



Public Accounts and Estimates Committee

Independent performance audit of the Auditor-General and the Victorian Auditor-General's Office 2024: budget variation

Report

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About the Committee

Functions

The Public Accounts and Estimates Committee is a Joint Parliamentary Committee constituted under the *Parliamentary Committees Act 2003* (Vic) (the Act).

The Committee is comprised of nine members of Parliament drawn from both Houses of Parliament.

The Committee scrutinises matters of public administration and finance to improve outcomes for the Victorian community. Its functions under the Act are to inquire into, consider and report to Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances
- the annual estimates or receipts and payments and other budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council.

The Committee has several key statutory responsibilities in relation to the Victorian Auditor-General's Office (VAGO). The Committee is required to:

- make a recommendation to the Parliament on the appointment of the Auditor-General
- make a recommendation to the Parliament on the appointment of the independent performance and financial auditors to review the Auditor-General and VAGO
- consider the Auditor-General's budget every financial year
- consider the Auditor-General's draft annual plan and audit priorities
- be consulted on draft performance audit specifications.

The Committee also conducts follow-up inquiries into selected VAGO performance audits.

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1.1 Legislative requirements

The *Audit Act 1994* (Vic) (the Act) requires that an independent performance audit of the Auditor-General and the Victorian Auditor-General's Office (VAGO) be conducted at least once every four years.

The Public Accounts and Estimates Committee (the Committee) is responsible under the Act for making a recommendation to both Houses of Parliament on the appointment of a suitably qualified person to undertake the performance audit.

Section 82 of the Act states in part that:

- (1) On the recommendation of the Parliamentary Committee, a suitably qualified person may be appointed by resolution of the Legislative Council and Legislative Assembly as an independent performance auditor of the Auditor-General and the Victorian Auditor-General's Office other than the following—
 - (a) a person who has a conflict of interest by reason of being engaged by the Auditor-General under section 7;
 - (b) a person who has a conflict of interest by reason of holding a delegation from the Auditor-General under section 8;
 - (c) a person appointed under section 79 as the independent financial auditor of the Victorian Auditor-General's Office.
- (2) The independent performance auditor
 - (a) is appointed on the terms and conditions and is entitled to the remuneration determined by the Parliamentary Committee; and
 - (b) in conducting the audit, must comply with directions as to the audit given by the Parliamentary Committee.
- (3) Remuneration payable to a person appointed as the independent performance auditor is to be paid from money appropriated to the Parliament.
- (4) The independent performance auditor must conduct a performance audit at least once every 4 years to determine whether the Auditor-General and the Victorian Auditor-General's Office are achieving their objectives effectively, economically and efficiently and in compliance with all relevant Acts.

1.2 Appointment of the independent performance auditor

On 4 October 2023, in accordance with section 82 of the Act, the Committee recommended that the Legislative Council and Legislative Assembly appoint MartinJenkins:

- (a) to conduct the performance audit of the Auditor-General and the Victorian Auditor-General's Office in 2023–2024
- (b) in accordance with the Terms, Conditions and Specifications as set out in the Request for Tender issued on 1 August 2023
- (c) at a fixed fee of \$AUD 405,933 (excluding GST).

The Legislative Council and Legislative Assembly agreed to the appointment on 5 October 2023.

1.3 Specification for the Performance Audit

In accordance with section 82 of the Act, the Committee directed MartinJenkins to consider and assess the following areas:

- Independence and objectivity.
- Contribution to an effective and efficient public service.
- Professional and respectful relationships.
- Contemporary methodology, tools and techniques.
- Focus on quality and continuous improvement.
- Strong practice management.
- Participative leadership and inclusive culture.
- Engaged staff and a focus on wellbeing.

Further details on the Terms of Reference for the performance audit can be found in the Committee's report *Appointment of a person to conduct the performance audit of the Auditor-General and Victorian Auditor-General's Office*.

1.4 Timelines and key deliverables

The timeline and deliverables for the performance audit were as follows:

- A proposed performance audit plan to be submitted to the Committee by 13 November 2023.
- A performance audit progress report to be submitted to the Committee by 18 December 2023.

- A preliminary draft performance audit report to be provided to the Committee by 1 April 2024.
- Final performance audit report to be tabled in Parliament on 30 May 2024.

1.5 Budget variation

Due to the unavailability of many interviewees over the Christmas break (December–January) and the time it took to receive some information from VAGO, the Committee granted MartinJenkins an extension of time for the provision of draft reporting. This time extension did not impact MartinJenkins' budgeted hours for analysis and reporting.

However, MartinJenkins' budget has subsequently been materially impacted by the degree of VAGO's response to the findings communicated during the end of conduct briefing and in the preliminary draft performance audit report.

Given the need to consider and respond to VAGO's comments to deliver a fair and balanced report, MartinJenkins has determined that an additional 83 hours (10.5 consultant days) at a cost of \$AUD 30,000 (excluding GST) is required to finalise and deliver a high quality performance audit report.

The final performance audit report will be tabled in Parliament at the end of July 2024.

1.6 Recommendation

The Committee recommends that MartinJenkins be provided the additional funds of \$AUD 30,000 (excluding GST) to deliver the performance audit of the Auditor-General and the Victorian Auditor-General's Office 2024.

RECOMMENDATION 1: In accordance with s 82 of the *Audit Act 1994 (Vic)*, the Legislative Assembly and the Legislative Council approve a budget variation of an additional \$AUD 30,000 (excluding GST) for MartinJenkins to deliver the performance audit of the Auditor-General and the Victorian Auditor-General's Office by the end of July 2024.

**Adopted by the Public Accounts and Estimates Committee
55 St Andrews Place, East Melbourne
17 June 2024**

