The public sector agencies we audit pay us for the financial audit work we perform. The Act allows us to recover reasonable costs only, so it is important that we continuously monitor and benchmark our service costs.

As shown in Figure 2E, the average cost of the audit opinions we issued on financial statements during 2021–22 was \$54,319, above both our 2020–21 result and our target.

FIGURE 2E: **Average cost of audit opinions 2020–21 compared with previous year, target and benchmark**

Financial service	2021–22 average cost	Prior year average cost	Target average cost	Benchmark: state & territory average cost (2020–21)
Audit opinion on financial statements: overall	\$54,319	\$50,700	\$50,000	N/A
Audit opinion on financial statements: state government entities	\$55,556	\$58,640	N/A	\$84,236
Audit opinion on financial statements: local government entities	\$48,788	\$58,709	N/A	\$63,015

Source: VAGO.

The average cost of audit opinion were higher than last year, primarily because:

- audit fees we pay to our audit service provider panel increased in line with the market
- we increased some of our in-house audit fees to better reflect the full cost of service provision.

We benchmark our average costs against other state and territory audit offices with similar mandates. As also shown in Figure 2E, our average costs for both state and local government entities were well below these comparators.

Meeting statutory timeframes

Agencies have statutory timeframes in which to:

- complete their annual financial reports
- table their annual reports.

This means our work must be timely. As shown in Figure 2F, we missed our target for issuing audit opinions and met our target for final management letters, with our performance slightly lower than the prior year. COVID-19 continued to impact timely service delivery, particularly for audit opinions issued between July to October 2021 and February to April 2022.

FIGURE 2F: **Time to issue compared with previous year and target**

Financial service and required time to deliver	2021–22 % of cases deadline met	Prior year % of cases deadline met	Target % of cases deadline met
Issue audit opinion on financial statements within 4 weeks of receiving finalised statement from agency	96.0%	97.3%	98.0%
Issue final management letters to agencies within 4 weeks of issuing the audit opinion	90.0%	93.8 %	90.0%

Source: VAGO.

2.4 Modernising our audit methods

VAGO has long been committed to exploring and embracing new technologies to enhance audit techniques.

From advanced statistical techniques, data analytics and data communication to leveraging cloud-based technologies, our innovative approach is driving the efficiency and effectiveness of our work and leading the way in the government sector.

Enhancing performance audit through data science

We are working collaboratively with Australian and international audit offices to foster and develop the emerging discipline of performance audit data science.

Performance audits are bespoke and qualitative, presenting unique challenges for the design and application of data analytics. To address this, we are working to integrate and embed a data approach into our performance audit methodology.

While some of this work will take time to realise, embedding data scientists with performance audit teams is already making an impact—on the way we plan for, gather and analyse evidence, and on the way we communicate our findings.

We see the impact of the data science team's work in our engagement statistics (for example, from our online dashboards). It has also been gratifying to be recognised by our peer audit offices, including at the Australasian Council of Auditors-General (ACAG) Innovation Awards:

- 2021: Received Innovation Award for *Accessibility of Tram Services*
- 2022: Received Innovation Award for *Major Projects Performance* dashboard.

Other examples of data science's contribution in 2021–22 include the following.

Our engagement on ...	Was enhanced by the work of data scientists to ...
<i>Managing Body-worn cameras</i>	merge separate datasets to calculate police officers' compliance with their body-worn camera policy
<i>Offsetting Native Vegetation Loss on Private Land</i>	analyse geospatial imagery to identify undocumented clearance of native vegetation
<i>Fraud Control Over Local Government Grants</i>	identify potential cases of fraud in council grants data
<i>Government Advertising</i>	create a public-facing dashboard visualising Victorian Government spending on campaign advertising
<i>ICT Provisioning in Schools</i>	analyse asset registers and purchase data to understand the ICT resources available in schools
<i>Major Projects Performance</i>	create a dashboard providing transparency over Victoria's major projects
<i>Council Waste Management Services</i>	generate individualised reports to councils, benchmarking their waste management spend
<i>Effectiveness of the Navigator Program</i>	use school attendance data to estimate Navigator program effectiveness
<i>Kinship Care</i>	calculated compliance with child protection policies and effectiveness of services.

Empowering financial auditors with data analytics

In 2021–22, we used our in-house data analytics platform—Empower—to generate 96 financial audit dashboards. These internal dashboards cover 53 of our audit clients and are now regularly updated.

The benefits of these dashboards include:

- providing our auditors with source data
- assisting with planning analytics
- assisting with sampling
- enabling auditors to run computer-assisted audit techniques over data
- assisting with more traditional substantive testing, such as fully recalculating material classes of revenue.

Embedding our new financial audit methodology

We continue to refine our Engage, Plan, Implement and Conclude (EPIC) methodology, as well as developing training and guidance to support our auditors.

We have also commenced work on replacing our existing legacy audit toolset, to support our future financial audits. Our project team is evaluating the market and identifying our preferred replacement software that can meet the current needs and future aspirations of our financial auditors.

We expect to select and begin to progressively implement new financial audit software during 2022–23

3.

Growing our influence



In 2021–22 we continued to find better ways to engage our stakeholders.

To help maintain our high levels of stakeholder satisfaction and overcome the ongoing challenges of COVID-19, we continued with our remote parliamentary briefings and live-streamed forums, increased our social media engagement and introduced financial reporting alerts.

Progress snapshot

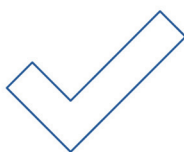


77.9%

of accepted performance
audit recommendations
implemented*

up from 70.8% last year
*as reported by agencies

Satisfaction



77.5%

of
Parliamentarians

down from 87.5% and 95.7% last year

93.5%

of state/local
government CFOs



20% +

increase in
social media
followers

Source: VAGO.

This chapter covers:

- Our impact in 2021–22
- Improving stakeholder engagement
- Listening to our stakeholders

3.1 Our impact in 2021–22

Despite the many challenges presented by the pandemic in 2021–22, we continued to make an impact.

In this section we look at our impact on our key stakeholders, Parliament and the agencies we audit.

Impact on Parliamentarians

Many of our performance audits received attention in Victoria's Parliament during 2021–22, as shown in Figure 3A.

FIGURE 3A: Examples of our impact in Parliament in 2021–22

Joint Committees	Example of impact
Electoral Matters Committee	September 2021: The committee's <i>Inquiry into the Conduct of the 2018 Victorian State Election</i> drew heavily on our 2016 <i>Victorian Electoral Commission</i> report, which assessed the commission's elections planning systems, performance across a range of indicators, and ability to provide accessible services.
	March 2022: The committee's <i>Inquiry into Whether Victoria Should Participate in a National Electoral Roll Platform</i> made references to our 2003 <i>Parliamentary Control and Management of Appropriations</i> report.
PAEC	<p>Under the <i>Parliamentary Committees Act 2003</i> (Vic), PAEC has the important function of conducting follow-up inquiries on recommendations made in some of our selected performance audit reports:</p> <ul style="list-style-type: none">September 2019: PAEC resolved to conduct the <i>Follow-up Inquiry into the Auditor-General's report No. 253: Managing School Infrastructure</i> (2017). PAEC received submissions and held public hearings. However, in response to a request by the Premier in April 2020, it resolved to undertake an inquiry into the government's response to the COVID-19 pandemic. Due to conflicting priorities and time pressures, PAEC resolved it was unable to adequately acquit its <i>Managing School Infrastructure</i> follow-up obligations, discontinuing its inquiry. It tabled an interim report in April 2022.May 2022: The Government tabled its response to PAEC's June 2020 <i>Follow-up Inquiry into the Auditor General's Report No. 202: Meeting Obligations to Protect Ramsar Wetlands</i> (2016). PAEC's inquiry provided an opportunity to examine what actions government agencies had taken in response to our 2016 report's findings and recommendations. Of PAEC's 16 recommendations, which focused on the governance arrangements and the management, funding and monitoring of Ramsar sites, the government accepted 9 in full, one in part and 6 in principle.
Legislative Assembly	Example of impact
Economy and Infrastructure Committee	March 2022: The Government tabled its response to the committee's <i>Inquiry into Access to TAFE For Learners with Disability</i> . The inquiry referred to the finding in our 2019 report <i>Enrolment Processes at Technical and Further Education Institutes</i> that none of 5 TAFEs we audited had a detailed documented process for how students' capabilities and learning needs were determined. The committee reinforced the finding TAFEs need to identify learners who need additional support and make adequate allowances in their enrolment processes.

Legislative Assembly	Example of impact
Environment and Planning Committee	<p>February 2022: The committee tabled its <i>Inquiry into Environmental Infrastructure for Growing Populations</i>, in which it referred to findings and recommendations from 3 of our previous reports:</p> <ul style="list-style-type: none"> • <i>Managing Surplus Government Land</i> (2018) • <i>Protecting Critically Endangered Grasslands</i> (2020) • <i>Managing Development Contributions</i> (2020). <p>The committee is currently waiting for the Government's response.</p>

Legislative Council	Example of impact
Legal and Social Issues Committee	<p>March 2022: The committee tabled its <i>Inquiry into Victoria's Criminal Justice System</i>, in which it referred to findings and recommendations from 4 of our previous reports:</p> <ul style="list-style-type: none"> • <i>Managing Rehabilitation Services in Youth Detention</i> (2018) • <i>Managing Community Corrections Orders</i> (2017) • <i>Safety and Cost Effectiveness of Private Prisons</i> (2018) • <i>Administration of Parole</i> (2016). <p>The committee is currently waiting for the Government's response.</p> <p>October 2021: In its final report on <i>Inquiry into the closure of I Cook Foods Pty Limited</i> the committee recommended that our office undertake an audit of food safety regulation in local councils.</p> <p>You can read more about our regulating food safety audit in our <i>Annual Plan 2022–23</i> or on our website at www.audit.vic.gov.au/search/reports/in-progress.</p>
Minister for Local Government, the Hon Shaun Leane MP	<p>June 2022: In response to the findings and recommendations in our <i>Fraud Control over Local Government Grants</i> report, tabled in May 2022, the Minister wrote to Victorian mayors, noting that our audit found that grant-related fraud controls are not always well designed, consistent or operating as intended.</p> <p>While our audit only examined 6 councils, the Minister asked all mayors to consider the report's findings, noting that 9 of the 10 recommendations were applicable to all councils and for them to take steps to review their own grant and fraud processes.</p>

Source: VAGO and Parliament of Victoria.

Impact on agencies: responses to our performance audits

In our 2021–22 *Responses to Performance Audit Recommendations: Annual Status Update* report, we reviewed agencies' progress on recommendations from performance audits published between July 2018 and December 2021.

As agencies are not legally required to accept, complete or publicly report on our recommendations, we use our assurance review powers to provide greater transparency and accountability to the Victorian public and parliamentarians.

Our 2021–22 review assessed whether agencies have effectively addressed our performance audit recommendations. It involved:

- 66 performance engagements
- 93 agencies
- 1,316 outstanding recommendations.

Figure 3B shows a high-level status update of the performance audit recommendations we reviewed.

FIGURE 3B: **Status of performance audit recommendations based on 2020–21 review**



Note: The response rate for assurance review surveys was 100 per cent.

Source: VAGO.

One way we rate our performance is by measuring the 'Percentage of accepted performance audit recommendations that audited agencies report as completed across a 2-year period'.

As shown in Figure 3C, the 2021–22 result of 77.9 per cent was an improvement on the previous year but still below our target.

FIGURE 3C: **Results of our review of outstanding performance audit recommendations**

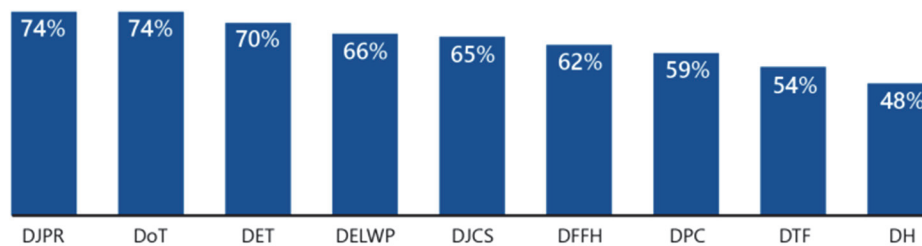
Criteria	2021–22 result	Previous year result	Target
Total recommendations under review	1,316		
Recommendations tabled in 2018–19 and 2019–20	858		
Number of those tabled recommendations accepted fully, in part or in principle	837		
Number of those accepted (fully, in part, or in principle) recommendations reported as complete	652		
Overall result			
Percentage of accepted performance audit recommendations audited agencies reported as completed across a 2-year period	77.9%	70.8%	80.0%

Source: VAGO.

As part of our review, we look at the completion rate for individual agencies.

Figure 3D shows the percentage of recommendations we made between July 2018 and December 2021 that have been completed by each department.

FIGURE 3D: **Percentage of performance audit recommendations completed by departments across a 2-year period, based on our 2021–22 review**



Source: VAGO.

Agencies continue to get faster at completing actions in response to our recommendations. The time taken to complete a recommendation after the audit tabled **improved by 2 months, from a median of 13 to 11 months.**

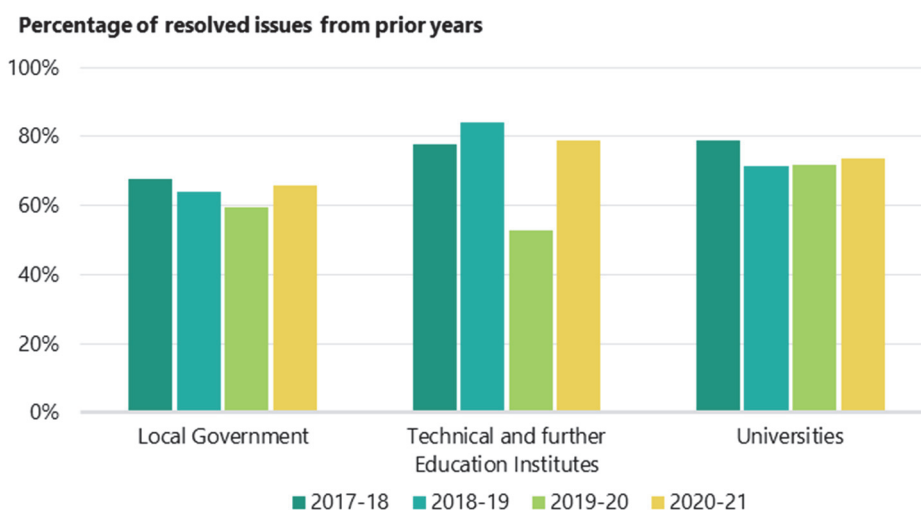
Agency responses to financial audit recommendations

Our financial audits have made a measurable impact on internal controls this year. Part of our financial audit process is to issue management letters to agencies highlighting issues of internal control weakness and other matters we find and make recommendations to resolve them. Agencies respond to these letters with their intended actions.

This year, we again found the majority of control issues related to IT weaknesses. Although we did see improvement on the percentage of issued resolved from prior years.

Figure 3E shows the progress we have made on strengthening agencies' internal controls over the last 4 years.

FIGURE 3E: **Percentage of resolved issues from prior years**



Source: VAGO.

3.2 Improving stakeholder engagement

Our primary stakeholders are parliamentarians, the public sector agencies we audit and the Victorian community. We also actively engage with our peers and the accounting and auditing professions.

We constantly seek better ways to engage with our stakeholders. This year we uplifted our digital engagement and marketing activities, including becoming more active on social media. This has included:

- reviewing and enhancing our report communications plans, including selecting images and key words more strategically
- updating our direct communications (for example, email invitations), applying plain language conventions
- establishing Facebook and Twitter accounts
- increasing the frequency and variety of our posts on LinkedIn
- encouraging our employees to continue developing their plain language writing skills and to become involved in our social media activity, including promoting VAGO as a workplace of choice.

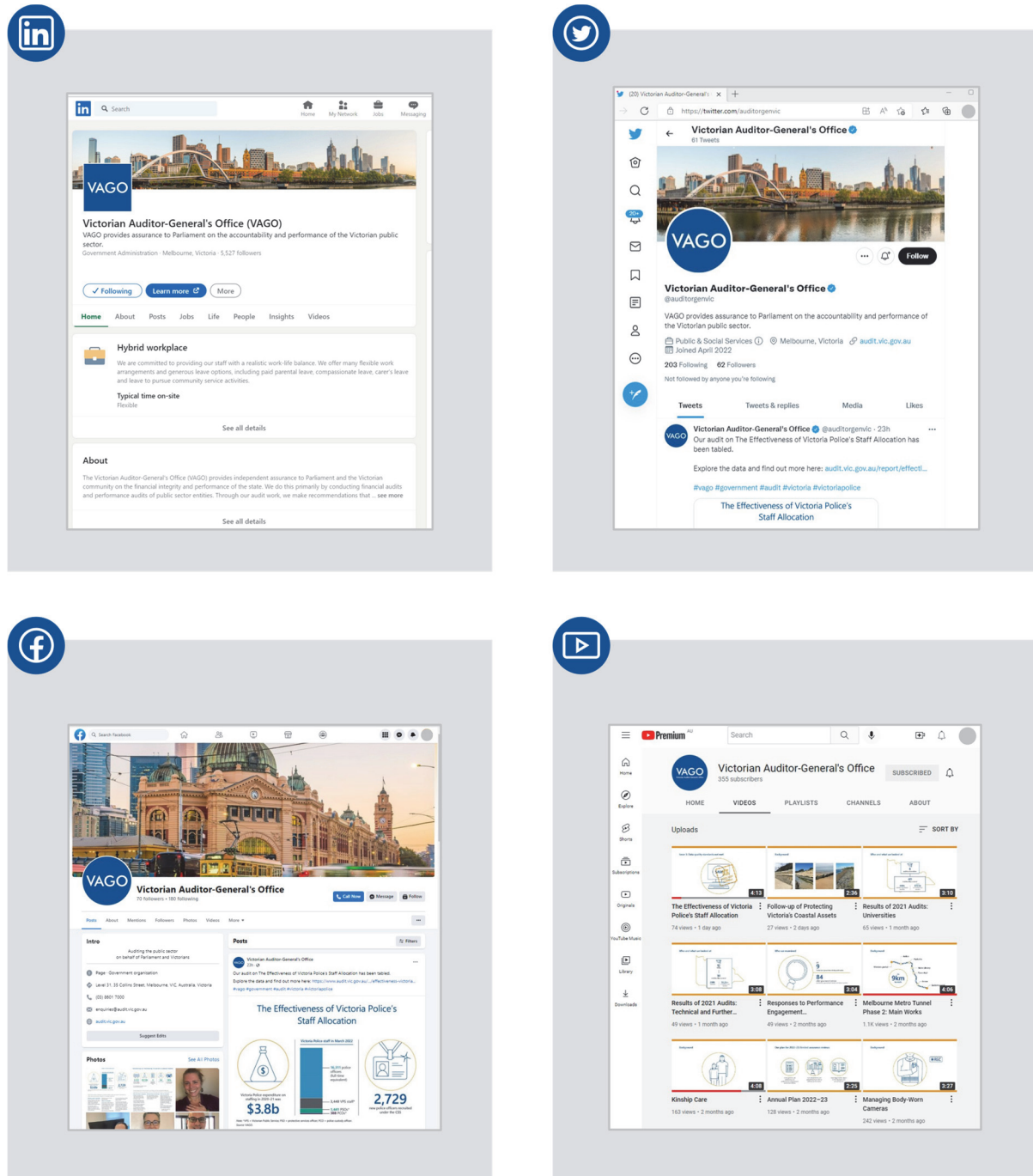
This activity has allowed us to raise engagement and expand the reach and impact of our work. For example, as a result of consistently posting more engaging content on our 3 social media channels we have:

- increased our LinkedIn followers by approximately 20 per cent
- seen a 750 per cent increase in page views across the board, and:
 - a 2400 per cent increase in reactions
 - an 1,100 per cent increase in comments and shares.

This is in line with our social media goals to:

- better identify and engage with our audience across multiple channels
- promote and share our work to increase the reach of our products
- become an employer of choice and deliver improved recruitment and talent acquisition outcomes.

FIGURE 3F: Examples of our social media presence and activity



Source: VAGO.

Engaging with parliamentarians

In 2021–22 we continued to engage with parliamentarians with the aim of better understanding their needs. In particular, we worked to develop opportunities for Members of Parliament to have input into, and receive insights from, our work.

Engaging with PAEC

Throughout the year we engaged with PAEC on annual planning and audit topic selection. This relationship provided valuable feedback on our forward audit program, including ideas about potential areas of audit interest.

We have continued to conduct online briefing sessions on tabled reports during 2021–22. We run the briefings on the day the report is tabled, providing parliamentarians and their staff with an overview of our audit findings and the opportunity for a question and answer session on areas of interest and concern.

Responding to enquiries

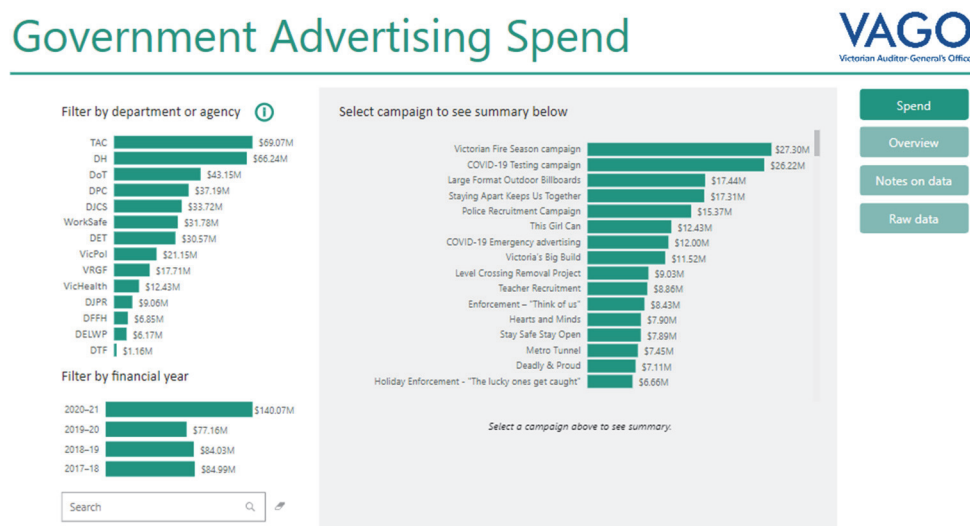
We also responded to enquiries from parliamentarians throughout the year. On average, we took 18 days to finalise a response, successfully meeting our target of 20 days or fewer.

Improving information delivery

Our dashboard and data visualisation products, which allow easier analysis and deeper exploration than static tables of information, have continued to receive positive feedback. We published the following dashboards in 2021–22:

- [Measuring and Reporting on Service Delivery](#)
- [Major Projects Performance](#)
- [Results of 2020-21 Audits: Local Government](#)
- [Government Advertising](#)
- [Responses to Performance Engagement Recommendations: Annual Status Update.](#)

FIGURE 3G: **Example view from our dashboard on government advertising**

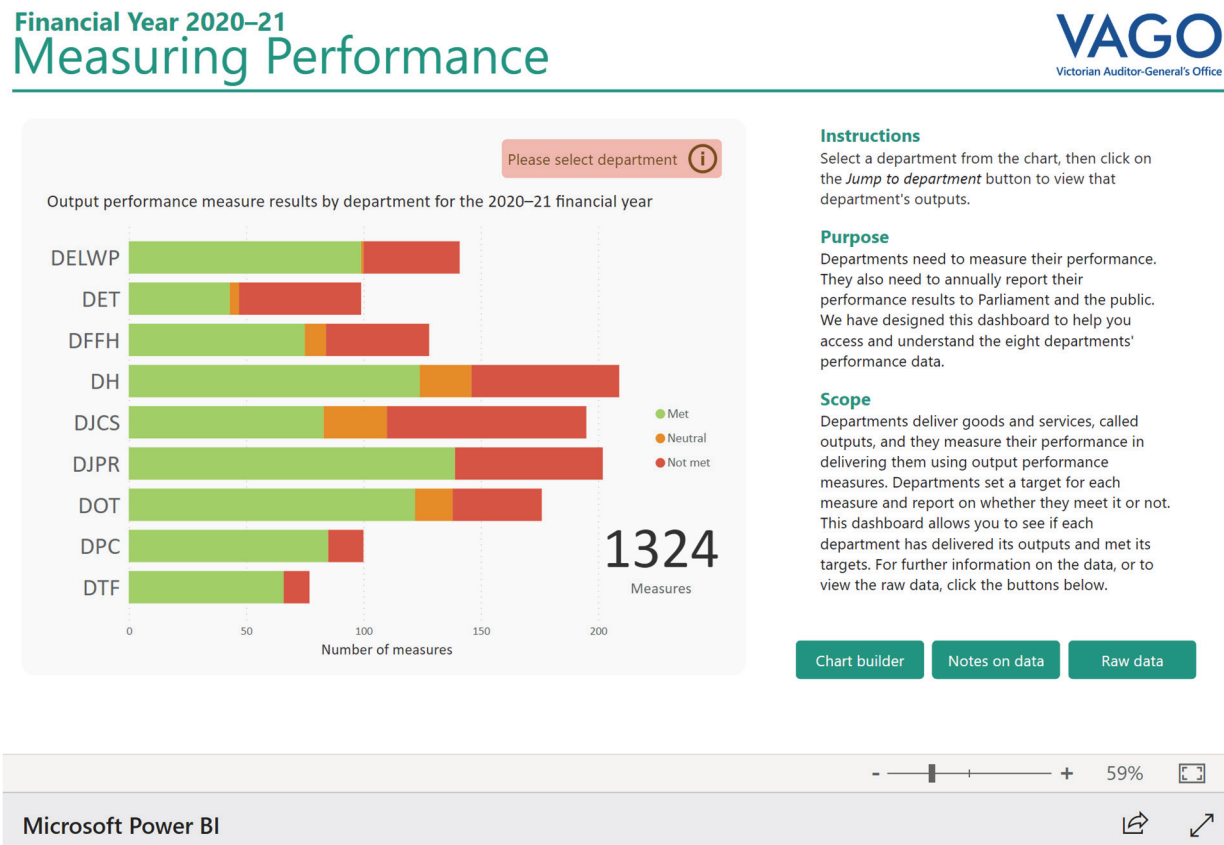


Source: VAGO.

Strengthening accountability through transparent service performance

As part of our wider strategy to reform and enhance the reporting of service performance by the public sector, we published a service performance dashboard on our website as part of our 2021 Measuring and Reporting on Service Delivery audit. We update this dashboard annually and published our 2022 revision in September 2022.

FIGURE 3H: Snapshot of our Measuring and reporting on Service Delivery dashboard



Source: VAGO.

This dashboard allows users to:

- compare departments' performance against each other
- drill down to examine performance trends for individual measures over time
- download raw data on output performance measures and conduct their own analysis.

We also publish our own VAGO dashboard on our Annual Report webpage. This complements the audited performance statement in our annual report and provides a more visual representation of our performance over time.

Public sector forums and conferences

Our staff regularly attend and present at forums and conferences for professionals across sectors. We attended the following events in 2021–22:

- IBAC, Victorian Ombudsman and VAGO joint webinar
- Victorian Local Governance Association Connect webinars
- FinPro conference presentations, regional meetings and question and answer panel sessions
- Chartered Accountants Australia and New Zealand (CA ANZ): Finance Business Tech Conference and events
- Certified Practising Accountant Australia (CPA Australia): Public Sector and Not-for-profit Committee events
- CPA Australia: Virtual Congress
- ACAG: committees, events and webinars
- Department CFO forums.

COMPACT conference

In May 2022 we hosted the first ever COMPACT (Country Meeting of Performance Audit Critical Thinkers) conference. More than 200 performance auditors from across the country joined us for this virtual forum.

Supporting the conference theme of Integrity, Serena Lillywhite, CEO of Transparency International Australia, was our keynote speaker. We also hosted a lively panel discussion with 3 Auditors-General (Michael Harris from the ACT, Grant Hehir from the Australian National Audit Office and Andrew Greaves from VAGO) discussing auditing in the time of COVID-19.

The winners of the annual performance audit awards were also announced during COMPACT. These awards recognise examples of achievement in the categories of Communications, Excellence and Innovation.

Our office was honoured to win the Innovation award for the second consecutive year, this time for our *Major Projects Performance* limited assurance review and accompanying dashboard.

Our aim in conducting the *Major Projects Performance* review and establishing the dashboard was to supplement existing publicly available major capital project investment and reporting, enabling Parliament to better understand performance against approved scope, cost, time and benefit analysis. We spotlighted this dashboard in last year's annual report and are pleased to confirm that we will be delivering an annual update in September 2022.

Live-streamed Audit Committee Forum

In July 2022 we ran our fourth annual Audit Committee Forum as a live-streamed event, extending an invitation to all audit committee members. More than 120 attendees learnt about current sector-wide topics and areas of interest, including:

- our Annual Plan and strategy
- securing innovation in the cloud
- 'Better Normal': a new way of working.

There was also an interactive question and answer session.

We received positive feedback from attendees, including that they enjoyed the reduced session time of 1.5 hours (down from 2.5 hours). We also received feedback that the sessions were informative and provided real value for audit committee members. They enjoyed the flexibility afforded by a virtual forum, particularly the ability to revisit the information after the event.

Of the attendees who completed our post-event survey:

- 33 per cent were attending the forum for the first time
- 93 per cent were satisfied with the content presented
- 93 per cent were satisfied with the presentation length
- 93 per cent were satisfied with the opportunities to ask questions and provide feedback
- 70 per cent said they would like similar forums to be run more than once a year.

As a result of this feedback we are reviewing our approach and planning additional forums in 2022–23.

Professional and peer organisations

Throughout the year we engaged with our peers from other audit offices through ACAG. We were involved in role-based subgroups focused on promoting and strengthening public sector auditing. Subgroups included:

- Heads of Performance Audit
- Heads of Financial Audit
- Financial Reporting and Accounting Committee
- Auditing Standards Committee.

Publishing thought leadership

In 2021–22, our financial reporting advisory (FRA) team launched their 'Financial Reporting Alerts' series. This project aims to create awareness among the Victorian public sector and help them to stay on top of the latest financial reporting developments in a timely fashion.

The first alert, published in March 2022, gave an update on the Australian Accounting Standards Board's (AASB) proposed amendments related to revenue and income recognition.

The second alert, published in April 2022, discussed the AASB's proposals on fair value measurement of non-financial assets of not-for-profit public sector entities. We shared the article with our clients and promoted the publication through our website and LinkedIn page.

Engaging the Australian Accounting Standards Board

The FRA team also regularly engaged with the AASB to discuss how accounting standards are applied in the public sector. We attended staff liaison meetings, provided feedback on AASB consultation documents, and participated in AASB project advisory panels (including the Fair Value project advisory panel and Not-for-profit project advisory panel).

Financial Reporting Alerts, our FRA team's thought leadership series helps the Victorian public sector stay on top of topical financial reporting issues and emerging technical developments. The series is on our website at: www.audit.vic.gov.au/financial-reporting-alerts

FRA also worked closely with the accounting policy team at the Department of Treasury and Finance (DTF) on changes to financial reporting directions, model financial statements and other technical accounting matters. We also liaised with professional accounting bodies (such as CPA Australia and CA ANZ) and various industry technical discussion groups.

Engaging the Australian Auditing and Assurance Standards Board

Our audit quality team continued to engage with the Australian Auditing and Assurance Standards Board (AUASB) to discuss auditing standards and potential implementation issues in the public sector. We gave feedback on various projects and exposure drafts released by AUASB via ACAG and project advisory group network.

Systems assurance

In 2021–22, our data analytics and systems assurance (DASA) team hosted a virtual meeting involving the heads of systems assurance/IT audit across ACAG offices. The purpose of this meeting was to discuss how our different offices approached the revisions to ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

A member of our DASA team participated in an AUASB-led project advisory group. This group assists the AUASB's Technical Group by drawing on our professional expertise and experience in developing guidance to support the use of technology by auditors in executing audits and to support auditors in auditing.

3.3 Listening to our stakeholders

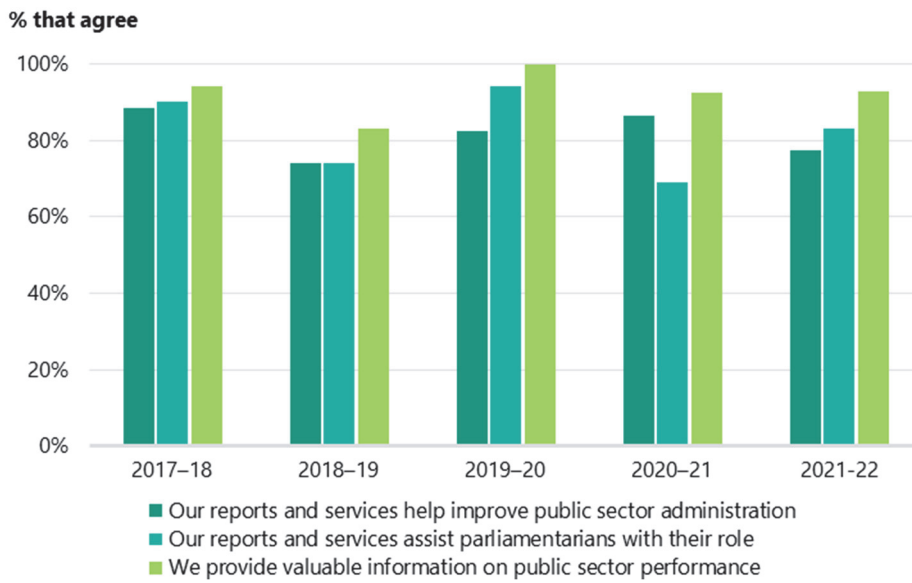
We survey parliamentarians every year to understand how well we are serving them. Our 2021–22 survey told us that parliamentarians find our reports and services useful sources of information on public sector performance that help improve public sector administration and assist them in their roles.

Our overall satisfaction rating among parliamentarians was 77.9 per cent in 2020–21, compared to 87.5 per cent in 2020–21. This result was from a relatively small sample size of 40 Parliamentarians representing a 34 per cent response rate; 22.5 per cent of parliamentarians indicated they were neither satisfied nor dissatisfied, indicating some additional respondents' satisfaction levels were neutral. Our satisfaction target is 85 per cent.

We will continue to work with Members of Parliament to enhance our products and services, and to make them more accessible, readable and relevant.

Parliamentarians reported being generally satisfied with the accessibility of our products and services, including our online offerings and briefings. Feedback on our performance more generally was also positive, highlighting the important role VAGO plays for Parliament and the public. Figure 3I illustrates this feedback.

FIGURE 3I: **Parliamentarian satisfaction survey data**



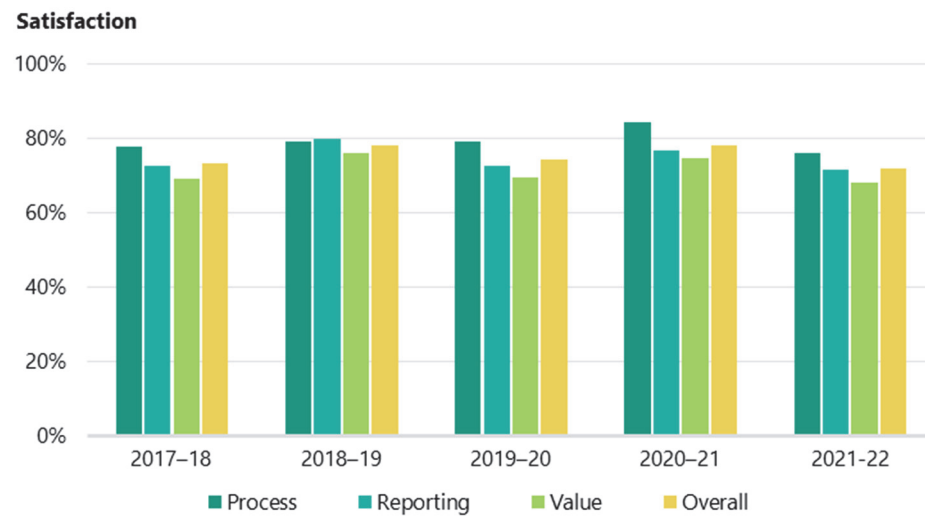
Source: VAGO.

Public sector agencies

After each performance audit, we ask the agencies involved how they rate our processes, reporting and value. We aim for our average score across the year to be at least 75 per cent on each of these measures.

Figure 3J shows our results for 2021–22 tabled audits. Scores across all dimensions are slightly lower than 2020–21, with 72 per cent of performance audit clients satisfied with the overall performance audit process and reporting. For 2 of the audits we tabled in 2021–22, we received no response from the clients.

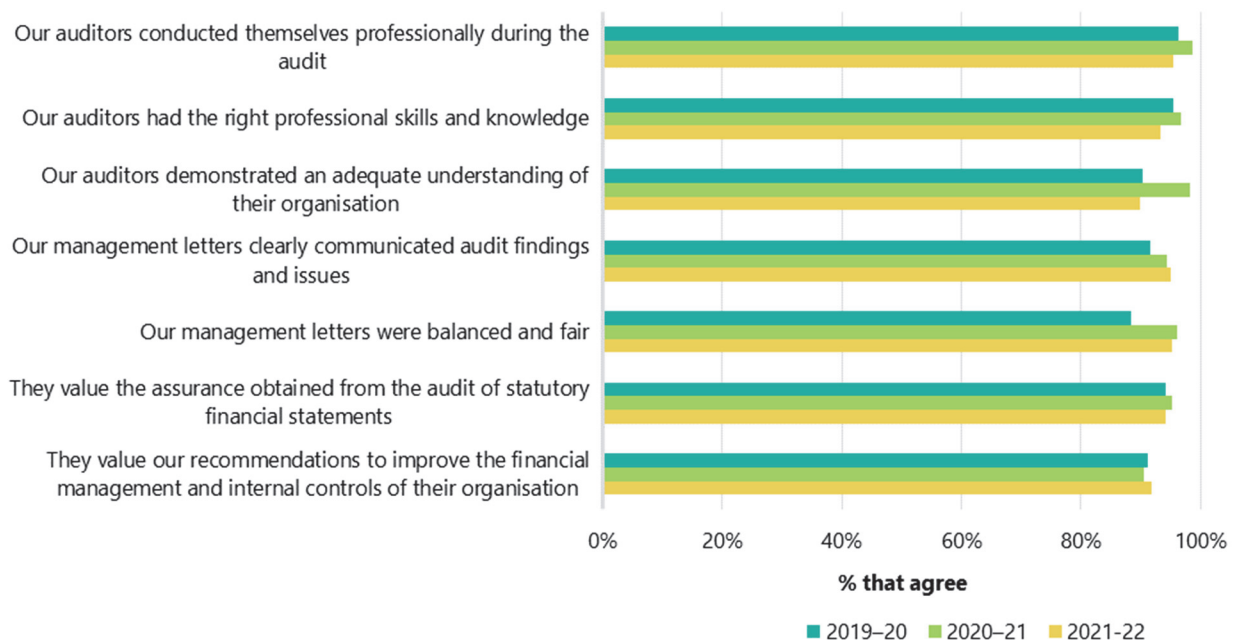
FIGURE 3J: **Performance audit survey results**



Source: VAGO.

The results of our financial audit survey this year indicated relatively consistent levels of satisfaction with last year's result, with average satisfaction of 93.5 per cent in 2021-22 compared to 95.7 per cent in 2020-21. As with our performance audit surveys, we asked CFOs about our process, reporting and value. Figure 3K shows the highlights of our 2021-22 results.

FIGURE 3K: **Financial audit survey results**



Source: VAGO.

Sourcing engagement topics from stakeholders

In developing our annual plan of engagement topics, we consult with the agencies we audit and a wide range of Victorian stakeholders. We want to ensure that our audit topics reflect issues of concern to parliamentarians and the public, so we aim to increase the number of our audits that originate from these sources.

In 2021–22, we received 238 requests and comments from the public and elected officials. This was 30 less than the 268 requests and comments received the previous year.

The correspondence comprised:

- 211 requests and comments from the general public
- 10 requests from parliamentarians
- 4 requests from local government councillors
- 13 requests from the public sector.

Some of our 2022–23 planned audits relate to issues raised in these referrals, including:

- Contractors and consultants in the Victorian public service: spending
- Principal health and wellbeing
- Supporting students with disability
- Staff wellbeing in Fire Rescue Victoria
- Regulating food safety.

4.

Investing in our people



Despite the disruption and uncertainty that COVID-19 has brought to workplaces, we are pleased that in 2021–22 our employee engagement increased.

We prioritised health and wellbeing, provided more training opportunities, and continued building upon our commitment to being an employer of choice.

Progress snapshot



76

employee
engagement index,
up from 75 in 2021

Staff response rate - 75%
down from 80% last year

Gender pay gap



3.7%

VAGO

14.2%
Australia

12.2%
Victoria



192

standardised home
workstations
rolled out

supporting our Better Normal
way of working

Source: VAGO and VAGO Gender Equality Action Plan 2022–25.

This chapter covers:

- Who works at VAGO?
- Putting our people first
- Enhancing our workplace culture

4.1 Who works at VAGO?

Appendix A includes a profile of the VAGO workforce. It shows our employees by age, seniority and gender and whether they are part time or full time, on fixed-term or ongoing contracts.

Gender pay gap

As of 30 June 2022, 53 per cent of our workforce were women, comprising:

- 82 per cent of our **part-time** workers, down from:
 - 90 per cent in 2020–21
 - 100 per cent in 2019–20
- 46 per cent of our **executives**, up from:
 - 44 per cent in 2020–21
 - 42 per cent in 2019–20.

Our gender pay gap is 3.7 per cent in favour of men, compared to 4.5 per cent in 2020–21.

While there is room for improvement, our gender pay gap is significantly lower than the:

- 14.2 per cent national gap
12.2 per cent Victorian gap (source: [VAGO Gender and Equality Action Plan 2022–2025](#)).

4.2 Putting our people first

This year we continued to prioritise the health and wellbeing of our staff.

Our COVIDSafe Plan

Our COVIDSafe Plan is designed to protect staff from COVID-19 when they are working away from home.

This plan continually evolved throughout the year, as we updated measures in line with updated health advice from the government.

Building a 'Better Normal'

Like all workplaces, we initially moved to remote working because we had no choice—the pandemic changed the workplace in ways we could not have imagined. But it has also presented opportunities and we want to retain those things that improve the way we work and deliver services.

To achieve this, we have transitioned to a hybrid working model called 'Better Normal'. Our model is not simply remote working. Rather, it matches work modes with situations and needs, combining the best of office-based and virtual work.

Figures 4A and 4B show our Better Normal principles and working model. This is based on a Gartner model, and balances high-value engagement with opportunities for deep focus.

Better Normal

To be an employer of choice we need to provide our staff with the most contemporary work practices possible. Work flexibility is central to achieving this objective. We have designed our Better Normal principles to guide this flexibility.

FIGURE 4A: **Our Better Normal principles**



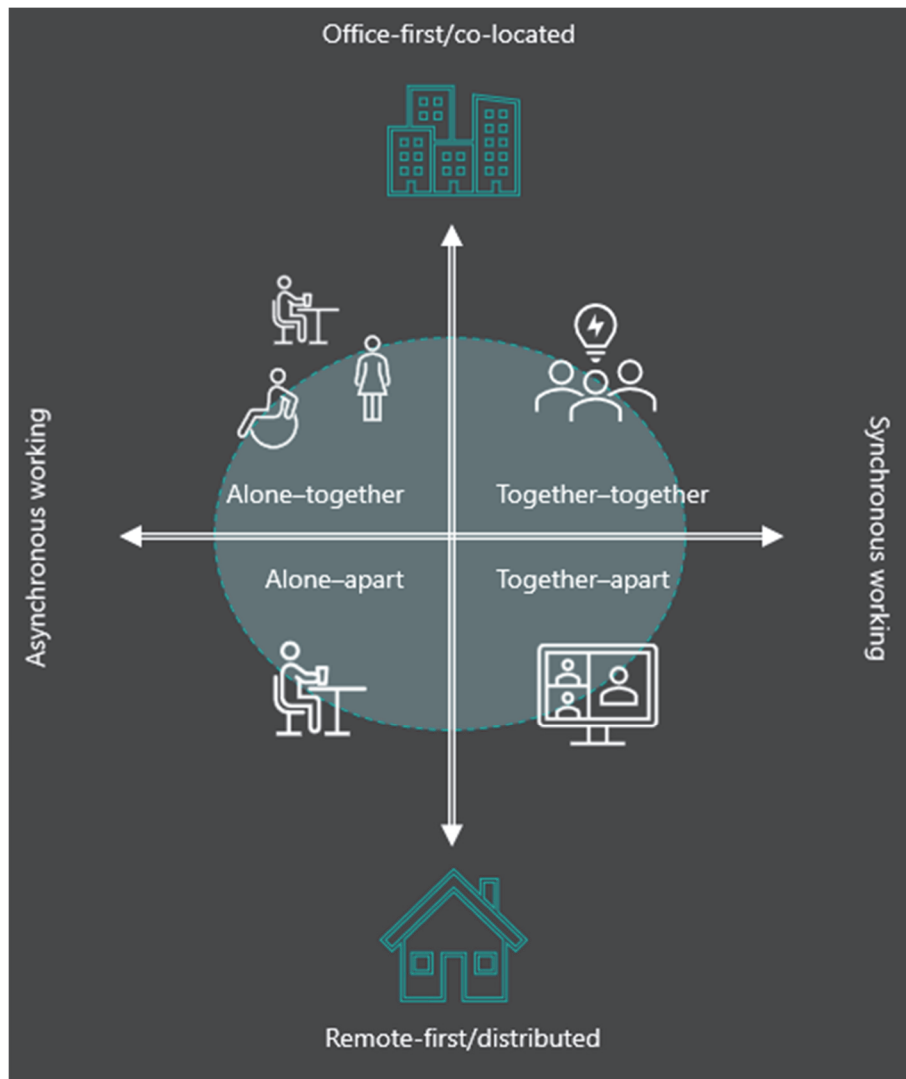
Source: VAGO, from an information pamphlet for our clients.

Better Normal empowers our staff to decide what works for them while taking into account our client's circumstances. We value in-person interaction and come together when it matters most. In-person interaction and onsite visits can and will occur, although remote auditing remains our default position.

Offering this flexibility has 2 critical benefits:

- It helps us attract and retain highly skilled, experienced people, including external financial audit service providers, allowing us to continue delivering high-quality audits.
- It also drives greater job satisfaction for our team by facilitating better work–life balance. People have the flexibility to work in ways that suit them.

FIGURE 4B: **Our hybrid working model**



Source: VAGO, based on Gartner's 4 modes of collaboration.

Providing standardised equipment for working from home

To better support our staff in performing their work duties under our new hybrid working model, we have offered all VAGO personnel a standardised workstation that meets ergonomic and electrical safety levels. This includes:

- a motorised sit–stand desk with integrated cable management and power outlets
- an Australasian Furniture Research and Development Institute Level 6 certified chair and optional floor mat
- up to 2 external monitors (with integrated monitor arms and cables)
- a laptop riser
- a Microsoft surface dock
- a keyboard and mouse.

In 2021–22 we successfully provisioned 192 standardised workstations to help support our Better Normal approach and enable our people to perform their work duties at home.

Reducing our lease footprint

Our hybrid working model has led to a reduction in the demand for our office premises and on 1 December 2021, we exited our lease agreement for level 32, 35 Collins Street, Melbourne. This resulted in a net gain on disposal of non-financial assets of \$0.4 million and further cost savings for the remaining year of \$0.9 million due to a reduced tenancy footprint and office operating costs. We retained our office premises on level 31, 35 Collins Street, Melbourne.

We redirected these cost savings into other areas of the organisation—particularly in modernising our audit methods through the increased use of data science and data analytics and investing in our replacement audit toolsets.

Flexible learning and development approaches

We have restructured the delivery model for our professional learning and development program to enable the virtual delivery of all courses using Microsoft Teams, Zoom, Articulate 360 and other online learning technologies, consistent with our approach to flexible working.

Formal learning programs

Our formal learning program includes a combination of technical and professional topics. This is a sample of some of our modules, courses and programs:

- Aboriginal cultural awareness training
- Evidence and the EQCR
- Cognitive bias training
- How modern government works
- Improving cognitive critical thinking
- Introduction to audit standards
- Introduction to instruction design and running training
- Investigative interviewing

- Mastering FA technical consultations and enquiries
- MS Excel learning pathway
- Power BI learning pathway
- Risk-based audit planning
- The art of communicating with confidence and subtly
- Understanding and testing internal controls
- Working papers and findings
- Writer and reviewer learning path.

FRA technical training

In 2021–22 our FRA team partnered with the audit quality (AQ) team and conducted a 2-day training program for all financial audit staff. The purpose of the training was to develop the technical knowledge and awareness on financial reporting requirements and emerging technical developments that would allow staff to undertake technically compliant audits and improve audit quality.

This training was conducted via a hybrid mode where staff had the option to attend either face-to-face or online.

As part of their e-learning series, the FRA team also launched a module summarising the requirements of financial reporting directions (FRDs) issued by DTF and how they compare with the requirements of the Australian Accounting Standards.

Given most public sector entities are required to comply with the FRDs in their financial statements, this training particularly helped our new starters. It also provided a valuable refresher for our existing financial audit team members.

Other learning opportunities

Less-formal learning opportunities include our ongoing 'Lunch 'n' Learn' sessions, where people from across VAGO come together to share learnings from external training and best-practice experiences. In 2021–22 we extended this to join similar sessions being run across other jurisdictional audit offices.

Another exciting collaboration this year has been the data visualisation 'book club'. Led by our data scientist, staff worked their way through a guide on using data visualisation as a means of storytelling.

Live-streamed briefings and catch-ups

Each fortnight we come together for our stand-up briefing. Pre-pandemic, we came together in person to share important messages, provide status updates and celebrate our successes. Maintaining these briefings has been another important way we have transitioned to a 'Better Normal'.

Now run as a Microsoft Teams live event every second Tuesday morning, the briefings are hosted by one of the 4 members of our strategic management group, with an average 100 staff and contractors joining. These events are recorded and available later in the day on our 'Stand-ups' channel on Stream. The recordings include a searchable transcript are an important resource for staff who are unable to attend the live event, including people on extended leave who wish to stay up to date with VAGO news.

In addition to our fortnightly stand-ups, we also have quarterly business unit forums, run as a Teams live event, together-together event, or a hybrid combination.

We also meet virtually with our audit service providers (ASPs) on a quarterly basis across the financial year.

'Data Champions' program

Our Data Champions comprise senior representatives from financial audit sector teams who work alongside our data assurance experts to support and progress our goal to maximise the use of the Empower product within our financial audits. The program's aim is to work with individuals and teams to:

- promote the application and use of Empower to its full potential throughout the practice
- refine and further develop training and guidance materials for our auditors
- feed requests for feature enhancements into future evolutions of our product.

Staying social

Our social club remained extremely active throughout 2021–22, focusing on smaller group activities where people could interact outside their immediate work teams. Activities included online quizzes, movie, book and other hobby clubs, happy hour get-togethers, picnics in the park and trivia nights.

The social club held in-person events where possible, such as for Halloween, Christmas and the end of financial year.

Audit service provider panel

To help us deliver the more than 560 annual financial audits for public sector organisations, we employ a panel of ASPs to perform audit work on our behalf. Our panel was refreshed last year, reducing the number of firms who are ASPs from 25 to 9. In 2021–22 we completed 2 quote rounds under our ASP panel arrangements.

4.3 Enhancing our workplace culture

To enhance our workplace culture, in 2021–22 we continued to implement new practices, technology, equipment and other measures to support our staff, whether working from the office or working from home. Our senior leadership team also continued to prioritise employee experience throughout the year by making meaningful connections.

Refresh of our values collateral

In December 2021 we refreshed our values collateral through consultation with our staff.

Using interesting visual elements is one of the ways we can capture the imagination, encouraging staff to consider, discuss and live our values. Figure 4C shows an example of this collateral.

We work to make our values part of the everyday conversation at VAGO. We do this formally at events and in corporate publications, but also informally, for example, by posting praise on our Teams channels and using #Accountability, #Collaboration #Innovation and #Respect in chats between colleagues.

These small actions can make a big difference to how we see ourselves and how we act.

FIGURE 4C: **Example of values collateral**



Source: VAGO.

We also formally recognised the efforts of employees who embody our values through our twice-yearly Values and Recognition Week. During these weeks we run team building exercises and social activities that culminate in values and recognition awards. These awards honour employees for their positive contributions.

At our June 2021 event, speaker Hacia Atherton joined us to share her insights about how courage and connection underpin both our personal and organisational wellbeing.

Supporting diversity and inclusion

This year we completed the second and third phases of our *Diversity and Inclusion Plan 2019–22*, which focuses on internal education, the introduction of new practices, and external engagement.

We also delivered our *Reflect Reconciliation Action Plan* and developed the initial drafts of our *Diversity, Inclusion and Belonging Plan 2022–25* and *Innovate Reconciliation Action Plan*.

To further progress our work in this space, we welcomed nominations from employees to join working groups to help advise and inform our priorities across a range of diverse cohorts including:

- reconciliation
- disability and accessibility inclusion
- cultural inclusion
- gender equality
- LGBTIQ inclusion.

In November 2021 we conducted our first gender equality audit in line with the requirements of the *Gender Equality Act 2020*. The audit analysed employee data to better understand the workforce composition, gender representation across Victorian Public Service (VPS) levels and gender pay gaps. We used the data, together with feedback from our staff to prepare our *Gender Equality Action Plan 2022–2025*.

Our *Gender Equality Action Plan 2022–2025* outlines a range of objectives and targeted strategies that we will implement to achieve workplace gender equality. We will know that we have achieved workplace gender equality when all VAGO's employees are able to access and enjoy equal rewards, resources and opportunities regardless of their gender or background.

2022 People Matter survey

Each year, the Victorian Public Sector Commission invites employees to have their say about their workplaces by participating in the People Matter survey.

The 2022 People Matter survey was open for Victorian public sector employees between 6 June 2022 and 1 July 2022. Across the sector, 92,000 employees from 241 organisations completed the survey. This includes 138 VAGO employees (a 75 per cent response rate).

We received our 2022 People Matter survey results in August 2022. Our survey results were positive, with an employee engagement score of 76, slightly up from 75 in 2021, and above the public sector result of 69.

- Employee satisfaction also increased, to 72 per cent in 2022 up from 61 per cent in 2021.
- In 2022, fewer VAGO staff felt high to severe work-related stress (25 per cent, down from 30 per cent last year).

The most improved indicators concerned understanding:

- how individuals' jobs help the organisation achieve its goals
- workplace flexibility
- VAGO's commitment to earning a high level of public trust.

We publish our People Matter survey results on our website.

Our **Gender Equality Action Plan 2022–2025** is on our website at:
www.audit.vic.gov.au/corporate-publications

Our **People Matter survey results** are on our website at:
www.audit.vic.gov.au/how-we-are-accountable

People Matter Action Plan

Our *People Matter Action Plan* is a living document that articulates the actions we will take to enhance how we work. We envision that our plan will help us create a culture that brings everyone together around shared values and purpose, creating a strong sense of connection.

This year we applied a different approach to analyse staff feedback and identify trends over the last three years so we can better tailor our focus and response to identified themes. Importantly, this approach has also helped us identify areas of progress more clearly, creating an opportunity to celebrate our successes.

Our human resources and data science teams analysed the responses to every question asked in 2019, 2020 and 2021. This highlighted responses to 35 key questions. Our *People Matter Action Plan* is the result of these considerations and has been prepared to ensure that we act on staff feedback and address the themed areas of concern.

The results highlighted focus areas across the following themes:

- diversity and inclusion
- learning and development
- manager support
- safety climate
- recruitment and career development
- professional workplace behaviours
- engagement and workplace culture.

In future years, we will analyse the results using the same criteria. This will give clarity on how we are tracking against existing themes as well as highlight any new themes, helping us continue our journey to make VAGO a high-performing organisation.

5.

Leading by example



We continued to strengthen our cybersecurity controls and data protection approach. We also enhanced the user experience for our people.

We published our first audit reports using more accessible and navigable layouts, and finalised our Quality Control Framework, providing training to all staff to ensure they understand its purpose.

Progress snapshot



55.2%

Workforce
production

57.97 last year, target of 60%



404,880

Website
views

up from 388k in 2020-21



1060

hours of content
consumed on our
YouTube channel

up from 943 hours last year

Source: VAGO.

This chapter covers:

- Improving our IT security and systems
- Improving our communications
- Our workforce productivity
- Refining our governance

5.1 Improving our IT security and systems

In 2021–22, our IT projects focused on two key pillars: cybersecurity and user experience.

Strengthening cybersecurity

To protect our IT systems and public sector information against the loss of availability, confidentiality or integrity, we implemented security controls to fully aligned with level two of the Essential Eight Maturity Model as defined by the Australian Cyber Security Centre.

FIGURE 5A: The Essential Eight Maturity Model



Source: VAGO, adapted from the Australian Cyber Security Centre.

Actions in 2021–22 include:

- implementing controls to remove the risk of physical information being accessed, used or removed without proper authorisation
- continuing to advance our Protective Data Security Plan, which we have provided to the Office of the Victorian Information Commissioner
- strengthening our identity protection by implementing strong multi-factor authentication with password-less authentication

- decommissioning legacy applications such as Microsoft Internet Explorer to reduce both the likelihood of cybersecurity threats and a compromised user experience.

Enhancing user experience

As part of our goal to enhance end-user capability and productivity, we also continued to refresh our laptop fleet, replacing our second-generation Microsoft Surface Book 2 devices with premium Microsoft Laptop 4 devices.

We continued to leverage our Microsoft investments by:

- using Microsoft Teams and OneDrive to provide secure cloud-based storage that promotes flexibility and transparency, which allows better collaboration
- using Microsoft Shifts for resource planning and to seamlessly export and analyse our resource requirements globally, leading to more efficient decision-making on resource budgeting and planning
- using Azure Machine Learning to empower our data scientists and developers to build, deploy and scale high-quality analytic solutions faster and with greater confidence.

5.2 Improving our communications

Given that VAGO works in the public interest, we are passionate about continuously improving our products to ensure all users can access and understand our work.

User-friendly reports

In 2021–22, we continued to enhance the accessibility and usability of our reports. We have focused on communicating our conclusions and summaries in a way to make our reports easier for readers to navigate and find areas of interest.

We also launched our next-generation reporting project. This project aims to transform our existing suite of information products, which have relatively low engagement, so that we give our stakeholders more insightful and consumable content.

We also completed our user experience uplift project, which modernises our communication approach through UI and UX training, knowledge-sharing and capability building for key internal staff.

Audit video summaries

Our audit teams also continued to refine and update the video summaries that accompany each parliamentary report. These short videos are primarily for the public and give a snapshot of who and what we examined, what we concluded, essential background information, and our key findings and recommendations.

More tools for better writing

Behind the scenes, we continued to roll out our suite of e-learning modules on writing and reviewing, designed to lift the capability and confidence of all VAGO

employees. We now have 6 live modules that cover topics such as using active voice, writing resources and readability tools. The remaining modules will be developed over the coming 12 months.

Greater engagement with our content

Our YouTube channel had 25,222 viewers in 2021–22, and collectively they watched 1,060 hours of content. Our website had 404,880 page views by 163,390 users over 238,632 sessions. Figure 5B lists the reports and videos with the largest audience engagement over the year.

As part of our engagement strategy, we also focused on social media as a key channel to engage with our audience. We claimed our Twitter handle and created our Facebook page. LinkedIn continues to be our primary social media engagement channel. Over the 12 month periods we had more than 12,000 page views and grew our followers by approximately 20 per cent to 5,400.

FIGURE 5B: **Most viewed reports and videos of 2021–22**



Source: VAGO.

5.3 Our workforce directed to producing outputs

We measure our workforce production as the total percentage of available paid staff hours that are charged to our 4 outputs:

- parliamentary reports
- parliamentary services
- assurance reviews
- audit opinions on financial and performance statements.

Staff are able to monitor their contribution to production targets and that of their direct reports using real time business intelligence dashboards.

Our overall production effort this year was 55.2 per cent, lower than our 2020–21 result of 57.97 per cent and our target of 60 per cent. This can be attributed mostly to a lower-than-budgeted staff full-time equivalent (FTE) in our performance audit business unit.

5.4 Refining our governance

We continued to mature our governance and compliance systems in 2021–22. We met our obligations under the Financial Compliance Management Framework, the Victorian Government Risk Management Framework, and the Victorian Protective Data Security Framework.

As part of this, we conducted 5 internal audit reviews. These covered:

- procurement and contracts
- a follow-up of the implementation of agreed management actions
- our legislation and compliance framework
- privacy and data security review (this review was completed in accordance with the Victorian Protective Data Security Standards)
- our risk management framework.

After consultation with management, our internal auditors, and our ARC, we also endorsed our 3-year *Strategic Internal Audit Plan 2022–23 to 2024–25*. Planned reviews will focus on the areas of:

- finance
- governance and risk
- audit quality
- people and culture
- information technology.

Managing complaints

To promote transparency and a safe and inclusive work environment, we have processes designed to support staff and stakeholders who wish to raise concerns or complaints. We make sure that we manage and respond to those issues quickly and appropriately.

Our complaints management policy and procedure are publicly available on our website and make it easier for our staff and stakeholders to understand their protections and obligations when making a complaint.

Complaints can be submitted anonymously through our website or through direct communication with our audit teams. When we receive a complaint, we assess, investigate, respond to and remedy it to the best of our ability. We aim to resolve all complaints within 28 days.

In 2021–22, we received 2 complaints, both related to our application of the Australian Accounting Standards. After reviewing both complaints, we were satisfied that our application of the standards was appropriate.

We responded to the first complaint within 26 days. We resolved subsequent correspondence seeking further clarification within 52 days of receipt of the original complaint. The second complaint was closed within 29 days.

Transparency Report

In October 2021 we produced our second annual Transparency Report. As we are not a public accounting firm, we are not required to produce a Transparency Report each year. However, as a public sector equivalent, we choose to adapt the requirements of the *Corporations Act 2001* to the extent that they are relevant and appropriate to us.

The report expands on and is an adjunct to our Annual Report. We produce it to help stakeholders understand how we support our auditors to perform high-quality audits.

Our Transparency Report outlines:

- our approach to transparency reporting
- our legal structure, governance and finances
- our quality-control system and how it aligns with Australian auditing and assurance standards
- external reviews and audits of our organisation.

The Transparency Report exemplifies our desire to be fully transparent about our operations and is a key deliverable under the 'Lead by Example' pillar in our strategic plan.

We plan to publish our latest Transparency Report on our website later in 2022.



We discuss our monitoring programs, results of independent feedback reviews and effectiveness of our quality control in our Transparency Report, on our website at: www.audit.vic.gov.au/transparency-report

6.

Performance statement

Declaration in the Performance Statement

In our opinion, the measures used and results reported in the accompanying performance statement of the Victorian Auditor-General's Office in respect of the 2021–22 financial year are presented fairly, and are consistent with the Standing Directions under the *Financial Management Act 1994*.

The statement includes the 2021–22 performance measures agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*, actual and comparative results achieved for the financial year against targets where applicable, and explanations of any significant and/or material variance between the actual results and performance targets.

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

We authorise the attached performance statement for issue on 24 August 2022.



Andrew Greaves
Auditor-General
Victorian Auditor-General's Office

Melbourne
24 August 2022



Lucy Smith
Acting Executive Officer
Victorian Auditor-General's Office

Melbourne
24 August 2022

6.1 Performance statement

Our performance statement makes reference to the 2021–22 performance measures agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*. In the following tables, we report our actual and comparative results achieved for the financial year against targets for each of our output groups.

FIGURE 6A: **Output Group 1—parliamentary reports and services**

Performance measure	Unit of measure	2020-21 actual	2021-22 target	2021-22 actual	2021-22 per cent variation	Result	Notes
Quantity							
Average cost of parliamentary reports	(\$ thousand)	535.3	527	683.6	29.7	×	3.1
Quality							
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	(per cent)	70.8	80	77.9	-2.6	×	
Overall level of external satisfaction with audit reports and services—parliamentarians	(per cent)	87.5	85	77.5	-8.8	×	3.2
Timeliness							
Average duration taken to finalise responses to inquiries from Members of Parliament	(days)	12	≤ 20	18	-	✓	
Average duration taken to produce performance audit parliamentary reports	(months)	12.2	≤ 9	13.0	44.4	×	3.3
Average duration taken to produce financial audit parliamentary reports after the balance date	(months)	6.7	≤ 5	4.9	-	✓	
Cost							
Total output cost	(\$ million)	16.8	18.4	16.5	-10.3	✓	3.4

Note: ✓ indicates that the target was achieved or bettered; × indicates that the target was not met.

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

Performance measure	Unit of measure	2020-21 actual	2021-22 target	2021-22 actual	2021-22 per cent variation	Result	Notes
Quantity							
Average cost of audit opinions issued on performance statements	(\$ thousand)	5.2	5.4	5.2	-4.4	✓	
Average cost of audit opinions issued on the financial statements of agencies	(\$ thousand)	50.7	50	54.3	8.6	×	3.5
Quality							
External/peer reviews finding no material departures from professional and regulatory standards	(per cent)	81.25	100	86.7	13.3	×	3.6
Proportion of agencies disclosing prior period material errors in financial statements	(per cent)	2.0	≤5	2.2	-	✓	
Timeliness							
Audit opinions issued within statutory deadlines	(per cent)	97.3	98	96	-2.0	×	
Management letters to agencies issued within established time frames	(per cent)	93.8	90	90	-	✓	
Cost							
Total output cost	(\$ million)	28.9	28.4	31.3	10.2	×	3.7

Note: ✓ indicates that the target was achieved or bettered; × indicates that the target was not met.

6.2 Notes to the performance statement for the year ended 30 June 2022

1. Basis of preparation

The Victorian Auditor-General's Office (VAGO) must report annually on expected and actual performance as part of parliament's departmental performance statement in *Budget Paper No. 3*. This information is not audited.

While we are not required to include an audited departmental performance statement in our Annual Report, Financial Reporting Direction (FRD) 8D requires departments to provide a comparison of output targets and actual performance in their annual report of operations, and reasons for any significant or material variances. While not applicable to us, FRD 27C also requires that the statement of performance must include the actual results achieved for the reporting period against the corresponding period's pre-determined performance targets and indicators.

In the absence of any broad mandatory performance reporting standards, we have prepared this performance statement in a format consistent with that used in *Budget Paper No. 3*, and in line with the Standing Directions under the *Financial Management Act 1994*, Performance Management Framework, FRD 8D and FRD 27C.

This performance statement includes the performance measures, targets and results of our two performance output groups, with explanations of significant variations between targets and actual results. We deem significant as greater than a 5 per cent variance. We have not provided notes for variations within those thresholds.

Where applicable the results in the performance statement have been prepared on bases consistent with those reported in the audited financial statements.

2. Output measures

The products and services we deliver are organised into two parliamentary output groups in *Budget Paper No. 3*. Output Group 1 covers parliamentary reports and services, and Output Group 2 covers audit opinions on financial and performance statements. We have performance measures and targets for quantity, quality, timeliness and cost, across both our output groups.

FIGURE 6C: **Output measure definitions**

Performance measure	Dimension	Goal	Calculation
Output Group 1—parliamentary reports and services			
Average cost of parliamentary reports	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of parliamentary reports tabled during 2021–22 / Total number of parliamentary reports tabled during 2021–22 (excluding Annual Plan and Annual Report)
Percentage of performance audit recommendations accepted which are reported as implemented by audited agencies	Quality	Tracks our effectiveness and relevance across the public sector	Total number of accepted in principle, partially, and fully accepted performance audit recommendations issued two and three years prior / Total number of accepted performance audit recommendations issued two and three years prior
Overall level of external satisfaction with audit reports and services—parliamentarians	Quality	Tracks overall level of external satisfaction with our reports and services	Total number of parliamentarians who stated they were satisfied or very satisfied / Total number of parliamentarians who responded to the question in the survey
Average duration taken to finalise responses to inquiries from Members of Parliament	Timeliness	Tracks the efficiency with which VAGO responds to inquiries from respective parliamentarians	Number of days between the date the inquiry is received and the date the response is sent out
Average duration taken to produce performance audit parliamentary reports	Timeliness	Tracks how efficient we are at utilising resources to produce our reports	Total number of months between the initiation date and tabling date of all performance audit parliamentary reports tabled during the financial year / Total number of performance audit parliamentary reports tabled during the financial year
Average duration taken to produce financial audit parliamentary reports after the balance date	Timeliness	Tracks how efficient we are at utilising resources to produce our reports	Total number of months between the balance sheet date of the sector and the tabling date of all financial audit parliamentary reports tabled during the financial year / Total number of financial audit parliamentary reports tabled during the financial year
Total output cost	Cost	Tracks the cost-efficiency of the whole of VAGO	Total expenditure allocated to the output group, net recoup of salaries and expenses

Output Group 2—audit opinions on financial and performance statements

Average cost of audit opinions issued on performance statements	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of audit opinions issued on performance statements during the financial year (actual or estimated) / Total number of audit opinions issued on performance statements during the financial year
Average cost of audit opinion issued on the financial statements of agencies	Quantity	Tracks the cost-efficiency of our products	Total lifecycle cost of audit opinions issued on financial statements during the financial year / Total number of audit opinions issued on financial statements during the financial year
External/peer reviews finding no material departures from professional and regulatory standards	Quality	Tracks the quality of our audit processes	Total number of financial audit engagement files subject to post audit quality reviews during the financial year that contain material departures from professional and regulatory standards / Total number of financial audit engagement files subject to post audit quality reviews during the financial year
Proportion of agencies disclosing prior period material errors in financial statements	Quality	Tracks the quality of our work outcomes	Total number of agencies disclosing a prior period material error during the financial year / Total number of agencies issued with an audit opinion during the financial year
Audit opinions issued within statutory deadlines	Timeliness	Tracks the timeliness of our work	Total number of audit opinions issued within 28 days of the receipt of finalised financial statements during the financial year / Total number of audit opinions issued during the financial year
Management letters to agencies issued within established timeframes	Timeliness	Tracks the timeliness of our work	Total number of finalised management letters issued to agencies within 28 days of the audit opinion being issued during 2021–22 / Total number of finalised management letters issued to agencies during the financial year
Total output cost	Cost	Tracks the cost efficiency of the whole of VAGO	Total expenditure allocated to this output group net recoup of salaries and expenses

3. Explanation of significant variances

- 3.1 The higher costs of our reports have a positive correlation to the time we spend on audits. There were program delays to account for internal staff changes, as well as external requests. Our audits tabled in 2021–22 included some large complex audits with multiple audited agencies. Going forward we expect the costs to be reduced as we plan for and execute our program as intended.

- 3.2 This was a relatively small sample size of 40 Parliamentarians representing a 34 per cent response rate.

22.5 per cent of Members indicated they were neither satisfied nor dissatisfied, indicating some additional respondents' satisfaction levels were neutral. While the target was not met, we will continue to work with Members of Parliament to enhance our products and services, and make them more accessible, readable and relevant.

- 3.3 COVID-19 continued to have an impact on VAGO in terms of timely service delivery. We were hampered on two fronts. Internally there was a staff turnover and unplanned leave, which caused projects to be delayed. Externally we had to accommodate multiple client requests for delays in providing information or responses to our draft reports recognising that the clients were also facing similar pressures as us. Audit reports for community services, health, education and transport were the most impacted because of the frontline nature of these services and the time clients needed to engage with us.
- 3.4 The tight labour market combined with higher-than-expected turnover has resulted in an underspend of \$0.9 million in labour costs, with the average FTE for 2021–22 of 46.6 compared with budgeted FTE of 55.4. This has also impacted timing of projects and associated consultant spend.
- 3.5 The average cost of audit opinions was higher than target primarily because audit fee outcomes from our ASP panel procurement activity increased in line with market. We also increased some of our in-house audit fees to better reflect the full cost of service provision to some entities.
- 3.6 Target not achieved as independent assessors concluded two of the 15 audit files they reviewed had issues with the audit evidence documented in the audit file supporting the audit opinion. Our 2021–22 result is slightly improved from the prior year. We continue to assess the results of these reviews to determine and implement remedial actions to improve audit quality.
- 3.7 Market outcomes resulting from our refreshed ASP panel, combined with delayed prior year ASP invoicing due to delayed deliverables has resulted in increased ASP costs in the current year. Further, the need to outsource IT system assurance audit services also contributed to additional costs. The tight labour market has also impacted labour costs due to increased contractor costs to cover the peak period.

Independent Auditor's Review Report to the Victorian Auditor-General's Office

Report on the Performance Statement

Conclusion

We have reviewed the accompanying performance statement of the Victorian Auditor-General's Office which includes in respect of the financial year 2021-22 the performance indicators agreed with the Assistant Treasurer as set out in *Budget Paper No. 3*, actual and comparative results achieved for the financial year against targets where applicable, and explanations of any significant and/or material variance between the actual results and performance targets, together with the Declaration by the Auditor-General and Acting Executive Officer.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported for the financial year 2021-22.

Auditor-General's Responsibility for the Performance Statement

The Auditor-General is responsible for the preparation of the performance statement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the performance statement to ensure that it fairly represents the measures used and results reported, consistent with the Standing Directions 2018 under the *Financial Management Act 1994*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the performance statement based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance statement does not fairly represent the measures used and results reported.

ASRE2405 requires that we comply with the ethical requirements relevant to the conduct of our review.

A review of the performance statement consists of making enquiries, primarily of persons responsible for the performance measures, and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



PKF
Melbourne, 24 August 2022



Steven Bradby
Partner

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7.

Our financial management

Our primary financial objective is to provide cost-effective and value-adding audit and assurance services to Parliament and our public sector fee-paying clients.

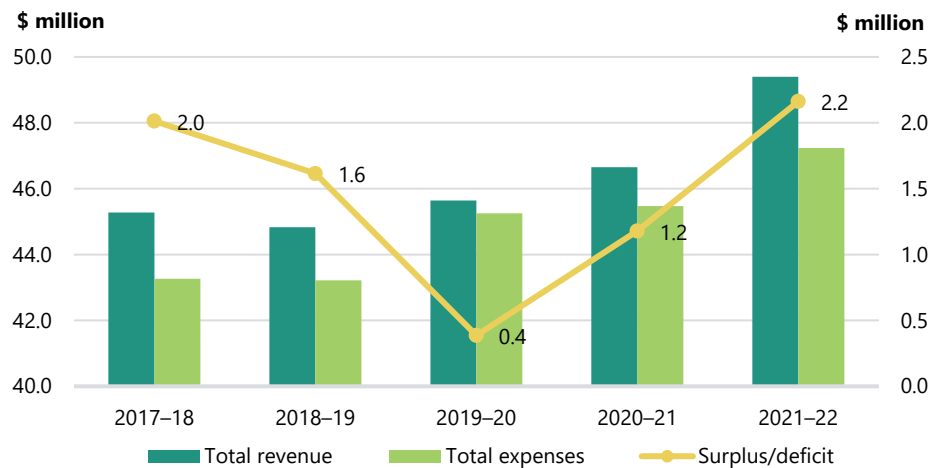
The nature and scope of our business does not change substantially outside of legislative reform. As such, our financial performance and position are historically stable.

This year's financial results reflect our ongoing focus to enhance our staff working-from-home arrangements, in alignment with our Better Normal principles and organisational improvement activities.

7.1 Financial year in review

Our net financial result for the year was a surplus of \$2.2 million (2020–21: \$1.2 million).

FIGURE 7A: Five-year financial performance to 30 June 2022

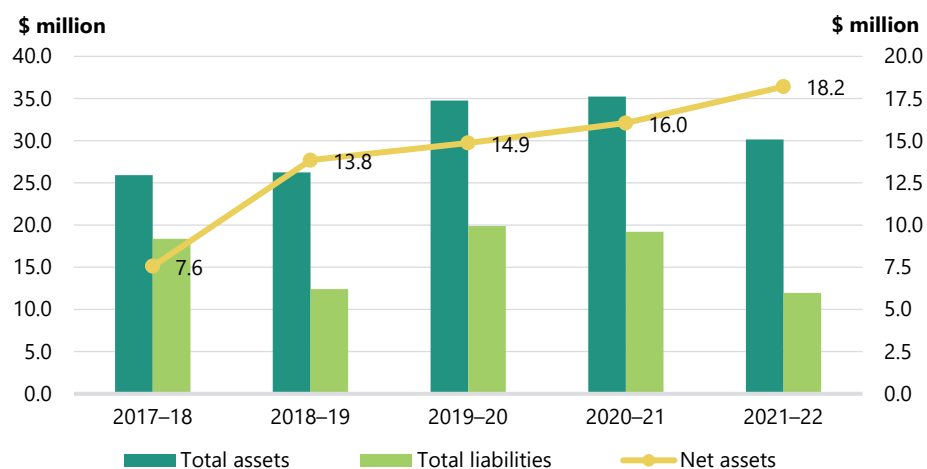


Source: VAGO.

Our financial position at 30 June 2022 continues to be strong, with total assets of \$30.1 million and total liabilities of \$11.9 million, resulting in net assets of \$18.2 million (30 June 2021: \$16.0 million).

On 1 December 2021, we exited our lease agreement for level 32, 35 Collins Street, Melbourne. This resulted in a reduction in total assets of \$6.3 million and total liabilities of \$6.7 million, and a net gain on disposal of non-financial assets of \$0.4 million.

FIGURE 7B: Five-year financial position to 30 June 2022



Source: VAGO.

Surplus/deficit

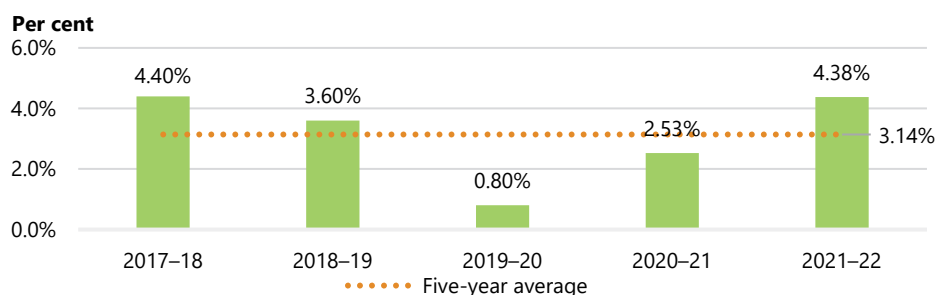
Consistent with our 5-year average result, we continue to operate sustainably and made an operating surplus.

This year's surplus was predominately attributed to exiting our lease agreement for level 32, 35 Collins Street, which resulted in a net gain on disposal of non-financial assets of \$0.4 million, and further cost savings for the remaining year of \$0.9 million due to a reduced tenancy footprint and office operating costs.

We continue to reinvest cost savings into other areas of the organisation—particularly in modernising our audit methods through the use of data science and data analytics, and investing in our replacement audit toolsets.

Our medium-term financial aim is to **break even**, noting deficits may arise due to the timing of our organisational improvement activities.

FIGURE 7C: **Surplus as percentage of total revenue**

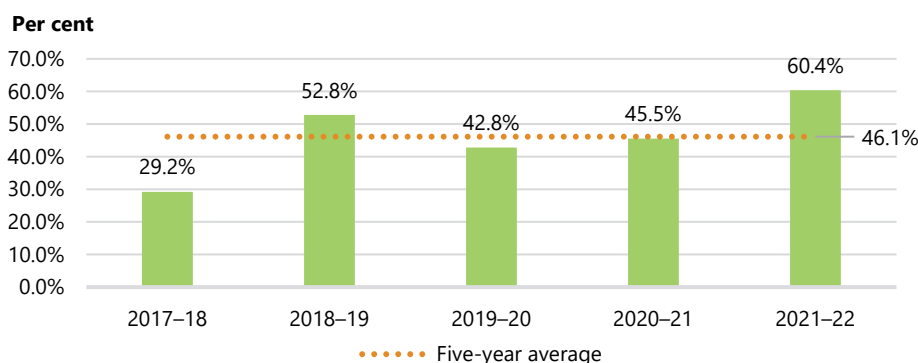


Source: VAGO.

Net assets

Our continued strong financial position is driven by our historical operating surpluses and strong fiscal management. We anticipate sufficient working capital to fund our operations over the forward estimates period.

FIGURE 7D: **Net assets as a percentage of total assets**



Source: VAGO.

The future

We continue to budget to break even in the short to medium term, while acknowledging the current resourcing scarcity relating to our staffing requirements and continuing to implement our organisational improvement activities.

7.2 Financial performance

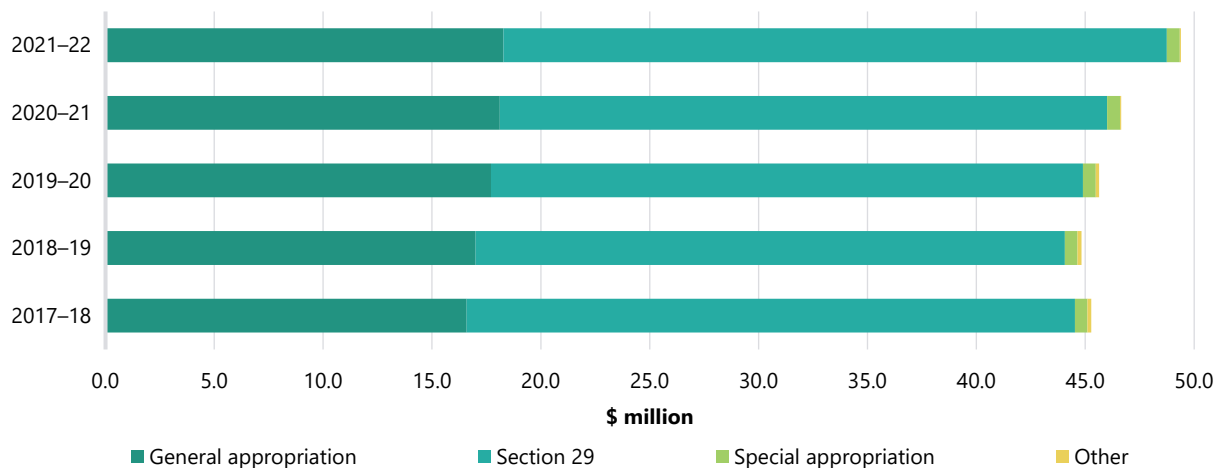
Revenue

Our total revenue has steadily increased over the past five years to \$49.4 million in 2021–22 (2020–21: \$46.7 million). This increase reflects:

- indexation of our general appropriation
- revisions to our section 29 revenue from audit engagement fees.

VAGO is funded through Parliamentary appropriations and *Financial Management Act 1994* Section 29 revenue.

FIGURE 7E: Revenues from transactions



Source: VAGO.

Expenses

The majority of our expenses relate to our workforce—employees, contractors and the contracted ASPs we engage to assist us complete our annual financial and performance statement audits and other assurance engagements.

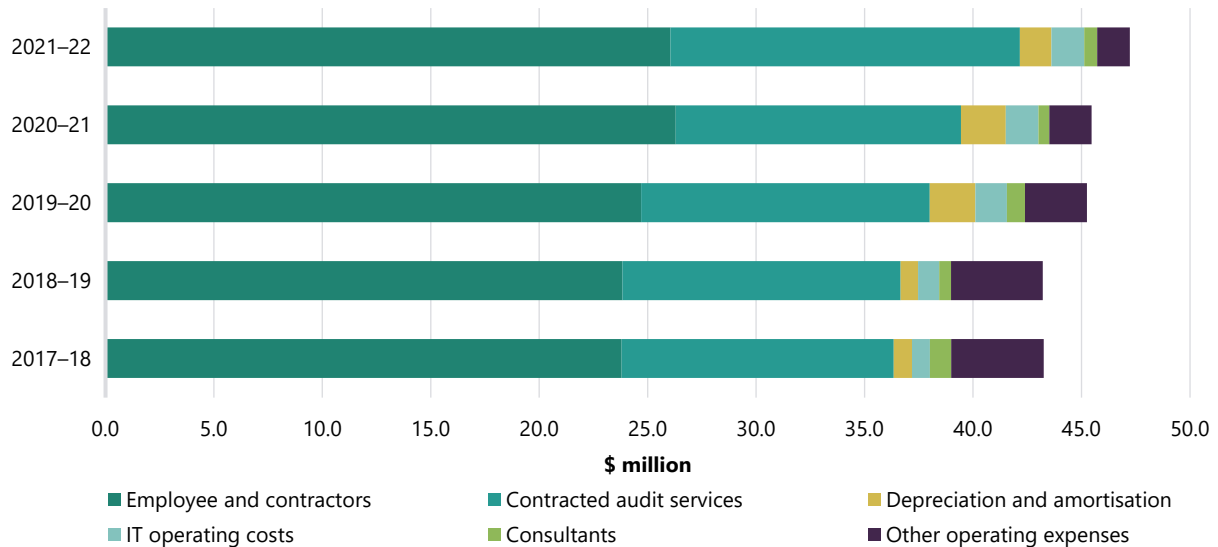
In 2021–22 our employee and contractor costs decreased slightly to \$26.1 million (2020–21: \$26.3 million) despite increases in entitlements under the *Victorian Public Service Enterprise Agreement 2020*. The decrease reflects:

- the impact of resource scarcity (particularly in our performance audit business unit)
- a change in the mix of in-house and outsourced audit engagements—we continued to need additional contractors to complete annual financial and

performance statement audits in 2021–22 due to the impact of COVID-19 disruptions on our capacity to deliver our audit program.

Our expenditure for contracted audit services of \$16.1 million (2020–21: \$13.1 million) was also impacted by the timing of completing work carried out up to 30 June 2022 by our ASPs.

FIGURE 7F: **Expenses from transactions**



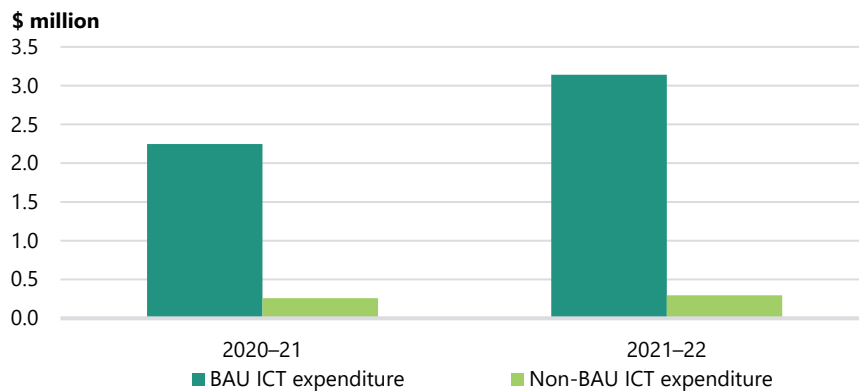
Source: VAGO.

Information and communications technology expenditure

In 2021–22, we incurred additional information and communications technology (ICT) expenditure (including employee and contractor costs, and depreciation) to provide business-enabling ICT services of \$3.1 million (2020–21: \$2.5 million).

These costs reflect our ongoing investment in ICT solutions to support our staff with working-from-home arrangements and hybrid working solutions. This investment continues to result in cost savings in other expenses.

FIGURE 7G: ICT expenditure



Source: VAGO.

Business as usual (BAU) ICT expenditure primarily relates to ongoing activities to operate and maintain existing ICT.

Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities.

7.3 Financial position

Balance sheet

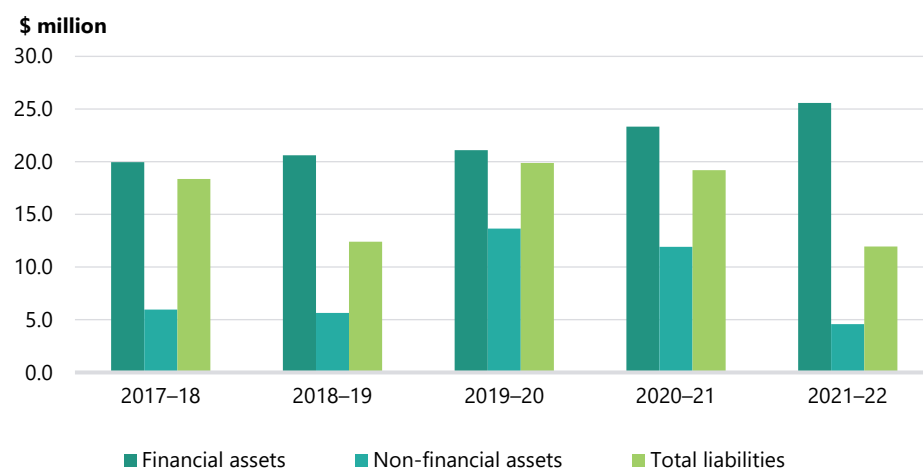
Our total financial assets balance of \$25.6 million (2020-21: \$23.3 million) increased due to the State Administration Unit receivable balance. That is, our operating surpluses are offset by:

- accumulated depreciation of plant and equipment
- the unwinding of our right-of-use asset relating to our leased office premises.

Exiting our lease agreement for level 32, 35 Collins Street on 1 December 2021 resulted in a decrease to non-financial assets of \$6.3 million, consisting of leasehold improvements and right-of-use assets. Further, our total liabilities decreased by \$6.7 million, reflecting the extinguishing of the associated right-of-use liability and lease incentive liability.

The total liabilities balance of \$11.9 million (2020-21: \$19.2 million) was also impacted by the payables balance at 30 June 2022, which is dependent on the timing of ASPs invoicing compared to the timing of our payment.

FIGURE 7H: **Assets and liabilities movement**



Source: VAGO.

7.4 Cash flows

Cash Flow Statement

Our daily bank balance is transferred to the Victorian Government as part of our government banking arrangement.

Figure 7I shows our ending cash balance, and cash flow by activity compared to prior year.

FIGURE 7I: **Cash Flow Statement**

	2021-22 (\$ thousand)	2020-21 (\$ thousand)	Movement from 2020-21 to 2021-22 (\$ thousand)	Percentage change from 2020-21 to 2021-22
Net cash flows from/(used in) operating activities	1 460	1 095	365	(33%)
Net cash flows from/(used in) investing activities	(778)	(148)	(630)	426%
Net cash flows from/(used in) financing activities	(682)	(947)	265	(28%)
Net increase/(decrease) in cash held	-	-	-	-
Cash at the beginning of the financial year	-	-	-	-
Cash at the end of the financial year	-	-	-	-

7.5 Other financial matters

Asset Management Accountability Framework maturity assessment

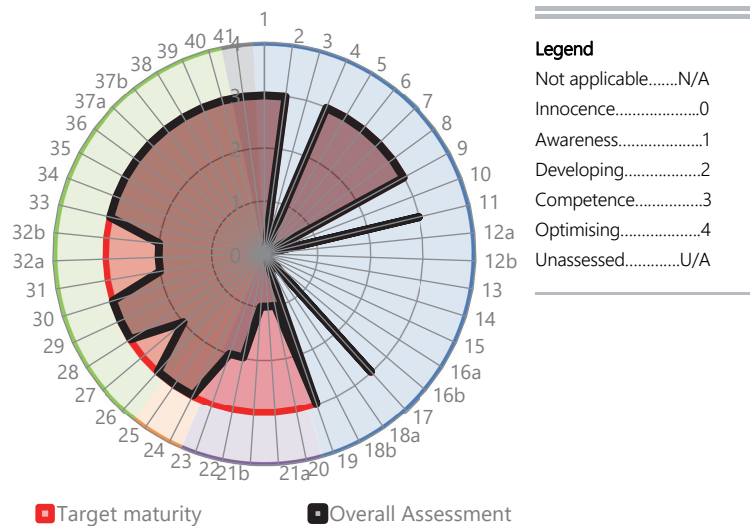
The following section summarises VAGO's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF), shown in Figure 7J.

We have assessed our target maturity rating as 'competence', meaning systems and processes are:

- fully in place
- consistently applied and systematically meeting the AMAF requirements
- subject to a continuous improvement process to expand system performance above AMAF minimum requirements.

The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements, published at www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework.

FIGURE 7J: **AMAF maturity assessment**



Source: VAGO.

FIGURE 7K: **AMAF maturity outcome**

AMAF mandatory requirements	Outcome assessment
Leadership and Accountability (requirements 1–19)	VAGO has met its target maturity level under the requirements within this category, where applicable.
Planning (requirements 20–23)	There is no material non-compliance reported in this category. VAGO did not comply with the requirement for developing an asset management strategy as VAGO did not assess any of their assets as critical (that is, any failures would not result in the incapability to deliver important services).
Acquisition (requirements 24 and 25)	VAGO has met its target maturity level under the requirements within this category.
Operation (requirements 26–40)	There is no material non-compliance reported in this category. Given VAGO has not assessed any of their assets as critical, VAGO have not established a process to identify potential asset performance failures, or a formal asset maintenance program.
Disposal (requirement 41)	VAGO has met its target maturity level under the requirements within this category.

Local Jobs First

The *Local Jobs First Act 2003* brings together 2 policies that were previously administered separately:

- Victorian Industry Participation Policy
- Major Project Skills Guarantee policy.

Under Section 3 of the *Financial Management Act 1994*, VAGO is required to apply the Local Jobs First policy to all projects valued at:

- \$3 million or more in metropolitan Melbourne or for state-wide projects
- \$1 million or more for projects in regional Victoria
- \$50 million or more and that are classified as strategic.

All projects valued at \$50 million or above are automatically classified as **Strategic Projects**, or as declared by the Minister for Industry Support and Recovery.

Projects commenced—Local Jobs First Strategic

In 2019, VAGO commenced one Local Jobs First Strategic Project—the ASP Panel Requalification and Tendering Policy Refresh—to ensure our ASP panel met the needs of Australian Auditing Standards, requirements mandated under the Act, and VAGO’s information security framework.

As advised by the Minister for Industry Support and Recovery, the project is based in metropolitan Melbourne and represents an estimated 97 per cent local content.

The outcomes of this panel refresh concluded at the end of 2020, and 2 quotation rounds for our audit client engagements to the refreshed panel completed during the period.

In 2021–22, the outcomes reported from the implementation of the project where information was provided were:

- a recorded average of 100 per cent of local content
- preparation of a Local Industry Development Plan for contracts by 7 ASPs who were successfully appointed as a principal contractor.

Office of the Auditor-General consultancies

In 2021–22, we engaged 2 consultants with a total fee payable greater than \$10,000 (excluding GST) (2020–21: 3 consultants).

We also engaged 2 consultants where the total fee payable was less than \$10,000. The actual cost was \$9,600 (excluding GST) (2020–21: 1 consultant at a cost of \$8,800).

FIGURE 7L: **Consultancies—payments in excess of \$10 000 (excluding GST)**

Consultant	Purpose of consultancy	Start date	End date	Approved project fee (\$ thousand)	Expenditure 2021–22 (\$ thousand)	Future expenditure (\$ thousand)
BizData Pty Ltd	Data analytics program	27-Sep-21	31-Dec-22	72	36	36
Content Smith Group Pty Ltd	Digital engagement and marketing	10-Apr-21	31-Mar-22	73	75	-
David Nolan	Audit quality review	10-Feb-22	31-May-22	16	16	-
Denis Thorn	Audit quality review	29-Nov-21	31-Jan-22	13	13	-
McGlinn Consulting Group	Audit quality review	20-Feb-22	15-Jun-22	30	27	3
Orima Research Pty Ltd	Client survey program	29-Nov-21	30-Jun-22	90	90	-
Risk Insights Pty Ltd	Limited assurance review	6-Jan-21	30-May-21	108	22	-

Performance audit consultants

In 2021–22 we paid \$639,000 to 9 consultants for performance audit related services (2020–21: \$292,000 to 10 consultants).

FIGURE 7M: **Payments to performance audit consultants⁽ⁱ⁾**

Performance audit consultants	2021–22 (\$ thousand)	2020–21 (\$ thousand)
4 Consulting Pty Ltd	38	-
ARRB Group Ltd	-	10
Aspex Consulting	83	163
Cube Group	29	1
Frontier Economics Pty Ltd	170	-
Guidera Consulting Group Pty Ltd	-	23
Risk Insights Pty Ltd	188	-
Riskwest Pty Ltd	79	-

Performance audit consultants	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Synergies Economic Consulting Pty Ltd	15	64
Victorian Government Solicitor	33	-
Other—1 (2020–21: 5)	4	31
Total	639	292

Note: (i) The number and value of performance audit consultants vary annually based on the scope and subject matter of the performance audit, and usually engaged for one-off engagements only.

Financial audit contracted audit services

In 2021–22, we paid \$15.1 million to 32 audit firms and consultants that provided financial and performance statement audit related services (2020–21: \$12.8 million to 37 audit firms and consultants).

FIGURE 7N: **Payments to financial audit contracted audit services**

Audit service provider and consultants	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Accounting and Auditing Solutions	72	53
AFS & Associates Pty Ltd	93	12
BDO Services Pty Ltd	178	71
Count Pro Pty Ltd	22	44
Crowe Audit Australia	1 461	813
Crowe Horwath Albury	621	440
Crowe Horwath Vic	713	481
Crowe Horwath West Vic	-	17
Crowe Murray Darling	21	-
Cube Group	38	-
Davidsons Assurance Services Pty Ltd	30	44
Deloitte Financial Advisory Pty Ltd	-	20
DFK Kidsons	234	222
DMG Audit and Advisory	271	283
Ernst & Young	1 557	1 673
Frontier Economics Pty Ltd	77	66
Grosvenor Procurement Advisory	-	27

Audit service provider and consultants	2021–22 (\$ thousand)	2020–21 (\$ thousand)
HLB Mann Judd (VIC Partnership)	2 811	2 470
Johnsons MME	526	584
KPMG	193	132
LD Assurance	80	80
McLaren Hunt	339	516
McLean Delmo Bentleys Pty Ltd	372	440
Pitcher Partners	22	22
Pitcher Partners Corporate Pty Ltd	25	18
Protiviti Pty Ltd	196	-
RSD Audit	1 863	1 099
RSM Australia Pty Ltd	3 246	2 868
Shine Wing Australia	14	38
The Heron Partnership Pty Ltd	15	-
The University of Melbourne	-	145
William Buck Audit (Vic) Pty Ltd	27	-
Other—4 (2020–21: 10)	19	81
Total	15 136	12 759

Whole-of-government financial statements

Figure 7O is a comprehensive operating statement for the parliament portfolio, providing a comparison between our actual financial statements and the budgeted financial information published in the *Statement of Finances 2021–22: Budget Paper No.5*.

This financial data has been prepared on a consolidated basis and includes all general government sector entities within the portfolio. Financial transactions and balances are classified into either controlled or administered categories, in the context of the published statements in *Budget Paper No.5*.

Figure 7O is not subject to audit and is prepared on the same basis as Budget Paper No.5.

Budget figures are as published in *Budget Paper No.5* (shown in \$ millions).

FIGURE 70: **Comprehensive operating statement for parliament (including VAGO)**
for the financial year ended 30 June 2021

	<i>Budget</i>		<i>Actual</i>		<i>Variance</i>
	Parliament (excluding VAGO) (\$ thousand)	VAGO (\$ thousand)	Parliament (including VAGO) (\$ thousand)	VAGO (\$ thousand)	VAGO (\$ thousand)
Income from transactions					
Output appropriations	236 578	46 002	282 580	48 746	2 744
Special appropriations	55 515	616	56 131	600	(16)
Sale of goods and services (including other income)	-	-	-	9	9
Fair value of services received free of charge or for nominal consideration	-	42	42	40	(2)
Total income from transactions	292 093	46 660	338 753	49 395	2 735
Expenses from transactions					
Employee benefits	194 969	26 166	221 135	26 050	116
Depreciation	34 753	2 063	36 816	1 453	610
Interest expense	1 202	327	1 529	180	147
Other operating expenses	62 134	18 117	80 251	20 121	(2 004)
Total expenses from transactions	293 058	46 673	339 731	47 804	(1 131)
Net result from transactions (net operating balance)	(965)	(13)	(978)	1 591	1 604
Other economic flows – other comprehensive income					
Other	-	-	-	571	(571)
Total other economic flows – other comprehensive income	-	-	-	2 162	(2 162)
Comprehensive result	-	-	-	2 162	(2 162)

7.6 Financial statements

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7.6.1 Notes to the financial statements

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	2.2. Disaggregated financial information	3.2 Contracted audit services	4.2 Depreciation and amortisation
		3.3 Other operating expenses	4.3 Fair value determination
			4.4 Right-of-use assets and lease liabilities
5. Other assets and liabilities	6. How we financed our operations	7. Risks and valuation judgements	8. Other disclosures
5.1 Receivables	6.1 Cash flow information	7.1 Financial instruments	8.1 Responsible persons
5.2 Other non-financial assets	6.2 Commitments for expenditure		8.2 Remuneration of executives
5.3 Payables	6.3 Contingent assets and contingent liabilities		8.3 Related parties
			8.4 Remuneration of auditors
			8.5 Subsequent events
			8.6 Australian Accounting Standards issued but not yet effective
			8.7 Glossary of technical terms
			8.8 Style conventions

Declaration in the financial statements

The attached financial statements for the Victorian Auditor-General's Office have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and financial position of the Victorian Auditor-General's Office at 30 June 2022.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 24 August 2022.



Andrew Greaves

Auditor-General
Victorian Auditor-General's Office

Melbourne
24 August 2022



Anh Ha

Chief Financial Officer
Victorian Auditor-General's Office

Melbourne
24 August 2022

Independent Auditor's Report to the Victorian Auditor-General's Office

Opinion

We have audited the accompanying financial statements of the Victorian Auditor-General's Office, which comprise the Balance Sheet as at 30 June 2022, the Comprehensive Operating Statement, Statement of Changes in Equity, and Cash Flow Statement for the year then ended, and accompanying notes comprising a summary of significant accounting policies and other explanatory information, and the declaration in the financial statements.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Victorian Auditor-General's Office as at 30 June 2022 and of its financial performance for the year then ended in accordance with Australian Accounting Standards and the financial reporting requirements of the *Financial Management Act 1994*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information included in the Victorian Auditor-General's Office's annual report for the year ended 30 June 2022 but does not include the financial statements and our auditor's report thereon, nor the performance statement and our review report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Auditor-General's Responsibility for the Financial Statements

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Auditor-General determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of separately owned firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Auditor-General.
- Conclude on the appropriateness of the Auditor-General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Auditor-General with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF

Melbourne, 24 August 2022



Steven Bradby

Partner

Comprehensive Operating Statement for the financial year ended 30 June 2022⁽ⁱ⁾

	Note	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Income from transactions			
Output appropriations	2.1	48 746	46 008
Special appropriations	2.1	600	596
Sale of services and other income		49	45
Total income from transactions		49 395	46 649
Expenses from transactions			
Employee and contractors	3.1.1	26 050	26 296
Contracted audit services	3.2	16 114	13 147
Depreciation and amortisation	4.2	1 453	2 071
IT operating costs		1 509	1 501
Consultants		599	500
Other operating expenses	3.3	2 079	2 194
Total expenses from transactions		47 804	45 709
Net result from transactions (net operating balance)		1 591	940
Other economic flows included in net result			
Net gain/(loss) on non-financial assets ⁽ⁱⁱ⁾	6.1.1	436	27
Other gains/(losses) from other economic flows	3.1.2	135	212
Total other economic flows included in net result		571	239
Net result		2 162	1 179
Comprehensive result		2 162	1 179

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

(ii) 'Net gain/(loss) on non-financial assets' includes unrealised and realised gains/(losses) from disposals of all non-financial assets.

Balance Sheet as at 30 June 2022⁽ⁱ⁾

	Note	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Assets			
Financial assets			
Cash	6.1	-	-
Receivables	5.1	25 566	23 322
Total financial assets		25 566	23 322
Non-financial assets			
Property, plant and equipment	4.1	3 990	11 027
Intangible assets		231	239
Other non-financial assets	5.2	365	648
Total non-financial assets		4 586	11 914
Total assets		30 152	35 236
Liabilities			
Payables	5.3	3 602	4 838
Lease liabilities	4.4.1	2 918	8 766
Employee related provisions	3.1.2	5 424	5 586
Total liabilities		11 944	19 190
Net assets		18 208	16 046
Equity			
Accumulated surplus		13 278	11 116
Contributed capital		4 930	4 930
Net worth		18 208	16 046

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Cash Flow Statement for the financial year ended 30 June 2022⁽ⁱ⁾

	Note	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Cash flows from operating activities			
Receipts			
Appropriation receipts from government		49 382	46 950
Receipts from other entities		600	597
Total receipts		49 982	47 547
Payments			
Payments to suppliers and employees		(47 158)	(45 220)
Goods and Services Tax paid to the ATO ⁽ⁱⁱ⁾		(1 184)	(583)
Capital asset charge payments		-	(278)
Interest and other costs of finance paid		(180)	(371)
Total payments		(48 522)	(46 452)
Net cash flows from/(used in) operating activities	6.1.1	1 460	1 095
Cash flows from investing activities			
Purchases of non-financial assets		(778)	(148)
Sales of non-financial assets		-	-
Net cash flows from/(used in) investing activities		(778)	(148)
Cash flows from financing activities			
Repayment of lease liabilities		(682)	(947)
Net cash flows from/(used in) financing activities		(682)	(947)
Net increase/(decrease) in cash held		-	-
Cash at the beginning of the financial year		-	-
Cash at the end of the financial year	6.1	-	-

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

(ii) Goods and Services Tax paid to the Australian Taxation Office (ATO) is presented on a net basis.

Statement of Changes in Equity for the financial year ended 30 June 2022⁽ⁱ⁾

	Accumulated surplus (\$ thousand)	Contributed capital (\$ thousand)	Total
Balance at 1 July 2020	9 937	4 930	14 867
Net result for the year	1 179	-	1 179
Balance at 30 June 2021	11 116	4 930	16 046
Net result for the year	2 162	-	2 162
Balance at 30 June 2022	13 278	4 930	18 208

The accompanying notes form part of these financial statements.

Note:

(i) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Notes to financial statements

1. About this report

The Victorian Auditor-General's Office (VAGO) and the Auditor-General's mandate are established pursuant to:

- the *Constitution Act 1975*, which establishes the role of the Auditor-General and authorises the Auditor-General's complete discretion in the performance and exercise of his functions and powers
- the *Audit Act 1994* (the Act), which establishes the Auditor-General's mandate, provides the legal basis for his powers, and identifies his responsibilities.

A description of VAGO's operations, principal activities and objectives is included in the Report of Operations, which does not form part of these financial statements.

VAGO is an administrative agency acting on behalf of the Crown. Our address is: Level 31, 35 Collins Street, Melbourne VIC 3000.

1.1 Basis of preparation and compliance

These general-purpose financial statements:

- are prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) including Interpretations issued by the AASB. They are presented consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.
- cover VAGO as an individual reporting entity and include all of its controlled activities
- are in Australian dollars and use the historical cost convention unless a different measurement basis is specifically disclosed in the associated note
- apply an accrual basis of accounting whereby assets, liabilities, equity, income and expenses are recognised in the reporting period they relate to, regardless of when cash is received or paid
- have been rounded to the nearest \$1,000, unless otherwise stated.

Judgements, estimates and assumptions are made about financial information presented.

- Significant judgements are disclosed in Note 2 and Note 7, where the judgements are applied
- Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors believed reasonable under the circumstances. Actual results may differ from these estimates.

Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

2. Funding delivery of our services

2.1 Summary of compliance with annual parliamentary and special appropriations

Provision for outputs are disclosed as 'controlled' activities of VAGO.

Once annual Parliamentary appropriations are applied by the Treasurer, they become controlled by VAGO and are recognised as income when applied to the purposes defined under the *Appropriation Act 2016*.

Output appropriations

Income from the outputs VAGO provides to Parliament is recognised when the outputs have been delivered and the Assistant Treasurer and Treasurer have certified delivery of the outputs in accordance with specified performance criteria as outlined in the Department of Treasury and Finance budget papers.

	<i>Appropriations Act</i>	<i>Financial Management Act</i>			
	Annual appropriation (\$ thousand)	section 29 (\$ thousand)	Total Parliamentary authority (\$ thousand)	Appropriations applied (\$ thousand)	Variance ⁽ⁱ⁾
2021–22 controlled					
Provision for outputs	18 282	28 866	47 148	48 746	(1 598)
Recovery of cost of parliamentary reports	–	3	3	–	3
Total 2021–22	18 282	28 869	47 191	48 746	(1 595)
2020–21 controlled					
Provision for outputs	18 112	27 044	45 156	46 008	(852)
Recovery of cost of parliamentary reports	–	2	2	–	2
Total 2020–21	18 112	27 046	45 158	46 173	(850)

Note:

(i) The variance from estimate of 'Provision for outputs' in 2021–22 was due to the variability in financial audit fees charged and retained as per the section 29 agreement.

Special appropriations

Under section 94A(6) of the *Constitution Act 1975*, revenue related to costs associated with the Auditor-General's position, such as remuneration and on-costs, are recognised when the amount appropriated for that purpose is due and payable to VAGO.

Authority	Purpose	Appropriations applied	
		2021–22 (\$ thousand)	2020–21 (\$ thousand)
The Constitution Act 1975, section 94A(6)	Costs associated with the Auditor-General	600	596

FMA section 29 annotated income agreements

Administered transactions are those that are undertaken on behalf of the State of Victoria over which VAGO has no control or discretion.

The income which forms part of a section 29 agreement is recognised by VAGO as an administered item and the receipts paid into the consolidated fund.

Financial audit fees are measured based on the consideration and terms specified in the service agreement with the audit client. VAGO recognises revenue progressively over time as the performance obligations for the services to the audit client are satisfied.

FMA section 29 annotated income agreements are approved by the Treasurer.

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Fee for services		
Audit fees	28 866	27 044
Recovery of cost of parliamentary reports	3	2
Total annotated income agreements	28 869	27 046

2.2. Disaggregated financial information

Judgement is required in allocating income and expenditure to specific outputs. The following judgements were made in making the allocations:

- Output appropriation revenue is allocated directly to the output funded by the appropriation.
- Other revenue is allocated on the basis of management estimates of the relative benefits accruing to each output.

Expenses are allocated on the basis of management estimates of the planned direct hours worked by employees against each output. There were no amounts unallocated.

The distinction between controlled and administered items is based on VAGO's ability to deploy the resources in question for its own benefit (controlled items) or on behalf of the State (administered). VAGO remains accountable for transactions involving administered items but does not recognise them in its financial statements, except by way of note disclosure.

2.2.1 Departmental outputs

For a description of VAGO's outputs, refer to pages 60 to 67 in the *Report of Operations*.

Controlled income and expenses for the year ended 30 June 2022

	Parliamentary reports (\$ thousand)		Financial statement audit and assurance reports (\$ thousand)		Total (\$ thousand)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Income from transactions						
Output appropriations	18 282	18 112	30 464	27 896	48 746	46 008
Special appropriations	316	298	284	298	600	596
Sale of services and other income	26	23	23	22	49	45
Total income from transactions	18 624	18 433	30 771	28 216	49 395	46 649
Expenses from transactions						
Employee expenses	12 375	13 468	13 675	12 828	26 050	26 296
Contracted audit services	969	286	15 145	12 861	16 114	13 147
Depreciation	765	976	688	1 095	1 453	2 071
IT operating costs	795	708	714	793	1 509	1 501
Consultants	466	256	133	244	599	500
Other operating expenses	1 095	1 124	984	1 070	2 079	2 194
Total expenses from transactions	16 465	16 818	31 339	28 891	47 804	45 709
Net result from transactions (net operating balance)	2 159	1 615	(568)	(675)	1 591	940
Other economic flows included in net result						
Net gain/(loss) on non-financial assets	230	14	206	13	436	27
Other gains/(losses) from other economic flows	71	109	64	103	135	212
Total other economic flows included in net result	301	123	270	116	571	239
Net result	2 460	1 738	(298)	(559)	2 162	1 179
Comprehensive result gain/(loss)	2 460	1 738	(298)	(559)	2 162	1 179

Controlled assets and liabilities as at 30 June 2022

	<i>Parliamentary reports (\$ thousand)</i>		<i>Financial statement audit and assurance reports (\$ thousand)</i>		<i>Total (\$ thousand)</i>	
	2021–22	2020–21	2021–22	2020–21	2021–22	2020–21
Assets						
Financial assets	8 749	8 563	16 817	14 759	25 566	23 322
Non-financial assets	1 569	4 375	3 017	7 539	4 586	11 914
Total assets	10 318	12 938	19 834	22 298	30 152	35 236
Liabilities						
Total liabilities	4 087	7 046	7 857	12 144	11 944	19 190
Net assets	6 231	5 892	11 977	10 154	18 208	16 046

2.2.2 Administered items

Administered income includes recovery of audit costs incurred for performing financial and performance statement audits. VAGO does not control the income and assets arising from audit fees and collects these amounts on behalf of the State. The income and related assets are disclosed as Administered Items. As VAGO has an annotated income agreement for financial audit fees, the output appropriation, used to fund the costs of financial audit services (see Note 2.1), is increased by an equivalent amount.

Administered expenses include payments made on behalf of the State and payments into the Consolidated Fund. Administered assets include government income earned but not yet collected. Administered liabilities include government expenses incurred but not yet paid.

Both controlled and administered items of VAGO are consolidated into the financial statements of the state.

Administered (non-controlled) items for the financial year ended
30 June 2022

	2021-22 (\$ thousand)	2020-21 (\$ thousand)
Administered income from transactions		
Reimbursement of audit costs charged	30 464	27 896
Miscellaneous income	-	2
Total administered income from transactions	30 464	27 898
Administered expenses from transactions		
Payments into the Consolidated Fund	30 464	27 898
Total administered expenses from transactions	30 464	27 898
Total administered net result from transactions (net operating balance)	-	-
Administered other economic flows included in administered net result		
Net gain / (loss) on non-financial assets	-	-
Total administered comprehensive result	-	-
Administered assets		
Financial assets ⁽ⁱ⁾	4 274	5 146
Non-financial assets (work in progress)	4 090	2 396
Total administered assets	8 364	7 542
Administered liabilities		
Amounts owing to the state	8 364	7 542
Total administered liabilities	8 364	7 542
Total administered net assets	-	-

Note:

(i) Receivables comprise financial statement audit debtors and are deemed wholly collectable.

3. The cost of delivering our services

3.1 Employees and contractors

Employee expenses include all costs related to employment including wages and salaries, payroll tax, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums, defined benefits superannuation plans and defined contribution superannuation plans.

The amounts recognised in relation to superannuation are the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for termination of employment. Termination benefits are recognised when VAGO is either demonstrably committed to terminating the employees' employment according to a formal plan which has no possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

VAGO does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees.

3.1.1 Employee benefits included in the Comprehensive Operating Statement

	Note	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Salaries and wages, annual leave and long service leave		23 876	24 417
Defined contribution superannuation expense	3.1.3	2 123	1 830
Defined benefit superannuation expense	3.1.3	51	49
Total employee expenses		26 050	26 296

3.1.2 Employee benefits provisions in the Balance Sheet

A provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2021-22 (\$ thousand)	2020-21 (\$ thousand)
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	2 074	2 115
Long service leave		
Unconditional and expected to settle within 12 months	421	431
Unconditional and expected to settle after 12 months	1 890	2 001
Total provision for on-costs	738	698
Total current provisions for employee benefits	5 123	5 245
Non-current provisions		
Total non-current provisions for employee benefits	301	341
Total provisions for employee benefits	5 424	5 586
Reconciliation of movement in on-cost provision		
Opening balance	743	
Additional provisions recognised	40	
Closing balance	783	
Current	738	
Non-current	45	
Total provisions for on-costs	783	

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised:

- as current liabilities because VAGO does not have an unconditional right to defer settlement of these liabilities
- at remuneration rates which are current at the reporting date and measured at undiscounted amounts as it is expected the wages and salaries liabilities will be wholly settled within 12 months of reporting date.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment they relate to has occurred.

No provision has been made for sick leave as it is non-vesting and not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future.

Long-service leave

If	Then classified as	Because	Measured at
Unconditional	Current liability even where VAGO does not expect to settle within 12 months	VAGO does not have an unconditional right to defer settlement of the entitlement should an employee take leave within 12 months	<ul style="list-style-type: none"> Undiscounted value where VAGO expects to wholly settle within 12 months Present value where VAGO does not expect to wholly settle within 12 months
Conditional	Non-current liability	There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service	Present value

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates which are recognised as an 'other economic flow', in the net result.

3.1.3 Superannuation contributions

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of VAGO.

	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	2021–22 (\$ thousand)	2020–21 (\$ thousand)	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Defined benefit plans				
State Superannuation Fund	51	51	-	-
Defined contribution plans				
VicSuper	1 019	1 102	44	-
Other employee nominated plans	1 137	797	41	-
Total⁽ⁱ⁾	2 207	1 950	85	-

Note:

(i) The total paid excludes accruals brought forward at 1 July 2021, and accruals carried forward at 30 June 2022, and therefore does not equal the totals in Note 3.1.1.

3.2 Contracted audit services

VAGO contracts certain audit services to external professional firms. Costs incurred under such contracts are recognised as an expense in the reporting period in which they are incurred. At the end of the reporting period, an estimate is made on the value of audit services provided to VAGO not yet invoiced. The value of uninvoiced work is recognised as an accrual in the Balance Sheet, and as an expense in the Comprehensive Operating Statement.

3.3 Other operating expenses

Other operating expenses represent day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Training	534	475
Lease payments (accommodation)	413	492
Interest	180	371
Recruitment	166	201
Motor vehicles and travel costs	47	51
Other office expenses	739	604
Total other operating expenses	2 079	2 194

4. Key assets to support our output delivery

Property, plant and equipment

Items of property, plant and equipment are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

Subsequently they are measured at fair value less accumulated depreciation and impairment. Fair value is normally determined by reference to the asset's current replacement cost.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 4.4 in connection with how the fair values were determined.

4.1 Property, plant and equipment

	Gross carrying amount (\$ thousand)		Accumulated depreciation (\$ thousand)		Net carrying amount (\$ thousand)	
	2021–22	2020–21	2021–22	2020–21	2021–22	2020–21
Right-of-use asset—property	3 757	10 380	(1 425)	(2 622)	2 332	7 758
Right-of-use asset—vehicles	71	204	(18)	(27)	53	177
Leasehold improvements	1 722	4 750	(875)	(1 937)	847	2 813
Furniture, fittings and equipment	140	140	(140)	(114)	-	26
Computer software and equipment	1 662	1 015	(904)	(762)	758	253
Total property, plant and equipment	7 352	16 489	(3 362)	(5 462)	3 990	11 027

4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment

	Right-of-use asset—property (\$ thousand) ⁽ⁱ⁾	Right-of-use asset—vehicles (\$ thousand) ⁽ⁱ⁾	Leasehold improvements (\$ thousand) ⁽ⁱ⁾	Furniture, fittings and equipment (\$ thousand)	Computer software and equipment (\$ thousand)	Total (\$ thousand)
Balance at 1 July 2020	9 069	112	3 288	54	274	12 797
Additions	-	157	-	-	108	265
Depreciation	(1 311)	(29)	(475)	(28)	(129)	(1 972)
Disposals	-	(63)	-	-	-	(63)
Balance at 30 June 2021	7 758	177	2 813	26	253	11 027
Additions	-	-	-	-	648	648
Disposals	(4 600)	(104)	(1 666)	-	-	(6 370)
Depreciation	(826)	(20)	(300)	(26)	(143)	(1 315)
Balance at 30 June 2022	2 332	53	847	-	758	3 990

Note:

(i) On 1 December 2021, VAGO surrendered part of the right-of-use lease relating to the office premises at level 32, 35 Collins Street. The reduction in value of the right-of-use lease asset and disposal of the associated leasehold improvements is disclosed above. The lease liability relating to the part of the right-of-use lease retained (level 31) is disclosed in Note 4.4.1.

At the date of disposal, the remaining right-of-use asset and right-of-use lease liability were remeasured using the discount rate prevailing at the date of disposal. The resulting gain on non-financial assets is disclosed as an Other economic flow in the Comprehensive Operating Statement. Lease commitments on the retained lease are disclosed in Note 6.2.1.

4.2 Depreciation and amortisation

Useful lives

All property, plant and equipment are depreciated as an expense on a straight-line basis, less any estimated residual value, over their estimated useful lives. Leasehold

improvements and right-of-use assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when the asset is available for use in the location and condition necessary for it to be capable of operating in the manner management intended.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. Estimated useful lives for the different asset classes for current and prior years are included in the table below.

Asset	Useful life (years)
Right-of-use asset—property	8
Right-of-use asset—vehicles	3
Leasehold improvements	2–10
Furniture, fittings and equipment	2–10
Computer software and equipment	3–4

Impairment

The recoverable amount of assets are expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 *Impairment of Assets* does not apply to such assets that are regularly revalued.

4.3 Fair value determination

Fair value determination requires judgement and the use of assumptions. Changes to assumptions could have a material impact on the results and financial position of VAGO.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value
- plant and equipment.

Fair value hierarchy

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- a reconciliation of the movements in fair values from the beginning of the year to the end; and
- details of significant unobservable inputs used in the fair value determination.

4.3.1 Fair value determination of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recognised at the balance date, consisting of cash, receivables, payables and borrowings, represent fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.3.2 Fair value determination: non-financial physical assets

All non-financial physical assets are classified as Level 3 in the fair value hierarchy. There have been no transfers between levels during the period. Note 4.1.1 provides a reconciliation of movements in the carrying amount of plant and equipment, including those classified as Level 3.

Significant unobservable inputs have remained unchanged since June 2021.

4.3.3 Description of significant unobservable inputs to Level 3 valuations

2021–22 and 2020–21	Valuation technique	Significant unobservable inputs
Leasehold improvements	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit• Useful life of leasehold improvements
Other plant and equipment	Current replacement cost	<ul style="list-style-type: none">• Current replacement cost per unit• Useful life of other property, plant and equipment

4.4 Right-of-use assets and lease liabilities

VAGO as a lessee

VAGO recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and periodically reduced by impairment losses where applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate as provided by Treasury Corporation of Victoria. Generally, VAGO uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable under a residual value guarantee

- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low value leases

VAGO does not have any short-term leases with a term of 12 months or less or low-value asset leases (individual assets worth less than \$10,000).

4.4.1 Lease liabilities

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Maturity analysis—contractual undiscounted cash flows⁽ⁱ⁾		
Less than one year	550	1 427
One to five years	2 543	6 358
More than five years	-	2 173
Total undiscounted lease liabilities	3 093	9 958
Less: future finance charges	(175)	(1 192)
Present value of minimum lease payments	2 918	8 766
Lease liabilities included in the Balance Sheet⁽ⁱ⁾		
Current	492	1 099
Non-current	2 426	7 667
Total lease liabilities	2 918	8 766

Note:

(i) On 1 December 2021, VAGO surrendered part of the right-of-use lease relating to the office premises at level 32, 35 Collins Street. The lease liability disclosed above relates to the part of the right-of-use lease retained (level 31). The corresponding reduction in value of the right-of use lease asset and disposal of the associated leasehold improvements is disclosed above.

At the date of disposal, the remaining right-of-use asset and right-of-use lease liability were remeasured using the discount rate prevailing at the date of disposal. The resulting gain on non-financial assets is disclosed as an Other economic flow in the Comprehensive Operating Statement. Lease commitments on the retained lease are disclosed in Note 6.2.1.

4.4.2 Amounts recognised in the Comprehensive Operating Statement

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Interest expense on lease liabilities	180	371
Total amount recognised in the Comprehensive Operating Statement	180	-

4.4.3 Amounts recognised in the Statement of Cashflows

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Total cash outflow for leases	958	(947)

5. Other assets and liabilities

5.1 Receivables

Receivables consist of statutory receivables which are recognised at fair value plus any directly attributable transaction costs but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Contractual		
Other receivables	24	6
Statutory		
Amounts owing from Victorian Government ⁽ⁱ⁾	25 542	23 316
Total receivables	25 566	23 322
Represented by		
Current receivables	8 555	8 417
Non-current receivables	17 011	14 905
Total receivables	25 566	23 322

Note:

(i) The total amount recognised as owing from the Victorian Government was \$25,566,000 (2020–21: \$23,322,000) of which \$8,555,000 (2020–21: \$8,417,000) is likely to be drawn down in the next financial year and is reported accordingly as a current receivable. The amount recognised as owing from the Victorian Government comprises previously applied Parliamentary appropriations not yet drawn down. The balance is represented by accumulated surpluses, payables, movements in provisions and accumulated depreciation and amortisation net of asset acquisition.

5.2 Other non-financial assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or the part of expenditure made in one accounting period that covers a term extending beyond that period.

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Other non-financial assets		
Current prepayments	365	628
Non-current prepayments	-	20
Total other non-financial assets	365	648

5.3 Payables

Payables consist of:

- contractual payables, classified as financial instruments, measured at amortised cost. Accounts payable represent liabilities for goods and services provided prior to the end of the financial year that are unpaid.
- statutory payables are recognised and measured similarly to contractual payables, but not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

For the maturity analysis of contractual payables, see Note 7.1.2.

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Contractual		
Supplies and services ⁽ⁱ⁾	2 506	1 395
Amounts payable to government and agencies	12	6
Lease incentive ⁽ⁱⁱ⁾	832	2 765
Statutory		
GST payable	124	585
FBT payable	-	11
Other taxes payable	128	76
Total payables	3 602	4 838

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Represented by		
Current payables	2 940	2 540
Non-current payables	662	2 298
Total payables	3 602	4 838

Note:

(i) Supplies and services principally comprised of payables due for contracted audit services.

(ii) Lease incentive payable relates to funding provided by the lessor of VAGO's premises. This is amortised over the term of the lease and credited to the lease liability.

6. How we financed our operations

6.1 Cash flow information

Due to the State's investment policy and funding arrangements, VAGO does not hold a cash reserve in its bank accounts. Cash received from generation of income is paid into the State's bank account ('public account'). Similarly, VAGO's expenditure is paid via the public account. The public account remits to VAGO the cash required when payments to suppliers have cleared in VAGO's bank account.

6.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Net result for the period	2 162	1 179
Non-cash movements		
(Gain)/loss on disposal of non-current assets	(436)	(27)
Depreciation of non-current assets	1 453	2 071
Movements in assets and liabilities		
(Increase) /decrease in receivables	(2 244)	315
(Increase)/decrease in prepayments	283	(95)
Increase/(decrease) in payables	404	(2 840)
Increase/(decrease) in provisions	(162)	492
Net cash flows from/(used in) operating activities	1 460	1 095

6.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded at their nominal value inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

6.2.1 Lease commitments

	2021-22 (\$ thousand)	2020-21 (\$ thousand)
Lease commitments payable⁽ⁱ⁾		
Less than 1 year	242	633
Longer than 1 year but not longer than 5 years	1 108	2 986
5 years or more	-	801
Total lease commitments payable	1 350	4 420
Contract audit service commitments payable⁽ⁱⁱ⁾		
Less than 1 year	8 534	635
Longer than 1 year but not longer than 5 years	8 687	9
5 years or more	-	-
Total contract audit service commitments payable	17 221	644
Total commitments (inclusive of GST)	18 571	5 064
Less GST recoverable from the Australian Taxation Office	(1 688)	(460)
Total commitments (exclusive of GST)	16 883	4 604

Note:

(i) On 1 December 2021, VAGO surrendered part of its right-of-use lease relating to its office premises. Refer to Note 4.1.1 and Note 4.4.1 for further information.

(ii) Contract audit service commitments relate to fees payable to professional firms for the conduct of financial statement audits on behalf of VAGO.

6.3 Contingent assets and contingent liabilities

At the reporting date, VAGO was not aware of any contingent assets or contingent liabilities.

7. Risks and valuation judgements

7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Certain financial assets and financial liabilities arise under statute rather than a

contract (i.e. taxes). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

VAGO applies AASB 9 *Financial Instruments* and classifies its financial assets based on the business model for managing the assets and its contractual terms.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VAGO to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

VAGO recognises the following assets in this category:

- cash
- receivables (excluding statutory receivables).

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability using the effective interest rate method. VAGO recognises the following liabilities in this category:

- payables (excluding statutory payables)
- lease liabilities.

Impairment of financial assets

VAGO records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's expected credit loss approach. Subject to AASB 9, impairment assessment include VAGO's contractual receivables and statutory receivables.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7.1.1 Financial instruments: Categorisation

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Contractual financial assets		
Receivables⁽ⁱ⁾		
Other receivables	24	6
Total contractual financial assets	24	6
Contractual financial liabilities at amortised cost		
Payables⁽ⁱ⁾		
Supplies and services	2 506	1 395
Amounts payable to government and agencies	12	6
Lease incentive	832	2 765
Other payables	-	-
Borrowings		
Finance lease liabilities	2 918	8 766
Total contractual financial liabilities	6 268	12 932

Note:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable). Statutory financial assets will be used to cover payment of contractual financial liabilities.

7.1.2 Financial risk management objectives and policies

VAGO's financial risk management program seeks to manage exposures to financial risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instruments are disclosed in the notes to the financial statements.

The main purpose in holding financial instruments is to prudently manage VAGO's financial risks within the legislative and government policy parameters.

VAGO's main financial risks include credit risk, liquidity risk and interest rate risk.

VAGO uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer.

Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due.

Credit risk associated with VAGO's contractual financial assets is minimal because the main debtor is the Victorian Government.

Financial instruments: Liquidity risk

The following table discloses the contractual maturity analysis for VAGO's contractual financial liabilities:

Maturity analysis of contractual financial liabilities

			Maturity dates				
	Carrying amount	Nominal amount	Less than 1 month	1–3 months	3 months– 1 year	1–5 years	5+ years
2021–22	(\$ thousand)	(\$ thousand)	(\$ thousand)	(\$ thousand)	(\$ thousand)	(\$ thousand)	(\$ thousand)
Receivables							
Other receivables	24	24	24	-	-	-	-
Total contractual receivables	24	24	24	-	-	-	-
Payables							
Supplies and services	2 506	2 506	2 495	11	-	-	-
Amounts payable to government and agencies	12	12	12	-	-	-	-
Lease incentive	832	832	14	28	127	663	-
Borrowings							
Finance lease liabilities	2 918	2 919	41	81	371	2 426	-
Total contractual financial liabilities	6 268	6 269	2 562	120	498	3 089	-

2020–21	Carrying amount (\$ thousand)	Nominal amount (\$ thousand)	Maturity dates				
			Less than 1 month (\$ thousand)	1–3 months (\$ thousand)	3 months– 1 year (\$ thousand)	1–5 years (\$ thousand)	5+ years (\$ thousand)
Receivables							
Other receivables	6	6	6	-	-	-	-
Total contractual receivables	6	6	6	-	-	-	-
Payables							
Supplies and services	1 395	1 369	1 343	26	-	-	-
Amounts payable to government and agencies	6	6	6	-	-	-	-
Lease incentive	2 765	2 765	39	78	350	1 869	429
Borrowings							
Finance lease liabilities	8 766	8 774	88	178	837	5 550	2 121
Total contractual financial liabilities	12 932	12 914	1 476	282	1 187	7 419	2 550

Interest rate exposure of financial instruments

With the exception of lease liabilities, all of VAGO's financial instruments are non-interest bearing. The carrying value and weighted average fixed interest rate exposure of finance lease liabilities in 2021–22 was \$53,000 at 2.75% (2020–21: \$178,000 at 4.31%).

8. Other disclosures

8.1 Responsible persons

Given the independent relationship of the Auditor-General with the Parliament, no government minister has any direct responsibility for the operations of VAGO. The following disclosures are made relating to the Accountable Officer in accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*:

Andrew Greaves, Auditor-General, held the Accountable Officer Position in relation to VAGO for the full year.

Remuneration

Remuneration received or receivable by the Accountable Officer during the reporting period was in the following range:

	2021–22 No.	2020–21 No.
\$540 000–\$549 999	-	1
\$550 000–\$559 999	1	-

8.2 Remuneration of executives

The number of executive officers, other than the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

The remuneration amounts disclosed below are measured as required by AASB 119 *Employee Benefits*.

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.3)⁽ⁱ⁾

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Short-term employee benefits	5 013	4 398
Post-employment benefits	483	405
Other long-term benefits	15	24
Total remuneration	5 511	4 827
Total number of executives⁽ⁱⁱ⁾	29	26
Total annualised employee equivalents⁽ⁱⁱⁱ⁾	24.2	22.7

Note:

(i) Definitions for remuneration categories are disclosed in Note 8.7.

(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported in Note 8.3.

(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.3 Related parties

VAGO is a wholly owned and controlled entity of the State of Victoria. Related parties of VAGO include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into at an arm's length basis.

Significant transactions with government-related entities

VAGO received funding and made payments to the Consolidated Fund of \$49.4 million (2020–21: \$46.6 million) and \$30.5 million (2020–21: \$27.9 million).

During the year, VAGO had the following government-related entity transactions:

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Revenue from financial statement audits		
Department of Treasury and Finance	1 184	1 662
Department of Transport	979	1 145
Other government related parties ⁽ⁱ⁾	29 514	25 421
Total significant transactions with government-related entities	31 667	28 228

Note:

(i) Transactions with other related parties are collectively, but not individually significant.

Key management personnel

Key management personnel (KMP) of VAGO include the Accountable Officer and members of the strategic management group, which includes:

- Dave Barry, Deputy Auditor-General
- Roberta Skliros, Assistant Auditor-General, Financial Audit
- Sheraz Siddiqui, Acting Assistant Auditor-General, Performance Audit (commenced 11 October 2021)
- Renee Cassidy, Assistant Auditor-General, Performance Audit (resigned 15 October 2021)

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
Compensation of KMPs		
Short-term employee benefits	1 440	1 340
Post-employment benefits	92	85
Total⁽ⁱ⁾	1 532	1 425

Note:

(i) KMPs are also reported in the disclosure of responsible persons (Note 8.1) and remuneration of executives (Note 8.2).

Transactions and balances with key management personnel and other related parties

There were no related party transactions that involved key management personnel, their close family members and their personal business interests in the current reporting period.

8.4 Remuneration of auditors

	2021–22 (\$ thousand)	2020–21 (\$ thousand)
PKF Melbourne		
Audit of the financial statements	37	37
Review of the performance statement	3	3
Total	40	40

Steven Bradby from PKF Melbourne was appointed to this position in 2020.

The auditor of VAGO is appointed by Parliament and paid by PAEC in accordance with the *Audit Act 1994*.

As the remuneration of the auditor is paid by PAEC, the amount disclosed above is equal to the fair value of services received free of charge or for nominal consideration.

8.5 Subsequent events

VAGO had no events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue that would require adjustment to, or disclosure in the financial statements.

8.6 Australian Accounting Standards issued that are not yet effective

A number of new and revised accounting standards have been issued but become effective for reporting periods commencing after 1 July 2022. VAGO is not expected to be materially impacted by any of these new or revised accounting standards.

8.7 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

Administered item generally refers to VAGO lacking the capacity to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Assets include property, plant and equipment and certain intangible assets. Intangible assets include computer software.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item refers to the capacity of VAGO to benefit from that item in the pursuit of its objectives and to deny or regulate the access of others to that benefit.

Depreciation is an expense that arises from the consumption through wear or time of a physical or intangible asset. This expense is classified as a 'transaction' and reduces the 'net result from transactions'.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments, WorkCover premiums, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

- cash
- a contractual right
- to receive cash or another financial asset from another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Financial liability is any liability that is:

- a contractual obligation
- to deliver cash or another financial asset to another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements comprise:

- a Balance Sheet as at the end of the period
- a Comprehensive Operating Statement for the period
- a Statement of Changes in Equity for the period
- a Cash Flow Statement for the period
- notes of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period.

Interest expense represents costs incurred in connection with borrowings. It includes interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net operating balance or net result from transactions is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes plant and equipment, intangible assets, prepayments and accrued income.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, impairments of non-current physical and intangible assets; and gains and losses arising from the revaluation of the long service leave liability.

Other long-term benefits include long service leave.

Payables includes short and long-term trade debt and accounts payable, taxes and interest payable.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, and taxes receivable.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Supplies and services represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of VAGO.

8.8 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

-	zero, or rounded to zero
(xxx.x)	negative numbers
202x–2x	year period

The financial statements and notes are presented based on the illustration for a government department in the *2021–22 Model Report for Victorian Government*

Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VAGO's annual reports.

APPENDIX A

Workforce profile

FIGURE A1: **Profile of VAGO employees as at 30 June 2022**

As at 30 June 2022	All employees		Ongoing			Fixed-term and casual	
	Number (headcount)	Full-time equivalent	Full-time (headcount)	Part-time (headcount)	Full-time equivalent	Number (headcount)	Full-time equivalent
Gender	To protect our employees' privacy, we have chosen not to publish a detailed breakdown of some data.						
Women							
Men	83	172.97	132	17	144.97	29	28
Self-described	1						
Age							
15-24	11	10.80	9	1	9.80	1	1.00
25-34	65	64.20	60	3	62.20	2	2.00
35-44	53	50.77	37	7	42.37	9	8.40
45-54	33	32.00	17	4	20.20	12	11.80
55-64	13	12.20	7	2	8.40	4	3.80
Over 64	3	3.0	2	-	2.00	1	1.00
Classification							
VPS 1	1	1.00	-	-	-	1	1.00
VPS 2	4	4.00	4	-	4.00	-	-
VPS 3	37	36.60	33	2	34.60	2	2.00
VPS 4	30	29.00	25	1	25.60	4	3.40
VPS 5	45	42.87	37	8	42.87	-	-
VPS 6	34	32.70	26	6	30.90	2	1.80
Senior Technical Specialists	2	2.00	2	-	2.00	-	-
Executives	24	23.80	5	-	5.00	19	18.80
Auditor-General	1	1.00	-	-	-	1	1.00
Total Employees	178	172.97	132	17	144.97	29	28.0

FIGURE A2: **Profile of VAGO employees as at 30 June 2021**

	<i>All employees</i>		<i>Ongoing</i>			<i>Fixed-term and casual</i>	
	Number (headcount)	Full-time equivalent	Full-time (headcount)	Part-time (headcount)	Full-time equivalent	Number (headcount)	Full-time equivalent
<i>As at 30 June 2021</i>							
Gender							
Women	98	92.66	64	17	76.16	17	16.50
Men	83	82.23	57	2	58.33	24	23.90
Age							
15-24	10	9.60	9	1	9.60	-	0
25-34	66	64.22	53	5	56.22	8	8.00
35-44	61	58.97	37	7	42.27	17	16.70
45-54	30	29.00	14	4	17.00	12	12.00
55-64	12	11.10	6	2	7.40	4	3.70
Over 64	2	2.00	2	-	2.00	-	-
Classification							
VPS 2	10	9.53	10	-	9.53	-	-
VPS 3	41	40.40	34	2	35.40	5	5.00
VPS 4	26	24.49	18	5	21.49	3	3.00
VPS 5	46	44.47	35	5	38.47	6	6.00
VPS 6	30	28.50	21	5	24.80	4	3.70
Senior Technical Specialists	2	2.00	2	-	2.00	-	-
Executives	25	24.50	2	1	2.80	22	21.70
Auditor- General	1	1.00	-	-	0.00	1	1.00
Total Employees	181	174.89	122	18	134.49	41	40.40

FIGURE A3: **Audit service provider panel members**

BDO Audit

Crowe Audit Australia

Deloitte Touche Tohmatsu

Ernst & Young

HLB Mann Judd

Johnsons MME Audit & Assurance Services

KPMG

RSD

RSM Audit

APPENDIX B

Workplace health and safety

Our vision is to build an environment where the physical and mental wellbeing of all staff is our priority. We aspire to be an exemplar in safety and wellbeing across the public sector and provide a mentally safe, supportive and respectful workplace.

Over the last 12 months, we have delivered:

- mandatory appropriate behaviour training for all staff (currently 88 per cent of all staff completed)
- mandatory online training modules for all staff on appropriate behaviour and workplace health and safety, including ergonomic assessments
- a range of valuable health and wellbeing services including free influenza vaccinations for staff and access to our free virtual live yoga and meditation sessions in September
- a comprehensive COVIDSafe plan to prioritise a safe return to the office for those who choose to return to working in the office
- an Employee Assistance Program with a customer satisfaction of 89 per cent and a utilisation rate of 16.5 per cent (up from 12 per cent in the previous year)
- continual reviews of our occupational health and safety policies and procedures
- our Lunch n' Learn program to share our learnings from external training and development and we have also become involved in similar sessions being run across other jurisdictional audit offices
- monthly online seminars offered by Converge, our Employee Assistance Program. These well attended seminars cover a broad range of mental and physical wellness topics.

Staff have continued to choose to work where they are most productive, with the majority continuing to work from home. We have continued to supply all staff with our standard desks, monitors and chairs to promote a safe and productive work environment. We also provide additional equipment to staff in individual circumstances to best suit their needs and work.

To ensure all staff are effectively supported in the workplace, early intervention and injury management continues to be a key focus with targeted wellbeing support for staff.

FIGURE B1: **WorkCover claims**

Claims and rate	2018–19	2019–20	2020–21	2021–22
Number of standard claims*	1	1	1	1
Rate per 100 full-time equivalent staff	0.64	0.57	0.57	0.56

Note: (a) Standard claims are those that have exceeded the employer excess or are registered as a standard claim and are open with no payments as at 30 June 2022.

Source: Data supplied by the Victorian WorkCover Authority.

In 2021–22 there was one lost-time claim, as shown in Figure B2.

FIGURE B2: **Lost time and average cost of claims**

Lost time and cost	2018–19	2019–20	2020–21	2021–22
Number of lost-time claims ^(a)	–	–	1	1
Average cost of claims ^(b)	\$10 337	\$7 795	\$33 558	\$184,204

Note: (a) A lost-time claim is one with one or more days compensated by the Victorian WorkCover Authority (after employer excess) as at 30 June 2022. They are a subset of standardised claims.

(b) Based on claims reported between 1 July 2021 and 30 June 2022. Claims include employer and Victorian WorkCover Authority payments to date, plus an estimate of outstanding claims costs (further costs as calculated by the Victorian WorkCover Authority's statistical case estimate model).

Source: Data supplied by the Victorian WorkCover Authority.

Our performance against our workplace health and safety performance indicators is shown in Figure B3.

FIGURE B3: **Workplace health and safety performance against indicators**

Performance indicator	Performance
All new and existing staff are offered ergonomic assessments and required products are sourced and purchased	All employees were provided with access to a 'Safe Workstation Set-up' online module on commencement all employees were provided with the necessary products and equipment to enable effective work from home
All claims received are lodged with WorkCover within 10 working days for physical injury claims or 3 days for mental injury claims	100%
All reported incidents and accidents are followed up within 24 hours and closed as soon as is practicable	100%
Return-to-work plans are in place as soon as is practicable, and regularly monitored until complete	100%
A report on the number of claims and costs is provided to the operational management group as required	Reported as required

APPENDIX C

General executive information

In 2021–22, none of our executive staff was involved in carrying out any special projects. All of our executive staff have completed statements declaring whether their interests, shares in, and other benefits from business enterprises could give rise to a conflict of interest. We have processes to manage any such conflicts. Further information on the number of our executive staff, by classification, is provided in Figures C1 and C2.

FIGURE C1: Annualised salary, by \$20 000 bands, for executive and senior non-executive staff, at 30 June 2022

Income band (salary) ^(a)	Senior Executive Service	Senior Technical Specialists
\$180 000–\$199 999	19	1
\$200 000–\$219 999	3	1
\$240 000–\$259 999	1	–
\$360 000–\$379 999	1	–
Total	24	2

Note:

(a) The salaries reported above are for the full financial year, at a one full-time equivalent rate, and exclude superannuation. The Auditor-General is not included in this table.

Source: VAGO.

FIGURE C2: **Number of executive staff by classification, at 30 June 2022^(a)**

	<i>Total (ongoing)</i>		<i>Man</i>		<i>Woman</i>		<i>Self-described</i>	
	No.	Variance ^(b)	No.	Variance	No.	Variance	No.	Variance
SES3	1	–	1	–	–	–	–	–
SES2	2	–	1	1	1	(1)	–	–
SES1	21	(2)	11	(1)	10	(1)	–	–
Total	24	(2)	13	-	11	(2)	–	–

Note:

(a) The Auditor-General is not included in this table.

(b) 'Variance' refers to variance in the numbers reported at 30 June 2022 compared to 30 June 2021.

Source: VAGO.

APPENDIX D

Audit and risk management

Audit and Risk Committee Chair's report for the year ended 30 June 2022

The Audit and Risk Committee is appointed by the Auditor-General to provide independent advice to assist them in the discharge of their responsibilities for the management of VAGO's risk, control and compliance framework, the external accountability responsibilities as prescribed in the *Financial Management Act 1994* and other relevant legislation and prescribed requirements.

All committee members are independent, non-executive members who are appointed by the Auditor-General for a term of three years and are eligible for reappointment subject to a formal review of the member's performance by the Auditor-General. All members have appropriate financial and industry expertise and an appropriate understanding of the operations of VAGO.

Peter Niblett has been Chair of the Audit and Risk Committee since 1 May 2022. He succeeded Lynne O'Brien, who held the position from 1 January 2019 until her resignation from the Committee effective 30 April 2022. The members of the Audit and Risk Committee for the year ended 30 June 2022 and their attendance at meetings are set out in the table below. One of the four meetings was held virtually, rather than in person, due to the impacts of COVID-19. The remaining three meetings have been hybrid meetings, with some attendees meeting in person and others attending virtually.

Audit and Risk Committee members for the year ended 30 June 2022

Committee member	Meetings held	Meetings attended
Lynne O'Brien (Chair to 30 April 2022)	3	3
Julie Fahey	4	4
Peter Niblett (Chair from 1 May 2022)	4	4

The responsibilities of the committee are defined in its charter, which is approved by the Auditor-General and delivers on the responsibilities set out in the Standing Directions under the *Financial Management Act 1994*.

The main responsibilities of the committee are to:

- independently review and report on the annual report and all other financial information published by VAGO
- assist in reviewing the effectiveness of VAGO's internal control environment, covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable legislation and regulations
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- maintain effective communication with external auditors
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- oversee the effective operation of the risk management framework.
- in fulfilling its responsibilities, the Audit and Risk Committee has received operational management reports, risk management reports and briefings from the Auditor-General on issues affecting VAGO. During the year, the Audit and Risk Committee considered:
 - the closing report from the external financial auditor for the year ended 30 June 2022, which identified no significant issues
 - status updates and review reports from the internal auditor, which include management's response to matters raised by internal audit, together with subsequent follow up
 - VAGO's risk management reports and risk register
 - systems of controls for gifts, benefits and hospitality and the Auditor-General's expenditure
 - policies and procedures in place for the development of VAGO's annual plan and budget and resource planning
- impacts of COVID-19 on VAGO, including management actions in response to the pandemic and other COVID-19 related disclosures.

At the time of signing this report, the annual financial report for the year ended 30 June 2022 had been considered and recommended for adoption by the Auditor-General.

The Audit and Risk Committee has met in camera with the external financial auditors, the Auditor-General, Deputy Auditor-General and the internal auditor. The internal audit function was provided by ShineWing Australia for the year ended 30 June 2022.

[signed]

Peter Niblett
Chair, Audit and Risk Committee
24 August 2022

Risk management

Our risk management framework is developed in line with the Victorian Government Risk Management Framework, the Standing Directions 2018 under the *Financial Management Act 1994*, and the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2018).

We maintain effective risk governance through appropriate internal management structure and oversight arrangements. Each enterprise risk is assigned to a member of the operational management group, who is responsible for ensuring the risk is effectively managed. The enterprise risk register is considered by our Audit and Risk Committee at each of its meetings.

During 2021–22, we:

- refreshed and updated our enterprise risks in line with our Strategic Plan 2017–2021
- continued to undertake an in-depth monthly focus on current and emerging risks
- reviewed and reassessed our risk management framework, including the risk appetite statement and business unit operational risk registers.
- refreshed our enterprise risk register in February 2022. We have identified 11 enterprise risks:

	Risk
1	External events or changes undermine our role and powers in Victoria's integrity system and diminish our impact
2	Failure of practice and project management delaying and/or denying the fulfilment of our plans
3	Serious breaches of the Act, <i>Financial Management Act 1994</i> and <i>Public Administration Act 2004</i>
4	Failure to capitalise on modern technologies and work practices to ensure our continued relevance and reach
5	Failure to influence public service accountability and performance
6	Unauthorised disclosure and/or breaches of information
7	Final audit product is of poor quality
8	Failure to meet auditing and assurance standards in the conduct of audits
9	Control environment does not support management of conflicts of interest, fraud and corruption, compliance and sound financials
10	Misalignment of staff and leadership with VAGO values
11	Ineffective sourcing and development of high-quality human capital (staff and third-party providers)

Victorian Auditor-General's Office Financial Management Compliance Attestation Statement

I, Andrew Greaves, certify that the Victorian Auditor-General's Office has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions.



Auditor-General
Victorian Auditor-General's Office
24 August 2022

Internal audit

ShineWing Australia was appointed as our internal auditor in October 2019. The internal auditor reports to our Audit and Risk Committee and the Auditor-General.

The following reviews were carried out in 2021–22:

- procurement and contracts
- a follow up on the implementation of agreed management actions
- legislation and compliance framework review
- privacy and data security—completed in accordance with the Victorian Protective Data Security Standards
- risk management framework

The internal auditor also attended each meeting of our Audit and Risk Committee where reports were being considered and provided a report on the status of the internal audit program as required.

Environmental management

FIGURE D1: **VAGO's environmental performance for 2021–22 and 2020–21**

Indicator	2021–22	2020–21
Energy Use		
Total energy usage segmented by primary source (MJ)	814 782	1 290 032
Electricity (MJ)—excluding Green Power	681 777	1 058 695
Natural Gas (MJ)	133 005	231 337
Green Power (MJ)	–	–
Total greenhouse gas emissions from energy consumption (tonnes CO₂e)	89	333
Electricity (tonnes CO ₂ e)—excluding Green Power	82	320
Natural gas (tonnes CO ₂ e)	7	13
Percentage of electricity purchased as Green Power	–	–
Units of office energy used per FTE (MJ/FTE)	4 479	7 376
Units of office energy used per office area (MJ/m ²)	313	496
Waste and recycling		
Total units of waste disposed of by destination (kg/year)	19	343
Landfill (kg)	10	181
Commingled recycling (kg)	3	57
Secure documents (kg)	4	65
Organics (kg)	2	40

Indicator	2021–22	2020–21
Total units of waste disposed of per FTE by destination (kg/FTE)	<1	2
Landfill (kg/FTE)	-	-
Commingled recycling (kg/FTE)	-	-
Secure documents (kg/FTE)	-	-
Organics (kg/FTE)	-	-
Recycling rate (%)	35%	35%
Greenhouse gas emissions associated with waste (tonnes CO ₂ e)	<1	1
Paper use		
Total units of A4 equivalent copy paper used (reams)	54	85
Units of A4 equivalent copy paper used per FTE (reams/FTE)	<1	1
75–100% recycled content	0%	0%
0–49% recycled content	100%	100%
Water consumption		
Total water consumption (kilolitres)	573	1 024
Units of office water used per FTE (kilolitres/FTE)	3	6
Units of office water used per office area (kilolitres/m ²)	<1	<1
Travel and transport		
Total energy consumption by vehicle fleet (MJ)	223 652	335 169
Total distance travelled by vehicle fleet (km)	58 157	79 839
Total greenhouse gas emissions from vehicle fleet (tonnes CO ₂ e)	15	23
Greenhouse gas emissions from vehicle fleet per 1 000 km (tonnes CO ₂ e)	<1	<1
Total distance travelled by air (km)	5 414	1 468
Greenhouse gas emissions		
Total greenhouse gas emissions associated with energy use (tonnes CO ₂ e)	89	333
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO ₂ e)	15	23
Total greenhouse gas emissions associated with air travel (tonnes CO ₂ e)	1	<1
Total greenhouse gas emissions associated with waste disposal (tonnes CO ₂ e)	<1	1

APPENDIX E

Policies and compliance

Delegations

Under the Act, we have to report the names of any persons to whom the Auditor-General delegated the power to express a written audit opinion. In 2021–22, the Auditor-General delegated this power to the following financial audit directors:

- Simone Bohan
- Sanchu Chummar
- Travis Derricott
- Charlotte Jeffries
- Janaka Kumara
- Paul Martin
- Tim Maxfield
- Dominika Ryan.

Building Act

We do not own or control any government buildings and therefore, have no responsibilities under the *Building Act 1993*.

Government advertising expenditure

We have no advertising expenditure to report.

Major contracts

We have no major contracts to report.

Local jobs first—Victorian Industry Participation Policy

In 2019, VAGO commenced one Local Jobs First Strategic Project—the *ASP Panel Requalification and Tendering Policy Refresh*—to ensure our audit service provider panel met the needs of Australian Auditing Standards, requirements mandated under the Act, and VAGO’s information security framework.

This project is based in metropolitan Melbourne and represents an estimated 97 per cent local content, as advised by the Minister for Industry Support and Recovery.

In 2021–22, the outcomes reported from the implementation of the project where information was provided were:

- a recorded average of 100 per cent of local content
- preparation of a Local Industry Development Plan for contracts by 7 audit service providers who were successfully appointed as a principal contractor.

National Competition Policy

We comply with the National Competition Policy, including complying with the requirements of the Department of Treasury and Finance’s Competitive Neutrality Policy.

Oversight by the Victorian Inspectorate

In 2021–22, we had nothing to report to the VI as per requirements under the Act, and the Inspectorate did not review any of our activities.

We have previously worked with the VI to develop a self-reporting tool about the exercise of our coercive powers. We did not exercise these powers during the financial year.

The VI conducted one investigation of a public interest complaint about VAGO and its officers referred by IBAC. The VI concluded that all allegations were unsubstantiated. Two observations were raised with VAGO, with the VI suggesting that it:

- review its processes and procedures to help prevent delays in the finalisation of audit files
- review its employee performance management processes and procedures to ensure timely and regular performance feedback.

Work arrangements

We offer flexible work arrangements for staff in response to staff demand and legislative obligations for employers to provide flexible working conditions. We encourage our staff to take advantage of these arrangements.

We operate under the *Victorian Public Service Enterprise Agreement 2020* in providing leave for carers, as defined in the *Carers Recognition Act 2012*.

Merit and equity

We have a range of policies that reflect our commitment to a workplace free from discrimination, harassment and bullying, and that support merit-based recruitment practices.

We also comply with the Victorian Charter of Human Rights and Responsibilities and the Code of Conduct for Victorian Public Sector Employees of Special Bodies.

Our selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. We also ensure that employees have been correctly classified in workforce data collections.

Public interest disclosures

Under the *Public Interest Disclosures Act 2012*, we cannot receive public interest disclosures.

Disclosures about VAGO officers may be made to IBAC or the VI.

Further information on VAGO's responsibilities is available at:
www.audit.vic.gov.au/complaints-about-vago

Freedom of information

The Act broadly precludes us from disclosing information we gather during an audit, other than reporting to Parliament.

The Act also precludes third parties from accessing any audit-related information and documents we hold.

Our administrative processes come under the state's freedom of information legislation. For the 12 months ending 30 June 2021, we received one request for information which was for audit evidence that we cannot provide.

Further information on our obligations under the *Freedom of Information Act 1982* is available on our website.

Requests for access to non-audit-related information and documents we hold can be made to the Freedom of Information Officer:

- by email (enquiries@audit.vic.gov.au)
- by phone (03 8601 7000)
- in writing (Freedom of Information, Victorian Auditor-General's Office, Level 31, 35 Collins Street, Melbourne VIC 3000).

APPENDIX F

Additional information available on request

This report and our website publish all information required by the Standing Directions 2018 under the *Financial Management Act 1994*.

We can provide further details on the information items listed below if requested, subject to the freedom of information requirements, if applicable:

- a statement that declarations of pecuniary interests have been duly completed by all relevant staff of the office
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of changes in prices, fees, charges, rates and levies charged by our office
- audit fees, which are revised every year
- details of overseas visits, including a summary of the objectives and outcomes of each visit
- details of assessments and measures to improve the occupational health and safety of staff
- a general statement on industrial relations in the office and details of time lost through industrial accidents and disputes
- a list of major committees we sponsor, the purposes of each, and the extent to which they have achieved their purposes
- further information on our environmental performance
- details of all consultants and contractors, including:
 - consultants and contractors engaged
 - services provided
 - spending committed to for each engagement.

This information can be requested from our Freedom of Information Officer, as listed in Appendix F.

The following information is available from our website:

- details of documents we published about our activities
- copies of all our reports since 1956.

APPENDIX G

Disclosure index

Our annual report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to demonstrate our compliance with statutory disclosure requirements.

Legislation	Requirement	Section
Ministerial directions		
Report of operations—Financial reporting direction (FRD) guidance		
Charter and purpose		
FRD 22	Manner of establishment and the relevant minister	1.7
FRD 22	Purpose, functions, powers and duties	1.1
FRD 22	Key initiatives and projects	1.5
FRD 22	Nature and range of service provided	1.2
Management and structure		
FRD 22	Organisational structure	1.3
Financial and other information		
FRD 8	Consistency of Budget and Departmental Reporting	7.5
FRD 10	Disclosure index	Appendix G
FRD 22	Employment and conduct principles	Appendix E
FRD 22	Workplace health and safety policy	4.2, Appendix B
FRD 22	Summary of the financial results for the year	7.1, 7.2
FRD 22	Significant changes in financial position during the year	7.3

Legislation	Requirement	Section
FRD 22	Performance against budgetary objectives	6.1, 7.5
FRD 22	Major changes or factors affecting performance	7.2
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	Appendix E
FRD 22	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	Appendix E
FRD 22	Statement on National Competition Policy	Appendix E
FRD 22	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	Appendix E
FRD 22	Application and operation of the <i>Carers Recognition Act 2012</i>	Appendix E
FRD 22	Disclosure of consultancies over \$10,000	7.5
FRD 22	Disclosure of consultancies under \$10,000	7.5
FRD 22	Disclosure of ICT expenditure	7.2
FRD 22	Asset maturity assessment	7.5
FRD 22	Statement of availability of other information	Appendix F
FRD 22	Summary of environmental performance	Appendix D
FRD 24	Reporting of office-based environmental data by government entities	Appendix D
FRD 25	Local Jobs disclosures in the Report of Operations	7.5
FRD 29	Workforce data disclosures in the Report of Operations Public Service Employees	Appendix A
SD 5.2	Annual reporting	Annual report
Compliance attestation and declaration		
SD 5.1.4	Financial management compliance attestation	Appendix D
SD 5.2.3	Declaration in report of operations	Foreword
Financial report		
Declaration		
SD 5.2.2	Declaration in financial statements	7.6
Other requirements under Standing Directions 5.2.1		
SD 5.2.1(a)	Compliance with the FMA, Standing Directions, the Instructions, applicable Australian Accounting Standards and Financial Reporting Directions	7.6
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9	Departmental disclosure of administered assets	7.6
FRD 13	Disclosure of parliamentary appropriations	7.6
FRD 21	Disclosures of responsible persons and executive officers in the financial report	7.6

Legislation	Requirement	Section
FRD 103	Non-current physical assets	7.6
FRD 109	Intangible assets	7.6
FRD 110	Cash flow statements	7.6
FRD 112	Defined benefit superannuation obligations	7.6
FRD 114	Financial instruments	7.6
FRDs applicable to VAGO with no disclosures to make in 2021-22		
FRD 11	Disclosure of ex gratia expenses	-
FRD 12	Disclosure of major contracts	-
FRD 17	Wage inflation and discount rates for employee benefit	-
FRD 22	Subsequent events	-
FRD 22	Disclosure of government campaign advertising	-
FRD 30	Standard requirements for the publication	-
SD 5.2.1(b)	Compliance with <i>Model Financial Report for Government Departments</i>	-

APPENDIX H

Acronyms and abbreviations

Acronyms

AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
AMAF	Asset Management Accountability Framework
ARC	audit and risk committee
ASP	audit service provider
AUASB	Australian Auditing and Assurance Standards Board
BAU	business as usual
CA ANZ	Chartered Accountants Australia and New Zealand
DASA	data analytics and systems assurance
FRA	financial reporting advisory
FTE	full-time equivalent
IBAC	Independent Broad-based Anti-corruption Commission
KMP	key management personnel
LSL	long service leave
PAEC	Public Accounts and Estimates Committee
TAFE	technical and further education
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate
VPS	Victorian Public Service
VSA	Victorian Skills Authority

Abbreviations

Audit Act	<i>Audit Act 1994</i>
COVID-19	coronavirus
CPA Australia	Certified Practising Accountants Australia