



# The Public Accounts and Estimates Committee **BRIEFING PAPER**

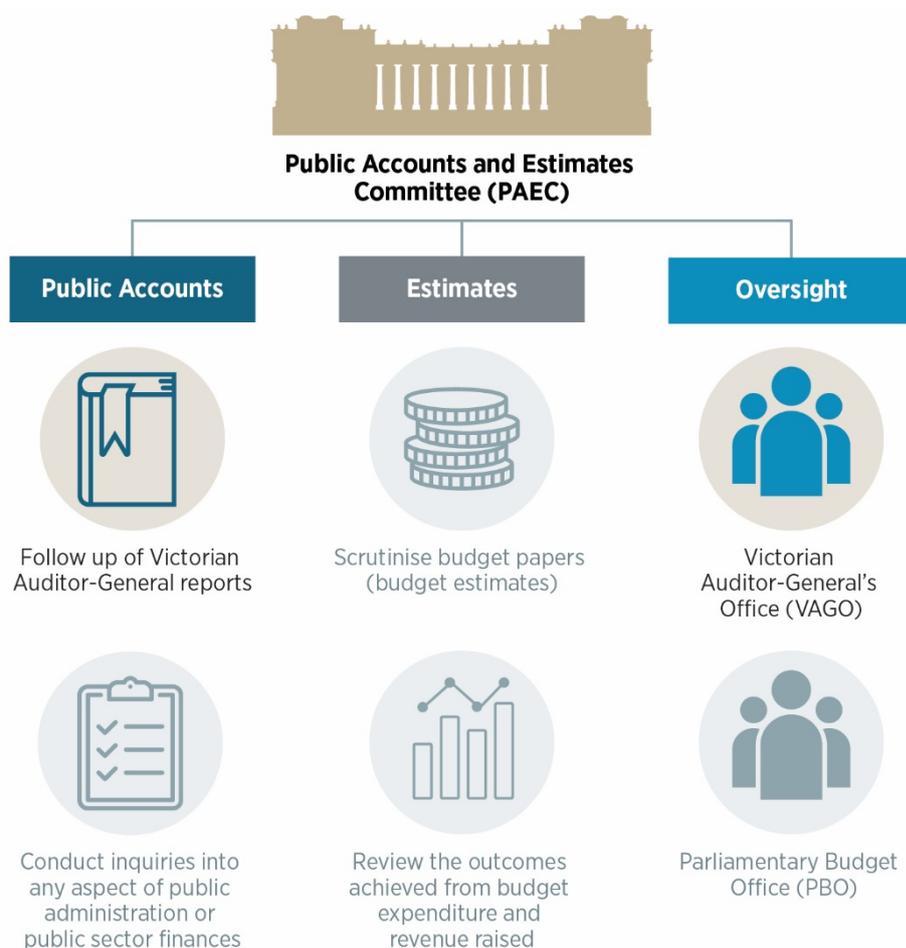
## PAEC's obligations regarding the Victorian Auditor-Generals Office

PAEC has a series of obligations and responsibilities regarding the Victorian Auditor-General and the Victorian Auditor-General's Office (VAGO). The three primary acts that govern these obligations are the *Constitution Act 1975*, the *Audit Act 1994* and the *Parliamentary Committees Act 2003*.

The Committee's key responsibilities regarding VAGO are:

- recommending the appointment of the Victorian Auditor-General
- being consulted by VAGO every year on the formulation of its annual plan and budget
- appointing auditors to conduct financial and performance audits of VAGO
- conducting follow-up inquiries into selected VAGO performance audits.

These responsibilities and obligations fall under both the public accounts and oversight functions of the Committee.



## Appointment of Auditor-General

The Auditor-General is to be appointed on the recommendation of the Committee under Section 94A(2) of the *Constitution Act 1975*. The current Auditor-General is Andrew Greaves, who was appointed in 2016 for a period of seven years. Before his appointment, Mr Greaves was the Auditor-General for Queensland.

## Annual plan and budget

The Auditor-General must consult with the Committee when developing his annual plan and annual budget under Section 7(A) of the *Audit Act 1994*. The Committee must consider the expenditure of VAGO and the content of the annual plan and make suggestions or recommendations as it sees fit. The Auditor-General tables his final annual plan in Parliament before the commencement of each financial year.

The Auditor-General is required to consult with the Committee on performance audits under Section 15(5) of the *Audit Act 1994*. This is done through consultation on individual audit specifications, which outline the issue, rationale, objective, criteria, scope, methods and lines of inquiry of the audit.

## Oversight

The Committee is responsible for auditing the Auditor-General's Office under Sections 17 and 19 of the *Audit Act 1994*. The Committee fulfils this function by engaging independent auditors for yearly financial audits and three-yearly performance audits. The latest financial audit was conducted by Nexia in 2018, which has conducted the last three financial audits of VAGO. In April 2019, the Committee recommended to Parliament that the contract with Nexia be renewed for one year and noted that it would commence a competitive tender process in 2020 to find a financial auditor for the three-year period beginning 2020.

The latest performance audit was conducted by Deloitte in 2016. Performance audits are required every three years, meaning the next performance audit of VAGO is due to be conducted in 2019. However, in December 2018, the Attorney-General introduced the Audit Amendment Bill 2018. The Bill provides that performance audits of VAGO will be required at least every four years, rather than three. Since the Bill had not passed by April 2019, the Committee commenced a procurement process to appoint a performance auditor of VAGO in May.

## Follow-up of VAGO audits

PAEC also conducts follow-up inquiries on selected audits conducted by VAGO. The Committee exercises its powers to undertake these follow-up inquiries under the *Parliamentary Committees Act 2003*, using:

- the broad powers outlined under Section 14, which allow the Committee to 'inquire into, consider and report to the Parliament on any proposal, matter or thing concerned with public administration or public sector finances'
- the powers under Section 33, which allow it to inquire and consider any report tabled in the Parliament.

Follow-up inquiries look at the progress that has been made implementing the audits' recommendations, identify any issues with implementation and investigate new issues that may have arisen since the report was tabled. Follow-up inquiries also allow the Committee to make recommendations that will improve specific areas of public administration and accountability.

## Other powers

The Committee also reviews the performance of the duties and functions of the Victorian Inspectorate (VI) and examines any reports made by VI regarding VAGO officers. In 2017–18, there were no complaints lodged against VAGO officers.

The Committee has the power to exempt the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.

Further information about the Auditor-General and his office can be found on the VAGO website at <https://www.audit.vic.gov.au>.