



Public Accounts and Estimates Committee

Appointment of a person to conduct the financial audit of the Victorian Auditor-General's Office

Report
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Committee membership



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Mathew Hilakari
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Bev McArthur
Western Victoria



Danny O'Brien
Gippsland South



Dr Tim Read
Brunswick

About the Committee

Functions

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

The Committee comprises nine members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State. Its functions under the Act are to inquire into, consider and report to the 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
- audit priorities for the purposes of the *Audit Act 1994* (Vic).

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General and the Parliamentary Budget Office. This includes responsibility for appointing an auditor to conduct annual financial audits of the Victorian Auditor-General's Office.

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Recommendation

RECOMMENDATION 1: In accordance with section 79 of the *Audit Act 1994* (Vic), the Legislative Council and the Legislative Assembly appoint Mr Kenneth Weldin of PKF Melbourne Audit and Assurance for a period of 12 months:

- a. to conduct the financial audit of the Victorian Auditor-General's Office for the financial year ending 30 June 2024;
- b. in accordance with the Agreement for the Provision of Services for the Financial Audit of the Victorian Auditor-General's Office; and
- c. at the following fixed fee level of remuneration:
 - \$46,100 (plus GST) for audit services for the year ending 30 June 2024.

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Acronyms

PAEC	Public Accounts and Estimates Committee
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VAGO	Victorian Auditor-General's Office
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Appointment of a person to conduct the financial audit of the Victorian Auditor-General's Office

1.1 Legislative requirements

The *Audit Act 1994* (Vic) (the Act) requires that an independent financial auditor be appointed for a period not exceeding four years to conduct annual financial audits of the Victorian Auditor-General's Office (VAGO).

The Public Accounts and Estimates Committee (the Committee) is responsible under the Act for recommending, to both Houses of Parliament, the appointment of a suitably qualified person to undertake the financial audit.

Section 79 of the Act provides 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 financial auditor of 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 82 as the independent performance auditor of the Auditor-General and the Victorian Auditor-General's Office.
2. The independent financial auditor—
 - a. is appointed for a period not exceeding 4 years; and
 - b. may be reappointed under this section; and
 - c. is appointed on the terms and conditions and is entitled to the remuneration determined by the Parliamentary Committee; and
 - d. in conducting the audit, must comply with directions as to the audit given by the Parliamentary Committee.
3. Remuneration payable under the appointment is to be paid out of the Consolidated Fund which is to the necessary extent appropriated accordingly.

4. The independent financial auditor must conduct an audit of the financial statements of the Victorian Auditor-General's Office at least once in each financial year.
5. Subject to any directions given by the Parliamentary Committee, the independent financial auditor may exercise any powers of the Auditor-General under Part 7 to the extent necessary to conduct the independent financial audit as if a reference in that Part to the Auditor-General includes a reference to the independent financial auditor.
6. The independent financial auditor may apply additional auditing and assurance standards applied by the Auditor-General under section 78(2) to the conduct of audits of the financial statements of the Victorian Auditor-General's Office.

Section 80 provides that after auditing the financial statements of VAGO, the independent financial auditor must provide a written audit opinion to the Committee and the Auditor-General. Section 81(4) of the Act provides that the independent financial auditor must transmit their report to each House of the Parliament within seven sitting days after finalisation.

Under section 81 of the Act, the independent financial auditor can also report on any recommendations for the more effective, efficient and economic operation of VAGO.

1.2 Previous financial auditor

The previous financial auditor appointed by the Parliament was Mr Steven Bradby, Audit Partner at PKF Melbourne. Mr Bradby undertook financial audits of VAGO for four years from 2019–2020 to 2022–2023. Mr Bradby's term will expire after reporting on the financial year 2022–2023, upon which the Committee recommends that his colleague Mr Kenneth Weldin, Joint Head of Audit and Assurance at PKF be appointed for a further 12 months under provisions in the Act.

1.3 Selection process

On 3 February 2020, the Committee commenced a public tender process to appoint an independent auditor to undertake the financial audit of the Victorian Auditor-General's Office. PKF's tender was successful, as set out in the Committee's report No. 126 tabled on 23 April 2020.

1.4 Financial auditor's role

As specified in the proposed contract, the independent financial auditor's role will be to:

- conduct an audit of VAGO's financial statements in the 2023–24 financial year;
- review and provide an audit opinion on VAGO's performance statement;
- form an opinion as to whether the financial statements of VAGO present fairly the financial position of the Office as at the end of the financial year and its financial

performance and cash flows for the financial year in accordance with applicable Accounting Standards and other mandatory professional reporting requirements;

- verify that the financial statements of VAGO comply with the financial reporting requirements of the *Financial Management Act 1994 (Vic)*, as amended, and relevant provisions of any successor legislation to that Act;
- form an opinion on the processes used by VAGO in the preparation of its accounts and financial statements;
- conduct the financial audit in compliance with:
 - the *Audit Act 1994 (Vic)*;
 - Australian Auditing Standards and professional reporting requirements;
 - the relevant compliance obligations of the Standing Directions of the Minister for Finance 2018;
- observe the standards and secrecy provisions that apply to VAGO in the conduct of an audit;
- prepare an appropriate audit plan for the financial audit which may include (but not be limited to) risk-based principles, controls-based testing, analytical reviews, adequacy of financial reporting systems and any other appropriate procedures to ensure a professional audit is undertaken in compliance with Australian Auditing Standards;
- meet on a regular basis with VAGO staff and/or the VAGO Audit Committee to discuss, clarify and resolve issues and findings;
- consult, as the independent financial auditor thinks fit, with the Chair of the Public Accounts and Estimates Committee and/or the Audit Sub-Committee of the Public Accounts and Estimates Committee;
- evaluate the progress, adequacy and effectiveness of measures implemented by VAGO to address issues and recommendations that accompanied the previous financial year’s audit opinion;
- prepare a management letter and/or operations letter to VAGO;
- take note of any:
 - related policy changes from the Department of Treasury and Finance; and
 - potential changes to the *Audit Act 1994 (Vic)* during the engagement period;
- prepare, as the independent financial auditor thinks fit, a report to the Parliament which may include such information and such recommendations for the more effective, efficient and economic operation of VAGO; and
- submit to the Committee a completion report for the 2023–24 financial year on the conduct of the independent financial audit, including details of meetings with the Auditor-General and VAGO, and any particular auditing issues dealt with during the financial audit.

1.5 Timelines and key deliverables

The Committee has specified that the following documents and reports were to be provided by the independent auditor for the financial audit of VAGO for the year ending 30 June 2024:

1. Prior to the commencement of the financial audit, the independent auditor must provide an audit plan to the Committee and VAGO for comment, preferably by 1 July 2024.
2. The independent financial auditor must provide a progress report to the Committee within four weeks of the commencement of the audit.
3. Following the conduct of the audit, the Service Provider may, if the Service Provider thinks fit, under section 81 of the *Audit Act 1994* (Vic), make a report on the audit for transmission to Parliament, including recommendations for the more effective, efficient and economic operation of VAGO.
4. The Service Provider's preliminary report and audit opinion including a copy of a proposed management letter and/or operations letter must be provided to the Committee and Auditor-General preferably by 30 July 2024.
5. The final audit opinion:
 - a. should preferably be ready to sign off by the VAGO Audit Committee, by no later than 9 August 2024; and
 - b. is to be transmitted to Parliament via its inclusion within the Auditor-General's 2023–24 Annual Report.
6. The independent financial auditor's finalised report and audit opinion including a copy of the final management letter and/or operations letter must be provided to the Committee as soon as completed, preferably by no later than 14 August 2024, and prior to the inclusion of the audit opinion in the Auditor-General's Annual Report to the Parliament.
7. The independent financial auditor's finalised report and audit opinion will be tabled in Parliament the next sitting week after 14 August 2024.
8. The independent financial auditor must also submit to the Committee a completion report on the conduct of the financial audit including details of meetings with the Auditor-General and VAGO and auditing issues dealt with during the audit together with the independent financial auditor's final report, performance statement review, audit opinion and management and/or operations letter, preferably by no later than 14 August 2024.

1.6 Recommended appointment

The Committee resolved to recommend the appointment of Mr Kenneth Weldin to conduct the financial audit of VAGO for the financial year ending 30 June 2024. Mr Kenneth Weldin is:

- Joint Head of Audit Assurance at PKF Melbourne Audit and Assurance, an accounting firm in Melbourne which is also a member of PKF Australia with offices in capital city locations across Australia; and
- a member of the Chartered Accountants Australia and New Zealand.

The Committee considers that Mr Weldin has the relevant experience in auditing. The Committee is confident in Mr Weldin's abilities and his understanding of the responsibilities demanded of an independent financial auditor of VAGO.

The Committee recommends that Mr Weldin be appointed for a period of 12 months at the fixed total fees outlined in the recommendation below.

1.7 Recommendation

The Committee recommends that:

RECOMMENDATION 1: In accordance with section 79 of the *Audit Act 1994* (Vic), the Legislative Council and the Legislative Assembly appoint Mr Kenneth Weldin of PKF Melbourne Audit and Assurance for a period of 12 months:

- a. to conduct the financial audit of the Victorian Auditor-General's Office for the financial year ending 30 June 2024;
- b. in accordance with the Agreement for the Provision of Services for the Financial Audit of the Victorian-Auditor General's Office; and
- c. at the following fixed fee level of remuneration:
 - \$46,100 (plus GST) for audit services for the year ending 30 June 2024.

**Adopted by the Public Accounts and Estimates Committee
55 St Andrews Place, East Melbourne
1 May 2023**

