



# IN THE PUBLIC INTEREST

The First 25 Years of  
the New Millennium  
(2001-2026)

CHARLES HAPPELL

VAGO

# In the Public Interest



*The First 25 Years of the  
New Millennium (2001–2026)*

Charles Happell

**VAGO**

Copyright © Victorian Auditor-General's Office 2026

First published 2026

This book is copyright. Apart from any use permitted under the Copyright Act, no part may be reproduced, stored in a retrieval system or transmitted by any means or process whatsoever without prior written permission.

ISBN 978-1-921650-40-6 (hardback)

ISBN 978-1-7647699-4-5 (digital)

### **Acknowledgements**

p. 27: © Zenasdeng/Wikimedia Commons.

Reproduced under Creative Commons licence

CC BY-SA 3.0, <https://creativecommons.org/licenses/by-sa/3.0/>.

p. 84: Reproduced with the kind permission of Mark Knight.

# Foreword

---


When the history of this Office was published in 2002 to mark its first 150 years, it captured an institution that had endured, adapted and, importantly, maintained its independence across very different eras of government. In reflecting on the 25 years since, I am conscious that this period has both tested and strengthened that enduring legacy.

This has been a time of significant change. The Office has navigated reform, disruption and at times challenge to its role and relationships. We have had to rebuild trust, modernise our approach, and respond to a public sector that is more complex, more data-driven and more scrutinised than ever before. Through all of this, I have been reminded that while methods evolve, our purpose does not. Our responsibility remains to serve Parliament with independence and to provide clear, authoritative insight into the use of public resources.

On a personal level, this history is also one of continuity. I first joined the Office more than two decades ago and have had the privilege of returning to lead it through a period of renewal and modernisation. I have seen firsthand the commitment and professionalism of our people, particularly during times when the institution itself was under strain. It is that capability – and integrity – that has enabled the Office not only to recover, but to improve.

I would like to acknowledge all those who have contributed to the preparation of this history, and the many staff, past and present, whose work it records. Their efforts have ensured that the Office continues to meet its obligations to Parliament and the Victorian community.

As we look ahead, the task is not simply to preserve what has been built over 175 years, but to continue to adapt – thoughtfully and deliberately – so that the Office remains effective, relevant and trusted in the years to come.



**Andrew Greaves**  
*Auditor-General*



# Contents



<i>Foreword</i>	<i>iii</i>
<b>Chapter 1</b> The Cameron years: Office reunification (2001–2006)	1
<b>Chapter 2</b> The Pearson years: Reinvigoration (2006–2012)	21
<b>Chapter 3</b> The Doyle years: Turbulent times (2013–2015)	41
<b>Chapter 4</b> The Greaves years: Rebuilding and modernisation (2016–2026)	59



# Chapter 1



## **The Cameron years: Office reunification (2001–2006)**

**A**fter the tumult of the previous decade, the Victorian Auditor-General's Office (the Office), under Wayne Cameron's leadership, settled into a largely controversy-free and productive start to the new millennium.

Following the outsourcing of public sector audits in the late 1990s and the establishment of a new Government controlled business enterprise – Audit Victoria – to bid for audit work, Cameron was able to successfully reinstate the Auditor-General's Office. This meant everyone was now working under the one roof at Collins Street and, later, William Street.

But the process of reconciling the two offices – 'putting Humpty Dumpty back together again', as one senior manager said – was not easy. One young staffer remembers going to the Office Christmas party in 2000 and encountering not a joyous end-of-year celebration, but a lot of misery and unhappiness among her colleagues: 'Morale was just terrible,' she said. The reintegration meant an oversupply of staff, so a round of redundancies was announced, and that only increased the glumness in the Office.

That proved to be the low point, though. Cameron and his executive team got to work re-establishing a sense of purpose within the Office,

improving staff morale and bringing together the two offices and their different cultures. It was not a job Cameron had ever envisioned or signed up for when he accepted the commission as Auditor-General, but he didn't shirk from the challenge. Ultimately, the successful unification meant that the Office had a foundation from which to build a sense of unity and common purpose.



The office settled into a largely controversy-free and productive start to the new millennium under Auditor-General Wayne Cameron.

Source: VAGO

Just as importantly, the friction between the Office and the Victorian Government began to disappear, to be replaced by a less fraught, more cooperative working relationship. Both the Labor government of 1982–92 and the Coalition government of 1992–99 had often found it difficult to accept the scrutiny of the Auditor-General's Office. Indeed, Jeff Kennett's controversial reforms to the *Audit Act*, introduced in 1997, were seen by many as an attempt to clip the Auditor-General's wings and they became a hot-button issue in the 1999 election – which the Coalition duly lost.

The incoming premier, Steve Bracks, and his government had different ideas about the role of the Auditor-General and the Office's independence, and it wasn't long (January 2000) before the new Parliament passed legislation which restored the Auditor-General's powers and functions.

The key features of this legislation were the restoration of the Auditor-General's discretionary power to carry out audits in whatever manner they deemed appropriate, the strengthening of the relationship of the Auditor-General with the Parliament, and the enhancement of the accountability of the Auditor-General to the Parliament.

Cameron, a New Zealander, said he had spent 'quite a few years' in New Zealand developing policies for new audit legislation, so he was already familiar with what elements and amendments needed to be included in any new document that related to the Office's powers, and he felt he could make the appropriate suggestions to Treasury. 'And we got most of them through in that legislation,' he said.

For Cameron and his executive team, the change of government, and the change of attitude towards his office, came as a welcome relief. Not in any partisan political sense, but because it meant the Office could do its job, and implement its planned reforms, without the intervention of Spring Street. Tony Brown, one of the most senior auditors in the Office, felt Cameron did an excellent job under very difficult circumstances:

I admire him because of the challenge that he had. He came here for one job and then he had to do a completely different job – he was faced with having to put back together an organisation that had been pulled apart, and I have a lot of time for him in how difficult that role was. It was a pretty difficult couple of years.



Wayne Cameron had arrived in Melbourne in September 1999 to take up his appointment, imagining he was going to be working with the Kennett Coalition government. But the state election held on September 18 was – somewhat surprisingly – slow to produce a result, leaving Cameron in limbo:

When I arrived off the plane, the election voting figures hadn't been settled so we weren't sure who the government was going to be. So I was sitting in my office but I couldn't sign anything because I hadn't been sworn in.

It took almost three weeks before the final count was decided and Steve Bracks was announced as premier. Cameron remembers a bizarre scene ahead of his first meeting with the new premier in Parliament House:

About the second person who went in to see Steve Bracks was myself – the first one was Rex Hunt, I think. Rex came out of the Premier's office and I went in. I had to say g'day to him because I used to love watching his fishing show.

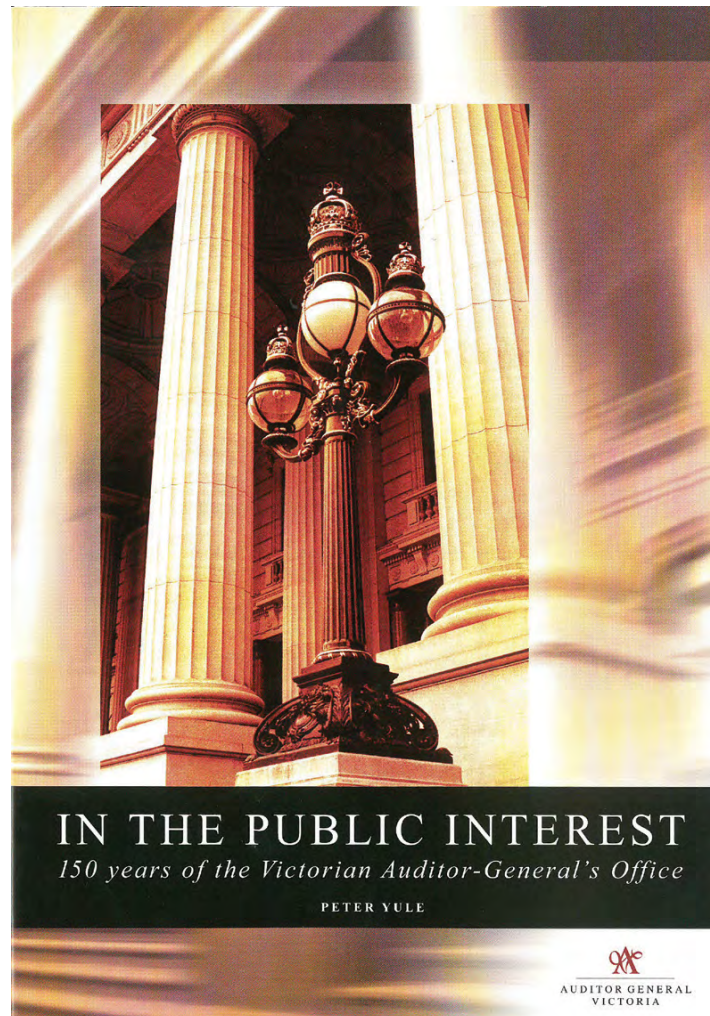
This repositioning of the Office as a vital component of Victoria's public sector, and a critical pillar (along with Ombudsman and, later, the Independent Broad-based Anti-corruption Commission) in ensuring the integrity of government, gives important context to Cameron's tenure through the first six years of the new millennium.



The first Victorian Auditor-General, Charles Hotson Ebdon, was appointed in July 1851, the year in which Victoria became a colony separate from New South Wales. This meant the Office marked its 150th anniversary in July 2001, 20 months into Wayne Cameron's term. The role and functions of the Auditor-General's Office in 1851 were fundamentally the same as they are now: the main focus being to provide assurance about the financial regularity of the state's finances. What has changed markedly, though, is the public profile of the Office and the media attention paid to its audit reports.

The Victorian Auditor-General's Office's sesquicentenary was marked by the publication of a book charting the history of the Office, written by Peter Yule and called *In the Public Interest*. The book was officially launched by the Hon. Bruce Chamberlain MLC, President of the Legislative Council, in Queens Hall at Parliament House on 27 May 2002. A large gathering, including members of parliament, the Treasurer, officials from public sector agencies, representatives of academia and professional bodies, and current and retired staff from the Office, attended the event. During the same year, a performance audit of the Office was conducted by Stuart Alford of Ernst & Young – the fourth such 'audit of the auditors' – and he lauded the efforts of Cameron and his executive for their successful reintegration of the Victorian Auditor-General's Office with Audit Victoria. The largely positive report, and its subsequent endorsement by Parliament and the Public Accounts and Estimates Committee (PAEC), was especially pleasing given the major changes undergone by the Office and its staff in the preceding years.

In effect, a spill of all positions had taken place in 2000, with a number of senior roles being filled by people from outside both the Auditor-General's Office and Audit Victoria. They included Greg Pound, who came to the new position of Assistant Auditor-General, Accounting and

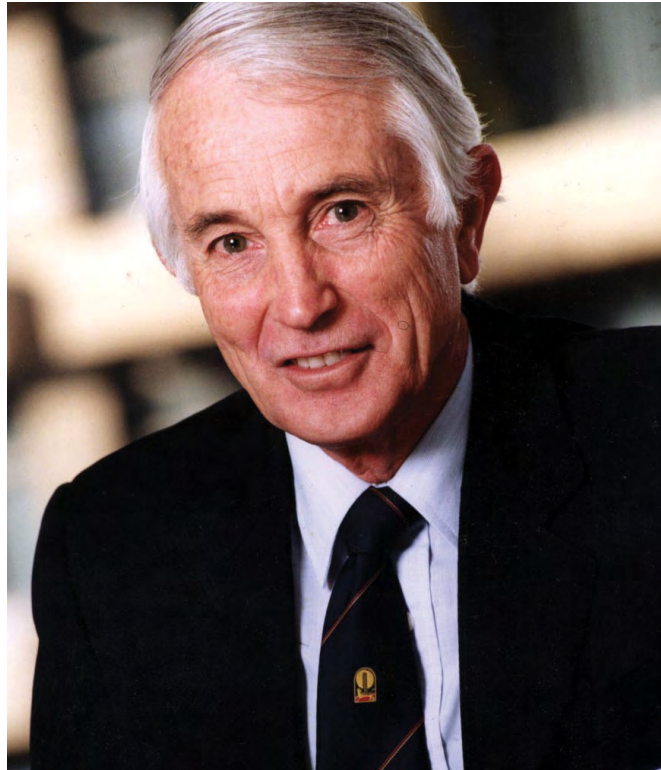


The Office's sesquicentenary was marked by the publication of *In the Public Interest*, which covered the first 150 years of public audit in Victoria.

Source: VAGO

Auditing Policy from the Australian Accounting Research Foundation, and Pamela Williams from KPMG, who was appointed General Manager, Performance Audit Group. Later, Edward Hay was appointed Deputy Auditor-General on the retirement of Graham Hamilton.

The Office's strategic audit planning processes also received strong endorsement by Alford, who observed that 'the corporate and annual planning processes now being followed by the Office are impressive'. A noteworthy feature of this audit planning activity was the recognition of a third stream of auditing. In the past, audit activity fell under the heading of either financial or performance audit. Special investigations or reviews of some financial management processes across the public sector fell somewhere in between – something Cameron wanted to address.



Graham Hamilton played a significant role in auditing public sector entities and ensuring accountability, retiring after a distinguished career spanning over 40 years.

Source: VAGO

In explaining the difference between performance audits and special investigations, Cameron said the former was focused on efficiency, economy and effectiveness of processes and use of resources, while the latter tended to be more ad hoc and arise out of matters of concern drawn to the Office's attention either by members of the public, members of parliament, or stories appearing in the media.

A common example was enquiries into concerns expressed about matters of probity – e.g. suspected tender irregularities, fraud or misuse of assets. Some of them were sourced from whistleblower matters referred either to my Office or through the Ombudsman's Office.

From 2000 on, the Office included in its annual audit planning agenda examinations of some of the core financial management processes in government. In 2002–03, for example, there was a review of payroll processes in the public sector, and an assessment of how well government agencies were accounting for the goods and services tax (GST). The results of these two special audits were presented to Parliament in late 2002.

At the outset, Cameron felt that not enough performance audits were being conducted by the Office, and those that were undertaken were taking too long to complete. He wanted to scrutinise more government

entities, and areas of public spending such as major infrastructure projects. And do it more often. Asked towards the end of his term (in 2006) why he felt the need to double the number of performance audits each year, Cameron replied:

Efficiency. Audits should have been able to achieve their audit objectives and report their results much more efficiently than was commonly the case in previous periods. Some of these former audits took up to two years to complete and cost in allocated cost terms in excess of \$1 million.

Cameron felt from his experience in New Zealand, and observing the cost of similar audits in the United Kingdom, Canada and other parts of Australia, that performance audits should be completed within six to eight months and cost in the region of \$300,000–\$700,000 depending upon their scale and scope.

By 2002, the Office's output had increased: the number of financial statement audits grew by six per cent to more than 580; 12 reports were tabled in Parliament, comprising two omnibus reports on the outcome of financial statement audits and special investigations, nine performance audit reports, and the results of the Office's annual examination of the state's finances.

To improve relations with parliamentarians, and the lines of communication with Spring Street, Cameron introduced 'post-tabling briefings' to members of parliament. This gave members an opportunity to hear firsthand what the Office considered were the key issues addressed in the reports.

As to his dealings with the government, Cameron said he fostered and maintained a constructive working relationship with Spring Street:

When Steve Bracks came to power, the first thing he did was to restore the powers of the A-G. So I was fortunate to have a government that was pretty responsible. I get an update on what's happening in the Victorian public sector these days (in 2025) and it makes me think I was lucky to have not only Steve as Premier but John Brumby too. And a few of the other ministers, I'd have to say, they were all pretty good to deal with.

But it was then Secretary to the Treasury, Ian Little, with whom Cameron felt the most affinity. Together, he said, they solved myriad problems – before Little's sudden death in 2006 at the age of 50. 'The relationship between us and the Secretary to the Treasury was extraordinary, I felt,' Cameron said. 'There were some tricky issues we had to resolve between us but I found Ian to be very professional.'

Little played a central role reviving Victoria's finances in the new millennium and implementing wide-ranging reforms, including advising on tollway funding and the Snowy Hydro deal. Cameron said the fact Little died so suddenly from a heart attack was not just a terrible tragedy for his family, but also for the public sector and the Office.



Performance audits were undertaken more regularly by the Office through the 2000s and they, rather than financial audits, tended to attract the media's attention and the big headlines. Public awareness of the Office and its work increased as a result. *The Audit Act 1958* was amended in 1990 to add section 48A, which provided the Auditor-General with powers to undertake performance (or value for money) audits. Broadly speaking, these performance audits dealt with one or all of the three Es – economy, efficiency and effectiveness.

Cameron was very clear that governments needed to account for the use of resources they compulsorily took in the form of taxes from the community:

The performance of governments cannot be measured in return on investment or preservation of assets basis ... That's not what the electorate had in mind when making their vote every three or four years. They want to know more comprehensively that the best possible outcome was achieved by the application of resources. Hence the emergence of performance auditing.

As an example, in April 2002 the Office produced a performance audit report on international students in Victorian universities, one of nine such audits for that financial year. Cameron had read the newspaper columns and heard the talkback radio: the influx of these students was adversely impacting not just domestic students, but public amenities in Victoria such as housing. 'So we examined that thesis and discovered that just wasn't true,' he said.

The audit assessed whether international student programs at Melbourne, Monash and RMIT universities had impacted on Victorian students' access to university and on academic standards, had been of financial benefit, and had been adequately regulated and monitored. The audit found that universities had been very responsive to federal funding arrangements. It also found that international students had been of financial benefit to universities and the Victorian economy – but recommended action to address English language issues for international and domestic students, to strengthen student assessment practices, and to provide greater support to academic staff. 'Fair enough, in their first

year, some of the foreign students couldn't get a grip on the language but by about Year 2 or 3, they were definitely not pulling domestic students down,' Cameron said. 'Studies like that I was very happy with ...'

In June 2002, the Office tabled a report in Parliament on the Federation Square project, which was not just overdue but considerably over budget. Progress on the development of the square has been subject to annual audit reviews since June 2000. In the report, the Auditor-General said the estimated completion cost of the project was now \$451.5 million, compared with the previous estimate of \$394.8 million in March 2001. The project had quadrupled in cost since the original estimate of \$110 million and had missed its delivery date to coincide with Australia's 2001 Centenary of Federation.

It was this kind of candid public assessment that might have caused problems with the government of the day, but Bracks and his cabinet understood, by and large, that this was the role of the Office and critical reports were often part of the deal. Not that the relationship was totally without its issues. As we discuss later in the chapter, the Bracks government was not averse to using commercial confidentiality to deny the Victorian public the sort of detail needed for a proper assessment of a range of projects, from the Southern Cross railway station to the Royal Women's Hospital and Royal Children's Hospital redevelopments.



Cameron and his senior team wrestled with the problem of how best to target these audits: which government entities and projects should they scrutinise and which should they leave alone? As Tony Brown, who joined the Office in 1987 and is now perhaps the most experienced performance auditor in the Collins Street office, says, it's a somewhat subjective business. He said it required 'significant knowledge of public sector activities and performance' to best target the Office's discretionary performance audit program which, in turn, provided optimum value to the parliament and community.

Under Cameron's leadership, the Auditor-General's Office adopted a more strategic approach to the planning of discretionary audit activity such as performance audits. It was a more transparent process and included consultation with the PAEC in preparing an Annual Plan. One of Cameron's first innovations was the introduction of a Strategic Audit Planning and Sector Liaison Group, comprised of internal staff, to build on and strengthen existing processes for selecting performance audit topics. This was led by Russell Walker.

An external advisory body was also formed to guide topic selection and three panels were established – education, health and local government – which covered the big spending activities of government. The members of these advisory panels were external to the Office and appointed based on their recognised sector knowledge and expertise. It was their job to leverage the Office’s existing knowledge and add to the understanding of what was going on in these sectors – and to come up with performance audit ideas for the next 12 months as part of the Annual Plan process.

Tony Brown became one of the directors in the planning and liaison group and his areas of interest included transport, infrastructure and local government:

We came up with a framework to identify, select and prioritise prospective performance audits. There are 1,000 audits you could do, how are we going to systematically assess and pick the ‘right’ ones (we’re going to do)?

The key drivers were around materiality, public interest in terms of the risks and impacts of public sector performance on the community, and the need for transparency. There was a whole range of things considered such as importance to the community and users in terms of service delivery performance; is it a major transaction for the state that warrants scrutiny?

This has been a key issue and an ongoing challenge for me and everyone involved in performance audits. Because there’s a lot of judgement involved in choosing and then undertaking performance audits. There aren’t necessarily clearly accepted performance criteria or standards, and so the findings we arrive at are far more subject to challenge.

On top of that, the Office receives many inquiries each year from members of parliament and the public about the actions of public sector agencies or officers. These inquiries are usually concerned with the management of public resources and often include a request for an audit examination. During 2005–06, for example, the Office received 97 inquiries: 26 were from members of parliament and 71 were from the general public and community groups. Following preliminary analysis, a number of the matters referred to the Office led to specific audits or investigations. So this was another source of suggestions – generated outside the Office – for special audits.

There were between eight and 12 performance audits conducted each year during Wayne Cameron’s term as Auditor-General, which finished in 2006, and a number of special audits completed in addition to those reports. All of them were useful to varying degrees, for either the entity being audited (and how they might improve their processes) or for Parliament and, by extension, the taxpayer. When the special reviews


uncovered minor inefficiencies or poor management practices, the auditors suggested possible remedies and solutions. The language used was invariably conciliatory and collegiate. Occasionally, though, when more egregious problems were discovered, the auditors' language was more direct.

Financial audits scrutinise the financial reporting by public sector agencies to provide independent assurance that it is reliable. They are generally more bounded in scope and have well-established criteria set by the Australian Accounting Standards Board (AASB). And in contrast to performance audits, the focus of financial audits stays on numbers and account accuracy rather than how things run. That said, financial auditors also encounter and have to deal with very complex and significant issues that require significant professional judgement. There are also ongoing changes to existing and new accounting standards that need to be understood and applied.

The AASB amended Australian accounting standards on 1 January 2005 when Australia decided to adopt international accounting standards. These International Financial Reporting Standards are private sector standards, so they needed to be adapted to public sector requirements. This created challenges for the public sector, some of which (fair value of assets, for example) persist today.

Through Cameron's term as Auditor-General, the Office was completing upwards of 580 financial audits each year – a mountain of work which couldn't be completed by internal staff alone. When Audit Victoria was spun off from the Auditor-General's Office and audits became 'contestable' – that is to say, everyone was vying for the work – the Office lost many regular clients to the private sector. When Audit Victoria came back into the fold, this division of work was largely maintained in terms of the split between in-house audits and those contracted to partners in private sector audit firms to act as agents for the Office.

These outsourced contracts had explicit terms attached to them, regarding price and the audit standards to be used. They also were overseen by a senior officer within the Office to make sure that the appropriate perspectives were applied. Such audits were tendered to maintain a pricing tension – and to ensure that independence was not compromised through the contractor's possible over familiarity with the auditee. In 2005–06, for example, the Office paid \$6.732 million to 32 external audit service providers (the top three were Ernst & Young, RSM Bird Cameron and WHK Day Neilson) to issue audit opinions and audit management letters for 82 audits.




Prior to Cameron's arrival at the Office, the law courts in Victoria had made it clear that they did not think the Auditor-General had the power to undertake any special investigations or performance audits in the courts – on the grounds that it would be considered an imposition on the sovereignty of the judicial process. They accepted that the Auditor-General had a mandate in respect of financial audit, but drew the line at performance auditing within the court system. Cameron felt this was wrong; that limiting the Auditor-General's mandate in this way denied Parliament an opportunity to receive advice from the Office about the proper, efficient, economic and effective application of public funds set aside for the courts.

It would assist Parliament to know if court assets were being efficiently and effectively used. Yet for reasons not known to me the courts refused to allow the A-G to undertake such audits – unless invited to do so. (The courts) will experience their share of maladministration and to avoid public scrutiny in this way increases the risk of that happening.

By the end of his tenure, Cameron and then Chief Justice of Victoria, Marilyn Warren, had come to an agreement whereby VAGO would resume performance audits in the courts:

I was particularly pleased we could reach in-principle agreement for our office to do this, acknowledging the sensitivity of ensuring that our work focuses on the efficient and effective use of public resources and does nothing to impair the independence of the judiciary.

Around the same time, two other groups that were not previously subject to public accountability requirements also became subject to audit by the Office. They were community health centres, and health information communications and technology alliances. Like the court system, they fell under the Auditor-General's umbrella from July 2006.



Technology, and the adoption of the latest auditing software, has always been crucial to the efficient functioning of the Office. During Cameron's term as Auditor-General, some key technological advances were introduced. It was not exactly an IT revolution, but it was the start of a process that, over the next two decades, would transform the Office into one of the most modern, cutting-edge, technologically sophisticated offices in the broad orbit of Spring Street.



Technology has always been crucial to the efficient functioning of the Office – with the mechanical adding machines called comptometers (left) introduced around 1920 making way for the beige bulky computers (centre) in 1985, as part of a major technology transition. The portable computers (right) that followed were also upgraded during the Cameron years.

Source: VAGO

Paul Martin, a director of financial audit who started at the Auditor-General’s Office in 1997, well before Wayne Cameron arrived, remembers the Office through the early years of the new millennium operating in a very clunky, outmoded way. Data was entered manually, staff would lug large files around with them and the systems were, by modern standards, antiquated:

Through the 2000s, we were very bureaucratic. There were a lot of written memos, a lot of briefings, and if you wanted to get something approved you had to write it, type it out, get it signed, take it upstairs, go through one person, two persons before it got signed off.

The process of digitising the Office’s evidence base would be some way off.

Another senior manager in financial audit, who joined the office in 2001, has a similar recollection:

When I started, we had Lever Arch files. You had all your audit work papers printed out. We used to carry the printer around with us and wheel across all the Lever Arch files to our client’s offices. Then we would unplug the phone line and plug it into our laptop once a day and upload our information that way.

In the Annual Report tabled in 2002, Cameron noted the successful upgrading of the Office’s ‘IT hardware platform and communications facilities’ which included the installation of Windows 2000 and Lotus Notes V5.5. Lotus Notes was the software system that served as each staff member’s email, calendar and audit evidence repository and workflow/sign-off system.

Another innovation pioneered by Cameron and his team was the upgrading in 2005 of the electronic audit toolsets used to codify and record audit working papers. The financial audit tool IPSAM (integrated public sector audit methodology) was a major pioneering exercise, undertaken collaboratively with the Queensland Audit Office (QAO).

The code developed for the IPSAM joint venture with QAO was leveraged into a performance audit toolset as well, called AmP (Audit method Performance). This was produced by a small team in the Office. Paul O'Connor, a senior performance audit manager who joined the Office in late 2004 after a few years at the Australian National Audit Office (ANAO), actively participated in the small user group that guided its development:

We had a hybrid filing system where we would have some paper files (with barcodes etc), with some electronic file registry tracking (using a system called TRIM and now known as RM) ... When we got the new multi-function photocopiers, we could actually start scanning in documents, so that became a good way to start digitising our evidence base.

Agencies mainly gave us paper records back then, although we started to get more files on disc and we would then upload that into our share drives, and after analysis move it to the AmP system.

The new IPSAM financial audit tool set was completed and launched in November 2005. It stood the test of time and was still being used until 2025, before being phased out altogether by 2026. 'Its successful launch, on time and on budget, and the subsequent roll-out in both offices has proven already what a tremendous initiative that was,' Cameron wrote at the time.

Upgrades of this nature only occur once every six to eight years. They represent a tremendous opportunity not only to achieve efficiencies through the better use of technology across the organisation but, equally importantly, to provide an opportunity to ensure that the legislative audit model applied through the application of technology represents best practice in legislative auditing here in Victoria.



Midway through Cameron's term, in 2003, Andrew Greaves arrived at the Office. Over the next eight years, he would hold various positions, including Assistant Auditor-General (Financial Audit) and Assistant Auditor-General (Performance Audit), before leaving to become Auditor-General of Queensland in 2011. He would return to the Office, of course, in 2016 to become the state's 27th Auditor-General.

As mentioned earlier, what was effectively a spill of all positions took place in 2000, with Greg Pound and Pamela Williams arriving at VAGO from outside the agency to become, respectively, Assistant Auditor-General, Accounting and Auditing Policy, and General Manager of Performance Audit Group. These appointments supplemented the core of senior staff such as Graham Hamilton, Deputy Auditor-General; Joe Manders, Assistant Auditor-General, Corporate Planning and Parliamentary Liaison; Russell Walker, Assistant Auditor-General, Strategic Planning and Sector Liaison; and David Reid, General Manager, Financial Audit Group. Reid had been with the Office throughout the tumultuous events of the 1990s and provided great knowledge and understanding of public sector auditing.

Hamilton, Pound, Williams and Manders moved on before Cameron's departure in 2006 (Hamilton retired in 2001 after 40 years in the Office) and the senior management structure at the end of that year looked nothing like it did at the start of the millennium. Edward Hay arrived from the ANAO and, in 2001, was appointed Deputy Auditor-General (to replace Hamilton) and later also took over as head of Performance Audit for a time. It was Hay, incidentally, who recruited Andrew Greaves to the Office in 2003; they had worked together at the ANAO in Canberra in 2000. Russell Walker, who began as Assistant-Auditor General in 1987 aged 34 (at that time the youngest person ever appointed to the role) had also taken responsibility for the Strategic Audit Planning, Policies and Standards Group; Andrew Greaves was General Manager of Financial Audit; while David Reid was General Manager of Business Support and Special Investigations Group.

In his final Annual Report, Cameron addressed this issue of personnel turnover, which he found concerning. He acknowledged that salaries being offered in the private sector were significantly larger than at the Auditor-General's Office, but said it was imperative that the Office found better ways to retain valuable staff, particularly at Audit Senior/Audit Manager levels within the organisation:

These people are highly valuable and highly mobile within the auditing profession, and it is not unnatural for them to become attracted to other occupational environments, whether they are within Australia or offshore ... So we clearly need to find better ways to retain these people. Our key skill base lies in our people.



The Office's largely harmonious working relationship with the Bracks government was put to the test in early 2006 when the PAEC tabled its own report on an earlier independent performance audit of the Auditor-General's Office. The earlier audit, conducted by John Phillips of Acumen Alliance and tabled in Parliament in November 2004, was a largely positive appraisal of the Office and its operations. But it made a number of suggestions designed to improve the effectiveness of the Office, and Cameron had responded constructively to those suggestions. He was in the midst of implementing many of them when the PAEC report was tabled.

Cameron was blindsided by its findings and what he considered to be unfair treatment:

I reported in last year's (2005) annual report on the outcome of the independent performance audit of my Office.

That audit was concluded and reported to parliament in November 2004. In March 2006, the Public Accounts and Estimates Committee tabled its own report on the independent performance audit, and made a number of observations designed to improve the effectiveness of our Office.

Any auditor is well aware of how auditees respond to public reports and, in particular, to the findings in those reports and the conclusions therein. Much of the energy of an audit team is designed to ensure that there is no major debate about evidential findings ... It was somewhat disappointing, therefore, to read some of the observations made and conclusions reached in the committee's report.

A number of the facts referred to in the report were not drawn from the independent performance auditor's report, so I am left in some doubt about where that additional material came from, but they have led to some rather unfair and, in some instances, unjustifiable conclusions being drawn in the report.

A miffed Cameron wrote to the committee identifying his areas of concern, but it did not respond with any constructive comment on the matters raised, and the issue basically sank without trace.



Wayne Cameron's seven-year term as Auditor-General came to an end in September 2006. Oddly, given his largely controversy-free tenure, his last few months were marked by drama, with the Victorian Opposition, led by Ted Baillieu, claiming that Cameron was 'forced from office' by

the government. The Opposition said he had been hounded out because of the work the Office was doing in investigating taxpayer-funded government advertising, and its findings were unlikely to be well received by a government that was not shy of self-promotion.

Indeed, when Cameron's last report, on government advertising, was tabled in September 2006, it was critical of the way in which the Bracks government and public sector agencies had used public funds for advertising campaigns which promoted the government and its successes:

This audit assessed whether selected public sector advertising campaigns complied with government guidelines and whether processes for the management of government advertising were adequate. The audit found that aspects of 6 of the 8 campaigns did not comply with government advertising and communications guidelines, and that a number of the procurement arrangements did not comply with relevant procurement guidelines.

Later, Cameron was to say the most notable challenges he faced over audit report findings were on that government advertising review (2006) and on patient safety in nursing homes (2005). A decade later, in 2017, the Victorian Parliament introduced new laws to ensure government advertising was in the public interest, and to stop public sector agencies from publishing political advertising.

Des Pearson was named the state's 25th Auditor-General in May 2006, thus bringing down the curtain on Cameron's reign. Before Pearson took up his role on 1 October, Edward Hay was the Acting Auditor-General.

Cameron's tenure was marked by stability, reliability and a rebuilding of trust in the Office. Inevitably there were run-ins with government, though nothing on the scale that Ches Baragwanath experienced.

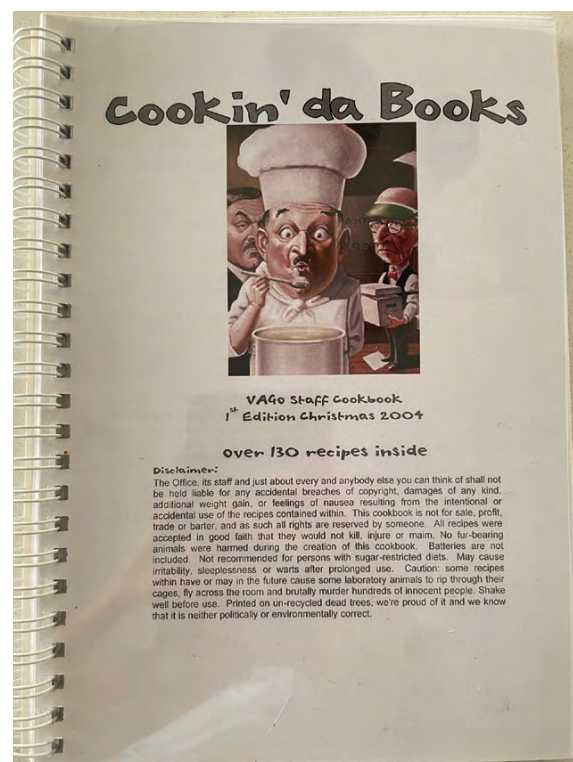
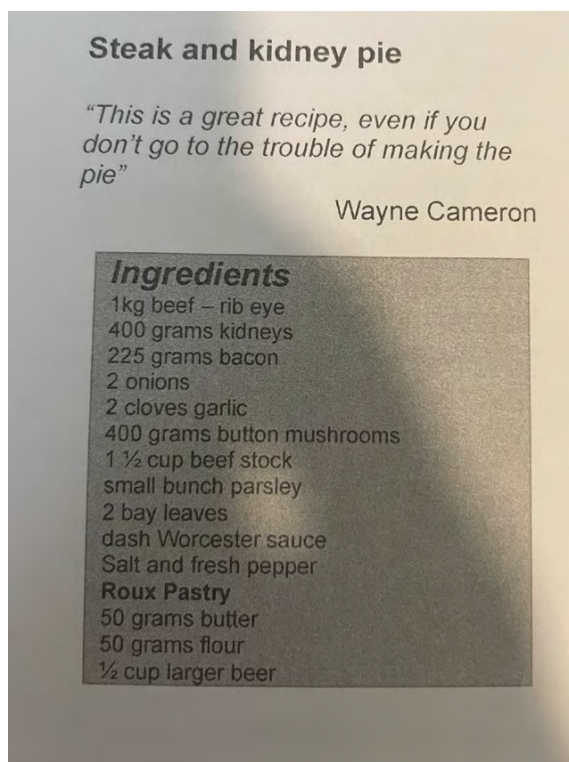
As *The Age* mentioned in a 2006 editorial upon Pearson's appointment, while the Bracks government restored many of the powers that had been stripped from the Auditor-General's Office, it had not made good on other commitments it made in its Integrity in Public Life policy from September 1999. The newspaper said it was still more difficult than it should be for Victorians to assess whether they were getting good value from the use of public-private partnerships to deliver many big projects. These included toll roads, Southern Cross railway station, the County Court building, the Melbourne Convention and Exhibition Centre and the Royal Women's Hospital and Royal Children's Hospital redevelopments. Labor, it contended, had used commercial confidentiality to deny the public the sort of detail needed for a proper assessment.

Wayne Cameron was not necessarily a regular fixture around the water cooler engaging in office banter, but he enjoyed a cordial, amiable relationship with his staff. Some, such as Travis Derricott, who became the Social Club president early in Cameron's tenure, had more to do with him than others. Derricott remembers Cameron being a strong supporter of (and participant in) the Office's annual sports days against the Department of Treasury and Finance.

Tennis matches and a game of cricket were organised at Fawkner Park in South Yarra – and an annual shield was engraved with the name of the winning team. Cameron was a willing participant in tennis. The competitive action started around 12 pm, with a barbecue and some drinks at the completion of play. Staff not involved would come down from the office in the afternoon to watch and support, then mingle and socialise.

Derricott felt Cameron deliberately led from the front on these days, in a conscious attempt to foster a team spirit and improve office morale after the reintegration of Audit Victoria with the Auditor-General's Office – a difficult time for many:

He was really supportive of the Office running some social events to create connection and a positive vibe when Audit Victoria and VAGO were put back together. He got right into it, not only supporting these events, but attending and participating as well.



Auditor-General Wayne Cameron shared his favourite steak and kidney pie recipe in the Office's cookbook.

Source: VAGO

By the time of his departure, Cameron had largely achieved that aim. The divisions present in 1999 had given way to a harmonious workplace with a common purpose in 2006. He signed off on his last Annual Report in 2005–06 with a tribute to his staff for their hard work, loyalty and professionalism:

It is only fitting that I publicly express in this, my final annual report, my sincere appreciation of the work of staff ... over the past seven years for their unfailing diligence and professionalism in contributing to improved accountability and performance across the Victorian public sector.



## Chapter 2



### **The Pearson years: Reinvigoration (2006–2012)**

**D**es Pearson first planted his feet under the Auditor-General’s desk in William Street in September 2006. He arrived from Perth, where he had been the Western Australian Auditor-General for 15 years.

Pearson understood how Australia’s auditing offices worked and had crossed paths with several of his new Victorian colleagues at audit meetings and conferences over the years. He knew four of his predecessors as Auditor-General: Brian Waldron, Richard Humphrey, Ches Baragwanath and Wayne Cameron; and – of the team still in place – was on familiar terms with Deputy Auditor-General Edward Hay, Assistant Auditor-General Russell Walker, financial audit directors Andrew Greaves, David Reid and Craig Burke, and performance audit directors Ray Winn and Ray Seidel Davies.

It didn’t take long, though, for the differences between the two state offices to become obvious: the Victorian office operated on a greater scale than its Western Australian counterpart, having more depth of experience in technical areas and more breadth with the range of its audits. And Victoria, Pearson felt, had a more expansive approach to performance audit because it was one of the early adopters in the 1980s. On the flip side, as he was to discover through his term, the institutional pushback

he encountered in Victoria was unlike anything he'd experienced in any other jurisdiction. Originally from country Queensland, Pearson was a straight shooter who appreciated direct and honest communication – something he felt he did not always receive in his new jurisdiction, as we shall go on to explain.



Des Pearson was named the state's 25th Auditor-General in May 2006.

Source: VAGO

Wayne Cameron had left the Office in reasonable shape, but the staff turnover issue discussed in the previous chapter meant there were only a handful of directors or executives left from the Baragwanath era. Then, through a combination of retirements and 'creative restructuring', as Pearson described it, the Office underwent an extraordinary overhaul in the 12 months after the new Auditor-General arrived. As Pearson said later:

In my time, we experienced all the change because the last couple of those senior managers retired, then we went through the re-establishing a new norm. I realise only too well that change can bring with it uncertainty and apprehension, but I witnessed a willingness and enthusiasm by staff to be part of our reinvigorated organisation.

Dr Peter Frost was appointed as Deputy Auditor-General and Chief Operating Officer in January 2007, four months into Pearson's term. He had extensive public sector management experience, primarily in the Victorian public sector, higher education and with the Commonwealth Secretariat, but had not been an auditor. Frost was to report directly to the new Auditor-General on the management and performance of Office operations, and oversee the Office's technical and audit operations activities.

Russell Walker retired after almost 32 years at the Auditor-General's Office and was replaced by John Findlay in April 2007. Findlay, who'd been recruited from the Queensland Audit Office (QAO), was appointed Assistant Auditor-General – Policy, Planning and Technical Group. When Edward Hay, Deputy Auditor General and head of Performance Audit, retired in the same month, he was replaced by Stuart Kells as Assistant Auditor-General Performance Audit. Andrew Greaves remained as Assistant Auditor-General Financial Audit, one of the few survivors of the shake-up. He would go on to lead the Performance Audit function in October 2008 before being appointed Queensland's Auditor-General in 2011 and eventually returning to Victoria as Auditor-General in 2016.

David Reid retired from his role as General Manager of Business Support Group, and Jenni Lillingston moved to the Auditor-General's Office as Executive Director – Corporate Services Group at the end of November 2007. Lillingston had a background in the Victorian and Australian governments, including the Department of Premier and Cabinet, Department of Treasury and Finance and the Australian Department of Finance. Walker and Reid had been with the Office throughout the tumultuous events of the 1990s and the loss of their experience and public sector auditing knowledge was keenly felt. 'The changes were largely due to attrition, but I did do some creative restructuring,' Pearson said. 'It was mainly about seizing the opportunities from the attrition. I thought the talent in the office was very good.'

Reflecting on that time, Frost said it became apparent to Pearson, himself and others that a senior staff restructure was needed:

We decided we were going to have a big spill across the board. The real focus was on Performance Audit. We recruited widely and embarked on a big training program. I felt my role, apart from supporting Des, was to put the spine back into Performance Audit.

So, not for the first time, sweeping changes were made to the senior management team at the Auditor-General's Office. There were lots of new

– and younger – faces and they were looking forward to making their mark as the Office continued to build on the platform laid by Cameron.

In his first Annual Report as Auditor-General, Pearson paid tribute to the work done by his predecessor in stabilising the Office after a period of unrest and turmoil:

Initially, Wayne presided over a tumultuous time in the Office’s history, with significant changes to the audit legislation which re-established the Office and the former Audit Victoria into the one organisation ... His term as Auditor-General was characterised by many developments which contributed to a number of improvements to the operations of the Office.

---

In order to better familiarise himself with the Victorian public sector environment, Pearson arranged numerous appointments to meet senior public sector officials, departmental secretaries and members of parliament. His appointment of Frost, a public service veteran, helped facilitate the making of contacts and building of relationships. Those discussions helped Pearson set an agenda for the Office for the immediate and medium-term future.

For all his discussions with the Victorian public service, Pearson was never able to come to terms with how much obfuscation he encountered, and how many delays he experienced, over the next six years. Sometimes, he just couldn’t get a straight answer:

WA was more pragmatic. If you raised an issue, they either agreed and fixed it or disagreed and explained why. Whereas in Vic, you’d raise an issue and you wouldn’t get a direct response.

Victoria was a far more formal jurisdiction (than WA) so people tried to stand behind ‘commercial in confidence’ or ‘cabinet in confidence’, things like that, but my firm view is that auditors are entitled to full and free access at all reasonable times to information to form an opinion ... I did feel strongly about that. I’m used to dealing with people (straight).

This became a recurring theme in his Annual Report summaries. In 2007–08, he mentions for the first time this ‘worrying trend’ of agencies delaying the provision of relevant documentation to the Office during the course of its audits. He expands on this theme in many of his subsequent Annual Reports. On one notable occasion, Pearson had to utilise a provision in the Audit Act to get one particular department to the table. The provision allowed for the Auditor-General to summons people, put them under oath and question them:

So for the first time in a 20-plus year career I used that power in frustration. I'd prefer not to name the department or secretary. I mention it as an example of how I found in Victoria that agencies at times were more challenging of the audit role compared with my experience elsewhere.

Among the changes the new Auditor-General would make early in his tenure was a restructure of financial auditing, so that work was divided up by sector: water authorities, local government, university and TAFE colleges, hospitals and health services, and so on. In this way, audit outcomes and conclusions were able to be compared and benchmarked. Pearson felt this sector-by-sector practice led to improved performance and greater transparency. 'Working in portfolios like that made (audit reports) more meaningful for parliament and the public,' he said. 'They still do that at VAGO today and it's pretty much been adopted across the board now.'

Through Pearson's term, the Auditor-General's Office also began publishing a four-year forward program of performance audits so agencies had notice of the Office's view of 'programs and activities regarded as of higher risk'. This afforded them the opportunity to prepare for the audit, and present themselves in the best possible way. The Office also introduced reporting of financial ratios across local governments and water authorities, in particular, which enabled the Office to better gauge their financial health.

On the performance audit side, Pearson wanted reports to be sharper, punchier and more precise. He felt they had become too long and detailed. So the Office introduced a form of reporting where each audit was prefaced by a four- to six-page summary, giving the reader an easily digestible snapshot of the entity's performance. 'Then, you had the key points highlighted at the start of each chapter and then the detail to support it,' Pearson said. 'They're quite simple things but they make the reports far more palatable to the recipients and you could get your message across and more clearly.' The downside was that the media would focus on the selected negative highlights – even though they amounted to only a fraction of the content of the report.

The number of reports tabled in Parliament increased dramatically during Pearson's time as Auditor-General – from around 14 to 32 and sometimes as many as 35 per year. Pearson felt these shorter, livelier reports created greater impact – and cut through to the main issues up for discussion:

They were more digestible, bite-sized chunks – I felt we got more attention and more action by doing it this way. With the longer, convoluted reports, they [parliamentarians and the public service] take forever to consider it and by the time they decide to act on it, it's way too late.

As a senior performance audit manager, Paul O'Connor recalls never being busier: 'It was such a hectic time. I think I put out three performance audits in about 12 months; I think one year we produced 35 reports, but we almost killed ourselves doing it.'



The number of reports tabled in Parliament increased dramatically during Des Pearson's time as Auditor-General.

Source: VAGO

But Pearson's full-on approach did have its supporters: feedback from parliamentarians was invariably positive. In 2009–10, in response to a survey, 92 per cent of members of parliament were 'satisfied' or 'very satisfied' with the Office's reports and services, compared to 83 per cent the previous year. Also, 92 per cent of respondents said they had referred to a performance audit report in the previous 12 months, with 53 per cent referring to them either 'often' or 'very often'; up from 40 per cent in 2008–09.

Significantly, in that financial year, the Office received a surge of inquiries from members of parliament and the public about public sector agencies, government programs and initiatives. These unsolicited 'referrals' usually concerned the management of public resources and a request for the Auditor-General to audit the area in question.

During 2009–10, the Office received 130 inquiries, a significant increase on the previous year, when it received 97. Of those, 23 came from members of parliament, up from nine the previous year. The other 107 were from the general public and community groups. The following year, in 2010–2011, there were 262 references to Auditor-General’s Office audits in Parliamentary debates, an increase of 52 per cent.

So while the clients seemed generally happy with the work being done in the public auditor’s office, Office staff were having to put their shoulders to the wheel to produce the ‘new normal’ – over 32 performance audits each year.



The Auditor-General’s Office was working at this time from the 34th floor at 140 William Street, formerly the national headquarters of Broken Hill Proprietary Company (BHP) and known as BHP House. A 41-storey, 152 metre tall steel, concrete and glass building, BHP House’s design was heavily influenced by the contemporary skyscrapers in Chicago. But being based at the western end of the CBD created problems. Staff were forever having to jump on trams – often with their clunky tools of trade – to travel to the top of Collins Street and Spring Street, where most of their clients were based.



BHP House is an architectural icon in Melbourne and, at 41 storeys high, one of the finest tall buildings in Australia. An Australian-made breakthrough, its location meant a heavy reliance on public transport for Office staff.

Source: Zenasdeng/Wikimedia Commons

Because the Office's lease in BHP House was coming up for renewal, and perhaps in response to staff feedback, Pearson inherited and oversaw the move from William Street right to the top of Collins Street – level 23 and part of level 24 at 35 Collins Street to be precise – almost on Parliament's doorstep. This was completed on 2 April 2007. Executive, Policy and Corporate Support were based on the 24th floor – that is to say Pearson, Frost, Findlay, Lillingston and their offices – and Financial Audit and Performance Audit were on the floor below.

A new-look logo featuring the Office's corporate colours of navy blue and white was launched and the VAGO acronym was introduced as part of the Office name.

In keeping with the growing desire for eco-friendly office buildings, a number of environmental design initiatives were included in the new office fit-out, such as 'a 50 per cent reduction in energy used for lighting, mainly due to motion sensors and high-efficiency lighting'.

There were 132 full-time VAGO employees at this time: 73 male and 59 female. About half (65) were under the age of 34, while 10 were over the age of 55. So it was a relatively young demographic. But staff turnover continued to be an issue – the primary reason being the lure of greater remuneration and rewards in the private sector. The overall voluntary staff turnover for 2006–07 was 21.6 per cent, an increase of 6.7 per cent over the previous year. Financial audit staff accounted for the great bulk – 75 per cent – of those departures. And of those who left the Office, 66 per cent said they were taking up positions in the same profession elsewhere, presumably in private firms.

Paul Martin, who worked at Audit Victoria in the late 1990s along with the likes of Travis Derricott, said there was a fleeting temptation to move to a medium-sized or big-four private firm, and the remuneration on offer there, but he was always drawn back to auditing work 'in the public interest':

Sometimes you look at your peers and around that time as well with Audit Victoria, we got a taste for what a private sector firm would look like because we started tendering for work that we normally wouldn't do as an Auditor-General's office.

So that was exciting and interesting and all the rest, but I think at the end of the day I was just still keen to work primarily on the public sector audits.

Pearson himself thought auditing work at VAGO provided wonderful opportunities, especially for younger staff, that didn't exist anywhere else:

People regard auditing as boring and passive but it really gives you, at a junior level, a great oversight of the operations of agencies. If you were in an equivalent position in a department, you'd be in a little narrow box with one in-tray and one out-tray. As an auditor, you're taking a helicopter view of the whole organisation. And you're interacting with the executive as well as the workers.

The workforce at VAGO was becoming younger – and more culturally diverse. The 2007–08 Annual Report reported that of the Office employees who responded to a staff survey:

- 29.6 per cent were born in countries outside Australia
- 36.6 per cent had a non-English speaking background
- 19 languages other than English were spoken by them
- 42.3 per cent spoke at least one language other than English.



VAGO's financial audit directors reflected a more culturally diverse workforce as new and younger faces, looking forward to making their mark under Des Pearson's tenure, continued to build on the platform laid by Wayne Cameron.

Source: VAGO

---

Des Pearson became embroiled in his first controversy as Auditor-General when, in 2007, a draft report into the tender for the myki ticketing system was leaked to the media. The *Herald Sun* newspaper claimed to have in its possession 'secret documents' which cast doubt over the fairness of the tender selection process for Melbourne's new \$500 million rail and tram ticketing system. The draft report, the paper said, referred to backdated documents and inconsistent treatment of bidders – the Boston-based IT firm, Keane, ended up winning the tender over local company Downer – but none of this was mentioned in Pearson's final report to the Victorian parliament. The newspaper, and others, wanted to know why.

Pearson called in the police to investigate the leak, saying the documents may have been stolen. Nothing came of the investigation, but the suspicion remained within the VAGO executive that a disgruntled employee leaked the draft report. ‘That was a significant issue at the time,’ Pearson later said.

We never got to the bottom of it, but I suspect there’d been people working on that audit and their conclusions didn’t hold up to our quality assurance checks. So the report ended up being modified and I suspect a staff member [who thought it shouldn’t have been modified] leaked the draft report.

Notably, both the Premier, John Brumby, and Transport Minister Lynne Kosky publicly expressed their full confidence in the Auditor-General over the issue.

Later, in the 2007–08 Annual Report, Pearson commended the Public Accounts and Estimates Committee (PAEC) for giving him the opportunity to address the allegations:

In the face of considerable misrepresentation and distortion, especially by some sections of the media, I appreciated both the opportunity to provide a detailed rebuttal of allegations which directly impugned the integrity of my office and for the many expressions of support I received from members of Parliament.

The PAEC was traditionally chaired by a member of the government – Philip Davis, for example, when the Coalition was in government from late 2010–14 and Danny Pearson (no relation to Des) when Labor took power after that – with the deputy chair coming from the other side of politics.

Throughout Pearson’s term as Auditor-General, the myki ticketing system was an issue that occupied an inordinate amount of his, and VAGO’s, time. As soon as one problem was dealt with, another seemed to emerge. The portents were clear early in his tenure. Pearson had been in the job for barely three months when *The Age* reported in December 2007 that the ‘trouble-plagued \$500 million public transport smartcard myki’ would not be operational until the second half of 2008 – up to a year behind schedule.

Transport Minister Lynne Kosky said a public pilot would be held in March 2008, when the system would be tested by Transport Ticketing Authority (TTA) staff on a Geelong bus, with the myki system to be rolled out later in the year. But that Geelong bus trial identified unforeseen problems. Soon afterwards, Minister Kosky said that the system would not be operational on trains, trams and buses until 2010, a delay of at least 18 months.

In VAGO's Annual Report on the state's finances in October 2010, Pearson said the TTA, the government agency behind Victoria's \$1.35 billion myki card, had not maintained effective controls on cash collection. Accordingly, he issued a qualified audit opinion on the agency's annual financial report for 2009–10. He wrote that the authority had not met the requirements of the state's Financial Management Act. 'The authority had not maintained effective internal controls over myki cash collection and the processing of myki revenue,' he said in the audit opinion included in the TTA's annual report.

In April the following year, *The Age* reported that Victoria's chief anti-corruption and integrity agencies – the Ombudsman and Auditor-General – had launched a joint investigation into a 'string of failed state information technology projects, including myki and the police crime database, currently costing taxpayers billions of dollars'. The newspaper alleged the investigation was triggered by the disappointment felt by Pearson and the Ombudsman, George Brouwer, that major information technology projects continued to run over budget while not delivering on their goals – despite consistent warnings from the two bodies about their inefficiencies. It claimed the Ombudsman and Auditor-General were also frustrated by a lack of accountability for project failures and cost overruns. Importantly, both offices expressed concern about the ability of the public service to manage multimillion-dollar projects and learn from their mistakes.

The problems with the myki project – now estimated to carry a \$1.5 billion price tag – continued unabated. In 2012, his final year as Auditor-General, Pearson found the cost of introducing the troubled smartcard would blow out by another \$350 million to cover the cost of lost fare revenue to Metro and Yarra Trams. The report found fewer infringement notices were issued to passengers in 2010, when myki was being introduced, because the 'government required the operators to be lenient in dealing with people using myki'. Rates of fare evasion hit a low of 7.8 per cent in 2008 before peaking again at 13.5 per cent in early 2011.

Pearson would announce his resignation shortly after this latest round of myki bad news, meaning the issue would have to be dealt with by his successor's team of auditors.

---

Perhaps the most notable – and certainly the most controversial – performance audit conducted during Pearson's reign concerned the rollout of smart meters.

These smart meters, or ‘advanced metering infrastructure’, were core components of a ‘smart grid’ that sought to efficiently balance energy use, cut greenhouse emissions and strengthen the power grid while introducing green alternative energy sources. The meters sent information and received instructions remotely from power companies. They were designed to help give families more control over what they paid for electricity and help cut power bills.

Victoria was regarded as a world leader in the deployment of this technology. But the Auditor-General, in a report tabled in Parliament on 11 November 2009, found that the Department of Primary Industries’ rollout of the smart meters was not subjected to the usual checks and balances of major state-funded investments. The Auditor-General’s report was critical of the state government’s oversight of the project, which planned to put 2.4 million smart meters in homes from 2009, at a cost to consumers of about \$500 million over four years.

Pearson found that owing to the state’s poor risk management of the project and lack of resources to steer it, consumers would wind up footing the bill if anything went wrong. The Auditor-General’s report said the Department of Primary Industries ‘should focus on the effective transfer of expected benefits to consumers, as consumers are directly funding the costs of implementation of the (smart meter) program’. ‘It is possible there will be an inequitable, albeit unintended, transfer of economic benefits from consumers to industry,’ Pearson found.



With costs escalating beyond original estimates – as was the experience in Victoria – the rollout of smart meters also sparked concern among the public during Pearson’s tenure.

Source: Johan Fantenberg

Paul O'Connor, who conducted the smart meters audit, recalled the ensuing dispute with government: 'It was controversial because the department had mischaracterised what the cost-benefit analysis was. They were saying it's good for consumers. We said that's not what the cost-benefit analysis says.'

The Auditor-General was especially scathing of the home interface that enabled consumers to track their energy use in real-time: 'The project risks are very likely to directly affect consumer prices.' The report prompted immediate media and parliamentary debate. Victorian Premier John Brumby lashed out at Pearson, calling him 'a climate-change sceptic'. 'What the Auditor-General's saying is that governments here, across Australia, in the United States and across the world are wrong,' Brumby told AAP. 'That's what he's saying, you can make your own judgment about who is right.'

It was a rare, almost unprecedented, public slanging match between the government of the day and VAGO, the entity that had been set up more than 150 years previously to scrutinise the government's spending of taxpayers' money. Reflecting on that time now, Pearson says he wasn't unduly concerned by the government's response, and ensuing fallout. 'I treated this, as with a few other such responses in Victoria and WA, as "water off a duck's back",' he said. 'Such responses generally indicate [the] audit has raised a valid, if politically embarrassing, issue.'

This kind of argy-bargy with government, Pearson felt, was just part and parcel of the job:

These types of issues are grist for the mill for a public sector auditor. I consciously worked to not let them unduly influence or concern me.

There was generally mutual respect with the government ... but the political machinations – the executive vs the auditor – there were always undercurrents there ...



The move for 'follow-the-dollar' powers built momentum through Pearson's term as Auditor-General, and this was a notable development for the Office.

Essentially, the growth in number of public-private partnerships (PPPs) in Victoria meant more government work was outsourced to private

operators, who were not subject to VAGO scrutiny under audit legislation in place at the time. Private money was being used to support these PPPs, but VAGO was unable to review whether it was being well spent or not. Hence the term, 'follow the dollar'. VAGO wanted the power to follow the money trail and audit these commercial partners and 'associated entities'. 'That became a big issue,' said Pearson.

This is where the public sector evolves but the legislation doesn't. We had the compound problem of people not wanting to share information on what I'd call spurious 'commercial in confidence' reasons. So we were trying to get the Act brought up to date.

PPPs were really growing in number at that stage and we could see the problems that might arise because we couldn't do a complete audit, we could only look at the public sector side of these deals. And the rest of it was a black box ... which meant we didn't have a basis to reach a substantive conclusion.

Among the examples of the bigger PPP projects during this period were the Royal Children's Hospital (RCH) redevelopment, Southern Cross railway station, the County Court building, the Melbourne Convention and Exhibition Centre, and the Monash-CityLink-West Gate Freeway upgrade.

The \$1 billion RCH was delivered as a PPP in 2008, in accordance with the state government's Partnerships Victoria policy. The state engaged a private sector consortium to design and build the project, finance it and assume responsibility for facilities maintenance and asset replacement over a defined period. Children's Health Partnership was the private operator contracted by the state to deliver the project. Pearson and his Office, however, were limited in their scope to examine only the 'public' element of PPPs:

The situation was compounded because the private partners had the commercial private sector approach where they were only accountable to shareholders.

I can remember the pushback I was getting when I was pushing for it – there was an infrastructure group that basically said to us: 'Mind your own business. Trust us.' What they didn't appreciate is that they were spending public dollars.

There was a similar situation with the government's arrangement in 2006 with Transurban to deliver the Monash-CityLink-West Gate Freeway upgrade, designed to improve traffic flow in the corridor between Werribee and Narre Warren. It was an issue which attracted the attention of *The Age*, which said in an editorial:

[T]he Government has given up \$2.9 billion in concession payments due from Transurban for up to 28 years. In return, the toll-road operator will put \$609 million into the freeway expansion over four years. The sums appear to work out badly for the public.

Pearson could see the problems emerging as plain as day, but outdated legislation meant VAGO was powerless to address these widening gaps in governance:

We had one arm tied behind our back with those sorts of disputes. Being an auditor you might have the feeling that something's not right but unless you've got the evidence, you can't call it out. 'Oversight deficit' is how I described it but it was actually a term coined by Peter Frost, my deputy and COO.

Pearson hammered away at this issue in multiple Annual Reports, his frustrations becoming obvious in the 2010–2011 Annual Report:

It is worrying that in the main, the same issues recur every year. I acknowledge that real change takes time, but the frequency with which the same problems recur is troubling. It suggests that these weaknesses are cultural, pervasive, and deeply entrenched across the public sector.

One of the recurring findings concerns managing performance when services are outsourced or devolved. Over the past 20 or so years, delivery of government services has increasingly been outsourced to the private sector.

While services may be at arm's length, this does not mean the funding agency is no longer accountable for good, efficient service delivery. Activities can be outsourced – but accountability for outcomes cannot. Yet we continue to see insufficient monitoring and the emergence of gaps in governance. Consequently, our audits often recommend that departments strengthen their oversight.

Pearson fronted a PAEC hearing in August 2012, shortly before he departed the Office, along with colleagues Simone Bohan, Sector Director Financial Audit, Central Agencies and Whole of Government, and Paul O'Connor, Sector Director Performance Audit, Technology Review and Annual Plan. The hearing was inquiring into 'Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects', and Pearson raised the issue of PPPs and the problems being encountered by the VAGO team. The Office, he said, had no interest in trawling through the books of private operators and conducting a full audit. It just wanted access to the relevant documentation so it could hold public figures to account. He told the Committee:

Parts of major project programs are now being delivered under commercial contracts by the private sector ... so you still need access to source records as an auditor to be able to establish corroborating evidence or a reliable base for a decision.

What often gets confused is that we are not asking for the right to audit the private sector in the sense of an outright audit; we are asking for access to information and assets in the hands of the private sector to enable us to hold public officials to account.



Befitting his background as a Queensland country boy, Des Pearson was direct, plain-speaking and uncompromising. He expected certain standards and was not happy when those standards weren't met. He was a perfectionist and a stickler for getting the detail right. In the context of modern management theory, he might have been seen as a bit old-fashioned. However, he was often seen walking the floor, chatting to staff and generally being visible. Paul Martin, as a financial audit director, remembers him making an effort to connect with his staff which he found 'refreshing':

He was happy to talk footy or cricket or socialise with people. He'd always attend our weekly social club events and drinks. We'd celebrate success of tabling reports with the teams, that sort of thing. They were the initiatives that I remember from Des, trying to get a bit of connection back with the workforce.

Staff felt they had to be fully prepared before any meeting with the Auditor-General, and needed to be pretty clear about the reasons for their discussion. If they weren't entirely across their brief, Pearson would often make his displeasure known. Some staff found his running of the office quite bureaucratic. There were lots of memos and briefings – and appointments had to be made with his secretary to see him, so there was lots of running around just to get a basic query answered. His attention to detail would bubble to the surface when, for example, mistakes were noticed in VAGO reports after they'd been tabled in Parliament. This would mean collecting the 200 or so copies back from the parliamentary clerks, applying stickers to the offending word or words, or table of page numbers on the contents page, and correcting the mistakes manually.

For all that, Pearson's tenure was marked by honesty, ethical conduct and a rigid adherence to the powers and responsibilities invested in the Office by the Audit Act. Here was someone who was never going to be schmoozed or charmed into making a decision just to curry favour with the powers-that-be. 'Des oozed integrity,' said Peter Frost.

We were dealing with a straight arrow here. He just called it as it is. Some thought he was a bit inflexible and he could be. But whatever his decisions were, whether it was the senior staff restructure, or improving the quality and quantity of performance audits, or pursuing the follow the dollar powers, those decisions were always honestly held.



The development of IT systems and software at VAGO was slow but steady through the first decade of the millennium. Some aspects of the Office's operation were contemporary and efficient; others lagged way behind. There was, for example, a very manual legacy system employed for something as basic as posting out financial statements, once signed. This involved photocopiers going all day to make several copies of a 100-page document.

Pearson, in his first Annual Report (2006–07), said the software tools used by VAGO to conduct financial statement and performance audits were enhanced during the year. VAGO's financial audit toolset, which was jointly developed with the QAO, was successfully implemented in the Tasmanian Audit Office and the ACT Auditor-General's Office, he said.

Basically, it was a common methodology and you got greater assurance about its reliability because of the wider usage ... Up until then, each office had done their own thing. Some had internally developed their own system; some had bought them from the private sector. We were leveraging the strengths of other offices to provide reassurance we were doing the right thing.

This reflected Pearson's approach to the development of any new system – watch, learn and adapt an existing model – rather than, in his words, reinvent the wheel. He conceded that in matters of IT, he was happy to build on experiences from other state audit offices, see what worked and what didn't, and then adapt a model for Victoria:

I'm probably a bit of a plagiarist: I try to avoid reinventing a wheel, I try to get a wheel and develop it ... It's pretty rare for you to have a problem that someone else hasn't had – and if you get the insight on how they addressed it, you can build on that and address the problem in a timely and effective manner.

Simon Magrin began his career at VAGO in January 2011, as ICT Infrastructure Officer, just prior to Des Pearson's term ending. He found a level of sophistication in the Office's electronic timesheeting that exceeded anything he'd encountered at his previous employer:

My previous organisation used to do spreadsheets. You'd have to go through your manager and submit them, all via email ... Whereas VAGO had a proper system for that. You had a portal, you'd go into it and for different audit work, you'd enter different project codes or charge codes. It's a bit of a silly example, but when I started with that I thought, well, geez, that's something I've never seen before.



After six years as Victoria's Auditor-General, Des Pearson announced his resignation in August 2012. It brought to an end a 42-year public service career, which started in the Commonwealth Auditor-General's office as a cadet in 1970, before moving to Brisbane, Canberra and then to the Northern Territory as Chief Auditor during the period of transition to self-government. In 1991 he was appointed Auditor-General for Western Australia.

Pearson left VAGO in December, about nine months before his seven-year term officially ended, but he knew, at the age of 62, that his time was up. After more than 30 years in senior and chief executive roles, he was ready to move on to the next phase of his life. The rigours of such a demanding role had finally caught up with him. There was also the issue of being caught in 'no-man's land', as he described it, where his work as an independent auditor meant he was caught somewhere between the private and public sectors – a confidant to both but a friend to neither. It's fair to say he was never a great fan of the Victorian public sector, being in his words an 'impatient outcomes-orientated operator'.

I went about six months early. I was just tired after 20-odd years in that particular role, being the meat in the sandwich, and I decided to end it on my terms ... I'd been thinking about it for a while. I was 55 when I'd done my 15 years in the west, and was planning to retire. Then I was approached about the Victorian job.

What gets you after a while is the pushback and being in no-man's land because while you're in the public service, you're an independent officer.

On a personal level, in WA, the public and private sectors seem to interact. In Victoria, I found that the public and private didn't interact, and I was the odd man out in the public sector. I didn't want to be part of the public sector crowd ... you're the auditor so you're independent.

In departing the Office, Pearson left behind a substantial legacy. Reflecting on VAGO's achievements, he said the development of a

four-year rolling Annual Plan that was aligned with the goals of the government had been well received; so had VAGO's approach to reporting to Parliament with 'more concise, focused and reader-friendly performance audit reports'. The adoption of a sector-based approach to auditing and parliamentary reporting had also been a success, Pearson felt. 'Similarly, our innovation in reporting on the financial sustainability of the public hospitals, local government and water sectors has further leveraged the significant sector investment in the adoption of accrual accounting,' he said. Pearson said much of his effort had been devoted towards better promoting the work of the office and its production – such as introducing briefings to parliamentarians on the day of a report being tabled.

Then there was the human element. Aside from the business of dollars and cents, balance sheets and financial reports, there were the employees at VAGO – the auditors and IT experts and administrative staff – who made it all happen. Pearson took enormous pride in the way that generational change and bringing new talent into the office had, he felt, 'revitalised the staff capability'.

The Audit Office remains the source of accounting and executive expertise in the public sector. I see it on LinkedIn now where people who were managers and directors of financial audit are now CFOs and deputy secretaries in other agencies. So the Audit Office continues to be a training ground for future leaders, and I'm very proud of that.

He thought that VAGO had enjoyed a good working relationship with governments of both stripes while he was Auditor-General: with Steve Bracks and then John Brumby on the Labor side of politics, followed by Ted Baillieu and Denis Napthine on the conservative side: 'We had the occasional box-on but there was a mutual respect there. As individuals they were responsible, respectful people.'

This brought Pearson to his final, perhaps wistful, reflection about the state of contemporary politics. His overwhelming impression was that current politicians and political parties were far too focused on being re-elected than on doing the job they were elected to do: serving the public, and the public interest. He wasn't making a partisan point, just an observation that this was, he thought, a worrying trend in Australia.

Things have definitely changed, the way politics is going – with the growing power of the executive. Former politicians I remember like John Howard, Bob Hawke, Paul Keating and Charles Court over in WA were principled politicians and they'd act in the public interest, whereas now you've always got the suspicion they're doing it more for their political survival rather than overtly promoting much-needed reform.



## Chapter 3

---

### **The Doyle years:** Turbulent times (2013–2015)

When the Public Accounts and Estimates Committee (PAEC) went through the process of appointing a successor to Des Pearson in early 2013, it eventually settled on John Doyle, a man who had held the Auditor-General's position in the Canadian province of British Columbia for the previous six years. In selecting Doyle for the role, committee members knew they were getting a public servant who had no qualms about holding his employer's feet to the fire and was not afraid of providing brutally honest feedback. In fact, here was an auditor who almost relished confrontation and boasted a style that was often seen as 'combative'.

Doyle had forged a reputation in Canada as a fearless Auditor-General. The *Vancouver Sun* political columnist Vaughn Palmer described Doyle's robust engagement on one particular occasion – with the head of BC Hydro, a government-owned energy provider – as the 'bookkeeping equivalent of hand-to-hand combat'. The local newspaper in Victoria, British Columbia, *The Times Colonist*, said admiringly he was 'an aggressive watchdog in B.C.'. The business news website BCBusiness described him as an 'enforcer'.

But it's possible these alpha traits counted against him in the end; that he was seen as being too aggressive in holding the provincial government

to account. In late 2012, a legislative committee in British Columbia announced that Doyle was not going to be reappointed for a second six-year term. This was widely viewed as a political decision by the governing Liberal party, which had often been embarrassed by the findings of Doyle's audit teams. After a public slanging match between the government and opposition parties, Doyle was offered a two-year extension instead of a full second term. But that concession did little to placate him and he resigned, issuing a typically pugnacious statement as he departed: 'I am concerned my independence is being challenged and attacked quite inappropriately, in public, by a committee that doesn't know what it's doing.'



Incoming Auditor-General John Doyle boasted a style that was often seen as 'combative'.

Source: Marcel Aucar Photography

On the other side of the Pacific Ocean, the PAEC began its international search for Victoria's new Auditor-General. The Committee's Interview and Selection Panel identified several people well positioned to take VAGO forward and, on 5 February 2013, after whittling down that list, announced the appointment of John Doyle as Victoria's 26th Auditor-General, his seven-year tenure due to begin on 1 July. Both sides of politics lauded his career achievements, and there was rare bipartisanship in welcoming him to the Australian state of Victoria – from British Columbia's capital city of Victoria. The then Premier, Ted Baillieu, said Doyle would ensure

public money was well spent. Opposition Leader Daniel Andrews said the incoming Auditor-General had a reputation of providing frank and honest advice to the British Columbia government. 'We've got a long tradition in this state of having auditors-general who are fearless critics of this government ... that's pretty much their job,' Andrews said.

It was revealed by Canadian media outlets that although Doyle left the Auditor-General's office in British Columbia in May, he had still been collecting his Canadian salary after starting at VAGO. The British Columbia government reportedly continued to pay him \$32,000 a month – until October – due to a disagreement over when his contract actually began and ended. Then there was a complex legal dispute between the British Columbia legislature and his new jurisdiction in Australia about first-class travel to Melbourne and relocation expenses for him, his ill wife and a Canadian nurse hired to look after Mrs Doyle. Later, in March 2014, he filed a civil suit against the province for unpaid benefits and expenses, and for allegedly making him the subject of a smear campaign.

All in all, a messy and somewhat unedifying start to his new job.



Doyle was only weeks into the role when he had to sign off on his first VAGO Annual Report. In it, he paid tribute to his predecessor, Des Pearson, and to the Acting Auditor-General who led the office for the seven months after Pearson's December departure, Peter Frost:

I wish to recognise the legacy of Mr Pearson, who has left VAGO a strong organisation with a reputation for scrutiny, rigour and transparency. Under Des's leadership, the work of VAGO has grown and received increased attention from Parliament, the public sector and the community.

I would also like to thank Peter, who has led the office successfully since Des's retirement, as shown by the strong performance for the year ...

Frost indicated he had been encouraged by Pearson to put his hand up for the vacant Auditor-General's role in 2013 but, in the end, he did not apply. Doyle's forceful personality and credentials – he was an associate professor of accounting with experience in a wide range of public audit roles – won the day.

Doyle made clear some of his main priorities for the years ahead, including reform of the *Audit Act 1994*, so his Office had the powers to scrutinise the spending of public funds by private third-party providers – an echo of Pearson's long-time lament about public-private partnerships (PPPs):

The effectiveness of our operations is also subject to some longstanding limitations. Reform of the *Audit Act 1994* to address these challenges to our operations is urgent. The Minister for Finance has stated that reform of the Act will be a priority for 2013–14. I expect to see significant progress.

At this time, the executive management team comprised: Peter Frost as Chief Operating Officer; Nancy Stefanovski, who was appointed Executive Director of the Audit Support Group in September 2012; Marco Bini as Director of Policy and Coordination Directorate; Natalia Southern as Assistant Auditor-General, Performance Audit; Ellen Holland as Assistant Auditor-General, Financial Audit. Later, Karen Phillips was appointed as Assistant Auditor-General Information Systems Audit, and Matthew Zappulla as Assistant Auditor-General, Standards and Quality. Most of the executive team – including Doyle, Frost, Stefanovski and Bini, along with corporate services – had their offices on the 24th floor at 35 Collins Street. Two Assistant Auditors-General worked from offices on the floor below, alongside the auditing teams.

As he settled into his role, Doyle's reputation as a combative personality began to reveal itself. His style as a leader was to encourage a kind of creative tension within the executive team during 'Performance Audit Challenge Committee' meetings, the idea being that this internal conflict might drive better results, and more inspired brainstorming. But these meetings, where staff were encouraged to critique the performance of colleagues, occasionally ended up having the opposite effect: recriminations and hurt feelings were the unintended consequences.

Instead of a positive team-bonding experience, according to directors and team leaders, a culture of fear and intimidation grew – and staff became increasingly reluctant to engage with their superiors. One senior member of the technical team from 2011 to 2017 observed a growing tension between divisions in the Office:

From my perspective, our relationship with financial audit became very tense and that created issues between my Assistant Auditor-General and the Assistant Auditor-General within financial audit ... It was a really hard, difficult period.

John actively wanted that tension to exist because he thought that would get the best out of us. You know, we were the quality audit, so we were there to drive audit quality and keep financial auditors on their toes, so to speak.

The technical team are in-house experts who give advice on particular problems. They also conduct 'quality reviews' after the event – reviewing an audit file after it is done. 'Our role is to protect ourselves from ourselves,' said one member of the team.

For one senior performance audit staff member, the internal conflict was enough to have some staff reconsidering their futures: 'It was really, really difficult, to be honest with you.' Paul Martin could not help thinking there was a better way to drive improved results and stronger sense of team: 'John really exacerbated that tension, rather than fostering a culture of working together – how can we improve ourselves, how can we innovate together?'

No-one doubted Doyle's expertise in audit. Similarly, his commitment to running a rigorous operation at VAGO that held public entities to account could also not be questioned. He was frank and fearless. It was his methods in achieving these aims that were sometimes called into question.



In November 2014, Doyle joined with three former auditors-general – Des Pearson, Wayne Cameron and Ches Baragwanath – in penning an opinion piece for *The Sunday Age* urging whichever party won the following Saturday's (29 November) state election to grant the Auditor-General's Office 'follow-the-dollar powers' to allow auditing of all activities funded by Parliament. Notably, this would include being able to audit private companies contracted under PPP arrangements, which at that time were worth about \$17.7 billion in capital costs.

This was seen by some as a controversial move because auditors-general were not supposed to venture into the realm of politics – they were independent officers of the Victorian Parliament and, as such, above the daily cut and thrust of parliamentary debate. Publicly advocating for policy change ahead of an election was the preserve not of auditors-general but, in the main, elected representatives. Yet the four auditors-general waded into the discussion in a very public way, arguing that Victoria's Audit Act was 'seriously out of date' and failing to keep pace with contemporary trends in public service delivery. They said it was time Victoria followed other Australian jurisdictions in amending its audit legislation to meet the challenge of government service delivery arrangements and to allow the Auditor-General to test properly whether government and non-government (NGOs delivering social services, for example) programs were operating economically, efficiently and effectively:

After years of unnecessary delay there is now a gathering threat to the ability of the Auditor-General to undertake the depth of investigation required to make appropriate conclusions about public spending and government programs.

We need contemporary audit legislation, early in the term of the new government, so that Victorians get an integrity system that works, and Parliament's (and thus the citizen's) right to know is fully strengthened.

These arguments had been made before by Pearson and others – as described in the previous chapter – but always in private discussions and via VAGO's Annual Reports. To have them prosecuted publicly a week out from the election was, some thought, overreach by Doyle and his immediate predecessors. But the campaign ultimately worked. In ramping up the pressure on the incoming government to finally introduce measures that would enable the state's auditors to scrutinise the value provided by private companies and non-government bodies, the four auditors-general would soon get the changes they had long sought.



As it happened, Daniel Andrews and the Labor Party won that Victorian election, and Andrews was sworn in as Premier in December 2014. With a progressive agenda that included the addressing and modernising of a raft of social issues – including voluntary assisted dying, safe injection rooms and legalisation of medicinal cannabis – Andrews' government also embarked on what was known as Victoria's Big Build.

This encompassed the construction of a number of large infrastructure projects, including the Level Crossing Removal Project, Melbourne Metro Rail Project and the West Gate Tunnel Project. There had not been a great deal of movement in this space under the Baillieu and Napthine



Victoria's Big Build brought audit teams out of their offices and into the field to assess mega road and rail projects. This included riding the Mildura 'Fruitie' to assess track condition as part of the Murray Basin regional rail audit.

Source: Paul O'Connor

governments but, all of a sudden, mega-projects were being announced seemingly every second month. The election of the Andrews government ushered in a particularly busy period for the auditing teams at VAGO – and the focus of many of the performance audits was on the growing number of PPPs among these infrastructure projects.

The first seismic announcement of the Andrews era came in the final days of 2014, eight days into his first term as Premier, when the government announced it would make good on its election campaign promise and cancelled the East West Link, a proposed 18-kilometre Melbourne tollway project, a project started by the previous Coalition government. This was a significant decision for a number of financial reasons, but two stood out.

The first issue was that cancelling the contract with the East West Connect consortium would attract a huge penalty, with the government paying \$339 million in compensation for costs incurred after the project was scrapped. The final cost of scrapping the project exceeded \$1.1 billion, including a \$642 million termination settlement.

The second issue was the federal government's formal request for repayment of the \$1.5 billion advance (from a \$3 billion grant promised to the previous Napthine government) pursuant to a Memorandum of Understanding and related federal legislation, which stated that the funds were to be used for the express purpose of the East West Link construction. Victoria, therefore, had an obligation to repay that money. But the new state government refused to return the grant, creating immediate conflict with Tony Abbott's government in Canberra, which also could have chosen to recover this money by reducing funding for other Victorian projects. By October 2015, the advance payment had already earned interest of \$49 million.

The state government chose not to record the \$1.5 billion expense and associated provision as a liability. To the auditors this meant the state's net result from transactions was overstated, and other provisions in the balance sheet understated. In other words, Victoria's \$1,214 million net surplus from transactions should have been a deficit of \$286 million. This matter resulted in the Auditor-General issuing a qualified audit opinion on the Annual Financial Report (AFR) of the State of Victoria, prepared by the Department of Treasury and Finance for the year ended 30 June 2015. In the Auditor-General's 2014–15 Parliamentary Report on the state's AFR, acting Auditor-General Peter Frost wrote: 'The audit qualifications highlight that the AFR fails to recognise the state's obligation to return \$1.5 billion of Australian Government funding relating to the East West Link project at 30 June 2015 ...'

A performance audit of the East West Link project was undertaken about this time, involving staff from both audit divisions. Tabled in Parliament in December 2015, the report was critical of the advice being provided to the Andrews government by senior public servants who, it said, had failed to present the relevant ministers with fearless and frank advice. Both the head of Department of Premier and Cabinet at the time, Chris Eccles, and the Treasury Secretary took extreme exception to that characterisation, which they set out in their responses to the report. This led to a rare occasion where the Office included a response to the Department of Treasury and Finance and the Department of Premier and Cabinet responses in the report, addressing their arguments and defending the findings and conclusions in the report.

9 December 2015 | East West Link Project

VAGO  
Victorian Auditor-General's Office

16

**Overall message**

**The East West Link project was not managed effectively due to flawed advice that did not always meet the expected standard of being frank and fearless.**

A performance audit of the East West Link project tabled in December 2015 was critical of the advice provided to the Andrews government by senior public servants.

Source: *East West Link Project*, VAGO

The audit also said the previous Liberal government had much to answer for in rushing through the contract signings before the 2014 election. This failure to properly resolve project risks before entering contracts had exposed the state to additional financial risk, wrote Frost as the Acting Auditor-General:

It was clear the advice provided to the then government was disproportionately aimed at achieving contract execution prior to the 2014 state election rather than being in the best interests of the project or use of taxpayers' money.

Around the same time, another issue brought VAGO into conflict with the new government, and it had nothing to do with ‘big builds’. It concerned a department as old as the Victorian Parliament itself: Education.

VAGO’s issues with the then Department of Education and Early Childhood Development (DEECD) went back several years; it had identified a litany of failures in more than 27 audits stretching back to 2009. In 2012–13, data integrity issues around asset records were reported to DEECD as a high-risk item that required immediate action. This same issue was raised again in 2013–14 when appropriate action failed to occur. In addition, two high-risk concerns around the lack of timely asset accounting and inadequate reconciliations of the assets register were raised in 2013–14.

In that same year, the Office issued a qualification on the DEECD financial statements relating to the accounting policy applied for measuring the value of school buildings – specifically, how economic obsolescence was assessed in calculating a school building’s fair value. This qualification flowed through to VAGO’s opinion on the AFR in that year. The underlying issue was soon resolved, however, and that specific qualification was later removed.

But the following year, 2014–15, the department was again in VAGO’s sights, this time for the ‘insufficiency’ of accounts and records to support all the balances and/or transactions in the DEECD financial report. So serious were the gaps in the department’s records that VAGO issued a ‘disclaimer opinion’, a far harsher audit outcome than the ‘qualified opinion’ issued the previous year.<sup>1</sup>

Problems with the Department of Education and Training (DET)<sup>2</sup> began when it started writing down the value of school buildings in Victoria, saying they were economically obsolete. The department argued that these buildings had room to house, say, 100 schoolchildren, but enrolment forecasts indicated they might only be needed for 50 children in seven years’ time. The space wasn’t needed, it argued, so the department began writing them down. VAGO disagreed, saying the department’s accounting policy for measuring the fair value of buildings, specifically including an economic obsolescence adjustment, was not appropriate. It had resulted in a significant writedown of taxpayer investments in school buildings that

---

<sup>1</sup> A disclaimer opinion reflects a situation where the auditor cannot obtain enough reliable evidence to form a meaningful conclusion about the financial statements as a whole. By contrast, a qualified opinion acknowledges that the financial report is mostly reliable, with only a specific area affected by a material but limited issue.

<sup>2</sup> The DEECD changed its name to the Department of Education and Training (DET) in January 2015.

were continuing to deliver educational outcomes, and reduced certainty around state funding for the renewal and replacement of schools. That set off a significant disagreement between the Secretary of the DET and the Auditor-General.



During this period VAGO often found itself in conflict with the Andrews government.

Source: Marcel Aucar Photography

A short time after this, Doyle vacated his post in controversial circumstances – as we go on to explain later in this chapter – and Peter Frost was appointed in his stead as acting Auditor-General. This meant Frost had to take the lead on these two problematic issues: the Department of Education and Training audits and the full examination of the East West Link Project. He did not take long to make his mark.

Within weeks of his acting appointment, Frost, a former teacher, issued a scathing review of the DET’s continued failings with its financial statements. In his performance audit report on the DET in October 2015, *Department of Education and Training: Strategic Planning*, Frost spelled out – in powerful terms – his frustration at the department’s inability to get its governance and leadership structures in order:

The department’s role is to support 576,000 young Victorians and their 42,000 teachers at 1,500 government schools where principals and parents work tirelessly for their school communities. Yet despite its very reason for being, the department has failed to be a learning organisation for a long time.

Between 2009 and 2014, he said, VAGO had undertaken 27 audits traversing all the critical issues, including literacy and numeracy, teachers' performance, the Victorian Certificate of Education, pupil wellbeing and safety, student completion rates and Indigenous education. Frost wrote:

These audits have consistently revealed a depressing pattern of under-performance. Indeed for years, 15 of DET's 26 long-term outcome indicators have either deteriorated or shown no significant change. Collectively these audits have prompted questions about the department's governance, leadership and planning activities.

These issues were the subject of the October 2015 report, which again revealed a lack of progress in many of these key areas:

There has been a culture of complacency, defensiveness and 'siloeing' within the department and a lack of accountability across its leadership. Its executive performance system is flawed and is applied inconsistently. Many in positions of leadership are rewarded without any adequate consideration of how they have performed. Underperformance is often rewarded and accountability is not sufficiently valued.

Given the normally restrained tone of Auditor-General reports, this Frost review was withering in its assessment.

VAGO's audit report on DET's financial statements, which was signed on 29 October 2015, said the \$16.8 billion worth of assets (property, plant and equipment) held by the state were not supported by proper underlying accounts and records. A day later, the audit report into the Department of Treasury and Finance financial statements was signed. It said the state failed to record the \$1.5 billion East West Link liability and corresponding expense in its accounts and this produced a misleading final operating result and balance sheet.

Two damning audit results within 24 hours of each other. Both flowed through to the AFR opinion as qualifications – not a disclaimer – because the Office was able to 'ring fence' the impact at the consolidated state level. While it was not the first time a state Auditor-General had qualified the whole of state accounts, it was a very rare occurrence. As one director later reflected: 'Managing even one qualification at that level demands significant effort and coordination; dealing with two simultaneously understandably made the period even more demanding.'



There were other issues that cropped up during John Doyle's tenure that put him at odds with senior staff. The concept of materiality was one notable example. This concept is an important one for auditors because it means – broadly speaking – that any dollar amounts below the materiality level are presumed lower risk and so require relatively less audit attention and effort. An auditor determines an appropriate materiality amount, usually based on a percentage of a benchmark balance, and the audit scoping is based on that amount.

It is not feasible for audit teams to test and verify every transaction and financial record, so the materiality threshold is an important factor in assigning resources, while still completing the audit's objectives. But several senior managers said Doyle had no tolerance for the concept of materiality which, he felt, had no place in the public sector. True to his fastidious – and pugnacious – nature, he wanted every figure accounted for, no matter how small, and financial statements adjusted accordingly. This impacted both auditors, who were spending too much time on chasing up trivial amounts, and clients, who were annoyed at having to account for these sums.

One senior financial auditor remembers being told to pursue the correct accounting for \$72 in one particular audit, a ridiculously small amount in the overall context of the entity's financial statements. 'My charge out rate would have been say, \$150 an hour, and I probably spent 10 hours talking about it and trying to account for it,' she said.


Travis Derricott had a similar experience:

John's view on materiality was totally different to any Auditor-General that I've ever worked with.

If we found that something was out by a dollar, we needed to fix it, or otherwise we might have to issue a qualified opinion. A number of us as auditors were really struggling with that view because there's this concept of materiality and whether the accounts present fairly. We're providing reasonable assurance, not absolute assurance.

So, there was a whole lot of pushback and tension within agencies that we've been auditing for over 100 years.

These observations from senior employees spoke to the changing culture at VAGO. In the space of a year or two, the workplace had become more hierarchical and more combative – both internally among staff and externally in dealing with clients – and less functional.



In August 2015, VAGO was rocked to its core when it was revealed that John Doyle was the subject of sexual misconduct allegations. The complainant, a woman in the Office, came forward to Peter Frost and alleged that Doyle had acted inappropriately towards her, first after a work function at his home and then subsequently in the office when, she said, she was excluded and belittled by Doyle.

Frost had noticed the uneasy relationship between the two during office meetings: ‘Suddenly, I was noticing in meetings that he was refusing to recognise or even engage with her. So I was thinking “what the hell is going on here?”’ A few days later, on 12 August 2015, the woman – Complainant C as she was referred to in the ensuing investigation – walked into Frost’s office and made the complaint. Frost, a deputy to Doyle, effectively told the woman to either proceed with a formal complaint, or leave the matter alone. Within days, she had presented Frost with a 20-page statutory declaration detailing her claims against her boss.

Because Doyle was an Officer of the Parliament, he was not subject to VAGO’s normal human resources policies. So, on 13 August Frost reported the matter in a letter to the head of the Department of Premier and Cabinet, the chairman of the PAEC, the President of the Legislative Council and the Speaker of the Legislative Assembly. Referring in his letter to the complainant’s ‘grave allegations’, Frost said he feared for the wellbeing of the two ‘principals’ and ‘the ability of the Office to function effectively’ given the reputational damage.

The Presiding Officers referred the complaint to the PAEC, which met on that same day to consider the matter. Frost recalled the sequence of events:

They called John over. I can still remember this to this day. I had written a letter [to the PAEC] saying: ‘This is what I’ve got. For Christ’s sake, please deal with this quickly’. I feel for both principals – both Doyle and [Complainant C].

The next day they called him up and asked to see him. The PAEC chair at that stage was Danny Pearson and David Morris was deputy chair. Before he went, John came over to me and said: ‘Do you know what they want to talk to me about?’

I said, ‘I don’t know exactly,’ but I said ‘you better take Marco [VAGO’s in-house lawyer] with you’.

When news of the development became known within the Office, the fallout was immediate and extensive. Never in VAGO's 165 years had an incident caused such widespread damage – both to the Office's reputation as an upholder of integrity and to the staff who felt a sense of betrayal and anger. Frost recalled the moment he, as Deputy Auditor-General, called the Office together to break the news:

Some people were in tears. I remember saying this is one of the worst things that has ever happened in my time working in the Public Service.

[They were upset] because the chief integrity officer was accused of, and subsequently found guilty of, behaving without integrity. What does that say about the function of the office? This is an integrity agency. It's the oldest integrity agency in the state.

The PAEC announced that there would be an inquiry into the matter and asked Doyle to stand down while it was being conducted. Doyle refused, leading to the 'weird' situation, in one staff member's words, where everyone was still attending meetings with the Auditor-General while these serious allegations hung over him.

Recently retired High Court justice Kenneth Hayne was appointed to lead the investigation into the woman's accusations. It was only after Hayne had interviewed the complainant and Doyle for the second time that Doyle quit as Auditor-General on 22 September, setting out his resignation in writing to Governor-in-Council. In light of that development, Hayne paused his investigation, pending further instruction from the Committee. The Committee met on 5 October to consider options for completing the inquiry and noted that the resolution of the Parliament required a report on the allegations. The Committee resolved that Hayne should continue his investigation and deliver a final report.

A week earlier, the Governor-in-Council appointed Dr Frost as Acting Auditor-General from 30 September 2015 to 29 March 2016 (inclusive) or until such time as a new Auditor-General was appointed, whichever was the earliest. Frost had previously run the Office of Public Sector Management at the Department of Premier and Cabinet – among myriad other public sector roles – and his strengths lay in the relationships he'd formed with senior bureaucrats at Treasury and DPC. Just as importantly, he understood how Spring Street, and ministerial offices, worked. As more than one senior VAGO staffer remarked, 'Peter was a poacher turned gamekeeper'. Indeed, it was Terry Moran, then head of the Premier's Department, and then Ombudsman George Brouwer, who first asked Frost to consider a role at VAGO. But Frost wasn't an accountant and relied on senior colleagues for technical advice in areas such as financial auditing.



Peter Frost stepped in as Auditor-General after John Doyle vacated his post in controversial circumstances following sexual harassment allegations.

Source: Marcel Aucar Photography

One of the first decisions Frost made as Acting Auditor-General was to give staff access to psychological counselling and support. ‘People were absolutely seething,’ he said. ‘So we made available these sessions. People were free to meet and talk with someone – without names or attribution.’

Hayne eventually handed down his report on 10 November 2015. The report, tabled in Parliament, found it was ‘more probable than not’ that Doyle had made unwanted sexual contact with the employee. Hayne also found that the woman’s complaints of systemic bullying were established.

The Hayne Report brought down the curtain on the whole unedifying episode. After handing in his resignation on 22 September, Doyle was basically not seen in the office, or by his colleagues, again. Frost said the report, which was latched on to by the media, was fair and that Doyle had received an impartial and fair hearing, being represented by two silks at the state’s expense.



The findings of the Hayne Report capped an extraordinary two years at VAGO.

In spite of the devastating impact to the complainant herself, and to the Office’s reputation, the audit teams continued to deliver on their program during the busiest period of the year. And yet there was an unmistakable

feeling that the Office's reputation had been sullied by the events of the preceding two or three months. Senior staff felt this acutely: that the institution responsible for upholding integrity in the state had itself fallen well short of the standards it had required of others.

Some in the office felt Doyle ran his own agenda and that the way in which he dealt with public sector entities caused unnecessary enmity between VAGO and its client base. This created a massive challenge for staff who were the face of the Office, but didn't necessarily agree with the position of the Office. This impacted the constructive relationships they initially had with clients. As one senior auditor noted:

The icing on the cake was when that (Hayne) report came out. That just really rubbed salt into the wound. From an already broken relationship with the public sector, it really just cemented the views of the public sector about us as an Office. What do they say? It's easy to break trust, but really hard to rebuild it. It took a long time and a lot of effort from both Andrew [Greaves], but also the ranks below, to rebuild that trust across the public sector ... and reset the culture within the Office.

Simon Magrin, who arrived at VAGO in 2011, said the fallout was extensive and directly affected staff:

All I can say is just that it didn't reflect on the people that worked for the office, it was just an individual. Unfortunately, he was the highest ranking person in the office and it was really bad.

For Travis Derricott, the unfolding controversy caused a period of self-reflection:

It wasn't an ideal time because people outside of the Office read the report and would make direct or indirect comments which I know at times was intended to be light-hearted – but some of that banter when you've been in the Office for a long period of time and you're proud of where you work, and you're proud of the work that you deliver, it was a challenging period of time.

In VAGO's 2015–16 Annual Report, Frost wrote the foreword under the euphemistic headline 'A challenging but productive year'. Given the turmoil experienced over the previous 12 months, it was something of an understatement.

It has been a very difficult but remarkably productive year for our office. Looking back on 2015–16, our people are entitled to be gratified with the quality of the work they continued to deliver, for the significant value they added and, despite considerable internal upheaval, for maintaining their pride in, and commitment to, the office they serve ...

—♦—

When the smoke cleared, and VAGO office life began returning to something vaguely like normal, the PAEC again embarked on the process of identifying a new Auditor-General.

Frost had been acting Auditor-General since 30 September 2015, and his initial six-month tenure had been extended well into 2016 while the Committee deliberated over the appointment of Doyle's successor. Clearly, after the last hiring misstep, the PAEC was anxious this time to leave no stone unturned in finding the right candidate. Frost said he had been encouraged by senior members of the PAEC to throw his hat into the ring. He had just been through the wringer at VAGO for two years and was willing to stay on for two to three years to help restore the psychological equilibrium of the Office before handing over the reins. The PAEC was not particularly keen on that idea, so a national and international search was launched.

The executive recruitment firm Odgers Berndtson was engaged to conduct the search, and their initial shortlist of nine candidates was soon whittled down to two. After another round of interviews with the PAEC, Andrew Greaves was announced on 18 July as the state's newest – and 27th overall – Auditor-General. He would take up his new role on 19 September, almost a year to the day since John Doyle handed in his resignation.

Greaves went into the new job very much with his eyes open. He had heard rumblings from old colleagues in Victoria that all was not well within VAGO, and that suspicion was confirmed in 2015 when a couple of VAGO staff, who were in Queensland for a conference, paid him a visit. One recalled, with a laugh, the impromptu catch-up:

[We] walked into Andrew's office because we knew him from when he was originally at VAGO and said to him up front: 'you need to come back and be our Auditor-General, please come back'.

Now, I don't know whether he was already considering returning to Melbourne or not, so it might have been pure coincidence, but here he is!

Greaves' experience as Queensland's Auditor-General had clearly been a pivotal factor in his appointment, as had the eight years he had spent in senior roles at VAGO under Wayne Cameron and Des Pearson. And, as he soon discovered, he'd need to draw upon all that experience and wisdom to heal an office that had been fractured by the events of the previous two years.



## Chapter 4

---

### **The Greaves years:** Rebuilding and modernisation (2016–2026)

**W**hile at VAGO in 2011, Andrew Greaves was attracted to the recently advertised Queensland Auditor-General's position because that state's Audit Act had just been amended, giving it a performance audit mandate for the first time. Greaves had run the Performance Audit team in Victoria, and now an opportunity presented itself to set up a new performance audit function in Queensland. So, he jumped at the chance to move north and become the state's Auditor-General. Indeed, he planned to finish his full-time working life after his seven-year term at Queensland Audit Office (QAO) and retire somewhere in Queensland: 'I had no intention of coming back to Victoria,' he said.

But around 2015, those plans began to change. He felt his work at QAO had been a success, and the newly established Performance Audit team was humming along nicely. Then the grumblings from his old place of work at VAGO began to grow louder:

I'd had the opportunity to engage with a couple of the directors at VAGO, sometimes they were up in Queensland for conferences and would come and say hello. One of them came into my office one day in tears and asked me to come back. I'd had a couple of conversations like that and I was getting really concerned about what was going on in Victoria.

Greaves blanches at the idea of him being some kind of white knight riding to VAGO's rescue, but admits he felt a sense of duty to the place that had given him so many career opportunities. And so, when Odgers Berndtson came calling towards the end of 2015, Greaves had little hesitation in putting his name forward as a candidate:

I felt I owed a debt of gratitude to VAGO I think my time at VAGO was the making of me as a leader. The opportunities I was given and the lessons I learnt, both good and bad, how to be a leader and how not to be a leader ... the craft of performance audit. I felt really bad for these people and felt that I wanted to come back and correct it and fix it. I can't describe it in better words than that.



Writing in his final Annual Report as Acting Auditor-General in 2016, Peter Frost reminisced about his 12 months in charge and then addressed the future:

Finally, as we look ahead, we welcome the appointment of Victoria's 27th Auditor-General, Mr Andrew Greaves. Andrew brings to his new role formidable skills and a wealth of audit experience gained both here and in other jurisdictions, most recently, as Auditor-General for Queensland. Parliament, the public sector and our citizens can have confidence that in its 166th year, Victoria's oldest integrity office is in safe hands.

During the interview process and before his appointment was announced, Greaves had done his due diligence. He had spoken to Frost in particular, and some senior executives, to get the lay of the land and find out what was really going in the Office. 'So when I got there I was on the front foot; I didn't want to have to go on a voyage of discovery for six months,' he said. Normally his philosophy in such situations had been: 'live in the house before you renovate it'. However, on this occasion he felt he'd lived in the VAGO house and knew exactly what renovations needed to be made.

Greaves identified several areas that needed attention: an aged information technology (IT) system which operated in much the same fashion as it had in 2003 when he first arrived at VAGO; an outmoded, hierarchical office set-up which did nothing to foster a sense of team; and a poor workplace culture. But more important than those issues – indeed the item at the very top of his agenda – was a review of the Executive Management Team.



A safe pair of hands. Andrew Greaves returns to VAGO as Auditor-General, bringing formidable skills and a wealth of audit experience to the role.

Source: VAGO

When he first took the reins in September, the VAGO leadership group comprised: Peter Frost, as the outgoing Acting Auditor-General; Karen Phillips as Assistant Auditor-General, Information Systems Audit; Matthew Zappulla as Assistant Auditor-General, Standards and Quality; Craig Burke as Assistant Auditor-General, Financial Audit; Steven Vlahos as Assistant Auditor-General, Performance Audit; Chris Sheard, who was also substantively an Assistant Auditor-General, Performance Audit but who was acting as the Executive Director, Audit Support Group while the substantive incumbent was on extended leave; and Marco Bini as Executive Director, Governance Legal and Strategy.

Greaves spoke with each of them, asking their ideas on how to improve performance and morale within the Office, how to rebuild relationships with their clients, and a range of other topics. He also asked them about the Doyle era – and their reaction to the Hayne Report. The elephant in the room was, of course, the issue of Doyle’s behaviour over the preceding

two years – and how the executive leadership team had dealt with that. Greaves felt there had not been enough pushback from the senior group, and that Doyle’s conduct had gone largely unchecked. A staff survey in 2015 revealed that 25 per cent of employees had experienced bullying in the workplace, while more than 50 per cent had witnessed it.

So Greaves slid his feet under the desk and got to work. Like Pearson before him, he embarked on a spill and fill of most senior positions:

I restructured the organisation because I just found it top heavy and it needed simplifying and restructuring. And because I spilt all the positions that meant everybody had to reapply for their job. That’s when some might have seen the writing on the wall.

So it collapsed from six Assistant A-Gs to three, and with the abolition of the other two senior executive positions, I thought that was about right for the organisation.

Such was the state of limbo, VAGO’s Annual Report filed at the end of 2017 carries a panel showing the structure of the Executive Management Team, but no names alongside the titles.

In July 2017, Bill Gilhooly arrived from Canada (where perchance he had worked as an Assistant Auditor-General to Doyle in British Columbia) to become Assistant Auditor-General for Financial Audit while Renee Cassidy, who had previously worked in Performance Audit at VAGO before taking up a role at the Department of Health and Human Services, expressed interest in returning to the Office. She was appointed head of Performance Audit. Susan Fraser, whom Greaves had got to know during his time at QAO, relocated to Melbourne and was installed as the Assistant Auditor-General in charge of Technical Audit and Standards.



When Greaves arrived back in Collins Street, he was surprised by the hostility he encountered from the public service and executive. One department secretary told him: ‘We’ve stopped listening to you’ – meaning they would go through the motions of taking on board VAGO’s recommendations, but instead of implementing them, they would effectively file them in the bottom drawer.

As Greaves soon discovered, there were huge numbers of unactioned recommendations just sitting there gathering dust:

I'm thinking to myself, here I am with no executive power and I can't compel anyone to do anything. All I can do is make reports and recommendations and I've got the public sector ignoring my reports. I looked at some stats and the number of unactioned recommendations was in the hundreds!

One organisation had over 250 unactioned recommendations from the audit office over the last period of Doyle and Frost and a little bit of Des Pearson. So, clearly they'd stopped listening. I then had conversations with them as to why they accepted the recommendations in the first place. They said: 'Oh we couldn't be bothered having the fight, Andrew; or we just wanted you to go away; or we said we were going to do something but we were never going to do anything about it, just to get you off our back!'

So that became a priority: winning back the respect and trust of the public service, many of which were VAGO's main clients.

Greaves first challenged agency heads to review all of their outstanding recommendations and be up front with VAGO about whether they actually agreed with them, whether they were still relevant and whether they intended to action them. He also said that he'd start tracking their actions and reporting publicly on them in a few years. So they had a period of grace to get their houses in order. He started his public reporting in June 2020 and found by then that, of the 455 recommendations that had been accepted, action had not started on only two per cent.

Another simple step that removed much angst, for both clients and staff, was to reestablish appropriate materiality levels for financial audits, overturning Doyle's position, which had remained in place after his departure.

Greaves also needed to reset the culture within the Office, to get the internal staff dynamic functioning properly, which would then demonstrate to the outside world VAGO's seriousness in addressing these problems. He asked his staff to set out new values for the Office. As Paul Martin recalled:

Andrew comes back and one of the first few things he says is we'll be establishing our values as an organisation. And the four pillars we [agreed to] are respect, accountability, innovation and collaboration.

So that was pretty important – just to start afresh with how we want to operate, how we want to interact with each other and respect each other.

Just from those four titles, you can tell where we'd come from and the reputational damage that occurred at VAGO under Doyle and had to be repaired externally. We had to really step up with the way that we interacted with ourselves first and foremost, and then portray that out to our clients.

In his first few weeks, Greaves sat in on one of the internal Challenge Committee meetings – where Performance Audit teams were challenged by the executive team colleagues about aspects of their work. Sometimes, the creative tension did lead to improved results; mostly, though, it led to resentment and unhappiness among the staff being critiqued. One meeting was all it took for Greaves to decide they were not constructive – on the contrary, they were often destructive – and certainly not aligned with the ‘respect’ and ‘collaboration’ values which he wanted the Office to live by. So these meetings were stopped, never to be seen again.

There were other signs that VAGO was about to undergo a major upheaval. At his first staff meeting in his first week, Greaves shared his no-nonsense approach. He was very clear about the behaviour that would no longer be condoned, with gossip at the top of the list of things he would not tolerate.

Other senior staff could see how these changes were aimed at improving the culture within the Office – and eventually the external perception of the Office. Simon Magrin observed:

There was more energy ... with a new team, new blood and new direction. From 2016 onwards, the Office did a complete 180. There was a massive change. It wasn't just like turning up to work, punching in and punching out.

For Travis Derricott, the reboot was long overdue:

We knew that there'd be a period of a change upon Andrew's arrival and we saw it as an opportunity to reset and get passionate again about restoring the reputation of the Office and its standing in the community. That certainly came through in my mind.

Naturally, the huge turnover of senior staff led to some discontent – not only among those who were no longer working at VAGO, but their friends within the Office. So this period of change in Greaves' first six to 12 months did not come without pain; feelings were hurt and it was a difficult time for many. But the new Auditor-General was adamant that nothing less than a full makeover was required. In his first Annual Report in 2016–17, Greaves outlined the reasons for the aggressive reset and, reading between the lines, they clearly had much to do with the events of the previous two years:

The wellbeing of our staff is vital, and it is a priority for us to build and maintain a positive and resilient work culture, where each employee's daily experience is to arrive at work with a sense of purpose, and depart with a sense of accomplishment.

The Office launched a ‘Culture Program’, a series of initiatives designed to improve workplace culture across the areas of ‘Leadership’ and ‘Behaviours and Values’. The latter was concerned with redefining how VAGO managed inappropriate behaviour, and three new policies were introduced – on dispute resolution and grievance, appropriate behaviour, and allegations of misconduct – to provide greater clarity on methods of informal dispute resolution.



Andrew Greaves set about updating an outmoded, hierarchical office set-up and resetting the culture within the Office – launching a ‘Culture Program’ to redefine how VAGO managed inappropriate behaviour.

Source: Carina Ern Sze Lau

---

As part of his vision for the revamped VAGO workspace, Greaves wanted a new, egalitarian office where there was little distinction drawn between rank. Everyone would muck in together. The lease on the existing office space on floors 23 and 24 was about to expire, so Greaves had the perfect opportunity to move premises and create a completely new environment that encouraged collaboration; where ideas could be shared and dialogue exchanged:

The first six months were frenetic partly because the office lease was expiring. So I seized the opportunity that this presented to ‘reboot’ VAGO 2.0: new premises with modern workspaces, new technology, new executive and a new strategic plan.

In May 2017, VAGO packed up all its belongings and moved up eight flights of stairs, to the 31st and 32nd floors of the same building, 35 Collins Street. Here, the refit was completely open plan, the old barriers between the executive management team and the auditing teams were broken down, and the physical space encouraged collaboration and collegiality. Greaves himself occupied an office in the middle of the 31st floor, with glass walls so that he was visible to everyone. There was no privacy. In setting up his office like this, he was making a statement: there were no secrets here and no overt hierarchy. An internal staircase connected the two levels, reflecting the open-access ideal. Staff no longer needed to walk out of the office to the lift lobbies if they wanted to change floors. Greaves said the new design was all about a fresh start and building a sense of team:

We had that space refitted because I wanted a modern office that had a number of different work spaces, for collaboration or for quiet reflection and focus. This was the modern approach to working, not everyone in their own little cell. I wanted a nice, fresh-looking office that everyone felt good coming into because of the s... they'd been through. I had all these design principles about not having the executive on one floor and making sure I had that glass office so everyone could see me for transparency.



In May 2017 VAGO moved up eight storeys at 35 Collins Street to new offices on the 31st and 32nd floors. The new open plan egalitarian space encouraged collaboration and collegiality.

Source: VAGO

In his inaugural Annual Report in late 2017, Greaves reviewed the whirlwind previous 12 months:

At the end of my first year, we have in place the necessary infrastructure and tools to support our people to operate at their best. We have moved to a new functional office space that enables better collaboration and communication.

We have invested heavily in technologies to support our staff to work flexibly and allow our auditors to be where they need to be – talking to and serving our clients. I have streamlined the leadership in the organisation and focused our staffing in the areas where we need them most, such as emerging disciplines like data analytics.

So, in less than a year, the Office had been turned – metaphorically speaking – upside down. And, as we shall see, that was only the beginning of the transformation at VAGO



After a decade at VAGO, Peter Frost advised Andrew Greaves, prior to his appointment as Auditor-General, that he would be stepping down in 2016. After Frost brought his departure date forward to November, a few months into Greaves' term, work began on finding a replacement Deputy Auditor-General. The search led to an unlikely place: the Alpine Shire Council offices in the north-east Victorian town of Bright. As chance would have it, the Alpine Shire Chief Executive Officer (CEO), Dave Barry, was slated to speak at the same conference as Greaves – at the RACV Club in Torquay – and this is where their paths crossed for the first time.

Barry spoke of the \$15 million in recurring savings he'd achieved through a transformation program at the Alpine Shire, which meant it could afford the lowest rate increases in the state while boasting its highest capital investment. It had gone from spending \$300,000 a year on urban renewal projects to \$7 million a year. He also talked about technological advances and how they had helped the council's drive for efficiency and reform. Greaves listened, increasingly captivated, to Barry's talk. Although Barry wasn't an accountant or auditor of any description, Greaves immediately had a feeling that this was the person he'd been searching for:

I thought, this is the guy I want. A guy who's familiar with technology, who's a good presenter, good at analytics and has demonstrably achieved some change in a small organisation. I didn't know enough about IT and here was someone, I thought, who could really help me in the transformation process.

Greaves approached Barry after the CEO's presentation, introduced himself and asked Barry whether he'd consider working in the public audit sphere. But Barry, it transpired, had dealt with VAGO in the past, when working at Towong Shire Council, and had mixed views about the Office based on those interactions. He recalled making the long drive down to Melbourne from Albury one day with his CEO. They were pushing back on a VAGO audit of the council and due to meet the audit team to try and find a solution. Barry said one of the VAGO executives had walked down a floor to attend the meeting and the staff were 'fawning over them and thanking them for walking down one floor to join them'. There was no mention of the Towong staff's 8-hour round trip to be there. 'I said to my CEO later: "those people seem scared",' he said. 'That gave me a sense into the culture.'

Undeterred, Greaves asked the executive search company engaged to find the new Deputy Auditor-General to reach out to Barry. Over time, Barry's view of the Office softened and, after talking to the Auditor-General, the idea of working for VAGO became more appealing. In the end, it was in the same month as the office move – May 2017 – that Barry took up his position at VAGO



Former Alpine Shire Council CEO Dave Barry was appointed Deputy Auditor-General. Barry was an unconventional appointment, but his familiarity with technology has aided the transformation of the Office.

Source: VAGO

It was, by any measure, an unconventional hire. And a tribute to Greaves' capacity to think outside the box. Barry has proven pivotal to the kind of IT revolution that Greaves had always envisioned at VAGO but never knew quite how to bring to fruition. As Greaves says today:

I'm glad to have got him because he's really been the brains behind the changes in IT in the office, the approach and everything. I give him full credit. I just had a vision and he's implemented it ...

Peter Frost finished up at VAGO around the time Barry arrived, having given 10 years' valued and valuable service to the Office in a variety of roles: as Chief Operating Officer, CEO, Deputy Auditor-General and Acting Auditor-General for 12 months during the post-Doyle era.



Essentially, what Greaves wanted his new Deputy Auditor-General to do was modernise the IT system at VAGO, which he felt hadn't changed markedly since he first arrived at the Office in 2003. He also wanted a data-driven approach to auditing; that is to say, the collection of more data and better analysis of that data. He wanted to develop new toolsets for the financial and performance audit teams. And he didn't want physical servers clogging up the new office; all that hardware had to be housed externally. The office lease was up in June 2017, so there was no time to waste.

Greaves' vision was that everything should be in the cloud, so the VAGO servers could be accessed over the internet, as well as the software and databases that ran on those servers:

I didn't know much about IT, but I knew I didn't want physical servers on premise. I said, when we move upstairs we're not having a server room. I made them put the servers out to somebody else's premises in Port Melbourne, that was the first step.

In Barry, the new Auditor-General found an ally who could put into practice many of the ideas bouncing around in his head:

That's why I needed him. I knew what I wanted to do but I didn't have the people who knew how to. He gave the best solution. What it meant was we could basically work remotely, either at the client, office or back home. We could work collaboratively on a file ... there's a hundred other benefits.

When talking about technology, Barry likes speaking of the various stages of industrial revolution through human history: water; electricity and assembly lines; computing in the 1980s and 1990s; cloud-based systems in 2000; and artificial intelligence since 2025. He felt, when he walked into VAGO, that the Office had not progressed beyond stage three: ‘They were stuck in 1995 and that means there is no way to deliver contemporary solutions; they’d lost touch with the world. So the biggest challenge was how to drag the Office into 2017.’ While it took staff a while to get comfortable with the new systems, the benefits were manifold. The Office was now, in an IT sense, fit for purpose and ready to tackle its work armed with 21st-century technology.

For some, such as Simon Magrin, who joined VAGO in 2011 and is now a Cloud System Administrator in the IT team, the move to the Microsoft suite of products has been a game changer:

When I started and even the first five years after that, we had a lot of siloed systems: there was an app for this, and an app for that. There wasn’t much consolidation – so one system wouldn’t talk to the other. It was all very siloed ...

Whereas now we use pretty much the Microsoft stack of suite and products. And to highlight a particular product, Microsoft Teams, that started off as a journey of ‘Oh, we can instant message each other on Teams; Oh, we can interact with document repositories such as SharePoint; Oh we can integrate apps into Teams as well’. I kind of feel that’s been a bit of a revolution for the Office. This is literally everything you need in one sort of app.

Magrin says Teams has allowed for much greater engagement between staff in the Office. Where once announcements were communicated down the line from the Auditor-General and Deputy to directors and then to managers and finally to the audit teams, now the dialogue is much more direct and open. Staff are encouraged to have their say in fortnightly meetings. There is two-way communication, not the didactic approach of yesteryear. ‘It was just a little bit disconnected,’ says Magrin. ‘There’s still a hierarchy, but I think the comms between the staff, business heads, A-G and the deputy is much flatter now.’

Office veterans credit the emphasis on IT under Dave Barry’s watch with transforming VAGO into a market leader. They cite his expertise and diligence in this space as enabling a speedy uplift in security posture and IT environment and appreciate the focus on being exemplary in this space, given some of the sensitive data the Office holds.

Paul O'Connor agrees the changes had been transformational for the Office:

We went to the cloud with Teams, and it was a very big bang. It was like one day we're using Lotus Notes to do our emails and calendars, and within a week we're on Outlook and it was like, wow. We were thrown in at the deep end.

But it was very prescient because just as soon as we got Teams bedded down and we had got our video-conferencing going and we worked out what we could and couldn't do, COVID hit.

---

As O'Connor has noted, the Barry-led IT revolution that took place from 2017–19 left the Office well-placed to handle the COVID-19 pandemic and all the restrictions that were placed on offices and workplaces in 2020 and 2021. Barry had – fortuitously, as it happens – sensed that the outdated technology at VAGO had left it vulnerable. As a result, the Office became the first public service agency to use the full functionality of Teams, which gave staff the ability to connect with each other wherever they were: at home, in the office or at a remote location.



VAGO was the first public service agency to use the full functionality of Microsoft Teams, giving staff the ability to connect from wherever they were working.

Source: Daniel John Bilborough

Then, on Monday 16 March 2020, when the state government declared a state of emergency which prevented workers from coming into their offices, Barry and his team swung into action so that the entire VAGO workforce would be equipped with a home office. That meant stripping the monitors and keyboards from the office and packaging them up; sourcing desks from IKEA – but only lightweight ones, given they would be delivered in a ‘contactless’ way by one person – and then scouring various websites to find as many HDMI cables as possible. Barry takes up the story:

We scraped out the Kmart website and worked out where every HDMI cable was. We were literally despatching people out to Kmart at 3 and 4 o’clock in the morning to buy these cables. I remember being out in Dandenong at 4 am myself because we knew that very soon there were going to be none left.

We then went out and bought desks from IKEA. We had a Flexicar subscription so we could rent vans on that. We downloaded everyone’s address in the Office then we had our data science team optimise delivery routes. We started an online forum telling people how and when these things would be delivered and how to set their offices up. We had all these beautiful photos of people collecting their desk off their porch – and we’d included Easter bunnies in each pack!

We wanted to show support for staff. And we wanted to equip their home office with the same monitors and keyboards from the office. We knew who needed what. We had a great pick and pack set-up in our office. It’s a nice hokey story of ingenuity and the power of teamwork – to do 250 deliveries to staff across Melbourne and beyond. It goes to the kind of improvise, adapt and overcome mentality we’d built up over that period.

Staff were checked up on regularly. There’d be virtual drinks, virtual happy hours, online competitions and trivia quizzes organised by the Office – anything to keep the team engaged and connected. ‘If you looked at our staff survey results the next month, they were extraordinarily high,’ said Greaves.

While businesses and government departments struggled to adapt to the work-from-home decree, up in the 35 Collins Street tower, the Auditor-General’s Office barely missed a beat. As Travis Derricott recalls, most staff were working in the VAGO office on Friday 13 March. By the following Monday, the once-bustling workplace had become a virtual ghost town:

But we felt like we were ahead of the curve in the sense that everybody already had a laptop and we were able to work from home. But it took some government departments weeks – or months – to get set up with all the IT equipment they needed.

So working from home on March 16 was not really much different from being in the office on March 13. It was just business as usual. However, the impact of home schooling on staff and contacts at agencies that we liaised with would become more apparent as time passed.

In fact, as one auditor noted, VAGO's teams had to wait while the rest of their clients and government departments adapted to the new normal:

They needed to order laptops but were in a queue with everyone else, because the rest of the world wanted laptops that day too. We probably could have continued with our audit program but it was so delayed because of our clients not being prepared and not being able to continue their own operations. So I think we ran maybe six to nine months late that year in getting the audits finished.

Sanchu Chummar, who joined VAGO from the private sector in July 2016, just as Andrew Greaves began his term, remembers a flurry of activity in the IT infrastructure space from 2017 onwards:

Whether it was by design or coincidence, that IT infrastructure upgrade meant the transition to working from home was seamless.

If I can put it the other way around, the systems in place when I joined in 2016, if they were there when COVID hit in 2020, we would have been in a very different world.

In April 2020, not long after the first COVID-19 lockdowns in Victoria, Greaves appointed Roberta Skliros as Assistant Auditor-General, Financial Audit, to replace Bill Gilhooly, who finished up in January and returned to Canada. Skliros, whose first stint at VAGO was from 2006–10, returned to the Office as a director in 2014. With her promotion to Assistant Auditor-General, she was required to manage a business unit of around 75 employees and take responsibility for the Office's financial audit activities across a diverse range of portfolios.

I stayed on at VAGO because of Andrew and the vision that he had: a whole focus on rebuilding relationships with the public sector. He was also really connected to enabling technology and how that can influence the way we audit.

Both he and Dave are open-minded to change. They're comfortable with us taking risks and trying new things. We have a safe environment to innovate, sometimes make mistakes and try again. For me, that is the greatest thing because I've never feared thinking outside the box to make a change and I think that's really rare in a public sector organisation.



In 2020 Roberta Skliros was appointed Assistant Auditor-General, Financial Audit. She returned to the Office as a director in 2014 after her first stint at VAGO from 2006-10.

Source: Daniel John Bilsborough

---

When the worst of the pandemic had passed and life returned to something like normal in 2021, VAGO was presented with the problem of what to do with its workforce: ask that they return to the office (understanding the psychological toll taken on many employees), continue with the working-from-home arrangements, or introduce a combination of the two. Most staff wanted to retain the benefits and flexibility of working remotely, but understood that there were times when it was essential they be in the office, working face-to-face with colleagues or at a client's place of work. This might be, for example, when new staff were undergoing training or being mentored. Teaching or mentoring someone in the same physical space proved to be far more impactful than trying to impart knowledge remotely or via Teams.

For a tech specialist such as Simon Magrin, his working week has changed beyond recognition over the past five years. Where once he was in the office five days a week sorting out staff and departmental IT issues, now he might head into Collins Street only two or three times a year.

Back in the day it was different – people would just come into the IT area, say ‘I need help with this, can you please fix it?’ Whereas now it’s obviously a different world, right? I go into the office twice a year at most. And the last two times I went in was because there was a physical need. Something broke, so I had to go in and fix it. Now I’m literally doing 99 per cent of my work through my web browser.



The use of data analytics came to assume a new importance in auditing work under Greaves. Essentially, this has meant centralising all the data collected by the Office over the years and, through the data analytics team, transforming the relevant data into bespoke dashboards for financial auditors to help them when undertaking new audits.

Unlike the auditing teams at the Big Four private firms, VAGO was in the unique position of not being subject to independence requirements to rotate its clients. Once an entity was under VAGO’s remit, it generally stayed that way, meaning the Office was able to collect a huge volume of data over a long period of time. And that data can be leveraged to gain valuable insights into the entity being audited.

Writing in his first VAGO Annual Report in late 2017, Greaves outlined his plans for the increased use of data analytics and the anticipated benefits that would bring:

We are investing heavily in building our data analytics expertise within our Technical Audit team to facilitate the use of data analytics as an input tool for all future audits. Data analytics encompasses the use of sophisticated computer-aided audit tools to obtain and analyse large datasets, with a view to developing insights that can then be visualised in various digital dashboard type formats. This visualisation process often reveals insights about our clients that were more difficult to identify using traditional analysis models, and provides us with opportunities to better understand our clients and their needs ...

Greaves uses the example of VAGO’s audit into Melbourne’s tram network in 2020 to illustrate his point. The audit was one of the Office’s first serious forays into data science. *Accessibility of Tram Services* examined progress on compliance with tram accessibility requirements and legislated disability standards, noting the *Disability Discrimination Act 1992* required all tram stops to be fully compliant with the *Disability Standards for Accessible Public Transport 2002* (DSAPT) by 31 December 2022, and all trams to be DSAPT-compliant by 31 December 2032.

Melbourne has the world's largest tram network. It covers 250 kilometres and has 486 trams, 1,628 tram stops and 23 tram routes (not including the City Circle heritage tourist tram service). People with disability make up 17 per cent of Victoria's population, with people without disability also experiencing temporary or ongoing mobility restrictions that affect their ability to access tram services.

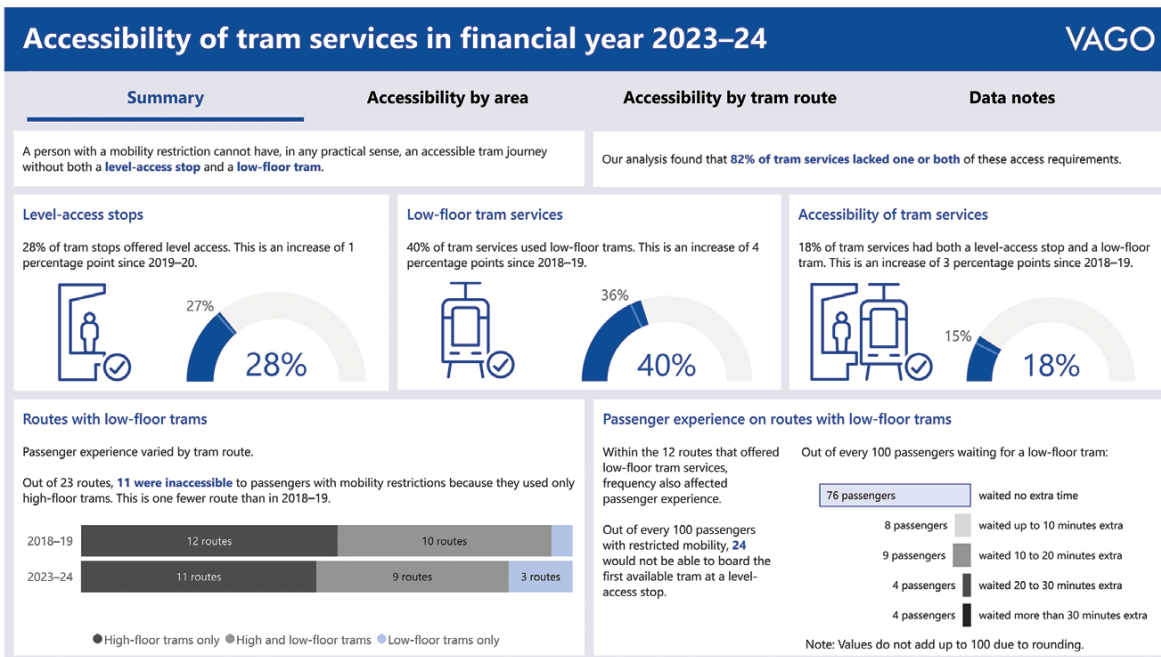
VAGO asked for all the datasets from the Department of Transport and Planning and Yarra Trams: which trams ran on which lines, what their timetables were, which trams and tram stops were disability compliant and which ones weren't. Trams with a low floor are considered disability compliant – as long as they stop at a raised platform. The problem with the Melbourne tram network is that it has a lot of disability-compliant trams that run on lines that don't have compliant (raised) stops. So the trams have to have a combination of both factors – low floor and raised stop – for them to be deemed compliant.

The Office mapped the routes of all the compliant trams and where all the compliant stops were on those routes. At one stage the team told Greaves they had collected over 80 million data points about the trams, tram stops and timetables. Having collected all that data from different sources, the team then produced a map, which is now on the VAGO website (updated in November 2025). This map allows public transport users with disability to see every tram line in Melbourne, whether there are disability-compliant trams running along those routes, and how long they have to wait on average for the next disability-compliant tram to arrive. 'That to me is one of the earliest examples of how powerful data science can be,' Greaves said.

This information was published as a dashboard on the website because – and this is another feature of the Greaves era – he loves maps and charts: any device that can help tell a VAGO story visually. Maps, he says, help because people can spatially visualise information and often connect with the project better than by reading a text-heavy report.

As Travis Derricott observed:

We've streamlined our reports to Parliament, through the use of graphs, images and infographics, and the way that Andrew tries to get us to tell a story in a succinct manner is quite different from the past. Everyone's time poor these days, so when you table a report in Parliament, you need to relay the information in a way that immediately captures everyone's imagination.



Under Andrew Greaves’ leadership VAGO continues to evolve its public reporting. This includes user-focused interactive dashboards that track relevant data providing a visual snapshot of its findings. The *Accessibility of Tram Services: Follow-up* dashboard uses the department’s actual tram service runtime data to provide a wait-time analysis in real time.

Source: *Accessibility of Tram Services: Follow-up* (2025), VAGO

With each performance audit, the team involved attempts to find datasets they can analyse. In the past, if there were huge datasets, auditors would take a sample and try to extrapolate from that sample. Now, they collect the whole set and analyse it. As Greaves said:

We don’t have to guess, we don’t have to extrapolate, this is the actual performance. There are huge benefits. It brings a lot more depth to the audit reports as well. We get better insights into actual performance that are less able to be challenged – the data speaks for itself. You can’t dispute it.

It would not be accurate to portray the Greaves era as being entirely without controversy, or to say that there has been only smooth sailing on endlessly calm waters since 2016. As we have touched on, the upheaval among the ranks of senior staff when he first arrived put several noses out of joint. Some felt they had been treated unfairly.

Disaffected staff ended up going to Peter Frost with their complaints and Frost compiled a dossier of these grievances which he sent to the Public Accounts and Estimates Committee (PAEC, the body through

which VAGO is accountable to the Victorian Parliament) on a number of occasions. Eventually, these grievances found their way into newspaper stories, including at *The Age* (in March 2022) and the *Saturday Paper* (March 2025). Frost, who wrote a glowing tribute about the incoming Auditor-General when Greaves was appointed in 2016, said he'd had a change of heart about his replacement after being contacted by these former colleagues. Greaves labelled it a 'campaign' to undermine him and the Office, and claimed it had started shortly after the departure of Frost and most of the executive team in 2016–17.

Greaves said Danny Pearson, the then chair of the PAEC, had shown him a letter from 'concerned ex-employees' listing grievances and accusations of procurement rules breaches. Greaves noted the letter was copied to all major news outlets and the Independent Broad-based Anti-corruption Commission (IBAC). At one point, VAGO's internal auditors initiated their own review of these allegations – which Greaves was not told about. Tied up with the claims was a separate allegation by a former employee that she had been a victim of bullying by Greaves.

Greaves says he has never been privy to the specific 'dossier' of claims, nor was he given the opportunity to review the final internal auditors' report:

It's extraordinary that this 'dossier' which has been provided to three incarnations of the PAEC over my time – its list of accusations growing longer and more outrageous each time – has never led to any inquiry. If there was any substance to them I would have expected that my oversight committee would have undertaken an investigation, and also that they would not recommend my reappointment.

Greaves was re-appointed by the PAEC for a second, seven-year term in September 2023.

Given his focus on rebuilding the culture at VAGO, Greaves laments a failing in VAGO's processes for identifying a poor workplace culture which, in 2024, showed that one particular area had gone 'pear-shaped'. VAGO had been publishing the results of its 'people matter' surveys since 2019 – a practice followed two years later by the broader Victorian public sector. These staff surveys were a good barometer for the culture within the Office: which departments were functioning best, which needed improvement and so on. They also helped identify outliers in behaviour. While they highlighted issues with stress and workloads in the audit divisions, VAGO as an organisation had performed well in these in comparison to its peers and the wider public sector.

In 2024, the Office got back its annual survey results and, to Greaves' horror, discovered that one division had become the lowest-rating department in the building. Greaves immediately commissioned an independent 'culture report' in June, got the results back in November, identified the problem areas, and made the necessary personnel changes the following week. An action plan was developed and most of the recommendations were implemented in the first three months after the report. 'Since then, things have markedly improved in that division,' Greaves says.



As Travis Derricott has indicated, VAGO's reports to Parliament from 2017 onwards began to take on a different tone. Less text-heavy and dense, they used myriad graphs, images and infographics to help convey the results of each audit. The language used was less emotive and adversarial than it had been in the past. This shift occasionally gave rise to comment from some former employees that the Office's work was not as hard-hitting and impactful as it had once been; that style had overtaken substance and led to a far more conciliatory approach with government. That feeling may have been shared by some in the early stages of Greaves' term, as he sought to repair the relationship between VAGO and the public service. But it did not take long before conflict emerged in the relationship between the Office and Spring Street over several projects; the two worlds of public audit office and state government colliding in an often spectacular way.

Market-led proposals (MLP), in which the private sector makes an unsolicited approach to government for support to deliver infrastructure or services through direct negotiation rather than a competitive procurement process, began to feature in the government's Big Build projects from 2015. This process essentially allowed private sector players, such as tolling giant Transurban, to bypass the competitive tendering process to build key structures such as tunnels, roads and buildings.

One such MLP was the West Gate Tunnel, an infrastructure project that became a source of conflict with the government. In November 2019, VAGO released a report saying the Department of Treasury and Finance (DTF) had failed to rigorously assess the tunnel being built in Melbourne's west. It said the government had approved the new tunnel without sufficient proof that Transurban's MLP demonstrated either value for money or the necessary 'unique qualities' that made Transurban the only capable private-sector partner. The approval process, the report said, was 'not transparent'.

The state government was spending \$2.7 billion to build the tunnel, with Transurban tipping in \$4 billion under a deal that allowed the company to extend its tolling on CityLink by a decade, to 2045. The audit found the DTF failed to rigorously assess Transurban's 'unsolicited proposal' and accepted it as 'unique' primarily because of its funding source (extending CityLink tolls). Greaves said DTF officials failed to warn the government that extending CityLink tolling could 'create an unintended monopoly advantage for Transurban'. He said Treasury officials also failed to properly consider a range of alternative project options, or other ways – apart from extending Transurban's tolling on CityLink – to pay for the new road. The audit noted that: 'The business case was not sufficiently comprehensive and so undermined one of its key purposes – to provide confidence to decision-makers that they are selecting the right investment option.'

The Treasurer, Tim Pallas, stood up in Parliament and strongly denounced the audit. Pallas, who approved the Transurban toll road, rejected all of the Auditor-General's findings, describing the report as mere 'subjective opinion': 'We've got grave concerns about the report, it's our view that it is illogical, incoherent and in many places impossible to implement,' he said. Pallas defended the West Gate project as a vital economic driver and argued that the alternative – a government-led tender – would have resulted in significant delays and higher costs.

The tunnel, which was beset by problems associated with contaminated soil, was opened in late 2025. The final cost was reported to be \$10.2 billion – almost double the original quote of \$5.5 billion.

Another Big Build project that brought the Office into conflict with the state government was the Suburban Rail Loop (SRL), a proposed 90-kilometre orbital rail loop that will link Melbourne's eastern and western suburbs via Melbourne Airport. When first announced, the government said the loop would cost around \$50 billion. In 2022, the Parliamentary Budget Office costed the project at \$125 billion. In its most recent estimate, in March 2024, the Parliamentary Budget Office increased that figure to \$216.7 billion.

Naturally, the size and scope of the project – and its price tag – attracted the attention of the Auditor-General's Office. In September 2022, the Office looked at four projects, including the SRL and Melbourne Airport Rail (MAR), as well as two smaller road upgrades. The audit found the business cases for two of Victoria's biggest transport infrastructure projects – SRL and MAR – were lacking and didn't support sound investment decisions. The business case presented by agencies to the government for the SRL only analysed part of the program and fell short of DTF guidelines. 'Without a comprehensive business case, decision-makers

do not know whether the investments they make will maximise benefits to Victorian communities,' Greaves wrote in the September 21 report. As the Grattan Institute's Natasha Bradfield observed:

Infrastructure Victoria did not recommend the Suburban Rail Loop, nor was it consulted on the project before the government's announcement. The Department of Transport was not consulted. Neither was Infrastructure Australia, nor state cabinet. Rather, the project was dreamed up in secret, and prematurely announced just three months before the 2018 election.

VAGO examined the SRL proposal again in February 2025 as part of its annual assessment of infrastructure projects in the state. The Auditor-General found that an 8.7 per cent increase in spending (or \$11.6 billion) over the past year had pushed the total estimated investment for state government projects to \$145.5 billion. Greaves criticised a lack of transparency and clarity about how public entities such as the Suburban Rail Loop Authority reported changes to a major project's cost, time, scope and benefits. The report said 'parliament and the community have no way of knowing whether a project's estimated economic benefit-cost ratio ... is still valid after a major change'.



A key element of a modern audit is staff donning high-vis as they spend more time on the ground to better understand the projects they scrutinise.

Source: VAGO

Among VAGO's findings in the report, it identified a repeated lack of 'meaningful, reliable or comprehensive' public reporting about major projects. In examining eight major projects across Victoria, including the North East Link, the Melbourne Arts Precinct and the Nyaal Banyul Geelong Convention and Event Centre, it found increases to costs and changes to dates in all of them. However, reasons for the changes to costs or timeline were not given in the vast majority of cases.

The government was already under pressure for spending that put general government sector gross state debt on track to reach \$228 billion by 2028 – a figure reported on by the Auditor-General in November 2024. The publication of this major infrastructure report only added to the tension in VAGO’s relationship with government. The reaction to it from Spring Street was swift – and robust. Transport Minister Gabrielle Williams accused the Auditor-General of lacking integrity and using ‘shoddy methodology’ to produce misleading findings that were ‘utterly unhelpful’. Then, in comments which marked a new low in VAGO–government relations, Williams said:

I have serious concerns about the content of much of that report. Having a running commentary that is incomplete, that is misleading, that is a misrepresentation of the state of play is utterly unhelpful.

I don’t think it covers the Victorian Auditor-General’s office in glory. I don’t think it meets the standard that the Victorian people would expect of VAGO – that they be professional, accurate, and uphold certain standards of integrity. They’ve failed in doing that.

The Premier, Jacinta Allan, suggested in question time that Greaves would not have made a similar criticism of the former Victorian Liberal government between 2010 and 2014 because ‘there were no major projects’.

Senior public figures rallied to Greaves’ defence, with the then Centre for Public Integrity director Margaret White saying Williams’ comments undermined community confidence in the organs of government. Robert Redlich, a former head of the state’s IBAC and Supreme Court judge, said Williams’ response was reminiscent of earlier attacks by former premier Daniel Andrews on the main integrity agencies: IBAC, the Ombudsman and the Auditor-General. ‘Andrews’ criticism was that they [the authorities] don’t have an electoral mandate. Apparently the suggestion is that the government has got unfettered powers and shouldn’t be subject to criticism by these agencies,’ Redlich told *The Australian Financial Review*.



A performance audit that resonated deeply with the general public was VAGO’s report into the government’s cancellation of the 2026 Commonwealth Games, and the cost of that decision to the Victorian taxpayer. Because the audit related to a high-profile sporting event, which

involved the participation of five regional centres around the state, it attracted special attention.

In April 2022, the Victorian Government signed the contract to host the Games in regional Victoria (Geelong, Ballarat, Bendigo, Latrobe and Shepparton) based on an expected gross cost of around \$2.6 billion. Host cities typically have seven or eight years to prepare for the Commonwealth Games. But Victoria only had four years to deliver the event. This included building sports venues and athletes' villages. The compressed time frame, and the fact that the Games infrastructure in these five cities was having to be built from scratch, meant the project was always going to be difficult to deliver on time and on budget.

In July 2023 the government decided that the Games no longer represented value for money and withdrew. It said the cost of hosting had increased to more than \$6 billion. The decision attracted huge media coverage. Eight months later, in March 2024, VAGO delivered its report on the aborted project, called *Withdrawal from the 2026 Commonwealth Games*. It concluded in its key findings that the total cost of the Games to Victorians was 'over \$589 million'.

The decisions to bid for, plan and then withdraw from the Games have cost Victoria over \$589 million with no discernible benefit.

This waste of taxpayer money on an event that will not happen is significant, especially considering the state's recent sustained operating deficits and rising debt levels.

Of the \$589 million, \$380 million was paid by the DTF on behalf of the state to settle the cancellation of the host contract with the Commonwealth Games Federation.

The report found the original Games budget was unrealistically low, but the final estimated cost of \$6.9 billion was overstated – and not transparent. It blamed public service agencies for not working better together to give frank and full advice to the government before it decided to host the Games:

The government relied on DJSIR's [Department of Jobs, Skills, Industry and Regions] business case when it decided to host the Games and determined the budget. The business case raised the risks associated with hosting the Games. But it underestimated the costs and overstated the benefits. DJSIR, DPC [Department of Premier and Cabinet] and DTF knew this but did not advise government to delay a decision on hosting until a fit for purpose business case could be provided.



A satirical view of the Victorian Government's decision to cancel the 2026 Commonwealth Games appeared in the *Herald Sun*. The *Withdrawal from the 2026 Commonwealth Games* performance audit resonated deeply with the general public.

Source: Mark Knight

The Department of Premier and Cabinet (DPC) and the DTF, in their responses to VAGO's report, defended their role and said 'we are strongly of the view that the advice given by DPC and DTF to Government on the Games was comprehensive, frank, impartial and timely ...'

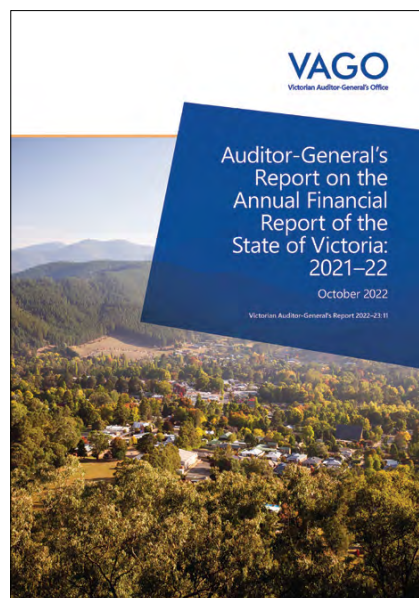
While the relationship between VAGO and the government remained by and large cordial and respectful, spot fires occasionally broke out. Political advertising, for example, again attracted VAGO's interest. In an audit tabled in parliament in April 2022, the Office found the same issues that were identified late in Wayne Cameron's term (2006) and in subsequent audits: that the government was spending public funds on advertising that effectively promoted itself, and its work. The two notable examples were Victoria's Big Build advertising and the Our Fair Share campaign in 2019, which argued that Victoria was not receiving its fair share of federal funding. The VAGO report concluded:

In our opinion, the campaigns did not fully comply with the 2017 laws. Most OFS and a small number of VBB advertisements were political, in that they could easily be seen to: promote the current Victorian Government; and, in the case of the OFS campaign, criticise the current Commonwealth Government.

The agencies interpreted the 2017 laws differently. They maintained they complied with their obligations.

Around the same time, a comprehensive audit into COVID-19 government grants concluded that some grants had been fraudulently claimed by applicants who were exploiting loopholes by backdating Australian Business Numbers (ABNs) to meet certain requirements of the programs. The *Management of Spending in Response to COVID-19* report said the Department of Jobs, Precincts and Regions (DJPR) did not put in place effective fraud controls at inception because it needed to set its programs up quickly.

The Auditor-General's parliamentary report on his audit of Victoria's Annual Financial Report, particularly from 2021–22 onwards, have become a 'flagship product of the Office' according to Greaves. Part of its success lay in the fact that it was no longer written like a technical accounting document, and was now a more easily digestible report, written in layman's terms, that the public could understand.



A flagship product – the *Auditor-General's Report on the Annual Financial Report of the State of Victoria 2021–22*.

Source: VAGO

Greaves pointed to VAGO's two audits completed into youth mental health in 2019 and 2020, which exposed gaps in care, particularly for vulnerable youth, as driving public accountability and shaping major reforms. They identified critical systemic failures and were quoted extensively, not least by a Royal Commission. The audits found that there was no strategic leadership from the Department of Health and Human Services (DHHS) to plan, fund and manage child and youth mental health services; and that the system was fragmented and overstretched. 'They were really damning reports,' Greaves said.

The reason they are stand-out is because the government then conducted its Royal Commission into mental health and if you read that Royal Commission report, all the way through it are the references to the two audits we did.

That stood out to me because our work was so integrated into the Royal Commission which meant we'd done a lot of the heavy lifting. I like seeing my reports used appropriately for accountability.

The most recent public flare-up involving the Office occurred early in 2026, when the Auditor-General found himself in the middle of a dispute between the Premier, Jacinta Allan, and the Country Fire Authority (CFA). Already under pressure from volunteer firefighters over ageing equipment – including 30-year-old trucks without air conditioning – Allan reportedly chose to blame the delayed release of the CFA's 2024–25 Annual Report on VAGO. The Office responded by issuing a detailed statement to the media to 'correct the public record'. It said VAGO was not responsible for the delay and supplied a point-by-point timeline 'to maintain confidence in the timeliness of financial audits'. VAGO confirmed it signed off on the report on November 11, 2025 – a date previously agreed by the CFA – which would have given the government time to table it during the final three sitting weeks of parliament.

*The Australian* newspaper's Victorian political editor, Anthony Galloway, wrote a column saying the Auditor-General's office remained a 'beacon of independence' in what he said was 'a politicised public sector' in Victoria. It was, he said, one of the few independent institutions still regarded as beyond reproach. 'Thank God for the Victorian Auditor-General's Office,' he wrote.

The stoush thrust VAGO into the limelight once more – for reasons not of its making – and reflected the growing public profile of the Office. Parliamentarians paid more attention to its audits, and referred to them more often in parliament, and the media was much more focused on its work.

During 2025, the importance of the Office's work was recognised through the establishment of parliamentary inquiries into fraud and corruption control in local government and funding and services within local government, based on VAGO's reporting. It is that parliamentary recognition, rather than media attention, which most excites Greaves:

I don't measure success by how much media coverage there is, I want to see traction in (client) response, impact and recommendations. They are the things that get me going in terms of the impact of the Office and they're the things we should be measuring against.



As we have sought to illustrate, the Auditor-General's office has witnessed extraordinary change over the past 25 years. It has enjoyed periods of stability and success, suffered through periods of turmoil and reputational damage, yet emerged in its 175th year shining as brightly as ever as a 'beacon of independence'.

While its mandate, and reason for being, remains largely unchanged from Charles Hotson Ebdens's time as the state's first Auditor-General in 1851, there are many aspects of the current workplace that bear little resemblance to the agency in 2001, when the 150th anniversary of the Office was celebrated. There is a new lexicon at VAGO, words and phrases that on their own would have been largely meaningless at the turn of the millennium – Better Normal, data analytics, dashboards and Our People Matter – all of which have helped promote staff wellbeing and audit performance.

The *Audit Act 1994* has been amended to allow for follow-the-dollar powers; the complexity of VAGO's work has grown as governments embark on a series of huge infrastructure projects, often in partnership with private entities; and performance audits have come to take on a new importance.

The greatest rate of change, though, has occurred in the technology space: Empower, the in-house data analytics platform, now manages around 21 billion records; 84 per cent (soon to be all) of VAGO's financial audits now use a cloud-based financial audit toolset; data dashboards feature prominently on the website; and there is now a Digital Engagement Statistics panel in the Annual Report showing the number of VAGO hits on the website, YouTube and LinkedIn.

What Ebdens, with his longhand ledger entries via quill and ink, would have made of the modern version of his 1851 workplace is anyone's guess.



In 2025, 57 per cent of VAGO's employees identified as women, two per cent as a person with disability, and one as Aboriginal and/or Torres Strait Islander. New graduates hail from the Philippines, UAE, Vietnam, Pakistan and everywhere in between.


Source: VAGO

In 2025, VAGO had 209 employees (57 per cent of whom identified as women, two per cent as a person with disability, and one as Aboriginal and/or Torres Strait Islander). This figure in 2001 was 118 full-time employees. New graduates hail from the Philippines, UAE, Vietnam, Pakistan and everywhere in between. The Office recognises its culturally diverse workplace by celebrating events such as NAIDOC Week, Diwali, Lunar New Year, International Day for the Elimination of Racial Discrimination, Eid, Harmony Day, Wear it Purple Day, and International Day Against Homophobia, Biphobia and Transphobia.

But the rate of change has been so great that some, such as Dave Barry, wonder whether it is sustainable for the next 25 years:

The risks for us, I feel, are that it's hard to maintain that energy to push against the system, day in and day out. We must guard against standing still because the pace of change in the world is faster every day.

And yet there is a new frontier on the horizon – artificial intelligence (AI) – which is already impacting the workplaces of many businesses and will surely, when harnessed, add to the depth and detail of VAGO's work. 'As a general-purpose technology, AI will shape our future in the same way that electricity did for past generations,' Dave Barry says. 'It will by any moderate prediction bring about an industrial revolution in terms of the work environment.'



A milestone now approaches for VAGO that few institutions in Victoria have had the chance to celebrate: not Melbourne University (1853), not the State Library of Victoria (1854), and not Parliament House in Spring Street (1855). All came into being after Victoria's Auditor-General's Office was opened in 1851, immediately following the formal separation of the Colony of Victoria from New South Wales.

The Victorian Auditor-General's Office is a significant institution that continues to perform significant work on behalf of Parliament and the Victorian community, giving people assurance that public sector agencies are spending taxpayer dollars prudently and effectively, and its birthday should be celebrated in a hearty and significant way.

As Andrew Greaves wrote in the most recent Annual Report:

On 1 July 2026, we will mark 175 years since the appointment of the first Victorian Auditor-General. This milestone reminds us of the enduring role independent audit has played in strengthening transparency, accountability and trust in government. It is also an opportunity to reflect on our responsibility to ensure our work remains relevant and impactful for future generations.



## *In the Public Interest: The First 25 Years of the New Millennium (2001–2026)*

traces the evolving role of the Victorian Auditor-General's Office (VAGO) across the first quarter of the 21st century – a period marked by growing public expectations, rapid technological change and increasing complexity in government.

From strengthening financial oversight to expanding performance auditing, VAGO has continued to adapt its methods and sharpen its focus on transparency, accountability and public value. These years have seen greater scrutiny of major projects, service delivery and emerging risks, alongside a commitment to independence that remains central to the Office's work.

Drawing on key audits, reforms and milestones, this chapter of VAGO's history reflects an institution responding to change while staying true to its purpose: supporting Parliament and serving the people of Victoria in the public interest.



This volume complements *In the Public Interest: 150 Years of the Victorian Auditor-General's Office* by Dr Peter Yule, published in 2002, which canvassed the first 150 years of the Audit Office in Victoria.

# VAGO

Victorian Auditor-General's Office

COVER DESIGN: Sam Tully



**Charles Happell** has over 40 years' experience as a journalist and author. He is a former political reporter in the Canberra press gallery, sportswriter, Reuters correspondent, and Sports Editor and Deputy Editor of *The Age*.

He has written eight books, including the best-selling non-fiction work, *The Bone Man of Kokoda*, a dramatic account of a Japanese soldier's life during and after the Papua New Guinea campaign in World War II.

Born in Geelong in 1962, Charles lives in Melbourne with his wife, Paula. They have two children, Thomas and Gretel.