



Public Accounts and Estimates Committee

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

Report

August 2024

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Committee membership



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Gippsland South



Aiv Puglielli
North-Eastern Metropolitan



Meng Heang Tak
Clarinda

About the Committee

Functions

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

The Committee is made up of 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 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's key responsibilities regarding the Victorian Auditor-General and the Victorian Auditor-General's Office (VAGO) are:

- recommending the appointment of the 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
- being consulted on draft performance audit and limited assurance plans
- conducting follow-up inquiries into selected VAGO performance audits.

Secretariat

Dr Caroline Williams, Executive Officer
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Recommendation

RECOMMENDATION 1: In accordance with section 79 of the *Audit Act 1994* (Vic), the Legislative Assembly and the Legislative Council appoint Andrew Wehrens of Nexia Melbourne Audit:

- a. To conduct the financial audits of the Victorian Auditor-General's Office for the financial years 2024–25 to 2027–28
- b. In accordance with the Terms, Conditions and Specifications set out in the Request for Tender issued on 11 June 2024
- c. At the fixed fees of:
 - \$40,000 (ex GST) for audit services for the year ending 30 June 2025
 - \$41,000 (ex GST) for audit services for the year ending 30 June 2026
 - \$42,000 (ex GST) for audit services for the year ending 30 June 2027
 - \$43,000 (ex GST) for audit services for the year ending 30 June 2028.

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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 to conduct annual financial audits of the Victorian Auditor-General's Office (VAGO) from 2024–25 to 2027–28.

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

Section 79 of the Act states in part:

- (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 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.

Section 80 of the Act requires the independent financial auditor to provide a written audit opinion on the financial statements to the Committee and the Auditor-General.

Section 81 provides that the independent financial auditor may make a report of the audit and prescribes that the report may include any information and recommendations the auditor considers necessary for VAGO to achieve its objectives effectively, economically and efficiently.

1.2 Previous financial auditor

In 2020 Steven Bradby of PKF Melbourne Audit and Assurance Pty Ltd was appointed for a four-year term to conduct the financial audits for 2019–20 to 2022–23. Following the expiry of Mr Bradby's term, Kenneth Weldin of PKF Melbourne Audit and Assurance was appointed for a period of twelve months to conduct the financial audit of VAGO for 2023–24.

1.3 Selection process

On 5 February 2024, the Committee resolved to commence an open tender process to procure an independent financial auditor to undertake the financial audits of VAGO for the financial years 2024–25 to 2027–28.

The Secretariat in consultation with the Legal and Procurement Teams at the Parliament of Victoria, prepared the Request for Tender (RFT). The Committee sought a current list of individuals and organisations with contractual relationships with VAGO, to mitigate any potential or real conflicts of interest arising during the procurement process.

The RFT was released on 5 March 2024, and was advertised in *The Age* and the *Australian Financial Review*. The tender process was unsuccessful.

On 13 May 2024, the Committee resolved to undertake a select tender process. A RFT invitation was distributed on 11 June 2024 to selected suppliers. Tender submissions closed on 1 July 2024.

Following an evaluation of the tender submissions, the Committee interviewed two shortlisted firms on 29 July 2024.

1.4 Financial auditor's role

The independent financial auditor will:

- conduct an audit of VAGO's financial statements in the 2024–25 financial year and the years ending 30 June 2026, 30 June 2027 and 30 June 2028
- 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 each financial year and its financial

performance and cash flows for each 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*
 - 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 of 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 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
 - 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
- submit to the Committee a completion report for the 2024–25, 2025–26, 2026–27 and 2027–28 financial years 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 Timeline and key deliverables

The independent financial auditor must provide the following reports to the Committee on the financial audit of VAGO for the financial year ending 30 June 2025:

1. Prior to the commencement of the financial audit, the independent financial auditor must provide an audit plan to the Committee and VAGO for comment, by 1 July 2025.
2. The independent financial auditor must provide a progress report to the Committee within four weeks of the commencement of the financial audit.
3. Following the conduct of the audit, the independent financial auditor may, if the independent financial auditor 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 independent financial auditor'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 2025.
5. The final audit opinion:
 - should be ready for sign off by the VAGO Audit Committee, by no later than 9 August 2025
 - is to be transmitted to Parliament via its inclusion within the Auditor-General's 2024-25 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, by no later than 14 August 2025, and prior to the inclusion of the audit opinion in the Auditor-General's Annual Report to the Parliament.
 - A verbal briefing to the Committee on the results of the financial audit may be required.
7. The independent financial auditor's finalised report and audit opinion will be tabled in Parliament the next sitting week after 14 August 2025.
8. The independent financial auditor must submit to the Committee a completion report on the conduct of the independent 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 by no later than 14 August 2025.

The timeframes for the following three financial years will be agreed between the independent financial auditor and the Public Accounts and Estimates Committee prior to the commencement of the financial audits for each of the following years ended 30 June 2026, 30 June 2027 and 30 June 2028.

1.6 Recommended appointment

The Committee recommends that Andrew Wehrens of Nexia Melbourne Audit (Nexia) be appointed as the independent financial auditor of VAGO for the years 2024–25 to 2027–28. Mr Wehrens is Partner and Division Head of Audit and Assurance at Nexia and has:

- been a Chartered Accountant for over 40 years and a Registered Company Auditor since 1998
- extensive experience across a broad range of industries.

The Committee notes that Nexia has experience auditing Auditor-General's offices in Australia, and its parent company, Nexia International, is one of the world's top independent accounting and consulting firms.

The Committee considers that Mr Wehrens has the relevant expertise and experience to lead the financial audits of VAGO and is confident in his understanding of the responsibilities demanded of an independent financial auditor of VAGO.

RECOMMENDATION 1: In accordance with section 79 of the *Audit Act 1994* (Vic), the Legislative Assembly and the Legislative Council appoint Andrew Wehrens of Nexia Melbourne Audit:

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 - \$43,000 (ex GST) for audit services for the year ending 30 June 2028.

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

