

Transparency Report

2021–22



Transparency Report 2021–22

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

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Report snapshot

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

Why this report is important

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

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

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

extent they are relevant and appropriate to us.

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

What's in this report

This is our third transparency report. In it we discuss:

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

Standards, relevant ethical requirements and applicable legal and regulatory requirements

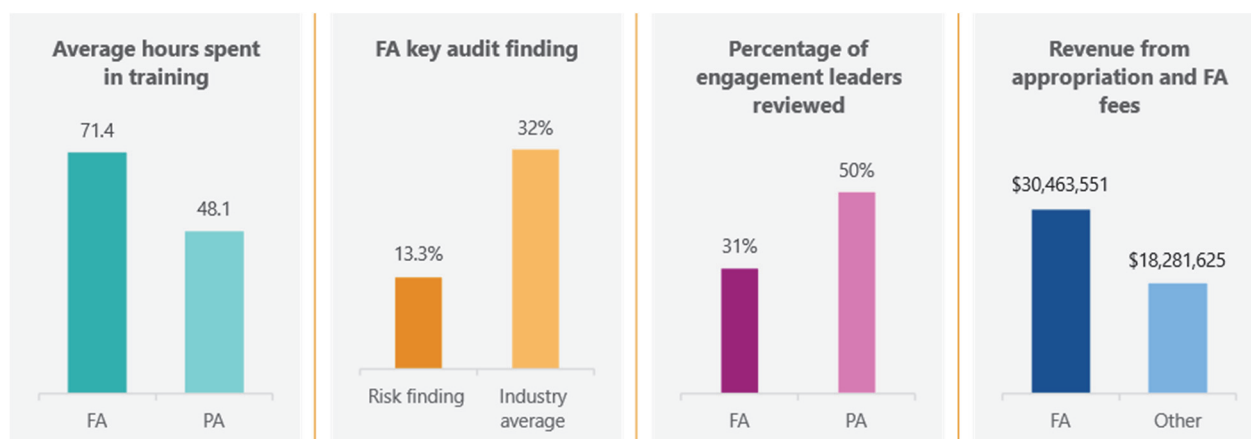
- external reviews and audits of us.

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

What we concluded

Our internal monitoring programs and feedback from independent reviews give us a sufficient basis to conclude that our quality control system functioned effectively in 2021–22.

Key facts



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

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

FA is the financial audit business unit, PA is performance audit

Source: VAGO

1.

About VAGO

Overview

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

We audit over 550 public sector agencies' financial reports and 110 performance statements. We also audit the annual financial report of the State of Victoria and review and report on the estimated financial statements of the State of Victoria. In 2021–22, we also tabled 22 assurance reports in Parliament.

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

This chapter discusses:

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

1.1 Our legal structure and ownership

The Auditor-General is appointed as an independent officer of Parliament under the *Constitution Act 1975*.

VAGO is designated as a Special Body as defined in section 6 of the *Public Administration Act 2004* (PAA). This has the effect of limiting the application of the PAA to VAGO—in particular, VAGO is not bound by certain government policies made under that Act.

VAGO is established by the *Audit Act 1994* in which the Auditor-General has the functions of public service body Head under section 16 of the PAA. This gives the Auditor-General the power to employ Victorian Public Sector (VPS) staff.

The Audit Act also establishes VAGO's responsibilities and outlines the Auditor-General's mandate for conducting financial and performance engagements of all Victorian public sector agencies.

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

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

1.2 Our governance structure

Our strategic management group (SMG) and audit and risk committee are the 2 key governing bodies that focus on audit quality. They establish, promote, support and monitor the quality of our engagements and our compliance with:

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

Strategic management group

SMG consists of the Auditor-General, Deputy Auditor-General and the Assistant Auditor-Generals of our financial audit (FA) and performance audit (PA) business units.

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

Audit and risk committee

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

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

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

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

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

Leadership roles for our quality control system

At an individual level, all our auditors are responsible for delivering quality outcomes in the work they perform. However, our operational management group (OMG), Assistant Auditor-Generals, audit quality director and financial reporting advisory director have specific responsibilities and accountabilities for our quality control system. Additionally, they promote, evaluate and monitor professional scepticism and compliance with auditing standards.

We also have a technical panel and an audit report modification panel for our financial audits. These panels review significant accounting and audit matters that arise from our financial audits.

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

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



Source: VAGO.

1.3 Our services

Performance engagements

We conduct performance engagements that assess whether government agencies, programs and services are effectively meeting their objectives, using resources economically and efficiently, and complying with legislation.

They provide reasonable or limited assurance about activities that are performed well or represent better practice, and also identify opportunities for improvement. With our follow-the-dollar powers, we can audit community sector and for-profit organisations that provide government services. We can also audit how recipients use government grants.

We report the results of these engagements to Parliament.

For more information about the difference between performance audits and assurance reviews, see our assurance services fact sheet on the VAGO website.

Access **Our assurance services** fact sheet at www.audit.vic.gov.au/sites/default/files/Our%20role/Our-assurance-services.pdf.

Attest engagements

We deliver a range of attest services to public sector agencies that prepare financial and performance reports and grant acquittals.

Our audit opinions provide 'reasonable assurance' that agency financial reports fairly present their financial positions, cashflows and operational results for the year, and that their performance reports and grant acquittals are reliable.

Our attest program delivers a range of assurance services for public sector agencies, such as:

- audit opinions on financial reports and performance statements of public sector agencies
- an audit opinion on the Annual Financial Report of the State of Victoria
- a review report on the Estimated Financial Statements for the General Government Sector
- other assurance activities such as audit opinions on grant acquittals submitted by agencies to grant funding bodies.

We also provide the following reports to the Parliament on the results of our financial attest audits:

- a report on our audit of the Annual Financial Report of the State of Victoria
- sector-based results reports.

1.4 Our engagement roles and responsibilities

The Auditor-General

For all our financial and performance engagements, the Auditor-General is:

- responsible for our quality control system and audit quality (for the purpose of Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* (ASQC 1) and Australian Auditing Standard ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (ASA 220))
- responsible for our system of quality management (for the purpose of ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* effective from 15 December 2022)
- required to issue the financial audit opinion (in accordance with part 3 of the Audit Act and as required by Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700))
- responsible for issuing an assurance report on a performance engagement (in accordance with section 56(1) of the Audit Act and as required by Australian Standard on Assurance Engagement ASAE 3500 *Performance Engagements* (ASAE 3500)).

Engagement teams

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

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

Figure 1B: **Engagement team roles and responsibilities**

Role	Financial engagements	Performance engagements
Signing officer	Responsible for issuing the audit opinion and complying with ASA 700. The Auditor-General may delegate this role. The signing officer may also be the engagement leader. When the signing officer is not the engagement leader, the signing officer makes sure the engagement leader performs their responsibilities in line with ASA 220 before signing the audit report.	The Auditor-General is responsible for transmitting the report to Parliament and for its contents, including the: <ul style="list-style-type: none"> conclusions expressed recommendations made other information in the report.
Engagement leader	Responsible for the overall quality of the engagement and complying with ASA 220. For ASP audits, the engagement leader is the partner of the ASP firm.	Responsible for the overall quality of the engagement in accordance with ASAE 3000.
Team leader	Responsible for directing the engagement on a day-to-day basis, supervising team members and managing the engagement's timeframes and cost.	Responsible for directing the engagement on a day-to-day basis, supervising team members and managing the engagement's timeframes and cost.
Team members ^(a)	Responsible for undertaking their assigned procedures.	Responsible for undertaking their assigned procedures.
ASP oversight reviewer	Responsible for and/or assisting the VAGO signing officer to perform the required audit procedures outlined in our ASP oversight guidance procedure.	Not applicable to performance audit engagements.

Note: ^(a)Auditor's experts who are engaged as consultants are not team members.

Source: VAGO.

Engagement leaders and signing officers

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

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

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

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

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

1.5 Our finances

Fees for our financial audit work

We collect fees from public sector agencies for our financial audits and other auditing services, such as grant acquittals and our audits of performance statements. We set our fees in accordance with section 13 of the Audit Act to recover the reasonable costs of our financial audit services.

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

Figure 1C: **Revenue from financial audit fees**

2021–22 (\$)	2020–21 (\$)	2019–20 (\$)
30,463,551	27,895,692	27,183,361

Other revenue

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

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

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

FIGURE 1D: **Annual appropriation**

2021–22 (\$)	2020–21 (\$)	2019–20 (\$)
18,281,625	18,112,000	17,712,000

Remuneration

Auditor-General

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

Executives

Our executives are employed on fixed-term contracts under the *PAA*. They are remunerated within the remuneration bands set by the Victorian Independent Remuneration Tribunal. Our executives are not entitled to performance-related bonuses.

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

Staff

Our workforce consists of VAGO employees and contractors. All VAGO employees are engaged under the *PAA* and are subject to the terms and conditions of the *Victorian Public Service Enterprise Agreement 2020*, which sets remuneration bands for each employment category.

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

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

2.

Investing in audit quality

We have been investing in projects to improve our audit quality, including our strategic planning for performance audit, refreshing our financial audit methodology for revisions to auditing standards, assessing new financial audit software, and developing a new capability framework for training our auditors.

We have completed our full refresh of our ASP procedures, instructions and policies and now undertake an annual update.

In 2022, we began the development and implementation of our system of quality management which will replace our quality control framework.

This chapter provides information about our investment in our:

- Performance engagement methodology project
 - Financial audit methodology and software project
 - Audit service provider refresh project
 - Capability framework project
 - System of quality management project
-

2.1 Performance engagement methodology project

We implemented our refreshed strategic engagement planning methodology in 2021.

We will continue to invest in our performance engagement methodology to deliver the highest value to Parliament and our other stakeholders from our performance audit resources.

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

The project involves:

- enhancing our risk-based engagement planning, risk response and engagement performance
- refreshing our policies, guidance and tools to better support our engagement teams
- conducting an independent quality assurance review to ensure our refreshed methodology complies with the Audit Act and applicable ASAEs
- training our performance auditors on the new methodology.

We will implement our revised methodology in three stages:

- stage 1: applying our strategic engagement planning, completed in September 2021
- stage 2: post implementation review of our strategic engagement planning to be completed in early 2023
- stage 2: piloting our new methodology in late 2023.

2.2 Financial audit methodology and software project

In 2021–22, we refreshed our financial audit methodology and related tools for the new Australian auditing standard ASA 315 *Identifying and Assessing the Risks of Material Statements* and consequential amendments to other auditing standards. EWE provided training on the requirements of ASA 315 and our revised methodology to our financial audit employees in 2022.

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

We are investing in innovative audit software to support:

- our financial audit engagement teams
- our financial audit methodology
- better integration of our data analytics program.

This project involves:

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

We plan to pilot and implement our new audit software during 2023.

2.3 Audit service provider refresh project

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

- ASPs ownership of:
 - data security
 - audit quality control system and framework
 - audit methodologies and technologies
 - data capabilities
- how we oversee and monitor their work.

We onboarded our new ASP panel for reporting periods ending 31 December 2021 and 30 June 2022. Membership of the ASP panel requires each firm to maintain an appropriate standard for each audit quality factor.

We have:

- updated our contractual requirements for ASPs
- launched our new ASPI and associated key deliverables
- released our related updated audit quality policies
- provided training to our ASPs.

Our ASPs provided their first annual audit quality and data security key deliverables for assessment in December 2022 to maintain their ongoing eligibility to the panel.

2.4 Capability framework project

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

We are investing in a capability framework and learning and development curriculum that aligns with our audit requirements, support career progression and prepare for the future capabilities required.

We have started a project called *Enhancing FA's Capability* to refresh the design of FA's capability framework, learning and development curriculum and succession pathways.

This program has arisen out of our recent strategic plan employee consultation process and the shift in skillsets required for financial auditors, owing to greater reliance on technology by our client base and evolving assurance requirements (e.g. sustainability reporting).

The project involves:

- a reset of role expectations in FA for the audit engagement role and practice administration role, by VPS grade
- a refresh of our structured capability framework – indicative of a modern audit firm – that clearly articulates the core knowledge, skills and behaviours required now and incorporates capability development to meet the needs of the evolving auditor into the future
- development of a learning and development curriculum that aligns with the refreshed FA capability framework. Our aim is for the curriculum to focus on all required disciplines, both technical and non-technical, such as audit and accounting theory, data-driven methods, IT systems assurance, people management, project management and leadership, and parliamentary product offerings
- refresh of our succession pathways that demonstrate what qualifications, capabilities, formal and informal training, other on-the-job experience and opportunities are required for progression.
- refresh of critical people-related documents and policies
- development of a support program to help people managers coach, monitor and evaluate employees under the new framework, to assist with consistency in role expectation and performance management across the practice.

Subsequent to this project, we will be well placed to:

- map our current training modules to the new capability framework and learning and development curriculum
- identify and address gaps in our current training and development opportunities available to FA staff.

2.5 System of quality management project

In 2022, we began our project to develop and implement a system of quality management responding to the AUASB's new suite of audit quality standards:

- ASQM 1 *Quality Management for Firms that Perform Audits or Review of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*
- ASQM 2 *Engagement Quality Reviews*
- ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (operative for financial reporting periods beginning on or after 15 December 2021)
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (operative for financial reporting periods beginning on or after 15 December 2022)

Our system of quality management will replace our audit quality control framework and will involve:

- identifying and assessing quality risks against the quality objectives in ASQM 1
- updating our audit methodology, policies and procedures
- ensuring we have appropriate risk treatments in place
- communicating and training to ensure that our engagement teams understand their role in and the system of quality management
- designing and implementing an evaluation of the system of quality management by 15 December 2023.

3.

Our quality control system

Statement on our system of quality control

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

This chapter describes each element of our quality control system.

Our quality measures, internal monitoring programs and feedback from independent reviews give us a sufficient basis to conclude that our quality control system functioned effectively in 2021–22.

This chapter discusses:

- Elements of quality control
 - Leadership responsibilities for quality
 - Relevant ethical requirements
 - Acceptance and continuance of client relationships and engagements
 - Human resources
 - Engagement performance
 - Monitoring
-

3.1 Elements of quality control

ASQC 1

ASQC 1 required audit firms to establish and maintain a system of quality control. It will be superseded by ASQM1 from December 2022.

ASQC 1 states that to do this, an audit firm (or public sector equivalent) must develop policies and procedures that address 6 elements. Figure 3A outlines these elements.

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

 <p>Leadership responsibilities for quality We promote a culture that recognises the importance of audit quality</p>	 <p>Acceptance and continuance We begin and continue an engagement if we are competent and can comply with ethical requirements</p>	 <p>Engagement performance We perform engagements and issue reports in line with the relevant standards, legislation and ethical principles</p>
 <p>Relevant ethical requirements We comply with relevant ethical requirements</p>	 <p>Human resources We have people who are competent, capable and committed to ethical principles</p>	 <p>Monitoring We monitor our quality control system to ensure it is operating effectively</p>

Source: VAGO.

3.2 Leadership responsibilities for quality

Ultimate responsibility for our quality control system

ASQC 1 requirement

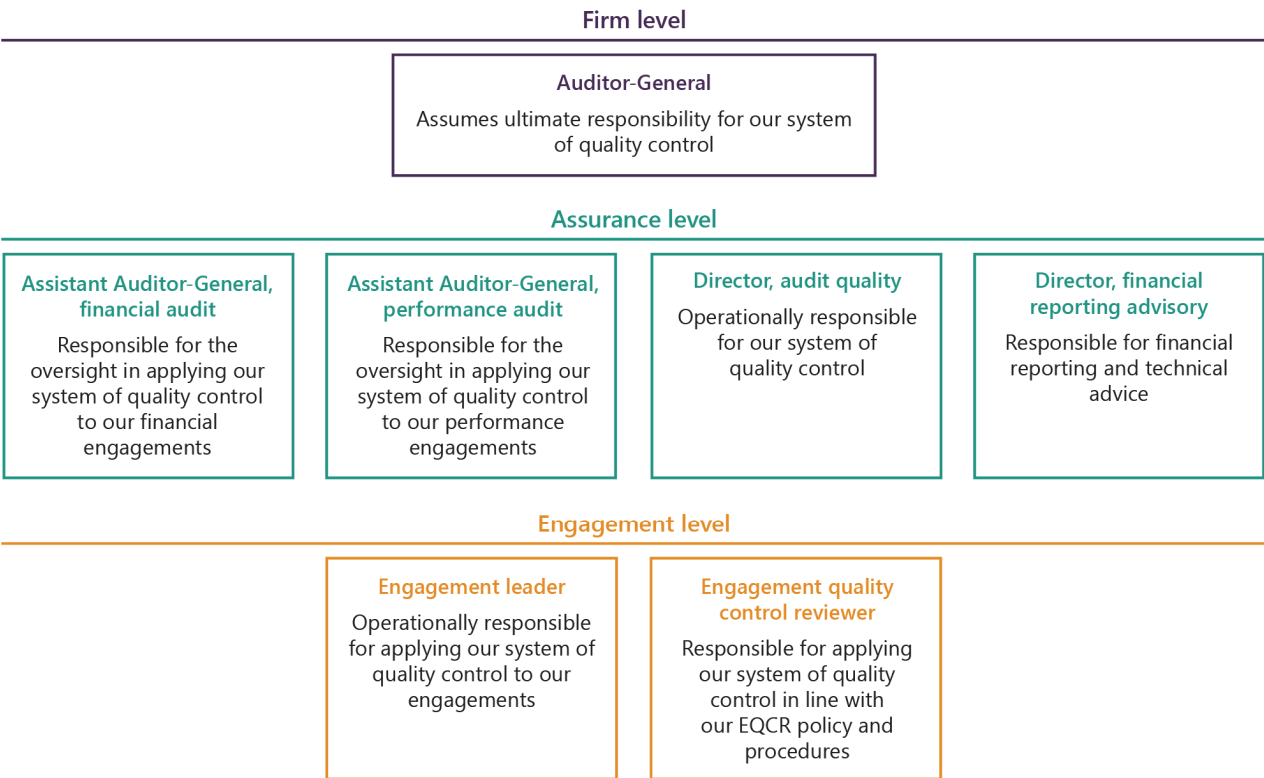
The standard requires the chief executive officer (or equivalent) to assume ultimate responsibility for the firm's system of quality control.

Summary of what we do

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

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

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



Source: VAGO.

Operational responsibility for our quality control system

ASQC 1 requirement

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

Summary of what we do

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

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

Our financial reporting advisory director is operationally responsible for providing support and advice to our financial auditors on complex accounting and financial reporting matters, as specified in their approved position description. They are also a member of our technical panel.

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

Our commitment to create a culture of audit quality

ASQC 1 requirement

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

Summary of what we do

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

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

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

3.3 Relevant ethical requirements

Our independence, ethical standards and requirements

ASQC 1 and other relevant requirements

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

- the Auditor-General must be an independent officer of Parliament
- the Auditor-General must not engage in paid employment outside of the office
- the Auditor-General has complete discretion to perform or exercise their functions or powers
- the Auditor-General is not subject to direction from anyone regarding how they conduct engagements and prioritises certain matters.

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

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

Summary of what we do

- All of our staff must complete an independence declaration when they join VAGO. They must complete this declaration again each year by 30 September and if their circumstances change.
 - Our staff are only permitted to engage in secondary employment in rare circumstances with the prior approval of their business unit's leader.
 - All of our staff complete a suite of compulsory ethical and independence training courses when they join VAGO. They must complete refresher courses on these topics annually.
 - We have clear policies for accepting and providing gifts, benefits and hospitality. We publish our gifts and benefits register on our website and update it every 6 months.
-

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

Independence declarations

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

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

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

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

A member of our human resources team will notify the Assistant Auditor-General of financial audit or the Assistant Auditor-General of performance audit (as appropriate) of a staff member's independence declaration if a conflict of interest exists. One of our 2 Assistant Auditors-General will approve any actions needed to reduce threats to our independence.

We review compliance with our conflict of interest policy and independence declaration procedure annually. Our financial audit signing officers and engagement leaders also have a responsibility to monitor independence throughout each audit engagement on an ongoing basis. There were no breaches of our conflicts of interest policy in 2019–20, 2020–21 or 2021–22.

Ethical requirements training

We have a range of processes to monitor and ensure our staff understand and comply with our ethical requirements. When we onboard new staff, we provide mandatory and assessment-based ethics training modules. Staff must complete these modules again each year as part of our annual compliance program, which our SMG monitors. All financial and performance audit team members completed the annual mandatory compliance training by the due date in 2019–20, 2020–21 and 2021–22.

Our compulsory ethical training modules cover:

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

Gifts, benefits and hospitality

Our gifts, benefits and hospitality policy states that it is not appropriate for our staff to offer or receive gifts, benefits or hospitality that could reasonably be perceived to affect our independence or our impartial performance of official duties. We have a range of guides and provide examples to ensure our staff know:

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

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

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

Rotation of senior personnel

ASQC 1 requirement

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

Summary of what we do

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

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

- engagement leader – at least every 7 years
- engagement quality control reviewer (EQCR) – at least every 7 years
- team leader – at least every 5 years.

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

We also maintain registers to:

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

There were no breaches of our financial audit or performance audit rotation policies in 2019–20, 2020–21 or 2021–22.

3.4 Acceptance and continuance of client relationships and engagements

ASQC 1 requirement

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

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

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

Summary of what we do

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

The Audit Act:

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

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

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

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

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

Other services

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

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

Dispensed audits

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

Due to changes to the Audit Act effective from July 2019, the Auditor-General became the auditor of all public bodies, including 37 entities under the *Health Services Act 1988*. Our program to transition these audits to our office included dispensing with 7 audits between 2019 and 2021. This transition period allowed the orderly transition of the auditor in line with the *Corporations Act 2001*. The Auditor-General has not dispensed any audits since 1 July 2021.

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

3.5 Human resources

ASQC 1 requirements

The standard requires the firm to have sufficient personnel with the competence, capabilities and commitment to ethical principles necessary to perform engagements in accordance with the Australian Auditing Standards, relevant ethical requirements, and applicable legal and regulatory requirements.

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

Summary of what we do

- We set minimum academic and professional competency standards that our staff must meet to be appointed to or progress to more senior audit roles.
 - All of our employees have agreed performance and development goals. We review and assess performance against these goals on an ongoing basis and biannually in formal reviews.
 - We provide structured learning to all new staff, encourage them to pursue their professional development goals, and support them to develop new capabilities.
 - We provide structured training to our auditors as needed on Australian accounting, auditing and assurance standards and how to use our audit tools and techniques.
-

Recruitment, promotion and compensation

We recruit high-calibre people into a continuous improvement culture to achieve high-quality audit outcomes. We encourage innovation and collaboration, are collegiate and are committed to effective stakeholder engagement and sharing knowledge. We recognise that diverse and inclusive workforces are more capable of meeting business needs, are adept at providing different ways of looking at work issues and drive higher innovation and productivity.

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

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

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

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

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

Performance appraisals

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

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

At the start of the annual performance cycle, each employee sets goals that are aligned with our 4 strategic objectives:

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

Employees record and monitor their progress against their goals throughout the year. Managers hold regular meetings with employees to discuss their expectations, performance feedback, workloads and upcoming priorities. Our goal setting and performance evaluation processes also include audit quality criteria.

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

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

Learning and development

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

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

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

We continue to build our auditors' technical capability by providing updates on new accounting and auditing standards and audit methodologies. We also hold workshops and seminars to increase our employees' capability and knowledge. All employees create annual learning and development goals. We evaluate each employee's performance against these goals and refer to them when we develop our training programs.

We support our people to learn new technical, analytical and people-management skills. We treat coaching, supervision and reviews as ongoing processes and feed them into our annual performance program. We monitor completion of our mandatory training modules, including completion of our annual compliance program.

Most of our financial auditors have Chartered Accountants Australia and New Zealand (CA ANZ) or Certified Practising Accountant Australia (CPA) memberships or are progressing towards membership (or similar international equivalent). These staff maintain the minimum professional training requirements for these memberships. Our performance audit team members have extensive experience in data analytics and policy development.

Audit quality and financial reporting advisory teams

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

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

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

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

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

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

Assigning staff to engagements

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

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

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

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

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

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

Audit service providers

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

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

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

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

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

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

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

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

3.6 Engagement performance

Audit methodology and tools

ASQC 1 requirements

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

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

Summary of what we do

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

Our financial audit methodology

Our risk-based EPIC methodology, which complies with the Australian Auditing Standards, includes integrated audit policies, guidance, processes and procedures designed for the public sector across 4 major processes. Figure 3C describes these processes.

Figure 3C: EPIC's four processes



Source: VAGO.

EPIC incorporates information systems auditing (ISA) planning, risk assessments and conclusions for an integrated audit approach. It gives auditors the opportunity to better document and demonstrate how they reached a conclusion and whether the audited entity has the controls to adequately mitigate any risks that the audit identified.

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

Our performance engagement methodology

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

We started refreshing our performance engagement methodology in 2020–21, this project was put on hold during 2021–22 with a revised completion target in late 2023. We have completed our methodology for our strategic engagement planning. In 2022–23 we will undertake a post-implementation review of our strategic planning and refresh. This approach helps us identify risk-based topics and design risk-based engagement activities that promote accountability, drive improvement and are significant to the Victorian Parliament, public sector and community.

Data science and data analytics

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

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

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

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

Empower

We have internally developed our own data analytics platform, which is called Empower. Empower gives our auditors access to data and pre-built visualisations across 96 classes of transactions/account balances and 53 audit clients.

Engagement teams use Empower to:

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

Our financial audit data champion group is operating to support our financial auditors apply our data analytics approach through continuous improvement and training.

Systems assurance

Our systems assurance team supports our engagement teams when they need IT audit subject matter expertise (SME) on their audits. Examples of work that IT audit SMEs assist with include:

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

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

Systems assurance is resourced using a combination of in-house staff and staff from 3 professional services firms.

Engagement teams

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

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

For our performance engagements, resourcing and scheduling starts in the initial stages of planning. Available tabling dates for our reports, which Parliament determines, is a key factor in how we schedule our engagements. Sector teams determine the scope, timelines, staffing requirements and hours for each planned engagement. This information informs our annual work plan for performance engagements. We reconcile this plan against our annual appropriation and available staff hours and adjust it as necessary.

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

In addition to the rotation policy described in Section 3.3, operationally we plan to rotate our audit staff off an engagement after the following periods:

- up to 2 years for graduates
- on or before 5 years for auditors
- every 5 to 7 years for senior engagement team members.

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

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

Supervision and review policies and procedures

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

Consultations and differences of opinion

ASQC 1 requirements

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

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

Summary of what we do

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

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

Financial audit consultations

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

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

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

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

Performance engagement consultations

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

Differences of opinion

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

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

Engagement quality control review

ASQC 1 requirements

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

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

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

Summary of what we do

For our financial engagements, we appoint an EQCR to all high-risk engagements and assess the need for an EQCR on all other moderate-risk engagements. We appoint an EQCR to all performance engagements.

Financial audit

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

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

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

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

Performance engagements

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

Engagement documentation

ASQC 1 requirements

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

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

Summary of what we do

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

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

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

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

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

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

All Victorian Government agencies are required to add protective markings to documents under the *Privacy and Data Protection Act 2014*. The classification levels are based on the potential damage that would occur to the government's operations, an organisation or an individual if the information's confidentiality was compromised.

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

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

We retain all engagement files for at least 7 years. We also require our ASPs to retain engagement documentation for a period of 7 years from the date of an audit report. We regularly monitor compliance with our lockdown policy.

3.7 Monitoring

Quality assurance review programs

ASQC 1 requirements

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

The standard states that a firm's annual quality assurance review program should:

- be assigned to a person with sufficient and appropriate experience and authority
- inspect at least one completed engagement for each engagement leader on a 3-year cycle
- be performed by an individual(s) who are independent from the engagement team
- evaluate its results and undertake appropriate remedial responses, including disciplinary action, with members of the engagement team for any identified quality control issues
- appropriately communicate results to engagement leaders and other individuals as appropriate.

Summary of what we do

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

Quality control monitoring policies and procedures

Our quality control monitoring program is designed to provide reasonable assurance that our policies and procedures for our quality control system are relevant, adequate

and operating effectively in accordance with ASQC 1. The program focuses on continuous improvement and audit quality.

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

Post-audit and assurance quality review

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

The review program covers all engagement leaders over a 3-year cycle, including our financial audit ASPs. It evaluates a selection of financial and performance engagements and engagements where certain risk criteria are present, such as a prior unsatisfactory file rating.

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

We provide individual reports, which contain the overall quality rating of each engagement file and observations from the review to the relevant engagement leader. We use these reports to remediate issues where needed and implement learnings for future engagements.

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

Active file appraisals

We undertake active file appraisals during the conduct of financial audit engagements. Our annual appraisal program reviews a selection of engagement leaders. Only pre-approved appraisers who are objective and independent of the engagement can perform an active file appraisal. The appraisals may be conducted during any phase of an audit and possibly during multiple phases throughout the audit process. Active file appraisals were not conducted during 2021/2022 due to resource constraints.

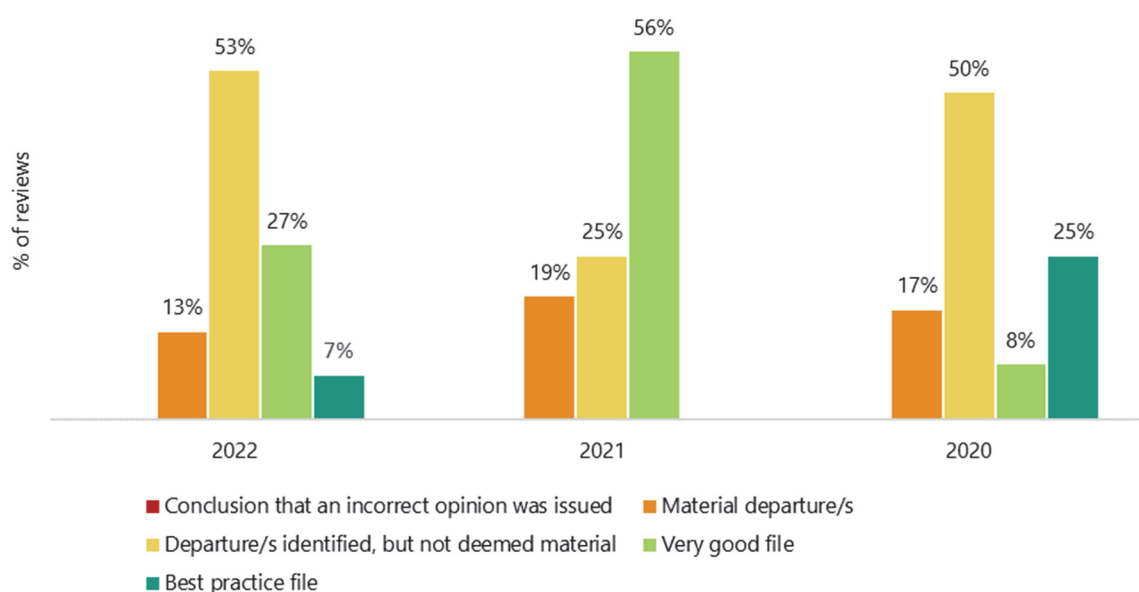
Results of our annual quality assurance review program

Our 2021 quality assurance review program for financial audit covered 15 engagements for post-audit and assurance quality reviews (PAAQRs) (compared to 16 engagements in 2021 and 12 in 2020). These reviews covered 31 per cent of our financial engagement leaders (including ASPs).

Figure 3D shows the quality ratings for the engagement files we reviewed from 2020 to 2022 (excluding active file appraisals).

Our 2022 quality assurance review program for performance audit is covering 6 engagements (we reviewed 3 engagements in 2021 and 2020). These reviews cover at least 50 per cent of our performance engagement leaders each year. In 2021 we rated 2 files with a 3 rating (departures identified but not deemed significant) and one file with a 2 rating (significant departures from professional standards).






Figure 3D: Assurance quality review program results for financial audit engagements from 2020 to 2022



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

Source: VAGO.

Figure 3E: File rating definitions

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

Source: VAGO.

In 2022, our review program resulted in 10 remedial actions (compared to 13 in 2021) for financial engagements. We remediate engagement files that had material departure ratings. The engagement leaders responsible for material departure ratings are also subject to further review.

Other remedial actions from our review program include:

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

We monitor our progress in implementing these remedial actions through updates to OMG and our audit and risk committee. The 2023 review program will evaluate the effectiveness of the 2023 remedial actions.

In 2021, we established an annual accounting technical review of a sample of our entities' financial statements. Our financial reporting advisory team reviewed the financial statements of 8 engagement files (16 in 2021) that were part of our financial audit PAAQR program. Overall, our financial reporting advisory director noted no significant deficiencies.

Internal audit

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

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

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

Our internal auditors develop an annual internal audit plan with our audit and risk committee. These audits assess the quality and performance of specific functions in our office. Audit quality is one of the topics listed in the plan. We use the information from our surveys, reviews and internal audit processes to:

- address any issues that arise from these audits
- identify trends and common themes
- develop improvement projects and strategies
- monitor the effectiveness of our current improvement projects.

Complaints and allegations

ASQC 1 requirements

The standard requires the firms to:

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

Summary of what we do

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

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

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

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

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

Figure 3F: **Types of complaints and reporting processes**

The complaint relates to ...	Reporting process ...
the conduct of an engagement	contact VAGO directly
the professional conduct of a CA or CPA member	contact CA ANZ or CPA Australia
VAGO activities, other than audits	contact VAGO directly, the chair of the Public Accounts and Estimates Committee or the Victorian Inspectorate
fraud, corruption or misconduct by VAGO employees, contractors and consultants	contact VAGO or the Independent Broad-based Anti-corruption Commission
administrative action taken by VAGO officers	Victorian Ombudsman

Source: VAGO.

We do not tolerate fraud or corruption and take all allegations of suspected fraud and/or corruption seriously and respond fully. We assess, investigate, respond and remediate complaints as required. If a complainant is dissatisfied with how we handled a complaint, they have the right to ask us to reconsider the complaint by

contacting the Deputy Auditor-General. If a complainant is still dissatisfied, depending upon their specific concern, they can escalate their complaint at any time to:

- The chair of PAEC
- Victorian Inspectorate (VI)
- Independent Broad-based Anti-corruption Commission (IBAC)
- Victorian Ombudsman (VO).

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 complainant 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.

4.

External oversight and reviews

Overview

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

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

This chapter discusses:

- PAEC's oversight
 - VI's oversight
 - ASIC's audit inspections
-

4.1 PAEC's oversight

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

- recommend who to appoint as the Auditor-General (the current Auditor-General was appointed in 2016)
- appoint external auditors to conduct an independent performance audit of us every 4 years
- appoint external auditors to conduct an annual financial audit of us
- be consulted when we form our annual plan, which outlines our financial audit and performance audit work plan
- be consulted on our annual budget.

Independent performance audit

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

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

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

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

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

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

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

Allen and Clarke Consulting examined 9 of the performance engagements we completed between February 2017 and October 2019. It concluded that:

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

The audit made 31 recommendations in total. We accepted 24 recommendations in full, 3 in part, 3 in principle and did not accept one recommendation. We have completed 16 recommendations and 14 are in progress or partially complete.

Eleven of the accepted recommendations relate to the quality of our financial audits and 8 relate to the quality of our performance engagements. Appendix D contains these 19 recommendations, our proposed actions and implementation progress. We are monitoring our progress in implementing these recommendations through periodic updates to OMG and our audit and risk committee.

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

4.2 The Victorian Inspectorate's oversight

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

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

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

VI has the power to receive and investigate certain types of complaints about the Auditor-General or VAGO officers regarding our use of coercive powers and procedural fairness during our engagements. We have worked with VI to develop a self-reporting tool about the exercise of our coercive powers. In 2021–22, we did not exercise these powers and VI did not review any of our activities.

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 to it by 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
- review our employee performance management processes and procedures to ensure timely and regular performance feedback.

4.3 ASIC's audit inspections

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

ASIC may inspect the audit work our ASPs undertake as an audit partner for their firm engagements. We require our ASPs to notify us of the results of ASIC's inspection program and any remediation taken for audit quality matters.

We consider the results of ASIC's audit inspection program when:

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

ASIC recently released its Audit inspection report 1 July 2021 to 30 June 2022. This report provides that:

for 32% of the 146 key audit areas reviewed on a risk basis across 45 audit files in the 12 months to 30 June 2022, auditors did not obtain reasonable assurance that the financial report, was free of material misstatement. This compares to 23% of 115 key audit areas for the 12 months to 30 June 2021.

APPENDIX A

Audit quality indicators

Our rationale for selected measures

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

Appropriate AQIs should help a firm to:

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

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

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

We use this suite of quality indicators as our base AQIs because ACAG's benchmarking report provides comparable information, to the extent practicable, on audit offices across Australia. We also use the output quality measures from our annual service delivery statement, which forms part of the state's Budget papers, and a mix of other relevant indicators recommended by overseas legislative bodies. We use this mix of indicators to:

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

AQI performance statement

Figure A1 reports the 2019–20 to 2021–22 results for our AQIs and compares our results against external and internal benchmarks where they are available and appropriate.

Figure A1: **Our AQI performance statement for 2019–20 to 2021–22^(a)**

AQI	Unit of measure	2019–20 actual	2020–21 actual	2021–22 actual	2021–22 benchmark	Variance
Percentage of audited financial statements with restatements for material prior-period errors	Per cent	1.7	2.0	2.2	≤5.0	–2.8
Number of audited financial statements with restatements for material prior-period errors	Number	11	11	12	28	–16
Ratio of engagement leader hours charged to in-house financial audit work to lower-level audit staff hours	Ratio	0.063	0.045	0.048	0.127	–0.080 ¹
Percentage of time charged to audits by senior staff – attest audits	Per cent	21.0	18.5	26.0	24.0	2.0
Percentage of time charged to audits by senior staff – non-attest audits	Per cent	45.4	40.7	42.0	43.0	–1.0
Training hours per full-time equivalent (FTE) audit professional – attest audit	Hours	36.0	51.4	64.1	92	–27.9 ²
Training hours per FTE audit professional – non-attest audits	Hours	42.6	50.1	76.7	100.0	–23.3 ²
Staff workload – chargeable hours per FTE professional – attest audits	Hours	1,245	1,259	1,146	1,173	–27
Staff workload – chargeable hours per FTE professional – non-attest audits	Hours	1,116	1,125	899	915	–16
Technical resources staff paid hours as a percentage of all hours charged to audit activities	Per cent	5.6	15.0	11.2	6.8	4.4
Percentage of total office expenditure allocated to technical audit resources (includes the cost of specialist technical advisory staff)	Per cent	2.0	1.7	2.5	2.0	0.5
Percentage of PAAQR findings of risk of material misstatement/financial statement components reviewed in PAAQR process	Per cent	(d)	18.8	13.3	32	18.7
Number of complaints upheld against the quality assurance of our work performed	Number	(d)	0	0	0	0
Attrition of permanent staff as a percentage of total permanent staff	Per cent	(d)	20	18	21	–3
Percentage of the attest audit budget spent before the auditee's reporting period year end – financial audit	Per cent	59	51	45	60	–15 ³
Anonymous independent survey of staff through the Victorian Public Sector Commission's (VPSC) People Matter Survey – overall senior leadership score	Score out of 100	70	82	79	70	9 ⁴
Independent survey of financial audit engagements' chief financial officers – satisfaction rating of the level and quality of	Per cent	88.9	93.4	86.1	90.0	–3.9

AQI	Unit of measure	2019–20 actual	2020–21 actual	2021–22 actual	2021–22 benchmark	Variance
communication between the auditor and auditee						

Notes:

^(a) SMG reviews and revises our AQIs to reflect our quality control system for financial and performance engagements as part of our annual quality control monitoring procedure. As a result, we did not report all the following AQIs in our 2020–21 transparency report and have refined or replaced some from the prior year.

^(d) New AQI for 2020–21 and therefore data is unavailable or was not tracked for reporting purposes.

^{1, 2, 3, 4, 5} See 'Explanation of significant variances' after Figure A2 below.

Source: VAGO.

Notes to our AQI statement for the year ended 30 June 2022

This section explains:

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

We deem adverse variations greater than 5 per cent significant for this purpose. We have not provided notes for variations within this tolerance.

Basis of preparation

In the absence of mandatory AQIs, we have prepared this statement based on:

- the audit quality performance indicators we use in Budget Paper No. 3
- the measures used in ACAG's MBM survey
- other AQIs used in the industry.

We have presented our results in line with the *Standing Directions 2018 Under the Financial Management Act 1994*, our performance management framework, and the financial reporting directions' *FRD 8D Consistency of budget and departmental reporting* and *FRD 27C Presentation and Reporting of Performance Information*.

Statement of limitations

In choosing and analysing our AQIs, we observe that:

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

Definitions

Figure A2: **Our AQI definitions, calculations and benchmark sources**

AQI	Calculation	Benchmark source
Percentage of audited financial statements with restatements for material prior-period errors	Numerator: Total number of agencies disclosing a prior-period material error during the financial year Denominator: Total number of agencies issued with an audit opinion during the financial year	<i>Victorian Budget 21/22 Service Delivery Budget Paper No. 3</i>
Number of audited financial statements with restatements for material prior-period errors	Number of agencies disclosing a prior-period material error during the financial year	<i>Victorian Budget 21/22 Service Delivery Budget Paper No. 3</i>
Ratio of engagement leader hours charged to in-house financial audit work to lower-level audit staff hours	Numerator: Total hours of attest audit engagement leaders charged to in-house attest audit activity Denominator: Total hours of attest audit staff for levels below engagement leader charged to inhouse attest audit activity	ACAG MBM survey's state and territory average for 2021–22
Percentage of time charged to audits by senior staff—attest audits	Hours charged to attest audits by audit staff who are classified as an engagement leader, manager, EQCR or higher as a percentage of total hours charged to attest audits	ACAG MBM survey's state and territory average for 2021–22
Percentage of time charged to audits by senior staff—non-attest audits	Hours charged to non-attest audits by audit staff who are classified as an engagement leader, manager, EQCR or higher as a percentage of total hours charged to non-attest audits	ACAG MBM survey's state and territory average for 2021–22
Training hours per FTE audit professional—attest audit	Numerator: Training/professional development hours recorded for attest audit staff Denominator: Total FTE number of attest audit staff	ACAG MBM survey's state and territory average for 2021–22
Training hours per FTE audit professional—non-attest audit	Numerator: Training/professional development hours recorded for non-attest audit staff Denominator: Total FTE number of non-attest audit staff	ACAG MBM survey's state and territory average for 2021–22
Staff workload—chargeable hours per FTE professional—financial audit	Numerator: Total attest audit staff hours charged/allocated to attest and non-attest audits Denominator: Total FTE number of attest audit staff	ACAG MBM survey's state and territory average for 2021–22
Staff workload—chargeable hours per FTE professional—performance audit	Numerator: Total non-attest audit staff hours charged/allocated to attest and non-attest audits Denominator: Total FTE number of non-attest audit staff	ACAG MBM survey's state and territory average for 2021–22

AQI	Calculation	Benchmark source
Technical resources staff paid hours as a percentage of all hours charged to audit activities	<p>Numerator: Total hours paid for by the office for staff who specialise in providing technical advice to other staff in relation to audit work (including methodology support)</p> <p>Denominator: Total hours charged to audit activities by audit staff, the Auditor-General and Deputy Auditor-General, non-audit staff and contracted/labour hire personnel</p>	ACAG MBM survey's state and territory average for 2021–22
Percentage of total office expenditure to allocated technical audit resources (including the cost of specialist technical advisory staff)	<p>Numerator: Office expenditure on specialist audit technical advisory services</p> <p>Denominator: Total office expenditure</p>	ACAG MBM survey's state and territory average for 2021–22
Number of PAAQR findings of risk of material misstatement/financial statement components reviewed in PAAQR process	<p>Numerator: Total number of financial audit engagement files subject to a PAAQR during the financial year that contain material departures from professional and regulatory standards</p> <p>Denominator: Total number of financial audit engagement files subject to a PAAQR during the financial year</p>	ASIC results - <i>REP 743 Audit inspection report: 1 July 2021 to 30 June 2022</i>
Number of complaints upheld against the quality assurance of our work	Number of complaints upheld during the financial year	VAGO measure
Attrition of permanent staff as a percentage by role	Number of FTE permanent employees who ceased employment with VAGO in 2021–22 as a percentage of total FTE number of permanent staff in 2021–22	ACAG MBM survey's state and territory average for 2021–22
Percentage of the audit budget spent before the auditee's reporting period year end (only applicable for financial audit; excludes audits undertaken by ASPs)	<p>Numerator: Audit engagement expenditure incurred from audit commencement to auditee's reporting period year end</p> <p>Denominator: Total estimated audit fee for audit engagement</p>	VAGO measure
Anonymous independent survey of staff through VPSC's People Matter survey—overall senior leadership score	Percentage of staff surveyed who agreed with the overall senior leadership questions raised by VPSC	VPSC comparator peer group benchmark
Independent survey of financial audit engagements' chief financial officers—satisfaction rating of the level and quality of communication between the auditor and auditee	Percentage of chief financial officers surveyed who were satisfied that we communicated with them effectively	VAGO measure—consolidated CFO agency survey results for 2021–22

Source: VAGO.

Explanation of significant variances

1. The ratio of engagement leader hours charged to financial audit work has remained consistent with the prior year ratio (2020–21: 0.045) as we continue to experience the disruptions caused by the COVID-19 pandemic, and the rolling impact of a delayed audit cycle—the audit work for the 2022 audit cycle commenced later and continued beyond June 2022.
2. Following on from the disruptions caused by pandemic, we increased the provision of technical training to our staff in 2021–22, including:
 - Financial Audit—completing an e-learning module summarising the requirements of Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance.
 - Performance Audit—completing specialist Investigative Interviewing training, which involved 32 non-attest audit staff undertaking close to 30 hours of training each.
4. The disruption caused by the pandemic has continued to impact our percentage of the audit budget spent for financial audits, before the auditee's reporting period year end—as the 2022 audit cycle commenced later.
5. Our overall senior leadership score has decreased slightly from last year although is still 10% higher than the comparator group average in the survey of staff through the VPSC's People Matter Survey.

APPENDIX B

Entities we audited in 2021–22

In line with section 332B of the *Corporations Act 2001*, ASIC requires audit firms to disclose the names of relevant bodies they audited under division 3 of part 2M.3 in the relevant reporting year.

For VAGO this translates to the names of:

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

Figure B1 lists the entities we audited in 2021–22.

Figure B1: **Entities we audited in 2021–22**

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Annual financial report of the state	395,000	388,400	380,000
General government sector			
ABA Natural Disaster Relief Fund	120,000	185,000	150,000
AMES Australia	48,000	47,040	43,500
Adult, Community and Further Education Board	35,300	35,300	34,400
Albury Wodonga Health	53,900	52,750	52,750
Alexandra District Health	19,900	19,500	19,500
Alfred Health	247,000	247,000	247,000
• Alfred Hospital Whole Time Medical Specialists' Private Practice Trust	10,680	10,450	10,250
• John F Marriott for HIV Trust	6,745	6,600	6,475
• Marriott for HIV Ltd	3,930	3,850	3,750
Alpine Health	21,460	21,000	21,000

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Ambulance Victoria	185,400	181,500	178,000
Architects' Registration Board of Victoria	25,500	25,000	15,400
Austin Health	145,000	203,000	203,000
Australian Centre for the Moving Image	30,000	32,800	32,000
Australian Health Practitioner Regulation Agency	163,500	160,000	165,000
Australian Regenerative Medicine Institute Joint Venture	Ceased entity	Ceased entity	7,300
Bairnsdale Regional Health Service	49,000	38,000	38,000
Ballarat Health Services	(a) Ceased entity	90,500	88,500
Barwon Health	136,000	135,000	223,500
• Barwon Health Foundation	8,070	7,900	7,750
• Barwon Health Foundation Limited	5,770	5,650	5,550
Bass Coast Health	46,500	46,500	46,500
Beaufort and Skipton Health Service	20,900	20,450	20,000
Beechworth Health Service	21,500	21,000	21,000
Benalla Health	21,460	21,000	21,000
Bendigo Health	67,700	67,700	67,700
Boort District Health	17,270	16,900	16,550
Calvary Health Care Bethlehem Limited	48,700	17,900	17,900
Casterton Memorial Hospital	27,500	10,050	9,850
Castlemaine Health	(b) Ceased entity	26,600	26,600
Caulfield Racecourse Reserve Trust	20,000	23,000	26,300
CenITex	100,000	105,000	129,250
Central Gippsland Health Service	41,000	41,000	41,000
Central Highlands Rural Health	45,000	45,000	80,300
Cladding Safety Victoria	40,000	39,000	New entity in 2021
Cohuna District Hospital	19,920	19,500	19,100
Colac Area Health	32,550	16,900	16,900
Commercial Passenger Vehicles Victoria	56,000	55,700	54,500
Connect Settlement Services Pty Ltd	Ceased entity	Ceased entity	9,020
Corangamite Catchment Management Authority	16,000	12,000	11,500
Corryong Health	17,885	17,500	17,100
Country Fire Authority	219,400	219,400	226,150

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Court Services Victoria	195,000	215,300	234,200
Dental Health Services Victoria	37,350	34,150	33,400
Department of Education and Training	575,000	600,000	630,850
Department of Environment, Land, Water and Planning	550,000	604,000	508,500
Department of Health	440,000	683,500	621,500
Department of Jobs, Precincts and Regions	350,000	460,000	358,000
Department of Justice and Community Safety	491,000	538,100	561,700
Department of Premier and Cabinet	156,000	143,800	137,250
Department of Transport	765,000	1,110,000	1,130,000
Department of Families, Fairness and Housing	440,000	New entity in 2021	New entity in 2021
Department of Treasury and Finance	330,000	340,000	425,000
Dhelkaya Health	42,900	New entity in 2022	New entity in 2022
Dhelkunya Dja Land Management Board	20,000	14,000	7,200
Djerriwarrh Health Services	(c) Ceased entity	14,800	14,500
Docklands Studios Melbourne Pty Ltd	30,000	31,800	31,000
East Gippsland Catchment Management Authority	18,000	17,800	17,000
East Grampians Health Service	32,400	16,800	14,400
• East Grampians Health Building for the Future Foundation	Ceased entity	3,700	3,650
East Wimmera Health Service	24,500	16,800	16,450
Eastern Health	126,100	140,000	126,100
Echuca Regional Health	38,250	38,250	38,100
Edenhope and District Memorial Hospital	(a) Ceased entity	12,300	12,300
Emergency Services Superannuation Board	11,500	16,800	16,300
Emergency Services Superannuation Scheme	200,000	241,700	241,700
Emergency Services Telecommunications Authority	36,200	35,400	34,500
Energy Safe Victoria	37,500	37,500	36,500
Environment Protection Authority	75,000	64,250	58,200
Essential Services Commission	22,500	18,400	17,500
Film Victoria	29,500	29,000	28,200
Fire Rescue Victoria	211,500	207,000	203,600
Game Management Authority	22,000	21,400	17,500

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Gippsland Health Alliance	13,000	11,250	11,250
Gippsland Southern Health Service	40,000	40,000	40,000
Glenelg Hopkins Catchment Management Authority	16,000	11,400	10,900
Goulburn Broken Catchment Management Authority	20,000	24,000	23,300
Goulburn Valley Health	64,400	54,900	54,900
Grampians Health Service	164,700	New entity in 2022	New entity in 2022
Grampians Rural Health Alliance	26,500	15,550	15,200
Great Ocean Road Coast and Parks Authority	25,000	30,000	New entity in 2021
Great Ocean Road Health	30,750	20,750	20,750
Gunaikurnai Traditional Owner Land Management Board	16,000	16,000	7,200
Health Professional Councils Authority	15,300	15,000	15,000
HealthShare Victoria	38,600	39,750	32,350
Heathcote Health	15,630	15,300	14,950
Hepburn Health Service	Ceased entity	Ceased entity	28,250
Heritage Council of Victoria	30,000	30,000	21,400
Hesse Rural Health Service	25,200	24,750	24,600
• Winchelsea Hostel and Nursing Home Society Inc.	9,200	9,200	9,200
Heywood Rural Health Service	17,700	11,000	10,750
Hume Rural Health Alliance	15,730	15,400	15,400
Independent Broad-based Anti-corruption Commission	37,800	37,800	36,800
Infrastructure Victoria	17,000	17,000	16,200
Inglewood and Districts Health Service	17,220	16,850	16,500
Judicial College of Victoria	20,440	20,000	15,600
Judicial Commission of Victoria	23,000	22,500	12,800
Kerang District Health	30,500	15,900	15,900
Kooweerup Regional Health Service	38,000	38,000	38,000
Kyabram District Health Service	18,800	17,350	17,000
Kyneton District Health Service	Ceased entity	Ceased entity	16,750
Labour Hire Authority	28,700	25,000	10,000
Latrobe Regional Hospital	54,500	54,500	54,500
Legal Practitioners Liability Committee	67,000	49,400	47,200
Library Board of Victoria	38,000	41,000	40,000
Loddon Mallee Rural Health Alliance	17,500	11,550	11,300

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Maldon Hospital	(b) Ceased entity	15,300	14,950
Mallee Catchment Management Authority	17,000	16,400	15,700
Mallee Track Health and Community Service	17,900	17,900	17,500
Mansfield District Hospital	24,600	24,600	24,600
Maryborough District Health Service	29,000	19,400	19,000
Melbourne Health	225,500	225,500	225,500
Melbourne Polytechnic	68,950	61,700	61,700
Melbourne Recital Centre Ltd	41,000	38,000	37,000
Mercy Hospitals Victoria Ltd	74,000	84,000	84,000
Mildura Base Public Hospital	67,000	65,700	Not applicable
Monash Health	296,500	296,500	296,500
• Kitaya Holdings Pty Ltd	42,000	39,200	39,000
• Monash Health Research Precinct Pty Limited	16,000	15,750	22,120
Moyne Health Services	29,900	11,250	11,000
• Woody's Murray 2 Moyne Cycle Relay Inc.	1,580	1,550	1,500
Museums Board of Victoria	85,000	78,500	75,000
National Gallery of Victoria, Council of Trustees	55,000	64,500	64,500
NCN Health	36,500	36,500	39,300
North Central Catchment Management Authority	15,000	15,000	13,200
North East Catchment Management Authority	15,000	15,000	11,800
Northeast Health Wangaratta	41,600	41,600	48,600
Northern Health	78,700	78,700	74,000
• Northern Health Research, Training and Equipment Foundation Limited	3,400	3,350	3,250
• Northern Health Research, Training and Equipment Trust	3,400	3,350	3,250
Office of Public Prosecutions Victoria	27,100	26,600	24,800
Office of the Commissioner for Environmental Sustainability	20,000	15,000	7,800
Omeo District Health	15,850	15,850	15,850
Orbost Regional Health	16,050	15,750	15,400
Parks Victoria	82,000	82,000	79,100
Parliamentary Budget Office	17,500	New entity in 2022	New entity in 2022
Parliament of Victoria	65,600	65,600	64,000
Peninsula Health	102,750	102,750	102,750
Peter MacCallum Cancer Centre	160,000	150,000	155,000

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
• Cell Therapies Pty Ltd	32,500	38,050	19,450
• Cellularity Pty Ltd	3,570	3,500	3,000
• Peter MacCallum Cancer Foundation	25,550	25,000	22,550
• Peter MacCallum Cancer Foundation Limited	3,570	3,500	4,600
Port Phillip & Westernport Catchment Management Authority	(d) Ceased entity	14,500	13,800
Portable Long Service Benefits Authority	35,700	35,000	15,000
Portland District Health	24,700	19,000	19,000
• Active Health Portland Ltd	8,900	8,900	8,700
Residential Tenancies Bond Authority	20,300	19,900	15,200
Robinvale District Health Services	24,600	24,100	24,100
Rochester and Elmore District Health Service	24,700	17,250	16,900
Royal Botanic Gardens Board	32,000	45,000	26,100
Rural Northwest Health	25,650	25,100	25,100
Senior Master of the Supreme Court of Victoria (Funds in Court)	86,100	86,100	84,000
Sentencing Advisory Council	20,400	20,000	20,200
Seymour Health	24,650	24,650	24,650
Shrine of Remembrance Trustee	28,500	27,900	21,000
• Shrine of Remembrance Foundation	5,500	3,750	New entity in 2021
• Shrine of Remembrance Restoration and Development Trust	Ceased entity	2,000	New entity in 2021
South Gippsland Hospital	22,550	22,550	22,550
South West Alliance of Rural Health	19,310	18,900	18,500
South West Healthcare	47,000	47,000	47,000
St. Vincent's Hospital (Melbourne) Limited	94,800	94,800	94,800
Stawell Regional Health	(a) Ceased entity	13,800	13,800
• Stawell Regional Health Foundation	(a) Ceased entity	3,800	3,700
Suburban Rail Loop Authority	42,000	New entity in 2022	New entity in 2022
Surveyors Registration Board of Victoria	15,300	15,000	10,300
Sustainability Victoria	30,000	60,000	39,100
Swan Hill District Health	29,700	30,700	29,700
Tallangatta Health Service	17,830	17,450	17,450

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Terang and Mortlake Health Service	27,700	9,450	9,250
The Kilmore and District Hospital	26,700	14,850	14,500
The Queen Elizabeth Centre	18,900	11,550	11,300
The Royal Children's Hospital	198,250	198,250	195,000
• The Royal Children's Hospital Foundation	37,000	8,900	8,700
The Royal Victorian Eye and Ear Hospital	48,000	48,000	48,000
The Royal Women's Hospital	81,750	81,750	80,000
• Royal Women's Hospital Foundation Limited	Ceased entity	2,200	2,000
• The Royal Women's Hospital Foundation Trust Funds	Ceased entity	6,350	6,200
Timboon and District Healthcare Service	17,700	10,450	10,250
Trust for Nature (Victoria)	18,500	18,500	18,000
Tweddle Child and Family Health Service	20,800	11,250	14,900
Veterinary Practitioners Registration Board of Victoria	21,000	14,200	13,500
Victoria Comprehensive Cancer Centre	14,300	14,000	12,750
• Victoria Comprehensive Cancer Centre Ltd	3,570	3,500	4,100
Victoria Legal Aid	61,800	60,500	60,000
Victoria Police	379,300	379,300	394,500
Victoria State Emergency Service Authority	114,500	112,000	88,400
Victoria State Pool Account	14,000	14,000	15,500
Victorian Assisted Reproductive Treatment Authority	12,500	7,350	7,200
Victorian Building Authority	58,000	49,500	77,000
Victorian Gambling and Casino Control Commission	188,000	165,000	149,834
Victorian Curriculum and Assessment Authority	49,000	30,400	28,700
Victorian Electoral Commission	25,100	25,100	24,000
Victorian Environmental Water Holder	21,000	15,000	7,200
Victorian Equal Opportunity and Human Rights Commission	25,400	24,900	28,900
Victorian Fisheries Authority	67,000	65,600	64,000
• Recreational Fishing Licence Trust Fund	12,500	12,200	12,000
Victorian Health Promotion Foundation	24,800	23,100	23,100
Victorian Inspectorate	17,500	17,100	16,200
Victorian Institute of Forensic Medicine	33,700	33,000	27,000
Victorian Institute of Forensic Mental Health	46,300	37,000	37,000
Victorian Institute of Sport Trust	22,000	21,600	21,000
• Victorian Institute of Sport Limited	3,800	3,800	3,600

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Victorian Institute of Teaching	31,000	30,660	29,310
Victorian Law Reform Commission	24,500	24,000	25,000
Victorian Legal Services Board	63,700	61,000	63,900
Victorian Legal Services Commissioner	14,700	13,300	12,600
Victorian Ombudsman	19,000	17,300	16,400
Victorian Pharmacy Authority	19,700	13,300	13,000
Victorian Planning Authority	55,000	55,000	22,300
Victorian Professional Standards Council	20,200	19,800	18,200
Victorian Registration and Qualifications Authority	34,000	33,000	31,350
Victorian Responsible Gambling Foundation	24,400	23,900	18,600
Victorian Traditional Owners Fund Limited	14,300	14,000	13,000
• Victorian Traditional Owners Trust - Gunaikurnai Land and Waters Aboriginal Corporation	4,600	4,500	4,000
• Victorian Traditional Owners Trust - Dja Dja Wurrung Clans Aboriginal Corporation	4,600	4,500	4,000
• Victorian Traditional Owners Trust – Taungurung Clans Aboriginal Corporation	4,600	4,500	Not applicable
Visit Victoria Limited	58,000	77,000	77,000
• Melbourne Convention Bureau Limited	30,000	43,000	41,000
West Gippsland Catchment Management Authority	26,000	26,000	13,900
West Gippsland Healthcare Group	36,000	41,000	41,000
West Wimmera Health Service	27,250	27,250	26,650
Western District Health Service	32,000	35,850	35,850
Western Health	121,600	119,000	119,000
• Western Health Foundation Limited	3,570	3,500	11,850
• Western Health Foundation	13,200	13,000	(e)
Wimmera Catchment Authority	16,000	17,300	16,500
Wimmera Health Care Group	(a) Ceased entity	43,750	43,750
Yarram and District Health Service	18,500	18,150	18,000
Yarrawonga Health	28,500	28,500	28,500
Yea and District Memorial Hospital	17,730	17,350	16,950
Yorta Yorta Traditional Owner Land Management Board	20,000	14,000	9,000
Community Health Services and Aged Care Services			
Access Health and Community	31,600	31,000	Dispensed

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Ballarat Community Health	33,000	34,750	(e)
Banyule Community Health	36,200	35,500	(e)
Bellarine Community Health Ltd	38,100	51,000	65,000
Bendigo Community Health Services Limited	31,100	30,500	(e)
Bentleigh Bayside Community Health Limited	25,800	25,250	Dispensed
• Sandringham Ambulatory Care Centre Pty Ltd	19,400	19,000	Dispensed
Castlemaine District Community Health Limited	(b) Ceased entity	18,750	(e)
Central Bayside Community Health Services Limited	34,700	34,000	(e)
Cobaw Community Health Services Limited	(h) Ceased entity	16,000	(e)
cohealth Limited	52,700	68,250	(e)
Darlingford Upper Goulburn Nursing Home Inc	24,500	24,000	19,500
DPV Health Ltd	49,000	48,000	Dispensed
EACH	68,200	10,000	(e)
• EACH Housing Ltd	19,600	7,000	(e)
Gateway Health Limited	35,800	5,750	(e)
Gippsland Lakes Complete Health Limited	34,900	32,750	(e)
Grampians Community Health	32,500	46,500	(e)
Indigo North Health Inc	22,400	22,000	17,500
IPC Health Ltd	49,000	48,000	(e)
Latrobe Community Health Service Limited	78,300	15,000	(e)
• Link Health and Community Limited	16,600	16,250	Dispensed
• Link Private Practice Pty Ltd	Ceased	18,550	Dispensed
Lyndoch Living Limited	57,000	69,500	(e)
• Lyndoch Healthcare Pty Ltd	14,600	17,750	(e)
Merri Community Health Services Limited	47,500	46,500	Dispensed
Nexus Primary Health	37,800	37,000	(e)
Nillumbik Community Health Service Ltd	33,200	32,500	(e)
North Richmond Community Health Limited	33,600	31,750	(e)
Northern District Community Health	26,700	26,150	(e)
Primary Care Connect	20,300	6,250	(e)
Ranges Community Health	22,900	22,500	(e)
Red Cliffs and Community Aged Care Services Inc	16,800	16,500	(e)
Star Health Group Limited	36,500	37,570	(e)

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Sunbury Community Health Centre Limited	38,800	61,500	(e)
Sunraysia Community Health Services Limited	26,500	26,000	(e)
Your Community Health (Previously Darebin Community Health Service)	34,700	34,000	(e)
Universities and their subsidiaries			
Bendigo Kangan Institute	69,100	62,700	62,700
Box Hill Institute	106,300	104,000	104,000
• Box Hill Enterprises Ltd	5,900	6,400	6,400
Chisholm Institute	48,800	48,200	48,200
• Caroline Chisholm Foundation	6,400	6,100	6,100
• TAFE Online Pty Ltd	7,450	7,900	7,900
Deakin University	153,400	148,460	206,300
• Deakin Residential Services Pty Ltd	22,850	20,300	20,300
• FIKA Entertainment Pty Ltd	Ceased entity	8,200	5,750
• FLAIM Systems Pty Ltd	Ceased entity	Ceased entity	7,100
• Unilink Ltd	7,300	6,700	6,700
• Universal Motion Simulator Pty Ltd	7,650	7,100	7,100
Federation University	109,900	107,500	119,750
• Brisbane Education Services Pty Ltd	4,500	4,100	9,400
• Datascreen Pty Ltd	Ceased entity	3,400	3,400
• Inskill Limited	Ceased entity	3,400	3,400
• The School of Mines and Industries Ltd	4,450	3,400	3,400
Gippsland Institute of Technical and Further Education	70,850	83,360	93,250
Gordon Institute of TAFE	85,510	85,743	87,870
• Gotec Limited	7,950	7,100	7,150
Goulburn Ovens Institute of TAFE	72,500	70,000	68,404
Holmesglen Institute	110,800	102,700	102,700
• Holmesglen Foundation	13,500	12,500	12,550
• Holmesglen International Training Services Pty Ltd	4,500	3,000	3,000
• Glenuc Pty Ltd	3,600	2,770	2,770
La Trobe University	121,100	121,500	146,500
• Unitemps La Trobe Ltd	6,450	6,100	6,100
Monash University	347,800	330,000	373,500
• Monash Accommodation Services Pty Ltd	19,450	19,000	19,000
• Monash College Pty Ltd	74,100	72,200	72,200

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
• Monash Commercial Pty Ltd	4,750	4,700	4,700
• Monash Custodians Pty Ltd	Ceased entity	Ceased entity	4,510
• Monash Investment Holdings Pty Ltd	4,600	4,510	4,510
• Monash Investment Trust	12,400	12,100	12,100
• Monash Property South Africa	Ceased entity	Ceased entity	11,875
• Monash University Foundation	22,300	22,500	22,500
• Monash University Foundation Pty Ltd	4,600	4,500*	4,500
• Monash University Indonesia Limited	12,000	12,000	12,000
• World Mosquito Program Ltd	16,260	New entity in 2022	New entity in 2022
Royal Melbourne Institute of Technology	380,000	322,000	357,000
• RMIT Holdings Pty Ltd	14,200	8,600	93,525
• RMIT Online Pty Ltd	11,500	11,250	11,250
• RMIT Spain S.L	16,900	16,500	16,500
• RMIT Training Pty Ltd	25,950	25,350	25,350
• RMIT University Indonesia Pty Ltd	7,800	8,100	8,100
• RMIT University Vietnam LLC	Not applicable	Not applicable	84,900
South West Institute of TAFE	62,500	60,000	32,200
Sunraysia Institute of TAFE	69,400	66,800	60,700
• TAFE Kids Incorporated	6,750	5,400	5,400
Swinburne University of Technology	161,000	160,300	178,800
• Capsular Technologies Pty Ltd	6,300	4,400	4,400
• National Institute of Circus Arts Limited	17,350	16,400	16,400
• Swinburne College Pty Ltd	16,950	16,200	4,750
• Swinburne Intellectual Property Trust	7,300	6,900	6,900
• Swinburne International (Holdings) Pty Ltd	4,150	3,700	3,700
• Swinburne Student Amenities Association Limited	11,700	11,000	11,000
• Swinburne Ventures Limited	6,500	5,500	5,500
The University of Melbourne	493,000	427,000	440,300
• Australian Music Examinations Board (VIC) Ltd	15,895	15,985	15,300
• Goulburn Valley Equine Hospital Pty Ltd	21,000	20,500	19,300
• Melbourne Business School Ltd	16,100	16,000	15,315
• Melbourne Teaching Health Clinics Ltd	23,000	14,290	14,400
• Melbourne University Publishing Ltd	22,100	22,100	20,800

	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Who we audited			
• Mt Eliza Graduate School of Business and Government Ltd	7,400	7,400	7,400
• Nossal Institute Limited	12,400	12,350	11,700
• UM Commercialisation Pty Ltd	9,300	9,280	10,000
• UM Commercialisation Trust	9,300	9,280	10,000
• UoM Commercial Ltd	21,600	61,400	64,200
VERNet Pty Ltd	18,950	17,900	19,600
VET Development Centre Ltd	22,500	22,000	19,850
Victoria University	126,100	123,780	132,900
• Victoria University Enterprises Pty Ltd	6,400	4,900	4,900
• Victoria University Foundation	Ceased entity	Ceased entity	5,900
• Victoria University Foundation Ltd	Ceased entity	Ceased entity	4,900
• Victoria University International Pty Ltd	Ceased entity	Ceased entity	4,900
• VU Online Pty Ltd	6,400	4,900	4,900
William Angliss Institute of TAFE	99,300	104,015	100,400
• Angliss (Shanghai) Education Technology Co. Ltd.	7,350	7,100	9,100
• Angliss Consulting Pty Ltd	16,500	16,100	16,100
• Angliss Multimedia Pty Ltd	3,250	3,100	3,100
• Angliss Solutions Pty Ltd	3,250	3,100	3,100
• William Angliss Institute Foundation	16,500	16,100	16,100
• William Angliss Institute Pte Ltd	6,350	5,850	5,850
Wodonga Institute of TAFE	32,500	31,100	35,100
Local government entities			
Alpine Shire Council	40,100	39,400	37,300
Ararat Rural City Council	44,200	43,400	41,200
Ballarat City Council	70,000	102,400	94,000
Banyule City Council	68,300	66,900	64,200
Bass Coast Shire Council	56,500	67,400	64,700
Baw Baw Shire Council	54,000	52,531	43,400
Bayside City Council	63,000	68,800	66,000
Benalla Rural City Council	49,100	48,200	51,900
Boroondara City Council	85,000	71,400	68,600
Borough of Queenscliffe	43,100	42,300	40,100
Brimbank City Council	64,000	66,100	63,400
Buloke Shire Council	48,000	43,800	41,600

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Campaspe Shire Council	55,400	61,600	81,900
Cardinia Shire Council	68,500	74,700	71,800
Casey City Council	95,000	64,200	61,500
• Casey-Cardinia Regional Library Corporation	15,000	12,500	12,300
Central Goldfields Shire Council	47,500	46,600	44,300
City of Darebin	62,000	77,500	74,500
City of Greater Dandenong	65,000	79,900	76,900
• Dandenong Market Pty Ltd	12,750	12,100	11,900
• South East Leisure Pty Ltd	9,000	New entity in 2022	New entity in 2022
City of Maribyrnong	65,000	63,700	61,000
City of Whittlesea	71,300	69,900	67,100
Colac Otway Shire	48,800	44,700	42,500
Community Chef	Not applicable	Not applicable	16,000
Corangamite Shire Council	45,000	52,700	50,300
• Corangamite Regional Library Corporation	12,850	10,100	6,900
East Gippsland Shire Council	53,750	41,500	39,300
Frankston City Council	83,800	82,100	79,000
Gannawarra Shire Council	56,500	55,400	52,900
Glen Eira City Council	85,000	68,800	66,000
Glenelg Shire Council	42,300	41,500	39,300
Golden Plains Shire Council	67,500	47,700	45,400
Goulburn Valley Regional Library Corporation	10,200	10,000	9,800
Greater Bendigo City Council	60,200	59,000	56,400
Greater Geelong City Council	115,000	104,000	95,600
• Geelong Regional Library Corporation	15,000	10,500	10,300
Greater Shepparton City Council	75,500	74,000	71,100
Hepburn Shire Council	43,500	51,400	57,400
Hindmarsh Shire Council	45,900	45,000	43,800
Hobsons Bay City Council	68,800	67,400	64,700
Horsham Rural City Council	50,000	54,200	51,700
• Wimmera Development Association	7,000	6,100	6,000
• Wimmera Regional Library Corporation	10,000	9,400	9,200
Hume City Council	95,000	77,900	74,900

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Indigo Shire Council	45,200	44,400	42,200
Kingston City Council	66,100	64,800	62,100
Knox City Council	64,000	61,500	58,900
• Eastern Regional Library Corporation	10,000	8,900	8,800
Latrobe City Council	85,000	63,500	60,800
Loddon Shire Council	42,800	42,000	39,800
Macedon Ranges Shire Council	61,000	42,600	40,400
Manningham City Council	67,300	66,000	63,300
Mansfield Shire Council	59,000	46,400	44,100
Maroondah City Council	67,800	66,500	63,800
Melbourne City Council	165,000	165,300	149,700
• CityWide Service Solutions Pty Ltd	115,000	109,500	96,800
Melton City Council	59,000	56,400	55,300
Mildura Rural City Council	67,100	65,800	73,100
• Mildura Airport Pty Ltd	11,600	11,400	19,200
• Mildura Tourism and Economic Development Limited	7,500	7,400	9,300
Mitchell Shire Council	50,000	49,200	46,900
Moira Shire Council	55,900	54,800	52,400
Monash City Council	69,000	72,300	70,800
Moonee Valley City Council	61,500	81,000	78,000
Moorabool Shire Council	48,400	47,500	45,200
Moreland City Council	65,000	73,700	78,600
Mornington Peninsula Shire Council	66,500	102,400	94,000
Mount Alexander Shire Council	38,900	38,200	36,100
Moyne Shire Council	46,800	45,900	43,600
Municipal Association of Victoria	205,000	255,500	250,000
Murrindindi Shire Council	50,000	49,000	46,700
Nillumbik Shire Council	67,300	64,600	63,300
North Central Goldfields Regional Library Corporation	9,000	8,700	8,600
Northern Grampians Shire Council	37,500	36,400	34,300
Peninsula Leisure Pty Ltd	24,600	24,100	23,600
Port Phillip City Council	75,800	75,800	72,900
Prahran Market Pty Ltd	18,000	15,900	15,600
Procurement Australasia Ltd	16,300	18,950	15,950

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Pyrenees Shire Council	40,200	39,500	37,400
Queen Victoria Market Pty Ltd	25,500	20,400	20,000
Regent Management Company Pty Ltd	7,000	5,000	6,800
Regional Kitchen Pty Ltd	Not applicable	Not applicable	5,000
Regional Landfill Clayton South Joint Venture	17,500	10,500	10,300
Shire of Strathbogie	45,000	42,200	41,400
Shire of Towong	38,200	37,500	35,400
• MomentumOne Shared Services	6,500	8,800	7,750
South Gippsland Shire Council	67,500	60,500	57,900
Southern Grampians Shire Council	49,250	45,000	42,700
Stonnington City Council	60,000	75,800	80,100
Surf Coast Shire Council	49,500	45,900	44,600
Swan Hill Rural City Council	57,900	56,800	54,300
Wangaratta Rural City Council	56,000	58,100	63,200
• Wangaratta Livestock Exchange Pty Ltd	10,000	7,100	7,000
Warrnambool City Council	50,000	51,100	48,700
Wellington Shire Council	52,250	60,100	57,500
West Gippsland Regional Library Corporation	14,000	17,300	10,100
West Wimmera Shire Council	38,250	40,300	38,100
Whitehorse City Council	64,000	76,400	73,500
• Whitehorse-Manningham Regional Library Corporation	17,500	10,500	10,300
Wodonga City Council	54,500	63,500	65,900
Wyndham City Council	71,500	68,700	65,900
• Western Leisure Services Pty Ltd	16,000	10,500	10,300
Yarra City Council	61,000	78,700	75,700
Yarra Plenty Regional Library Service	17,500	9,300	9,100
Yarra Ranges Shire Council	55,500	60,000	57,400
Yarriambiack Shire Council	35,500	34,500	32,500
Public non-financial corporations			
Agriculture Victoria Services	37,000	36,900	36,000
• Phytogene Pty Ltd	6,000	7,350	7,000
Alpine Resorts Co-ordinating Council	16,300	16,000	7,500
Australian Grand Prix Corporation	74,000	62,000	72,300

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Ballarat General Cemeteries Trust	18,200	17,850	17,450
Barwon Region Water Corporation	96,000	95,500	92,900
• Barwon Asset Solutions Pty Ltd	25,000	25,000	24,600
Barwon South West Waste and Resource Recovery Group	15,500	15,500	14,900
Central Gippsland Region Water Corporation	162,000	130,000	92,300
Central Highlands Region Water Corporation	84,000	84,000	84,700
City West Water Corporation	(f) Ceased entity	228,000	144,600
Coliban Region Water Corporation	155,000	147,000	93,100
Dairy Food Safety Victoria	28,000	32,500	31,000
Development Victoria	145,000	144,500	138,000
East Gippsland Region Water Corporation	42,000	41,300	40,000
Emerald Tourist Railway Board	31,500	13,700	13,400
Falls Creek Alpine Resort Management Board	47,000	47,000	51,300
Federation Square Pty Ltd	40,000	39,000	38,000
Geelong Cemeteries Trust	21,700	21,250	14,900
Geelong Performing Arts Centre Trust	46,000	45,000	55,000
Gippsland and Southern Rural Water Corporation	51,000	53,700	47,000
Gippsland Waste and Resource Recovery Group	15,500	6,300	6,000
Goulburn Valley Region Water	55,000	55,000	54,900
Goulburn Valley Waste and Resource Recovery Group	10,600	10,600	10,600
Goulburn-Murray Rural Water Corporation	190,000	190,000	181,900
Grampians Central West Waste and Resources Recovery Group	15,500	13,800	13,200
Grampians Wimmera Mallee Water Corporation	75,000	57,500	56,000
• Lake Fyans Recreational Area Committee of Management	7,500	6,500	6,200
Greater Western Water	280,000	New entity in 2022	New entity in 2022
Greyhound Racing Victoria	32,000	18,800	17,900
Harness Racing Victoria	53,000	37,500	35,800
• HRV Management Limited	5,000	4,700	4,400
• Melton Entertainment Trust	25,000	31,200	29,800
Kardinia Park Stadium Trust	20,000	21,600	20,500
LaunchVic Limited	20,500	19,900	19,900
• Alice Anderson Fund Pty Ltd	24,000	New entity in 2022	New entity in 2022

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
LanguageLoop	33,600	32,900	23,000
Loddon Mallee Waste and Resource Recovery Group	15,500	17,500	17,000
Lower Murray Urban and Rural Water Corporation	90,000	90,000	89,400
Melbourne and Olympic Parks Trust	90,000	99,800	109,000
Melbourne Convention and Exhibition Trust	42,000	50,500	49,200
Melbourne Cricket Ground Trust	20,000	19,500	15,300
Melbourne Market Authority	45,000	55,000	55,000
Melbourne Port Lessor Pty Ltd	40,000	69,000	57,500
Melbourne Water Corporation	242,000	200,000	179,000
Metropolitan Waste and Resource Recovery Group	60,000	50,000	35,000
Mount Hotham Alpine Resort Management Board	31,000	35,400	35,500
Mt Buller and Mt Stirling Alpine Resort Management Board	25,500	49,000	34,200
Murray Valley Wine Grape Industry Development Committee	6,500	6,350	6,200
North East Link State Tolling Corporation	72,000	New entity in 2022	New entity in 2022
North East Region Water Corporation	50,000	50,000	51,000
North East Waste and Resource Recovery Group	9,000	8,000	6,800
Phillip Island Nature Park Board of Management Inc	20,900	20,900	20,000
Port of Hastings Development Authority	18,000	17,300	16,500
Ports Victoria	55,000	New entity in 2022	New entity in 2022
PrimeSafe	26,000	18,000	17,500
Queen Victoria Women's Centre Trust	14,000	17,700	14,700
Remembrance Parks Central Victoria	24,800	16,000	12,300
South East Water Corporation	243,000	200,000	144,600
• Iota Services Pty Ltd	31,000	20,000	11,200
• Zero Emissions Water Limited	20,000	20,000	7,500
South Gippsland Region Water Corporation	38,000	38,000	37,600
Southern Alpine Resort Management Board	60,000	66,000	80,000
Southern Metropolitan Cemeteries Trust	93,000	91,000	89,000
State Electricity Commission of Victoria	17,800	17,400	17,000
State Sport Centres Trust	44,000	42,900	41,800
The Greater Metropolitan Cemeteries Trust	101,100	99,000	99,000
The Mildura Cemetery Trust	13,500	13,250	12,950
V/Line Corporation	110,000	98,400	98,400

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
VicForests	101,500	99,000	138,300
Victorian Arts Centre Trust	55,000	58,000	58,000
Victorian Plantations Corporation	18,000	12,000	7,200
Victorian Ports Corporation (Melbourne)	(g) Ceased entity	59,000	74,000
Victorian Rail Track	184,000	184,000	190,000
• Hold Co	79,000	New entity in 2022	New entity in 2022
• Rolling Stock (Victoria-VL) Pty Ltd	8,500	6,850	6,700
• Rolling Stock (VL-1) Pty Ltd	13,500	13,100	12,800
• Rolling Stock (VL-2) Pty Ltd	13,500	13,100	12,800
• Rolling Stock (VL-3) Pty Ltd	13,500	13,100	12,800
• Rolling Stock Holdings (Victoria) Pty Ltd	28,500	27,600	27,000
Victorian Regional Channels Authority	(g) Ceased entity	31,300	30,500
Victorian Strawberry Industry Development Committee	11,000	13,200	12,900
Wannon Region Water Corporation	66,000	56,000	54,900
Western Region Water Corporation	(f) Ceased entity	54,000	52,700
Westernport Region Water Corporation	30,000	32,000	32,000
Yarra Valley Water Corporation	223,000	185,000	145,000
Zoological Parks and Gardens Board	65,000	52,000	38,100
Public financial corporations			
Breakthrough Victoria Pty Ltd	Fee letter not yet issued	New entity in 2022	New entity in 2022
State Trustees Limited	150,000	169,000	169,000
• State Trustees Australia Foundation	10,000	11,500	11,200
• State Trustees Australia Foundation Open Fund	10,000	10,800	10,450
• State Trustees Limited Charitable	30,000	29,000	28,200
• Invest Balanced Fund	50,000	95,000	95,000
• STL Financial Services Limited	10,000	13,600	13,200
Transport Accident Commission	200,000	230,000	230,000
• Residential Independence Pty Ltd	9,900	7,000	6,750
• Residential Independence Trust	9,900	7,000	6,750
Treasury Corporation of Victoria	338,000	346,000	345,468

Who we audited	2022 annual audit fee (\$)	2021 annual audit fee (\$)	2020 annual audit fee (\$)
Victorian Funds Management Corporation	91,900	91,900	124,600
• VFM Emerging Markets Trust	10,600	10,600	10,250
• VFM Global Small Companies Trust	10,700	10,700	10,350
• VFMC Australian Credit Trust	13,300	13,300	12,900
• VFMC Balanced Fund	4,900	4,900	4,700
• VFMC Capital Stable Fund	4,900	4,900	4,700
• VFMC Cash Trust	8,400	8,400	8,100
• VFMC Emerging Markets Debt Trust 1	10,600	10,600	10,600
• VFMC Emerging Markets Debt Trust 2	10,600	10,600	10,600
• VFMC Equity Trust 1	12,200	12,200	11,900
• VFMC Equity Trust 2	12,200	12,200	11,900
• VFMC ESSS Private Equity Trust 2004	16,200	16,200	15,800
• VFMC ESSS Private Equity Trust 2006	16,200	16,200	15,800
• VFMC ESSS Private Equity Trust 2007	16,200	16,200	15,800
• VFMC Fixed Income Trust	13,500	13,500	13,100
• VFMC Growth Fund	3,800	3,800	3,700
• VFMC Inflation Linked Bond Trust	17,500	17,500	17,000
• VFMC Insurance Strategies Trust	21,400	50,500	50,500
• VFMC International Equity Trust 1	15,600	15,600	15,200
• VFMC International Equity Trust 2	15,600	15,600	15,200
• VFMC International Fixed Income Trust	13,500	13,500	13,500
• VFMC Investment Trust I	10,000	10,000	9,750
• VFMC Investment Trust II	26,200	26,200	25,500
• VFMC Investment Trust IV	15,300	15,300	14,900
• VFMC Opportunistic Strategies Trust	6,900	6,900	6,700
• VFMC Property Trust 1	21,400	21,400	New entity in 2021
• VFMC Property Trust 2	21,400	21,400	New entity in 2021
• VFMC Yield Optimised Dividend Accumulator Trust	Ceased entity	12,700	12,300
Victorian Managed Insurance Authority	145,000	142,400	142,400
Victorian WorkCover Authority	315,000	330,000	330,000
• Accident Compensation Conciliation Service	18,500	15,400	15,000

Notes:

- ^(a) Effective from 1 November 2021, Ballarat Health Services, Edenhope and District Memorial Hospital, Stawell Regional Health and Wimmera Health Care Group were voluntarily amalgamated into Grampians Health.
- ^(b) Effective from 1 March 2022, Castlemaine Health and Maldon Hospital (along with Castlemaine District Community Health Limited) were voluntarily amalgamated into Dhelkaya Health.
- ^(c) Effective from 1 July 2021, Djerriwarrh Health Services and Western Health were voluntarily amalgamated to form a new registered funded agency named Western Health.
- ^(d) Effective from 1 January 2022, the Port Phillip Westernport Catchment Management Authority was integrated into Melbourne Water Corporation.
- ^(e) Transitional arrangements applied to these entities with audit fees paid to the ASP.
- ^(f) Effective 1 July 2021, City West Water Corporation and Western Region Water Corporation were amalgamated to form a new water corporation called Greater Western Water.
- ^(g) Effective from 1 July 2021, the Victorian Ports Corporation (Melbourne) and Victorian Regional Channels Authority were amalgamated to form a new entity called Ports Victoria.
- ^(h) Effective from 1 January 2021, Cobaw Community Health Services Limited was integrated into Sunbury Community Health Centre Limited.

Source: VAGO.

APPENDIX C

Dispensed audits in 2021–22

Figure C1: **Financial audits approved for dispensation under section 10(2) of the Audit Act**

Entity dispensed for the 2021–22 period

No financial audits dispensed.

Entity dispensed for the 2020–21 period

No financial audits dispensed.

Entity dispensed for the 2019–20 period

Access Health and Community

Bentleigh Bayside Community Health Limited

- Sandringham Ambulatory Care Centre Pty Ltd
-

DPV Health Ltd

Link Health and Community Limited

- Link Private Practice Pty Ltd
-

Merri Community Health Services Limited

Source: VAGO.

APPENDIX D

PAEC's recommendations

Figure D1: **Extract and annual update on recommendations relevant to improving audit quality from PAEC's independent audit**

Recommendation 1	Complete
PAEC recommendation	<p>That VAGO's performance audit business unit model the processes established in financial audit to support maintaining independence, including:</p> <ul style="list-style-type: none"> ensuring the process of completing and documenting a declaration of interest by all team members during the audit initiation phase is consistently applied and appropriately filed introduce a review of declarations of independence at least once during performance audits developing a policy around rotation of directors.
Auditor-General comment	<p>That not all staff always documented this process is of some concern, given the procedural step requires this.</p> <p>However, it does not appear to be a systemic issue, nor is there any evidence of any undisclosed conflicts of interest.</p> <p>It will need the engagement leader, through their quality control checks of the audit file, to make sure this happens in all future cases.</p> <p>Our post-audit and assurance quality reviews will afford the opportunity for us to determine whether this is occurring.</p> <p>As to a rotation policy, this is less an issue in the performance audit context. Firstly, because for most of our 575-plus audited entities, the performance audit director does not have an ongoing relationship with key agency personnel predicated on a 'recurring' audit engagement. The familiarity threat that could impair their independence is therefore very low.</p> <p>Secondly, and more practically, turnover at that level, combined with machinery-of-government changes, has meant that no director has been, or is likely to be, assigned to one sector for more than 7 years.</p>
Proposed actions as at 31 July 2020	<p>We had already updated the wording in our procedures library to clarify expectations that consideration of independence requirements occurs for all individuals in the engagement team and this is to be documented.</p> <p>We have also added a step to our engagement quality control review checklist at the reporting stage of each audit for the engagement quality control reviewer to inquire and confirm that team independence has been maintained throughout the audit.</p> <p>These changes are in effect for all audits that commence from 1 July 2020. As a result, no further action is proposed in relation to the first 2 bullet points in the recommendation.</p>

	We will extend the 7-year rotation policy used in financial audit to performance audit directors as part of our major review and refresh of the performance audit policies, procedures and methods.
Implementation update	<p>We have finished implementing our proposed actions.</p> <p>We have extended the 7-year rotation policy we use in our financial audit business unit to our performance audit business unit as part of our performance audit policies, procedures and methodology refresh project.</p>
Recommendation 2	In progress
PAEC recommendation	That VAGO develops a data science strategy that clearly outlines VAGO's approach to integrating data science within performance audit practice.
Auditor-General comment	<p>It remains unclear from the report which key external stakeholders perceive this risk, and how they think data science could be used to overstep our mandate.</p> <p>As we advised the team throughout their review, we have used 'data science' in our performance audits for many years by gathering data through surveys and by obtaining access to and analysing the financial and administrative datasets held by agencies.</p> <p>However, I agree that a strategy, analogous to that which we developed for applying data analytics in financial audit, will be useful internally to optimise its application in a performance audit setting, and for stakeholder engagement.</p>
Proposed actions as at 31 July 2020	<p>To support our next 4-year Strategic Plan 2022–2025, we will develop a data science strategy and also promulgate it externally by:</p> <ul style="list-style-type: none"> • first engaging directly with key stakeholders to better understand their concerns • integrating into our planned major refresh of our performance audit policies, procedures and methods the use of data science in annual planning, audit topic selection and the phases of a performance audit • articulating these approaches through our external engagement and communications.
Implementation update	<p>Performance audit (PA) and strategic audit planning (SAP) and performance engagement audit methodology is being redeveloped using the EPIC framework approach. It is not anticipated that this will be complete until January 2024.</p> <p>As an interim measure some improvements identified as part of the PA methodology refresh have been included in the PA manual to reflect expectations for use of Microsoft Teams and AMP in regard to audit files. These improvements include the timing and nature of audit teams' engagement with data science and data, analytics and reporting quality assurance.</p> <p>Data science will work closely with the PA methodology refresh, and it is anticipated that that process will drive further improvements and enhancements to the data science strategy.</p> <p>It is recommended that this action remain open as it is downstream of the PA methodology refresh. We anticipate completion by February 2024 as communication with external stakeholders will need to happen at the conclusion.</p>
Recommendation 3	Complete
PAEC recommendation	That VAGO develops a systematic approach to measuring the impact of performance audits, taking into account allocated/invested resources.
Auditor-General comment	This recommendation is encompassed by our responses to recommendations 23 and 24.
Proposed actions as at 31 July 2020	See response to recommendations 23 and 24.
Implementation update	<p>We have finished implementing our proposed actions. Refer to recommendations 23 and 24 for more information.</p> <p>We reviewed relevant literature and ACAG's benchmarking and presented our approach to SMG, who accepted it. We also shared our approach with ACAG's heads of performance audit group. We proposed minor changes to our members of parliament/client survey to collect</p>

	more impact data and resume impact and influence reports through our communications and engagement team.
Recommendation 7	Not yet commenced
PAEC recommendation	That VAGO provides good-practice guidance, including examples of exemplar audit files and templates in relation to treatment and filing of documents, including working papers, to ensure each audit file can be easily navigated and the links between the application of the audit criteria, the analysis of evidence collected, and audit findings and recommendations are evident.
Auditor-General comment	<p>I note our current training module <i>Working papers and findings</i>, scheduled twice a year for new starters, explicitly covers how to develop and structure working papers. This training includes good-practice examples.</p> <p>We can enhance this with additional instruction to staff on the use of subheadings to allow easier navigation through working papers, and the requirement to structure any working papers completed in Microsoft Teams initially, to be structured consistently.</p> <p>I note also that the current working paper template in AMP for addressing each audit criterion already has headings: References, Agency documents, Conclusion, Evidence/Analysis.</p> <p>We restrict access by staff to completed audit files for security reasons.</p>
Proposed actions as at 31 July 2020	<p>As part of our major refresh of our performance audit methodology we will develop an 'exemplar' audit file combining all good practices from existing training and guidance.</p> <p>This will be done when we have implemented a new toolset to avoid unnecessary duplication of effort.</p>
Implementation update	We will commence this work in 2023 as part of our performance audit methodology refresh project.
Recommendation 8	In progress
PAEC recommendation	That VAGO updates its recordkeeping policy and procedures to provide clear guidance on the use of Microsoft Teams in relation to the conduct of an audit; in particular, the storage of evidence and drafting/storage of working papers, approvals and whether there is expected to be a single repository for an audit file. The recordkeeping policy and procedures should be linked to VAGO's performance audit and financial audit methodologies.
Auditor-General comment	<p>Your report notes that senior management is comfortable with the use of 2 platforms to document audits.</p> <p>As we advised the review team, we mandate the use of AMP to document all key audit steps. One limitation of our AMP system, and all other audit existing workpaper systems of which we are aware, is its inability for audit teams to collaborate and work simultaneously on the same work paper. This inevitably requires audit teams to sometimes use other platforms for files that are a work in progress.</p> <p>As we complete our performance audit methodology refresh over the next 12 months, we will also be investigating the availability of any new cloud-based audit toolsets that may overcome these limitations.</p>
Proposed actions as at 31 July 2020	<p>As an interim measure we will update the performance audit manual to reflect expectations for use of Microsoft Teams and AMP in regard to audit files.</p> <p>Once we have selected and implemented a new audit toolset, we will revisit this issue.</p>
Implementation update	<p>Our policy on audit documentation was updated and included in the AMP policy and guidance library in July 2021.</p> <p>Documentation policies are to be revisited as part of our methodology refresh projects.</p>
Recommendation 9	Complete

PAEC recommendation	That VAGO develops an e-learning program to supplement the existing training so that new staff can access modules in a timely fashion.
Auditor-General comment	<p>We had already approved and initiated a human resources project, <i>Develop Induction E-Learning Modules</i>, in January 2020.</p> <p>These modules cover understanding of our fraud, corruption and conflict of interest obligations, and our independence obligations.</p>
Proposed actions as at 31 July 2020	<p>We have recorded all of our current performance audit training modules, for use by new starters and existing employees.</p> <p>We have transitioned all of our induction material into eLearns.</p> <p>We are launching stage 2 of our SuccessFactors project in August 2021, which will provide a systematic online approach to onboarding training for new starters.</p> <p>Over the next 2 years we will explore, and seek to develop, preferably with other ACAG offices, online training for performance auditors aligned to the performance audit competency framework.</p>
Implementation update	<p>Training materials for FA and PA are progressively being recorded and moved into streams for all staff to access on an as-needs basis. When applicable, content from other ACAG offices is being provided to VAGO staff.</p> <p>The development of an e-learning program is dependent on the finalisation of the capability framework for FA, the methodology refresh project for PA and the PA roadmap.</p>
Recommendation 10	Complete
PAEC recommendation	That VAGO reviews the performance audit methodology to make explicit the oversight function of engagement leaders as a crucial component in the quality control framework. This includes enhancing the evidence trail to include attestation of evidence/working paper quality during the conduct phase of audits.
Auditor-General comment	That VAGO reviews the performance audit methodology to make explicit the oversight function of Engagement Leaders as a crucial component in the quality control framework. This includes enhancing the evidence trail to include attestation of evidence/working paper quality during the conduct phase of audits.
Proposed actions as at 31 July 2020	We will review and as necessary clarify the expectations of engagement leaders to better and more consistently evidence their review of working papers that relate to the evidence collection and analysis phases of audits.
Implementation update	<p>We have finished implementing our proposed actions.</p> <p>We have updated our performance audit methodology and communicated these changes to our performance audit staff.</p>
Recommendation 11	Complete
PAEC recommendation	That VAGO formalises its expectations of performance audit staff managing contractors/consultants and applies this practice consistently.
Auditor-General comment	<p>Our expectation for oversight of work undertaken by contractors as part of performance audits is consistent with our expectations for the oversight of work undertaken by VAGO auditors.</p> <p>All contract and procurement documentation for contractors engaged by VAGO already reflects this.</p>
Proposed action as at 31 July 2020	We will add information about expectations for contractor management and oversight into the <i>Project Management</i> performance audit training module.
Implementation update	<p>We have finished implementing our proposed action.</p> <p>We have incorporated our expectations for managing and overseeing contractors into our performance audit project management training module.</p>

Recommendation 12		Complete
PAEC recommendation	That VAGO ensures all changes to the financial audit methodology are sufficiently documented and readily identifiable.	
Auditor-General comment	As we advised the review team, the changes made to the methodology are readily identifiable because we automatically maintain version histories, from which it is a simple process to compare versions if needed to see what changes have been made in response to suggestions.	
Proposed action as at 31 July 2020	We will in future also retain marked-up PDF copies of versions with tracked changes, to make it easier for an external reviewer to also identify them.	
Implementation update	Records for modifications to FA and PA methodology are being maintained. VAGO recommends this recommendation be closed as there is no real end date.	
Recommendation 13		In progress
PAEC recommendation	That VAGO conducts the future piloting of replacement software tools in a more structured manner led by an expert team to ensure adoption of a consistent approach and all issues are identified and resolved prior to full rollout. Staff feedback should be obtained and addressed after this.	
Auditor-General comment	<p>The report notes that for the methodology pilot directors 'had discretion on whether to adopt EPIC for one or all of their audits'.</p> <p>To be clear, all directors were required to pilot its use on at least one audit, but they were left to judge whether they would extend the pilot to other audits. This was based on the capacity of their teams.</p> <p>The pilot and associated training were coordinated, with the first tranche focused on planning, and delivered at the time of the year that all teams undertake planning. This allowed them to work on live files and share their experiences with other teams before, during and after training.</p> <p>The second tranche focused on the conduct phase and again we timed the training for when teams were in this phase of their audits.</p> <p>In addition, training and guidance material, and the methodology itself were updated and refined based on feedback from audit teams during the pilot.</p> <p>It remains unclear why this was considered not to be sufficiently systematic.</p> <p>We have already commenced a pilot for replacement software to support our FA audits and will apply the same approach to that described above. This pilot is being led by the audit quality team.</p>	
Proposed actions as at 31 July 2020	<p>As part of our current, and any future pilots, we will continue to:</p> <ul style="list-style-type: none"> • maintain a register of staff feedback which documents matters identified by staff along with the resolution of issues • have a technology champion in each sector • schedule any deployment of a replacement toolset at the commencement of an audit cycle • provide training and ongoing support in logical tranches 	
Implementation update	<p>The development of the software replacement toolset is progressing. A joint decision by the project team and Strategic Management Group (SMG) on whether the toolset is ready to transition to a pilot in 2022–23 will occur in January 2023. This decision will be informed by staff feedback to date, how far the project team have progressed with integrating VAGO's audit methodology into the software and how efficient and effective the software functionality is for use.</p> <p>The project team are undertaking varying modes of consultation, maintaining a record of feedback received and how the feedback has been considered as part of the project. The pilot phase of the project will allow further opportunity for staff to trial the toolset and provide user experience feedback from its use well ahead of a full rollout.</p>	

Recommendation 14	In progress
PAEC recommendation	That VAGO adapts ACAG's National Competency Framework for Financial Auditors to ensure it covers all staff classifications consistent with the financial audit methodology and signing officer delegation arrangements.
Auditor-General comment	We initiated an HR project, <i>Capability Development Framework</i> , in January 2020.
Proposed actions as at 31 July 2020	<p>We are:</p> <ul style="list-style-type: none"> researching the conceptual underpinnings of the ACAG competency frameworks and their currency analysing each audit role to identify our current capability and competence requirements and compare this to the ACAG framework for any gaps mapping existing internal or externally sourced training to each role and identifying any gaps in the currently provided training and development opportunities to identify solutions to full them.
Implementation update	<p>We conducted a comprehensive consultation process with VAGO staff throughout 2021-22 which focused on developing future roadmaps for both financial and performance audit.</p> <p>Our original HR project, <i>Capability Development Framework</i>, which was initiated in January 2020 has been revised and rescoped based on this feedback.</p> <p>We have established a new project, <i>Enhancing Financial Audit Capability</i>, which aims to deliver the following outputs by June 2024:</p> <ul style="list-style-type: none"> design of a structured FA capability framework that articulates the core knowledge, skills and behaviours required of auditors based on audit and VPS roles development of a structured learning and development curriculum that aligns with the capability framework development of a succession pathway that demonstrates what qualifications, capabilities (from the capability framework), formal and informal training (from the curriculum), other on-the-job experience and L&D opportunities are required to be ready to progress to the next VPS grade development of a transitional plan and approach refresh of critical people-related documents an education campaign. <p>The project will incorporate consideration of the conceptual underpinnings of the ACAG competency framework and consideration of capability and competency requirements for gaps.</p>
Recommendation 15	In progress
PAEC recommendation	That VAGO establishes a training strategy aimed at consistent delivery of targeted training to financial audit staff at their different levels.
Auditor-General comment	With the prospect of the integration of EPIC into a new toolset, for the remainder of 2020 we will continue our approach to training all FA staff as outlined in comments under recommendation 13 above. After this, it will be appropriate to return to a structured curriculum that is customised to the specific needs of each audit grade
Proposed actions as at 31 July 2020	We will use the outputs from the above <i>Capability Development Framework</i> project to develop a training curriculum that we will progressively deploy over the next 3 years; this started with the graduate intake in February 2021.
Implementation update	<p>We will use the outputs of Recommendation 14 <i>Capability Development Framework</i> to develop a training curriculum which we will progressively deploy once finalised.</p> <p>For financial audit, the <i>Enhancing FA's Capability</i> project includes the development of a learning and development curriculum to address the development needs of the audit and VPS roles. This recommendation is therefore addressed from that work.</p>

Recommendation 16	Not yet commenced
PAEC recommendation	That VAGO maintains an up-to-date list of all training provided by staff classification, which is regularly reviewed to ensure that staff receive training relevant to their level/classification.
Auditor-General comment	The limitations of our current training booking system preclude easy tracking of staff grade. We have scoped an HR project, <i>ERP: Stage 3</i> , which will address this.
Proposed actions as at 31 July 2020	We will implement a learning management system to replace our current training booking system. This system will record all training provided and allow analysis by grade.
Implementation update	We are looking to launch our <i>Human Capital Management (HCM) Enterprise Resource Planning (ERP) Stage 3</i> project in the second half of the 2022–23 financial year. Staffing changes and resourcing challenges have delayed the commencement of this project. Our stage 3 project will finalise the implementation of the agreed management action. Both stages 1 and 2 of this project are complete. Our <i>HCM (ERP) Stage 1</i> project focused on the implementation of system modules for SuccessFactors, Performance and Goals, Employee Central and Employee Central Payroll systems. Stage 1 was completed in December 2019. Our <i>HCM (ERP) Stage 2</i> project focused on the recruitment and on-boarding of new staff. This was required before implementing the learning management system (LMS). This was completed in December 2021.
Recommendation 17	Complete
PAEC recommendation	That VAGO considers obtaining confirmation from audit service providers that their staff on VAGO audits are systematically trained in the use of a contemporary financial audit methodology.
Auditor-General comment	This is already established as a principle during the procurement and empanelling of our audit service providers. I see merit in having empanelled providers positively state that they have adhered to this principle. We have an <i>ASP Panel Refresh</i> project nearing completion. It would be appropriate to specify this in our new contractual arrangements with the new panel of providers.
Proposed actions as at 31 July 2020	We will update our contractual key deliverables by requiring firms annually to attest to a suite of audit quality requirements as reflected in ASQC 1, including confirmation regarding training delivered to audit staff that undertake audits on behalf of VAGO.
Implementation update	Instructions on the completion of an annual attestation key deliverable on audit quality have been included in ASPI (2021 version) and the noted key deliverable includes specific attestation on the ASP's team members completing appropriate learning and development. An induction session was held on 5 November 2021 with ASPs to walk them through updated key deliverables. ASPI and KDRs went live on 12 November 2021 for the 2022 audit cycle. ASPs completed their first annual attestation in December 2022.
Recommendation 18	Complete
PAEC recommendation	That VAGO adapts the ACAG Governance and Audit Framework for Self-Assessment and External Review (2014) to its context. This may be done by reference to the Australian National Audit Office and New South Wales Audit Office, which have both developed their own comprehensive quality control frameworks.
Auditor-General comment	We have already initiated a project, <i>Systems of Quality Management</i> , the specified deliverables from which will largely address this recommendation in terms of consolidating the documentation of our system of quality management. I note that the ACAG framework has not been reviewed since 2016. I note also that for this PAEC review we developed a self-assessment 'performance portfolio' structured to align with its terms of reference and key areas in this report.

	As these key areas have been used by the PAEC for the past 2 reviews, it may be better to maintain our existing portfolio and adapt the ACAG framework into it.
Proposed actions as at 31 July 2020	<p>We will:</p> <ul style="list-style-type: none"> • finalise of our ASQC 1 project • ascertain the currency of the ACAG framework and understand whether there is any intent or need to update it • analyse the framework against our performance portfolio to identify and address gaps • maintain our self-assessment using the updated performance portfolio biennially until the next PAEC audit.
Implementation update	The ACAG ASC group deferred their ACAG framework project to the latter part of 2022 given the release of the new quality standard and the AUASB project to provide implementation guidance and the APESB project to revise APES 320. To date the ACAG group have released their financial audit AQ checklist, which will be considered in our 2023 PAAQR program.
Recommendation 19	Complete
PAEC recommendation	That VAGO ensures consistency in the understanding and application of its Engagement Quality Control Reviewer Policy by identifying inconsistent practices during active file reviews and post audit and assurance quality reviews and implementing corrective action.
Auditor-General comment	<p>The new policy will have been in full effect for the 2019–20 financial year.</p> <p>It will be timely to examine its application as part of our cold review processes for both 30 June 2020 audits and again for 30 June 2021 audits</p>
Proposed action as at 31 July 2020	We will target compliance with our EQCR policies in our post audit and assurance quality review (PAAQR) programs for the next 2 audit cycles to determine whether the updated policy has increased understanding and application.
Implementation update	Our quality assurance review checklist includes procedures to review the need for and the work of the EQCR. These procedures will be used in all future review programs. Additionally, we included the EQCR as a focus areas in our 2021 active file review program
Recommendation 20	Complete
PAEC recommendation	That VAGO develop procedures ensuring compliance by both in-house staff and audit service providers with ASQC 1 as this relates to completion/closure of audit files within 60 days of issue of the auditor's report.
Auditor-General comment	<p>For clarity, it is not a legal requirement to close audit files within 60 days. The requirement is to establish a timeframe for closure where one is not specified in law. ASQC 1 guidance states that 'such a time limit would ordinarily not be more than 60 days'. Per the standards, closed files subsequently can be opened in certain circumstances. Our working paper systems have strong audit trails that allow a reviewer to determine if, when and by whom a working paper was changed after the audit was completed. That some in-house files were not closed within the 60-day period per our own policy is a matter of some administrative concern, but this was not because there are no procedures, or that these are not clear.</p> <p>Both our financial and performance audit procedure libraries and toolsets have an explicit separate procedure for this, with an associated milestone that is tracked in each business unit.</p>
Proposed actions as at 31 July 2020	<p>We will amend our key deliverables for our ASPs to require them to confirm they have closed their databases within our policy period of 60 days.</p> <p>We will check this has occurred as part of our post audit quality reviews of our ASP files.</p>
Implementation update	<p>We have implemented our proposed actions.</p> <p>Our 2020–21 PAAQR program checked compliance with our file closure policy. In 2019–20, the coronavirus pandemic impacted our file closure rates. As part of our ASP refresh project, our key deliverables now include an ASP attestation on their compliance with our file closure policy.</p>

Recommendation 25	In progress
PAEC recommendation	That VAGO undertakes a training needs assessment for members of the audit quality (AQ) and financial reporting advisory (FRA) teams. Based on this analysis VAGO should develop training programs to ensure members are appropriately qualified to maintain and monitor the quality control framework.
Auditor-General comment	<p>The technical audit teams are small and change over time. Their training needs will invariably differ depending on their qualifications and experience.</p> <p>We will address immediate individual needs through our routine annual performance development process (PDP), presently underway.</p>
Proposed actions as at 31 July 2020	<p>We will:</p> <ul style="list-style-type: none"> • establish the specific skills and competencies required for the technical team and capture these in the auditor competency framework • undertake a gap assessment for current and any new members on appointment • tailor a training program and include this in development plans of each team member.
Implementation update	<p>We continue to develop individual PDPs for all AQ/FRA staff based on their role and aligned with the capabilities required for each position description.</p> <p>The development of the FRA/AQ capability framework is on hold and will be undertaken after the FA capability framework to ensure consistency in approach and to leverage off their work.</p>
Recommendation 26	In progress
PAEC recommendation	That VAGO develops a proactive professional development program for junior and mid-level staff, which may include opportunities for broader development targeted at developing high-performing staff for future leadership roles.
Auditor-General comment	No comment provided
Proposed actions as at 31 July 2020	Refer to our responses to recommendations 14 for audit staff and recommendation 30 for all staff.
Implementation update	<p>Actions related to the Capability Framework are dependent on the outputs of Recommendation 14.</p> <p>The learning and development curriculum to be developed in the <i>Enhancing Financial Audit's Capability</i> project focuses on both technical and non-technical capabilities (soft skills, leadership development etc).</p> <p>Performance audit projects – The 'Implement a skills management framework' project along with a suite of projects including 'Develop a leadership competency model, roles and principles' and 'Introduce career planning' will help develop enrich our employee experience for performance auditors.</p>

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

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

APPENDIX E

Disclosure checklist: Prescribed and voluntary information

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

Figure E1 shows where compulsory and voluntary information can be found in this report and our *Annual Report 2021–22*.

Figure E1: **Locations of *Corporations Regulations 2001* schedule 7A prescribed information and voluntary information in our 2021–22 transparency report and annual report**

	Relevant to VAGO	Transparency report reference	Annual report reference
Prescribed information			
If the auditor belongs to a network, a description of: <ul style="list-style-type: none">the networkthe legal arrangements of the networkthe structural arrangements of the network	N/A	N/A	N/A
A description of the auditor's internal quality control system	✓	Chapter 3	Section 5.5
A statement that sets out the auditor's independence practices in the relevant reporting year	✓	Section 3.3	N/A
The name of each body that is authorised to review the auditor and the date of the most recent review of the auditor conducted by the body	✓	Chapter 4	Section 1.7

The names of the relevant bodies in section 322 of the Corporations Act for which the auditor conducted an audit under Div 3 of Pt 2M.3 in the relevant reporting year	✓	Appendix B	N/A
Financial information for the auditor that relates to the relevant reporting year, including: <ul style="list-style-type: none"> total revenue revenue relating to audits of financial statements conducted by the auditor and other services provided by the auditor 	✓	Section 1.4	Section 7.1 Section 7.2
A description of the firm or company's: <ul style="list-style-type: none"> legal structure ownership governance structure 	✓	Section 1.1 Section 1.1 Section 1.2	Section 1.1 Section 1.1 Section 1.3
A statement by the firm's administrative body or management body (or the company's board of directors) on the effectiveness of the functioning of the internal quality control system in the relevant reporting year	✓	Chapter 3	N/A
The date on which the firm or company most recently conducted an internal review of its independence compliance	✓	Section 3.3	N/A
A statement about the firm or company's policy on the minimum amount and nature of continuing or other professional education that professional members of an audit team must undertake during the relevant reporting year	✓	Section 3.5	N/A
Information about the basis for remuneration of the firm's partners or the company's directors	✓	Section 1.4	Note 8.2 of the Financial Report

Voluntary information

If the auditor belongs to a network, the report may include information about the degree to which the network sets policy and monitors compliance and structural arrangements in the network, including the degree of authority the network has over the audit firm	N/A	N/A	N/A
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Actions to improve audit quality – how the auditor:

<ul style="list-style-type: none"> promotes, evaluates and monitors professional scepticism and compliance with auditing standards 	✓	Section 1.2	Section 5.5
<ul style="list-style-type: none"> promotes a culture of audit quality (e.g., messages from leadership focusing on audit quality, education initiatives, key focuses in quality reviews, and encouragement of consultation on complex audit issues) 	✓	Chapter 2 Chapter 3 Appendix A	Section 2.2 Section 5.5
<ul style="list-style-type: none"> ensures that partners/directors, staff and experts with appropriate experience and expertise are assigned to audit engagements having regard to, for example, workload, technical competence, and audit, industry and other relevant experience 	✓	Section 3.6	N/A
<ul style="list-style-type: none"> approaches supervision and review, including the extent of partner/director involvement in working with audit teams in the planning and execution of audits, and the extent of real-time or post-completion quality reviews of engagements 	✓	Section 3.6 Section 3.7	N/A
<ul style="list-style-type: none"> holds partners/directors and leadership accountable for audit quality, including how performance is measured on audit quality, how such performance is assessed, and the extent to which this affects remuneration 	✓	Section 3.2 Section 3.5	N/A

AQI – quantitative metrics

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

Source: VAGO.

APPENDIX F

Acronyms and abbreviations

Acronyms

ACAG	Australasian Council of Auditors-General
AMP	audit methodology procedure
ASIC	Australian Securities and Investments Commission
ASP	audit service provider
ASPIs	audit service provider instructions
AQI	audit quality indicator
AUASB	Auditing and Assurance Standards Board
CA ANZ	Chartered Accountants Australia and New Zealand
EQCR	engagement quality control reviewer
FTE	full-time equivalent
ISA	information systems auditing
IT	information technology
ITAC	IT application controls
ITGC	IT general controls
MBM	macro benchmarking
OMG	operational management group
PAAQR	post audit and assurance quality review
PAEC	Public Accounts and Estimates Committee
SMG	strategic management group
VAGO	Victorian Auditor-General's Office
VI	Victorian Inspectorate
VPSC	Victorian Public Sector Commission

Abbreviations

ASA 220	ASA 220 <i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i> or from its effective date ASA 220 <i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i>
ASA 700	ASA 700 <i>Forming an Opinion and Reporting on a Financial Report</i>
ASAE 3000	ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information
ASAE 3500	ASAE 3500 <i>Performance Engagements</i>
ASQC 1	ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i>
ASQM 1	ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i>
ASQM 2	ASQM 2 <i>Engagement Quality Reviews</i>
Audit Act	<i>Audit Act 1994</i>
CPA Australia	Certified Practising Accountant Australia
PAA	<i>Public Administration Act 2004</i>

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