

Strengthening audit independence

May 2026



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Discussion paper

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The Auditor-General and the Victorian Auditor-General's Office acknowledge the Traditional Custodians of Country throughout Victoria and pay respect to their Elders past and present. We recognise the enduring connection of First Peoples to land, water and culture, over which sovereignty was never ceded.

Use of artificial intelligence

Artificial intelligence tools were used to assist with drafting and editing this report in a manner consistent with the Victorian Auditor-General's Office AI Governance Policy and its principles for safe, ethical and responsible AI use. AI tools were used as a support to human analysis and judgement, not as a substitute for professional decision-making. A human author retained oversight throughout, and the Victorian Auditor-General's Office is ultimately responsible for the accuracy, integrity and conclusions of this report.

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Introduction

In Victoria, as an independent officer of the Parliament, the Auditor-General has an important duty to help Parliament oversee government actions. This is so that it can assure the community that it can trust the integrity, performance, and management of public resources. The independence, authority, and effectiveness of the Auditor-General's office are integral to this duty.

It has been more than a decade since the legislative arrangements governing the Victorian Auditor-General and their Office were last comprehensively reviewed. Unlike other integrity and accountability frameworks, the Audit Act does not provide for a scheduled legislative review. Over time, this has meant aspects of Victoria's arrangements have not kept pace with contemporary expectations of independence, transparency, and institutional resilience, nor with developments in comparable jurisdictions.

In recent years, these issues have been examined in greater detail through national and international lenses. An independence paper developed through the Australasian Council of Auditors General (ACAG) has identified a number of areas where Victoria's legislative framework could be improved to align with better practice, particularly in relation to financial autonomy and institutional safeguards. That analysis provides an important evidence base for reform and highlights risks to the perception and reality of independence if existing arrangements remain unchanged.

The case for reform is strengthened by changes in the operating environment of the public sector. Governments today manage increasingly complex systems, face heightened expectations of transparency, and are required to respond to emerging risks such as long-term financial sustainability, climate change and increasingly complex service delivery models. New forms of assurance, including over sustainability reporting are being considered, requiring audit mandates and powers that are clear, contemporary and fit for purpose. At the same time, the way information is shared, consumed and scrutinised has changed significantly in the past decade. In turn, the avenues available to the Auditor-General to share the outcomes of audits needs to change to keep pace with technology and community expectations. There has also been increased public debate about whether integrity agencies have adequate resources and powers to operate effectively and independently.

This discussion paper has been developed to support informed debate about these issues at a critical point in Victoria's democratic cycle. With a state election approaching, and a new Parliament to be formed, there is an opportunity to consider whether the current constitutional and legislative arrangements continue to provide the strongest possible foundation for independent public sector audit. The reforms proposed in this paper are not advanced lightly or in isolation; they form part of a serious and considered review of Victoria's framework, informed by comparative experience and a clear understanding of the risks of inaction.

The paper proposes a set of targeted reforms to the Victorian Constitution and the Audit Act aimed at strengthening the independence of the Auditor-General, clarifying and modernising key functions and powers, and ensuring the Office is well placed to continue serving Parliament and the Victorian community into the future.

Our recommendations for reform

We make 24 recommendations that address 9 areas for reform. Our recommendations are framed against the International Organization of Supreme Audit Institutions (INTOSAI) Principles of Independence, espoused in the *Mexico Declaration on SAI Independence*, and widely recognised as the definitive benchmark of better practice.

INTOSAI Principle and recommended reforms	Act reference	
Principle 1: An effective statutory legal framework		
An appropriate, effective legal framework that ensures de facto application.	1 Remuneration and any other terms and conditions associated with the role of Auditor-General should be determined by an independent statutory remuneration tribunal.	Section 94A (3), Constitution
	2 Requiring the oath of office to be taken before the Speaker.	Section 94A (5), Constitution
	3 Include a preamble or objects section in the Audit Act that confirms the role of audit in ensuring transparency and accountability.	New Section, Audit Act
Principle 2: Independence and security of tenure for the head of the audit institution		
Security of tenure and legal immunity for heads/members, ensuring they cannot be arbitrarily removed.	4 The Auditor-General be appointed by the Speaker following consultation with or on the recommendation of the PAEC, rather than the Governor in Council.	Section 94A (2), Constitution
	5 The appointment of the Auditor-General be based on a public competitive process based on the candidate's integrity and qualifications.	New section Constitution
	6 The Auditor-General be appointed for a single fixed non-renewable term of 10 years.	Section 94C (1), Constitution
	7 Provide continuity of the role of Auditor-General through the automatic acting of Deputy Auditor-General in the role when the Auditor-General is unavailable due to illness, leave or departure.	Section 4, Audit Act
	8 Clarify the suspension arrangements in the Constitution, specifying the grounds the Governor in Council can use for suspending the Auditor-General.	Section 94C (2)-(4), Constitution
	9 Require the Auditor-General's letter of resignation be provided to the Speaker rather than the Governor.	Section 94C (5) (e), Constitution

Principle 3: Mandate and Discretion

A sufficiently broad mandate and full discretion in the exercise of audit functions.

- 10** When changes to assurance requirements for public sector reporting occur, there should be associated amendments to the Audit Act to specify that the Auditor-General has the 'as of right' mandate to undertake the necessary audits, rather than relying on Executive discretion.
- This should include additions to the purpose of the Act with a supporting section that outlines how the audit is to occur in practice.

Section 1,
Audit Act

- 11** In place of the current requirements to apply the Australian Auditing and Assurance Standards (AAAS) in the Audit Act, include a requirement for the Auditor-General to table in Parliament the standards which are to be applied when undertaking audit functions and explain the extent to which the standards are consistent with the AAAS.

Section 78,
Audit Act

- 12** Replace the concept of performance audit and assurance review with the concept of performance engagement. Require performance engagements to be undertaken in line with relevant standards, and that findings can be made to either a limited or reasonable level of assurance. Require the Auditor-General to make clear the level of assurance provided for key findings and conclusions when reporting.

Parts, 4 and 5,
Audit Act

- 13** Expand the follow the dollar powers to cover all parties receiving benefit or exercising control over entities receiving public funding.

Section 15
Audit Act

Principle 4: Access to Information

Unrestricted access to all necessary documents, records, and information.

- 14** Legally privileged information should be added alongside cabinet in confidence material in section 40 of the Audit Act or remove the reasonable excuse clause altogether.

Section 40,
Audit Act

- 15** Create a general duty on public sector agencies to provide information to support the exercise of any functions provided for by the Audit Act by the Auditor-General.
- Alternatively, expand the scope of the information gathering powers to support the development of the Annual Plan (section 73); and allow information gathering powers to be used to support the development of specifications for engagements included in the Annual Plan.

New section,
Audit Act

- 16** Amend the definition of unauthorised disclosure of confidential information to ensure that all likely forms of unauthorised disclosure are captured.

Section 72,
Audit Act

INTOSAI Principle and recommended reforms

Act reference

Principle 5: Right and obligation to report

The authority to report on audit work and findings.	17 Amend part 8 of the Act to provide the Auditor-General with greater discretion and autonomy regarding the publication of reports.	Part 8 Audit Act
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Principle 6: Freedom to Publish Reports

The right to decide on the content, timing, and publication of audit reports.	18 Create a mechanism that allows the Auditor-General to report sensitive information that must not be included in a report to Parliament if they choose to do so.	New section, Audit Act
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Principle 7: Follow-up Mechanisms

The existence of effective, legally sanctioned mechanisms to act on SAI recommendations	19 Create a statutory obligation requiring agencies and departments to report progress on their agreed management responses to the Auditor-General's recommendations. Embed this obligation in annual reporting.	New section, Financial Management Act, with detail in subordinate legislation
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Principle 8: Financial and Administrative Autonomy

The availability of appropriate human, material, and monetary resources, and the autonomy to manage them.	20 Adopt the budget-independence and transparency reforms set out in <i>Budget independence for Victoria's Independent Officers of Parliament</i> (October 2022) and <i>Advancing budget transparency for Victoria's core integrity agencies</i> (February 2026), including: <ul style="list-style-type: none">• a Parliament-centred funding determination process;• published reasons for funding outcomes;• agency visibility of advice provided to decision-makers; and• administrative safeguards to protect integrity agency resourcing.	Financial Management Act
	21 Establish VAGO as a legal entity under the Audit Act 1994, with express capacity to act in its own right, including to enter contracts and hold/secure accommodation leases and provide clear statutory authority for core corporate functions including accommodation and other enabling services to be managed independently, reducing reliance on Executive-controlled administrative frameworks and strengthening organisational independence.	New section, Audit Act
	22 All staff of the Victorian Auditor-General's Office to be employed under the Audit Act 1994 and the Auditor-General should have the discretion to engage as many deputy Auditor-Generals as they deem necessary to support them in their duties.	New section, Audit Act Amendments to Section 5, Audit Act

INTOSAI Principle and recommended reforms**Act reference**

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- | | | |
|-----------|--|---------------------------|
| 23 | Amend section 75 of the Audit Act to include provisions for transmitting the annual report when Parliament is not sitting, for example similar to the provisions outlined in Section 74 of the Audit Act which explain how the Annual Plan can be transmitted on a non-sitting day could be applied. | Section 75,
Audit Act |
| 24 | Give the Auditor-General the power to do all things that are necessary or convenient to be done for or in connection with the performance of their functions. | New section,
Audit Act |
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Our analysis

Case for legislative reform

Overview

This paper uses the INTOSAI principles as its primary analytical framework alongside the Australasian Council of Auditors General (ACAG)'s recent assessment of Victoria's compliance with these principles to examine the adequacy of Victoria's current constitutional and legislative arrangements and to frame the case for targeted and necessary reform. The paper also considers better practice across jurisdictions, *The Model Public Audit Act* launched by the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), as well as incorporating practical findings of the Auditor-General and their office as to how the Victorian audit framework functions in practice. For this reason, it also seeks to address operational issues encountered in day-to-day audit activities in Victoria.

INTOSAI Principles

The assessment of independence outlined in this discussion paper is based on 8 independence principles declared by INTOSAI.

The premise of these principles is that effective public sector auditing requires Auditors-General to have both functional and organisational independence from executive government influence. INTOSAI's principles set out 8 foundational requirements for effective, credible and independent audit. Together, they provide a globally recognised benchmark for assessing both the legal and practical strength of audit independence.

The 8 principles are:

- an effective statutory legal framework
 - independence and security of tenure for the head of the audit institution
 - full discretion to exercise a broad audit mandate
 - unrestricted access to information
 - a right and obligation to report on audit work
 - freedom to decide the content and timing of audit reports and to publish them
 - appropriate mechanisms to follow up on audit recommendations
 - financial, managerial and administrative autonomy and availability of appropriate resources.
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ACAG independence assessment

Since 2009 ACAG has conducted an assessment on the independence of Auditors-General from executive government influence approximately every five years. The assessment of independence is based on the INTOSAI principles.

The most recent ACAG independence assessment ranked the Victorian Auditor-General's Office third out of twelve participating offices. Although the Victorian Auditor-General's Office performed better than in the previous assessment, this progress resulted from revised independence assessment methods during the latest survey rather than legislative amendments.

What our analysis reveals

Highest priority areas for reform

The primary issues identified through this analysis

Victoria's audit framework provides an established legal basis for independent public audit, but it contains clear gaps that expose the Auditor-General and their office to practical constraints and undermine independence.

The most acute weaknesses are not abstract: they affect whether VAGO can obtain critical evidence and deliver assurance to Parliament without reliance on Executive controlled processes. These 2 issues are the highest priority reforms in this discussion paper.

Issue 1: Establishing enforceable, unrestricted access to all information necessary for audits

Access to information is a non-negotiable precondition for independent audit. A major deficiency in Victoria's framework is that the Auditor-General's information gathering powers do not extend to material subject to legal professional privilege (LPP).

This creates a structural loophole that can prevent the Auditor-General from examining the full evidentiary record, particularly for high-risk or contentious decisions where legal advice is central and could allow audited entities to withhold key material as of right. An independence framework that depends on voluntary provision or negotiation for access to critical evidence is inherently flawed. This paper proposes reforms to remove the ability to refuse production on the basis of LPP (for example, by treating privileged material consistently with other protected categories in the Audit Act) and to establish a broader statutory duty on agencies to provide information required for the Auditor-General to exercise any functions under the Audit Act.

Issue 2: Strengthening financial, managerial and administrative autonomy so VAGO is not structurally dependent on the very systems and decisions of the entities it audits.

The other major area for reform is autonomy over resources and administration. In Victoria, key resourcing and enabling arrangements remain embedded in Executive-controlled frameworks, creating structural dependence and a persistent perceived conflict of interest risk. Decisions regarding VAGO's funding occur within an Executive-led budget process, with limited capacity for Parliament to shape or scrutinise outcomes before decisions are made.

Reliance on whole-of-government employment and corporate systems similarly constrain organisational autonomy, including through public sector employment settings and the practical limits arising from VAGO not being a standalone legal entity for certain operational matters such as office accommodation. The proposed reforms would address these vulnerabilities by embedding more transparent, Parliament-centred funding arrangements; establishing audit-specific staffing powers under the Audit Act; and improving office autonomy by enabling VAGO to act in its own right for core enabling functions.

Other areas for reform

Beyond these priority vulnerabilities, the paper identifies a broader set of reforms, each directed at removing residual pathways for Executive or auditee influence and strengthening the Auditor-General's capacity to act independently as an Officer of Parliament. These include reforms relating to appointment and continuity arrangements for the role of Auditor-General, modernising and clarifying the audit mandate, strengthening the Auditor-General's discretion over audit methodology and engagement types, creating mechanisms for confidential communication of restricted information to Parliament, and reinforcing timely and consistent follow-up of audit recommendations.

1.

An effective statutory legal framework

INTOSAI Principle 1 requires that the Auditor-General's independence is clearly and comprehensively established in law and effectively applied in practice.

Our assessment – Principle 1

What is required?

The role of the Auditor-General should be established in a clear, standalone statutory framework that explicitly:

- recognises the independence, status and authority of the role,
- protects the role from executive influence, including remuneration and conflicts, and
- embeds accountability to Parliament rather than the Executive.

It also considers whether the framework is institutionally robust, through Parliamentary oversight and periodic statutory review, so independence is sustained over time rather than reliant on convention.

How does VAGO compare?

Victoria's legislative framework provides strong safeguards supporting the independence of the Auditor-General. However, some administrative arrangements retain elements of Executive involvement that can create structural or perceived risks to independence. Strengthening these arrangements would reinforce the Auditor-General's independence and align Victoria with our peers further supporting Parliament's ability to hold government accountable.

Key weaknesses for Victoria include:

- remuneration setting that rests with the Executive and
 - audit legislation that does not have objectives in the Act that would reinforce the independence and accountability rationale of the office and ensure independence is sustained.
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Areas for reform

Remuneration of the Auditor-General

If remuneration is determined by the Executive it gives them control over a key lever for the attractiveness and status of the role of Auditor-General. Given the Auditor-General is responsible for auditing Executive government activities, Executive involvement in remuneration creates a structural and perceived independence risk. Independent determination would strengthen independence and align Victoria with contemporary practice.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Remuneration and the terms and conditions of the office are determined by the Governor in Council and paid from the Consolidated Fund. • While the Audit Act protects remuneration from reduction during the Auditor-General's term, the Executive retains authority over remuneration and other terms and condition settings. • Other jurisdictions increasingly provide for remuneration to be determined by independent remuneration tribunals or statutory mechanisms. Victoria is one of only two jurisdictions in Australia that does not have the remuneration for its Auditor-General set by an independent committee. 	<ul style="list-style-type: none"> • Remuneration and any other terms and conditions associated with the office should be determined by an independent statutory remuneration tribunal. • This would strengthen independence and transparency. • This reform would require amendment to the <i>Constitution Act 1975</i> (the Constitution).

Oath or affirmation of office

INTOSAI Principle 1 emphasises that the Auditor-General's independence must be established in law and effective in practice, so taking an oath of office matters because it is a formal public promise to act lawfully, impartially and independently. Who they swear the oath to is equally important, the oath should be made to Parliament rather than to the Executive.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • The Constitution requires the Auditor-General, and the <i>Audit Act 1994</i> (the Audit Act) requires the Deputy Auditor-General, to take an oath or affirmation before the Executive Council. • Taking the oath before the Executive does not reflect that the Auditor-General is an Independent Officer of Parliament and accountable to Parliament. Comparator jurisdictions such as New Zealand and the Australian Capital Territory require oaths to be taken before Parliament or the Speaker, reinforcing Parliamentary accountability. 	<ul style="list-style-type: none"> • Requiring the oath or affirmation to be taken before the Speaker would strengthen independence and reinforce Parliamentary accountability. • This would require amendment to the Constitution and Audit Act.

Inclusion of objects in the Audit Act

The Audit Act does not include a preamble or an objects section that establishes its purpose or highlights the essential role of audit, transparency and accountability. By focusing on the outcomes sought rather than only the mechanics of specific tasks, legislative objects provide an enduring guide to interpretation that helps ensure the law continues to operate as intended over time and in changing circumstances ensuring enduring independence.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Purposes of the Act are to establish the requirement to conduct various audits and establish the office. They are transactional in nature. • No preamble or objects are included. 	<ul style="list-style-type: none"> • The introduction of objects that confirm the role of audit in ensuring transparency and accountability. For example. the objects of this Act could be to: <ul style="list-style-type: none"> (a) Promote the proper, efficient, effective and economical use of public resources; (b) Enhance transparency in the management and performance of public sector entities through independent audit and public reporting. (c) Support Parliament in holding the Government and public sector entities accountable for the use of public funds and the delivery of services. (d) Improve public administration by identifying risks, deficiencies and opportunities for better practice; (e) Foster public confidence in the stewardship of public resources and the integrity of public sector governance including through ensuring understanding of our role and work; and (f) Safeguard the independence of the Auditor-General in the exercise of audit functions.

2.

Independence and security of tenure for the Auditor-General

Ensuring the independence, security of tenure and conditions of appointment of the Auditor-General is essential to protect the role from actual or perceived executive influence, enabling the Auditor-General to perform audit functions impartially and without fear of removal, reprisal or inducement.

Our assessment – Principle 2

What is required?

It is Parliament, not the Executive, who should control who is appointed, how long they serve, how they can be removed or suspended, and whether they can act independently without personal or financial pressure.

How does VAGO compare?

Victoria is strong but not exemplary on Principle 2. The Auditor-General enjoys reasonable security of tenure and Parliamentary involvement in their appointment. However, the framework falls short of the principles which suggest Parliament should fully control the appointment and succession of the Auditor-General. Further Victoria is an outlier in allowing the Auditor-General to be re-appointed which creates, at a minimum, a perceived independence risk. Executive involvement in suspension and acting arrangements also create perceived and potential independence risks for the Auditor-General.

Areas for reform

Appointment and tenure of the Auditor-General

INTOSAI Principle 2 emphasises that it is Parliament and not the Executive that should determine the appointment and terms of the Auditor-General. This is to remove the risk of political patronage and partisan appointments. Further, allowing the reappointment of the Auditor-General creates a perceived independence risk. A single, fixed, non-renewable term strengthens independence.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • The Auditor-General is appointed by the Governor in Council on the recommendation of Public Accounts and Estimates Committee (PAEC). • There is no requirement for the role of Auditor-General to be advertised through an open and competitive process. This compounds the perception of political patronage of an appointment. • The Constitution allows the Auditor-General to be reappointed after the initial seven-year term. Reappointment terms may create a perceived incentive to maintain Executive confidence where reappointment is possible giving rise to a perceived and potential conflict of interest. • Comparator jurisdictions have progressively moved to fixed non-renewable terms. The Commonwealth, Western Australia and Tasmania provide a single ten-year term, while New South Wales provides an eight-year non-renewable term. These arrangements strengthen independence. 	<ul style="list-style-type: none"> • The Auditor-General should be appointed by the Speaker following consultation with or on the recommendation of the PAEC. • Require that the appointment of the Auditor-General be based on a public competitive process based on the candidate's integrity and qualifications. • Make the term of appointment for the role of Auditor-General be a single fixed non-renewable term of 10 years. • This would require amendments to the Constitution Act and Audit Act.

Continuity and cessation of office

There should be strong Parliamentary safeguards against the removal of the Auditor-General to support independence of the role and remove a key lever for Executive interference or control

Currently ...	Proposal ...
<ul style="list-style-type: none"> • The Constitution provides that removal of the Auditor-General requires approval of both Houses of Parliament, which is a strong safeguard. • However, the Governor in Council may suspend the Auditor-General when Parliament is not sitting. • The Audit Act also allows the Governor in Council to appoint an Acting Auditor-General during vacancies or absences. • These arrangements may create perceived Executive influence over continuity of the office. Comparator jurisdictions provide stronger continuity safeguards, such as automatic continuity through statutory deputies. 	<ul style="list-style-type: none"> • Provide continuity of the role of Auditor-General through the automatic acting of Deputy Auditor-General in the role when the Auditor-General is unavailable due to illness, leave or departure. • Clarify suspension arrangements, including specifying grounds for suspension, • These amendments would strengthen independence. • This would require amendments to the Audit Act.

**Resignation
from office**

INTOSAI Principle 2 emphasises that it is Parliament and not the Executive that should determine the appointment and terms of the Auditor-General. By extension, who they resign to is equally important, the resignation should be submitted to Parliament rather than to the Executive to strengthen independence and reduce the risk of the Executive influencing or appearing to influence the resignation or the timing of the resignation.

Currently ...	Proposal ...
<ul style="list-style-type: none">• The Constitution requires the Auditor-General to provide their resignation to the Governor in Council.• This does not reflect that the Auditor-General is an Independent Officer of Parliament and accountable to Parliament.	<ul style="list-style-type: none">• Requiring the letter of resignation to be provided to the Speaker would strengthen independence and reinforce Parliamentary accountability.• This would require amendment to the Constitution Act and Audit Act.

3.

Full discretion to exercise a broad audit mandate

The Auditor-General should have a clear legal authority over what can be audited and full discretion to decide what to audit, when to audit it, and how to audit it, preventing the Executive or audited entities from controlling what gets audited and what does not. If the mandate is narrow, or if others can direct, block, or require permission for audits, then the Auditor-General can be steered away from sensitive topics, forced to prioritise “safe” work, or delayed until findings lose impact. Reforms would protect the Auditor-General’s ability to pursue issues of public importance based on risk and evidence, rather than political preference.

Our assessment – Principle 3

What is required?

There were 17 factors ACAG considered in evaluating performance against Principle 3. They collectively test whether the Auditor-General can audit all uses of public resources across the public and non-public sector and exercise that mandate independently, without executive restriction, or selective carve-outs.

How does VAGO compare?

Victoria has a generally broad audit mandate, particularly with the introduction of ‘follow the dollar’ powers in 2016. However, Victoria is not exemplary against INTOSAI Principle 3 because the framework does not consistently allow the Auditor-General to exercise the mandate as of right and with full professional discretion. In particular, section 23 ‘other auditing services’ makes new or emerging assurance work dependent on an entity request and ministerial approval, while section 78’s requirement to apply the Australian Auditing and Assurance Standards constrains discretion over audit methodology. The Audit Act’s prescriptive performance engagement framework and the practical limits of the current ‘associated entity’ definition can further narrow discretion and coverage in practice and present key issues in need of reform.

Areas for reform

The mandate to undertake audits on performance statements and sustainability reporting.

The Audit Act allows for audit by arrangement, which is the primary mechanism used for the Auditor-General to conduct some types of audits not contemplating at the time of drafting, such as auditing of performance statements or some sustainability reporting. While a valuable mechanism, requiring an entity to request an audit, and a Minister to approve it, weakens independence as it makes the Auditor-General's work program dependent on the agreement of the entities and ministers that are impacted by the audit's findings. It creates an obvious pathway for audits to be discouraged, delayed or refused, particularly when the subject matter is sensitive. An Auditor-General cannot exercise their mandate as of right under such models. Where there is intent for the Auditor-General to have the mandate to conduct certain types of audits, this should be explicit in the legislation, rather than addressed under the audit by arrangement provision.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Section 23 of the Audit Act allows the Auditor-General to provide "other auditing services" by arrangement. • The arrangements are at the request of a public body, with the approval of the responsible Minister, and on terms that may include fair and reasonable fees. • This is in contradiction to INTOSAI principle 3 which suggests that to ensure independence, the Auditor-General requires a sufficiently broad audit mandate set in law and full discretion for the Auditor-General to determine what to audit and when, without needing Executive permission or client invitation. • While section 23 provides a pragmatic avenue for the Auditor-General to provide audit services not contemplated at the time of drafting, it is not an adequate primary mechanism to support ongoing core audit services such as the auditing of performance statements, or the expansion into auditing sustainability reporting. • Section 23 is client-initiated and Minister controlled, it does not establish a clear, independent, Parliament-facing mandate that the Auditor-General can exercise as of right. 	<ul style="list-style-type: none"> • When changes to assurance requirements for public sector reporting occur, there should be associated amendments to the Audit Act to ensure that the Auditor-General has the mandate to undertake the necessary audits. • This should include additions to the purpose of the Act with a supporting section that outlines how the audit is to occur in practice. • For example, Section 1 of the Audit Act could be amended to include: <ul style="list-style-type: none"> • the conduct of efficient and effective audits of sustainability reporting in the Victorian public sector; • an additional part should be included, similar to Part 3 of the Audit Act which outlines, who is to be audited, that the Auditor-General has discretion to determine what to audit, when and how and other practical measures to outline the audit arrangements. • Retain section 23 to deal with unforeseen requests for audit services not listed in the purpose of the Act.

The requirement to comply with Australian Auditing and Assurance Standards

Limiting audit practice to the Australian Auditing and Assurance Standards is inconsistent with the principle that the Auditor-General should have discretion on how to audit.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Section 78(1) of the Audit Act requires the Auditor-General to apply the Australian Auditing and Assurance Standards, as appropriate in the performance of audits and assurance reviews under the Act. • Section 78(2) of the Audit Act provides for the Auditor-General to apply additional auditing and assurance standards provided they are not inconsistent with the Australian Auditing and Assurance Standards. • Taken together these provisions constrain the Auditor-General’s professional discretion over “how” audits are carried out by locking methodology to an external standard-setter, rather than leaving their discretion. • Other jurisdictions, such as the Commonwealth and Queensland, provide a mechanism for the Auditor-General to publish the standards which they will apply when undertaking audit functions. 	<ul style="list-style-type: none"> • In place of the current requirements to apply the Australian Auditing and Assurance Standards (AAAS) in the Audit Act, include a requirement for the Auditor-General to table in Parliament the standards which are to be applied when undertaking audit functions and explain the extent to which the standards are consistent with the AAAS.

The concept of a performance engagement in the Act

The Act currently provides for two distinct types of performance engagement: a performance audit and an assurance review. This distinction relates to the level of assurance provided by the engagement. This is inconsistent with the general principle that the Auditor-General should have discretion on how to audit. It is also in conflict with contemporary, risk-based audit practice, where different levels of assurance may be desirable or practical within an engagement.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Part 4 and Part 5 of the Audit Act establish the requirements for performance audits and assurance reviews, respectively. • This current legislative framing establishes performance audits and assurance reviews as mutually exclusive types of performance engagement, based on the level of assurance provided for the conclusions. • Contemporary, risk-based audit practice, particularly on sustainability information, increasingly recognises that it is preferable to have the capacity to conclude with different levels of assurance within an engagement. This can improve the relevance of findings and reduce the cost associated with audit. 	<ul style="list-style-type: none"> • To amend the Audit Act to: <ul style="list-style-type: none"> • replace the concept of performance audit and assurance review with the concept of performance engagement • require performance engagements to be undertaken in line with relevant standards, and that findings can be made to either a limited or reasonable level of assurance • require the Auditor-General to make clear the level of assurance provided for key findings and conclusions when reporting. • this provides greater discretion to the Auditor-General to exercise a broad audit mandate while offering improvements in risk-based and cost effective auditing.

Reforming the scope of 'follow the dollar' powers to reflect contemporary commercial arrangements

When 'follow the dollar' powers only reach entities in a direct contracting or sub-contracting chain, they may miss parties with beneficial ownership or control. In practice it means parts of a publicly funded program may become effectively "off limits" to scrutiny by the Auditor-General even though public money is being spent.

Currently ...	Proposal ...
<ul style="list-style-type: none"> The Auditor-General has 'follow the dollar' powers, which was a new power provided by 2016 amendments to the Audit Act. This enables the Auditor-General to audit 'associated entities'. Associated entities are entities that contract or sub-contract to deliver goods and services on behalf of public sector entities. This model assumes a linear 'chain of contracting' model for contracting and subcontracting. In practice, public sector contracts, particularly for large infrastructure projects are increasingly complex, including where beneficial owners may not form part of the chain of contracting. This can include the establishment of joint ventures. In these cases, entities with beneficial ownership and exercising control can fall outside the scope of the definition of associated entities. 	<ul style="list-style-type: none"> Amend the Audit Act to expand the follow the dollar powers to cover all parties receiving benefit or exercising control over entities receiving public funding. This would provide for greater transparency of the use of public funds.

4.

Unrestricted access to information

Unrestricted access to information underpins the Auditor-General’s ability to conduct independent, evidence-based audits. Without full and timely access to relevant documents, records and people, audit conclusions may be constrained, weakening Parliament’s oversight of government performance and use of public resources.

Maintaining the confidentiality of audit information is essential to protect the integrity of audit evidence, encourage full and frank cooperation from audited entities, and ensuring that sensitive information cannot be misused to undermine the independence, effectiveness, or credibility of the Auditor-General or their reports.

Our assessment – Principle 4

What is required?

Under principle 4 the Auditor-General must have unrestricted, timely and enforceable access to all information needed to conduct audits, including records, systems, premises and explanations.

How does VAGO compare?

The Audit Act provides protections around confidentiality of audit information, including offences for unauthorised use or disclosure. It also includes information gathering powers which are enforceable in most cases.

However, one of Victoria’s most significant weaknesses is that recent legal advice obtained by the government is that the Auditor-General cannot compel access to legally professionally privileged material. Nor can the Auditor-General’s information gathering powers be used before an audit specification is drafted, limiting the Auditor-General’s ability to obtain information early for program planning and engagement scoping. There are also gaps in how the framework deals with onward disclosure of confidential material—if confidential audit information is leaked to an unauthorised person, current prohibitions do not clearly constrain what that recipient can do with the information.

Areas for reform

Legal and professionally privileged information

Limitations on the Auditor-General’s ability to compel access to legal and professionally privileged information can undermine independence by allowing audited entities to control the evidentiary record. Where privilege claims prevent compulsory production or entry to inspect records, the Auditor-General may be forced to rely on management-selected material or voluntary disclosures, reducing the capacity to verify key decisions and communications and increasing the risk that sensitive issues are insulated from scrutiny through strategic “privileging”.

The result is a practical constraint on what can be concluded and reported, ultimately weakening Parliament’s oversight. While privileged material may be provided voluntarily, an independence framework should not depend on goodwill or negotiation to obtain critical evidence.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Currently the Auditor-General cannot compel entities to provide or enter a premises to inspect legal professional privileged (LPP) documents using their information gathering powers in Part 7 of the Audit Act. This creates a significant gap in the Auditor-General's powers. • LPP information can only be provided voluntarily. In those circumstances it can be provided without waiving privilege. 	<ul style="list-style-type: none"> • Amend section 40 of the Audit Act to add legal professional privileged information alongside cabinet in confidence material. Alternatively, remove the reasonable excuse clause altogether. • Alternatively, amend the Audit Act to create a general duty on public sector agencies to provide information to support the exercise of any functions provided for by the Audit Act by the Auditor-General. For example, section 36 from the <i>Government Sector Audit Act 1983</i> in New South Wales allows for an authorised person, at any reasonable time, to access all relevant books, records and documents relating to any entity, fund, account or government resources to carry out any audit or audit-related service or other function the Auditor-General is authorised to do.

Limitations on gathering information from agencies

Access to information is vital to the effective exercise of the Auditor-General's mandate. Restrictions that limit the type and timing of information, for example, to support audit planning, can impede the performance of audit functions.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • The Auditor-General can request information at any time, including before audit specifications are drafted or finalised. These requests are voluntary, and agencies can refuse for any reason. • The Auditor-General can only issue information gathering notices where relevant to audit or assurance review functions, and only when a draft specification has been provided. • In practice, most information is provided voluntarily by agencies without the use of information gathering notices. But many agencies do not agree to provide information voluntarily until a specification has been provided. • This means that functions such as annual planning (determining which audits go on the plan) and initial engagement planning (developing the engagement specification) often need to be completed based on publicly available information. • Completing these tasks without all the necessary information can result in selecting engagement topics that are not a good candidate for audit, or issuing a poorly refined scope, which may need to be revisited during the engagement, adding cost and time to the audit for all parties involved. • In other jurisdictions, including NSW and the Commonwealth, the Auditor-General has broader powers that enable them to gather information consistent with the exercise of their audit functions. 	<ul style="list-style-type: none"> • As above, amend the Audit Act to create a general duty on public sector agencies to provide information to support the exercise of any functions provided for by the Audit Act by the Auditor-General, as demonstrated by section 36 of the <i>Government Sector Audit Act 1983</i> (NSW). • Alternatively, this could be achieved by: <ul style="list-style-type: none"> • Expanding the scope of the information gathering power to support the development of the Annual Plan (section 73); and • Allowing information gathering powers to be used to support the development of specifications for engagements included in the Annual Plan.

Limitations on the definition of unauthorised disclosure of confidential information

Strong protections for audit information including working papers, draft findings and source material, are essential to preserve audit integrity, support cooperation with auditees and clients, and prevent premature or selective disclosure that could be used to pressure, discredit or interfere with the Auditor-General’s independent findings or reporting to Parliament.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Under the Audit Act's notifications and information sharing provisions, sections 71 and 72 of the Audit Act together protect the confidentiality of audit information by creating offences for unauthorised use or disclosure of audit information. • Section 71 applies to people performing functions under the Act (including VAGO officers) and prohibits improper use of, or direct/indirect disclosure of, information acquired or created through audit work except as allowed. • Section 72 extends similar prohibitions to people outside VAGO who receive or obtain “confidential information” from VAGO, a VAGO officer, or otherwise under the Act, again subject to defined exceptions. • If the information is shared with someone in an unauthorised disclosure, no prohibitions apply on how they can use or share the information further. 	<ul style="list-style-type: none"> • There are a number of approaches taken in other contexts that might apply here. • For example, it could be an offence for a person to disclose confidential information where the person knows, or ought reasonably to know, the information is confidential audit information and the disclosure is not within an existing exception. • Alternatively, it could be an offence to disclose confidential information even if it was obtained other than from VAGO, where the person knows or ought to know it originated from an unauthorised disclosure of audit confidential information.

5.

A right and obligation to report on audit work

The Auditor-General should be able report audit findings directly, fully, and honestly to Parliament and the public without Executive filtering, suppression, or delay, preserving Parliament’s ability to hold government to account based on independent evidence.

Our assessment – Principle 5

What is required?

Principle 5 is assessed by asking whether the Auditor-General has a clear obligation to report to Parliament on the discharge of their functions, whether the Auditor-General can also issue standalone or special reports on any matter they judge warrants reporting, rather than being confined to a narrow set of prescribed report types, and whether the reporting pathway is direct to Parliament, so Parliament receives audit messages independently and without filtering.

How does VAGO compare?

The Audit Act provides a clear statutory basis for the Auditor-General to report the outcomes of their audits directly to Parliament.

However, in Victoria, the Auditor-General’s ability to inform Parliament is constrained by reporting being limited to work that fits narrow statutory engagement types. This leaves a gap where matters are relevant to accountability but not readily reportable unless they are packaged as an audit report.

Areas for reform

Publication of information and other reports

The independence principles outline the need for the Auditor-General to have flexibility in undertaking audit functions. If the Auditor-General can only report when work fits the statutory definition of an audit or assurance review, then the Auditor-General’s ability to inform Parliament about matters relevant to their functions becomes constrained. This has the potential for important issues to fall into a gap: relevant to accountability, but not reportable unless part of an audit.

Currently ...	Proposal ...
<ul style="list-style-type: none"> <li data-bbox="360 215 863 315">• The Auditor-General can only publish reports that are related to audit or assurance review functions under the Act. <li data-bbox="360 331 863 510">• Other jurisdictions provide the Auditor-General with greater flexibility regarding reports. For example, the Commonwealth Auditor-General can table a report on any matter relevant to their functions. 	<p data-bbox="895 215 1426 315">Amend Part 8 of the Act to provide the Auditor-General with greater discretion and autonomy regarding the publication of reports.</p>

6.

Freedom to decide the content and timing of audit reports

It is important for the Auditor-General to decide what to report, when to report it, and how to publish it without interference. This freedom sits alongside natural justice requirements ensuring affected entities have a fair opportunity to respond to proposed adverse findings, however that process must not be used to negotiate, delay, or dilute the Auditor-General's final conclusions.

Our assessment – Principle 6

What is required?

In order to meet Principle 6 the Auditor-General must have control over what is in their reports, when reports are finalised and tabled, and how they are published, without Executive or auditee interference. If there are mandated restrictions on what can be outlined in the report, such as legal restrictions on disclosing sensitive information, there should be an alternative secure mechanism for the Auditor-General to provide the restricted information to Parliament so oversight is not weakened by an inability to explain findings fully. They should have mandated consultation processes to support their ability to report as they see fit.

How does VAGO compare?

Victoria's audit framework has a number of strengths including a defined consultation process for performance audit reports and the Auditor-General's report on the annual financial report of the State's finances, which supports fairness and helps resolve factual issues before tabling.

However, the current settings can constrain the Auditor-General's ability to communicate matters fully to Parliament where information is restricted from publication, as no clear alternative mechanism exists for confidential reporting. In practice, this weakens the Auditor-General's control over report content and publication.

Areas for reform

Alternate mechanism for reporting sensitive information

The Auditor-General is restricted from publicly disclosing certain sensitive information in reports to Parliament, including Cabinet-in-confidence, legally privileged, commercial-in-confidence, and other protected material unless it is in the public interest. There are also instances where the Auditor-General might also believe it is in the public interest to not include sensitive information in a report as disclosing it is not in the public interest. However, the Audit Act fails to provide any alternative mechanism for that information to be shared confidentially with Parliament, such as through the Speaker or PAEC. This limits Parliament's ability to fully understand audit findings and weakens effective Parliamentary oversight. In this case, the Auditor-General's independence is

weakened through an asymmetry; the Auditor-General bears responsibility for audit conclusions without the ability to explain them fully to Parliament.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • The Audit Act maintains that the Auditor-General must not disclose in reports to Parliament information that is Cabinet-in-confidence, legally or professionally privileged, defined as confidential information under the Audit Act, prohibited from disclosure by another law, or whose disclosure would prejudice the conduct of an audit, compromise audit integrity, or otherwise be contrary to the public interest. • However, it doesn't allow for this information to be provided to Parliament via the Speaker, PAEC or another channel. • By contrast, the Tasmanian Auditor-General may prepare a report that includes the information that was not disclosed and may give a copy of that report to the PAEC equivalent and to the Treasurer. The Treasurer may act on recommendations contained in the report but must not publicly disclose the report or any matter contained in the report. Separately, the PAEC equivalent may act on the recommendations contained in the report but must not publicly disclose the report or any matter contained in the report unless two thirds of the members of the Committee consider it is desirable and in the public interest to do so, in which case the report is made available to each House of Parliament. 	<ul style="list-style-type: none"> • Allow the Auditor-General to prepare a separate report that includes any information that cannot be disclosed in a report, if they choose to do so. • Require that the Auditor-General give a copy of the report to the PAEC, the Treasurer and the relevant minister(s). • On receipt of the report, the Treasurer and relevant Ministers may act on the recommendations contained in the report but must not publicly disclose the report or any matter contained in the report. • On receipt of the report, PAEC may act on the recommendations contained in the report but must not publicly disclose the report or any matter contained in the report unless two thirds of the members of the PAEC consider it is desirable and in the public interest to do so. • If the PAEC considers it is desirable and in the public interest to publicly disclose the report or any matter contained in the report, the PAEC is to make the report available to each House of Parliament. • This will require an amendment to the Audit Act

7.

Appropriate mechanisms to follow-up on audit recommendations

A mechanism for Parliament to consider the Auditor-General's findings is important because it ensures audit findings lead to scrutiny, accountability, and ideally corrective action, rather than being informational.

Our assessment – Principle 7

What is required?

Principle 7 is assessed by considering whether there are effective, legally supported mechanisms to ensure audited entities and the Executive respond to, implement, and publicly account for action taken on audit recommendations. Further this follow-up is systematic and timebound, rather than ad hoc or discretionary. It also considers whether Parliament has clear oversight levers, such as committee processes and required reporting so recommendations lead to scrutiny and corrective action, not just publication.

How does VAGO compare?

Victoria has an established Parliamentary follow-up pathway, with PAEC able to inquire into Auditor-General reports and require the Executive to respond. Separately VAGO also undertakes an annual limited assurance review that tracks and publicly reports on how agencies are addressing recommendations, which supports transparency and accountability.

The key gap for Victoria is that there is no legislative requirement for audited agencies or the Executive to respond within a defined timeframe, implement recommendations, or publicly report progress on agreed actions. As a result, follow-up is more convention and committee-driven than a consistent, timebound statutory mechanism, which can lead to uneven responsiveness and reduced assurance that recommendations will be acted on.

Areas for reform

Parliamentary oversight on the Government's response to audits

Follow-up is an important link in the chain of accountability for the Executive. Without a required progress-reporting mechanism, the Executive can delay or avoid implementing agreed actions without having to account publicly for that choice. That reduces the practical impact of audits and makes follow-up dependent on government discretion, not Parliament's framework. Over time, this can create pressure to moderate findings to maintain cooperation, which undermines both the reality and perception of the Auditor-General's independence.

Currently ...

- There is no legislative requirement for audited agencies to accept, complete or publicly report on our recommendations.
- Parliament, through PAEC, has the power to follow-up on Auditor-General reports and recommendations. This can take the form of requiring the Executive to explain its action or response to the report.
- Annually VAGO undertakes an annual limited assurance review to monitor how agencies have addressed its recommendations. This makes agencies' responses and actions more transparent to Parliament and Victorians.

Proposal ...

- Create a statutory obligation, within the *Financial Management Act 1994*, requiring agencies and departments to report progress on:
 - Auditor-General recommendations, and
 - their agreed management responses, not just the recommendations themselves.
- Embed this obligation in annual reporting.

8.

Financial, managerial and administrative autonomy

To maintain its independence, the audit office must have sufficient, stable resources: people, funding and tools; and the autonomy to manage them. This is so the Auditor-General can deliver the work program without dependence on, or pressure from, the Executive through budget, staffing or administrative controls. Unfortunately, financial managerial and administrative autonomy are Victoria’s key vulnerabilities, as current arrangements remain closely connected to broader Executive-controlled frameworks, creating structural and perceived risks to independence.

Our assessment – Principle 8

What is required?

To meet INTOSAI Principle 8, the audit office must have sufficient, stable resources and the autonomy to manage them so the Auditor-General can deliver the work program without relying on Executive-controlled frameworks. This focuses on whether funding is set with transparent Parliamentary oversight, and whether the Auditor-General controls key enablers like staffing and corporate services.

How does VAGO compare?

Victoria’s principal weaknesses relate to financial, managerial and administrative autonomy, because the current arrangements remain closely tied to Executive-controlled frameworks, giving rise to both structural constraints and perceptions that independence may be compromised.

Areas for reform

Budget Independence

Budget independence is essential to INTOSAI Principle 8 because the Auditor-General can’t be truly independent if the Executive can influence, restrict, or penalise the audit office through funding decisions. Secure, sufficient funding, set with transparent Parliamentary oversight, ensures the Auditor-General can deliver the work program and maintain audit quality without fear or favour from the Executive.

This issue is covered in detail in two separate joint publications. [Advancing budget transparency for Victoria’s core integrity agencies](#), published in February 2026 and [Budget independence for Victoria’s Independent Officers of Parliament](#) published in October 2022. These papers provide a full exploration of this area for reform – a summary is provided below.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • VAGO is funded through an appropriation for its performance engagement and parliamentary reports and related functions and audit fees charged for delivering its financial audit and assurance services. • VAGO's funding is determined by the Executive, rather than being set by Parliament through a dedicated independent mechanism. • VAGO's budget is developed internally, including workload and resourcing needs and then progressed through the ordinary Victorian Government budget process, with funding proposals considered by the Department of Treasury and Finance and ultimately determined by the Executive as part of Cabinet budget decision-making; • PAEC's role, while mandated in the Audit Act, is limited to oversight and scrutiny and it does not determine VAGO's budget or have a decision-making role in the Executive budget process. • Better practice budget independence arrangements exist in New Zealand, the ACT, Queensland and NSW. All share a common design: a Parliamentary, or Parliament-linked body is embedded in the funding process, with clear transparency requirements thereby reducing the scope for Executive to quietly reduce audit resourcing. 	<ul style="list-style-type: none"> • That VAGO's funding, along with other integrity agencies, be the responsibility of a new independent statutory commission or tribunal, similar to the Victorian Independent Remuneration Tribunal, where evidence, reasoning and recommendations relating to funding are tabled in Parliament to promote full transparency. • There are a range of practical transparency reforms that can be implemented administratively that would improve Independence. These include providing: <ul style="list-style-type: none"> • the written reasons for budget outcomes including variations from bids to the Auditor-General and PAEC. • the Auditor-General with visibility of, and an ability to respond to, advice going to Cabinet decision-makers on budget considerations. • structured engagement with PAEC on budget decisions; and • administrative safeguards such as formal exemption from efficiency dividends.

Office autonomy

Office autonomy goes to whether the Auditor-General can manage its internal operations, including corporate services, governance settings, and internal decision-making, without reliance on, or constraint by, Executive-controlled administrative frameworks.

Where key enabling functions are embedded within Executive systems such as whole-of-government policies, this can create structural and perceived risks to independence because the Auditor-General audits the Executive while depending on Executive-controlled frameworks to run the Office.

Strengthening office autonomy would more clearly separate VAGO's administrative controls from the Executive and better align Victoria with better practice arrangements in place in other jurisdictions in Australia.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • VAGO is not a legal entity, which limits its ability to act in its own right such as entering into arrangements directly rather than through other government structures. For example, VAGO is unable to secure and manage its own lease / office accommodation arrangements independently. It is also subject to the whole-of-government accommodation governance Centralised Accommodation Management through Department of Government Services (DGS). • The <i>Statewide Treaty Act 2025</i> (Vic) provides a useful Victorian precedent for establishing an entity with administrative autonomy, by conferring on the First Peoples' Assembly own legal status and governance arrangements and enabling it to manage its internal administration and operations independently of Executive-controlled departmental structures. 	<ul style="list-style-type: none"> • Establish VAGO as a legal entity under the Audit Act, with express capacity to act in its own right (including to enter contracts and hold/secure accommodation leases). • Provide clear statutory authority for core corporate functions (including accommodation and other enabling services) to be managed independently, reducing reliance on Executive-controlled administrative frameworks and strengthening organisational independence. • For example, the Auditor-General and VAGO should be allowed to enter into any agreements or arrangements in connection with its functions.

Staffing independence

Staffing independence underpins audit independence because an audit office can only deliver its mandate if it can recruit, deploy and manage staff under the Auditor-General's authority. Where staffing sits within broader Executive-controlled employment frameworks, even indirect influence over employment settings, such as remuneration, conditions and policy settings, can create real or perceived pressure and erode confidence in impartial, evidence-based audit.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Staff of the Victorian Auditor-General's Office are employed under the <i>Public Administration Act 2004</i> (Public Administration Act). • Under the Public Administration Act, the Victorian Public Sector Commissioner can issue whole-of-VPS directions (including on employment and HR matters) that apply to VAGO staff, meaning VAGO must generally comply with those directions unless the legislation provides otherwise. • Further the Victorian Public Service Enterprise Agreement 2024 sets the key employment terms and conditions for VAGO's non-executive employees. • While the Auditor-General has operational management responsibility, employment arrangements remain part of the broader public sector employment framework. • The Audit Act also allows for a person to be appointed as the Deputy Auditor General. This constrains the Auditor-General's ability to structure their senior leadership team as they see fit. • Comparator jurisdictions such as Queensland, New South Wales and New Zealand provide staffing arrangements under audit-specific legislation, ensuring staffing authority rests clearly with the Auditor-General. These arrangements strengthen organisational independence and align with international independence principles. 	<ul style="list-style-type: none"> • Staff of the Victorian Auditor-General's Office are employed under the Audit Act. This would strengthen organisational independence and align Victoria with contemporary practice in other jurisdictions. • This requires changes to the Audit Act to give the Auditor-General the power to: <ul style="list-style-type: none"> • engage employees • assign duties to an employee or group of employees • address unsatisfactory performance, misconduct and serious misconduct by employees • determine employment conditions for employees, including setting a Code of Conduct • enter into agreements with employees or a class of employees relating to industrial matters • represent the Victorian Auditor-General's Office interests in industrial matters before a court or tribunal of competent jurisdiction • Allow the Auditor-General to appoint Deputy Auditor(s)-General, rather than a single Deputy Auditor General if they deem it necessary for the operation of the of audit office. The Deputy Auditor(s)-General are appointed to assist the Auditor-General in performing the Auditor-General's functions as determined in writing by the Auditor-General.

Annual reporting

Principle 8 requires administrative autonomy and practical means to carry out all of the functions of the role of Auditor-General effectively and without undue constraint. If the Auditor General can only transmit their annual report on a day when Parliament is in session to complete a core accountability function, the office becomes operationally dependent on the Parliamentary sitting calendar, which is shaped by the Executive and in some years election timing..

This creates a structural risk that annual reporting can be delayed for reasons unrelated to the Auditor-General's ability to prepare the report.

Currently ...	Proposal ...
<ul style="list-style-type: none"> • Currently section 75 of the Audit Act requires that, as soon as practical at the end of the financial year, that the Auditor-General must prepare a report of Operations (or an annual report) and that they must cause the report of operations to be transmitted to each House of the Parliament. • There are no provisions in either the Audit Act or the Financial Management Act that explain the circumstances of how the Auditor-General may transmit the annual report if Parliament is not sitting. • There are provisions outlined in the Audit Act for how the Auditor-General might table other reports, or their Annual Plan when Parliament is not sitting. Similarly, section 46 of the FMA outlines how non sitting periods are to be managed for other entities. • This has the effect that the Auditor-General must wait to transmit their annual report until Parliament is sitting. • Convention also prevents the Auditor-General from publishing their annual report elsewhere until it has been tabled in Parliament. 	<ul style="list-style-type: none"> • Amend section 75 of the Audit Act to include provisions for transmitting the annual report when Parliament is not sitting, for example, similar to the provisions outlined in Section 74 of the Audit Act which explain how the Annual Plan can be transmitted on a non-sitting day could be applied.

The power to do all things that are necessary or convenient to be done for or in connection with the performance of their functions

Providing the Auditor-General with an express power to do all things necessary or convenient for the performance of their functions strengthens independence by ensuring the Auditor-General can manage administrative and enabling functions as of right, without reliance on Executive-controlled frameworks or permissions, and can adapt audit operations over time while remaining accountable to Parliament.

Currently ...

- Currently the Audit Act is quite transactional in nature. It specifies specific functions the Auditor-General can undertake. As audit practice, technology and reporting expectations evolve, gaps in enumerated powers can:
 - narrow what the Auditor-General can practically do,
 - constrain innovation,
 - or force work into outdated formats.
- A number of independent bodies and officers have the power to do all things that are necessary or convenient to be done for or in connection with the performance of its functions, including Victoria's The First Peoples' Assembly.

Proposal ...

- To amend the Audit Act to give the Auditor-General the power to do all things that are necessary or convenient to be done for or in connection with the performance of its functions.

9.

Further areas for reform

This section identifies additional aspects of Victoria's audit and oversight framework that may benefit from refinement to remain fit for purpose over time. While not presenting immediate independence risks, these issues highlight opportunities to strengthen accountability arrangements without undermining the Auditor-General's independence.

The independent Performance audit

Section 82 of the Audit Act outlines the requirement for a suitably qualified person to be appointed to conduct an independent performance audit of the Auditor-General and VAGO every 4 years.

This independent performance audit plays a key accountability role in ensuring that the Auditor General and VAGO are achieving their objectives effectively, economically and efficiently, and in accordance with legislative responsibilities. However, there are issues with the current design and operation.

Section 82 of the Audit Act mandates a full performance audit with a very broad scope, but provides limited guidance on boundaries or methodology, creating a risk that the audit becomes overly expansive, resource-intensive and difficult to execute proportionate to the assurance gained from the exercise, or improvements it might precipitate.

Section 82 also requires that the PAEC develop and finalise the audit specification.

Further the requirement that it be an audit rather than a review limits the pool of potential auditors that can undertake an audit of VAGO that aren't conflicted.

The requirements offer limited flexibility to tailor the mechanism over time or to adopt alternative review-based approaches used in other jurisdictions, raising questions about whether the form, scope and frequency of the current mechanism remain the most effective way to achieve independent oversight:

- In Queensland, a strategic review of the Queensland Audit Office must be undertaken under section 68 of the *Auditor-General Act 2009 (Queensland)*. The strategic review, as defined in section 68(7) of that act, includes: a) a review of the Auditor-General's functions; and b) a review of the Auditor-General's performance of the functions to assess whether they are being performed economically, effectively, and efficiently
- The Commonwealth *Auditor-General Act 1997* provides for the appointment of an independent auditor for a period of 4 years. The independent auditor may at any time conduct a performance audit of the Audit Office.

Consideration should be given to amending this requirement to be a strategic review rather than an audit, a narrowing of the scope to focus on VAGO's economy, efficiency and effectiveness at an organisational level and not to re-audit professional judgments such as audit topic selection and conclusions except where there is evidence of a systemic process failure.

Consider the composition and nature of the chair

Recent amendments to the *Parliamentary Committees Act 2003* in 2024 strengthened the independence of parliamentary oversight by requiring that the chair of investigative parliamentary committees be a member who does not belong to the governing party. As a result of these changes, the Integrity Oversight Committee, which oversees the other Victorian Integrity agencies, IOV, VO and IBAC is chaired by a non-government member of parliament.

This reform was intended to reinforce the separation between the Executive and parliamentary scrutiny functions, particularly where committees exercise coercive powers or undertake investigations into government administration and performance. By ensuring that leadership of investigative committees sits outside government, the reforms sought to enhance public confidence in the objectivity, credibility and fairness of committee processes, and to reduce real or perceived risks that Executive influence could shape inquiry scope, conduct or reporting. The changes align Victoria's committee framework more closely with contemporary expectations of robust parliamentary accountability and independent oversight of the Executive.

As a standing committee, PAEC was not impacted by these reforms. However, given PAEC's statutory role in scrutinising public administration and finances, overseeing audit priorities and budgets, and safeguarding the independence and accountability of the Auditor-General, consideration should be given to whether a non-government chair would further strengthen the separation between the Executive and parliamentary scrutiny. This may be particularly relevant where PAEC's role in the appointment and oversight of the Auditor-General is expanded, as proposed in this paper.

The definition of a VAGO officer and other issues

There is a drafting issue arising from the 2019 amendments where the definition of a VAGO officer relies on sections that no longer exists and should be amended.

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet [About VAGO](#).

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