Financial reports, annual reports and VAGO's audit role

This fact sheet explains the difference between financial reports and annual reports, and clarifies VAGO's audit role.

Our role in the annual reporting cycle

Agencies prepare financial reports and include them in their annual reports.

VAGO audits these financial reports under Part 3 of the *Audit Act 1994*, and issues written audit reports on them.

We do not prepare the financial reports, approve agency annual reports, or table their annual reports in Parliament.

What is a financial report?

A financial report sets out an agency's financial performance and position for the year. It typically includes:

- a Comprehensive Operating Statement, which shows income, expenses and the financial result
- a Balance Sheet, which shows assets, liabilities and net assets
- a Cash Flow Statement, which shows cash received, cash spent and the cash held at year end
- notes, which explain the figures and accounting policies.

Agencies prepare financial reports in accordance with applicable legislation, reporting requirements and Australian Accounting Standards.

What is an annual report?

An annual report provides broader information about an agency's operations, performance and use of public resources for the financial year. It usually includes:

- what the agency did and how it performed against its objectives
- governance, workforce and compliance information
- explanations of the agency's results and outcomes.

The legislation and directions that apply to an agency set out what its annual report must include. For many agencies, this includes a report of operations and the audited financial report.

At a glance

	Financial report	Annual report
Preparer	The agency	The agency
Scope	The agency's financial performance and position for the financial year	The agency's operations, performance and use of public resources, including its audited financial report
Who audits it	VAGO	No-one We audit only the financial report included within it
The assurance we provide	An independent audit report	None
How it reaches Parliament	Contained within the annual report	For agencies subject to the *Financial Management Act 1994*, the relevant minister transmits the annual report to Parliament Local councils' annual reports are not tabled in Parliament
Where the requirement comes from	The applicable financial reporting framework, including relevant legislation and Australian Accounting Standards	The legislation and directions that apply to the agency, such as the *Financial Management Act 1994*, the *Local Government Act 2020* or another enabling Act

What our audit provides

Our audit report provides assurance to Parliament and the Victorian community that the financial report is reliable and complies with the applicable reporting framework.

If we are provided with other information from the draft annual report before issuing our report, we read it and consider whether any relevant information is materially consistent with the audited financial report.

This work depends on timing. Agencies often finalise annual reports after we issue our report.

What we do not do

VAGO does not:

- prepare agencies' financial reports or annual reports
- approve or finalise annual reports
- table annual reports in Parliament
- explain or comment on ministerial decisions or notifications about late tabling.

For agencies subject to the *Financial Management Act 1994*, the relevant minister transmits the report of operations and audited financial report to Parliament. Local councils have separate annual reporting requirements under the *Local Government Act 2020*.

Some agencies may also have reporting obligations under other legislation or regulatory frameworks, such as the *Corporations Act 2001*, Australian Charities and Not-for-profits Commission requirements, or special purpose reporting frameworks. These obligations do not change VAGO's audit role under the *Audit Act 1994*.

The agency prepares its financial report.

VAGO audits the financial report and issues an independent audit report.

The agency includes the audited financial report and VAGO's audit report in its annual report.

If we receive other information from the annual report before issuing our audit report, we consider whether it is materially inconsistent with the audited financial report.

The relevant minister transmits the annual report to Parliament, where required.

How we schedule our audits

We agree audit timelines with each agency based on reporting deadlines, audit capacity and risk.

We first prioritise audits that support the Annual Financial Report of the State of Victoria. This includes larger entities that make up most of the state's revenue, expenses, assets and liabilities.

We then direct audit resources to smaller agencies. An agency's place in the audit sequence reflects its size and risk profile. It is not a comment on the agency's performance or the quality of its financial report.

Performance statements

A performance statement reports an agency's results against its performance measures for the year. It helps Parliament and the community assess whether the agency delivered what it said it would deliver.

Not every agency prepares a performance statement. Where legislation requires one, the agency prepares it and VAGO audits it. This includes councils and some Victorian public sector agencies.

Where VAGO audits a performance statement, we issue a separate audit report on whether it is reliable and complies with the relevant reporting requirements.

This report is separate from our report on the financial report.

Want to know more?

Our Financial audits and Our assurance services fact sheets explain our audit approach and the level of assurance our reports provide. They are available at audit.vic.gov.au/corporate-publications.

For other questions, contact us at enquiries@audit.vic.gov.au or +61 3 8601 7000.